Absa Group Limited

Annual consolidated and separate financial statements for the year ended 31 December 2024

Your story matters

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Absa Group Limited

(1986/003934/06)

Annual consolidated and separate financial statements for the year ended 31 December 2024

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

Directors' approval

Statement of directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditors' responsibility statement set out on page 13 is made to distinguish, for the benefit of shareholders, the respective responsibilities of the directors and of the auditors in relation to the consolidated and separate financial statements of Absa Group Limited and its subsidiaries (the Group).

In accordance with the Companies Act 71 of 2008 (Companies Act), the directors are responsible for the preparation of the annual financial statements. These annual financial statements conform to IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the South African Companies Act, the JSE Listings Requirements, and fairly present the affairs of Absa Group Limited standalone company (the Company) and Absa Group Limited (the Group) as at 31 December 2024, and the net income and cash flows for the year then ended.

To enable the directors to meet these responsibilities:

- All directors and senior management develop an environment whereby all directors and employees endeavour to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that, in all reasonable circumstances, is above reproach and in line with the King IV code of conduct report.
- The Board of Directors of the Group (Board) sets standards and management implements systems of internal control and accounting as well as information systems aimed at providing reasonable assurance that both on- and off-statements of financial position are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.
- The Board and management identify all key areas of risk across the Group and endeavour to mitigate or minimise these risks by ensuring that appropriate infrastructure, controls, systems, and discipline are applied and managed within predetermined procedures and constraints.
- The Group's Internal Audit and Compliance functions, which operate unimpeded and independently from operational management and have unrestricted access to the Group Audit and Compliance Committee (GACC), appraise, evaluate and, when necessary, recommend improvements to the systems of internal control, accounting and compliance practices, based on plans that, combined with the efforts of the Group's risk functions, take cognisance of the relative degrees of risk of each function or aspect of the business.
- The GACC, together with the external and internal auditors, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure. The GACC is satisfied that the external auditors (KPMG & PwC) are independent.
- The Board approves the Enterprise Risk Management Framework (ERMF) through recommendation by the Group Risk Capital Management Committee (GRCMC).
- The Board, through the GACC which is assisted by the GRCMC in respect of risk matters, reviewed the compliance practices and procedures to enable the Board to discharge their regulatory responsibilities, by overseeing the plan and progress management makes in improving compliance in respect of Know Your Customer, Anti-Money Laundering and Sanctions requirements; and by considering that the Group's systems and processes appropriately reflect the current legal and regulatory environment, refer to note 49.
- The Group consistently adopts appropriate and relevant accounting policies, and these are supported by reasonable and prudent judgements and estimates on a consistent basis.

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

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

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

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

It is the responsibility of the independent external auditors to report on the financial statements. Their report to the shareholders of the Group and the Company is set out on pages 13 to 20 of this report.

The Directors' Report on pages 8 to 12 and the annual financial statements of the Group and the Company were approved by the Board and are signed on their behalf by:

S Moloko
Group Chairman

C Russon
Interim Group Chief Executive officer

Johannesburg

10 March 2025

Interim Group Chief Executive officer and Group Financial Director responsibility statements

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

a) The annual financial statements, set out on pages 21 to 287, fairly present in all material respects the consolidated and separate financial position, financial performance and cash flows of Absa Group Limited in terms of the International Financial Reporting Standards (IFRS® Accounting Standards).

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

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

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

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

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

C Russon
Interim Group Chief Executive officer

D Raju
Group Financial Director

Johannesburg

10 March 2025

Group Audit and Compliance Committee Report

Introduction

The Group Audit and Compliance Committee (Committee) is pleased to present its report for the 2024 financial year. The report has been prepared in accordance with the Companies Act, No. 71 of 2008 (as amended), the Banks Act of 1990, the King IV Report on Corporate Governance for South Africa 2016, the JSE Limited (JSE) Listings Requirements, and other relevant regulatory provisions.

This document outlines the roles and responsibilities of the Committee and provides an account of how it fulfilled its statutory obligations, including the Key Audit Matters (KAMs) addressed during the reporting period.

Objective

The Committee's purpose is to support the Board in fulfilling its oversight responsibilities, by assessing the sufficiency and effectiveness of accounting policies, internal financial controls, regulatory compliance, and the processes relating to financial and corporate reporting and governance. In addition, the Committee evaluates the effectiveness of the internal auditors as well as the Group Compliance and Group Finance functions and recommends the appointment of the joint external auditors to shareholders. Comprehensive details regarding the Committee's functions are available in its mandate, which undergoes an annual review and update.

Composition and governance

The Committee consists solely of independent non-executive directors, whose appointments receive annual approval by shareholders at the Annual General Meeting (AGM). The members bring expertise in banking, finance, risk management, and governance, along with commercial acumen necessary for the Committee's effective performance. The Board annually evaluates and concludes on the independence and effectiveness of the Committee and its members in the discharge of their fiduciary responsibilities.

In the 2024 financial year, eight formal Committee meetings were convened in alignment with key reporting and regulatory timelines. This ensured the thorough review and approval of financial results prior to their release to the market and regulators. These meetings included the Committee's annual session with the South African Reserve Bank's Prudential Authority.

The Committee's composition and the attendance of its members at scheduled meetings for the 2024 financial year are as follows:

Member	Meeting attendance*
Tasneem Abdool-Samad (Chairman)	8/8
Alison Beck	8/8
Daisy Naidoo (retired on 4 June 2024)	3/4
Fulvio Tonelli	8/8
Peter Mageza	7/8
René van Wyk	8/8
Swithin Munyantwali (resigned on 12 March 2024)	1/3

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

The Committee ensures that the Board remains informed and provides guidance on the Group's financial reporting requirements enabling effective oversight of Finance, Risk, Compliance, Internal Audit, and the external auditors. The Committee conducted regular meetings with senior management, to address specific matters encountered during the year. The Chief Internal Auditor (CIA), Chief Compliance Officer (CCO) and external auditors have direct access to the Committee, including closed sessions without management present, on any matters relevant to the Committee's responsibilities. The Committee Secretary regularly met with the Chairman to ensure governance responsibilities were met, consider stakeholders' input when finalising meeting agendas, tracking progress on actions, and setting priorities.

Key focus areas

In accordance with the Committee's overarching objective, the Committee reviewed the following matters, amongst others, during the year under consideration:

Control environment approach

The Committee continued to oversee the Group's Control Environment (CE) to ensure it remains robust, resilient, and adaptable to any challenges within the Group's operational context. The Committee is confident that the Group's CE and its constituent components effectively support its strategy.

The Committee oversaw the successful migration of the Group's consolidation and reporting system. Throughout the year, the Committee also concentrated on the Group's regulatory compliance posture, quality of regulatory reporting, financial crime risk management, anti-money laundering and remediation of Know Your Customer (KYC) refreshes. After careful consideration of all relevant information, the Committee is satisfied that the Group's financial and internal controls are adequate, with no material breakdowns resulting in significant loss to the Group.

Combined Assurance

The Committee conducted a review of the Combined Assurance approach to ensure it meets the Internal Financial Controls attestation and assurance requirements as per the Banks Act, King IV and the JSE Listings Requirements. The Committee examined the assessment of control functions as stipulated by Banks Act Regulation 40(4), the attestations from the Interim Group Chief Executive Officer and Group Financial Director in compliance with the JSE Listings Requirements, the Internal Audit's Statement on Internal Financial Controls over Financial Reporting, and the Internal Audit's Statement on Governance Risk Management and Control.

Guided by the Group Risk Capital Management Committee (GRCMC), the Committee also evaluated the scope of the Group's critical risks across each Business Unit and Function as detailed in the Annual Combined Assurance plan, which spans the three Lines of Defence. The Committee is confident that the Combined Assurance Plan for 2024 adequately addresses critical risks.

Technology, Cyber and Information security

Throughout 2024, technology, cyber and information security risks have escalated across global industries. The Committee together with the Information Technology Committee (ITC), assessed key internal and external audit findings regarding the IT control environment. This includes tracking progress in reinforcing controls and improving processes to mitigate residual risks.

Know Your Customer (KYC)

The Committee reviewed the Group's KYC compliance and observed the necessity for accelerated momentum to prevent overdue refreshes into the next period. Notable progress was achieved throughout 2024, leading to a low carry-over rate primarily of low-risk customers.

External auditors

PricewaterhouseCoopers (PwC) and KPMG have been reappointed as joint auditors for the 2024 audit.

The Committee is responsible for evaluating the effectiveness, objectivity and independence of the Group's external auditors. This responsibility was fulfilled by the Committee during the year through formal meetings, private discussions with both audit firms, and meetings with Group executives. The Committee also ensured that the appointment and independence of the external auditors adhered to the Companies Act, JSE Listings Requirements, and all other relevant regulatory and legal standards. This process included receiving submissions from the external auditors as part of the suitability assessments of both the firms and the designated audit partners. Additionally, the Committee continued to evaluate potential regulatory and reputational issues affecting the firms. The terms of the audit engagement letter and related fees were reviewed and approved by the Committee.

For the 2024 audit period, the Committee reviewed the external audit plan to ensure significant focus areas were appropriately addressed. Key features highlighted in the external audit plan include the reassessment of the Group audit scoping in accordance with the revised ISA600 requirements. Additionally, the external auditors considered potential additional risks arising from the economic and political environment in South Africa and across Africa that impact the measurement of estimates including macroeconomic variables and areas of judgement. The Committee also discussed feedback from the external auditors regarding key audit matters that remained consistent with those from 2023, such as the Group's critical accounting estimates and judgements, expected credit losses (ECL) of loans and advances to customers, and the valuation of complex financial instruments.

The Group's policy on non-audit services ensures the independence and objectivity of its external auditors and to define the approval process for engaging the external auditors for non-audit services. The primary principle of this policy is that the external auditors may only be engaged for services that do not compromise their independence and objectivity. During the current financial year, all non-audit services were approved by the Committee in accordance with the Board-approved policy on non-audit services provided by the external auditor. The Committee has confirmed that the fees for non-audit services for the year ended 31 December 2024 were permissible and within the established thresholds outlined in the policy.

The Committee reviewed whether any reportable irregularities were identified and reported by the external auditors in accordance with the Auditing Profession Act, No. 26 of 2005, and concluded that no such reportable irregularities were identified.

Internal Audit

The Group's Internal Audit (IA) function is an essential component of the Group's control framework and plays a crucial role in supporting the Committee's work. Throughout the year, the GACC monitors the performance of the IA Function and holds regular meetings with the CIA and members of the IA senior management team. This ensures that the Committee remains informed about the current work programme and any emerging issues. The IA Function consistently demonstrates high levels of professional objectivity in collecting, evaluating, and disseminating information, as well as maintaining strong professional ethics in its operations.

The Committee reviewed and approved the internal audit strategy, charter, audit plan, and any subsequent modifications. Additionally, the Committee assessed the independence, effectiveness and performance of the internal audit department, ensuring compliance with its charter.

Significant matters

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

Significant matter	How the Committee addressed the matter
Expected credit losses on loans and advances to customers	The measurement of ECL involves significant judgements. The global, regional, and domestic economic outlook remains highly uncertain, leading to an elevated degree of uncertainty regarding ECL estimation. As part of its monitoring, the Committee reviewed several management reports on various aspects of the ECL model, emphasising the key judgements and assumptions used in the calculation of ECLs. After reviewing these reports, the Committee concurred with both management and other assurance providers' conclusion that the impairment provision recognised at year end was appropriate. Additionally, the Committee received appropriate input on the refreshed macroeconomic scenarios and the judgement exercised by management in determining post-model adjustments. The Committee is satisfied that adequate governance and controls over the ECL model are in place and effective.
Valuation of complex financial instruments	Due to the ongoing volatile market conditions in 2024, management continuously assessed its assumptions and inputs to the valuation of the Group's financial instruments with less observable fair value measurements. Management's analysis provided evidence to support adjustments in accordance with IFRS® Accounting Standards. The Committee considered the primary valuation metrics and judgements used to determine the fair value of financial instruments. Additionally, the Committee considered the valuation control framework, valuation metrics, significant year end judgements, and emerging valuation matters and concurs with the judgements applied by management.

Financial, legal, compliance and regulatory reporting requirements

The Committee conducted an annual review of the mandate of the compliance function and, in conjunction with the Board, also assessed the medium-term strategy of the function.

The Committee received reports from the compliance function, which included cyclical assurance coverage over key regulations and its execution, management of regulatory commitments, as well as regulatory fines and censures, and the quality of regulatory relationships.

During the reporting period, the Committee evaluated the Group's overall compliance status in relation to policies and regulations, as well as any significant breakdowns and financial statement compliance. This evaluation included issues reported by Compliance (supported by the s64B statement from the Chief Compliance Officer), Internal Audit, and external audit. This scope also extended to financial crime and market conduct, with the latter being reviewed in conjunction with the Group Social, Sustainability and Ethics Committee. In addition, the Committee placed emphasis on regulatory compliance and interaction with central banks.

The Committee further assessed the adequacy and effectiveness of the Group Compliance function. This assessment specifically focused on additional investments in compliance technology and data, the ongoing upskilling of the Compliance team, the function's ability to oversee regulatory compliance, and the function's balanced score card (BSC). The Committee monitored the delivery of the Group Compliance function's mandate, including aspects such as independence, access to information, succession planning, skills, and capacity.

Audit Chairs Conference

During the year, the Committee Chairman participated in the Audit Chairs Conference of the Subsidiary Audit Committees. The conference aimed to provide a platform for the Absa Audit Chairs community to connect on topics such as methodologies, collaboration, and other relevant matters. It also facilitated the sharing and discussion of issues specific to audit committees.

Several key outcomes emerged from the discussions at the conference. Maintaining a satisfactory control environment within the Group remained a top priority, alongside ensuring an appropriate compliance tone and posture to meet all regulatory commitments. The conference also highlighted the importance of adopting an appropriate approach to align external audit deadlines between the Group and its subsidiaries, while enhancing the capability of Combined Assurance resources and engaging key stakeholders.

As the Group further enhances its digital transformation, identifying risks and opportunities for audit committees became crucial. Lastly, the importance of continuing to share information across the Group to improve communication was underscored.

Annual financial statements and integrated reporting process

The Committee is entrusted with reviewing all formal announcements related to the Group's performance. During its review, the Committee evaluated management's application of critical accounting policies and significant areas where substantial accounting judgements were made, particularly focusing on the key assumptions used in calculating expected credit losses. The Committee also assessed the appropriateness of accounting policies and principles, considering the current local and global context, and ensured compliance with disclosure requirements under relevant financial and governance reporting standards.

The Committee reviewed the response to the JSE for the Proactive Monitoring report and incorporated suggested enhancements into the Annual financial statements where applicable. These enhancements will be applied to the Interim financial results. The Committee continued to monitor management's assessment of the application of IAS 29: 'Financial Reporting in Hyperinflationary Economies', and evaluated the appropriateness of related disclosures. Additionally, the Committee recommended to the Board that the financial statements be prepared on a going concern basis, noting no material uncertainties and that forecasted capital ratios remained above minimum mandatory requirements and within the Board's target ranges.

Engagement with senior management ensured the processes underlying the preparation of the annual financial statements were appropriate. The Committee reviewed the fair values and valuation methods of significant assets and liabilities held by the Group, including unlisted equities, other hybrid securities, and investment properties. The Committee conducted a review of the annual financial statements, requesting amendments where necessary, and stayed informed about any amendments to the JSE Listings Requirements and management's responses regarding future changes to IFRS or other regulations affecting disclosure requirements.

The Committee confirmed that management had substantively reported the basis on which representations to external auditors were made, sought input and assurance from the external auditors, and reviewed the summary of audit differences. The Committee also reviewed the integrated report process, after considering recommendations from various committees.

The Committee reviewed assessments of Banks Act Regulation 40(4), the CEO/CFO attestations, Internal Audit's statements on Internal Financial Controls over Financial Reporting, and Governance Risk Management and Control. The Committee concluded that the processes underlying the preparation of the annual financial statements, and the financial information included in the integrated report for the year ended 31 December 2024 were suitable for ensuring fairness, balance, and clarity. Consequently, the Committee recommended these reports for Board approval, and the Board subsequently approved the annual financial statements.

Future accounting developments

Several new standards and amendments to existing standards have been issued but are not yet effective for the reporting period. IFRS 18 is a new standard that will be effective for annual reporting periods beginning on or after 1 January 2027, with earlier adoption permitted. The Group is currently assessing the impact of this standard. None of the new standards or amendments to existing standards have been early adopted in preparing these annual financial statements and are not anticipated to have a material impact on the Group.

Looking ahead

The Committee's responsibilities will encompass reviewing the Group's regulatory reporting processes, including any changes to the JSE Listings Requirements, and management's response to upcoming amendments to IFRS, legislation and other regulations affecting disclosure requirements. The Committee will continue to strengthen the Group's regulatory posture, and will assess the implications of Environmental, Social and Governance (ESG) disclosures and related assurance processes to ensure the Group complies with the minimum ESG disclosure requirements as mandated by the Integrated Reporting (IR) Framework, issued by the International Auditing and Assurance Standards Board (IAASB).

Conclusion

The Committee confirms that it has fulfilled all statutory obligations and duties assigned by the Board under its terms of reference, including adherence to paragraph 3.84(g) of the JSE Listings Requirements. Additionally, the Committee confirms that financial and internal controls are adequate, with no significant breakdowns resulting in material loss for the Group. After reviewing the Group and separate Company financial statements for the year ended 31 December 2024, the Committee have recommended their approval to the Board, which subsequently approved the annual financial statements.

On behalf of the GACC

T Abdool-Samad
Chairman of the GACC

Johannesburg

10 March 2025

Company Secretary's certificate to shareholders of Absa Group Limited

In accordance with the provisions of the Companies Act, I certify that, in respect of the year ended 31 December 2024, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission, all returns and notices prescribed by the Act and that all such returns and notices are true, correct and up to date.

N R Drutman
Company Secretary

Johannesburg

10 March 2025

Directors' report

General information and nature of activities

The Group, which has a primary listing on the JSE and a secondary listing on the A2X exchange, is incorporated and domiciled in South Africa and provides retail, business, corporate, investment banking, insurance, financial services and wealth management products and services. The Group operates in 12 African countries, as well as the UK and USA and employs 36 779 people. The address of the registered office of the Group is the 7th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001.

The Group is one of South Africa's largest financial services organisations, serving retail, business and corporate customers and clients in Sub-Saharan Africa. The Group has majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Absa Bank Tanzania and National Bank of Commerce), Uganda and Zambia, representative offices in Namibia and Nigeria, as well as securities entities in the United Kingdom and United States, along with a non-banking advisory subsidiary in China and a Technology support office in the Czech Republic.

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

The consolidated and separate financial statements were approved for issue by the Board Finance Committee, a committee of the Board, on 10 March 2025.

The financial statements present the financial positions, results of operations and cash flows of the Group and the Company for the reporting period ended 31 December 2024.

Group Audit and Compliance Committee (GACC) report

Refer to pages 3 to 6.

Group results

Main business and operations

The Group recorded an increase of **9.89%** in headline earnings to **R22 059m** (2023: R20 074m) for the reporting period. Headline earnings per share (HEPS) increased by **9.89%** to **2 662.2 cents** (2023: 2 422.3 cents) and diluted HEPS by **10.05%** to **2 657.7 cents** (2023: 2 415.1 cents). Refer to note 39 for the breakdown of headline earnings.

Headline earnings were derived from the following activities:

	Group	
	2024 Rm	Restated 2023 Rm
Product solutions Cluster	**3 276**	2 368
Relationship Banking	**4 292**	4 145
Everyday Banking	**4 004**	3 394
Absa Regional Office RBB	**1 780**	1 584
Corporate and Investment Banking	**11 740**	11 025
Head office, Treasury and other operations	**(3 033)**	(2 442)
Headline earnings (refer to note 39)	**22 059**	20 074

Certain comparative segmental information contained in this set of financial statements has been restated due to business portfolio changes. As at 1 January 2024, the Group no longer reports normalised financial results due to the immaterial impact between IFRS and normalised reporting, and is therefore no longer reviewed by the Chief Operating Decision Maker (CODM). The prior year impact from the Barclays PLC separation has been subsumed into Head Office, Treasury and other operations. Refer to notes 1.21.3 and 53 for further details.

Details of the members of the Board:

Name	Position as director	Changes in the current reporting period
S Moloko	Independent non-executive director, Chairman	
N Mjoli-Mncube	Lead independent non-executive director	
T Abdool-Samad	Independent non-executive director	
A Beck (British)	Independent non-executive director	
J Cummins (British)	Independent non-executive director	
L Diogo (Mozambican)	Independent non-executive director	
R Keanly	Independent non-executive director	
P Mageza	Independent non-executive director	
A Mangale	Independent non-executive director	
S Munyantwali (Ugandan/British)	Independent non-executive director	Resigned 12 March 2024
D Naidoo	Independent non-executive director	Retired 4 June 2024
D Raju	Group Financial Director	Appointed 26 April 2024
A Rautenbach	Group Chief Executive Officer	Retired 15 October 2024
C Russon	Interim Group Chief Executive Officer	Appointed 15 October 2024
I Rensburg	Independent non-executive director	
C Snyman	Interim Group Financial Director	Stepped down from interim position 26 April 2024
F Tonelli	Independent non-executive director	
R van Wyk	Independent non-executive director	

Shareholder information

	2024			2023		
	Number of Shareholders/ note holders	**Number of Shares/notes**	**% holding**	Number of Shareholders/ note holders	Number of Shares/notes	% holding
Public and non-public shareholders						
Ordinary shares						
Public						
Public Investment Corporation (SA)	**1**	**43 459 283**	**4.86**	1	45 962 816	5.14
M&G plc	**2**	**51 165 669**	**5.72**	2	45 234 592	5.06
Other	**55 698**	**734 212 154**	**82.09**	56 500	737 144 901	82.42
Non-public		**65 539 801**	**7.33**		66 034 598	7.38
Treasury shares (Refer to note 22.2)		**64 918 470**	**7.26**		65 322 253	7.30
Directors and prescribed officers refer to note 22.3)		**621 331**	**0.07**		712 345	0.08
Total		**894 376 907**	**100**		894 376 907	100

The note has been amended in the current financial year to disclose M&G plc separately from 'Other' public shares. The same amendment was consequently applied to the comparative period.

Additional Tier 1 capital

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

Treasury shares

The Absa Group Limited Share Incentive Trust and Absa Capital Securities Proprietary Limited hold **2 312 087** treasury shares (2023: 2 715 870). Newshelf 1405 (RF) Proprietary Limited (which is currently consolidated into the Group) holds **62 606 383** (2%) Absa Group Limited shares (2023: 62 606 383) as part of the Group's B-BBEE transaction. 3% is designated for the SA Staff Scheme (eKhaya transaction), in which employees will become shareholders after five years (from 1 September 2023). 4% is designated for an evergreen CSI Trust. The CSI trust was established in 2023, and will transfer its substantial dividend income received to its beneficiaries, who will be primarily black participants in CSI programmes focusing on education and youth employment. For further information regarding the B-BBEE transaction, refer to note 22.2.

Re-election of retiring directors

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

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

Directors' and officers' personal financial interests in contracts

Transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties. Executive directors are entitled to Absa Group Ordinary shares awards, the details of which are included in the Directors' and prescribed officers' remuneration note 61.

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

Directors' and prescribed officers' emoluments

The emoluments and services of Directors and prescribed officers are determined by the Group Remuneration Committee (Remco) as disclosed in the Directors' and prescribed officers' remuneration note 61.

Subsidiaries, associates and joint ventures

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

Acquisitions during the current reporting period

Absa Bank Limited increased it's shareholding in South African Bankers Services Company Proprietary Limited by 0,685%. This increased the carrying value of the investment by R106m.

Absa Group Limited increased it's shareholding in Sanlam Investment Holdings Proprietary Limited. This increased the carrying value of the investment by R24m.

On 6 July 2024, Absa Bank Mauritius Limited met the conditions for acquiring HSBC's domestic Wealth, and Personal and Banking business in Mauritius. The acquisition became effective on this date and meets the definition a business combination within the scope of IFRS 3.

The fair value of the acquired loans and advances is R2 454m. The gross contractual amount for the loans and advances is R2 491m, with a loss allowance of R37m recognised on acquisition.

The acquisition date fair value of the consideration transferred was allocated to the fair values of the acquired assets of R6 985m and liabilities assumed of R6 916m. The gain on bargain purchase recognised in the consolidated statement of comprehensive income due to the acquisition of the business was R69m. The acquired business contributed revenues of R69m and profit of R65m to the group for the period ended 31 December 2024.

Acquisitions during the prior reporting period

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

Disposals during the current reporting period

Devco Holdings, a division in the Relationship Banking segment, divested its entire shareholding in Absa Property Development (Pty) Ltd. The assets held at the time of the divestment were valued at R203m, while the liabilities amounted to R228m. The sale was finalised on 28 June 2024 and resulted in a profit of R25m.

Disposals during the prior reporting period

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

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

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

Dividends

- On 19 August 2024 an interim dividend of 685 cents per ordinary share was declared. The dividend was announced on 19 August 2024 to ordinary shareholders registered on 13 September 2024. The dividend was paid on 16 September 2024.
- On 10 March 2025, a final dividend of 775 cents per ordinary share was approved by the Board. The dividend was announced on 11 March 2025 to ordinary shareholders registered on 25 April 2025. This dividend is payable on 29 April 2025.
- Refer to Note 42 for Common Equity Tier 1 distribution.

Special resolutions

The following special resolutions were passed by the Group's ordinary shareholders at the AGM held on 4 June 2024, in accordance with the Companies Act:

- **Special resolution number 1 – Remuneration of non-executive directors**

  Resolved to approve the proposed remuneration to be payable to non-executive directors for their services as directors of the Company for the period 1 June 2024 to and including the last day of the month preceding the date of the next AGM.

- **Special resolution number 2 – General authority to repurchase the Company's securities**

  Resolved that the Company or any subsidiary of the Company may, subject to the Company's MOI, section 48 of the Companies Act, the JSE Listings Requirements and any other stock exchange upon which the securities in the capital of the Company may be quoted or listed from time to time, repurchase ordinary shares issued by the Company, provided that this authority shall be valid only until the date of the next AGM of the Company or for 15 months from the date of the resolution, whichever is the earlier, and may be varied by a special resolution at any general meeting of the Company at any time prior to the AGM.

- **Special resolution number 3 – Financial assistance for subscription of securities**

  Resolved to enable the Company, in terms of a general authority contemplated in section 44(3)(a)(ii) of the Companies Act, for a period of two years from the date of this resolution, to provide financial assistance as regulated by section 44 of the Companies Act for the purpose of or in connection with the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company.

- **Special resolution number 4 – Financial assistance to a related or inter-related company**

  Resolved to enable the Company, in terms of a general authority contemplated in section 45(3)(a)(ii) of the Companies Act, for a period of two years from the date of this resolution, to provide direct or indirect financial assistance as contemplated in section 45 of the Companies Act to a related or inter-related company/ corporation and/or to a member of a related or inter-related company/corporation.

Company Secretary

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

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

Telephone: (+27 11) 350 5347

Email: groupsec@absa.africa

Auditors

KPMG Inc. and PricewaterhouseCoopers Inc. were appointed as joint auditors of the Group for the 2024 reporting period, effective 1 January 2024. Riaz Muradmia and John Bennett are the designated audit partners.

Authorised and issued share capital

Authorised

The authorised share capital of the Company of R1 900 000 000 consists of 950 000 000 ordinary shares of R2,00 each.

Issued

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

894 376 907 (2023: 894 376 907) ordinary shares of R2,00 each.

No preference shares are currently in issue by the Group.

Acquisition of shares

Between 14 May and 17 October 2024, 3 200 000 Group ordinary shares were repurchased for R511.9m, at an average price of R159.98 per share, under the general authority to repurchase shares previously granted by shareholders. These ordinary shares were purchased by the Group for the purpose of settling vested equity settled share-backed schemes.

- During the period 14 – 16 March 2024, 2 000 000 Group ordinary shares were purchased for R306.46m, at an average of R153.23 per share;
- During the period 15 – 17 October 2024, 1 200 000 Group ordinary shares were purchased for R205.48m, at an average of R171.23 per share.

Independent auditors' report

To the Shareholders of Absa Group Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

We have audited the consolidated and separate financial statements of Absa Group Limited (the Company) and its subsidiaries (together the Group) set out on pages 21 to 287, which comprise:

- the consolidated and company statements of financial position as at 31 December 2024;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the consolidated and company financial statements excluding the sections marked as "unaudited" in notes 46.5 Nature and extent of significant restrictions relating to investments in subsidiaries, 48 Assets under management and administration, 58.6.1 Capital risk and 58.7 Insurance risk management to the consolidated financial statements, but including the summary of material accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Absa Group Limited as at 31 December 2024, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette Number 49309 dated 15 September 2023 (EAR Rule), we report:

Final materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures. Materiality is also used in evaluating the effect of misstatements, both individually and in aggregate, on the consolidated and separate financial statements as a whole.

Based on our professional judgement, we determined certain quantitative thresholds for materiality for the consolidated and separate financial statements as a whole as follows:

	Consolidated Financial Statements	Separate Financial Statements
Final materiality	R1,600 million	R980 million
How we determined it	5% of profit before tax	1% of total assets
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector and is further based on our professional judgement after consideration of qualitative factors that impact the Group.	We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users and is a generally accepted benchmark for bank holding companies. We chose 1% which is consistent with quantitative materiality thresholds used for bank holding companies in this sector and is further based on our professional judgement after consideration of qualitative factors that impact the Company.

Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We performed risk assessment procedures to determine those components in the Group that are likely to include risks of material misstatement to the Group's financial statements and the extent of audit procedures to perform at those components to address those risks.

We identified thirteen (13) components at which further audit procedures were performed on the entire financial information of the components, either because audit evidence needed to be obtained on all or a significant proportion of the component's financial information, or that component represented a pervasive risk of material misstatement to the consolidated financial statements.

We also identified thirty-eight (38) components, at which further audit procedures were performed on one or more classes of transactions, account balances or disclosures based on the assessed risks of material misstatement to the consolidated financial statements.

Accordingly, we performed audit procedures on fifty-one (51) components, of which we involved component auditors in performing the audit work on forty-four (44) components.

Based on our risk assessment procedures, we have determined that there is a less than reasonable possibility of a material misstatement in the remaining financial information not subject to further audit procedures.

Group auditor oversight

As part of establishing the overall Group audit strategy and plan, we conducted risk assessment and planning discussion meetings with component auditors to discuss the Group audit risks relevant to the respective components.

As group auditor, we engaged with the component auditors to assess the audit risks and strategy relating to their respective components. During these engagements, the results of the planning procedures and further audit procedures communicated to us were discussed in more detail, and any further audit procedures required by us was then performed by the component auditors.

We also inspected the work performed by component auditors for the purpose of the Group audit and evaluated the appropriateness of conclusions drawn from the audit evidence obtained and consistencies between communicated findings and work performed.

Key audit matters

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

We have determined that there are no key audit matters to communicate in respect of the separate financial statements.

In terms of the EAR Rule, we are required to report key audit matters and the outcome of audit procedures or key observations with respect to the key audit matters, and these are included below.

Key audit matter
Expected credit losses (ECL) on loans and advances to customers The disclosure associated with ECL on loans and advances to customers is set out in the consolidated financial statements in the following material accounting policies and notes: • Note 1.2.1 – Approach to credit risk and impairment of loans and advances • Note 1.7.4 – Expected credit losses on financial assets • Note 7 – Loans and advances • Note 33 – Credit impairment charges • Note 58.2 – Credit risk • Note 58.3 – Macro-overlays and sensitivity analysis

Independent auditors' report to the Shareholders of Absa Group Limited

Key audit matter	How our audit addressed the key audit matter
The Group's loans and advances to customers and the related ECL is material to the consolidated financial statements. We identified the audit of ECL on loans and advances to customers to be a matter of most significance to the current year audit due to the following: 1. There is a high degree of estimation uncertainty and significant judgements and assumptions in estimating modelled ECL on loans and advances to customers; 2. Economic scenario forecasts, incorporating forward-looking information (FLI) which are used to estimate the ECL on loans and advances to customers, require estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation. Any impacts not captured by the statistical model are accounted for via further management adjustments, some of which are judgemental in nature. Such adjustments are also posted where current and forward-looking risks are not fully reflected in the historic data used to calibrate models; 3. Wholesale stage 3 impairments of loans and advances to customers are assessed for recoverability individually and require significant management judgement in estimating future recoveries; and 4. Credit risk disclosures are significant as they explain the application of IFRS 9 including key judgements and material inputs used in determining the ECL. In calculating the ECL, the key areas of significant management judgement and estimation included:	Making use of our internal quantitative and economic expertise, our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on loans and advances to customers, as set out below. In addition, we tested controls and/or performed substantive procedures over the model data inputs, where the inputs are considered material to the models. Where management made use of qualitative or quantitative out-of-model adjustments to cater for forward-looking risks, these were substantively assessed for reasonability.
1. Modelled ECL impairment losses • A significant portion of ECL is calculated on a modelled basis which incorporates observable data, assumptions, and estimations. The development and execution of these models requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters. • Significant increase in credit risk (SICR) is assessed based on the current risk of default of an account relative to its risk of default at origination. This incorporates judgement and estimation by management. • The determination of the write-off point, and application of the cure rules are based on management's judgement. The credit impairment models are subject to formal model governance and approval.	**1. Modelled ECL impairment losses** • We obtained an understanding of management's data, methodologies and assumptions used in the various ECL models and how these were calibrated to use historical information to estimate ECL, including the controls over the governance of changes to ECL models and the implementation of new ECL models where relevant. • We tested the IT general controls, including change management controls, and application controls relating to the IT systems that support the modelled ECL processes. • We independently reperformed and recalculated ECL estimates or benchmarked the model calculations for material portfolios, including sovereign risk based on the assumptions as per the model documentation, and independently reperformed the PD, EAD and LGD parameters, to test the assumptions and appropriateness of the judgement applied in the ECL calculations. • We assessed the appropriateness of the SICR methodologies and model calibrations and tested the resultant stage allocations. For retail portfolio loans and advances to customers, we also tested the performance of the SICR approach by considering historic volumes of accounts moving into arrears and the forward-looking view of default risk. • We tested the completeness and accuracy of data inputs into the models by agreeing a sample of data inputs back to information sourced by management from internal systems and external data providers. • We tested controls relating to the staging of loans and advances to customers (including system flagging of arrears for retail portfolios). • For all impacted portfolios, we considered historical post write-off recoveries to evaluate the reasonableness of the write-off definition and to determine whether the current write-off point is still the point at which there was no reasonable expectation of significant further recovery as per the requirements of IFRS 9. • We further evaluated whether post write-off recoveries have been excluded from the LGD calculation and therefore do not impact on the ECL.

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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3. Stage 3 ECL impairments assessed on an individual basis

- A significant portion of loans and advances to customers are assessed for recoverability on an individual basis, primarily in the Relationship Banking, Corporate and Investment Banking portfolios. Significant judgements, estimates and assumptions are applied by management to:
  - Determine if the loans and advances are credit impaired;
  - Evaluate the valuation and recoverability of collateral;
  - Determine the expected value to be realised from collateral (including the timing of such realisations) and other collection efforts; and
  - Estimate the timing of the future cash flows.
- Stage 3 ECL on corporate exposure is calculated on a client specific basis and occurs outside of the portfolio models referred to above.

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3. Stage 3 ECL impairments assessed on an individual basis

- We tested management's processes and key controls over judgements used to determine whether specific exposures are credit impaired, including the completeness and reasonability of these assessments.
- For a sample of stage 3 exposures, we performed independent credit reviews, and our procedures incorporated probability-weighted scenarios in assessing the reasonability of the estimate of the recoverable amount and timing of expected future cash flows used in measuring ECL. We have performed the following for a sample of stage 3 exposures:
  - Where collateral had a material impact on the ECL calculation, we tested the Group's legal right to the collateral by inspecting legal agreements and bond registration information, as well as assessing the reasonability of the valuation of the collateral by evaluating key assumptions against available market and internal information.
  - Where future cash flows are estimated based on the loan counterparty's enterprise value, we have tested these valuations with reference to available market information and counterparty specific information.

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4. Disclosures related to credit risk

Credit risk disclosures are significant as they explain the application of IFRS 9 including key judgements and material inputs used in determining the ECL.

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4. Disclosures related to credit risk

- We tested the design and implementation and operating effectiveness of controls over the credit risk financial reporting process in respect of the disclosures presented in note 58.2 to the consolidated financial statements.
- We evaluated whether the credit risk disclosures are consistent with the ECL information tested which included the ECL data, models, estimates and macroeconomic forecasts.
- We assessed the disclosures in the financial statements for compliance in accordance with the requirements of IFRS 9.

Outcome: The results of our procedures listed above were satisfactory and we found the estimate recognised to be acceptable.

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Key audit matter	How our audit addressed the key audit matter
Valuation of complex financial instruments The disclosure associated with the valuation of complex financial instruments is set out in the consolidated financial statements in the following material accounting policies and notes: • Note 1.2.3 – Fair value measurements • Note 56 – Fair value disclosures	

Complex financial instruments held at fair value are recorded within the following financial statement line items:
• Investment securities;
• Trading portfolio assets and liabilities;
• Hedging portfolio assets and liabilities;
• Loans and advances;
• Deposits; and
• Debt securities in issue.
The financial instruments recorded in the above financial statement line items include derivatives, repurchase and reverse repurchase agreements, structured debt securities and modelled valuation adjustments (XVA’s).
The complexity arises from the fair value modelling of these financial instruments and the inputs used in the valuation thereof.
There is significant management judgement relating to the application of sophisticated valuation techniques and models, governance over key assumptions and inputs used to estimate the valuation of the respective financial instruments and the related fair value disclosures.
Significant judgement is required concerning unobservable inputs, for which there are no quoted market prices, and inputs are either illiquid or volatile in nature. These judgements relate primarily to credit spreads, yield curves, discount rates, funding spreads and forecasted dividend estimates. These inputs depend on various sources of external and internal data and the use of sophisticated modelling techniques. As a result of the above, the disclosures relating to the valuation of these complex financial instruments are also significant.
We have identified the valuation of complex financial instruments as a key audit matter which necessitated significant audit effort and the support of our internal valuation experts.
	We performed the following audit procedures:
	• We analysed the population of fair value trading exposures by stratifying the population by the product type, valuation method, fair value hierarchy, counterparties, maturity tenor, and significant inputs. This was performed as part of our risk assessment procedures to identify which financial instruments were considered complex.
	• We obtained an understanding, evaluated the design and implementation, and tested the operating effectiveness of key controls identified in the valuation process over complex financial instruments. These controls relate to model governance and model validation, including new product approval, oversight of valuation inputs and assumptions applied throughout the independent price verification process and market risk monitoring.
	• We tested the IT general controls, including change management controls, and application controls, including both system interfaces and system configuration controls, relating to the IT systems that support the valuation of complex financial instruments.
	• We engaged our internal valuation specialists who assessed the appropriateness of a sample of valuation judgements, methodologies, and models by:
	  • Independently repricing a sample of complex financial instruments using independent models and data and investigating differences outside of our thresholds.
	  • Assessing the appropriateness of techniques, methodologies and models used in calculating valuation adjustments such as credit valuation adjustments, funding valuation adjustments, margin valuation adjustments and collateral valuation adjustments (collectively XVA’s) for a sample of counterparties.
	• We evaluated management’s process regarding collateral disputes and tested the resolution in instances where there were collateral differences noted.
	• We assessed the appropriateness of the fair value disclosures with reference to the requirements of IFRS 13 *Fair Value Measurement* by considering the judgement in the key valuation inputs and assumptions.
	Outcome: The results of our procedures listed above did not identify material misstatements in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Absa Group Limited Annual consolidated and separate financial statements for the year ended 31 December 2024” which includes the Company Secretary’s certificate to the shareholders of Absa Group Limited, the Group Audit and Compliance Committee report and the Directors’ report as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the document titled “Absa Group Limited Integrated Report 2024” which is expected to be made available to us after that date. The other information does not include the consolidated and the separate financial statements and our auditors’ report thereon, but includes the sections marked as “unaudited” in the notes as referenced in the first paragraph of the opinion section.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditors’ responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.

Independent auditors' report to the Shareholders of Absa Group Limited

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence, regarding the financial information of the entities or business units within the Group, as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Audit tenure

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

Prior to the commencement of the joint audit relationship with PricewaterhouseCoopers Inc., KPMG Inc. was the joint auditor with another auditor for the year ended 31 December 2021.

PricewaterhouseCoopers Inc.
Director: John Bennett
Chartered Accountant (SA)

Registered Auditor

4 Lisbon Lane, Waterfall City
Jukskei View, South Africa

10 March 2025

KPMG Inc.
Director: Riaz Muradmia
Chartered Accountant (SA)

Registered Auditor

85 Empire Road
Parktown, South Africa

10 March 2025

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

Consolidated statement of financial position

as at 31 December

	Note	Group 2024 Rm	Group 2023 Rm
Assets			
Cash, cash balances and balances with central banks	2	**124 557**	77 815
Investment securities	3	**270 444**	236 498
Trading portfolio assets	4	**226 182**	191 097
Hedging portfolio assets	4	**4 055**	5 441
Other assets	5	**23 195**	27 805
Current tax assets		**689**	627
Non-current assets held for sale	6	**2 111**	197
Loans and advances	7	**1 349 588**	1 271 357
Insurance contract assets	8	**793**	693
Reinsurance contract assets	8	**1 003**	972
Investments linked to investment contracts	9	**23 370**	21 045
Investments in associates and joint ventures	10	**2 990**	2 644
Investment property	11	**225**	378
Property and equipment	12	**16 250**	16 016
Goodwill and intangible assets	13	**16 010**	14 442
Deferred tax assets	14	**7 233**	7 849
Total assets		**2 068 695**	1 874 876
Liabilities			
Trading portfolio liabilities	15	**66 020**	62 548
Hedging portfolio liabilities	15	**1 258**	1 688
Other liabilities	17	**40 291**	42 093
Provisions	16	**5 807**	6 045
Current tax liabilities		**706**	833
Non-current liabilities held for sale	6	**1 064**	–
Deposits	18	**1 506 927**	1 339 536
Debt securities in issue	19	**211 291**	211 128
Liabilities under investment contracts	20	**23 547**	21 247
Insurance contract liabilities	8	**6 630**	6 426
Reinsurance contract liabilities	8	**312**	252
Borrowed funds	21	**21 188**	18 502
Deferred tax liabilities	14	**378**	181
Total liabilities		**1 885 419**	1 710 479
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Share capital	22	**1 658**	1 657
Share premium	22	**10 562**	10 464
Retained earnings		**139 199**	130 308
Other reserves	23	**8 755**	2 157
		160 174	144 586
Non-controlling interest – ordinary shares		**8 784**	6 905
Non-controlling interest – preference shares	24.1	**4 644**	4 644
Other equity: Additional Tier 1 capital	24.2	**9 674**	8 262
Total equity		**183 276**	164 397
Total liabilities and equity		**2 068 695**	1 874 876

Consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	Group 2024 Rm	Group 2023 Rm
Net interest income		**71 105**	68 055
Interest and similar income	25	**167 856**	154 462
Effective interest income		**164 957**	151 693
Other interest income		**2 899**	2 769
Interest expense and similar charges	26	**(96 751)**	(86 407)
Non-interest income		**38 844**	36 587
Net fee and commission income		**25 901**	24 971
Fee and commission income	27	**29 659**	28 214
Fee and commission expense	27	**(3 758)**	(3 243)
Insurance service result		**2 131**	1 998
Insurance revenue	28	**11 852**	11 585
Insurance service expenses	8	**(9 242)**	(8 913)
Net expense from reinsurance contracts	8	**(479)**	(674)
Net finance expense from insurance contracts	29	**(220)**	(150)
Net finance expense from reinsurance contracts	29	**—**	(4)
Changes in investment contract liabilities	20	**(1 083)**	(1 443)
Gains and losses from banking and trading activities	30	**8 719**	8 081
Gains and losses from investment activities	31	**2 527**	2 642
Other operating income	32	**869**	492
Total income		**109 949**	104 642
Credit impairment charges	33	**(14 304)**	(15 535)
Operating income before operating expenditure		**95 645**	89 107
Operating expenditure	34	**(58 508)**	(55 704)
Other expenses		**(4 196)**	(3 353)
Other impairments	35	**(914)**	(459)
Indirect taxation	36	**(2 592)**	(2 344)
Loss on net monetary position		**(690)**	(550)
Share of post-tax results of associates and joint ventures		**282**	200
Operating profit before income tax		**33 223**	30 250
Taxation expense	37	**(8 320)**	(7 687)
Profit for the reporting period		**24 903**	22 563
Profit attributable to:			
Ordinary equity holders		**21 537**	19 891
Non-controlling interest – ordinary shares		**1 858**	1 400
Non-controlling interest – preference shares		**408**	373
Other equity: Additional Tier 1 capital		**1 100**	899
		24 903	22 563
Earnings per share:			
Basic earnings per share (cents)	38.1	**2 599.2**	2 400.3
Diluted earnings per share (cents)	38.2	**2 594.8**	2 393.0

Consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	Group 2024 Rm	Group 2023 Rm
Profit for the reporting period		**24 903**	22 563
Other comprehensive income			
Items that will not be reclassified to profit or loss		**(219)**	(447)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)		**(36)**	1
Fair value movements		**(36)**	1
Movement on liabilities designated at FVTPL due to changes in own credit risk		**(200)**	(241)
Fair value movements		**(274)**	(330)
Deferred tax		**74**	89
Movement in retirement benefit fund assets and liabilities		**17**	(207)
(Decrease)/Increase in retirement benefit surplus	41	**(42)**	368
Decrease/(Increase) in retirement benefit deficit	41	**56**	(611)
Deferred tax	14	**3**	36
Items that are or may be subsequently reclassified to profit or loss		**5 968**	762
Movement in foreign currency translation reserve		**1 774**	(1 235)
Differences in translation of foreign operations		**1 774**	(1 235)
Movement in cash flow hedging reserve		**1 795**	1 936
Fair value movements		**827**	1 410
Amounts transferred within other comprehensive income		**11**	(26)
Amount released from other comprehensive income and recognised in profit or loss	54	**1 621**	1 268
Deferred tax	14	**(664)**	(716)
Movement in fair value of debt instruments measured at FVOCI		**2 223**	(195)
Fair value movements		**2 508**	(202)
Release to profit or loss	30	**(2)**	(66)
Deferred tax	14	**(283)**	73
Movement in Insurance finance reserve		**176**	257
Finance income from insurance contracts		**283**	362
Finance (expense) from reinsurance contracts		**(47)**	(19)
Deferred tax		**5**	(52)
Current tax		**(65)**	(34)
Total comprehensive income for the reporting period		**30 652**	22 878
Total comprehensive income attributable to:			
Ordinary equity holders		**26 395**	20 521
Non-controlling interest – ordinary shares		**2 749**	1 085
Non-controlling interest – preference shares		**408**	373
Other equity: Additional Tier 1 capital		**1 100**	899
		30 652	22 878

Consolidated statement of changes in equity

for the reporting period ended 31 December

	Group 2024					
	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the beginning of the reporting period	**829 054**	**1 657**	**10 464**	**130 308**	**2 157**	**895**
Total comprehensive income	–	–	–	**21 327**	**5 068**	–
Profit for the period	–	–	–	**21 537**	–	–
Other comprehensive income	–	–	–	**(210)**	**5 068**	–
Shares issued	–	–	–	–	–	–
Dividends paid during the reporting period	–	–	–	**(11 366)**	–	–
Distributions paid during the reporting period	–	–	–	–	–	–
Issuance of Additional Tier 1 capital		–	–	–	–	–
Redemption of Additional Tier 1 capital		–	–	–	–	–
Purchase of Group shares in respect of equity-settled share based payment arrangements	–	–	**(755)**	**(145)**	–	–
Elimination of the movement in treasury shares held by Group entities	**404**	**1**	**98**	–	–	–
Movement in share-based payment reserve	–	–	**755**	–	**559**	–
Transfer from share-based payment reserve	–	–	**755**	–	**(755)**	–
Value of employee services	–	–	–	–	**1 289**	–
Deferred tax	–	–	–	–	**25**	–
Non-vested shares due to market condition				–	**44**	–
Movement in general credit risk reserve	–	–	–	**(643)**	**643**	**643**
Movement in foreign insurance subsidiary regulatory reserve	–	–	–	–	–	–
Share of post-tax results of associates and joint ventures	–	–	–	**(282)**	**282**	–
Balance at the end of the reporting period	**829 458**	**1 658**	**10 562**	**139 199**	**8 755**	**1 538**
Note	22	22	22	22		23

Consolidated statement of changes in equity

for the reporting period ended 31 December

Group
2024

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
(1 200)	(1 279)	501	44	(140)	1 399	1 939	144 586	6 905	4 644	8 262	164 397
2 074	1 795	995	–	204	–	–	26 395	2 749	408	1 100	30 652
–	–	–	–	–	–	–	21 537	1 858	408	1 100	24 903
2 074	1 795	995	–	204	–	–	4 858	891	–	–	5 749
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	(11 366)	(870)	(408)	–	(12 644)
–	–	–	–	–	–	–	–	–	–	(1 100)	(1 100)
–	–	–	–	–	–	–	–	–	–	3 090	3 090
–	–	–	–	–	–	–	–	–	–	(1 678)	(1 678)
–	–	–	–	–	–	–	(900)	–	–	–	(900)
–	–	–	–	–	–	–	99	–	–	–	99
–	–	–	–	–	559	–	1 314	–	–	–	1 314
–	–	–	–	–	(755)	–	–	–	–	–	–
–	–	–	–	–	1 289	–	1 289	–	–	–	1 289
–	–	–	–	–	25	–	25	–	–	–	25
–	–	–	–	–	44		44	–	–	–	44
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	282	–	–	–	–	–
874	516	1 496	44	64	2 002	2 221	160 174	8 784	4 644	9 674	183 276
23	23	23	23	23	23	23		24	24		

Consolidated statement of changes in equity

for the reporting period ended 31 December

	Group 2023					
	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the beginning of the reporting period	827 426	1 654	10 191	122 161	536	808
Impact of Hyperinflation	–	–	–	815	(5)	–
Restated balance at the beginning of the reporting period	827 426	1 654	10 191	122 976	531	808
Total comprehensive income	–	–	–	19 443	1 078	–
Profit for the period	–	–	–	19 891	–	–
Other comprehensive income	–	–	–	(448)	1 078	–
Shares issued	46 626	93	7 710	–	–	–
Dividends paid during the reporting period	–	–	–	(11 065)	–	–
Distributions paid during the reporting period	–	–	–	–	–	–
Issuance of Additional Tier 1 capital	–	–	–	–	–	–
Redemption of Tier 1 capital	–	–	–	–	–	–
Purchase of Group shares in respect of equity-settled share based payment arrangements	–	–	(567)	(772)	–	–
Elimination of the movement in treasury shares held by Group entities	(44 999)	(90)	(7 437)	–	–	–
Movement in share-based payment reserve	–	–	567	–	275	–
Transfer from share-based payment reserve	–	–	567	–	(567)	–
Value of employee services	–	–	–	–	1 034	–
Deferred tax	–	–	–	–	(192)	–
Movement in general credit risk reserve	–	–	–	(87)	87	87
Movement in foreign insurance subsidiary regulatory reserve	–	–	–	13	(13)	–
Share of post-tax results of associates and joint ventures	–	–	–	(200)	200	–
Balance at the end of the reporting period	829 054	1 657	10 464	130 308	2 157	895

Consolidated statement of changes in equity

for the reporting period ended 31 December

Group 2023											
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
(992)	(3 215)	1 393	57	(356)	1 102	1 739	134 542	6 448	4 644	7 503	153 137
(27)	–	–	–	–	22	–	810	–	–	–	810
(1 019)	(3 215)	1 393	57	(356)	1 124	1 739	135 352	6 448	4 644	7 503	153 947
(181)	1 936	(892)	–	216	–	–	20 521	1 085	373	899	22 878
–	–	–	–		–	–	19 891	1 400	373	899	22 563
(181)	1 936	(892)	–	216	–	–	630	(315)	–	–	315
–	–	–	–	–	–	–	7 803	–	–	–	7 803
–	–	–	–	–	–	–	(11 065)	(628)	(373)	–	(12 066)
–	–	–	–	–	–	–	–	–	–	(899)	(899)
–	–	–	–	–	–	–	–	–	–	2 000	2 000
–	–	–	–	–	–	–	–	–	–	(1 241)	(1 241)
	–	–	–	–	–	–	(1 339)	–	–	–	(1 339)
–	–	–	–	–	–	–	(7 527)	–	–	–	(7 527)
–	–	–	–	–	275	–	842	–			842
–	–	–	–	–	(567)	–	–	–	–	–	–
–	–	–	–	–	1 034	–	1 034	–	–	–	1 034
–	–	–	–		(192)	–	(192)	–	–	–	(192)
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	(13)	–	–	–		–	–	–	–
–	–	–	–	–	–	200	–	–	–	–	–
(1 200)	(1 279)	501	44	(140)	1 399	1 939	144 586	6 905	4 644	8 262	164 397

Consolidated statement of cash flows

for the reporting period ended 31 December 2024

	Note	Group 2024 Rm	Restated 2023 Rm
Cash flow from operating activities			
Profit before tax		**33 223**	30 250
Adjustment of non-cash items			
Depreciation and amortisation	34	**5 853**	5 932
Other impairments	35	**914**	459
Share of post-tax results of associates and joint ventures		**(282)**	(200)
Loss on net monetary position		**690**	550
Other non-cash items included in profit before tax		**1 122**	907
Dividends received from investing activities		**(249)**	(404)
Cash flow from operating activities before changes in operating assets and liabilities		**41 271**	37 494
Net (increase) in operating assets	51.1	**(139 621)**	(67 456)
Net increase in operating liabilities	51.2	**168 586**	82 393
Income taxes paid		**(7 673)**	(7 509)
Net cash generated from operating activities		**62 563**	44 922
Proceeds from disposal of non-current assets held sale		**126**	233
Dividends received from investment activities		**260**	252
Purchase of property and equipment		**(4 320)**	(2 542)
Purchase of investment properties		**(1)**	–
Proceeds from disposal of investment properties		**–**	2
Proceeds from disposal of properties and equipment		**1 519**	293
Purchase of intangible assets	13	**(4 832)**	(4 638)
Proceeds on the acquisition of business	52.1	**4 472**	–
Proceeds from disposal of intangible assets		**336**	41
Investments in associates and joint ventures		**(24)**	–
Net cash utilised in investing activities		**(2 464)**	(6 359)
Sale/(Purchase) of own shares		**99**	276
Purchase of Group shares in respect of equity settled share-based payment schemes		**(900)**	(1 340)
Issue of Additional Tier 1 capital		**3 090**	2 000
Redemption of Additional Tier 1 capital		**(1 678)**	(1 241)
Proceeds from borrowed funds	21	**5 304**	2 497
Repayment of borrowed funds	21	**(3 120)**	(11 317)
Repayment of lease liabilities		**(1 212)**	(1 255)
Distributions paid to Tier 1 Capital holders		**(1 100)**	(899)
Dividends paid		**(12 644)**	(12 066)
Net cash (utilised in) financing activities		**(12 161)**	(23 345)
Net increase in cash and cash equivalents		**47 938**	15 218
Cash and cash equivalents at the beginning of the reporting period		**90 347**	75 819
Effect of exchange rate movement/hyperinflation on cash and cash equivalents		**(488)**	(690)
Cash and cash equivalents at the end of the reporting period	51.3	**137 797**	90 347

As part of operating activities, interest income amounting to **R160 925m** (2023: R146 973m); and interest expense amounting to **R94 101m** (2023: R80 453m) were received and paid in cash respectively. Amounts reported above may differ from the actual underlying cash flows on the date of the transaction as they have been adjusted due to the impact of accounting for the effects of a subsidiary operating in a hyperinflationary economy.

The Statement of cash flows has been restated to collapse the separately disclosed working capital movements into 'Net (increase) in operating assets' and 'Net increase in operating liabilities'.

Refer to note 1.21.2, for further information on the change in presentation, and notes 51.1 and 51.2 for additional detail on the working capital movements.

Cash and cash equivalents at the beginning and end of the prior period have been restated to correct an error in the composition of cash and cash equivalents. Refer to notes 1.21.1 and 51.3 for further information on these restatements.

In addition to the above, the Statement of cash flows has been restated to disclose the equity-settled share-based payment expense as a non-cash adjustment, which was previously reflected incorrectly in 'Net increase in other liabilities'. Refer to note 1.21.1.

Summary of material accounting policies

for the reporting period ended 31 December 2024

1. Summary of material accounting policies

1.1 Basis of preparation

The material accounting policies applied in the preparation of these consolidated and separate financial statements (authorised on 10 March 2025) are set out below. These statements have been prepared in accordance with IFRS® Accounting Standards, the Financial Pronouncements as issued by the Financial Reporting Standards Council and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and the South African Companies Act.

The consolidated and separate financial statements have been prepared under the historical cost convention modified to include the effect of the change in purchase power for entities within the group that have a functional currency of a hyperinflationary economy, and for the fair valuation of investment property as well as policyholder liabilities and particular financial instruments to the extent required or permitted under IFRS as set out in the relevant accounting policies.

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

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

The following amendments were effective in the current reporting period commencing 1 January 2024. These amendments had no material impact on the consolidated and separate financial statements.

Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1

The amendments require that an entity classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to an entity complying with conditions (covenants) specified in a loan arrangement, in the event that the entity is required to comply with the conditions on or before the reporting date. Furthermore, the amendments clarify how an entity classifies a liability that can be settled in its own shares – e.g. convertible debt.

Lease Liability in a Sale and Leaseback Transaction – Amendments to IFRS 16

The amendments clarify how a seller-lessee measures the right-of-use asset and lease liability at initial recognition and subsequent measurement in the instance that variable lease payments arise in a sale-and-leaseback transaction. The amendments require that leaseback transactions entered into since the implementation of IFRS 16 in 2019 be reassessed and updated accordingly.

Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduce specific disclosure requirements for entities entering into supplier finance arrangements, to allow users to assess the effects of these arrangements on the entity's liabilities, cash flows, and exposure to liquidity risk.

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

1.2.1 Approach to credit risk and impairment of loans and advances

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

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

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

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

1.2.1.1 Approach to credit modelling/internal ratings

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

The key credit parameters used in this process are:

- probability of default (PD): the likelihood of a customer defaulting on its obligations within the appropriate outcome period;

1. Summary of material accounting policies

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

1.2.1 Approach to credit risk and impairment of loans and advances

1.2.1.1 Approach to credit modelling/internal ratings *continued*

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

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

Internal and vendor-supplied credit models are used to estimate the key credit parameters of PD, LGD and EAD. The Group uses different modelling methodologies, ranging from pure statistical models and cash flow models to expert-based models, taking into account quantitative and qualitative risk drivers. PD, LGD and EAD estimates can be calculated to represent different views of the credit cycle, which are used in different applications.

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

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

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

1.2.1.2 Validation of models

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

1.2.1.3 Default grades

The Group uses two types of PDs, namely:

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

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

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

1.2.1.4 Approach to impairment of credit exposures

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

1. Summary of material accounting policies

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

1.2.1 Approach to credit risk and impairment of loans and advances

1.2.1.4 Approach to impairment of credit exposures *continued*

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

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

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

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

For IFRS 9 purposes, two distinct PD estimates are required:

- 12-month PD: the likelihood of accounts entering default within 12 months of the reporting date; and
- Lifetime PD: the likelihood of accounts entering default during the remaining life of the asset.

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

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

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

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

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

Retail portfolio

Ratings assigned across each Retail portfolio are based on automated application and behavioural scoring systems. The underlying rating is calculated at point of application and updated monthly thereafter. The rating is used in decisions concerning underwriting and account management, and is used to calculate regulatory capital, economic capital, and IFRS 9 ECL. The methodology and data employed in the risk estimation and the rating processes can be summarised as follows:

- Internal risk estimates of PD, EAD and LGD are based on historical experience and are reliant on historical data.

1. Summary of material accounting policies

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

1.2.1 Approach to credit risk and impairment of loans and advances

1.2.1.4 Approach to impairment of credit exposures *continued*

- PDs are assigned at account level, and consist of three elements namely:
  - a term structure, capturing typical default behaviour by the months since observation;
  - a behavioural model which incorporates client level risk characteristics; and
  - a macroeconomic model that incorporates forward-looking macroeconomic scenarios.
- EADs are assigned at an account level and are based on the EAD pool to which the account has been assigned. EAD estimates incorporate all relevant data and information including account balances as well as utilised and unutilised limits, if present.
- LGDs are assigned at account level and are based on the LGD pool to which the account has been assigned. Relevant historical data used in LGD estimates include observed exposure at the point of default, recovery strategies, re-defaults, cure and write-off rates. The models make use of risk drivers such as loan-to-value (LTV) and attributes that describe the underlying asset.

Wholesale portfolio

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

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

1.2.1.5 Critical areas of judgement with regards to IFRS 9

Definition of a significant increase in credit risk

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

Key drivers of a significant increase in credit risk include:

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

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1.2.1 Approach to credit risk and impairment of loans and advances

1.2.1.5 Critical areas of judgement with regards to IFRS 9 *continued*

Definition of credit impaired

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

Wholesale and Retail assets are classified as defaulted when:

- The Group considers that the obligor is unlikely to pay its credit obligations without recourse by the Group to actions such as realising security. Elements to be taken as indications of unlikeliness to pay include the following:
  - The Group consents to a distressed restructuring/ forbearance of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness of principal, interest or fees;
  - The customer is under debt review, business rescue or similar protection;
  - Advice is received of customer insolvency or death; or,
  - The obligor is 90 days or more past due on any credit obligation to the Group.

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

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

Determination of the lifetime of a credit exposure

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

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

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

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

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

Incorporation of forward-looking information into the IFRS 9 modelling

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

Several factors are considered in developing macroeconomic scenarios, including economic growth or contraction, geopolitical uncertainty (e.g. the impact of the US elections), 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. Furthermore, climate risk factors to the extent possible, are included in key variables (such as CPI and real GDP) used within our macroeconomic scenarios. The impact of climate risk is also considered in approving credit in certain business units where relevant.

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

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

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1.2.1.5 Incorporation of forward-looking information into the IFRS 9 modelling *continued*

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 2024:

	Baseline					Mild upside					Mild downside				
	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028
Real GDP (%)	1.0	2.2	2.2	2.3	2.3	1.6	2.8	2.8	2.9	2.9	(0.5)	(0.2)	1.1	1.2	1.3
CPI (%)	4.5	3.8	4.2	4.5	4.5	4.4	3.3	3.6	3.9	3.8	4.7	5.6	5.7	5.8	5.8
Average repo rate (%)	8.1	7.1	7.0	7.0	7.0	8.1	6.5	6.0	6.0	6.0	8.2	8.6	8.5	8.5	8.5

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 for the three economic scenarios of our four largest ARO markets at 31 December 2024:

	Baseline					Mild upside					Mild downside				
	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028
Botswana															
Real GDP (%)	(0.5)	3.6	3.8	3.9	3.8	1.5	6.7	5.0	5.0	5.0	(1.8)	2.3	3.0	2.9	2.9
CPI (%)	2.9	3.0	3.7	3.6	3.6	2.8	2.5	2.8	3.1	3.1	3.1	5.4	5.3	5.1	5.0
Average policy rate (%)	2.2	1.9	1.9	2.1	2.2	2.2	1.5	1.6	1.7	1.7	2.2	3.0	4.3	4.3	4.3
Ghana															
Real GDP (%)	5.0	4.9	5.1	5.3	5.5	6.0	5.8	6.3	6.5	6.8	3.7	3.5	4.0	4.1	4.2
CPI (%)	22.9	20.9	14.1	10.3	10.0	22.0	15.0	9.0	8.5	8.5	23.7	25.0	22.0	16.0	15.0
Average policy rate (%)	28.4	23.5	18.8	15.1	14.6	28.3	16.9	13.1	13.0	13.0	28.6	27.0	23.6	21.1	20.1
Kenya															
Real GDP (%)	4.9	5.1	5.0	4.9	4.9	5.1	6.0	5.9	5.8	5.7	4.6	4.1	4.2	4.2	4.2
CPI (%)	4.6	5.0	5.2	5.3	6.2	4.5	3.3	4.0	4.5	5.7	4.7	8.1	10.3	9.6	8.5
Average policy rate (%)	12.7	9.9	9.0	9.0	9.0	12.7	9.0	7.0	7.0	7.0	12.7	11.0	12.5	13.5	13.1
Mauritius															
Real GDP (%)	6.4	4.7	4.0	4.0	4.0	7.5	6.0	4.8	4.8	4.8	5.0	3.6	3.0	2.8	2.8
CPI (%)	3.7	4.1	4.2	4.2	4.2	3.3	2.0	2.5	2.6	2.7	4.1	6.0	6.4	6.5	6.5
Average policy rate (%)	4.4	4.0	4.0	4.0	4.0	4.3	3.1	3.0	3.0	3.0	4.4	5.7	6.5	6.1	6.0

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1.2.1.5 Incorporation of forward-looking information into the IFRS 9 modelling *continued*

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

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

Global

The baseline forecast for the global environment forecast G7 economic growth of 1.6% in 2024 and 2025, rising slightly in the outer years, led by a strongly performing US economy, whilst China's economic growth is expected to slowly decelerate from 4.8% in 2024 to 4.2% by 2026. The US Federal Reserve is expected to cut the policy rate to 4.5% by end-2024, and then to 3.5% by end-2025 and to a terminal rate of 3% in 2026. Oil is expected to moderate slowly from an average price of $80 in 2024, whilst other commodity prices moves were generally sideways. Global risks appetite is expected to be modestly below its long-run average, but gradually improving as the armed conflicts in Europe and the middle east slowly come to conclusion. In our mild downside scenario, economic growth is modestly lower, the US policy rate falls significantly more quickly, whilst commodity prices fall on global growth concerns even as oil prices are higher on an intensification of geopolitical concerns. For the mild upside scenario, G7 economies and China are expected to grow by an average of 0.2-0.3bps more quickly than in base, triggering a 50bps higher US policy rate stance. The faster economic growth will boost most commodities, with oil expected to buckle that trend and instead respond to improved geopolitical tensions by declining.

South Africa

In the baseline scenario, recovery in economic activity from prolonged supply shocks has been slow thus far. Despite continued stability in electricity supply since late March 2024, economic activity data through quarter 3 suggests broadly subdued growth momentum. As such, the Bank forecasts real GDP growth of 2.2% in 2025. Providing one part of the foundation for the improved growth outlook, the Group expects improved business sentiment to support a gradual rebound in private investment. Some alleviation of constraints in logistics is also expected. A third part of the foundation will be an acceleration in consumer spending growth as financial headwinds abate. While a debt overhang may remain a challenge for some households, a gradual repair of finances seems likely. Withdrawals from two-pot retirement reforms are expected to boost consumer spending power, particularly during late 2024 and 2025. Inflation, which has fallen sharply and is expected to average 3.8% in 2025 and 4.2% in 2026, will help households through higher real wages and in this baseline we expect the SARB to reduce interest rates by a further 75bps in the first half of 2025. The rand, though remaining vulnerable to heightened levels of global volatility, is expected to appreciate through 2025. Progress towards exiting the Financial Action Task Force (FATF) grey-list is expected in 2025 and we expect to exit the list in 2026.

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1.2.1.5 Incorporation of forward-looking information into the IFRS 9 modelling *continued*

In the mild downside scenario, the Group expects the economy to contract modestly in 2025, before returning to growth in 2026 due to a return of loadshedding, problems in the logistics sector, a collapse in the Government of National Unity (GNU) and South Africa's expulsion from the African Growth and Opportunity Act (AGOA) trade agreement with the US. Those challenges, along with a deterioration in global risk appetite would see a rand that is sharply weaker than our baseline forecast, triggering a jump in inflation and result in the SARB, reversing in the first half of 2025 some of the 2024 rate cuts. That combination of higher inflation and interest rates would place additional pressures on household and business finances. Progress towards an exit of the FATF grey-listing is pushed out several years, resulting in additional cost for cross border business, whilst the country's sovereign credit rating is expected to deteriorate further over 2025 and 2026.

In the mild upside scenario, the Group expects economic growth accelerating to 2.8% in 2025 and 2026, buoyed by more rapid improvements in infrastructure and broader economic reforms domestically and a more favorable global risks environment. Together these factors would help boost the rand, lower inflation and provide an environment of modestly greater interest rate cuts by the SARB as compared to our baseline, thus deepening the improvements to financial environment faced by household and business. Sufficient progress will be made by South African authorities so that the country is able to exit the FATF grey-list by 2025. Broadly, this positive environment will be sufficient for South Africa to see a one-notch upgrade in its sovereign credit rating by end 2025 and a further upgrade during 2026.

ARO

In the baseline, on a GDP-weighted basis we expect the ARO economies to grow by 4.7% in 2024, with drought being a particular challenge for southern African economies like Zambia and Botswana, whilst East Africa generally performed well and Ghana's economy showing signs of recovery after a difficult period. For 2025, we expect aggregate GDP growth to accelerate to 5.3%, in parts of Southern African economies, and for a further improvement to 5.6% for the Group in 2026. Country-specific conditions are important, both in baseline and across the mild upside and mild downside scenarios, and for our largest four markets we discuss those in more detail below.

Botswana's GDP is expected to contract by 0.5% in 2024 in our baseline forecast, driven by a sharp decline in the diamond market and by a severe drought. Although an improvement in diamonds is likely to be modest in 2025, overall economic activity will likely jump by 3.6% y/y as weather conditions normalise, inflation, though rising, remains modest and the Bank of Botswana's interest rate cut in 2024 feeds into the economy. We do not anticipate further monetary easing over 2025 or 2026. The Botswana pula (BWP) is expected to strengthen against global currencies, largely on our expectations of rand strength against the dollar. In our mild downside scenario, the recession is larger (GDP -1.8% y/y) as the impact of the drought and weak diamond demand is worse than expected, and a bump higher in inflation would encourage the central bank having to boost the policy rate by more than 100bps even in the face of economic weakness and Botswana Pula tracks the rand and depreciates significantly. Conversely, our mild upside scenario envisions that a strong final quarter in 2024 allows the country to avoid recession in the year, while much improved weather conditions, a strong market for diamonds, and an accelerated economic reform program from the new government boost economic growth above 6% in 2025 and to 5% over the medium-term. Somewhat better inflation provides space for some modest further monetary accommodation by the Bank of Botswana, whilst the pula is also modestly stronger than in our baseline.

Ghana's economy grew by 5% in 2024 as higher infrastructure development spending and strong performance by the mining sector underpinned growth. We expect economic growth to remain around this level in 2025, supported by lower inflation and policy rates, a recovery in the cocoa sector and ongoing multilateral support. President Mahama's new policy framework, which includes his much talked about 24 hour economy proposal, could further buoy growth. Countering this will likely be the planned return to fiscal consolidation which is expected to include a decline in the development budget, which was bumped up in 2024 ahead of the elections. The cedi remains vulnerable to further weakness as fiscal concerns will likely remain a feature of the economy as it moves out of default and a more sustainable path. Downside risk in our downside scenario stems from the likelihood of evidence of large overspending ahead of the 2024 elections, pushing the currency weaker, inflation higher and keeping policy rates higher for longer, limiting growth to less than 4% in 2025. In addition, signing of the Human Sexual Rights and Family Values Bill law could also derail the IMF and World Bank programs. Upside risk to our baseline scenario assumes ongoing strength in the mining and services sectors, with stronger mining and cocoa output driving the cedi stronger, which in turn sees inflation fall faster, providing room for more aggressive policy rate cuts.

Kenya's economy continues to perform strongly, notwithstanding the mid-year protests against some tax measures. In our baseline, we expect economic growth of close to 5% over the forecast horizon. A comfortable inflation outlook, in which inflation rises to 5-5.5% by June 2025 is likely to see the Bank of Kenya reduce the policy rate to 9% by end of 2025, whilst having recovered in quarter 1 2024 from 2023's sharp depreciation, we project a path of very gradual depreciation of the Kenyan shilling (KES) over the coming periods. In the mild downside scenario, no abrupt economic crisis is expected, though economic growth is about 0.8-1.0% lower over the forecast horizon, with the real pressure

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instead being felt on inflation, which is much higher in 2025 and 2026 than in baseline. In part the inflation pressure is a result of a surge in food prices on the back of continued poor rains, but renewed concerns over the sustainability of public finance also sees market sentiment turn negative on Kenya, pushing the KES significantly weaker. In this scenario the central bank initially resists raising interest rates, but capitulates in 2026, sending the policy rate significantly higher than in base. For the mild upside scenario, better agricultural conditions and progress of reforming public finance together help generate a stronger profile for KES and a lower inflation profile, which in turn further boosts economic growth by 0.8-1pp over the forecast horizon as the central bank is able to reduce the policy rate a further 100bps beyond what the baseline envisions.

Mauritius' GDP growth continues to decelerate through 2024 and 2025, settling at 4.0% in 2026. In part this is driven by a deceleration in the pace of growth in construction activity that was possibly boosted by pre-election spending. Additionally, the boost to growth from the tourism sector moderates. After the elections the new administration would likely need to cut fiscal spending, thereby adding impetus to the deceleration in construction activity. Inflation remains well-contained amid favourable base effects and subdued food inflation. But it would likely bottom out in 2024 and inch towards 4.0% in 2026-2028. Despite the favourable inflation outlook, there wouldn't be much scope for the BOM's MPC to ease the policy stance. It would likely leave the policy rate at 4.0% throughout the forecast period. In the mild upside scenario infrastructure spending is stepped up while tourism levels rise somewhat, but growth still eases in 2025 and the outer years. The Mauritian rupee (MUR) would moderately appreciate, with headline inflation decelerating further to have a 2% handle throughout the forecast period. There would be scope for a 100 bps worth of cuts to the policy rate. In the mild downside scenario adverse weather conditions dampen growth to 4.5% in 2024, 3.6% in 2026 and an average of 2.9% over 2026-2028. Inflation would rise towards 6.0% in 2025, averaging 6.5% between 2026-2028. The main driver for this would be higher oil prices occasioned by geopolitical tensions, especially in the Middle East, but the MUR would depreciate somewhat faster relative to the base case, adding to the inflation pressures. In this scenario the MPC would tighten by a cumulative 250bps by 2026, before easing the policy stance again in the outer years.

1.2.1.6 Critical judgement with regards to modification of financial assets

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

For more information, refer to note 55.

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

Capitalisation

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

Amortisation

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

Impairment

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

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

The Group uses approved projected cash flow forecasts for a period of three years, with a terminal value thereafter. The long-term growth rate assumptions used in the impairment calculations were revised to a range of 7.1% to 16.1% at 31 December 2024 (7% to 16% at 31 December 2023). The discount rates used have been adjusted to 12.3% to 33.3% at 31 December 2024 (11.5% to 33.5% at 31 December 2023). A sensitivity analysis was performed on the assumptions and even if the estimated discount rate and/or growth rate was changed by 100 and 200 basis points respectively, no additional impairment loss would be recognised.

Note 13 includes details of the amount recognised by the Group as goodwill and intangible assets.

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

1.2.3 Fair value measurements

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

Valuation inputs

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

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

Financial assets and financial liabilities

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

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

Investment properties

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

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

Commodities

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

1. Summary of material accounting policies

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

1.2.3 Fair value measurements *continued*

Judgemental inputs on valuation of principal instruments

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

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

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

Judgemental inputs on valuation of principal instruments

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

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

1. Summary of material accounting policies

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

1.2.3 Fair value measurements *continued*

Measurement of assets and liabilities at Level 2

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

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

1. Summary of material accounting policies

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

1.2.3 Fair value measurements *continued*

Measurement of assets and liabilities at Level 3

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

			Group	
			2024	2023
Category of asset/liability	**Valuation techniques applied**	**Significant unobservable inputs**	**Range of unobservable inputs applied**	
Loans and advances	Discounted cash flow and/or yield for debt instruments	Credit spreads	1.28% to 6.54%	0.38% to 6.57%
Investment securities	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Future earnings, credit spreads	Discount rate of 8.5% 0.505% to 3.95%	Discount rate of 8.5% 0.1% to 4%
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discounted cash flow models	Credit spreads	0.505% to 3.95%	0.1% to 4%
Derivative assets and liabilities				
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	0.035% to 7.35% 15% to 90% 49.42% to 100%	0.035% to 25.17% 15% to 82.3% 49.43% to 94.5%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	17.04% to 32.33%	18% to 33.7%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	0.01% to 13.94%	4.77% to 26%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads	0.06% to 10.71%	0.05% to 11.7%
Money market	Discounted cash flow models	Credit spreads	0.505% to 3.95%	0.1% to 4%
Deposits	Discounted cash flow models	Absa Group Limited's funding spreads (greater than 5 years)	1.125% to 1.325%	1.175% to 1.425%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	1.125% to 1.325%	1.175% to 1.425%
Investment properties	Discounted cash flow models	Estimates of the periods in which rental units will be disposed, Annual selling price escalations, Income capitalisation rates, Risk adjusted discount rates	1 to 6 years 6% to 8% 8% to 8.5% 10% to 15%	1 to 6 years 6% to 8% 8% to 8.5% 10% to 15%

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

A wide range of unobservable inputs was applied when valuing the foreign exchange derivatives for the year ended 31 December 2023 due to the assumptions made on exposures to the Nigerian Naira. These positions were closed out during the 2024 financial year, and as a result this wide range is no longer applicable.

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

Debt instruments included listed bonds in Investment Securities.

The quantitative ranges of these inputs are wide due to the varied nature of financial instruments, prevailing market conditions, and the differing credit risk profiles of counterparties to which the Group is exposed. Refer to Note 56.4 – Sensitivity Analysis of Valuations Using Unobservable Inputs for further details on the input parameters applied, including weighted average discount rates (which incorporate unobservable credit spreads) in determining the fair value of Level 3 financial instruments, in accordance with IFRS 13.

Summary of material accounting policies
for the reporting period ended 31 December

1. Summary of material accounting policies

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

1.2.4 Consolidation of structured or sponsored entities

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

Definition of a structured entity (SE)

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

Assessment of agent versus principal

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

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

Assessment of sponsored entities

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

- its name appears in the name of the entity or on the products issued by the entity;
- it provides implicit or explicit guarantees of the entity's performances; or
- it led the formation of the entity. Refer to notes 46 and 47.

1.2.5 Post-retirement benefits

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

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

Exposure to actuarial risks

The defined benefit funds expose the Group to the risk that the benefits promised in the various funds cost more than the accumulated assets set aside to meet such benefits, and ultimately will require additional funding from the Group (or its subsidiaries).

This risk can be categorised into a number of actuarial risks described below.

Investment risk

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

Inflation/pension increase risk

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

Longevity risk

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

Salary risk

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

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

Measurement risk

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

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

1. Summary of material accounting policies

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

1.2.5 Post-retirement benefits *continued*

pension increase assumption and the longevity assumption and changes in those could affect the measured value of liabilities significantly. Changes in other assumptions used could also affect the measured liabilities.

Regulatory risk

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

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

1.2.6 Provisions

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

Refer to note 16 for details of provisions recognised and refer to note 49 for details of contingencies disclosed.

1.2.7 Income taxes

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

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

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

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

1.2.8 Share-based payments

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

Significant inputs into this pricing model include the following inputs:

- Risk-free discount rate of 7.45% to 7.56% at 31 December 2024 (7.5% to 8.5% at 31 December 2023);
- Share price volatility of a flat 29.04% at 31 December 2024 (30% to 40% at 31 December 2023); and
- Dividend yield of 3.92% to 6.28% at 31 December 2024 (4.08% to 8.17% at 31 December 2023).

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

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

For details of the Group's share awards, refer to note 50.

1. Summary of material accounting policies

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

1.2.8 Share-based payments *continued*

1.2.9 Insurance and reinsurance contracts

Estimates of future cash flows

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

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

Discount rates

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

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

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

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

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

	Life		Non-life	
	2024	2023	**2024**	2023
1 year				
BWP	**5.83%**	6.73%		
KES	**13.39%**	16.25%	**11.41%**	16.10%
ZAR	**7.83%**	8.54%	**7.68%**	7.78%
ZMW	**18.41%**	16.07%		
5 years				
BWP	**7.86%**	7.48%		
KES	**15.06%**	17.40%	**14.14%**	17.45%
ZAR	**7.73%**	8.14%	**8.01%**	8.61%
ZMW	**18.41%**	16.07%		
10 years				
BWP	**8.75%**	8.89%		
KES	**15.94%**	15.70%	**13.60%**	15.70%
ZAR	**8.24%**	8.58%	**9.41%**	8.68%
ZMW	**18.41%**	16.07%		
15 years				
BWP	**8.98%**	9.11%		
KES	**16.24%**	15.73%	**13.72%**	15.73%
ZAR	**8.81%**	9.12%	**10.32%**	8.60%
ZMW	**18.41%**	16.07%		
20 years				
BWP	**9.32%**	9.00%		
KES	**15.52%**	15.90%	**14.78%**	15.90%
ZAR	**9.21%**	9.50%	**10.46%**	8.54%
ZMW	**18.41%**	16.07%		

Risk adjustment (RA)

The estimate of the present value of the future cash flows is adjusted to reflect the compensation for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. Financial risk is included in the estimates of the future cash flows, or the discount rate used to adjust the cash flows. Furthermore, the RA for non-financial risk of the Group's reinsurance contracts is the amount of risk being transferred by the Group to the reinsurer and is aligned to the methodologies applied to the insurance contracts measured under the general measurement model (GMM) and the premium allocation approach (PAA) model.

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

	2024	2023
Life contracts (weighted average)	**91%**	90%
Non-life contracts (weighted average)	**75%**	75%

1. Summary of material accounting policies

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

1.2.9 Insurance and reinsurance contracts *continued*

Contractual Service Margin and coverage units (CSM)

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

Insurance service result

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

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

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

The portion of premiums received on in-force contracts that relates to unexpired risks is reported as the LRC. The change in the LRC is recognised in profit or loss to ensure revenue is recognised over the period of the risk.

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

Net finance income or expenses from insurance and reinsurance contracts

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

1.2.10 Offsetting financial assets and financial liabilities

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

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

The above are considered to ensure the Group's financial assets and liabilities are presented accurately in accordance with the characteristics of the items in question as resources or obligations of the entity. Refer to note 45.

1.2.11 Translation of foreign currencies

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

1.2.12 Hyperinflation

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

Refer to Note 58.8.2 for more information in this regard.

1. Summary of material accounting policies *continued*

1.3 Consolidated financial statements of the Group

1.3.1 Subsidiaries

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

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

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

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

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

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

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

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

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

1.3.2 Investments in associates and joint ventures

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

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

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

1.3.3 Structured entities

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

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

1.4 Segment reporting

The Group's segmental reporting is in accordance with IFRS 8 Operating Segments (IFRS 8). Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments and has been identified as the CODM. Income and expenses directly associated with each segment are included in determining business segment performance. The segment results reported to the CODM exclude the impact of hyperinflation (refer to note 58.8.2) and as a result, the effect of hyperinflation is included as a reconciling adjustment in the Segment Report.

1. **Summary of material accounting policies**

1.4 Segment reporting *continued*

1.5 Foreign currencies

1.5.1 Foreign currency translations

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

For foreign operations which are not considered to operate in hyperinflationary economies, prior to consolidation (or equity accounting) the assets and liabilities are translated at the closing rate and items of income, expense and Other comprehensive income (OCI) are translated into Rand at the rate on the date of the transactions. For foreign operations that are considered to operate in hyperinflationary economies, the assets, liabilities, income, expense and OCI items are translated into Rand at the closing rate. Exchange differences arising on the translation of foreign operations are recognised in OCI and accumulated in the foreign currency translation reserve. The amount recognised in such reserve is transferred to profit or loss when the Group loses control, joint control or significant influence over the foreign operation or upon partial disposal of the operation. On partial disposal of a subsidiary such that control is retained, the proportion disposed is allocated to NCI.

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

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

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

1.5.2 Foreign currency transactions

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

At each subsequent reporting date:

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

1.6 Earnings per share

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

1.7 Financial instruments

1.7.1 Initial recognition

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

1.7.2 Day one profits or losses

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

1. Summary of material accounting policies

1.7 Financial instruments

1.7.2 Day one profits or losses *continued*

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

1.7.3 Classification and measurement of financial instruments

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

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

The classification and subsequent measurement of financial assets depends on:

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

Business model assessment

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

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

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

1.7.3.1 Debt instruments

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

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

1. Summary of material accounting policies

1.7 Financial instruments

1.7.3 Classification and measurement of financial instruments *continued*

1.7.3.2 Equity instruments

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

1.7.3.3 Financial liabilities

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

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

1.7.3.4 Derivatives

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

1.7.4 Expected credit losses on financial assets

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

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

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

Three-stage approach to ECL

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

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

1. Summary of material accounting policies

1.7 Financial instruments

1.7.4 Expected credit losses on financial assets *continued*

The stage allocation is required to be performed as follows:

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

Expected credit loss calculation

The measurement of ECL reflects:

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

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

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

Lifetime of financial instruments

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

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

1. Summary of material accounting policies

1.7 Financial instruments

1.7.4 Expected credit losses on financial assets *continued*

Forward-looking information

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

Write-off

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

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

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

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

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

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

1.7.5 Derecognition of financial assets and financial liabilities

1.7.5.1 Derecognition of financial assets

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

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

1.7.5.2 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Refer to note 1.7.6.2 for the treatment of modifications of financial liabilities.

1.7.6 Modification of financial assets and financial liabilities

1.7.6.1 Modification of financial assets

Modifications to financial assets are assessed as follows:

- A loan modification is a permanent change to one or more of the terms of the loan. Enforcing or adopting terms that were present in the original terms of the facility is not a modification. The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depends on whether the modification is done for commercial reasons or because of financial difficulty of the borrower.
- Contractual modifications on commercial terms are treated as a new transaction and result in derecognition of the original financial asset, only to the extent that the modification is substantial, and the recognition of a 'new' financial asset. Any difference between the carrying amount of the derecognised asset and the fair value of the new asset is recognised in profit or loss.

Summary of material accounting policies
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1. Summary of material accounting policies
1.7 Financial instruments
1.7.6 Modification of financial assets and financial liabilities
1.7.6.1 Modification of financial asset *continued*

- When the Group modifies the contractual conditions due to financial difficulties of the borrower, the asset is not derecognised unless the terms of the contract are substantively changed (such as the inclusion of an equity participation feature or a substantial change in counterparty). If the asset is not substantially modified, then the gross carrying amount of the financial asset is recalculated to be the present value of the modified cash flows discounted at the original EIR and the resulting modification gain/loss is recognised in profit or loss as part of the total impairment loss. Modification gain or losses typically occur on stage 2 and 3 assets.

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

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

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

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

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

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

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

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

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

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

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

1. Summary of material accounting policies

1.7 Financial instruments *continued*

1.7.9 Equity instruments

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

1.7.10 Compound financial instruments

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

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

1.7.11 Subordinated debt

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

1.7.12 Repurchase and reverse repurchase agreements

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

The Group purchases securities (under a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included on the statement of financial position as the Group does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset. The Group may also sell securities (under a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the statement of financial position since the Group retains substantially all the risks and rewards of ownership.

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

1.7.13 Loan commitments

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

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

1.7.14 Financial guarantee contracts

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

1.8 Share capital

1.8.1 Ordinary share capital

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

1.8.2 Preference share capital

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

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

1.9 Revenue recognition

1.9.1 Net interest income

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

1. Summary of material accounting policies

1.9 Revenue recognition

1.9.1 Net interest income *continued*

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

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

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

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

Certain costs incurred impact the yield of financial instruments in a manner similar to EIR, such as costs incurred as a percentage of deposits as part of a regulatory initiative to provide protection for depositors. These costs are included as interest expense and similar charges. The related annual levy payable to the regulator is recognised in operating expenditure.

Impact of IFRS 9 ECL on interest recognition

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

1.9.2 Net trading income

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

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

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

1.9.3 Net fee and commission income

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

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

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

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

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

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

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

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

1. Summary of material accounting policies *continued*

1.10 Classification of insurance and investment contracts

The Group issues contracts that transfer insurance risk, financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. The Group defines significant insurance risk as the possibility of having to pay significant benefits on the occurrence of an insured event compared to those benefits payable if the insured event did not occur. IFRS 17 is applied to insurance contracts as defined in the standard. This may differ from the definitions applied by insurance regulators in determining which contracts are to be written on an insurance license. Hence, certain contracts are recognised and presented as insurance contracts in accordance with IFRS 17, despite not being considered as regulated insurance contracts.

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

1.10.1 Insurance and reinsurance contracts

1.10.1.1 Level of aggregation

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

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

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

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

1.10.1.2 Measurement overview

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

Contracts measured using GMM

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

The fulfilment cash flows comprise of:

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

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

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

The LRC comprises the fulfilment cash flows that relate to services that will be provided under contracts in future periods and any remaining CSM and RA at the reporting date. The CSM at the reporting date is the carrying amount at the beginning of the year adjusted for any new contracts added to the group in the current year, interest accretion, changes in fulfilment cash flows that relate to future services, changes specific to foreign exchange differences and the amount of CSM released as revenue. The RA at the reporting date is determined similar to that of the CSM, with the exclusion of interest.

The LIC represents the Group's obligation to investigate and pay valid claims for insured events that have occurred, including events that have occurred but for which claims have not been reported, as well as other incurred insurance expenses. Additionally, it also relates to the Group's obligation to pay amounts for insurance services already provided, investment components or other amounts that are not related to the provision of insurance contract services and that does not form part of the LRC. The LIC is calculated as:

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

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

Contracts measured using PAA

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

1. Summary of material accounting policies

1.10 Classification of insurance and investment contracts

1.10.1 Insurance and reinsurance contracts

1.10.1.2 Measurement overview *continued*

When applying the PAA, there is a rebuttable presumption that no such contracts are onerous at initial recognition. Should facts and circumstances indicate otherwise, an additional assessment is performed to distinguish onerous contracts from non-onerous contracts. For contracts that are not onerous, the company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods to determine whether those contracts have a significant possibility of becoming onerous. The facts and circumstances considered to identify whether a group of contracts is onerous are based on:

- Pricing information
- Results of similar contracts issued
- Environmental factors such as changes in regulations and market conditions

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

Subsequently, the LRC is increased for any premiums received and reduced by the amount of insurance revenue recognised in profit or loss.

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

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

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

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

Fair value approach on transition
As previously reported, the Group transitioned to IFRS 17 on 1 January 2022. On transition, the Group applied the fair value approach to its life insurance contracts issued and reinsurance contracts held before 2016, owing to limitations in data availability and the risk of hindsight. The full retrospective approach was applied to all other insurance contracts issued and reinsurance contracts held.

For those contracts to which the fair value approach was applied at transition, the CSM was determined as the difference between the fair value of contracts and their fulfilment cash flows. The fair value was measured using discounted cash flow techniques incorporating cash flows that are within the contract boundary and incorporated the Group's own non-performance risk. The Group also included a margin comprising a risk premium to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows, and a profit margin to reflect what market participants would require to assume the obligations to service insurance contracts.

For all contracts measured under the fair value approach, the Group used reasonable and supportable information available at the transition date to determine:

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

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

1.10.1.3 Reinsurance contracts held

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

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

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

In applying the GMM to the Group's reinsurance contracts, the Group measures the estimate of the present value of future cash flows using cash flows that would only relate to the reinsurance contract and includes the directly attributable expenses with an

1. Summary of material accounting policies *continued*

adjustment for any risk of non-performance by the reinsurer. The RA for non-financial risk is the amount of risk being transferred by the Group to the reinsurer. The calculation thereof is aligned to the respective methodologies applied to the insurance contracts measured under the GMM and PAA models.

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

1.10.2 Investment contracts

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

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

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

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

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

1.11 Commodities

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

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

1.12 Intangible assets

1.12.1 Goodwill

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

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

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

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

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

1.12.2 Intangible assets other than goodwill

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

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

1. Summary of material accounting policies

1.12 Intangible assets

1.12.2 Intangible assets other than goodwill *continued*

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

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the fair value at acquisition date) less amortisation and any provision for impairment.

The assets are amortised over their useful lives in a manner that reflects the pattern in which they contribute to future cash flows, as set out in the table below.

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

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

1.13 Property and equipment

1.13.1 Property and equipment not subject to lease agreements

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

The Group uses the following annual rates in calculating depreciation:

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

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

1.13.2 Property and equipment subject to lease agreements

1.13.2.1 Property and equipment subject to lease agreements

As lessee

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

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

As lessor Finance leases

A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. Where the Group is the lessor, the leased asset is not held on the statement of financial position; instead, a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease.

1. Summary of material accounting policies

1.13 Property and equipment *continued*

Finance income on the receivable is allocated over the lease term on a systematic basis so as to reflect a constant periodic rate of return on the lessor's net investment in the finance lease.

Operating leases

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

1.13.3 Investment properties

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

1.14 Repossessed properties

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

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

1.15 Non-current assets held for sale

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

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

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

1.16 Cash and cash equivalents

For the purposes of the Statement of cash flows, Cash and cash equivalents comprises coins and notes, mandatory reserve balances held with the SARB and other central banks, money market assets, call advances and nostro balances which form part of loans and advances to banks, mobile money balances which are included in other assets, as well as short-term treasury bills which are included in investment securities. While cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less, repurchase and reverse repurchase agreements are not considered to be part of cash equivalents.

1.17 Provisions, contingent liabilities and commitments

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

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

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

1. Summary of material accounting policies *continued*

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

1.18 Employee benefits

1.18.1 Post-retirement benefits

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

Defined contribution schemes

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

Defined benefit schemes

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

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

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

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

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

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

Post-employment medical aid plans

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

1.18.2 Staff costs

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

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

1.18.3 Share-based payments

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

Employee services settled in equity instruments

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

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

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

Note 50 includes details of the Group's share awards. Share-based payments are recognised as expenses with a corresponding credit in equity in the standalone financial statements of the employing entity. The entity obliged to settle the share-based payment transaction (generally Absa Group Limited) recognises an increased investment in subsidiary, together with an increase to the share-based payment reserve in equity.

1. Summary of material accounting policies

1.18 Employee benefits

1.18.3 Share-based payments *continued*

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

Employee services settled in cash

The fair value of the amount payable to employees in terms of a cash-settled share-based payment is recognised as an expense, with a corresponding increase in liabilities, over the vesting period. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs in profit or loss. No amount is recognised for services received if the awards granted do not vest because of a failure to satisfy a vesting condition. Refer to note 16 for the carrying amount of liabilities arising from cash-settled arrangements.

1.19 Tax

1.19.1 Current tax

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

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

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

1.19.2 Deferred tax

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

1.19.3 Dividends withholding tax

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

1.19.4 Value added tax (VAT)

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

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

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

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

1.20 Treasury shares

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

1.21 Reporting changes overview

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

1.21.1 Correction of prior period errors

The Group conducted a comprehensive review of the Statement of cash flows (SOCF) which identified the following misstatements:

1.21.1.1. Mandatory reserve balances with central banks

A review of the regulatory requirements governing mandatory reserve balances with central banks in various ARO regions revealed that the incorrect percentage was applied to calculate the accessible portion of these balances in prior years. As a result, for certain ARO regions, the accessible portion of the reserve balances included in cash and cash equivalents was understated and for others, it was overstated. The correction of this error has therefore led to a restatement in 'Cash and cash equivalents at the beginning of the reporting period' and 'Cash and cash equivalents at the end of the reporting period' in December 2023.

1.21.1.2. Loans and advances to banks

It was identified that certain 'Loans and advances to banks' accounts included in the calculation of cash and cash equivalents within the Group's ARO regions comprised items that had an original tenor of longer than 3 months which do not meet the definition of cash and cash equivalents, as 3 months from date of acquisition is a suggested duration for short term instruments in IAS 7, Statement of Cash Flows (IAS 7). The correction of this error has resulted in a restatement in December 2023 from 'Cash and cash equivalents' to 'Loans and advances'.

Summary of material accounting policies

for the reporting period ended 31 December

1. Summary of material accounting policies

1.21 Reporting changes overview

1.21.1 Correction of prior period errors *continued*

1.21.1.3. Treasury bills

Included in 'Investment securities' are highly liquid treasury bills with a maturity date of three months or less from date of acquisition, which are readily convertible to known amounts of cash, not subject to significant risk of changes in value and are held for short term cash management purposes. These treasury bills would thus meet the definition of a cash equivalent. Previously these treasury bills were erroneously excluded from cash and cash equivalents. The correction of this error has resulted in a restatement in 'Cash and cash equivalents at the beginning of the reporting period' and 'Cash and cash equivalents at the end of the reporting period' in December 2023.

1.21.1.4. Share-based payments expense

The share-based payments expense for equity settled arrangements was incorrectly classified under other liabilities. Instead, the share-based payments expense should have been treated as a non-cash item that adjusts profit before tax. The correction of this error in the SOCF in December 2023 requires an adjustment to move R1 037m from 'Net increase in other liabilities' to 'Other non-cash items included in profit before tax'.

As required by IAS 8 Accounting policies, Changes in Accounting Estimates and Errors (IAS 8), the afore-mentioned restatements have been applied retrospectively to all prior periods affected within the SOCF. These errors have no impact on the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity or Earnings per share of the Group.

The impact of the change on the prior period SOCF is as follows:

			December 2023			
Statement of cash flows	As previously published Rm	Mandatory reserves Rm	Loans and advances to banks Rm	Treasury bills Rm	Share-based payments expense Rm	Restated Rm
Other non-cash items included in profit before tax	(130)	–	–	–	1 037	907
Cash flow from operating activities before changes in operating assets and liabilities	36 457	–	–	–	1 037	37 494
Net (increase)/decrease in loans and advances	(63 074)	–	(955)	–	–	(64 029)
Net (increase)/decrease in other assets	1 067	(1 899)	–	–	–	(832)
Net (increase)/decrease in investment securities	(21 659)	–	–	4 196	–	(17 463)
Net increase/(decrease) in other liabilities	11 399	–	–	–	(1 037)	10 362
Net cash generated from/(utilised in) operating activities	43 580	(1 899)	(955)	4 196	–	44 922
Cash and cash equivalents at the beginning of the reporting period	75 268	(780)	–	1 331	–	75 819
Cash and cash equivalents at the end of the reporting period	88 454	(2 679)	(955)	5 527	–	90 347

1.21.2 Change in presentation

During the aforementioned review, the Group decided to revise the presentation of the Statement of cash flows (SOCF). This revision involved condensing the changes in operating assets and liabilities line items within the operating activities section of the SOCF.

The change in presentation is a change in accounting policy in terms of the requirements of IAS 8, which results in enhanced comparability against the Group's peers and a more succinct SOCF. Furthermore, the change allows for stakeholders to focus on a concise, clear understanding of holistic changes in working capital, which, given that the Group is a banking entity, aids to focus on the most relevant information for users of the SOCF.

As required by IAS 8, the change in accounting policy has been applied retrospectively to all prior periods affected. The change does not have an impact on the Statement of comprehensive income, Statement of changes in equity, Statement of financial position or earnings per share of the Group. The changes affect the presentation in the Statement of cash flows.

Whilst these lines have been condensed on the Statement of cash flows, the detail that was previously presented on the changes in working capital is now included as part of the accompanying notes to the Statement of cash flows, in notes 51.1 and 51.2.

1. Summary of material accounting policies

1.21 Reporting changes overview

1.21.2 Change in presentation *continued*

The impact of the change on the prior period SOCF is as follows:

	December 2023		
Statement of cash flows	As previously published/ Adjusted per Note 1.21.1 Rm	Presentation changes Rm	Restated Rm
Changes in working capital:			
Net (increase)/decrease in trading and hedging portfolio assets	16 492	(16 492)	–
Net (increase)/decrease in loans and advances	(64 029)	64 029	–
Net (increase)/decrease in other assets	(832)	832	–
Net (increase)/decrease in investment securities	(17 463)	17 463	–
Net increase/(decrease) in trading and hedging portfolio liabilities	(33 110)	33 110	–
Net increase/(decrease) in investment contracts	(508)	508	–
Net increase/(decrease) in insurance and reinsurance contract assets/liabilities	452	(452)	–
Net increase/(decrease) in deposits	103 573	(103 573)	–
Net increase/(decrease) in other liabilities	10 362	(10 362)	–
Net (increase)/decrease in operating assets	–	(67 456)	(67 456)
Net increase/(decrease) in operating liabilities	–	82 393	82 393
Total net impact	14 937	–	14 937

Net (decrease) in investment contracts includes investments linked to investment contracts of -R1 757m and liabilities under investment contracts of R1 249m. Net increase/(decrease) in insurance and reinsurance contract assets/liabilities includes insurance and reinsurance contract assets of R133m and insurance and reinsurance contract liabilities of R319m.

Previously on the Statement of cash flows, the movement in investment contract assets and liabilities, and insurance/ reinsurance contract assets and liabilities, were presented in working capital movements on a net basis in the line items 'Net (decrease) in investment contracts' and 'Net increase in insurance and reinsurance contract assets/liabilities'. As a result of the change in presentation, these items have been disaggregated to reflect the assets and liabilities separately in notes 51.1 and 51.2.

The working capital movements for 'Loans and advances', 'Other assets', 'Investment securities' and 'Other liabilities' in the table above have been restated as per note 1.21.1.

1.21.3 Business portfolio changes impact

Income and expense line items have been re-allocated between business units to more accurately represent the performance of those units. These reallocations resulted in adjustments to the related intergroup asset and liability balances, specifically loans to and from Bank group companies, which eliminate on consolidation of the Group, but have an impact on the Segment report as presented in note 53. 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 periods without an impact on the overall financial position or net earnings of the Group. The impact on the individual business units are depicted in the table below.

As at 1 January 2024, the Group no longer reports normalised financial results due to the immaterial difference between IFRS and normalised reporting, and is therefore no longer reviewed by the CODM. The impact of the Barclays separation has been included as part of Head Office, Treasury and other operations.

The below tables summarises the business unit restatements as noted above in the Statement of comprehensive income and Statement of financial position for the period ended 31 December 2023.

1. **Summary of material accounting policies**

1.21 Reporting changes overview

1.21.3 Business portfolio changes impact *continued*

Statement of comprehensive income

	December 2023		
	As previously reported Rm	Business portfolio changes Rm	Restated Rm
Total income			
Everyday Banking	28 049	84	28 133
Relationship Banking	15 212	(6)	15 206
ARO RBB	16 282	1	16 283
CIB	29 864	(79)	29 785
Head Office, Treasury and other operations	1 471	112	1 583
Barclays separation	112	(112)	–
Operating expenses			
Everyday Banking	(14 753)	(30)	(14 783)
Relationship Banking	(8 455)	99	(8 356)
ARO RBB	(10 867)	26	(10 841)
CIB	(13 678)	19	(13 659)
Head Office, Treasury and other operations	(916)	(1 351)	(2 267)
Barclays separation	(1 237)	1 237	–
Other expenses			
CIB	(369)	(4)	(373)
Head Office, Treasury and other operations	(1 378)	(127)	(1 505)
Barclays separation	(131)	131	–
Tax expense			
Everyday Banking	(1 262)	(14)	(1 276)
Relationship Banking	(1 498)	(24)	(1 522)
ARO RBB	(1 178)	2	(1 176)
CIB	(2 925)	42	(2 883)
Head Office, Treasury and other operations	(202)	290	88
Barclays separation	296	(296)	–

1. Summary of material accounting policies

1.21 Reporting changes overview

1.21.3 Business portfolio changes impact *continued*

Statement of financial position

	December 2023		
	As previously reported Rm	Business portfolio changes Rm	Restated Rm
Loans and advances			
ARO RBB	79 382	(22)	79 360
CIB	536 395	22	536 417
Other assets			
Product Solutions Cluster	61 213	(50)	61 163
Everyday Banking	334 040	(477)	333 563
Relationship Banking	146 949	2 735	149 684
ARO RBB	62 135	(734)	61 401
CIB	512 376	(53)	512 323
Head Office, Treasury and other operations	(750 805)	(308)	(751 113)
Barclays separation	1 113	(1 113)	–
Deposits			
ARO RBB	121 002	(22)	120 980
CIB	512 059	22	512 081
Other liabilities			
Product Solutions Cluster	495 119	(62)	495 057
Everyday Banking	102 080	(519)	101 561
Relationship Banking	64 796	2 598	67 394
ARO RBB	18 539	(948)	17 591
CIB	545 823	(136)	545 687
Head Office, Treasury and other operations	(1 065 562)	(1 913)	(1 067 475)
Barclays separation	(980)	980	–

The reclassification to Head Office, Treasury and other operations for other assets amounts to -R1 421m for business unit restatements and R1 113m for Barclays separation, and the reclassifications to Head Office, Treasury and other operations for other liabilities amounts to -R933m for business unit restatements and -R980m for Barclays separation.

1. Summary of material accounting policies *continued*

1.22 New standards and interpretations not yet adopted

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

Amendments resulting from annual improvements for the following standards

- Initial measurement of trade receivables – The amendment removes the conflict between IFRS 9 and IFRS 15 Revenue from Contracts with Customers (IFRS 15) over the amount at which a trade receivable is initially measured. Under IFRS 15, a trade receivable may be recognised at an amount that differs from the transaction price, for example, when the transaction price is variable. Conversely, IFRS 9 requires that entities initially measure trade receivables without a significant financing component at the transaction price. IFRS 9 has been amended to require entities to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.
- Accounting for the derecognition of a lease liability by a lessee – The amendment states that when lease liabilities are derecognised under IFRS 9, the difference between the carrying amount and the consideration paid is recognised in profit or loss. The amendment does not address how to distinguish between derecognition and modification of a lease liability. The amendment applies only to lease liabilities extinguished on or after the beginning of the annual reporting period in which the amendment is first applied. The amendment is effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.
- Minor amendments to IFRS 1, IFRS 10 and IAS 7. These amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

1.22.1 Settlement of financial liabilities by electronic payments – IFRS 9

The amendments clarify when a financial asset or financial liability is recognised and derecognised and provide an exception for certain financial liabilities settled using an electronic payment system. The exception allows entities to derecognise their financial liabilities before the settlement date when it uses an electronic payment system that meets specific criteria. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

1.22.2 Classification of financial assets with a contingent feature – IFRS 9 and IFRS 7

Following the post-implementation review of the classification and measurement requirements, IFRS 9 has been amended to include guidance on the classification of financial assets, including those with contingent features. Additional disclosures in terms of IFRS 7 will also need to be provided on financial assets and financial liabilities that have certain contingent features. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

1.22.3 Equity instruments designated at fair value through other comprehensive income – IFRS 7

The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI). The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

1.22.4 Non-recourse assets and contractually linked instruments – IFRS 9

The amendments clarify the treatment of non-recourse assets and contractually linked instruments. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

Summary of material accounting policies
for the reporting period ended 31 December

1. Summary of material accounting policies *continued*

1.22.5 Contracts Referencing Nature-dependent Electricity – IFRS 9 and IFRS 7

To allow companies to better reflect the financial effects of nature-dependent electricity contracts, which are often structured as power purchase agreements (PPAs), amendments have been made to IFRS 9 and IFRS 7. These amendments provide guidance on the 'own-use' exemption for purchasers of electricity under PPAs, hedge accounting requirements for companies that hedge their purchases or sales of electricity using PPAs and new disclosure requirements to enable investors to better understand the effects of PPAs. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

1.22.6 Presentation and disclosure in financial statements – IFRS 18

IFRS 18 promotes a more structured income statement and introduces a newly defined "operating profit" subtotal and a requirement for all income and expenses to be classified into three new distinct categories based on an entity's business activities. The new standard requires an entity to analyse their operating expenses directly on the face of the income statement – either by nature, by function or on a mixed basis. In addition, the standard defines "management-defined performance measures" (MPMs) and requires that an entity provide disclosures regarding its MPMs in order to enhance transparency. The standard further provides enhanced guidance on aggregation and disaggregation of information, which will apply to both the primary financial statements and the notes. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and applies retrospectively with early adoption permitted. The impact of this standard on the Group is currently being assessed.

1.22.7 Subsidiaries without public accountability – IFRS 19

The standard is applicable to subsidiaries that do not have public accountability and that have a parent that produces consolidated accounts under IFRS Accounting Standards. IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary applying IFRS 19 is required to clearly state in its explicit and unreserved statement of compliance with IFRS Accounting Standards that IFRS 19 has been adopted. Eligible subsidiaries can choose to apply the standard for reporting periods beginning on or after 1 January 2027 with earlier application permitted. This standard will not be applicable to Absa Group Limited.

2. Cash, cash balances and balances with central banks

	Group	
	2024 Rm	2023 Rm
Balances with other central banks	**30 179**	24 248
Balances with the SARB	**78 431**	36 098
Coins and bank notes	**12 425**	13 173
Money market assets	**3 528**	4 336
Gross cash, cash balances and balances with central banks	**124 563**	77 855
Expected credit losses	**(6)**	(40)
	124 557	77 815

Included above are money market assets of **R272m** (2023: R235m) which are linked to investment contracts (refer to note 20.1).

The minimum reserve balance held in cash with the SARB and other central banks across the different jurisdictions is determined in accordance with the regulatory terms applicable to the respective countries. The portion of the balance that can be utilised by the Group is included in cash and cash equivalents (note 51.3) and is calculated by applying the percentage that is accessible to the bank in accordance with the respective regulatory terms for each jurisdiction. The portion included in cash and cash equivalents for the current period is **R89 282m** (2023: R44 111m). The prior period mandatory reserve balance included in cash and cash equivalents has been restated, refer to note 1.21.1 for more information.

Money market balances of **R151m** (2023: R1 409m) are excluded from note 51.3 as these do not meet the definition of cash and cash equivalents as set out in the accounting policies.

2.1 Reconciliation of ECL allowance

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

	Group			
	2024			
		Lifetime expected credit losses ('LEL')		
Cash, cash balances and balances with central banks at amortised cost	**Stage 1 Rm**	**Stage 2 Rm**	**Stage 3 Rm**	**Total Rm**
Balance at the beginning of the reporting period	**(3)**	**43**	**–**	**40**
Credit impairment charges	**11**	**(37)**	**–**	**(26)**
Foreign exchange and hyperinflation movements	**(2)**	**(6)**	**–**	**(8)**
Balance at the end of the reporting period	**6**	**–**	**–**	**6**

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

3. Investment securities

	Group 2024 Rm	Group 2023 Rm
Government bonds	**177 425**	156 426
Listed equity instruments	**3 277**	2 598
Other debt securities	**22 694**	17 694
Treasury bills	**64 947**	56 538
Unlisted equity and hybrid instruments	**2 225**	3 261
Gross investment securities	**270 568**	236 517
Expected credit losses	**(124)**	(19)
	270 444	236 498

A majority of the Other debt securities balance includes Corporate bonds of **R4 569m** (2023: R5 378m) and Floating rate notes of **R15 856m** (2023: R9 907m).

Included in investment securities is short term treasury bills of **R4 599m** (2023: R5 527m) which meet the definition of cash and cash equivalents (note 51.3). The prior year treasury bills included in cash and cash equivalents has been restated, refer to note 1.21.1 for more information.

3.1 Reconciliation of ECL allowance

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

	Group 2024			
		Lifetime expected credit losses ('LEL')		
Investment securities at amortised cost and FVOCI	**Stage 1 Rm**	**Stage 2 Rm**	**Stage 3 Rm**	**Total Rm**
Balance at the beginning of the reporting period	**246**	**65**	**45**	**356**
Asset moved/allowance transferred to stage 1	**11**	**(11)**	**–**	**–**
Credit impairment charges	**57**	**89**	**(65)**	**81**
Foreign exchange and hyperinflation movements	**(12)**	**3**	**(4)**	**(13)**
Net change in interest	**–**	**–**	**7**	**7**
Balance at the end of the reporting period	**302**	**146**	**(17)**	**431**

	Group 2023			
		Lifetime expected credit losses ('LEL')		
Investment securities at amortised cost and FVOCI	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
Balance at the beginning of the reporting period	254	27	2 376	2 657
Credit impairment charges	(7)	38	121	152
Foreign exchange and hyperinflation movements	(1)	–	(269)	(270)
Financial assets that have been derecognised	–	–	(2 052)	(2 052)
Amounts written-off	–	–	(145)	(145)
Net change in interest	–	–	14	14
Balance at the end of the reporting period	246	65	45	356

Expected credit losses of **R307m** (2023: R337m) have been recognised on investment securities measured at fair value through other comprehensive income and the remaining **R124m** (2023: R19m) relates to those measured at amortised cost.

3. Investment securities

3.1 Reconciliation of ECL allowance *continued*

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, largely held for prudential regulatory purposes, formed part of the DDEP in the prior year and involved the exchange of certain domestic notes and bonds, for new bonds issued by the Republic of Ghana.

In the current year, no purchased or originated credit impaired instruments were derecognised and no new credit impaired instruments were recognised as the Group did not engage in an exchange of these instruments during the current year.

There were no additional expected credit losses for purchased or originated credit-impaired financial assets recognised during the year since the fair value on initial recognition for these instruments reflects an embedded provision for credit losses and there has not been further significant deterioration in the significant inputs and assumptions used to determine this provision on initial recognition. The instruments are also not able to cure during their lifetime.

Prior year purchased or originated credit impaired assets recognised within investment securities

For the purpose of the February 2023 bond exchange, the Group derecognised bonds previously classified as FVOCI instruments of R4 723m and recognized new bonds at their fair value, which approximates their carrying amount of R2 615m. The September 2023 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. 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 and there has not been further significant deterioration in the significant inputs and assumptions used to determine this provision on initial recognition. The instruments are also not able to cure during their lifetime.

4. Trading and hedging portfolio assets

	Group 2024 Rm	Group 2023 Rm
Commodities	**1 717**	1 011
Debt instruments	**88 708**	74 149
Derivative assets (refer to note 54.3 and 54.4)	**57 560**	51 450
Commodity derivatives	**1 049**	426
Credit derivatives	**427**	367
Equity derivatives	**6 320**	7 345
Foreign exchange derivatives	**18 970**	15 008
Interest rate derivatives	**30 794**	28 304
Equity instruments	**45 023**	38 855
Money market assets	**33 174**	25 632
Total trading portfolio assets	**226 182**	191 097
Hedging portfolio assets (refer to note 54.3)	**4 055**	5 441
	230 237	196 538

Trading portfolio assets with carrying values of **R51 338m** (2023: R43 393m) and **R5 930m** (2023: R5 141m) were pledged as security for repurchase and scrip lending agreements respectively. These assets are pledged for the duration of the respective agreements. The terms of the pledges are usual and customary to such agreements.

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

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

5. Other assets

	Group 2024 Rm	Group 2023 Rm
Accounts receivable	**15 125**	19 350
Prepayments	**3 307**	3 254
Other deferred costs	**295**	241
Inventories – cost	**72**	188
Retirement benefit fund surplus (refer to note 41)	**485**	478
Settlement accounts	**3 914**	4 307
Gross other assets	**23 198**	27 818
Expected credit losses	**(3)**	(13)
	23 195	27 805

The ECL relating to the accounts receivable and settlement accounts is immaterial due to the short-term nature of these items.

Included in other assets is mobile money balances of **R2 207m** (2023: R3 427m) which meet the definition of cash and cash equivalents (note 51.3).

5.1 Reconciliation of ECL allowance

The expected credit losses allowance recognised on other assets measured at amortised cost for the current financial year is immaterial.

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

	Group	
	2024 Rm	2023 Rm
Non-current assets held for sale		
Balance at the beginning of the reporting period	**197**	212
Disposals	**(89)**	(131)
Impairment of NCAHFS (refer to note 35)	**(10)**	–
Transfer from cash, cash balances and balances with central banks	**478**	–
Transfer from loans and advances	**286**	–
Transfer from other assets	**295**	–
Transfer from reinsurance assets	**244**	–
Transfer from investment securities	**376**	–
Transfer from investment properties (refer to note 11)	**183**	–
Transfer from property and equipment (refer to note 12)	**61**	116
Transfer from goodwill and intangibles assets (refer to note 13)	**61**	–
Transfer from deferred tax assets	**29**	–
Balance at the end of the reporting period	**2 111**	197
Non-current liabilities held for sale		
Balance at the beginning of the reporting period	**–**	26
Disposals	**–**	(26)
Transfer from deferred tax liabilities	**1**	–
Transfer from other liabilities	**289**	–
Transfer from insurance contract liabilities	**742**	
Transfer from provisions (refer to note 16)	**32**	–
Balance at the end of the reporting period	**1 064**	–

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

Head Office, Treasury and other operations disposed of property with a carrying amount of **R82m**.

Everyday Banking disposed of property with a carrying amount of **R7m**.

Head Office, Treasury and other operations transferred property and equipment with a carrying amount of **R23m** to non-current assets held for sale and a **R10m** impairment was recognised on remaining assets previously classified as held for sale.

Absa Regional Operations – Retail and Business Banking segment transferred investment property with a carrying amount of **R143m** to non-current assets held for sale.

In line with the Group's strategic intent, the expected disposal of certain ARO Insurance businesses sitting in the Absa Regional Operations – Retail and Business Banking segment, are at an advanced stage and consequently have been reclassified into non-current assets held for sale and non-current liabilities held for sale. The transaction is expected to be concluded in March 2025.

The total carrying amount for the assets transferred is **R1 847m** and the total carrying amount for the liabilities transferred is **R1 064m**. The non-current asset held for sale was not impaired at 31 December 2024.

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

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

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

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

7. Loans and advances

	Group 2024 Rm	Group 2023 Rm
Corporate overdrafts and specialised finance loans	**17 329**	20 434
Credit cards	**60 869**	56 757
Foreign currency loans	**73 840**	61 893
Instalment credit agreements	**144 650**	137 969
Finance lease receivables (refer to note 7.1)	**3 240**	3 021
Loans to associates and joint ventures	**28 668**	28 730
Micro loans	**4 409**	5 570
Mortgages	**438 178**	418 218
Other advances	**24 129**	20 572
Overdrafts	**69 700**	72 814
Overnight finance	**23 533**	20 043
Personal and term loans	**209 152**	188 241
Preference shares	**34 955**	32 184
Reverse repurchase agreements (Carries)	**72 560**	60 547
Wholesale overdrafts	**124 849**	119 470
Gross loans and advances to customers	**1 330 061**	1 246 463
Gross loans and advances to banks	**72 507**	74 460
Gross loans and advances	**1 402 568**	1 320 923
Expected credit losses	**(52 980)**	(49 566)
Expected credit losses for loans and advances to customers	**(52 946)**	(49 477)
Expected credit losses for loans and advances to banks	**(34)**	(89)
Net loans and advances	**1 349 588**	1 271 357

The Group has securitised certain loans and advances to customers, the total value of these securitised assets is **R9 068m** (2023: R9 036m). Included in the above are collateralised loans of **R1 574m** (2023: R3 501m) relating to securities borrowed.

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

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

Included in both gross loans and advances to customers, and in the total allowance for expected credit losses, is accrued interest in suspense of **R7 666m** (2023: R6 866m).

Included above in gross loans and advances to banks are reverse repurchase agreements of **R12 837m** (2023: R17 986m) and other collateralised loans of **R152m** (2023: R4m) relating to securities borrowed.

A portion of gross loans and advances to banks, amounting to **R25 907m** (2023: R21 181m), meets the definition of cash and cash equivalents and is included in note 51.3. The gross loans and advances to banks included in cash and cash equivalents in the prior period has been restated, refer to note 1.21.1 for more information.

Included in the Other advances balance are Corporation for Deposit Insurance (CODI) loans.

Included in the gross loans and advances to customers and gross loans and advances to banks are credit-linked notes of which **R3 807m** (2023: R4 381m) relates to loans and advances to customers and **R3 476m** (2023: R2 018m) to loans and advances to banks.

7. Loans and advances *continued*

7.1 Finance lease receivables

	Group					
	2024			2023		
	Gross advances	**Unearned finance charges**	**Net advances**	Gross advances	Unearned finance charges	Net advances
Maturity analysis						
Less than one year	**1 350**	**(49)**	**1 301**	219	(16)	203
Between one and two years	**551**	**(60)**	**491**	1 322	(94)	1 228
Between two and three years	**777**	**(134)**	**643**	716	(51)	665
Between three and four years	**662**	**(133)**	**529**	534	(38)	496
Between four and five years	**366**	**(91)**	**275**	424	(30)	394
More than five years	**1**	**(0)**	**1**	38	(3)	35
Gross carrying amount	**3 707**	**(467)**	**3 240**	3 253	(232)	3 021

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

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

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

Unguaranteed residual values of finance leases are **R1 833m** (2023: R1 356m).

In 2023 the maturity analysis of finance lease receivables for between one and five years was disclosed as a single one-line item, Gross advances (R2 996m), Unearned finance charges (R213m) and Net advances (R2 783m). To improve transparency, the Group decided to provide more granular information, which has been detailed in the table above.

Notes to the consolidated financial statements

for the reporting period ended 31 December

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7. Loans and advances *continued*

7.2 Reconciliation of ECL allowance

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

	Group					
	2024					
	Product Solutions Cluster		Everyday Banking			
Loans and advances at amortised cost and undrawn facilities	Home Loans Rm	Vehicle and Asset Finance Rm	Card Rm	Personal Loans Rm	Transactional and Deposits Rm	Other Rm
Balances at the beginning of the reporting period	9 260	7 160	9 093	6 232	1 075	52
Stage 1	505	1 025	1 407	806	276	–
Stage 2	822	1 118	1 484	923	267	–
Stage 3	7 933	5 017	6 202	4 503	532	52
Transfers between stages	–	–	–	–	–	–
Stage 1 net transfers	573	132	267	(8)	(14)	–
Transfers to stage 1	626	344	985	208	49	–
Transfers (to) stage 2	(27)	(121)	(552)	(80)	(22)	–
Transfers (to) stage 3	(26)	(91)	(166)	(136)	(41)	–
Stage 2 net transfers	127	183	(1 375)	(284)	(61)	–
Transfers (to) stage 1	(296)	(230)	(885)	(174)	(42)	–
Transfers to stage 2	723	717	962	323	45	–
Transfers (to) stage 3	(300)	(304)	(1 452)	(433)	(64)	–
Stage 3 net transfers	(700)	(315)	1 108	292	75	–
Transfers (to) stage 1	(330)	(114)	(100)	(34)	(6)	–
Transfers (to) stage 2	(696)	(596)	(410)	(243)	(23)	–
Transfers to stage 3	326	395	1 618	569	104	–
Credit impairment charges raised	1 278	1 901	4 037	1 924	644	–
Amounts written off	(989)	(2 839)	(3 763)	(3 708)	(752)	–
Net change in interest	902	836	498	1 072	56	–
Foreign exchange and hyperinflation movements	–	–	–	–	–	–
Balances at the end of the reporting period	10 451	7 058	9 865	5 520	1 023	52
Stage 1	634	969	1 498	627	247	–
Stage 2	618	1 125	1 241	479	167	–
Stage 3	9 199	4 964	7 126	4 414	609	52

The credit impairment charges raised in the current year arise as a result of, inter alia, increase in the exposures (as detailed below), changes in forward looking information and refinements to various factors that are incorporated in the ECL model.

Notes to the consolidated financial statements

for the reporting period ended 31 December

7. Loans and advances *continued*

Group					
2024					
Relationship Banking	Absa Regional Operations – Retail and Business Banking	Corporate and Investment Banking SA	Corporate and Investment Banking ARO	Head Office, Treasury and other operations	Total expected credit losses
Rm	Rm	Rm	Rm	Rm	Rm
4 659	6 076	3 540	2 792	22	49 961
594	1 103	735	562	17	7 030
779	923	438	173	5	6 932
3 286	4 050	2 367	2 057	–	35 999
–	–	168	–	–	168
337	152	(1)	26	–	1 464
435	270	50	33	–	3 000
(65)	(68)	(22)	(6)	–	(963)
(33)	(50)	(29)	(1)	–	(573)
(402)	(540)	(172)	(28)	–	(2 552)
(410)	(223)	(50)	(33)	–	(2 343)
86	77	23	6	–	2 962
(78)	(394)	(145)	(1)	–	(3 171)
65	388	341	2	–	1 256
(26)	(47)	–	–	–	(657)
(21)	(9)	–	–	–	(1 998)
112	444	341	2	–	3 911
1 022	1 945	1 223	389	(19)	14 344
(1 768)	(1 607)	(1 034)	(20)	–	(16 480)
393	132	385	307	–	4 581
–	628	–	84	(1)	711
4 306	7 174	4 282	3 552	2	53 285
706	1 125	605	591	2	7 004
500	894	266	349	–	5 639
3 100	5 155	3 411	2 612	–	40 642

7. Loans and advances

7.2 Reconciliation of ECL allowance *continued*

	2023					
	Product Solutions Cluster			Everyday banking		
Loans and advances at amortised cost and undrawn facilities	Home Loans Rm	Vehicle and Asset Finance Rm	Card Rm	Personal Loans Rm	Transactional and Deposits Rm	Other Rm
Balances at the beginning of the reporting period	7 577	6 481	8 313	4 963	821	52
Stage 1	496	1 038	1 360	908	235	–
Stage 2	925	1 284	1 665	1 009	223	–
Stage 3	6 156	4 159	5 288	3 046	363	52
Transfers between stages	–	–	–	–	–	–
Stage 1 net transfers	355	3	482	(95)	(9)	–
Transfers to stage 1	414	278	872	157	41	–
Transfers (to) stage 2	(34)	(158)	(274)	(101)	(20)	–
Transfers (to) stage 3	(25)	(117)	(116)	(151)	(30)	–
Stage 2 net transfers	40	(20)	(1 133)	(286)	(43)	
Transfers (to) stage 1	(256)	(199)	(813)	(134)	(36)	–
Transfers to stage 2	677	601	515	290	38	–
Transfers (to) stage 3	(381)	(422)	(835)	(442)	(45)	–
Stage 3 net transfers	(395)	17	651	381	52	–
Transfers (to) stage 1	(157)	(80)	(59)	(23)	(5)	–
Transfers (to) stage 2	(643)	(443)	(242)	(189)	(18)	–
Transfers to stage 3	405	540	952	593	75	–
Credit impairment charges raised	1 731	2 295	4 119	2 678	767	–
Amounts written off	(779)	(2 428)	(3 824)	(2 381)	(560)	–
Net change in interest	731	812	485	972	47	–
Foreign exchange	–	–	–	–	–	–
Balances at the end of the reporting period	9 260	7 160	9 093	6 232	1 075	52
Stage 1	505	1 025	1 407	806	276	–
Stage 2	822	1 118	1 484	923	267	–
Stage 3	7 933	5 017	6 202	4 503	532	52

To enhance disclosure, the information provided in the table above for Product Solutions Cluster and Everyday Banking business units has been expanded to align to the disclosure outlined in note 58.2. In prior year only the totals were provided for these business units.

7. Loans and advances

7.2 Reconciliation of ECL allowance *continued*

2023

Relationship Banking Rm	Absa Regional Operations - Retail and Business Banking Rm	Corporate and Investment Banking SA Rm	Corporate and Investment Banking ARO Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
4 827	5 855	3 267	3 185	11	45 352
544	1 163	779	528	6	7 057
747	908	311	458	5	7 535
3 536	3 784	2 177	2 199	–	30 760
–	–	–	–	–	–
427	159	71	79	–	1 472
478	240	85	102	–	2 667
(33)	(54)	(13)	(21)	–	(708)
(18)	(27)	(1)	(2)	–	(487)
(461)	(338)	(42)	(71)	–	(2 354)
(446)	(173)	(63)	(102)	–	(2 222)
90	78	29	57	–	2 375
(105)	(243)	(8)	(26)	–	(2 507)
34	179	(29)	(8)	–	882
(32)	(66)	(21)	–	–	(443)
(57)	(25)	(17)	(36)	–	(1 670)
123	270	9	28	–	2 995
1 036	1 788	959	83	27	15 483
(1 702)	(1 405)	(984)	(518)	–	(14 581)
498	257	298	59	–	4 159
–	(419)	–	(17)	(16)	(452)
4 659	6 076	3 540	2 792	22	49 961
594	1 103	735	562	17	7 030
779	923	438	173	5	6 932
3 286	4 050	2 367	2 057	–	35 999

7. Loans and advances

7.2 Reconciliation of ECL allowance *continued*

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

Product Solutions Cluster

- During the current financial year, gross loans and advances increased to **R445 946m** (2023: R431 812m) particularly driven by new business in Home Loans **R320 567m** (2023: R311 324m) and in Vehicle and Asset Finance **R125 379m** (2023: R120 487m).
- There was an increase in ECL allowance of **R1 089m** (2023: R2 362m) consisting of an increase in the ECL allowance in Home Loans **R1 191m** (2023: R1 683m) and a decrease in the ECL allowance for Vehicle and Asset Finance **R102m** (2023: R679m). The increase in the ECL for Home loans was driven by an increase in stage 3 impairments due to sustained macro-economic pressures on consumers and the decrease in vehicle and asset finance was driven by stricter credit approval policies that reduced exposures to credit risk in the portfolio.
- The value of loans written off during the year amounted to **R3 828m** (2023: R3 207m), consisting of Home loans: **R989m** (2023: R779m), Vehicle and asset finance: **R2 839m** (2023: R2 428m). This led to a corresponding decrease in the ECL allowance.
- Loan modifications that did not result in derecognition of the loan amounted to **R5 461m** (2023: R4 490m) Home loans: **R2 874m** (2023: R2 579m), Vehicle and asset finance: **R2 587m** (2023: R1 911m). This resulted in a modification loss of **R153m** (2023: R204m) in Home loans and a modification loss of **R411m** (2023: R479m) in Vehicle asset finance and a corresponding increase in the expected credit losses.
- There were no loan modifications that resulted in derecognition of the old loan and recognition of a new loan.
- No gross loans and advances were sold during the current year and the prior year.

Everyday Banking

- During the current financial year, gross loans and advances increased to **R90 697** (2023: R88 833m) particularly driven by growth in the Credit Card portfolio **R59 972m** (2023: R56 509m) , contraction in Personal loans **R25 686m** (2023: R27 240m), growth in Transactional and Deposits **R4 987m** (2023: R5 032m) and there was no growth in Everyday Banking Other **R52m** (2023: R52m).
- There was an increase in ECL allowance of **R8m** (2023: R2 303m) consisting of an increase in the ECL allowance in Card **R772m** (2023: R780m), a decrease in Personal Loans **R712m** (2023: R1 269m) and a decrease in Transactions and Deposits of **R52m** (2023: R254m).
- The decrease in the ECL allowance for Personal loans and Transactions and deposits was driven by management's strategy to reduce risk in the portfolios by implementing stricter underwriting criteria and the increase in Card was driven by an increase in stage 3 impairments due to sustained macro-economic pressure on consumers.
- The value of loans written off during the year amounted to **R8 223m** (2023: R6 765m), consisting of Personal loans: **R3 708m** (2023: R2 381m), Transactions and deposits: **R752m** (2023: R560m), Card: **R3 763m** (2023: R3 824m). This led to a corresponding decrease in the ECL allowance.
- Loan modifications that did not result in derecognition of the loan amounted to **R3 194m** (2023: R1 668m), Personal loans: **R1 084m** (2023: R268m), Transactions and deposits: **R148m** (2023: R63m), Card: **R1 962m** (2023: R1 337m). This resulted in a modification loss of **R1 147m** (2023: R1 033m) consisting of **R401m** in Personal Loans (2023: R448m), Card **R705m** (2023: R554m) and Transactions and Deposits **R41m** (2023: R32m) and a corresponding increase in the expected credit losses.
- There were no loan modifications that resulted in derecognition of the old loan and recognition of a new loan.
- Gross loans and advances sold during the current year amounted to **R1 706m** (2023: R2 181m), Personal loans: **R1 310m** (2023: R1 084m), Card: **R396m** (2023: R1 097m). This resulted in a decrease of **R1 456m** (2023: R1 966m) to the ECL allowance.

Relationship Banking

- During the current financial year, gross loans and advances increased to **R159 237m** (2023: R150 731m) particularly driven by new business in the Commercial Asset Finance, Agriculture, Commercial and Commercial Property Finance portfolios.
- The ECL allowance decreased by **R353m** (2023: R168m) driven by a decrease in risk the performing loans in stage 1 and stage 2 due to stricter underwriting criteria to reduce credit risk in the portfolio.
- Settlement amounts of **R11 909m** (2023: R10 058m) were received during the year. This led to a related reduction in ECL of **R185m** (2023: R50m).
- The value of gross loans written off during the year amounted to **R1 768m** (2023: R1 702m). This led to a corresponding decrease in the ECL allowance.
- There were no loan modifications that did not result in derecognition of the loan (2023: R1 669m). This had no ECL impact.
- There were no loan modifications that resulted in derecognition of the old loan and recognition of a new loan.
- No gross loans and advances were sold during the current year and in the prior year.

Absa Regional Operations Relationship and Business Banking

- During the current financial year, gross loans and advances increased to **R98 191m** (2023: R84 537m) largely driven by Kenya's stronger exchange rate, the acquisition of HSBC Mauritius Wealth, Personal and Business Banking as well as NBC Tanzania's expansion in government employee lending, agriculture and SME lending.
- The ECL allowance increased by **R1 098m** (2023: R221m) largely due to a tough macroeconomic environment impacting retail banking and partially offset by better performance in business banking.

7. Loans and advances

7.2 Reconciliation of ECL allowance *continued*

- Settlement amounts of **R2 981m** (2023: R2 191m) were received during the year. This led to a reduction in ECL of **R750m** (2023: R50m)
- The value of loans written off during the year amounted to **R1 607m** (2023: R1 405m). This led to a corresponding decrease in the ECL allowance.
- There were no loan modifications that did not result in derecognition of the loan (2023: nil). The impact on the ECL is immaterial.
- There were no loan modifications that resulted in derecognition of the old loan and recognition of a new loan.
- There were no gross loans and advances sold during the year and in the prior year.

Corporate and Investment Banking SA

- During the current financial year, gross loans and advances increased to **R435 288m** (2023: R405 682m) of which **R331 914m** (2023: R311 943m) relates to exposure to which the impairment requirements of IFRS 9 are applicable. The increase is particularly driven by new business in overdrafts, mortgages, preference shares and reverse repurchase agreements offset by trades maturing across the business units and being written off.
- The ECL allowance increased by **R742m** (2023: R159m) driven by increased stage 3 impairments as macroeconomic stresses adversely impacted consumer dependent and interest rate sensitive sectors within the portfolio.
- The value of loans written off during the year amounted to **R1 034m** (2023: R984m). This led to a corresponding decrease in the ECL allowance.
- Loan modifications that did not result in derecognition of the loan amounted to **R1 411m** (2023: nil). This resulted in a modification loss of **R95m** (2023: nil) and a corresponding increase in the expected credit losses.
- There were no loan modifications that resulted in derecognition of the old loan and recognition of a new loan.
- There were no gross loans and advances sold during the current year and in the prior year.

Corporate and Investment Banking ARO

- During the current financial year, gross loans and advances increased to **R96 660m** (2023: R84 546m) particularly driven by book growth in Ghana, Kenya, NBC and Zambia.
- The ECL allowance increased by **R760m** (2023: R393m) driven by an increase in credit risk in performing exposures and a partial decrease in the credit risk of performing loans (stage 3).
- Settlement amounts of **R11 679m** (2023: R17 036m) were received during the year. This led to a decrease in ECL allowance of **R151m** (2023: R720m).
- The value of gross loans written off during the year amounted to **R20m** (2023: R518m). This led to a corresponding decrease in the ECL allowance.
- There were no loan modifications that resulted in derecognition of the old loan and recognition of a new loan.
- No new loan modifications that did not result in derecognition of the loan were observed in the current year and in the prior year.
- There were no gross loans and advances sold during the current year and in the prior year.

Head Office, Treasury and other operations:

- No material ECL balance in the current year and in the prior year.

The net change in interest relates only to stage 3 assets where contractual interest is suspended, and interest income is recognised based on the net carrying value of the exposures. The amount of **R4 581m** (2023: R4 159m) disclosed is therefore reflective of the amount of interest not recognised during the current reporting period.

The Group incorrectly disclosed the comparative amounts of gross loans and advances to which the impairment requirements of IFRS 9 are applicable in Corporate and Investment Banking SA. As a result, this has been restated from R396 467m to R311 943m.

8. Insurance and reinsurance contracts

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

	Group					
	2024			2023		
	Life Rm	**Non-life Rm**	**Total Rm**	Life Rm	Non-life Rm	Total Rm
Insurance contracts						
Insurance contract assets	**793**	**–**	**793**	693	–	693
Insurance contract liabilities	**(4 978)**	**(1 652)**	**(6 630)**	(4 614)	(1 812)	(6 426)
Reinsurance contracts						
Reinsurance contract assets	**547**	**456**	**1 003**	511	461	972
Reinsurance contract liabilities	**(54)**	**(258)**	**(312)**	(130)	(122)	(252)

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for the reporting period ended 31 December

8. Insurance and reinsurance contracts *continued*

8.1 Life risk: Insurance contracts

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

	Group							
	2024				2023			
	Remaining coverage				Remaining coverage			
	Excluding loss com-ponent Rm	**Loss com-ponent Rm**	**Liabilities for Incurred claims Rm**	**Total Rm**	Excluding loss com-ponent Rm	Loss com-ponent Rm	Liabilities for Incurred claims Rm	Total Rm
Opening balance assets	**929**	**(182)**	**(54)**	**693**	848	(142)	(93)	613
Opening balance liabilities	**(2 795)**	**(726)**	**(288)**	**(3 809)**	(2 846)	(581)	(313)	(3 740)
Net opening balance	**(1 866)**	**(908)**	**(342)**	**(3 116)**	(1998)	(723)	(406)	(3 127)
Changes in the statement of comprehensive income								
Insurance revenue	**5 071**	**–**	**–**	**5 071**	5 081	–	–	5 081
Contracts under the fair value approach	**894**	**–**	**–**	**894**	1 293	–	–	1 293
Other contracts	**4 177**	**–**	**–**	**4 177**	3 788	–	–	3 788
Insurance service expenses	**(611)**	**170**	**(3 547)**	**(3 988)**	(310)	(162)	(3 371)	(3 843)
Incurred claims and other service expenses (excluding investment components)	**–**	**273**	**(3 291)**	**(3 018)**	–	200	(3 438)	(3 238)
Amortisation of insurance acquisition cash flows	**(611)**	**–**	**–**	**(611)**	(310)	–	–	(310)
Losses and reversal of losses on onerous contracts	**–**	**(103)**	**–**	**(103)**	–	(362)	–	(362)
Adjustments to liabilities for incurred claims	**–**	**–**	**(256)**	**(256)**	–	–	67	67
Investment components and premium refunds	**174**	**–**	**(174)**	**–**	282	–	(282)	–
Insurance service result	**4 634**	**170**	**(3 721)**	**1 083**	5 053	(162)	(3 653)	1 238
Net finance (income)/expense from insurance contracts	**149**	**(92)**	**–**	**57**	296	(71)	–	225
Effects of movements in exchange rates	**(315)**	**63**	**11**	**(241)**	96	48	2	146
Total changes in the statement of comprehensive income	**4 468**	**141**	**(3 710)**	**899**	5 445	(185)	(3 651)	1 609
Total cash flows	**(5 026)**	**–**	**3 358**	**(1 668)**	(5 313)	–	3 650	(1 663)
Premiums received	**(5 885)**	**–**	**–**	**(5 885)**	(5 969)	–	–	(5 969)
Claims and other insurance service expenses paid, including investment components	**–**	**–**	**3 358**	**3 358**	–	–	3 650	3 650
Insurance acquisition cash flows	**859**	**–**	**–**	**859**	656	–	–	656
Transfer to other items in the statement of financial position	**209**	**(20)**	**102**	**291**	–	–	65	65
Closing balance assets	**1 251**	**(215)**	**(243)**	**793**	929	(182)	(54)	693
Closing balance liabilities	**(3 466)**	**(572)**	**(349)**	**(4 387)**	(2 795)	(726)	(288)	(3 809)
Net closing balance	**(2 215)**	**(787)**	**(592)**	**(3 594)**	(1 866)	(908)	(342)	(3 116)

Included in the transfers to other items in the statement of financial position are the reclassification of certain items as non-current assets held for sale. Refer to note 6.

8. Insurance and reinsurance contracts *continued*

8.2 Life risk: Insurance contracts

Analysis by measurement component – contracts not measured under PAA

	Group				
	2024				
			CSM		
	Estimates of present value of future cashflows Rm	Risk adjustment for non-financial risk Rm	Contracts under fair value approach Rm	Other contracts Rm	Total Rm
Opening balance assets	5 973	(866)	(1 446)	(2 968)	693
Opening balance liabilities	1 871	(863)	(798)	(4 019)	(3 809)
Net opening balance	**7 844**	**(1 729)**	**(2 244)**	**(6 987)**	**(3 116)**
Changes in the statement of comprehensive income					
Changes that relate to current services	**(225)**	**164**	**163**	**1 340**	**1 442**
CSM recognised for services provided	–	–	163	1 340	1 503
Change in risk adjustment for non-financial risk for risk expired	–	164	–	–	164
Experience adjustments	(225)	–	–	–	(225)
Changes that relate to future services	**857**	**(307)**	**438**	**(1 091)**	**(103)**
Contracts initially recognised in the year	1 859	(343)	–	(1 737)	(221)
Changes in estimates that adjust the CSM	(1 073)	(11)	438	646	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	71	47	–	–	118
Changes that relate to past services	**(256)**	**–**	**–**	**–**	**(256)**
Adjustments to liabilities for incurred claims	(256)	–	–	–	(256)
Insurance service result	**376**	**(143)**	**601**	**249**	**1 083**
Net finance (income)/expense from insurance contracts	628	–	(84)	(487)	57
Effects of movements in exchange rates	(212)	(3)	1	(27)	(241)
Total changes in the statement of comprehensive income	**792**	**(146)**	**518**	**(265)**	**899**
Total cash flows	**(1 668)**	**–**	**–**	**–**	**(1 668)**
Premiums received	(5 885)	–	–	–	(5 885)
Claims and other insurance service expenses paid, including investment components	3 358	–	–	–	3 358
Insurance acquisition cash flows	859	–	–	–	859
Transfers to other items in the statement of financial position	**123**	**30**	**36**	**102**	**291**
Closing balance assets	5 614	(1 070)	(867)	(2 884)	793
Closing balance liabilities	1 477	(775)	(823)	(4 266)	(4 387)
Net closing balance	**7 091**	**(1 845)**	**(1 690)**	**(7 150)**	**(3 594)**

Included in the transfers to other items in the statement of financial position are the reclassification of certain items as non-current assets held for sale. Refer to Note 6.

Notes to the consolidated financial statements
for the reporting period ended 31 December

8. Insurance and reinsurance contracts
8.2 Life risk: Insurance contracts *continued*

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

8. Insurance and reinsurance contracts *continued*

8.3 Life risk: Insurance contracts

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

	Group			
	2024			
		Liabilities for incurred claims		
	Liabilities for remaining coverage Rm	Estimates of present value of future cash flows Rm	Risk adjustment for non-financial risk Rm	Total Rm
Opening balance liabilities	**(126)**	**(671)**	**(8)**	**(805)**
Changes in the statement of comprehensive Income				
Insurance revenue	**1 020**	**–**	**–**	**1 020**
Insurance service expenses	**–**	**(801)**	**(3)**	**(804)**
Incurred claims and other insurance service expenses	**–**	**(769)**	**(3)**	**(772)**
Adjustments to liabilities for incurred claims	**–**	**(32)**	**–**	**(32)**
Insurance service result	**1 020**	**(801)**	**(3)**	**216**
Effects of movements in exchange rates	**(12)**	**100**	**(1)**	**87**
Total changes in the statement of comprehensive income	**1 008**	**(701)**	**(4)**	**303**
Total cash flows	**(1 020)**	**761**	**–**	**(259)**
Premiums received	**(1 020)**	**–**	**–**	**(1 020)**
Claims and other insurance service expenses paid	**–**	**761**	**–**	**761**
Transfers to other items in the statement of financial position	**18**	**151**	**1**	**170**
Closing balance liabilities	**(120)**	**(460)**	**(11)**	**(591)**

Included in the transfers to other items in the statement of financial position are the reclassification of certain items as non-current assets held for sale. Refer to note 6.

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

8. Insurance and reinsurance contracts *continued*

8.4 Non-life risk: Insurance contracts

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

	Group					
	2024					
	Liabilities for remaining coverage		Liabilities for incurred claims			
	Excluding loss component Rm	Loss component Rm	Estimates of present value of future cash flow Rm	Risk adjustment for non-financial risk Rm	Assets for insurance acquisition cash flows Rm	Total Rm
Opening balance liabilities	**(1 068)**	**(3)**	**(974)**	**(47)**	**278**	**(1 814)**
Changes in the statement of comprehensive Income						
Insurance revenue	**5 761**	**–**	**–**	**–**	**–**	**5 761**
Insurance service expenses	**(771)**	**(1)**	**(3 679)**	**(1)**	**–**	**(4 452)**
Incurred claims and other insurance service expenses	–	–	(3 695)	–	–	(3 695)
Amortisation of insurance acquisition cash flows	(771)	–	–	–	–	(771)
Losses and reversal of losses on onerous contracts	–	(1)	–	–	–	(1)
Adjustments to liabilities for incurred claims	–	–	16	(1)	–	15
Insurance service result	4 990	(1)	(3 679)	(1)	–	1 309
Net finance (income)/expense from insurance contracts	–	–	6	–	–	6
Effects of movements in exchange rates	(53)	1	(75)	(8)	–	(135)
Total changes in the statement of comprehensive income	4 937	–	(3 748)	(9)	–	1 180
Total cash flows	(5 653)	–	3 681	–	582	(1 390)
Premiums received	(5 844)	–	–	–	–	(5 844)
Claims and other insurance service expenses paid	–	–	3 681	–	–	3 681
Insurance acquisition cash flows	191	–	–	–	582	773
Allocation for assets for insurance contracts	551	–	–	–	(551)	–
Transfers to other items in the statement of financial position	148	–	224	–	–	372
Closing balance liabilities	(1 085)	(3)	(817)	(56)	309	(1 652)

Included in the transfers to other items in the statement of financial position are the reclassification of certain items as non-current assets held for sale. Refer to Note 6.

8. Insurance and reinsurance contracts

8.4 Non-life risk: Insurance contracts *continued*

	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 (income)/expense 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)

8. Insurance and reinsurance contracts *continued*

8.5 Life risk: Reinsurance contracts

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

	Group			
	2024			
	Assets for remaining coverage	Assets for incurred claims		
	Excluding loss recovery component Rm	Estimates of present value of future cash flows Rm	Risk adjustment for non-financial risk Rm	Total Rm
Opening balance assets	21	222	1	244
Opening balance liabilities	(76)	–	–	(76)
Net opening balance	**(55)**	**222**	**1**	**168**
Changes in the statement of comprehensive Income				
Allocation of reinsurance premiums	(339)	–	–	(339)
Amounts recoverable from reinsurers	–	300	–	300
Recoveries of incurred claims and other insurance services expenses	–	279	–	279
Changes to amounts recoverable for incurred claims	–	21	–	21
Net expenses from reinsurance contracts	(339)	300	–	(39)
Effect of movements in exchange rates	10	12	1	23
Total changes in the statement of comprehensive income	**(329)**	**312**	**1**	**(16)**
Total cash flows	443	(210)	–	233
Premiums paid	443	–	–	443
Amounts received	–	(210)	–	(210)
Transfers to other items in the statement of financial position	22	(147)	–	(125)
Closing balance assets	99	177	2	278
Closing balance liabilities	(18)	–	–	(18)
Net closing balance	**81**	**177**	**2**	**260**

Included in the transfers to other items in the statement of financial position are the reclassification of certain items as non-current assets held for sale. Refer to Note 6.

Notes to the consolidated financial statements
for the reporting period ended 31 December

8. Insurance and reinsurance contracts
8.5 Life risk: Reinsurance contracts *continued*

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

8. Insurance and reinsurance contracts *continued*

8.6 Non-life risk: Reinsurance contracts

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

	Group		
	2024		
	Assets for remaining coverage	Assets for incurred claims	
	Excluding loss recovery component Rm	Estimates of present value of future cash flows Rm	Total Rm
Opening balance assets	265	197	462
Opening balance liabilities	(122)	–	(122)
Net opening balance	**143**	**197**	**340**
Changes in the statement of comprehensive Income			
Allocation of reinsurance premiums	(1 115)	–	(1 115)
Amounts recoverable from reinsurers	–	569	569
Recoveries of incurred claims and other insurance services expenses	–	600	600
Changes to amounts recoverable for incurred claims	–	(29)	(29)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	–	(2)	(2)
Net expenses from reinsurance contracts	(1 115)	569	(546)
Effect of movements in exchange rates	11	34	45
Total changes in the statement of comprehensive income	(1 104)	603	(501)
Total cash flows	1 034	(631)	403
Premiums paid	1 034	–	1 034
Amounts received	–	(631)	(631)
Transfers to other items in the statement of financial position	(37)	(7)	(44)
Closing balance assets	294	162	456
Closing balance liabilities	(258)	–	(258)
Net closing balance	**36**	**162**	**198**

Included in the transfers to other items in the statement of financial position are the reclassification of certain items as non-current assets held for sale. Refer to note 6.

Notes to the consolidated financial statements
for the reporting period ended 31 December

8. Insurance and reinsurance contracts
8.6 Non-life risk: Reinsurance contracts *continued*

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

8. Insurance and reinsurance contracts *continued*

8.7 Life risk: Reinsurance contracts

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

	2024			
	Remaining coverage			
	Excluding loss recovery component Rm	Loss recovery component Rm	Assets for Incurred claims Rm	Total Rm
Opening balance assets	152	53	62	267
Opening balance liabilities	(54)	–	–	(54)
Net opening balance	**98**	**53**	**62**	**213**
Changes in the statement of comprehensive Income				
Allocation of reinsurance premiums	(268)	–	–	(268)
Amounts recoverable from reinsurers	–	11	364	375
Recoveries of incurred claims and other service expenses	–	(14)	289	275
Changes to amounts recoverable for incurred claims	–	–	75	75
Recoveries and reversals of recoveries of losses on onerous underlying contracts	–	25	–	25
Net income from reinsurance contracts	(268)	11	364	107
Net finance (income)/expense from reinsurance contracts	(49)	2	–	(47)
Effect of movements in exchange rates	10	1	(13)	(2)
Total changes in the statement of comprehensive income	**(307)**	**14**	**351**	**58**
Total cash flows	255	–	(288)	(33)
Premiums paid	254	–	–	254
Amounts received	1	–	(288)	(287)
Transfers to other items in the statement of financial position	(5)	–	–	(5)
Closing balance assets	146	40	83	269
Closing balance liabilities	(105)	27	42	(36)
Net closing balance	**41**	**67**	**125**	**233**

Included in the transfers to other items in the statement of financial position are the reclassification of certain items as non-current assets held for sale. Refer to Note 6.

Notes to the consolidated financial statements
for the reporting period ended 31 December

8. Insurance and reinsurance contracts
8.7 Life risk: Reinsurance contracts *continued*

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

8. Insurance and reinsurance contracts *continued*

8.8 Life risk: Reinsurance contracts

Analysis by measurement component – reinsurance contracts not measured under PAA

	Group				
	2024				
			CSM		
	Estimates of present value of future cashflows Rm	Risk adjustment for non-financial risk Rm	Contracts under fair value approach Rm	Other contracts Rm	Total Rm
Opening balance assets	(767)	285	106	642	266
Opening balance liabilities	(95)	8	(1)	34	(54)
Net opening balance	**(862)**	**293**	**105**	**676**	**212**
Changes in the statement of comprehensive income					
Changes that relate to current services	**138**	**(10)**	**(5)**	**(117)**	**6**
CSM recognised for services provided	–	–	(5)	(117)	(122)
Change in risk adjustment for non-financial risk for risk expired	–	(10)	–	–	(10)
Experience adjustments	138	–	–	–	138
Changes that relate to future services	**154**	**56**	**(141)**	**(43)**	**26**
Contracts Initially recognised in the year	(189)	42	–	163	16
Changes in estimates that adjust the CSM	343	14	(148)	(208)	1
Changes in the contractual service margin due to recognition of a loss-recovery component from onerous underlying contracts	–	–	7	2	9
Changes that relate to past services	**75**	**–**	**–**	**–**	**75**
Experience adjustments – arising from cede premiums paid in the period that relate to past service	75	–	–	–	75
Net income from reinsurance contracts	**367**	**46**	**(146)**	**(160)**	**107**
Net finance (income)/expense from reinsurance contracts	(85)	–	(1)	39	(47)
Effects of movements in exchange rates	(3)	–	–	2	(1)
Total changes in the statement of comprehensive income	**279**	**46**	**(147)**	**(119)**	**59**
Total cash flows	**(33)**	**–**	**–**	**–**	**(33)**
Premiums paid net of ceding commission	254	–	–	–	254
Amounts received	(287)	–	–	–	(287)
Transfers to other items in the statement of financial position	**5**	**(2)**	**–**	**(8)**	***(5)***
Closing balance assets	(285)	176	(13)	391	269
Closing balance liabilities	(326)	161	(29)	158	(36)
Net closing balance	**(611)**	**337**	**(42)**	**549**	**233**

Included in the transfers to other items in the statement of financial position are the reclassification of certain items as non-current assets held for sale. Refer to note 6.

8. Insurance and reinsurance contracts *continued*

8.8 Life risk: Reinsurance contracts

Analysis by measurement component – reinsurance contracts not measured under PAA

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

8. Insurance and reinsurance contracts *continued*

8.9 Effects of contracts initially recognised in the year

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

	Group		
	2024		
	Life		
	Profitable contracts issued Rm	Onerous contracts issued Rm	Total Rm
Insurance contracts			
Insurance acquisition cash flows	**469**	**237**	**706**
Claims and other insurance service expenses payable	**3 283**	**1 316**	**4 599**
Estimates of present value of cash outflows	**3 752**	**1 553**	**5 305**
Estimates of present value of cash Inflows	**(5 788)**	**(1 383)**	**(7 171)**
Risk adjustment for non-financial risk	**304**	**40**	**344**
CSM	**1 732**	**11**	**1 743**
Losses recognised on initial recognition	**–**	**221**	**221**

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

	Group			
	Life			
	2024		2023	
	Contracts Initiated without a loss-recovery component Rm	Contracts Initiated with a loss-recovery component Rm	Contracts Initiated without a loss-recovery component Rm	Contracts Initiated with a loss recovery component Rm
Reinsurance contracts				
Estimates of present value of cash outflows	**184**	**(561)**	–	(704)
Estimates of present value of cash Inflows	**(66)**	**254**	(6)	564
Risk adjustment for non-financial risk	**(10)**	**53**	2	31
CSM	**(108)**	**272**	4	130
Income recognised on initial recognition	**–**	**18**	–	21

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8. Insurance and reinsurance contracts *continued*

8.10 Contractual service margin

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

	Group 2024 Next 3 years Rm	Group 2024 4 to 10 years Rm	Group 2024 More than 10 years Rm	Group 2024 Total Rm
Life Insurance Contracts	**(2 421)**	**(3 165)**	**(3 254)**	**(8 840)**
Life Reinsurance Contracts	**121**	**140**	**246**	**507**
	(2 300)	**(3 025)**	**(3 008)**	**(8 333)**

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

9. Investments linked to investment contracts

	Group 2024 Rm	Group 2023 Rm
Debt instruments	**3 319**	2 216
Listed equity instruments	**20 043**	18 822
Money market instruments	**8**	7
	23 370	21 045

10. Investment in associates and joint ventures

	Group 2024 Rm	Group 2023 Rm
Unlisted investments	**2 990**	2 644

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

	Group 2024 Rm	Group 2023 Rm
Balance at the beginning of the reporting period	**2 644**	2 409
Share of current reporting period post-tax results	**282**	200
Share of current reporting period results before taxation	**395**	277
Taxation on reporting period results	**(113)**	(77)
Additional investment	**130**	35
Dividends received	**(66)**	–
Balance at the end of the reporting period	**2 990**	2 644

10. Investment in associates and joint ventures *continued*

10.2 Associates and joint ventures

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

	Group			
	Associates		Joint ventures	
Group share	2024 Rm	2023 Rm	2024 Rm	2023 Rm
Post-tax profit from continuing operations	100	122	182	78
Total comprehensive income	100	122	182	78

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

	Group	
	2024 Rm	2023 Rm
Unlisted investments		
Shares at cost less impairments	934	803
Share of post-acquisition reserves	1 939	1 724
Additional capital contribution	117	117
	2 990	2 644

10.4 Carrying value of associates and joint ventures

	Group					
	2024			2023		
	Associates Rm	Joint ventures Rm	Total Rm	Associates Rm	Joint ventures Rm	Total Rm
Equity accounted	1 460	1 530	2 990	1 297	1 347	2 644
Designated at fair value through profit or loss	–	227	227	–	209	209
	1 460	1 757	3 217	1 297	1 556	2 853

Certain investments in Joint Ventures have been designated at fair value through profit or loss as the equity method exemption has been applied. These are presented within unlisted equity instruments in 'Investment securities' (refer to note 3).

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

Notes to the consolidated financial statements
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11. Investment properties

	Group 2024 Rm	Group 2023 Rm
Balance at the beginning of the reporting period	**378**	397
Additions	**1**	–
Transfers to/from non-current assets held for sale	**(183)**	–
Disposals	**–**	(2)
Foreign exchange and hyperinflation movements	**29**	(17)
Balance at the end of the reporting period	**225**	378

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

12. Property and Equipment

	Group					
	2024			2023		
	Cost Rm	**Accumulated depreciation and/or impairments Rm**	**Carrying amount Rm**	Cost Rm	Accumulated depreciation and impairments Rm	Carrying amount Rm
Computer equipment	**6 641**	**(4 152)**	**2 489**	7 544	(5 286)	2 258
Freehold property	**7 376**	**(1 286)**	**6 090**	7 176	(1 146)	6 030
Furniture and other equipment	**11 846**	**(7 666)**	**4 180**	13 093	(8 859)	4 234
Leasehold property	**5**	**(1)**	**4**	4	–	4
Motor vehicles	**176**	**(98)**	**78**	162	(81)	81
Right-of-use assets	**7 122**	**(4 241)**	**2 881**	6 509	(3 417)	3 092
Aircraft	**565**	**(37)**	**528**	326	(9)	317
	33 731	**(17 481)**	**16 250**	34 814	(18 798)	16 016

In 2023, the Group incorrectly recognised within the right-of-use assets cost and accumulated depreciation relating to leases that were already expired. Consequently, the cost and accumulated depreciation balances have been restated from R8 667m and R5 575m, respectively, to the corrected balances as shown in the table above.

12. Property and Equipment *continued*

	Group								
	2024								
Reconciliation of property and equipment	**Opening balance Rm**	**Additions Rm**	**Disposals Rm**	**Transfers Rm**	**Transfer to non-current assets held for sale Rm**	**Foreign exchange and hyper-inflation movements Rm**	**Depre-ciation Rm**	**Impair-ment charge Rm**	**Closing balance Rm**
Computer equipment	**2 258**	**967**	**(42)**	**–**	**(5)**	**70**	**(743)**	**(16)**	**2 489**
Freehold property	**6 030**	**1 287**	**(877)**	**(24)**	**(47)**	**6**	**(70)**	**(215)**	**6 090**
Furniture and other equipment	**4 234**	**1 784**	**(441)**	**5**	**(5)**	**11**	**(1 095)**	**(313)**	**4 180**
Leasehold property	**4**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4**
Motor vehicles	**81**	**26**	**(1)**	**2**	**(4)**	**1**	**(27)**	**–**	**78**
Right-of-use assets	**3 092**	**1 034**	**(8)**	**17**	**–**	**(3)**	**(1 162)**	**(89)**	**2 881**
Aircraft	**317**	**231**	**–**	**–**	**–**	**7**	**(27)**	**–**	**528**
	16 016	**5 329**	**(1 369)**	**–**	**(61)**	**92**	**(3 124)**	**(633)**	**16 250**
Note					6		34	35	

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

Included in the above additions is **R1 674m** (2023: R1 271m) that relates to expenditure capitalised to the cost of property and equipment during the course of its construction.

Assets under construction was brought in to use during the reporting period **R1 168m** (2023: R1 718m).

Certain property and equipment held for sale totaling **R61m** (2023: R116m) for Group were transferred to non-current assets held for sale.

Included in the foreign exchange column, is **R128m** (2023: R327m) relating to hyperinflation.

13. Goodwill and Intangibles

	Group 2024 Cost Rm	Group 2024 Accumulated amortisation and/or impairments Rm	Group 2024 Carrying amount Rm	Group 2023 Cost Rm	Group 2023 Accumulated amortisation and/or impairments Rm	Group 2023 Carrying amount Rm
Computer software development costs	**23 458**	**(8 224)**	**15 234**	21 788	(8 162)	13 626
Customer lists and relationships	**229**	**(187)**	**42**	255	(239)	16
Goodwill	**1 081**	**(359)**	**722**	1 061	(292)	769
Other	**124**	**(112)**	**12**	124	(93)	31
	24 892	**(8 882)**	**16 010**	23 228	(8 786)	14 442

Group 2024

Reconciliation of goodwill and intangible assets	Opening balance Rm	Additions Rm	Addition though business combinations Rm	Disposals Rm	Foreign exchange and hyper-inflation movements Rm	Amor-tisation Rm	Impair-ment charge Rm	Transfer to non-current assets held for sale Rm	Closing balance Rm
Computer software development costs	**13 626**	**4 830**	**–**	**(337)**	**30**	**(2 713)**	**(179)**	**(23)**	**15 234**
Customer lists and relationships	**16**	**–**	**44**	**(1)**	**–**	**(3)**	**–**	**(14)**	**42**
Goodwill	**769**	**–**	**–**	**–**	**45**	**–**	**(68)**	**(24)**	**722**
Other	**31**	**2**	**–**	**–**	**–**	**(13)**	**(8)**	**–**	**12**
	14 442	**4 832**	**44**	**(338)**	**75**	**(2 729)**	**(255)**	**(61)**	**16 010**
Note			52.1			34	35	6	

Group 2023

Reconciliation of goodwill and intangible assets	Opening balance Rm	Additions Rm	Addition though business combinations	Disposals Rm	Foreign exchange and hyper-inflation movements Rm	Amor-tisation Rm	Impair-ment charge Rm	Transfer to non-current assets held for sale Rm	Closing balance Rm
Computer software development costs	12 076	4 603	–	(35)	8	(2 781)	(245)	–	13 626
Customer lists and relationships	20	–	–	–	–	(4)	–	–	16
Goodwill	757	–	–	–	12	–	–	–	769
Other	48	–	–	(6)	–	(11)	–	–	31
	12 901	4 603	–	(41)	20	(2 796)	(245)	–	14 442
Note			52.1			34	35	6	

The majority of computer software development costs were internally generated. Included in computer software development costs is **R4 978m** (2023: R4 537m) relating to assets under construction which is not yet amortised, this includes the opening balance and any movements to date.

Borrowing costs of **R288m** (2023: R144m) were capitalized to computer software development costs.

Assets under construction relating to computer software of **R3 042m** (2023: R2 156m) were brought into use during the reporting period.

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

13. Goodwill and Intangibles *continued*

	Group 2024 Rm	Group 2023 Rm
Composition of goodwill		
Absa Bank Ghana Limited	**100**	63
Absa Bank Mauritius Limited	**55**	54
Absa Bank Uganda Limited	**135**	128
Absa Instant Life Proprietary Limited	**20**	20
Absa Vehicle and Management Solutions Proprietary Limited	**112**	112
First Assurance Company Limited	**–**	69
Global Alliance Seguros S.A.	**–**	24
Woolworths Financial Services Proprietary Limited	**300**	299
	722	769

14. Deferred tax

14.1 Reconciliation of net deferred tax (asset)/liability

	Group 2024 Rm	Group 2023 Rm
Balance at the beginning of the reporting period	**(7 668)**	(8 233)
Deferred tax on amounts charged directly to other comprehensive income and equity	**1 302**	848
Credit to profit or loss (refer to note 37)	**(2)**	(537)
Tax effect of translation and other differences	**(487)**	254
Balance at the end of the reporting period	**(6 855)**	(7 668)

14.2 Deferred tax (asset)/liability

	Group 2024 Rm	Group 2023 Rm
Tax effects of temporary differences between tax and book value for:		
Deferred tax liability	**378**	181
Prepayments, accruals and other provisions	**378**	180
Capital allowances	**–**	1
Deferred tax asset	**(7 233)**	(7 849)
Assessed losses	**(68)**	(93)
Fair value adjustments on financial instruments	**346**	(386)
Cash flow hedge and financial assets at fair value through other comprehensive income	**191**	(449)
Impairment of loans and advances	**(4 766)**	(5 003)
Lease and rental debtor allowances	**(539)**	(510)
Prepayments, accruals and other provisions	**(1 890)**	(996)
Payments received in advance	**(868)**	(731)
Own credit risk	**(337)**	(263)
Capital allowances	**1 169**	1 023
Retirement benefit assets	**(10)**	(38)
Share-based payments	**(461)**	(403)
Net deferred tax (asset)	**(6 855)**	(7 668)

Payments received in advance and Prepayments, accruals and other provisions of R1 727m was disclosed within a single line item in the prior period. To improve transparency, the Group now discloses these items separately as can be seen in the table above.

14. Deferred tax *continued*

14.3 Future tax relief

The Group has estimated tax losses of **R1 037m** (2023: R1 398m) which are available for set-off against future taxable income. Deferred tax assets of **R73m** (2023: R93m) relating to tax losses carried forward were recognised because management considered it probable that future taxable profits would be available against which such losses can be used.

Of the total losses of **R813m** (2023: R1 211m) relating to Mozambique, only **R206m** (2023: R297m) was recognised for the purposes of deferred tax. The unrecognized amount was **R607m** (2023: R914m), due to management not considering it probable that future taxable profits would be available against which such losses can be used within the allowed 5 years, following the first tax year in which it arose.

15. Trading and hedging portfolio liabilities

	Group	
	2024 Rm	2023 Rm
Derivative liabilities	**52 753**	46 701
Commodity derivatives	**1 136**	368
Credit derivatives	**107**	348
Equity derivatives	**2 600**	2 696
Foreign exchange derivatives	**18 917**	14 927
Interest rate derivatives	**29 993**	28 362
Short positions	**13 267**	15 847
Total trading portfolio liabilities	**66 020**	62 548
Hedging portfolio liabilities (refer to note 54.3)	**1 258**	1 688
	67 278	64 236

16. Provisions

	Group			
	2024			
	Staff bonus and incentive provisions Rm	Sundry provisions Rm	Undrawn contractually committed and guarantees provision Rm	Total Rm
Balance at the beginning of the reporting period	**3 294**	**1 580**	**1 171**	**6 045**
Additions	**3 642**	**1 135**	**–**	**4 777**
Amounts used	**(3 377)**	**(1 063)**	**–**	**(4 440)**
Reversals	**(164)**	**(71)**	**–**	**(235)**
Transfer to non-current liabilities held for sale	**(9)**	**(23)**	**–**	**(32)**
Movement in provisions for financial guarantees, undrawn committed facilities and letters of credit (Refer to note 49)	**–**	**–**	**(364)**	**(364)**
Foreign exchange movements	**32**	**9**	**15**	**56**
Balance at the end of the reporting period	**3 418**	**1 567**	**822**	**5 807**

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

81% of the provisions balance is expected to be recovered or settled within 12 months after the reporting date.

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

16. Provisions *continued*

16.1 Reconciliation of ECL allowance

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

	Group			
	2024			
		Lifetime expected credit losses ('LEL')		
Guarantees and letters of credit	**Stage 1 Rm**	**Stage 2 Rm**	**Stage 3 Rm**	**Total Rm**
Balance at the beginning of the reporting period	**114**	**176**	**484**	**774**
Asset moved/allowance transferred to stage 1	**2**	**(2)**	**–**	**–**
Asset moved/allowance transferred from stage 3	**–**	**–**	**(168)**	**(168)**
Credit impairment charges	**37**	**(97)**	**(38)**	**(98)**
Foreign exchange and hyperinflation movements	**(14)**	**7**	**16**	**9**
Balance at the end of the reporting period	**139**	**84**	**294**	**517**

	Group			
	2023			
		Lifetime expected credit losses ('LEL')		
Guarantees and letters of credit	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
Balance at the beginning of the reporting period	177	173	505	855
Asset moved/allowance transferred to stage 1	2	(2)	–	–
Credit impairment charges	(57)	10	170	123
Foreign exchange and hyperinflation movements	(8)	(5)	(191)	(204)
Balance at the end of the reporting period	114	176	484	774

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

17. Other liabilities

	Group	
	2024 Rm	2023 Rm
Accruals	**3 402**	3 180
Audit fee accrual	**324**	286
Cash-settled share-based payment liability (refer to note 50)	**275**	131
Creditors	**17 711**	18 400
Deferred income	**522**	211
Lease liabilities (refer to note 40)	**3 638**	3 805
Retirement benefit funds and post-retirement medical plan obligations (refer to note 41)	**638**	726
Settlement balances	**13 781**	15 354
	40 291	42 093

18. Deposits

	Group 2024 Rm	Group 2023 Rm
Customers		
Call deposits	**139 691**	131 769
Cheque account deposits	**347 062**	287 075
Credit card deposits	**2 079**	1 930
Fixed deposits	**315 481**	307 123
Foreign currency deposits	**86 625**	83 418
Notice deposits	**98 457**	86 341
Other deposits	**2 829**	2 272
Repurchase agreements	**24 779**	26 342
Savings and transmission deposits	**340 432**	289 061
Total deposits due to customers	**1 357 435**	1 215 331
Banks		
Call deposits	**7 159**	8 022
Fixed deposits	**25 654**	24 211
Foreign currency deposits	**28 147**	27 980
Other deposits	**9 667**	7 869
Repurchase agreements	**78 613**	55 619
Savings and transmission deposits	**252**	504
Total deposits due to banks	**149 492**	124 205
Total deposits	**1 506 927**	1 339 536

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

Included in deposits from banks are collateralised deposits of **R1m** (2023: R24m) relating to securities lent.

19. Debt securities in issue

	Group 2024 Rm	Group 2023 Rm
Commercial paper	**5 244**	2 744
Credit linked notes	**33 409**	24 848
Floating rate notes	**50 632**	43 799
Negotiable certificates of deposit	**71 742**	89 858
Other	**1 700**	1 384
Promissory notes	**837**	1 581
Senior notes	**47 726**	46 912
Structured notes and bonds	**1**	2
	211 291	211 128

20. Liabilities under investment contracts

	Group 2024 Rm	Group 2023 Rm
Net balance at the beginning of the reporting period	**21 247**	19 999
Change in investment contracts	**1 083**	1 443
Cash inflows on investment contracts	**3 513**	2 391
Policyholder benefits paid on investment contracts	**(2 296)**	(2 597)
Other	**–**	11
Net balance at the end of the reporting period	**23 547**	21 247

20.1. Assets and liabilities backing the investment contracts

	Group 2024 Net assets (liabilities) attributable to external policy-holders Rm	Group 2023 Net assets (liabilities) attributable to external policy-holders Rm
Current tax liabilities	**(25)**	(19)
Money market assets (refer to note 2)	**272**	235
Investments linked to investment contracts (refer to note 9)	**23 370**	21 045
Other assets	**17**	9
Other liabilities	**(87)**	(23)
	23 547	21 247

21. Borrowed funds

			Group	
			2024 Rm	2023 Rm
Subordinated callable notes issued by Absa Group Limited				
Interest rate	**Final Maturity date**	**Note**		
Three-month JIBAR + 2.10%	16 September 2032	i.	**1 916**	1 916
Three-month JIBAR + 2.13%	17 May 2030	ii.	**2 676**	2 676
Three-month JIBAR + 2.40%	11 April 2029	iii.	**–**	1 580
Three-month JIBAR + 3.85%	14 August 2029	iv.	**–**	390
Three-month JIBAR + 3.45%	29 September 2029	v.	**–**	1 014
Three-month JIBAR + 1.72%	26 August 2033	vi.	**2 158**	2 158
Three-month JIBAR + 1.72%	06 August 2034	vii.	**1 000**	–
Three-month JIBAR + 1.75%	21 September 2034	viii.	**2 019**	–
Three-month JIBAR + 1.70%	16 October 2034	ix.	**500**	–
Three-month JIBAR + 1.62%	12 October 2034	x.	**1 700**	–
Foreign currency denominated notes				
USD 6.375%	n/a	xi.	**6 866**	6 866
Subordinated callable notes issued by other subsidiaries				
National Bank of Commerce 7.5% fixed rate note	10 July 2029	xii.	**85**	–
Bank of Botswana limit rate + 2.25%	14 November 2028	xiii.	**–**	136
Other				
Accrued interest			**136**	137
Fair value adjustments			**(442)**	(695)
Foreign exchange movements			**2 574**	2 324
			21 188	18 502

	Group	
	2024 Rm	2023 Rm
Reconciliation of Borrowed funds		
Opening balance	**18 502**	26 420
Changes arising from cash movements:	**141**	(10 126)
Borrowed fund issuances	**5 304**	2 158
Borrowed fund redemptions	**(3 120)**	(7 952)
Impact of hyperinflation	**–**	(496)
Interest paid	**(2 043)**	(3 836)
Changes arising from non-cash movements:	**2 545**	2 208
Interest accrued	**2 042**	2 572
Fair value adjustments	**253**	245
Foreign exchange and hyperinflation movements	**250**	(609)
Closing balance	**21 188**	18 502

In the prior year, the repayment of borrowed funds of R11 317m in the statement of cash flows includes the redemption amount referred to above of R7 952m and realised foreign exchange of R2 530m, which is included in the foreign exchange movement of R609m.

21. Borrowed funds *continued*

i. The three-month JIBAR plus 2.10% floating rate notes with a nominal amount of ZAR 1.9bn may be redeemed in full at the option of Absa Group Limited on 16 September 2032, with the first optional redemption date being 16 September 2027. The interest is paid quarterly in arrears on 16 March, 16 June, 16 September and 16 December each year until the maturity date, with the first interest determination date being 12 September 2022. No step-up will apply on the coupon rate, should Absa Group Limited not exercise the redemption option.

ii. The three-month JIBAR plus 2.13% floating rate notes may be redeemed in full at the option of Absa Group Limited on 17 May 2030. Interest is paid quarterly in arrears on 17 February, 17 May, 17 August and 17 November. Absa Group Limited has the option to exercise the redemption on any interest payment date after 17 May 2025. No step-up will apply on the coupon rate, should Absa Group Limited not exercise the redemption option.

iii. The three-month JIBAR plus 2.40% floating rate notes were redeemed in full on 11 April 2024.

iv. The three-month JIBAR plus 3.85% floating rate notes were redeemed in full on 14 August 2024.

v. The three-month JIBAR plus 3.45% floating rate notes were redeemed in full on 29 September 2024.

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

vii. The three-month JIBAR plus 1.72% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 06 August 2034. Interest is paid quarterly in arrears on 06 February, 06 May, 06 August and 06 November. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

viii. The three-month JIBAR plus 1.75% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 21 September 2034. Interest is paid quarterly in arrears on 21 March, 21 June, 21 September and 21 December. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

ix. The three-month JIBAR plus 1.70% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 16 October 2034. Interest is paid quarterly in arrears on 16 January, 16 April, 16 July and 16 October. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

x. The three-month JIBAR plus 1.62% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 12 October 2034. Interest is paid quarterly in arrears on 12 January, 12 April, 12 July and 12 October. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

xi. The 6.375% fixed rate reset unsecured and perpetual notes with a nominal amount of USD 500m have no fixed redemption date. The notes qualify as additional Tier 1 capital for the Group. The Group is obliged to pay interest on each Interest Payment Date unless: (a) it elects not to pay the relevant interest amount on such Interest Payment Date in whole or in part and for any reason; (b) it is in breach of either (i) the Capital Regulations or (ii) the Solvency Condition on the business day prior to such Interest Payment Date or would be in breach of the Capital Regulations or the Solvency Condition if the relevant interest amount were paid on such Interest Payment Date; or (c) at any time the Prudential Authority imposes a mandatory prohibition on the payment by the Issuer of such interest amount. The interest is payable semi-annually in arrears on 27 May and 27 November each year, commencing on 27 November 2021. The reset dates are every 5 years. The interest rate is 6.375% from the issue date to (but excluding) the first reset date, 27 November 2026. Thereafter, the interest rate will be reset to an interest applicable to the relevant reset period. The terms of the Additional Tier 1 capital notes include a regulatory requirement which provides for the write off, in whole or in part, in the case of a disqualifying event. In addition, interest payments are mandatorily payable if, for any reason, the instrument no longer meets the criteria of AT1 Capital in terms of Regulation 38(11).

xii. The 7.5% fixed rate notes issued by National Bank of Commerce, with the value of TZS 13 000m (ZAR 85m) may be redeemed in full on 10 July 2029. The notes bear fixed interest at a rate of 7.5%. TZS 1 000 (ZAR 7m) and TZS 2 000 (ZAR 13m) may be redeemed early in full on 31 May 2027 and 13 March 2029 respectively.

xiii. The Botswana Bank repo rate plus 2.25% floating rate notes issued by Absa Bank of Botswana Limited, with a nominal amount of BWP 103m (ZAR 136m), were redeemed in full on 14 February 2024.

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

Note xi is listed on the London Stock Exchange.

Note xiii is listed on the Botswana Stock Exchange.

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

22. Share capital, premium and other equity

22.1 Ordinary share capital

	Group	
	2024 Rm	2023 Rm
Authorised		
950 000 000 (2023: 950 000 000) ordinary shares of R2.00 each	**1 900**	1 900
Issued		
894 376 907 (2023: 894 376 907) ordinary shares of R2.00 each	**1 789**	1 789
64 918 470 (2023: 65 322 253) treasury shares held by Group entities	**(131)**	(132)
	1 658	1 657
Total Issued capital		
Share capital	**1 658**	1 657
Share premium	**10 562**	10 464
	12 220	12 121

Authorised shares

During the current reporting period, the authorised share capital remained unchanged with par value of R2 each.

Unissued shares

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

Ordinary issued

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

Shares issued

There were no shares issued during the current reporting period. 46 626 228 additional shares were issued for a value of R7 802 909 331 during the prior reporting period. All shares issued by the Group were fully paid up for Companies Act purposes, even though certain shares are treated as treasury shares. Refer to note 22.2 below.

22.2 Treasury shares

The Absa Group Limited Share Incentive Trust holds treasury shares which are utilised by the Group as a vehicle from which share incentive awards are granted. Absa Life Limited and Absa Capital Securities Proprietary Limited holds treasury shares, which are utilised by the Group in the normal course of business and held in the entities' share portfolios of **2 312 087** (2023: 2 715 870).

Newshelf 1405 (RF) Proprietary Limited (which is currently consolidated into the Group) holds (2024: 7%) Absa Group Limited shares **62 606 383** (2023: 62 606 383) as part of the Group's B-BBEE transaction. 3% is designated for the SA Staff Trust, in which employees will become shareholders after five years (from 1 September 2023). An additional 4% is designated for a perpetual Corporate Social Investment (CSI) Trust. For further details regarding this transaction, refer to note 46.2 (Related Parties).

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

22. Share capital, premium and other equity *continued*

22.3 Directors' interests in the Group's ordinary shares

	Direct number of shares		Indirect number of shares		Total direct and indirect number of shares	
		Beneficial		Beneficial		Beneficial
	2024	2023	**2024**	2023	**2024**	2023
Present directors						
P Mageza	**20 565**	20 565	**–**	–	**20 565**	20 565
CJ Russon	**190 891**	140 373	**–**	–	**190 891**	140 373
D Raju	**58 713**	–	**–**	–	**58 713**	–
Prescribed officers						
GS Lee	**47 843**	25 508	**–**	–	**47 843**	25 508
FS Mkhize	**56 827**	34 954	**–**	–	**56 827**	34 954
Y Masithela	**88 684**	–	**–**	–	**88 684**	–
C Wu	**44 787**	–	**–**	–	**44 787**	–
Past Prescribed officers						
C Fox (resigned 26 April 2024)	**75 534**	51 442	**–**	–	**75 534**	51 442
Past Directors						
A Rautenbach (retired 15 October 2024)	**–**	268 339	**–**	–	**–**	268 339
CFJ Snyman (stepped down from interim position 26 April 2024)	**37 487**	18 498	**–**	–	**37 487**	18 498
JP Quinn (resigned 22 November 2023)	**–**	152 666	**–**	–	**–**	152 666
	621 331	712 345	**–**	–	**621 331**	712 345

There was no movement in shareholding between the reporting date and the date of approval of the financial statements.

23. Other Reserves

23.1 General credit risk reserve

The general credit risk reserve consists of the following:

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

23.2 Fair value through other comprehensive income reserve

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

23.3 Cash flow hedging reserve

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

23.4 Foreign currency translation reserve

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

23.5 Foreign insurance subsidiary regulatory reserve

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

20% until the value of the reserves represents half of the minimum capital required under the foreign insurance subsidiary's legislation.

10% from the point at which the amount specified in the preceding paragraph has been attained.

23.6 Share-based payment reserve

The reserve comprises the credit to equity for equity-settled share-based payment arrangements in terms of IFRS 2. The standard requires that the expense be charged to the profit or loss component of the statement of comprehensive income, while a credit needs to be raised against equity over the vesting period (i.e. the period between the allocation date and the date on which employees will become entitled to their options). When options

23. Other Reserves

23.6 Share-based payment reserve *continued*

are exercised, the reserve related to the specific options is transferred to share capital and/or share premium. If the options lapse after vesting, the related reserve is transferred to retained earnings. If the options lapse before vesting, the related reserve is reversed through the profit or loss component of the statement of comprehensive income. Refer to Note 50 for further information on Share-based payment.

23.7 Associates' and joint ventures' reserve

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

23.8 Retained earnings

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

- movement in the fair value of equity instruments measured at FVOCI;
- movement in the fair value attributable to own credit risk on liabilities designated at FVTPL;
- movement in the actuarial valuation of retirement benefit fund assets and liabilities;
- direct shareholder contributions; and
- impact of the application of accounting for hyperinflation in subsidiaries who are considered to be operating in hyperinflationary economies.

23.9 Insurance finance reserve

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

24. Non-controlling interest and other equity

24.1 Preference shares

	Group	
	2024 Rm	2023 Rm
Authorised		
30 000 000 (2023: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0.01 each	**1**	1
Issued		
4 944 839 (2023: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0.01 each	**1**	1
Total issued capital		
Share capital	**1**	1
Share premium	**4 643**	4 643
	4 644	4 644

The only subsidiary that gives rise to a significant non-controlling interest is Absa Bank Limited. Whilst Absa Group Limited holds 100% of the voting rights in Absa Bank Limited, Absa Bank Limited has preference shares in issue that are disclosed as non-controlling interests.

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

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

24. Non-controlling interest and other equity *continued*

24.2 Other equity: Additional Tier 1 capital

		Group	
		2024 Rm	2023 Rm
Subordinated callable notes issued by Absa Group Limited			
Interest rate	**Date of issue**		
Three-month JIBAR + 4.50%	28 May 2019	**–**	1 678
Three-month JIBAR + 4.25%	5 December 2019	**1 376**	1 376
Three-month JIBAR + 4.55%	26 October 2020	**1 209**	1 209
Three-month JIBAR + 3.58%	15 November 2022	**1 999**	1 999
Three-month JIBAR + 2.94%	30 October 2023	**2 000**	2 000
Three-month JIBAR + 2.90%	13 May 2024	**1 511**	–
Three-month JIBAR + 2.74%	28 November 2024	**1 579**	–
		9 674	8 262

The Additional Tier 1 capital notes represent perpetual, subordinated instruments redeemable in full at the option of Absa Group Limited (the issuer) 5 June 2025, 27 October 2025, 16 November 2027, 30 October 2028, 14 May 2029 and 29 November 2029 subject to regulatory approval. These instruments include a write-off provision which is required under Basel III. This provision is triggered by the Prudential Authority and shall be instituted at the earlier of (i) a decision that a write-off, without which the Issuer would become non-viable, is necessary; or (ii) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable. In addition, the Additional Tier 1 Notes do not have a contractual obligation to pay interest. Accordingly, the instruments are classified as equity instruments. Additional Tier 1 that was issued on the 28 May 2019 was redeemed on the 28 November 2024.

25. Interest and similar income

	Group 2024 Rm	Group 2023 Rm
Interest and similar income is earned from:		
Cash, cash balances and balances with central banks	**5**	17
Interest on hedging instruments	**(1 350)**	(1 239)
Investment securities	**20 294**	16 448
Loans and advances	**148 829**	139 236
Loans and advances to customers	**141 200**	134 123
Corporate overdrafts and specialised finance loans	**1 765**	1 880
Credit cards	**10 197**	10 213
Foreign currency loans	**5 317**	4 562
Instalment credit agreements	**16 489**	15 709
Finance lease receivables	**282**	261
Loans to associates and joint ventures	**2 351**	2 431
Microloans	**624**	746
Mortgages	**45 333**	43 208
Other advances	**3 056**	1 270
Overdrafts	**7 174**	6 611
Overnight finance	**1 747**	1 860
Personal and term loans	**28 641**	29 760
Preference shares	**3 168**	2 771
Reverse repurchase agreements	**28**	27
Wholesale overdrafts	**15 028**	12 814
Loans and advances to banks	**7 629**	5 113
Other interest	**78**	–
	167 856	154 462
Classification of interest and similar income:		
Interest on hedging instruments	**(1 350)**	(1 239)
Cash flow hedges (refer to note 54.7)	**(1 657)**	(1 491)
Fair value hedging instruments	**307**	252
Interest on financial assets held at amortised cost	**151 674**	143 446
Interest on financial assets measured at FVOCI	**14 633**	9 486
Interest on financial assets measured at fair value through profit or loss	**2 899**	2 769
Investment securities	**–**	186
Loans and advances	**2 899**	2 583
	167 856	154 462

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

Interest income on Instalment credit agreements and finance lease receivables of R15 970m was disclosed within a single line item in the prior period. To improve transparency, the Group now discloses these items separately as can be seen in the table above.

Notes to the consolidated financial statements
for the reporting period ended 31 December

26. Interest expense and similar charges

	Group 2024 Rm	Group 2023 Rm
Interest expense and similar charges are paid on:		
Borrowed funds	**2 042**	2 572
Debt securities in issue	**13 503**	12 567
Deposits	**80 073**	69 963
Deposits due to customers	**75 253**	67 163
Call deposits	**10 784**	15 459
Cheque account deposits	**9 619**	8 917
Credit card deposits	**7**	6
Fixed deposits	**21 656**	16 042
Foreign currency deposits	**3 516**	255
Notice deposits	**6 562**	6 748
Other deposits due to customers	**438**	1 070
Savings and transmission deposits	**22 671**	18 666
Deposits from banks	**4 820**	2 800
Call deposits	**2 156**	466
Fixed deposits	**2 015**	1 742
Foreign currency deposits	**396**	382
Other	**253**	210
Interest on hedging instruments	**392**	960
Interest incurred on lease liabilities (refer to note 40)	**351**	264
Other	**390**	81
	96 751	86 407
Classification of interest expense and similar charges		
Interest on hedging instruments	**392**	960
Cash flow hedges (refer to note 54.7)	**(67)**	38
Fair value hedges	**459**	922
Interest on financial liabilities measured at amortised cost	**96 359**	85 447
	96 751	86 407

27. Net fee and commission income

	Group 2024 Rm	Group 2023 Rm
Consulting and administration fees	**501**	516
Insurance commission received	**952**	1 222
Investment, markets execution and investment banking fees	**542**	453
Merchant income	**3 262**	2 794
Other fee and commission income	**558**	585
Transactional fees and commissions	**23 173**	21 922
Cheque accounts	**5 246**	5 093
Credit cards (includes card issuing fees)	**3 336**	3 159
Electronic banking	**6 926**	6 905
Service charges	**5 165**	4 480
Other (includes exchange commissions and guarantees)	**1 378**	1 187
Savings accounts	**1 122**	1 098
Trust and other fiduciary services fees	**671**	722
Portfolio and other management fees	**290**	371
Trust and estate income	**381**	351
Fee and commission income	**29 659**	28 214
Fee and commission expense	**(3 758)**	(3 243)
Brokerage fees	**(107)**	(98)
Cheque processing fees	**(3)**	(4)
Clearing and settlement charges	**(1 800)**	(1 617)
Notification fees	**(228)**	(246)
Other	**(1 520)**	(1 183)
Valuation fees	**(100)**	(95)
	25 901	24 971
Included above are net fees and commissions linked to financial instruments not at fair value		
Cheque accounts	**5 246**	5 093
Credit cards	**3 336**	3 159
Electronic banking	**6 926**	6 905
Service charges	**5 165**	4 480
Other	**1 378**	1 187
Savings accounts	**1 122**	1 098
Fee and commission income	**23 173**	21 922
Fee and commission expense	**(3 573)**	(3 157)
	19 600	18 765

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.

In 2023, Transactional fees and commissions – Service charges, Insurance commission received and Other fee and commission income were incorrectly allocated by the Group. The error resulted in a restatement in transactional fees and commissions – Service charges from R4 470m to R4 480m, Insurance commission received from R1 382m to R1 222m and Other fee and commission income from R435m to R585m.

Credit cards include card issuing and acquiring fees.

Transactional fees and commissions – Other include exchange commission of **R898m** (2023: R823m) and guarantee fees received of **R481m** (2023: R364m).

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

28. Insurance revenue

	Group		
	2024		
	Life Rm	Non-life Rm	Total Rm
Contracts not measured under the PAA	**5 071**	**–**	**5 071**
Amounts relating to changes in liabilities for remaining coverage	**4 482**	**–**	**4 482**
CSM recognised for services provided	**1 505**	**–**	**1 505**
Change in risk adjustment for non-financial risk for risk expired	**164**	**–**	**164**
Expected incurred claims and other insurance service expenses	**3 656**	**–**	**3 656**
Other, including experience adjustments	**(843)**	**–**	**(843)**
Recovery of insurance acquisition cash flows	**589**	**–**	**589**
Contracts measured under the PAA	**1 020**	**5 761**	**6 781**
Total insurance revenue	**6 091**	**5 761**	**11 852**

	Group		
	2023		
	Life Rm	Non-life Rm	Total Rm
Contracts not measured under the PAA	5 081	–	5 081
Amounts relating to changes in liabilities for remaining coverage	4 770	–	4 770
CSM recognised for services provided	1 011	–	1 011
Change in risk adjustment for non-financial risk for risk expired	249	–	249
Expected incurred claims and other insurance service expenses	3 484	–	3 484
Other, including experience adjustments	26	–	26
Recovery of insurance acquisition cash flows	311	–	311
Contracts measured under the PAA	1 038	5 466	6 504
Total insurance revenue	6 119	5 466	11 585

Notes to the consolidated financial statements
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29. Insurance finance income and expenses

	Group					
	2024			2023		
	Life Rm	Non-life Rm	Total Rm	Life Rm	Non-life Rm	Total Rm
Net finance income/(expenses) from insurance contracts	**57**	**6**	**63**	225	(14)	211
Interest accreted	**(117)**	**2**	**(115)**	(14)	(14)	(28)
Effect of changes in interest and other financial assumptions	**174**	**–**	**174**	239	–	239
Net foreign exchange gain/ (loss)	**–**	**4**	**4**	–	–	–
Amounts recognised in profit or loss	**(220)**	**–**	**(220)**	(136)	(14)	(150)
Amounts recognised in OCI	**283**	**–**	**283**	361	–	361
Total	**63**	**–**	**63**	225	(14)	211
Net finance income/(expenses) from reinsurance contracts	**(47)**	**–**	**(47)**	(25)	–	(25)
Interest accreted	**(24)**	**–**	**(24)**	(17)	–	(17)
Effect of changes in interest rates and other financial assumptions	**(21)**	**–**	**(21)**	(14)	–	(14)
Effect of changes in non-performance risk of reinsurers	**–**	**–**	**–**	6	–	6
Net foreign exchange gain/(loss)	**(2)**	**–**	**(2)**	–	–	–
Amounts recognised in profit or loss	**–**	**–**	**–**	(4)	–	(4)
Amounts recognised in OCI	**(47)**	**–**	**(47)**	(21)	–	(21)
Total	**(47)**	**–**	**(47)**	(25)	–	(25)

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

30. Gains and losses from banking and trading activities

	Group 2024 Rm	Group 2023 Rm
Net gains on investments	**527**	683
Debt instruments designated at fair value through profit or loss	**160**	262
Equity instruments at fair value through profit or loss	**365**	355
Unwind from reserves for debt instruments at fair value through other comprehensive income	**2**	66
Net trading result	**8 211**	7 310
Net trading income excluding the impact of hedge accounting	**8 055**	7 260
Ineffective portion of hedges	**156**	50
Cash flow hedges	**64**	46
Fair value hedges	**92**	4
Other (losses)/gains	**(19)**	88
	8 719	8 081
Net trading result and other gains on financial instruments		
Net trading income excluding the impact of hedge accounting	**8 055**	7 260
Losses on financial instruments designated at FVTPL	**(6 979)**	(6 852)
Gains on financial instruments mandatorily measured at FVTPL	**15 034**	14 112
Other (losses)/gains	**(19)**	88
Gains on financial instruments designated at FVTPL	**193**	104
Losses on financial instruments mandatorily measured at FVTPL	**(212)**	(16)

31. Gains and losses from investment activities

	Group 2024 Rm	Group 2023 Rm
Net gains on investment activities	**2 491**	2 554
Insurance contracts	**693**	556
Investment contracts	**1 219**	1 512
Shareholder funds	**579**	486
Other gains	**36**	88
	2 527	2 642
Classification of gains from investment activities		
Gains on financial instruments designated at fair value through profit and loss	**2 491**	2 554
	2 491	2 554

The insurance contracts amount includes gains and losses on the underlying assets that relate to Life: **R513m** (2023: R381m) and Non-life: **R180m** (2023: R175m) insurance contracts issued and should be read in conjunction with 'net finance income/(expenses) from insurance contracts' reported in note 29: 'insurance finance income and expenses'.

32. Other operating income

	Group 2024 Rm	Group 2023 Rm
Foreign exchange differences, including amounts recycled from other comprehensive income	**(23)**	(10)
Income from investment properties	**2**	2
Rentals	**2**	2
Revenue arising from contracts with customers	**5**	6
Profit on disposal of developed properties	**5**	8
Gross sales	**7**	17
Cost of sales	**(2)**	(9)
Loss on sale of repossessed properties	**–**	(2)
Gross sales	**0**	–
Cost of sales	**–**	(2)
Loss on disposal of intangible assets	**(2)**	(2)
Profit on sale of property and equipment	**150**	28
Rental income	**34**	32
Sundry income	**703**	436
	869	492

A majority of the Sundry income balance includes income from unallocated funds of **R480m** (2023: R316m).

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

33. Credit impairment charges

	Group 2024 Rm	Group 2023 Rm
Credit impairment charges raised during the reporting period	**14 306**	15 519
Stage 1 expected losses	**(1 501)**	(1 433)
Stage 2 expected losses	**1 165**	1 658
Stage 3 expected losses	**14 642**	15 294
Losses on modifications	**879**	950
Recoveries of loans and advances previously written off	**(881)**	(934)
	14 304	15 535
Charge to the statement of comprehensive income by product type		
Comprising:		
Credit impairment charges raised	**14 306**	15 519
Loans and advances to customers and undrawn facilities	**14 364**	15 470
Loans and advances to banks	**(20)**	13
Other financial instruments subject to credit impairment	**60**	159
Guarantees and letters of credit	**(98)**	(123)
Recoveries of financial instruments subject to credit impairment previously written off	**(881)**	(934)
Modifications	**879**	950
Total charge to the statement of comprehensive income	**14 304**	15 535

34. Operating expenses

	Group 2024 Rm	Group 2023 Rm
Administration fees	**173**	320
Amortisation of intangible assets (refer to note 13)	**2 729**	2 796
Auditors' remuneration	**596**	565
Audit fees – current reporting period	**533**	495
Audit fees – underprovision	**11**	24
Audit-related fees	**52**	46
Cash transportation	**1 242**	1 159
Depreciation (refer to note 12)	**3 124**	3 136
Equipment costs	**510**	581
Maintenance	**333**	424
Rentals	**177**	157
Information technology	**6 848**	6 050
Marketing costs	**2 125**	2 032
Other operating costs	**678**	1 055
Printing and stationery	**359**	372
Professional fees	**3 127**	2 809
Property costs	**1 969**	1 910
Staff costs	**33 654**	31 493
Bonuses	**3 528**	3 556
Deferred cash and share-based payments (refer to note 50)	**1 643**	1 108
Other Staff Costs	**1 115**	1 154
Salaries and current service costs on post-retirement benefit funds	**26 844**	25 042
Training costs	**524**	633
Straight line lease expenses on short term leases and low value assets	**189**	220
Telephone and postage	**1 185**	1 206
	58 508	55 704

Audit-related fees include fees paid for assurance reports performed on behalf of various regulatory bodies. Statutory audit fees paid to PricewaterhouseCoopers Inc. and KPMG Inc. amounts to **R270m** and **R263m** (2023: R256m and R235m) respectively, audit-related fees paid amounts to **R24m** and **R28m** (2023: R20m and R25m) respectively and fees paid for non-audit services amounts to **R0m** and **R0m** (2023: R1m and R0m) respectively. The detailed disclosure of the audit fee is an International Code of Ethics for Professional Accountants (IESBA) requirement and not that of IFRS Accounting Standards.

Professional fees include research and development costs totaling **R128m** (2023: R100m). Other staff costs include recruitment costs, membership fees to professional bodies, staff parking, restructuring costs, study assistance, staff relocation and refreshment costs.

Hedging gains and losses relating to the Operating expenses hedge for the international office were incorrectly recognised as Salaries and current service costs on post-retirement benefit funds and Other staff costs rather than Information technology. The error resulted in a restatement of Salaries and current service costs on post-retirement benefit funds from R25 056m to R25 042m, Information technology from R6 028m to R6 050m and Other staff costs from R1 162m to R1 154m.

35. Other impairments

	Group	
	2024 Rm	2023 Rm
Goodwill (refer to note 13)	**68**	–
Intangible assets (refer to note 13)	**187**	245
Non-current assets held for sale (refer to note 6)	**10**	–
Property and equipment (refer to note 12)	**633**	214
Other non-financial assets	**16**	–
	914	459

The Group has impaired certain software assets of **R179m** (2023: R245m) for which the value in use is determined to be zero.

As at 31 December 2024, the recoverable amount for one of the Non-life Insurance businesses in the Absa Regional Operations Retail and Business Banking segment was below the net asset value of the business, indicating an impairment of goodwill and other assets relating to the business. Goodwill of **R68m** (2023: R0m) and other intangible assets of **R8m** (2023: R0m) relating to this business was impaired in full.

An impairment of **R633m** (2023: R214m) was recognised for Property and equipment. Included in this balance is the impairment of furniture and other equipment of **R275m** (2023: R88m) which were impaired to an insignificant value in use, and an impairment of freehold property of **R300m** (2023: R84m) based on a recoverable amount of **R435m** (2023: R128m) which was determined to be fair value less cost to sell. The impairments are in line with the Group's property consolidation plan.

36. Indirect taxation

	Group	
	2024 Rm	2023 Rm
Training levy	**253**	242
Value-added tax net of input credits	**2 339**	2 102
	2 592	2 344

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for the reporting period ended 31 December

37. Taxation expense

	Group 2024 Rm	Group 2023 Rm
Current		
Foreign and other taxation	**799**	771
Current tax	**7 684**	7 542
Current tax – previous reporting period	**(161)**	(89)
	8 322	8 224
Deferred		
Deferred tax (refer to note 14)	**(2)**	(537)
Capital allowances	**(121)**	355
Impairment losses	**(237)**	(669)
Movements in prepayments, accruals and other provisions	**349**	(333)
Fair value and similar adjustments in relation to prior year	**(26)**	33
Share-based payments	**33**	77
	8 320	7 687
Reconciliation between operating profit before income tax and the taxation expense		
Operating profit before income tax	**33 223**	30 250
Share of post-tax results of associates and joint ventures	**(282)**	(200)
	32 941	30 050
Tax calculated at a tax rate of 27%	**8 894**	8 114
Effect of different rates in other countries	**704**	789
Expenses not deductible for tax purposes	**769**	740
Assessed losses	**104**	50
Dividend income	**(1 539)**	(1 240)
Non-taxable interest	**(613)**	(657)
Deductible expenditure not recognised in profit and loss	**(297)**	(243)
Other income not subject to tax	**(10)**	(22)
Other	**13**	264
Items of a capital nature	**295**	(108)
	8 320	7 687

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

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

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

Other includes overall release of IAS 12 provisions and prior year adjustments.

The Group is within the scope of OECD Pillar Two Model Rules. The Global Minimum Tax Act (GMTA), encompassing an Income Inclusion Rule (IIR) and a domestic minimum top-up tax (DMTT), was enacted in South Africa on 24 December 2024 with an effective date of 1 January 2024. The GMTA mandates a minimum level of taxation on Absa Group Limited, ensuring that income generated anywhere in the Group is subject to a minimum effective tax rate of 15% per jurisdiction. Should the effective tax rate in any jurisdiction fall below this global minimum threshold, the IIR imposes a top-up on the Group. The DMTT levies top-up tax on SA entities that do not have ultimate holding companies in SA.

The Revenue Authority in Kenya has introduced a domestic minimum top-up tax on 27 December 2024 effective for fiscal years beginning on or after 1 January 2025. Furthermore, as disclosed in the prior year financial statements, the United Kingdom and the Czech Republic enacted legislation to implement the IRR and DMTT for financial years beginning on or after 31 December 2023.

The Group has applied the temporary mandatory relief from deferred tax accounting for the impact of top-up tax and accounts for it as a current tax when it is incurred. The effect of the new legislation on the Group is considered immaterial for the financial periods ended 31 December 2024 and 31 December 2023.

38. Earnings per share

38.1 Basic earnings per share

	Group 2024 Rm	Group 2023 Rm
Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders, by the weighted average number of ordinary shares in issue during the reporting period.		
Basic earnings attributable to ordinary equity holders	**21 537**	19 891
Weighted average number of ordinary shares in issue (million)	**828.6**	828.7
Issued shares at the beginning of the reporting period (million)	**894.4**	847.8
Shares issued during the reporting period (million)	**–**	15.5
Treasury shares held by Group entities (million)	**(65.8)**	(34.6)
Basic earnings per share (cents)	**2 599.2**	2 400.3

38.2 Diluted earnings per share

	Group 2024 Rm	Group 2023 Rm
Diluted earnings are determined by adjusting profit or loss attributable to the ordinary equity holders and the weighted average number of ordinary shares in issue for the effects of all dilutive potential shares.		
Diluted earnings attributable to ordinary equity holders	**21 537**	19 891
Diluted weighted average number of ordinary shares in issue (million)	**830.0**	831.2
Weighted average number of ordinary shares in issue (million)	**828.6**	828.7
Adjustments for share options issued at no value (million)	**1.4**	2.5
Diluted earnings per share (cents)	**2 594.8**	2 393.0

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

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

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

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

39. Headline earnings

		Group			
		2024		2023	
	Note	Gross Rm	Net Rm	Gross Rm	Net Rm
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders of the Group			**21 537**		19 891
Total headline earnings adjustment:		**–**	**522**	–	183
IFRS 3 – Gain on bargain purchase		**(69)**	**(69)**		
IFRS 5 – Profit on disposal of non-current assets held for sale		**(46)**	**(35)**	(102)	(132)
IFRS 5 – Re-measurement of non-current assets held for sale	6	**10**	**10**	–	–
IFRS 10 – Profit on disposal of Subsidiary		**(25)**	**(25)**	–	–
IAS 16 – Profit on disposal of property and equipment	32	**(150)**	**(102)**	(28)	(21)
IAS 36 – Impairment of property and equipment	35	**631**	**511**	213	155
IAS 36 – Impairment of other non-financial assets	35	**10**	**10**	–	–
IAS 36 – Impairment of intangible assets		**185**	**153**	245	179
IAS 36 – Impairment of goodwill	35	**68**	**68**	–	–
IAS 38 – Loss on disposal of intangible assets	32	**2**	**1**	2	2
Headline earnings/diluted headline earnings			**22 059**		20 074
Headline earnings per ordinary share (cents)			**2 662.2**		2 422.3
Diluted headline earnings per ordinary share (cents)			**2 657.7**		2 415.1

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

40. Leases

	Group 2024 Rm	Group 2023 Rm
The following amounts have been recognised in the statement of comprehensive income in respect of leases for which the Group is the lessee:		
Depreciation charge for right-of-use assets (refer to note 12)	**1 162**	1 135
Property	**1 139**	1 122
Furniture	**16**	3
Motor vehicles	**7**	10
Interest expense on lease liabilities (refer to note 26)	**351**	264
Expense related to short-term leases	**252**	289
Expense related to low-value assets	**74**	44
Variable lease payments	**33**	48
Right-of-use assets recognised in the statement of financial position relate to the following classes of assets:		
Right-of-use assets (refer to note 12)	**2 881**	3 092
Property	**2 776**	3 076
Furniture	**95**	12
Motor vehicles	**10**	4
Total additions to right-of-use assets recognised during the year (refer to note 12)	**1 034**	1 513
Total cash outflow included in the statement of cash flows related to leases	**1 562**	1 514
Maturity analysis of lease liabilities – contractual undiscounted cash flows:		
Less than one year	**1 335**	1 252
Between one and five years	**2 434**	2 726
More than five years	**266**	380
Total undiscounted lease liabilities	**4 035**	4 358
Lease liabilities included in the statement of financial position (refer to note 17)	**3 638**	3 805

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

41. Retirement benefit obligations

	Group 2024 Rm	Group 2023 Rm
Retirement benefit obligations		
Surplus disclosed in 'Other assets'		
Absa Pension Fund defined benefit plan (refer to notes 5 and 41.1.1)	**466**	466
Other defined benefit plans of subsidiaries (refer to notes 5 and 41.2.1)	**19**	12
	485	478
Obligations disclosed in 'Other liabilities'		
Subsidiaries' post-retirement medical aid plans (refer to notes 17 and 41.3)	**458**	423
Other defined benefit plans of subsidiaries (refer to notes 17 and 41.2.1)	**180**	303
	638	726
Statement of comprehensive income charge included in staff costs		
Absa Pension Fund defined benefit plan in a surplus position (refer to note 41.1.6)	**(36)**	(39)
Other defined benefit plans of subsidiaries in a deficit position (refer to note 41.2.6)	**3**	18
Other defined benefit plans of subsidiaries in a surplus position (refer to note 41.2.6)	**27**	23
Subsidiaries' post-retirement medical aid plans	**80**	65
	74	67
Recognised in other comprehensive income		
Absa Pension Fund defined benefit plan in a surplus position (refer to note 41.1.6)	**36**	40
Other defined benefit plans of subsidiaries in a deficit position (refer to note 41.2.6)	**(94)**	136
Other defined benefit plans of subsidiaries in a surplus position (refer to note 41.2.6)	**6**	(8)
Subsidiaries' post-retirement medical aid plans	**38**	75
	(14)	243

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

41. Retirement benefit obligations *continued*

41.1 Absa Pension Fund

The Absa Pension Fund (the Fund) is governed by the Pension Funds Act of 1956, which requires that an actuarial valuation of the Fund be carried out at least once every three years. The most recent statutory valuation of the Fund was effected on 31 March 2024 and confirmed that the Fund was in a sound financial position. This valuation was in accordance with the Pension Funds Second Amendment Act of 2001 (the PF Act).

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

Contributions are generally determined by the Employer in consultation with the actuary following the funding valuation to ensure the sustainability and financial soundness of the funds. The staff costs expense for the defined contribution plans is **R1 382m** (2023: R1 280m). Surpluses and deficits are dealt with in a manner which is consistent with the funds' rules and applicable legislation. Minimum funding requirements are limited to the deficits of the funds.

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

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

Should a retiree elect a conventional annuity, the Bank is thereafter exposed to longevity and other actuarial risk. The conventional annuity is calculated based on the defined contribution plan assets at the retirement date. The Bank is therefore not exposed to any asset return risk prior to the election of this option i.e., the retirement date. The classification rules within IAS 19 Employee Benefits (IAS 19) require that, where the employer is exposed to any actuarial risk, the entire fund be classified as a defined benefit plan. The valuation of the option is included in the defined benefit obligation. The assets and liabilities of the defined contribution active members are separately presented. Pensioners who have elected to receive a living annuity as well as members who joined the fund on/after 1 July 2015 have been excluded from the IAS 19 disclosures as at 31 December 2024 the employer is not exposed to any longevity or other actuarial risk in respect of these members at this date. Net defined benefit amounts relating to these pensioners that have elected to receive a living annuity, amount to **R4 716m** (2023: R4 447m).

	Group	
	2024	2023
Categories of the Fund		
Defined benefit active members	**8**	9
Defined benefit deferred pensioners	**1**	1
Defined benefit pensioners	**7 175**	7 088
Defined contribution active members	**28 343**	27 114
Defined contribution pensioners	**2 939**	2 963
Duration of the scheme – defined benefit (years)	**8.1**	7.6
Duration of the scheme – defined contribution (years)	**20.9**	21.5
Expected contributions to the Fund for the next 12 months (Rm)	**2 132.50**	1 971.00

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

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

41. Retirement benefit obligations

41.1 Absa Pension Fund *continued*

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

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

	Group	
	2024 Rm	2023 Rm
41.1.1 Reconciliation of the net defined benefit plan surplus		
Reconciliation of the net surplus		
Present value of funded obligations	**(43 687)**	(38 821)
Defined benefit portion	**(8 469)**	(8 216)
Defined contribution portion	**(35 218)**	(30 605)
Fair value of the plan assets	**46 709**	41 362
Defined benefit portion	**11 491**	10 757
Defined contribution portion	**35 218**	30 605
Funded status	**3 022**	2 541
Irrecoverable surplus (effect of asset ceiling)	**(2 556)**	(2 075)
Net surplus arising from the defined benefit obligation	**466**	466
41.1.2 Reconciliation of movement in the funded obligation		
Balance at the beginning of the reporting period	**(38 821)**	(30 341)
Defined benefit portion	**(8 216)**	(7 582)
Defined contribution portion	**(30 605)**	(22 759)
Reconciling items – defined benefit portion	**(253)**	(633)
Actuarial gains/(losses) – financial	**215**	(165)
Actuarial gains – experience adjustments	**240**	100
Benefits paid	**900**	872
Current service costs	**(16)**	(15)
Interest expense	**(910)**	(885)
Defined contribution member transfers	**(682)**	(540)
Reconciling items – defined contribution portion	**(4 613)**	(7 846)
Increase in obligation linked to plan assets return	**(8 044)**	(10 812)
Employer contributions	**(1 109)**	(1 026)
Employee contributions	**(889)**	(825)
Disbursements and member transfers	**5 429**	4 817
Balance at the end of the reporting period	**(43 687)**	(38 820)

41. Retirement benefit obligations

41.1 Absa Pension Fund *continued*

	Group 2024 Rm	Group 2023 Rm
41.1.3 Reconciliation of movement in the plan assets		
Balance at the beginning of the reporting period	**41 362**	32 790
Defined benefit portion	**10 757**	10 031
Defined contribution portion	**30 605**	22 759
Reconciling items – defined benefit portion	**734**	726
Benefits paid	**(900)**	(872)
Interest income	**1 193**	1 177
Return on plan assets in excess of interest	**(241)**	(119)
Defined contribution member transfers	**682**	540
Reconciling items – defined contribution portion	**4 613**	7 846
Return on plan assets	**8 044**	10 812
Employer contributions	**1 109**	1 026
Employee contributions	**889**	825
Disbursements and member transfers	**(5 429)**	(4 817)
Balance at the end of the reporting period	**46 709**	41 362
41.1.4 Reconciliation of movement in the irrecoverable surplus		
Balance at the beginning of the reporting period	**(2 075)**	(1 983)
Interest on irrecoverable surplus	**(231)**	(236)
Changes in the irrecoverable surplus in excess of interest	**(250)**	144
Balance at the end of the reporting period	**(2 556)**	(2 075)

41. Retirement benefit obligations

41.1 Absa Pension Fund *continued*

	Group			
	2024			
	Fair value of plan assets			
	Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
41.1.5 Nature of the pension fund assets				
Plan assets relating to the defined benefit plan				
Defined Benefit Portion	**9 284**	**1 728**	**484**	**11 496**
Quoted fair value	9 261	1 709	76	11 046
Unquoted fair value	(203)	19	338	154
Own transferable financial instruments	226	–	–	226
Investments in listed property entities/ funds	–	–	70	70
Defined Contribution Portion	**10 782**	**23 372**	**1 059**	**35 213**
Quoted fair value	7 551	23 278	128	30 957
Unquoted fair value	2 678	71	67	2 816
Own transferable financial instruments	553	23	–	576
Investments in listed property entities/ funds	–	–	864	864
	20 066	**25 100**	**1 543**	**46 709**

	Group			
	2023			
	Fair value of plan assets			
	Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
Defined Benefit Portion	8 594	1 569	598	10 761
Quoted fair value	8 647	1 528	245	10 420
Unquoted fair value	(289)	8	353	72
Own transferable financial instruments	236	33	–	269
Defined Contribution Portion	8 775	18 989	2 837	30 601
Quoted fair value	7 294	18 743	236	26 273
Unquoted fair value	1 108	12	2 201	3 321
Own transferable financial instruments	373	234	–	607
Investments in listed property entities/ funds	–	–	400	400
	17 369	20 558	3 435	41 362

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41. Retirement benefit obligations
41.1 Absa Pension Fund *continued*

	Group 2024 Rm	Group 2023 Rm
41.1.6 Movements in the defined benefit plan presented in the statement of comprehensive income		
Recognised in profit or loss:		
Net interest income	**(52)**	(54)
Current service cost	**16**	15
	(36)	(39)
Recognised in other comprehensive income:		
Actuarial (gains)/losses – financial	**(215)**	165
Actuarial adjustments gains – experience	**(240)**	(100)
Return on plan assets in excess of interest	**241**	119
Changes in the irrecoverable surplus in excess of interest	**250**	(144)
	36	40
41.1.7.1 Actuarial assumptions used:		
Discount rate (%) p.a.	**10.6**	11.2
Inflation rate (%) p.a.	**4.9**	5.9
Expected rate on the plan assets (%) p.a.	**8.9**	9.9
Future salary increases (%) p.a.	**5.9**	6.9
Mortality improvements (%) p.a.	**1.0**	1.0
Average life expectancy in years of pensioner retiring at 60 – Male	**22.2**	22.1
Average life expectancy in years of pensioner retiring at 60 – Female	**27.1**	27.0
41.1.7.2 Demographic assumptions used:		
Pre-Retirement Mortality Assumption – Male	**SA56 –62 Ultimate**	SA56 – 62 Ultimate
Pre-Retirement Mortality Assumption – Female	**SA56 – 62 Ultimate**	SA56 – 62 Ultimate
Post Retirement Mortality Assumption – Male	**PA90 – 1 + 1% improvement**	PA90 – 1 + 1% improvement
Post Retirement Mortality Assumption – Female	**PA90 – 1+1% improvement**	PA90 – 1+1% improvement
41.1.8 Maturity analysis		
The expected undiscounted maturity analysis of the defined benefit element of the Absa Pension Fund is as follows:		
Less than a year	**66**	203
Between 1-2 years	**579**	514
Between 2-5 years	**1 335**	1 431
Between 5 -10 years	**(28)**	356
	1 952	2 504

41. Retirement benefit obligations

41.1 Absa Pension Fund *continued*

	Group 2024 Reasonable possible change Rm	Group 2024 (Increase)/ decrease on defined benefit obligation Rm
41.1.9 Sensitivity analysis of the significant actuarial assumptions		
Increase in discount rate (%)	**0.5**	**(310)**
Increase in inflation (%)	**0.5**	**308**
Increase in life expectancy (years)	**1**	**236**

	Group 2023 Reasonable possible change Rm	Group 2023 (Increase)/ decrease on defined benefit obligation Rm
Increase in discount rate (%)	0.5	(313)
Increase in inflation (%)	0.5	302
Increase in life expectancy (years)	1	235

41.1.10 Sensitivity analysis of the significant assumptions

Sensitivity analysis

The aforementioned sensitivity analysis indicates how changes in significant actuarial assumptions would affect the defined benefit portion of **R8 469m** (2023: R8 216m).

The sensitivities may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another. For the purpose of the sensitivity analysis, it is assumed that any change in inflation impacts other inflation-dependent assumptions, i.e., certain pension increases and salary growth. In presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period. The defined contribution obligation of **R35 218m** (2023: R30 605m) does not give rise to any actuarial risks as the measurement is derived from the defined contribution plan assets.

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

41. Retirement benefit obligations *continued*

41.2 Other subsidiaries plans

Defined benefit structure

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

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

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

Defined contribution structure

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

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

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

The funds are governed by legislation applicable in the various countries in which the funds are based. The funds are operated on a pre-funded basis. That is, assets are accumulated on a monthly basis with the aim that sufficient funding exists to meet the benefits payable under all modes of exit. Actuarial funding valuations are performed every three years regardless of whether or not these are required by legislation. The most recent actuarial valuations of the funds were carried out as at 31 March 2024.

Contributions are generally determined by the Employer in consultation with the actuary following the funding valuation to ensure the sustainability and financial soundness of the funds. The staff costs expense for the defined contribution plans is **R218m** (2023: R250m). Surpluses and deficits are dealt with in a manner which is consistent with the funds' rules and applicable legislation. Minimum funding requirements are limited to the deficits of the funds.

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

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

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

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

An objective of the shift is to ensure that the employees remain in the same economic position that they would have been at retirement date, if the Defined Benefit plan remained in place, Absa Bank Mauritius will therefore make a capital injection each year, spread over a maximum of five years, into the personal member's account (PMA). The capital injections made to the PMA's for the year ended 31 December 2024 amounted to **R27m** (2023: R68m) The employees' pension at retirement date will comprise of benefits accrued in terms of the Defined Benefit Plan as well as benefits accrued in terms of the Defined Contribution plan.

Notes to the consolidated financial statements
for the reporting period ended 31 December

41. Retirement benefit obligations
41.2 Other subsidiaries plans *continued*

	Group						
	2024						
	Absa Bank of Botswana	Absa Bank of Kenya	Kenya First Assurance	Absa Bank of Zambia	Absa Bank of Seychelles	Absa Bank of Mauritius	Absa Bank of Mozambique
Membership							
Defined benefit active members	**–**	**1**	**–**	**–**	**5**	**170**	**593**
Defined benefit deferred pensioners	**–**	**764**	**–**	**10**	**8**	**79**	**–**
Defined benefit pensioners	**169**	**1 381**	**–**	**372**	**1**	**302**	**1 090**
Defined contribution active members	**881**	**1 925**	**–**	**687**	**290**	**158**	**1 175**
Defined contribution deferred pensioners	**817**	**–**	**–**	**–**	**–**	**–**	**–**
Duration of the scheme (years)	**7**	**5**	**–**	**2**	**14**	**16**	**7**
Expected contribution to the plan for the next 12 months (Rm)	**–**	**9.6**	**–**	**6.1**	**4.4**	**33.2**	**–**

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

Notes to the consolidated financial statements
for the reporting period ended 31 December

41. Retirement benefit obligations
41.2 Other subsidiaries plans *continued*

	Group 2024 Rm	Group 2023 Rm
41.2.1 Defined benefit plan reconciliations		
Present value of funded defined benefit obligations	**(2 629)**	(2 648)
Fair value of the defined benefit plan assets	**2 779**	2 486
Funded defined benefit plan status	**150**	(162)
Irrecoverable Surplus (effect of asset ceiling)	**(311)**	(129)
Net deficit arising from defined benefit obligation	**(161)**	(291)
41.2.2 Reconciliation of movement in the defined benefit obligation		
Balance at the beginning of the reporting period	**(2 648)**	(2 495)
Actuarial gains/(losses)	**135**	(66)
Actuarial gains/ (losses)- changes in financial assumptions	**55**	(96)
Actuarial gains – experience adjustments	**80**	30
Benefits paid	**243**	246
Current service costs	**(17)**	(20)
Interest expense	**(280)**	(283)
Past service costs including curtailments	**(2)**	(1)
Settlement losses	**–**	(12)
Foreign exchange differences	**(60)**	(17)
Balance at the end of the reporting period	**(2 629)**	(2 648)
41.2.3 Reconciliation of movement in the plan assets		
Balance at the beginning of the reporting period	**2 486**	2 463
Benefits paid	**(243)**	(246)
Employer contributions	**66**	63
Interest income on the plan assets	**292**	298
Remeasurement – return on plan assets in excess of interest	**81**	(90)
Foreign exchange differences	**97**	(2)
Balance at the end of the reporting period	**2 779**	2 486
41.2.4 Reconciliation of movement in the irrecoverable surplus		
Balance at the beginning of the reporting period	**(129)**	(154)
Interest on irrecoverable surplus	**(23)**	(23)
Changes in the irrecoverable surplus in excess of interest	**(128)**	33
Foreign exchange differences	**(31)**	15
Balance at the end of the reporting period	**(311)**	(129)

Notes to the consolidated financial statements
for the reporting period ended 31 December

41. Retirement benefit obligations
41.2 Other subsidiaries plans *continued*

	Group 2024 Fair value of plan assets Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
41.2.5 Nature of the defined benefit plan asset				
Quoted fair value	**484**	**797**	**100**	**1 381**
Unquoted fair value	**795**	**61**	**439**	**1 295**
Own transferable financial instruments	**–**	**–**	**103**	**103**
Investments in listed property entities/funds	**–**	**–**	**–**	**–**
	1 279	**858**	**642**	**2 779**

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

	Group 2024 Rm	2023 Rm
41.2.6 Movements in the defined benefit plan presented in the statement of comprehensive income		
Recognised in profit or loss:		
Net interest expense	**11**	9
Current service cost	**17**	19
Past service cost including curtailments	**2**	1
Settlements losses	**–**	12
	30	41
Recognised in other comprehensive income:		
Actuarial (gains)/losses – changes in financial assumptions	**(55)**	96
Actuarial gains – experience adjustments	**(80)**	(30)
Remeasurement – return on the plan assets in excess of interest	**(81)**	98
Changes in the irrecoverable surplus in excess of interest	**128**	(36)
	(88)	128
41.2.7.1 The actuarial assumptions (weighted averages) include:		
Discount rate (%)	**11.5**	11.3
Inflation (%)	**6.6**	5.7
Future pension increases (%)	**5.2**	5.4
Future salary increases (%)	**2.1**	3.0
Average life expectancy in years of pensioner retiring at 60 – Male	**18.1**	18.1
Average life expectancy in years of pensioner retiring at 60 – Female	**21.9**	21.9

Notes to the consolidated financial statements
for the reporting period ended 31 December

41. Retirement benefit obligations
41.2 Other subsidiaries plans *continued*

	Group						
	2024						
	Absa Bank of Botswana	**Absa Bank of Kenya**	**Kenya First Assurance**	**Absa Bank of Zambia**	**Absa Bank of Seychelles**	**Absa Bank of Mauritius**	**Absa Bank of Mozambique**
41.2.7.2 Mortality Assumption							
Pre–Retirement Mortality Assumption – Male		**PA(90)**	**PA90**	**PA(90)M**	**PA(90)M**	**A1967/70(2) ultimate**	**PM 60/64**
Pre–Retirement Mortality Assumption – Female		**PA(90) rated down by one year**	**PA90**	**PA(90)F rated down by 1 year**	**PA(90)F**	**A1967/70(2) ultimate**	**PM 60/64**
Post Retirement Mortality Assumption – Male	**PA(90)M**	**PA(90)**	**PA90**	**PA(90)M**	**PA(90) M**	**PA90M rated down by 2 years**	**PM 60/64**
Post Retirement Mortality Assumption – Female	**PA(90)F**	**PA(90) rated down by 1 year**	**PA90**	**PA(90)F rated down by 1 year**	**PA(90) F**	**PA90F rated down by 2 years**	**PM 60/64**

	Group						
	2023						
	Absa Bank of Botswana	Absa Bank of Kenya	Kenya First Assurance	Absa Bank of Zambia	Absa Bank of Seychelles	Absa Bank of Mauritius	Absa Bank of Mozambique
Pre–Retirement Mortality Assumption – Male		PA(90)	PA90	PA(90)M	PA(90) M	A1967/70(2) ultimate	PM 60/64
Pre–Retirement Mortality Assumption – Female		PA(90) rated down by one year	PA90	PA(90)F rated down by 1 year	PA(90) F	A1967/70(2) ultimate	PM 60/64
Post Retirement Mortality Assumption – Male	PA(90)M	PA(90)	PA90	PA(90)M	PA(90) M	PA90M rated down by 2 years	PM 60/64
Post Retirement Mortality Assumption – Female	PA(90)F	PA(90) rated down by 1 year	PA90	PA(90)F rated down by 1 year	PA(90) F	PA90F rated down by 2 years	PM 60/64

41. Retirement benefit obligations

41.2 Other subsidiaries plans *continued*

	Group 2024 Rm	Group 2023 Rm
41.2.8 Maturity analysis		
The expected undiscounted maturity analysis of the defined benefit element of the Other subsidiaries is as follows:		
Less than a year	**279**	255
Between 1-2 years	**257**	247
Between 2-5 years	**754**	740
Between 5-10 years	**1 329**	1 341

	Group 2024	
	Reasonable possible change Rm	Increase/ (decrease) on defined benefit obligation Rm
41.2.9 Sensitivity analysis of significant assumptions (weighted averages)		
Significant actuarial assumption		
Increase in discount rate (%)	**0.5**	**(119)**
Increase in inflation (%)	**0.5**	**51**
Increase in life expectancy (years)	**1**	**68**

	Group 2023	
	Reasonable possible change Rm	Increase/ (decrease) on defined benefit obligation Rm
Significant actuarial assumption		
Increase in discount rate (%)	0.5	(131)
Increase in inflation (%)	0.5	59
Increase in life expectancy (years)	1	84

41.2.10 Sensitivity analysis

The sensitivity analysis presented in this note may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. For the purpose of the sensitivity analysis, it is assumed that any change in inflation impacts other inflation-dependent assumptions, i.e. certain pension increases and salary growth.

41.3 Post-retirement medical aid plans

Some of the Group's subsidiaries subsidise either medical aid contributions or actual incurred medical costs after retirement. The accrued and future liabilities in respect of these post-retirement medical costs are valued either annually, or every three years, on the reporting date, and projected thereafter. These liabilities were actuarially valued based on the healthcare benefits currently provided to staff using appropriate mortality and withdrawal assumptions, as well as appropriate medical inflation and discount rates. The present value of the post-retirement medical aid plan liabilities is **R457m** (2023: R423m).

42. Dividends per share

	Group 2024 Rm	Group 2023 Rm
Dividends declared to ordinary equity holders		
Interim dividend **(19 August 2024: 685 Cents per share (cps))** (14 August 2023: 685 cps)	**6 126**	6 126
Final dividend **(11 March 2025: 775 cps)** (11 March 2024: 685 cps)	**6 931**	6 126
	13 057	12 252
Dividends declared to ordinary equity holders (net of treasury shares)		
Interim dividend **(19 August 2024: 685 cps)** (14 August 2023: 685 cps)	**5 687**	5 687
Final dividend **(11 March 2025: 775 cps)** (11 March 2024: 685 cps)	**6 428**	5 679
	12 115	11 366
Dividends declared to non-controlling preference equity holders		
Interim dividend **(19 August 2024: 4146.30136 cps)** (14 August 2023: 4035.06848 cps)	**205**	199
Final dividend **(11 March 2025: 3939.65753 cps)** (11 March 2024: 4101.23286 cps)	**195**	203
	400	402
Distributions declared and paid to additional Tier 1 capital note holders		
Distribution		
29 January 2024: 33 242.52 Rands per note (rpn); 10 January 2023: 28 250.30 rpn	**40**	35
31 January 2024: 28 766.30 rpn; 27 January 2023: 27 831.89 rpn	**58**	34
16 February 2024: 30 090.30 rpn; 16 February 2023: 25 894.77 rpn	**60**	52
28 February 2024: 32 431.89 rpn; 28 February 2023: 29 490.41 rpn	**55**	50
5 March 2024: 31 476.03 rpn; 6 March 2023: 28 588.96 rpn	**43**	39
29 April 2024: 32 266.36 rpn; 11 April 2023: 30 000.08 rpn	**39**	37
30 April 2024: 27 941.92 rpn; 28 April 2023: 29 960.19 rpn	**56**	36
16 May 2024: 29 458.36 rpn; 16 May 2023: 26 895.07 rpn	**59**	54
28 May 2024: 31 726.85 rpn; 29 May 2023: 29 465.75 rpn	**53**	49
5 June 2024: 31 801.75 rpn; 5 June 2023: 29 212.25 rpn	**44**	40
27 July 2024: 32 161.64 rpn; 10 July 2023: 31 334.79 rpn	**39**	39
31 July 2024: 28 456.99 rpn; 27 July 2023: 30 841.64 rpn	**57**	37
14 August 2024: 30 070.14 rpn	**43**	–
16 August 2024: 32 368.88 rpn; 16 August 2023: 29 397.15 rpn	**60**	59
28 August 2024: 31 738.74 rpn; 28 August 2023: 32 391.01 rpn	**54**	54
05 September 2024: 31 738.74 rpn; 5 September 2023: 32 116.82 rpn	**44**	44
28 October 2024: 31 994.60 rpn; 10 October 2023: 33 397.26 rpn	**39**	41
31 October 2024: 28 288.11 rpn; 27 October 2023: 32 767.12 rpn	**57**	41
14 November 2024: 28 104.11 rpn	**42**	–
18 November 2024: 30 466.30 rpn; 16 November 2023: 30 216.33 rpn	**61**	60
28 November 2024: 32 094.14 rpn; 28 November 2023: 32 431.89 rpn	**54**	54
05 December 2024: 31 122.00 rpn; 05 December 2023: 31 413.80 rpn	**43**	44
	1 100	899
Dividends paid to ordinary equity holders (net of treasury shares)		
Final dividend **(22 April 2024: 685 cps)** (24 April 2023: 650 cps)	**5 679**	5 378
Interim dividend **(13 September 2024: 685 cps)** (18 September 2023: 685 cps)	**5 687**	5 687
	11 366	11 065
Dividends paid to non-controlling preference equity holders		
Final dividend **(22 April 2024: 4101.23286 cps)** (24 April 2023: 3509.68904 cps)	**203**	174
Interim dividend **(13 September 2024: 4146.30136 cps)** (18 September 2023: 4035.06848 cps)	**205**	199
	408	373

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

43.1 Reverse repurchase agreements and securities borrowed

As part of the reverse repurchase agreements and securities borrowing agreements, the Group has received securities as collateral that are allowed to be sold or repledged. These securities are pledged for the duration of the respective agreements. The terms of the pledges are usual and customary to such agreements. The fair value of these securities at the reporting date amounts to **R90 593m** (2023: R84 917m) of which **R69 326m** (2023: R53 703m) have been sold or repledged. The Group has an obligation to return the collateral held except in the event of default.

43.2 Repurchase agreements and securities lent

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

	Group 2024				
	Carrying amount of transferred assets Rm	**Carrying amount of associated liabilities Rm**	**Fair value of transferred assets Rm**	**Fair value of associated liabilities Rm**	**Net fair value Rm**
Debt instruments	**51 338**	**(51 263)**	**51 338**	**(51 263)**	**75**
Equity instruments	**5 930**	**(1 384)**	**5 930**	**(1 384)**	**4 546**

	Group 2023				
	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Debt instruments	43 393	(42 828)	43 393	(42 828)	565
Equity instruments	5 141	(921)	5 141	(921)	4 220

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

Equity instruments are pledged as part of securities lending arrangements. The carrying amount and fair value of transferred assets include all securities lending transactions involving the transfer of the Group's assets. The carrying amount of financial liabilities associated with these transfers only includes cash collateral received against securities lent. Transactions where securities are received as collateral instead of cash are excluded, as these do not give rise to an associated liability on the face of the statement of financial position. If these transactions were included, the asset transfers would reflect the fact that these scrip lending transactions are over-collateralised, in line with normal market practice.

44. Transfer of financial assets

44.1 Transfer of financial assets involving structured entities

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

44.2 Transfer of financial assets that does not result in derecognition

	Group 2024				
	Carrying amount of transferred assets Rm	**Carrying amount of associated liabilities Rm**	**Fair value of transferred assets Rm**	**Fair value of associated liabilities Rm**	**Net fair value Rm**
Investment securities	**1 535**	**(1 169)**	**1 535**	**(1 169)**	**366**
Loans and advances to customers	**9 261**	**(8 135)**	**9 261**	**(8 135)**	**1 126**

	Group 2023				
	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Investment securities	1 800	(1 262)	1 800	(1 262)	538
Loans and advances to customers	9 556	(8 104)	9 556	(8 104)	1 452

In 2023, the Group incorrectly eliminated an external entity instead of an internal one as well as incorrectly omitted the carrying amount and fair value of liabilities from the table above. This has led to these amounts being restated from R9 857m to R9 556m for the carrying amount and fair value of the associated assets and R5 067m to R8 104m for the carrying amount and fair value of the associated liabilities and from R4 790m to R1 452m for the net fair value.

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

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

44.3 Transfer of financial assets that results in partial derecognition

The Group invests in notes of certain SEs. The interest on these notes represents a continuing exposure to the prepayment risk and credit risk of the underlying assets (the transferred assets) which comprise corporate loans. As at the year-end, the Group has not invested in SEs requiring a transfer of financial assets that result in partial derecognition (2023: None).

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

The instance may arise where the Group transfers a financial asset to an SE in its entirety but may have continuing involvement in it. Continuing involvement largely arises from providing financing to the SE in the form of retained notes, which do not bear first losses as they are not considered equity instruments of the SE. As at 31 December 2024, the Group had no continuing involvement where financial assets have been derecognised in their entirety (2023: None).

45. Offsetting financial assets and financial liabilities

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

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

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

Group

	2024							
	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off Rm	Net amounts reported on the statement of financial position Rm	Offsetting financial instruments Rm	Financial collateral Rm	Net amount Rm	Amounts not subject to enforceable netting arrange-ments Rm	Total per statement of financial position Rm
Derivative financial assets (note 54.3)	120 774	(61 625)	59 149	(45 800)	(2 247)	11 102	2 466	61 615
Reverse repurchase agreements and other similar secured lending (note 7)	86 971	–	86 971	–	(86 971)	–	–	86 971
Total assets	**207 745**	**(61 625)**	**146 120**	**(45 800)**	**(89 218)**	**11 102**	**2 466**	**148 586**
Derivative financial liabilities (note 54.3)	(113 308)	62 470	(50 838)	45 756	–	(5 082)	(3 173)	(54 011)
Reverse repurchase agreements and other similar secured borrowing (note 18)	(103 394)	–	(103 394)	–	103 394	–	–	(103 394)
Total liabilities	**(216 702)**	**62 470**	**(154 232)**	**45 756**	**103 394**	**(5 082)**	**(3 173)**	**(157 405)**

Net amounts reported on the statement of financial position comprise exposures that have been netted on the statement of financial position in compliance with IAS 32 (net exposure).

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

In certain jurisdictions a contractual right of set-off is subject to uncertainty under laws of the jurisdiction and therefore netting is not applied and the amounts are classed as not subject to legally enforceable netting arrangements.

Total per statement of financial position is the sum of 'Net amounts reported on the statement of financial position' which are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

45. Offsetting financial assets and financial liabilities *continued*

	Group 2023							
	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off Rm	Net amounts reported on the statement of financial position Rm	Offsetting financial instruments Rm	Financial collateral Rm	Net amount Rm	Amounts not subject to legally enforceable netting arrangements Rm	Total per statement of financial position Rm
Derivative financial assets (note 54.3)	111 680	(56 353)	55 327	(39 342)	(2 544)	13 441	1 564	56 891
Reverse repurchase agreements and other similar secured lending (note 7)	82 034	–	82 034	–	(82 034)	–	–	82 034
Total assets	193 714	(56 353)	137 361	(39 342)	(84 578)	13 441	1 564	138 925
Derivative financial liabilities (note 54.3)	(102 078)	57 839	(44 239)	39 299	–	(4 940)	(4 149)	(48 388)
Repurchase agreements and other similar secured borrowings (note 18)	(81 986)	–	(81 986)	–	81 986	–	–	(81 986)
Total liabilities	(184 064)	57 839	(126 225)	39 299	81 986	(4 940)	(4 149)	(130 374)

The amounts set off in Derivative financial assets and Derivative financial liabilities have been restated from R45 394m to R56 353m and R49 169m to R57 839m respectively due to the error in the calculation of this amount. As a result, the Gross amounts have been restated from R100 721m for Derivative financial assets and for Derivative liabilities from R93 408m to the amounts disclosed in the table above.

Offsetting and collateral arrangements

Derivative assets and liabilities

Credit risk is mitigated where possible through netting arrangements, such as the International Swaps and Derivative Association (ISDA) Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur. Financial collateral (cash and non-cash) is also obtained, often daily, for the net exposure between counterparties where possible to further mitigate credit risk.

Repurchase and reverse repurchase agreements and other similar secured lending and borrowing

Credit risk is mitigated where possible through netting arrangements such as global master repurchase agreements and global master securities lending agreements whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur. Financial collateral is obtained and typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

These offsetting and collateral arrangements and the credit risk mitigation strategies used by the Group are further explained in the Credit risk mitigation, collateral and other credit enhancements section of note 58.

46. Related parties

46.1 Significant related party transaction

Charles Russon was appointed as Interim Group Chief Executive Officer with effect from 15 October 2024. He commenced his role as an Executive director taking over from Arrie Rautenbach, who retired as Group Chief Executive Officer effective same date.

Deon Raju (former Group Chief Risk Officer and Group Treasurer) was appointed by the Board as the Group Financial Director for Absa Group Limited with effect from 26 April 2024, taking over from Christopher Snyman who stepped down as an Interim Financial Director on the same date.

Christine Wu was appointed as Chief Executive for Everyday Banking with effect from 26 April 2024. Rajal Vaidya was appointed as Interim Group Chief Risk Officer with effect from 26 April 2024. He held the position of interim Group Chief Risk Officer until 4 September 2024 on which he was then appointed as permanent Group Chief Risk Officer.

Swithin J. Munyantwali and Daisy Naidoo announced their resignation as Independent Directors of Absa Group Limited effective from 12 March 2024 and 4 June 2024 respectively.

Absa Bank Limited acquired an additional 0,685% stake in South African Bankers Services Company Proprietary Limited, increasing the investment's carrying value by R106m. Furthermore, Absa Group Limited expanded it's shareholding in Sanlam Investment Holdings Proprietary Limited resulting in a R24 m increase in the investment's carrying value.

Devco Holdings, a division in the Relationship Banking segment, divested its entire shareholding in Absa Property Development Pty Ltd. The assets held at the time of the divestment were valued at R203m, while the liabilities amounted to R228m. The sale was finalised on 28 June 2024 and resulted in a profit of R25m.

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

46.2 Prior period related party events and transactions

On 1 September 2023, the Group implemented its B-BBEE transaction which provides for 7% of Absa Group Limited's shareholding to be allocated to (i) a perpetual Corporate Social Investment (CSI) Trust (Absa Community Trust) holding a 4% indirect shareholding, and (ii) a Staff Trust (Absa Empowerment Trust) holding a 3% indirect shareholding. The shareholding of both trusts is indirectly held through Newshelf 1405 (RF) Proprietary Limited (NS 1405). NS 1405's increased shareholding in the Group, which arose from this transaction, was in part funded through NS 1405's issue of preference shares to Absa Group Limited, the impact of which is eliminated on consolidation resulting in the group accounting for the related share-based transaction only. SA Staff Scheme participants are awarded units in the Staff Trust corresponding to an allocation of the Absa shares held by NS 1405.

In its first year (2023), the Corporate Social Investment Trust received a donation from Absa Bank Limited and thereafter, the CSI Trust will also receive annual dividends equal to 25% of the Absa dividend paid to NS 1405 in respect of the AGL shares the CSI Trust indirectly holds. The donation and dividends will be used to benefit black participants in selected education and youth employability programmes in South Africa. Any dividends transferred to eligible programmes will be recognised as operating expenditure by the Group when transferred.

Refer to notes 22.2, 46 and 52 for details regarding the impact of this transaction on share capital, the Group's subsidiaries and consolidated structured entities, and the Group's share-based payment transactions.

46. Related parties *continued*

46.3 Transactions with key management personnel

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

	Group	
	2024 Rm	2023 Rm
Key management personnel compensation		
Directors		
Non-deferred cash payments	**14**	9
Post-employment benefit contributions	**0**	1
Salaries and other short-term benefits	**15**	17
Share-based payments	**26**	33
	55	60
Other key management personnel		
Non-deferred cash payments	**33**	35
Post-employment benefit contributions	**3**	3
Salaries and other short-term benefits	**58**	61
Share-based payments	**72**	73
	166	172

46. Related parties *continued*

	Group			
	2024		2023	
	Transactions with key management Rm	**Transactions with entities controlled by key management Rm**	Transactions with key management Rm	Transactions with entities controlled by key management Rm
Loans				
Balance at the beginning of the reporting period	**64**	**7**	84	7
(Discontinuance)/inception of related-party relationships	**(13)**	**–**	(14)	–
Loans issued and interest earned	**34**	**0**	34	–
Loans repaid	**(33)**	**(0)**	(40)	–
Balance at the end of the reporting period	**52**	**7**	64	7
Interest income	**10**	**–**	(9)	–
Deposits				
Balance at the beginning of the reporting period	**56**	**2**	65	2
(Discontinuance)/inception of related-party relationships	**74**	**–**	6	–
Deposits received	**132**	**0**	224	–
Deposits repaid and interest paid	**(115)**	**(0)**	(239)	–
Balance at the end of the reporting period	**147**	**2**	56	2
Interest expense	**6**	**0**	10	–
Guarantees	**55**	**–**	52	–
Other investments				
Balance at the beginning of the reporting period	**156**	**43**	198	87
(Discontinuance)/inception of related-party relationships	**29**	**–**	(70)	(44)
Value of new investments/contributions	**30**	**–**	22	–
Value of withdrawals/disinvestments	**(80)**	**–**	6	–
Balance at the end of the reporting period	**135**	**43**	156	43

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

Insurance premiums paid and claims received.

Key management personnel paid insurance premiums of **R1m** (2023: R1m) and received claims of **R0m** (2023: R0m).

46. Related parties *continued*

46.4 Subsidiaries and consolidated structured entities

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

			Group	
Name	Nature of business	Country of incorporation	2024 % holding	2023 % holding
Absa Group Limited and its subsidiaries				
Absa Capital Securities Proprietary Limited	Stockbrokers.	South Africa	**100**	100
Absa Development Company Holdings Proprietary Limited	Specialises in township development and sale of residential, commercial and industrial land.	South Africa	**100**	100
Absa Manx Insurance Company Limited	Captive insurance company for the Group and responsible for investment in insurances markets.	Isle of Man	**100**	100
Absa Insurance Services Proprietary Limited (B)	Barclays Insurance services (Proprietary) Limited (the "Company") is an insurance agent which earns its fees from referral of life and non-life products such as credit life, life policy, motor comprehensive cover, home owners insurance and hospital cash back to clients	Botswana	**100**	100
Absa Investment Management Services Proprietary Limited	The Company is an authorised Financial Service Provider (FSP) holding approval as administrative, discretionary FSP and investment manager	South Africa	**100**	100
Absa Life Assurance Kenya Limited	Life Insurance	Kenya	**100**	100
Blue Age Properties 60 Proprietary Limited	Investment in movable and immovable property as principal	South Africa	**100**	100
Absa Stockbrokers and Portfolio Management Proprietary Limited	Enables customers to trade online or by telephone in shares, warrants and exchange traded funds.	South Africa	**100**	100
Absa Securities U.S. Inc.	Broker-dealer trading in debt and equity securities.	United States of America	**100**	100
Absa Securities United Kingdom Limited	Solicitation, syndication, selling and arranging of equity and debt products.	United Kingdom	**100**	100
Absa Bank of Ghana Limited	Provides retail and corporate banking.	Ghana	**100**	100
Absa Bank of Kenya Limited	Provides retail and corporate banking.	Kenya	**69**	69
Absa Bank Mocambique S.A. (BBM)	Commercial bank that provides retail and limited corporate services from a network of outlets and ATMs.	Mozambique	**99**	99
Absa Bank of Botswana Limited	Provides retail and corporate banking.	Botswana	**68**	68
Absa Bank (Mauritius) Limited	Provides retail and corporate banking.	Mauritius	**100**	100
Absa Bank (Seychelles) Limited	Provides retail and corporate banking.	Seychelles	**100**	100
Absa Bank Tanzania Limited	Provides retail and corporate banking.	Tanzania	**100**	100
Absa Bank Uganda Limited	Provides retail and corporate banking.	Uganda	**100**	100
Absa Bank Zambia PLC	Provides retail and corporate banking.	Zambia	**100**	100
National Bank of Commerce Limited (NBC)	Commercial bank that provides retail and limited corporate services from a national network of outlets and ATMs.	Tanzania	**55**	55
Woolworths Financial Services Proprietary Limited	Provides credit cards, in-store cards and personal loans.	South Africa	**50**	50

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

Notes to the consolidated financial statements
for the reporting period ended 31 December

46. Related parties
46.4 Subsidiaries and consolidated structured entities *continued*

Name	Nature of business	Country of incorporation	Group 2024 % holding	Group 2023 % holding
Absa Bank Limited and its subsidiaries	Offers a comprehensive range of retail, commercial, corporate and investment banking services to a wide range of customers and clients.	South Africa	**100**	100
Absa Technology Prague s.r.o	Provides information technology services to Absa Group.	Czech Republic	**100**	100
Absa Vehicle Management Solutions Proprietary Limited	Operates as a fleet manager providing financial, leasing, maintenance and management services.	South Africa	**100**	100
Home Obligor Mortgages Enhanced Securities (RF) Limited	Securitisation vehicle for Absa Home Loans division.	South Africa	**100**	100
United Towers Proprietary Limited	Investment in and issuance of preference shares	South Africa	**100**	100
Absa Financial Services and its subsidiaries	Holding company of financial service-related entities.	South Africa	**100**	100
Absa Financial Services Africa Holdings Proprietary Limited	Holding company of African financial servicerelated entities.	South Africa	**100**	100
Absa Financial Services Limited	Absa Financial Services Limited is an investment holding company. It holds investments in subsidiaries from which it receives dividends. It earns income from various investments administered by Absa Fund Managers (RF) Pty Ltd.	South Africa	**100**	100
Absa Insurance and Financial Advisers Proprietary Limited	The company provides insurance and investment broking services	South Africa	**100**	100
Absa Insurance Company Limited	Short-term insurance provider to house and vehicle owners.	South Africa	**100**	100
Absa Insurance Risk Management Services Limited	Provides short-term insurance and other related insurance products.	South Africa	**100**	100
Absa Investment Management Services Proprietary Limited	The Company is an authorised Financial Service Provider (FSP) holding approval as administrative, discretionary FSP and investment manager	South Africa	**100**	100
Absa Life Botswana Proprietary Limited	Provides life assurance products focusing on risk and investment products that complement Absa's offerings to various market segments in Botswana.	Botswana	**100**	100
Absa Life Limited	Provides life assurance products, focusing on risk and investment products, that complement the Group's offerings to various market segments.	South Africa	**100**	100
Absa Trust Limited	Trust administrative services.	South Africa	**100**	100
Absa Life Zambia Limited	Provides life assurance products focusing on risk and investment products that complement Absa's offerings to various market segments in Zambia.	Zambia	**100**	100
Global Alliance Seguros, S.A.	Provides non-life insurance in Mozambique.	Mozambique	**100**	100
First Assurance Holdings Limited	Provides short-term insurance and other related insurance products.	Kenya	**100**	100
Instant Life Proprietary Limited	Provides life assurance products through cell arrangements.	South Africa	**100**	100

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

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46. Related parties *continued*

Name	Nature of business	Country of incorporation	Group 2024 % holding	Group 2023 % holding
Share trusts				
Absa Group Employee Incentive Trust	Share purchase and option scheme available to senior staff.	South Africa	**n/a**	n/a
Absa Empowerment Trust*	To be used in the furtherance of the Group's objective of establishing a Broad-Based Black Economic Empowerment scheme.	South Africa	**n/a**	n/a
Newshelf 1405 (RF) Proprietary Limited*	To be used in the furtherance of the Group's objective of establishing a Broad-Based Black Economic Empowerment scheme.	South Africa	**n/a**	n/a
Absa Insurance Services Proprietary Limited (B)	Empower young people with the training and tools that they need for employment and entrepreneurship in the workplace.	South Africa	**n/a**	n/a
Structured entities				
Absa Foundation Trust	Provides funding for community upliftment. It receives a percentage of the Group's dividends which it distributes to identified community-related projects.	South Africa	**n/a**	n/a
Springbok 2022 Aircraft Leasing Limited	Springbok is an SPV and has only one asset, the aircraft. The aircraft is being leased out and this provides the sole source of income to the SPV	South Africa	**n/a**	n/a
iMpumelelo CP Note Programme 1 (RF) Limited	Special purpose, bankruptcy-remote company incorporated for the purpose of issuing Absa Bank guaranteed commercial paper and medium-term notes.	South Africa	**n/a**	n/a
AB Finco 1 (RF) Limited	Securitisation vehicle.	South Africa	**n/a**	n/a
Absa Home Loans 101 (RF) Limited	Securitisation vehicle.	South Africa	**n/a**	n/a
Commissioner Street No 10 (RF) Proprietary Limited	Securitisation vehicle.	South Africa	**n/a**	n/a
Absa CSI trust	eKhaya Colleague Share Scheme	South Africa	**n/a**	n/a

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

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

	Group 2024 Rm	Group 2023 Rm
Subsidiaries' aggregate profits and losses after taxation	**26 473**	35 256

46. Related parties *continued*

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

Regulatory requirements

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

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

The minimum amount of RC required to be maintained by the Group was **R151bn** (2023: R139bn).

Contractual requirements

Certain of the Group's securitisation and SEs hold assets or interests in assets that are only available to meet the liabilities of those entities and May have issued public debt securities. The Group has the ability to wind up these structures and repay the notes, but only on the occurrence of Certain contingencies, such as changes in tax laws or regulatory requirements. The carrying amount of the assets and liabilities of the entities to which these restrictions apply as at 31 December 2024 was **R9bn** and **R9bn** respectively (2023: R14bn and R14bn respectively).

Protective rights of non-controlling interests

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

The particulars of these instruments are shown in note 25.

46.6 Associates, joint ventures and retirement benefit fund

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

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

	Group		
	2024		
	Associates and joint ventures Rm	Retirement benefit fund Rm	Total Rm
Value of defined benefit pension fund and post-retirement medical aid plan investments held by the Group	–	808	808
Value of Absa Group Limited shares held by defined benefit pension fund	–	57	57
Value of other Absa Group Limited securities held by defined benefit pension fund	–	676	676
Statement of financial position			
Other assets	8	–	8
Loans and advances (refer to note 7)	28 668	–	28 668
Other liabilities	–	–	–
Deposits	(104)	–	(104)
Statement of comprehensive income			–
Interest income from joint ventures and associates and on pension plan assets (refer to note 25)	2 351	127	2 478
Interest expense on defined benefit obligation	0	(127)	(127)
Fee and commission expense	(5)	–	(5)
Operating expenses	(971)	–	(971)

Included in loans and advances balance are exposures relating to joint ventures of **R50m** (2023: R1 260m). Also included in the interest income from associates and joint ventures is an amount of **R30m** (2023: R95m) relating to joint ventures.

The remaining joint ventures and associates have been aggregated in the above disclosures as the joint ventures balance is immaterial to warrant separate disclosures.

Notes to the consolidated financial statements

for the reporting period ended 31 December

46. Related parties

46.6 Associates, joint ventures and retirement benefit fund *continued*

	Group 2023		
	Associates and joint ventures Rm	Retirement benefit fund Rm	Total Rm
Value of defined benefit pension fund and post-retirement medical aid plan investments managed by the Group	–	816	816
Value of Absa Group Limited shares held by defined benefit pension fund	–	44	44
Value of other Absa Group Limited securities held by defined benefit pension fund	–	851	851
Statement of financial position			
Other assets	23	–	23
Loans and advances (refer to note 7)	28 730	–	28 730
Other liabilities	(15)	–	(15)
Deposits	(87)	–	(87)
Statement of comprehensive income			
Interest income from joint ventures and associates and on pension plan assets	2 431	128	2 559
Interest expense on defined benefit obligation	–	(128)	(128)
Fee and commission expense	(4)	–	(4)
Operating expenses	(1 277)	–	(1 277)

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

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

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

		Group	
		2024 Ownership %	2023 Ownership %
Equity-accounted associates			
SBV Services Proprietary Limited	Cash transportation services.	**25**	25
Document Exchange Association	Facilitates the electronic exchange of documents between the banks.	**25**	25
South African Bankers Services Company Proprietary Limited	Automatic clearing house.	**24**	23
Sanlam Investment Holdings Proprietary Limited	Operates as an investment holding company. The Company, through its subsidiaries, provides investment management, financial planning, and consulting services.	**13**	13
Equity-accounted joint ventures			
FFS Finance South Africa (RF) Proprietary Limited	Provides financing solutions to Ford Motor Company customers.	**50**	50
MAN Financial Services (SA) (RF) Proprietary Limited	Joint venture with MAN Financial Services GmbH for financing of trucks and buses.	**50**	50
Zeerust Joint Venture	Engaged in property investment.	**–**	55
John Deere Financial Proprietary Limited	Undertakes marketing activities for asset financing of John Deere products.	**50**	50
Associates and joint ventures designated at fair value through profit or loss	Various	**Various**	Various

All associates and joint ventures are incorporated in South Africa.

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

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

47. Structured entities

Preference share funding vehicles

The Group provides financing to a number of SEs, established and managed by clients, in the form of a subscription for cumulative redeemable preference shares. These instruments typically have the economic characteristics of vanilla debt instruments, and as such the Group recognises interest income from its investments. Often the Group subscribes for preference shares in these vehicles together with other financial institutions on a syndicated basis. The Group does not have the ability to direct the relevant business activities in these vehicles and therefore in the absence of control, the vehicles are not consolidated. An entity which forms part of the same group of companies as the preference share funding vehicle, most commonly the parent company, writes the Group a financial guarantee or a put option, so as to provide security in the event of default.

Structured investment vehicles

The Group holds investments in a number of vehicles which were established and are managed by third-party fund managers. These vehicles are generally not consolidated by the Group on the basis that the relevant activities of the vehicles are directed by the fund manager, and no substantive kick-out rights exist. The investments held in the vehicles are measured at fair value with changes therein being recognised in profit or loss. Distributions made by the vehicles will be recognised as investment income in profit or loss. The vehicles are funded through the commitment and provision of capital by investors.

Securitisation vehicles

The Group has used SEs in order to securitise loans that were originated by the Group. These entities have minimal equity and therefore rely on funding in the form of notes in order to acquire the underlying loans. The Group transfers the contractual right to receive cash flows on the underlying loans, but in many instances, does not relinquish substantial exposure to all the risks and rewards of ownership. Exposures to credit risk, prepayment risk and/or interest rate risk are retained when the Group purchases either senior notes or junior notes and sells derivatives to the entity. When the securitisation vehicles are established to run entirely on autopilot or when the only relevant activity of the entity constitutes recovery of the securitised loans in the event of default, then provided such activity is not directed by the Group, the Group will not have power over the relevant activities of the vehicle. The Group earns interest income on the notes issued by the vehicles, together with management fees from the Group's ongoing involvement. To the extent that the notes are fair valued, unrealised gains and losses are generated, which are recognised by the Group in profit or loss.

Funding vehicles

The Group provides funding in the form of loans to bankruptcy remote SEs to enable them to purchase fixed assets, such as property. The loans are fully collateralised by the underlying asset, and the repayment of principal and interest is met through the receipt of lease income. The loans are subject to guarantees received from the parent company, or from other trading entities within the same group of companies. The Group earns interest on the loans. The loans are either measured at amortised cost, or are designated as at fair value through profit or loss.

47.1 Consolidated structured entities

The Group did not incur losses related to the Group's interests in consolidated structured entities in the current financial reporting period (2023: Rnil).

The Group did not provide any financial support during the current financial reporting period (2023: Rnil) to consolidated structured entities and has no current arrangements to provide financial support in the future.

47. Structured entities *continued*

47.2 Unconsolidated structured entities

The level of risk that the Group is exposed to is determined by the nature and purpose of it holding an interest in the entity.

Owing to the large number of SEs in which the Group holds an interest, information about such entities has been aggregated according to the purpose for which the entity was established.

	Group				
	2024				
	Preference share funding vehicles Rm	Structured investment vehicles Rm	Securitisation vehicles Rm	Funding vehicles Rm	Total Rm
Assets					
Investment securities	–	–	339	–	339
Debt securities	–	–	339	–	339
Loans and advances to customers	34 707	–	–	7	34 714
Undrawn liquidity facilities and financial guarantees (notional value)	–	–	260	–	260
	34 707	–	599	7	35 313
Maximum exposure to loss	34 707	–	599	7	35 313
Total size of entities	187 563	–	1 154	7	188 724

	Group				
	2023				
	Preference share funding vehicles Rm	Structured investment vehicles Rm	Securitisation vehicles Rm	Funding vehicles Rm	Total Rm
Assets					
Trading portfolio	–	544	–	–	544
Investment securities	–	–	422	–	422
Debt securities	–	–	422	–	422
Loans and advances to customers	31 761	–	–	12	31 773
Undrawn liquidity facilities and financial guarantees (notional value)	–	–	301	–	301
	31 761	544	723	12	33 040
Maximum exposure to loss	31 761	544	723	12	33 040
Total size of entities	121 406	544	1 308	12	123 270

The Group did not incur losses related to the Group's interests in unconsolidated structured entities in the current financial reporting period (2023: Rnil).

Under undrawn liquidity facilities and financial guarantees there are no liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the entity's interest in unconsolidated structured assets. The Group's maximum exposure to loss has been calculated as the sum of its assets recognised in the statement of financial position and its unrecognised contractual commitments to provide further finance.

The actual loss, due to the collateral held by the entities, the availability of netting and credit protection held is likely to be less in most cases.

Total size of entities is measured relative to total assets.

There are no liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the entity's interest in unconsolidated structured assets.

47. Structured entities

47.2 Unconsolidated structured entities *continued*

Financial support provided or to be provided to unconsolidated structured entities

The Group did not provide any financial support during the current financial reporting period (2023: Rnil) to unconsolidated structured entities and has no current arrangements to provide financial support in the future.

47.3 Sponsored entities

The Group did not earn material income from its involvement in the unconsolidated SEs which it sponsors.

Assets transferred to unconsolidated sponsored structured entities

The Group did not transfer assets during the current financial reporting year (2023: Rnil) to its unconsolidated sponsored structured entities.

48. Assets under management and administration (unaudited)

	Group	
	2024 Rm	2023 Rm
Alternative asset management and exchange-traded funds	**34 876**	25 116
Deceased estates	**4 064**	4 640
Other assets under administration	**423 337**	366 397
Portfolio management	**–**	–
Trusts	**15 316**	14 154
Unit trusts	**68 547**	43 807
	546 140	454 114

Other assets under administration include those to which custody and trustee services are provided. In 2023, the Group inadvertently incorrectly disclosed items relating to Advisory services as part of the Portfolio management and Unit trusts balance. As a result, the Portfolio Management balance has been restated from R5 665m to nil and Unit trusts has been restated from R45 280m to R43 807m.

In 2023, the Group incorrectly eliminated certain balances with external parties. This has resulted in the Trust balance being restated from R8 740m to R14 154m.

49. Contingencies, commitments and similar items

	Group 2024 Rm	Group 2023 Rm
Guarantees	**55 716**	52 317
Irrevocable debt facilities	**150 802**	136 887
Letters of credit	**19 863**	22 815
	226 381	212 019
Authorised capital expenditure		
Contracted but not provided for	**857**	919

Guarantees include performance guarantee contracts and financial guarantee contracts. 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 intangible assets, property and equipment. Management is confident that future net revenues and funding will be sufficient to cover these commitments.

Legal proceedings

Legal matters

The Group is engaged in various legal, competition and regulatory matters both in South Africa and a number of other jurisdictions. It is involved in legal proceedings which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, employment, environmental and other statutory and common law issues.

The Group is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Group is or has been engaged.

At the present time, the Group does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this note, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group's results of operations or cash flow for a particular period, depending on, amongst other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

The Group has not disclosed the contingent liabilities associated with these matters either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the outcome of the matter. Provision is made for all liabilities which are expected to materialise.

Regulatory developments

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

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

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

49. Contingencies, commitments, and similar items *continued*

Income taxes

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

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

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

50. Deferred cash and share-based payments

	Group	
	2024 Rm	2023 Rm
Share-based payments expense	**1 642**	1 107
Equity-settled arrangements:		
Absa Group Share Incentive Plan Performance Award (SIPP)	**443**	426
Absa Group Limited Share Incentive Plan Retention Buyout Award (SIPRB)	**47**	47
Absa Group Limited Share Incentive Plan Deferred Award (SIPD)	**288**	263
Absa Group Limited Share Incentive Plan Retention Award (SIPR)	**238**	154
eKhaya colleague share scheme (ECSS)	**384**	147
Cash-settled arrangements:		
Absa Group Share Incentive Plan Performance Award (SIPP)	**18**	15
Absa Group Limited Share Incentive Plan Retention Buyout Award (SIPRB)	**–**	1
Absa Group Limited Share Incentive Plan Deferred Award (SIPD)	**45**	21
Absa Group Limited Share Incentive Plan Retention Award (SIPR)	**4**	7
eKhaya colleague share scheme (ECSS)	**175**	26
Deferred cash expense		
Absa Group Limited Cash Value Plan (CVP)	**1**	1
Total deferred cash and share-based payments (refer to note 34)	**1 643**	1 108
Total carrying amount of liabilities for cash-settled arrangements (refer to note 17)	**275**	131
Total carrying amount of the equity settled share-based payment arrangements (refer to the statement of changes in equity)	**2 002**	1 399

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

50. Deferred cash and share-based payments *continued*

Absa Group Limited Share Incentive Plan Performance Award

Qualifying participants of the Share Incentive Plan Performance Award (SIPP) will be entitled to Absa Group Limited ordinary shares either by way of a share award or a cash award that must be used to purchase Absa Group Limited ordinary shares. The Group retains the obligation to settle in cash certain SIPP awards that are prohibited from being equity-settled. The award will be issued by Absa Group Limited. In order for the participant to be entitled to these awards, the participant needs to render three years or five years (depending on the grant received) of service and the requisite performance conditions need to be met. Dividends may accumulate and are reinvested over the vesting period.

Absa Group Limited Share Incentive Plan Retention Buyout Award

The Share Incentive Plan Retention Buyout Award (SIPRB) enables the Group to attract and motivate new employees by buying out the 'in the money' portion of a participant's shares or options under their previous employers' share scheme by offering the employees Absa Group Limited awards. This award will be issued by Absa Group Limited. There is no consideration payable for the grant of an award and the vesting of the award is not subject to performance conditions. Dividends may accumulate and are reinvested over the vesting period, which will align with the vesting period of the previous employer.

Absa Group Limited Share Incentive Plan Deferred Award

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

Absa Group Limited Share Incentive Plan Retention Award

The Share Incentive Plan Retention Award (SIPR) (and any associated notional dividends) are awarded at no cost to the participants. The awards vest after three to five years. The Bank retains the obligation to settle in cash certain SVP awards that are prohibited from being equity-settled. The amount that is paid to the cash-settled participants is equal to the market value of a number of Absa Group Limited ordinary shares, as determined on the vesting date. On vesting, equity-settled participants are awarded Absa Group Limited ordinary shares in settlement of their awards. Dividends may accumulate and are reinvested over the vesting period. These awards will vest on the vesting Date(s), subject to achieving a performance rating in respect of the 2021, 2022, 2023 and 2024 performance years of "Good or above" (or any other equivalent rating in force from time to time).

Absa Group Limited Restricted Share Value Plan

The Restricted Share Value Plan (RSVP) awards (and any associated notional dividends) are awarded at no cost to the participants. Vesting periods range from two to five years, with each tranche subject to its own independent non-market-related performance condition on vesting. The Group retains the obligation to settle in cash certain restricted SVP awards that are prohibited from being equity-settled. The amount that is paid to the cash-settled participants is equal to the market value of a number of Absa Group Limited ordinary shares, as determined on the vesting date, to the extent that the non-market-related conditions attached to the awards are met. On vesting, equity-settled participants are awarded Absa Group Limited ordinary shares in settlement of their awards. Dividends may accumulate and are reinvested over the vesting period.

eKhaya Colleague Share Scheme

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

Deferred cash

Absa Group Limited Cash Value Plan

The Cash Value Plan (CVP) is a deferred cash-settled payment arrangement. The award will vest in equal tranches over a period of three and five years, subject to the rules which include a 10% service credit for the final anniversary of the CVP award date. The service credit for awards granted in 2024 is **0%** (2023: 0%) of the initial value of the award that vests.

50. Deferred cash and share-based payments *continued*

Deferred cash and share-based payments

Number of awards '000

	2024					2023				
	Opening Balance	**Granted**	**Forfeited**	**Exercised**	**Closing balance**	Opening balance	Granted	Forfeited	Exercised	Closing Balance
Equity-settled:										
SIPP	**10 552**	**5 681**	**(1 131)**	**(2 632)**	**12 470**	12 751	4 632	(2 477)	(4 354)	10 552
SIPRB	**441**	**234**	**(31)**	**(242)**	**402**	311	373	(25)	(218)	441
SIPD	**2 961**	**2 040**	**(171)**	**(1 198)**	**3 632**	2 928	1 909	(143)	(1 733)	2 961
SIPR	**3 287**	**2 060**	**(207)**	**(883)**	**4 257**	1 900	1 599	(188)	(24)	3 287
RSVP	**33**	**–**	**–**	**–**	**33**	33	–	–	–	33
ECSS	**26 364**	**1 543**	**(1 471)**	**(54)**	**26 382**	–	26 724	(350)	(10)	26 364
Cash-settled:										
SIPP	**661**	**322**	**(148)**	**(221)**	**614**	746	228	(111)	(202)	661
SIPRB	**4**	**–**	**–**	**(3)**	**1**	8	2	–	(6)	4
SIPD	**115**	**100**	**(37)**	**(48)**	**130**	78	75	–	(38)	115
SIPR	**207**	**122**	**(43)**	**(57)**	**229**	118	92	(3)	–	207
ECSS	**6 588**	**544**	**(384)**	**(13)**	**6 735**	–	6 680	(91)	(1)	6 588

The terms and conditions of the above share-based payment arrangements dictate that awards be settled immediately on vesting and therefore there are no awards which have vested but have not yet been settled at any given time. Furthermore, the awards outstanding in the aforementioned schemes have no exercise price.

	Weighted average share price at the exercise date (Rands)		Weighted average contractual life of awards outstanding (years)		Weighted average fair value of options granted during the period (Rands)	
	2024	2023	**2024**	2023	**2024**	2023
Equity-settled:						
SIPP	**137.88**	75.60	**1.46**	1.42	**146.01**	184.60
SIPRB	**169.07**	153.67	**0.97**	1.16	**158.87**	184.26
SIPD	**179.45**	88.16	**0.94**	1.03	**145.68**	184.60
SIPR	**153.62**	184.91	**1.53**	1.57	**145.68**	184.60
ECSS	**82.53**	77.30	**3.67**	4.67	**76.39**	82.53
Cash-settled:						
SIPP	**156.72**	184.60	**1.47**	1.32	**147.57**	184.60
SIPRB	**147.80**	177.70	**0.31**	0.33	**–**	200.39
SIPD	**145.68**	184.60	**0.99**	1.06	**145.68**	184.60
SIPR	**170.21**	–	**1.47**	1.54	**145.68**	184.60
ECSS	**73.18**	84.07	**3.67**	4.67	**76.39**	82.53

50. Deferred cash and share-based payments *continued*

Future cash flow effects associated with equity settled share payments

	Group 2024 Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Total Rm
Estimate of amount expected to be transferred to tax authorities	**487**	**2 131**	**–**	**2 618**
	2023 Within 1 year	From 1 year to 5 years	More than 5 years	Total
Estimate of amount expected to be transferred to tax authorities	477	1 408	–	1 885

The estimates provided above indicate the amounts which are expected to be transferred to tax authorities relating to the employees' tax obligations on equity schemes which have been granted but which vest in future periods. The amounts were estimated based on the number of awards expected to vest, the share price as at year-end and an estimate of the average applicable employee effective tax rate.

51. Statement of cash flows notes

51.1 Net increase in operating assets

	Group 2024 Rm	Group 2023 Rm
Trading and hedging portfolio assets	**(31 227)**	16 492
Loans and advances	**(63 199)**	(64 029)
Other assets	**(12 503)**	(832)
Investment securities	**(30 390)**	(17 463)
Insurance and reinsurance contract assets	**23**	133
Investments linked to investment contracts	**(2 325)**	(1 757)
	(139 621)	(67 456)

This additional note has been included as a result of the presentation change to the Statement of cash flows, refer to note 1.21.2 for more information.

Certain working capital movements on the SOCF, including loans and advances, other assets and investment securities have been restated. Refer to note 1.21.1 for more information on these restatements.

51. Statement of cash flows notes *continued*

51.2 Net increase in operating liabilities

	Group	
	2024 Rm	2023 Rm
Trading and hedging portfolio liabilities	**2 531**	(33 110)
Liabilities under investment contracts	**2 300**	1 249
Insurance and reinsurance contract liabilities	**368**	319
Other liabilities	**11 048**	10 362
Deposits	**152 339**	103 573
	168 586	82 393

Net increase in other liabilities includes debt securities in issue and provisions.

This additional note has been included as a result of the presentation change to the Statement of cash flows, refer to note 1.21.2 for more information.

The working capital movement in other liabilities on the SOCF has been restated. Refer to note 1.21.1 for more information on the restatement.

51.3 Cash and cash equivalents

	Group	
	2024 Rm	2023 Rm
Mandatory reserve and other balances with the SARB and other central banks (refer to note 2)	**89 282**	44 111
Coins and bank notes (refer to note 2)	**12 425**	13 173
Loans and advances to banks (refer to note 7)	**25 907**	21 181
Money market assets (refer to note 2)	**3 377**	2 928
Mobile money balances (refer to note 5)	**2 207**	3 427
Investment securities (refer to note 3)	**4 599**	5 527
	137 797	90 347

'Mandatory reserve and other balances with the SARB and other central banks', 'Loans and advances to banks' and 'Investment securities' have been restated. Refer to note 1.21.1 for more information on these restatements.

52. Acquisitions and disposals of business and similar transactions

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

Absa Bank Limited increased it's shareholding in South African Bankers Services Company Proprietary Limited by 0.685%. This increased the carrying value of the investment by R106m.

Absa Group Limited increased it's shareholding in Sanlam Investment Holdings Proprietary Limited. This increased the carrying value of the investment by R24m.

On 6 July 2024, Absa Bank Mauritius Limited met the conditions for acquiring 100% of the assets and liabilities of HSBC's domestic Wealth, and Personal and Banking business in Mauritius. The acquisition became effective on this date. Included in the identifiable assets and liabilities acquired on the effective date are inputs (loans and advances, a portfolio of customer deposits, a branch and customer relationships), certain processes and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create interest and non-interest income. The acquired set is hence a business and has been accounted for as a business combination within the scope of IFRS 3.

The fair value of the acquired loans and advances is R2 454m. The gross contractual amount for the loans and advances is R2 491m, with a loss allowance of R37m recognised on acquisition.

The acquisition date fair value of the consideration transferred was allocated to the fair values of the acquired assets of R6 985m and liabilities assumed of R6 916m. The gain on bargain purchase recognised in the consolidated statement of comprehensive income due to the acquisition of the business was R69m. The acquired business contributed revenues of R69m and profit of R65m to the group for the period ended 31 December 2024.

	2024 Rm
Consideration at date of acquisition:	
Cash	–
Total Consideration	**–**
Recognised fair values of identifiable assets acquired and liabilities assumed	
Cash, cash balances and balances with central banks	4 472
Other assets	7
Loans and advances	2 454
Property and equipment	8
Goodwill and intangible assets	44
Other liabilities	(56)
Deposits	(6 860)
Total identifiable net assets acquired	**69**
Gain on bargain purchase	**(69)**

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

Devco Holdings, a division in the Relationship Banking segment, divested its entire shareholding in Absa Property Development (Pty) Ltd. The assets held at the time of the divestment were valued at R203m, while the liabilities amounted to R228m. The sale was finalised on 28 June 2024 and resulted in a profit of R25m.

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

There were no acquisitions and other similar transactions during the previous reporting period.

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

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

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

53. Segment report

53.1 Summary of segments

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

On 5 December 2024, the Group announced Product Solutions Cluster, Everyday Banking and Private Wealth Banking into a single business unit – Retail SA – to improve the Group's ability to deliver client value, particularly distribution of value-added services and insurance product across a large customer base. This is in an effort to improve non-interest income growth within Retail SA. The changes are effective from 1 January 2025, and therefore do not affect the Group's segment reporting disclosure in its financial results for the annual reporting period ended 31 December 2024. The impact of this announcement on segment reporting for the year ended 31 December 2025 is in the process of being determined.

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

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

Other reconciling stripes

- **Head Office, Treasury and other operations** consists of various non-banking activities and includes investment income earned by the Group, the impact of the hyperinflation accounting by the Group, as well as income earned by Absa Manx Holdings and Corporate Real Estate Services.

Reportable segments

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

53. Segment report *continued*

Key business areas serviced are as per below:

- **Home Loans –** offers residential property-related finance solutions direct to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and mortgage originators.
- **Vehicle and Asset Finance (VAF) –** offers funding solutions for passenger and light commercial vehicles to individual customers through the branch network, approved dealerships, and preferred suppliers. VAF's joint venture with Ford Financial Services is an extension of the business and reinforces the strategic intent of establishing and harnessing relationships with dealers and customers.
- **Insurance SA** consists of:
  - **Life Insurance –** offers life insurance, covering death, disability and retrenchment, as well as funeral and life wrapped investment products.
  - **Non-Life Insurance –** provides non-life insurance solutions to the retail and commercial market segments. Direct-to-client short-term solutions being iDirect and Activate, are also available to the retail market.
- **PSC Head office, Advice and Investments –** Includes the following:
  - Absa Insurance and Financial Advisors which include face-to-face advisors, a digital advice platform and a direct sales service centre.
  - Stockbroking and Portfolio Management products and services to core-middle-market, retail-affluent, private-banking, wealth, and business clients.
  - Absa Trust facilitates wealth preservation through implementing estate planning solutions, including wills drafting and safe custody of wills, estate administration, trust administration and beneficiary fund administration.
  - The investment in Sanlam Investment Holdings and management of the associated distribution agreement.
- **Everyday Banking –** offers the day-to day banking services for the retail customer and includes:
  - **Card –** offers credit cards via a mix of Absa-branded and co-branded offerings including British Airways, Avios and Virgin Money. Included in this portfolio are partnerships with Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and short-term insurance products.
  - **Personal Loans –** offers unsecured instalment loans through face-to-face engagements, call centre agents as well as electronic and mobile channels.
  - **Transactional and Deposits –** offers unsecured loans through the Absa Mobile Banking app, internet banking, face-to-face engagements, and the contact centre channels.
  - **Relationship Banking –** places primary focus on client segment in drive to put the customer first. Essentially, the business focuses on the following key client segments: Small and Medium Enterprises (SMEs), Commercial Segment and Private Wealth which are serviced by the following key business areas:
  - **Business Banking Services –** which offers banking solutions spanning lending and transactional banking products as well as savings and investment products. The lending products consist of commercial asset finance, commercial property finance, term lending, structured lending as well as overdrafts.
  - **Commercial Payments –** accept electronic payments using various payment methods such as cash, debit, credit and prepaid cards as well as mobile payments. Commercial Payments also provides value added services such as money transfer and 'cash back' at point of sale.
  - **Private Wealth –** which offers a full suite of banking services to customers in the Private and Wealth segment including transactional, lending, savings and investment products as well as other wealth management services.

53. Segment report *continued*

- **Absa Regional Operations RBB –** offers a range of solution managed through the below key business areas:
  - **Retail Banking**: offers day-to-day banking services to individual customers by providing a comprehensive suite of lending, transactional and deposit, cards and payments products across various segments.
  - **Business Banking:** has been identified as being of particular importance as it contributes significantly to job creation and national economic development in the ARO presence markets. Clients are serviced through a direct coverage and relationship based model with customised solutions.
- **Insurance ARO** consists of:
  - **Life Insurance –** The product range covers death, disability and retrenchment, education as well as funeral and life-wrapped investment products; and
  - **Non-Life Insurance –** The product range covers non-life insurance solutions, including motor, medical and workman's compensation, primarily through agents leveraging the banking distribution channels.
- **CIB:** client engagement integrates client coverage across Africa to provide holistic solutions to clients through end-to-end relationship management and origination activities, leveraging the deep segment and sector specialisation within CIB across the business areas below. This includes the Growth Capital solutions team, which focuses on offering B-BBEE financing to clients with the aim of creating sustainable local and regional economies. Key business areas serviced are as per below:
- **Corporate:** provides corporate banking solutions spanning financing and transactional banking requirements, including trade and working capital solutions, as well as a full suite of cash management, payments and liquidity products and solutions. These services are provided across our African institutional, corporate and public sector client base. The Absa Investor Services business provides a full suite of custody and trustee services, further building out our services and client value proposition.
- **Investment Bank** comprising:
  - **Global Markets –** engages in trading, sales and research activities across all major asset classes and products in Africa, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients;
  - **Investment Banking Division –** structures innovative solutions delivering to meet clients' strategic advisory, financing and risk management requirements across industry sectors;
  - **Commercial Property Finance (CPF) –** specialises in financing commercial, industrial, retail and residential development property across our African footprint as well as cross border financing in other jurisdictions; and
  - **Private Equity and Infrastructure Investments (PEII) –** Infrastructure Investments acted as a principal by investing in equity to entities focused on infrastructure development in sub-Saharan Africa. Private Equity traditionally acted as a principal by investing in unlisted equity exposures. This portfolio continues to be reduced in line with the Group's strategy to exit non-core businesses.

Notes to the consolidated financial statements
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53. Segment report *continued*

53.2 Segment report per geographical segment

	Group		
	2024		
	South Africa and other international operations Rm	**Africa regions Rm**	**Total Rm**
Net interest income – external	**47 921**	**23 184**	**71 105**
Interest and similar income	**134 748**	**33 108**	**167 856**
Interest expense and similar charges	**(86 827)**	**(9 924)**	**(96 751)**
Non-interest income – external	**28 564**	**10 280**	**38 844**
Total assets	**1 676 732**	**391 963**	**2 068 695**

	2023		
	South Africa and other international operations Rm	Africa regions Rm	Total Rm
Net interest income – external	46 681	21 374	68 055
Interest and similar income	124 442	30 020	154 462
Interest expense and similar charges	(77 761)	(8 646)	(86 407)
Non-interest income – external	27 250	9 337	36 587
Total assets	1 540 539	334 337	1 874 876

The prior year geographical split between South Africa and other international operations and Africa regions have been restated due to the business unit restatements in note 1.21.3. These restatements resulted in the following reallocations:

- R2m in 'Interest expense and similar charges' from the Africa regions (comprising of ARO RBB: -R2m, CIB ARO: R3m and ARO entities within Head Office: R1m) to South Africa and other international operations.
- R3m in 'Non-interest income' from the Africa regions (comprising of ARO RBB: R3m, CIB ARO: -R4m, and ARO entities within Head Office: R4m) to South Africa and other international operations.
- R2 276m in 'Total assets' from South Africa and other international operations to the Africa regions (comprising of ARO RBB: R756m, CIB ARO: -R75m and ARO entities within Head Office: R1 595m).

Other International operations include United Kingdom and United States.

53. Segment report *continued*

53.3 Segment report per market segment

	Product Solutions Cluster		Everyday Banking	
	2024	2023	**2024**	2023
Net interest income	**9 281**	9 016	**16 352**	15 947
Interest and similar income	**49 422**	46 773	**18 617**	17 569
Interest expense and similar charges	**(40 141)**	(37 757)	**(2 265)**	(1 622)
Non-interest income	**5 094**	4 636	**12 697**	12 186
Total income	**14 375**	13 652	**29 049**	28 133
Credit impairment charges	**(3 216)**	(4 231)	**(6 952)**	(7 851)
Operating expenses	**(6 450)**	(5 798)	**(15 599)**	(14 783)
Depreciation and amortisation	**(307)**	(218)	**(1675)**	(1517)
Information technology costs	**(237)**	(286)	**(940)**	(790)
Staff costs	**(3 516)**	(3 067)	**(6 545)**	(6 118)
Other operating expenses	**(2 390)**	(2 227)	**(6 439)**	(6 358)
Other expenses	**(186)**	(188)	**(524)**	(481)
Other impairments	**(31)**	(31)	**(63)**	(54)
Indirect taxation	**(155)**	(157)	**(461)**	(427)
Loss on net monetary position	**–**	–	**–**	–
Share of post-tax results of associates and joint ventures	**235**	118	**–**	–
Operating profit before income tax	**4 758**	3 553	**5 974**	5 018
Tax expenses	**(1 205)**	(918)	**(1 574)**	(1 276)
Profit for the reporting period	**3 553**	2 635	**4 400**	3 742
Profit attributable to:				
Ordinary equity holders	**3 244**	2 345	**3 965**	3 364
Non-controlling interest – ordinary shares	**–**	–	**184**	160
Non-controlling interest – preference shares	**84**	85	**68**	65
Other equity: Additional Tier 1	**225**	205	**183**	153
	3 553	2 635	**4 400**	3 742
Headline earnings	**3 276**	2 368	**4 004**	3 394
Loans and advances	**430 675**	417 375	**78 340**	78 288
Loans and advances to customers	**428 437**	415 391	**74 237**	72 380
Loans and advances to banks	**2 238**	1 984	**4 103**	5 908
Investment securities	**28 803**	27 578	**3 985**	4 042
Investments in associates and joint ventures	**2 131**	1 938	**–**	–
Other assets	**67 803**	59 225	**361 421**	333 563
Total assets	**529 412**	506 116	**443 746**	415 893
Deposits	**1 453**	1 610	**333 381**	308 936
Deposits due to customers	**1 453**	1 610	**333 381**	308 936
Deposits due to banks	**–**	–	**–**	–
Debt securities in issue	**–**	–	**–**	–
Other liabilities	**518 907**	495 057	**104 392**	101 561
Total liabilities	**520 360**	496 667	**437 773**	410 497

The 2023 balances have been restated, refer to note 1.21.3.

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

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53. Segment report
53.3 Segment report per market segment *continued*

Relationship Banking		Absa Regional Operations–Retail Business Banking		Corporate and Investment Banking		Head office, Treasury and other operations		Group Performance	
2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
11 016	10 081	**12 604**	11 758	**21 156**	19 549	**696**	1 704	**71 105**	68 055
19 978	18 002	**13 216**	11 762	**47 865**	44 002	**18 758**	16 354	**167 856**	154 462
(8 962)	(7 921)	**(612)**	(4)	**(26 709)**	(24 453)	**(18 062)**	(14 650)	**(96 751)**	(86 407)
5 042	5 125	**4 983**	4 525	**12 085**	10 236	**(1 057)**	(121)	**38 844**	36 587
16 058	15 206	**17 587**	16 283	**33 241**	29 785	**(361)**	1 583	**109 949**	104 642
(760)	(822)	**(1 680)**	(1 540)	**(1 535)**	(764)	**(161)**	(327)	**(14 304)**	(15 535)
(8 967)	(8 356)	**(11 324)**	(10 841)	**(14 894)**	(13 659)	**(1 274)**	(2 267)	**(58 508)**	(55 704)
(203)	(187)	**(890)**	(820)	**(693)**	(485)	**(2 085)**	(2 705)	**(5 853)**	(5 932)
(325)	(265)	**(1 457)**	(1 204)	**(705)**	(606)	**(3 184)**	(2 899)	**(6 848)**	(6 050)
(3 757)	(3 408)	**(6 605)**	(6 487)	**(6 931)**	(6 290)	**(6 300)**	(6 126)	**(33 654)**	(31 496)
(4 682)	(4 496)	**(2 372)**	(2 330)	**(6 565)**	(6 278)	**10 295**	9 463	**(12 153)**	(12 226)
(133)	(172)	**(792)**	(597)	**(519)**	(383)	**(2 041)**	(1 532)	**(4 196)**	(3 353)
–	(36)	**(135)**	(6)	**(41)**	(2)	**(644)**	(330)	**(914)**	(459)
(133)	(136)	**(657)**	(591)	**(478)**	(381)	**(707)**	(1202)	**(2 592)**	(2 344)
–	–		–	**–**	–	**(690)**		**(690)**	(550)
33	45	**–**	–	**(2)**	10	**16**	27	**282**	200
6 231	5 901	**3 791**	3 305	**16 291**	14 989	**(3 822)**	(2 516)	**33 223**	30 250
(1 600)	(1 522)	**(1 268)**	(1 176)	**(3 159)**	(2 883)	**486**	88	**(8 320)**	(7 687)
4 631	4 379	**2 523**	2 129	**13 132**	12 106	**(3 336)**	(2 428)	**24 903**	22 563
4 319	4 123	**1 795**	1 582	**11 758**	11 023	**(3 544)**	(2 546)	**21 537**	19 891
–	–	**716**	546	**750**	575	**208**	119	**1 858**	1 400
85	74	**3**	–	**168**	149	**–**	–	**408**	373
227	182	**9**	1	**456**	359	**–**	(1)	**1 100**	899
4 631	4 379	**2 523**	2 129	**13 132**	12 106	**(3 336)**	(2 428)	**24 903**	22 563
4 292	4 145	**1 780**	1 584	**11 740**	11 025	**(3 033)**	(2 442)	**22 059**	20 074
155 806	146 767	**91 734**	79 360	**573 675**	536 417	**19 358**	13 150	**1 349 588**	1 271 357
154 931	146 071	**91 060**	78 493	**524 226**	484 042	**4 224**	609	**1 277 115**	1 196 986
875	696	**674**	867	**49 449**	52 375	**15 134**	12 541	**72 473**	74 371
7 408	6 845	**1 927**	1 621	**56 995**	50 844	**171 326**	145 568	**270 444**	236 498
217	185	**–**	–	**311**	207	**331**	314	**2 990**	2 644
168 904	149 499	**76 092**	61 401	**622 787**	512 116	**(851 334)**	(751 427)	**445 673**	364 377
332 335	303 296	**169 753**	142 382	**1 253 768**	1 099 584	**(660 319)**	(592 395)	**2 068 695**	1 874 876
254 588	230 720	**147 831**	120 980	**606 625**	512 081	**163 049**	165 209	**1 506 927**	1 339 536
254 583	230 715	**147 824**	120 965	**510 733**	434 620	**109 461**	118 485	**1 357 435**	1 215 331
5	5	**7**	15	**95 892**	77 461	**53 588**	46 724	**149 492**	124 205
–	–	**94**	89	**40 153**	28 888	**171 044**	182 151	**211 291**	211 128
72 315	67 394	**18 889**	17 591	**587 809**	545 687	**(1 135 111)**	(1 067 475)	**167 201**	159 815
326 903	298 114	**166 814**	138 660	**1 234 587**	1 086 656	**(801 018)**	(720 115)	**1 885 419**	1 710 479

53. Segment report *continued*

53.4 Total internal income by segment

	2024 Rm	2023 Rm
Product Solutions Cluster	**(38 758)**	(36 456)
Everyday Banking	**23 121**	20 764
Relationship Banking	**8 920**	6 611
Absa Regional Operations –Retail Business Banking	**3 177**	2 810
Corporate and Investment Banking	**(3 579)**	(6 021)
Head Office, Treasury and other operations	**7 119**	12 292
	–	–

As the Group no longer reports normalised financial results, the prior year internal income included in Barclays separation of R128m has been reallocated to Head Office, Treasury and other operations.

53.5 Disaggregation of non-interest income

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

	Group						
	2024						
	Product Solutions Cluster Rm	Everyday Banking Rm	Relation-ship Banking Rm	Absa Regional Operations – Retail Business Banking Rm	Corporate and Investment Banking Rm	Head Office, Treasury and other operations Rm	Total Rm
Fee and commission income from contracts with customers	**3 045**	**13 122**	**5 715**	**4 005**	**5 027**	**(1 255)**	**29 659**
Consulting and administration fees	**227**	**–**	**120**	**–**	**154**	**–**	**501**
Transactional fees and commissions	**871**	**11 551**	**3 620**	**3 225**	**3 913**	**(7)**	**23 173**
Cheque accounts	**–**	**3 393**	**1 639**	**42**	**172**	**–**	**5 246**
Credit cards	**–**	**2 533**	**193**	**617**	**(7)**	**–**	**3 336**
Electronic banking	**–**	**4 010**	**1 037**	**283**	**1 595**	**1**	**6 926**
Service charges	**861**	**347**	**514**	**2 157**	**1 281**	**5**	**5 165**
Other (includes exchange commission and guarantees)	**10**	**268**	**136**	**105**	**872**	**(13)**	**1 378**
Savings accounts	**–**	**1 000**	**101**	**21**	**–**	**–**	**1 122**
Merchant income	**–**	**1 069**	**1 842**	**346**	**5**	**–**	**3 262**
Trust and other fiduciary services fees	**435**	**–**	**48**	**5**	**20**	**163**	**671**
Other fees and commissions	**156**	**7**	**31**	**151**	**433**	**(220)**	**558**
Insurance commissions received	**1 356**	**495**	**9**	**278**	**4**	**(1 190)**	**952**
Investment markets execution and investment banking fees	**–**	**–**	**45**	**–**	**498**	**(1)**	**542**
Other non-interest income, net of expenses	**2 049**	**(425)**	**(673)**	**978**	**7 058**	**198**	**9 185**
Total non-interest income	**5 094**	**12 697**	**5 042**	**4 983**	**12 085**	**(1 057)**	**38 844**

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

Other notable non-interest income items include Gains and losses from banking and trading activities of **R8 719m** (2023: R8 081m), offset by expenses within Corporate and Investment Banking. For the Product Solutions Cluster this includes Insurance revenue of **R8 849m** (2023: R8 392m), partially offset by Insurance service expenses of **R7 030m** (2023: R6 587m). Included in ARO RBB is Insurance revenue of **R2 690m** (2023: R2 720m), partially offset by Insurance service expenses of **R2 010m** (2023: R2 064m).

53. Segment report

53.5 Disaggregation of non-interest income *continued*

	Group 2023						
	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	Absa Regional Operations – Retail Business Banking Rm	Corporate and Investment Banking Rm	Head Office, Treasury and other operations Rm	Total Rm
Fee and commission income from contracts with customers	2 821	12 593	5 727	3 558	4 473	(958)	28 214
Consulting and administration fees	218	–	138	26	128	6	516
Transactional fees and commissions	819	11 357	3 646	2 667	3 415	18	21 922
Cheque accounts	(1)	3 244	1 671	32	147	–	5 093
Credit cards	–	2 545	222	380	(8)	20	3 159
Electronic banking	–	4 113	1 065	310	1 417	–	6 905
Service charges	810	211	485	1 846	1 127	1	4 480
Other (includes exchange commission and guarantees)	10	254	107	75	744	(3)	1 187
Savings accounts	–	990	96	24	(12)	–	1 098
Merchant income	–	800	1 720	291	(17)	–	2 794
Trust and other fiduciary services fees	405	–	78	4	22	213	722
Other fees and commissions	151	8	94	160	517	(345)	585
Insurance commissions received	1 228	428	5	410	1	(850)	1 222
Investment markets execution and investment banking fees	–	–	46	–	407	–	453
Other non-interest income, net of expenses	1 815	(407)	(602)	967	5 763	837	8 373
Total non-interest income	4 636	12 186	5 125	4 525	10 236	(121)	36 587

Disaggregation of non-interest income has been restated. Refer to notes 1.21.3 and 27 for further details on the restatements.

54. Derivatives

54.1 Derivative financial instruments

Derivative financial instruments are entered into in the normal course of business to manage various financial risks.

The derivative instrument contract value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Group's net interest income, net trading income, net fee and commission income and derivative assets and liabilities.

In the current and prior year, the Group did not have any compound financial instruments with multiple embedded derivatives in issue.

The Group trades the following derivative instruments:

Foreign exchange derivatives

The Group's principal exchange rate-related contracts are forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified exchange rate on or before a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

Interest rate derivatives

The Group's principal interest rate related contracts are interest rate swaps, forward rate agreements, basis swaps, caps, floors and swaptions. Included in this product category are transactions that include combinations of these features. An interest rate swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract. Certain agreements combine interest rate and foreign currency swap transactions, which may or may not include the exchange of principal amounts. In a forward rate agreement, two parties agree a future settlement of the difference between an agreed rate and a future interest rate, applied to a notional principal amount.

Credit derivatives

The Group's principal credit derivative-related contracts include credit default swaps and total return swaps. A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default, or downgrades by a rating agency.

A total return swap is an instrument whereby the seller of protection receives the full return of the asset, including both the income and change in the capital value of the asset. The buyer of the protection in return receives a predetermined amount.

Equity derivatives

The Group's principal equity-related contracts are equity and stock index swaps and options (including warrants, which are equity options listed on an exchange). An equity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying fixed or floating interest and the other side paying based on the actual return of the stock or stock index. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock, basket of stocks or stock index at a specified price or level on or before a specified date. The Group also enters into fund-linked derivatives, being swaps and options which include mutual funds, hedge funds, indices and multi-asset portfolios as underlying.

Commodity derivatives

The Group's principal commodity-related derivative contracts are swaps, options, forwards and futures. The main commodities transacted are agricultural commodities and precious metals.

54.2 Notional amount

The gross notional amount is the sum of the absolute value of all contracts. The notional amount will not generally reflect the amount receivable or payable under a derivative contract. The notional amount should be viewed only as a means of assessing the Group's participation in derivative contracts and not the market risk position nor the credit exposure arising on such contracts.

The absolute value of all contracts is also not indicative of the Group's net exposure to, or position in any of the markets that the Group trades in.

54. Derivatives *continued*

54.3 Derivative financial instruments

The Group's total derivative asset and liability position as reported on the statement of financial position is as follows:

	Group					
	2024			2023		
	Assets Rm	Liabilities Rm	Notional contract amount Rm	Assets Rm	Liabilities Rm	Notional contract amount Rm
Derivatives held for trading (refer to note 4 and 15)	**57 560**	**(52 753)**	**15 817 670**	51 450	(46 701)	13 814 870
Derivatives designated as hedging instruments (refer to note 4 and 15)	**4 055**	**(1 258)**	**315 351**	5 441	(1 688)	323 982
Total derivatives	**61 615**	**(54 011)**	**16 133 021**	56 891	(48 389)	14 138 852

54.4 Derivative held for trading – detail by instrument type

Derivatives held for trading by the Group related to the various markets and instrument types the Group trades in are as follows:

	Group					
	2024			2023		
	Assets Rm	Liabilities Rm	Notional contract amount Rm	Assets Rm	Liabilities Rm	Notional contract amount Rm
Foreign exchange derivatives	**18 970**	**(18 917)**	**1 332 636**	15 008	(14 927)	837 631
Interest rate derivatives	**30 794**	**(29 993)**	**14 206 870**	28 304	(28 362)	12 755 033
Equity derivatives	**6 320**	**(2 600)**	**250 919**	7 345	(2 696)	187 678
Commodity derivatives	**1 049**	**(1 136)**	**12 000**	426	(368)	9 001
Credit derivatives	**427**	**(107)**	**15 245**	367	(348)	25 527
Derivatives held for trading	**57 560**	**(52 753)**	**15 817 670**	51 450	(46 701)	13 814 870

54.5 Derivative held for investment purposes

No derivatives were held for investment purposes for the 2024 or prior period.

54.6 Counterparty netting and collateral

Derivative assets subject to counterparty netting agreements amounted to **R59 149m** (2023: R55 327m). Additionally, the Group held **R2 247m** (2023: R2 544m) of collateral against the net derivative asset exposure. The financial assets pledged as collateral are held under terms that are usual and customary for such arrangements.

OTC traded instruments are subject to counterparty credit risk as the related cash flows are not guaranteed by an independent third party. This risk is mitigated by means of netting agreements. The International Swaps and Derivatives Association ("ISDA") Master Agreement is used by the Group. The ISDA Master Agreement and all the confirmations entered into under it, form a single agreement. This allows the parties to an ISDA Master Agreement to aggregate the amounts owing by each of them under all of the transactions outstanding under that ISDA Master Agreement and to replace them with a single net amount payable by one party to the other.

54.7 Hedge accounting

Risk Management strategy

Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Group applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation, as appropriate to the risks being hedged.

Hedge accounting is predominantly applied for the following risks:

- **Interest rate risk –** arises due to exposure to capital or income volatility because of a mismatch between the interest rate exposures of its assets and liabilities.
- **Contractually linked inflation risk –** arises from certain financial instruments with a contractually specified inflation rate.
- **Currency risk –** arises due to transactional foreign exchange risk where assets, liabilities or highly probable expenditure are not denominated in the functional currency of the transacting entity. The Group is also exposed at a consolidated level to translation foreign currency risk where the functional currency of the foreign operation is different from the parent. Please refer to note 58 for additional information about the Group's Risk Management.

54. Derivatives

54.7 Hedge accounting *continued*

In order to hedge the risks to which the Group is exposed, the hedging instruments employed are interest rate swaps, inflation swaps, cross currency swaps and forward foreign exchange contracts. The economic relationship between the hedge instrument and the hedged items is aligned since all hedging instruments are exposed to the same risks as the hedged items, being interest rate risk, inflation risk and/or foreign currency risk.

The hedge ratio between the hedged item and the hedging instrument, is typically determined with reference to the sensitivity of the hedged item, on designation, to the risk factor, compared to the hedging instrument. In many cases the hedge ratio is directly proportional to the hedged item. The assessment of the effectiveness of hedge relationships are performed on a cumulative life to date basis.

Interest rate risk

Interest rate derivatives designated as cash flow hedges, primarily hedge the exposure to cash flow variability from interest rates of variable rate loans and advances.

Interest rate derivatives designated as fair value hedges, primarily hedge the interest rate risk of fixed rate borrowings in issue, fixed rate loans and advances as well as investments in fixed rate debt securities held.

In certain circumstances, hedged items that are designated for hedge accounting purposes are different from the economic hedge owing to the existence of restrictions on the ability to apply hedge accounting to the economic hedge. Specifically, the Group employs a governed interest rate risk management strategy (hedging programme) through the interest rate cycle to reduce volatility associated with structural balances (i.e. rate insensitive liabilities as well as the endowment associated with equity).

In some hedging relationships, the Group designates risk components or proportions of hedged items as follows:

(i) Benchmark interest rate risk as a component of interest rate risk, for example JIBAR or a Risk Free Rate (RFR). Designating the benchmark interest rate risk component only results in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship, improving the effectiveness of the hedge relationship.

(ii) Components of cash flows of hedged items, for example certain interest payments for part of the life of an instrument. Hedging a component of cash flows assists in meeting certain risk management objectives for example hedging certain tenors within the interest rate risk cycle as required to be within the Group's risk appetite.

(iii) Proportions of cash flows of hedged items, for example only a portion of the hedged item's cash flows are designated in the hedge relationship. Hedging a portion of cash flows primarily assists in preventing the hedge relationship becoming overhedged due to prepayments or credit risk and resultantly reducing ineffectiveness.

Inflation risk

Inflation derivatives designated as fair value hedges, primarily hedge fixed real interest rate risk to a nominal floating rate risk, introduced due to the contractually specified inflation rate within certain investment securities held. The contractually specified inflation risk is designated and hedged as a risk component, this results in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship, improving the effectiveness of the hedge relationship.

Foreign currency risk

Foreign exchange derivatives designated as cash flow hedges, primarily hedge the cash flow variability arising from highly probable forecast foreign denominated expenditure. In addition, the Group hedges the cash flow variability of certain financial assets and liabilities denominated in a currency other than the functional currency. For these hedges the Group will designate the entire hedge item in the hedge relationship, therefore both the spot and forward component.

Foreign exchange derivatives designated as net investment hedges, hedge the translation foreign currency exposure to a net investment in a foreign operation. The spot exchange risk component is designated as the hedged item for these hedge relationships to reduce ineffectiveness.

Sources of ineffectiveness which may affect the Group's designated hedge relationships are as follows:

(i) Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences between the hedged risk and the risk exposure of the hedging instrument;

(ii) Changes in credit risk of the hedging instruments;

(iii) If a hedge accounting relationship becomes over or under-hedged;

(iv) Derivatives used as hedging instruments with non-zero fair values on designation date. These sources of ineffectiveness are applicable to all risk types. No other sources of ineffectiveness arose during the period.

54.7.1 Fair value hedge accounting

Fair value hedges are used by the Group to protect against changes in fair value of financial instruments due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include investment securities, loans and advances, debt securities and borrowed funds.

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54. Derivatives
54.7 Hedge accounting
54.7.1 Fair value hedge accounting *continued*

The profile and timing of hedging instruments designated in fair value hedge relationships based on the notional amounts are as follows:

	Group						
	2024						
	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years years Rm	Total Rm
Interest rate risk-Interest rate swaps	**4 844**	**31 065**	**1 882**	**2 167**	**2 398**	**47 949**	**90 305**
Hedge of investment securities	**2 483**	**21 232**	**295**	**388**	**2 308**	**47 583**	**74 289**
Hedge of loans and advances	**1 769**	**789**	**170**	**19**	**90**	**216**	**3 053**
Hedge of debt securities in issue	**592**	**2 178**	**1 417**	**1 760**	**–**	**150**	**6 097**
Hedge of borrowed funds	**–**	**6 866**	**–**	**–**	**–**	**–**	**6 866**
Inflation risk-Interest rate swaps							
Hedge of investment securities	**–**	**–**	**–**	**63**	**222**	**251**	**536**

	Group						
	2023						
	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years years Rm	Total Rm
Interest rate risk-Interest rate swaps	2 905	4 018	29 411	1 676	2 159	45 579	85 748
Hedge of investment securities	–	2 418	19 842	184	380	45 123	67 947
Hedge of loans and advances	2 905	1 008	525	75	19	306	4 838
Hedge of debt securities in issue	–	592	2 178	1 417	1 760	150	6 097
Hedge of borrowed funds	–	–	6 866	–	–	–	6 866
Inflation risk-Interest rate swaps							
Hedge of investment securities	155	100	–	–	–	529	784

	Group	
	2024 Average price or rate	2023 Average price or rate
Interest rate risk		
Interest rate swaps		
Average fixed interest rate	**8%**	8%
Average float spread	**1%**	1%
Inflation risk		
Average fixed interest rate	**3%**	3%

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54. Derivatives

54.7 Hedge accounting

54.7.1 Fair value hedge accounting *continued*

If the risk management objective is no longer met, the relevant hedge accounting relationship is de-designated; in some cases a de-designated relationship is replaced with a different hedge accounting relationship. The following amounts relate to items designated as hedging instruments in fair value hedge relationships:

	Group 2024				
	Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used for calculating hedge ineffectiveness for 2024 Rm	Ineffectiveness recognised in profit and loss Rm
Total	**90 841**	**3 553**	**(1 022)**	**(1 360)**	**(93)**
Interest rate risk	**90 305**	**3 536**	**(1 211)**	**(1 355)**	**(62)**
Interest rate swaps – hedge of investment securities	**74 289**	**3 384**	**(693)**	**(1 667)**	**(60)**
Interest rate swaps – hedge of loans and advances	**3 053**	**12**	**(43)**	**(24)**	**10**
Interest rate swaps – hedge of borrowed funds	**6 866**	**–**	**(479)**	**257**	**–**
Interest rate swaps – hedge of debt securities in issue	**6 097**	**140**	**4**	**79**	**(12)**
Inflation risk					
Inflation linked swaps – hedge of investment securities	**536**	**29**	**(48)**	**(5)**	**(31)**
Collateral held against derivatives	**–**	**(12)**	**237**	**–**	**–**

	Group 2023				
	Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used for calculating hedge ineffectiveness for 2023 Rm	Ineffectiveness recognised in profit and loss Rm
Total	86 532	4 743	(1 076)	(411)	(4)
Interest rate risk	85 748	4 725	(1 074)	(378)	48
Interest rate swaps – hedge of investment securities	67 947	4 597	(322)	(666)	57
Interest rate swaps – hedge of loans and advances	4 838	15	(4)	(48)	4
Interest rate swaps – hedge of borrowed funds	6 866	–	(738)	240	1
Interest rate swaps – hedge of debt securities in issue	6 097	113	(10)	96	(14)
Inflation risk					
Inflation linked swaps – hedge of investment securities	784	18	(197)	(33)	(52)
Collateral held against derivatives	–	–	195	–	–

The hedge ineffectiveness in profit and loss is presented within gains and losses from banking and trading activities on the statement of comprehensive income, and the hedging instruments of the Group are presented within hedging portfolio assets and liabilities on the statement of financial position.

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54. Derivatives

54.7 Hedge accounting

54.7.1 Fair value hedge accounting *continued*

Derivatives held in fair value hedge relationships by the Group relating to the various markets and instrument types that the Group trades in are as follows:

	Group			
	2024			
Hedged item statement of financial position classification and risk category	**Carrying amount Rm**	**Accumulated fair value adjustment included in the carrying amount of the hedged item Rm**	**Portion related to items no longer in a hedge relationship Rm**	**Change in value used for calculating hedge ineffectiveness Rm**
Financial Assets				
Investment securities	**73 419**	**(1 379)**	**(14)**	**1 761**
Interest rate risk	**72 316**	**(1 266)**	**(16)**	**1 727**
Inflation risk	**1 103**	**(113)**	**2**	**34**
Loans and advances				
Interest rate risk	**3 196**	**2**	**(5)**	**19**
Financial Liabilities				
Debt securities in issue				
Interest rate risk	**(7 025)**	**(73)**	**–**	**(67)**
Borrowed funds				
Interest rate risk	**(9 478)**	**442**	**–**	**(257)**

	Group			
	2023			
Hedged item statement of financial position classification and risk category	Carrying amount Rm	Accumulated fair value adjustment included in the carrying amount of the hedged item Rm	Portion related to items no longer in a hedge relationship Rm	Change in value used for calculating hedge ineffectiveness Rm
Financial assets				
Investment securities	65 558	(2 915)	(13)	697
Interest rate risk	64 495	(2 807)	(18)	615
Inflation risk	1 063	(108)	5	82
Loans and advances				
Interest rate risk	4 303	(18)	1	40
Financial liabilities				
Debt securities in issue				
Interest rate risk	(7 027)	(33)	–	(82)
Borrowed funds				
Interest rate risk	(9 215)	699	–	(241)

54. Derivatives

54.7 Hedge accounting *continued*

54.7.2 Cash flow hedge accounting

Cash flow hedges are used by the Group to protect against the potential cash flow variability arising from the Group's exposure to interest rate and foreign currency risk.

The profile and timing of hedging instruments designated in cash flow hedge relationships based on notional amounts are as follows:

	Group 2024						
	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years years Rm	Total Rm
Interest rate risk-Interest rate swaps							
Hedge of loans and advances	**84 379**	**34 325**	**25 037**	**33 568**	**24 116**	**10 135**	**211 560**
Foreign currency risk-Cross currency swaps	**–**	**6 887**	**–**	**–**	**–**	**–**	**6 887**
Hedge of borrowed funds	**–**	**6 887**	**–**	**–**	**–**	**–**	**6 887**
Foreign currency risk-Forwards							
Hedge of highly probable forecast expenditure	**3 691**	**2 372**	**–**	**–**	**–**	**–**	**6 063**

	Group 2023						
	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years years Rm	Total Rm
Interest rate risk-Interest rate swaps							
Hedge of loans and advances	93 192	29 900	29 486	25 411	32 138	16 560	226 687
Foreign currency risk – cross currency swaps	–	–	6 887	–	–	–	6 887
Hedge of borrowed funds	–	–	6 887	–	–	–	6 887
Foreign currency risk-Forwards							
Hedge of highly probable forecast expenditure	2 778	1 098	–	–	–	–	3 876

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

	Group	
	2024 Average price or rate	2023 Average price or rate
Interest rate risk		
Interest rate swaps		
Average fixed interest rate	**7%**	7%
Foreign currency risk		
Average EUR/ZAR exchange rates	**21.15**	20.05
Average GBP/ZAR exchange rates	**24.30**	23.12
Average USD/ZAR exchange rates	**18.80**	18.40

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54. Derivatives
54.7 Hedge accounting
54.7.2 Cash flow hedge accounting *continued*

If the hedge accounting objective changes, the relevant hedge accounting relationship is de-designated; in some cases, a de-designated relationship is replaced with a different hedge accounting relationship.

The following amounts relate to items designated as hedging instruments in cash flow hedge relationships:

	Group					
	2024					
	Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used for calculating hedge ineffective-ness Rm	Hedging gains or losses recognised in OCI Rm	Hedge ineffective-ness recognised in profit or loss Rm
Total	**224 510**	**502**	**(236)**	**2 389**	**838**	**63**
Interest rate risk						
Interest rate swaps – hedge of loans and advances	**211 560**	**815**	**(218)**	**2 378**	**735**	**61**
Foreign currency risk – cross currency swaps	**6 887**	**105**	**–**	**(59)**	**33**	**–**
Foreign currency swaps – hedge of borrowed funds	**6 887**	**105**	**–**	**(59)**	**33**	**–**
Foreign currency risk – forwards						
Forwards – hedge of forecast expenditure	**6 063**	**185**	**(31)**	**70**	**70**	**2**
Collateral held against derivatives		**(603)**	**13**			

	Group					
	2023					
	Notional amount Rm	Assets Rm	Liabilities Rm	Change in fair value used for calculating hedge ineffective-ness Rm	Hedging gains or losses recognised in OCI Rm	Hedge ineffective-ness recognised in profit or loss Rm
Total	237 450	698	(612)	2 899	1 384	46
Interest rate risk						
Interest rate swaps – hedge of loans and advances	226 687	154	(2 250)	2 599	1 002	45
Foreign currency risk – cross currency swaps	6 887	353	–	9	144	–
Foreign currency swaps – hedge of debt securities	–	–	–	(6)	–	–
Foreign currency swaps – hedge of borrowed funds	6 887	353	–	15	144	–
Foreign currency risk – forwards						
Forwards – hedge of forecast expenditure	3 876	191	(34)	291	238	1
Collateral held against derivatives	–	–	1 672	–	–	–

The hedging instruments of the Group are presented within Hedging portfolio assets/liabilities, on the statement of financial position. Hedge accounting has not been applied to any forecast transactions that have not subsequently occurred.

The hedge ineffectiveness in profit and loss is presented within gains and losses from banking and trading activities on the statement of comprehensive income.

Collateral held against derivatives disclosures, has been included for fair presentation.

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54. Derivatives

54.7 Hedge accounting

54.7.2 Cash flow hedge accounting *continued*

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

	Group					
	2024			2023		
	Amount recycled from OCI to profit or loss due to continuing hedges Rm	**Amount recycled from OCI to profit or loss due to discontinued hedges Rm**	**Total Rm**	Amount recycled from OCI to profit or loss due to continuing hedges Rm	Amount recycled from OCI to profit or loss due to discontinued hedges Rm	Total Rm
Cash flow hedge of interest rate risk	**(1 591)**	**(91)**	**(1 682)**	(1 561)	(97)	(1 658)
Recycled to interest income	**(1 564)**	**(93)**	**(1 657)**	(1 435)	(56)	(1 491)
Recycled to interest expense	**(27)**	**2**	**(25)**	(126)	(41)	(167)
Cash flow hedge of currency risk	**61**	**–**	**61**	390	–	390
Recycled to interest expense	**92**	**–**	**92**	129	–	129
Recycled to operating expenses	**(31)**	**–**	**(31)**	261	–	261
Total	**(1 530)**	**(91)**	**(1 621)**	(1 171)	(97)	(1 268)

The following amounts relate to items designated as hedged items in cash flow hedges:

	Group					
	2024			2023		
	Change in value used for calculating hedge ineffective-ness Rm	**Cash Flow hedge reserve in respect of continued hedges Rm**	**Cash Flow hedge reserve in respect of discontinued hedges Rm**	Change in value used for calculating hedge ineffective-ness Rm	Cash Flow hedge reserve in respect of continued hedges Rm	Cash Flow hedge reserve in respect of discontinued hedges Rm
Loans and advances						
Interest rate risk	**(2 437)**	**509**	**(58)**	(2 752)	(2 007)	41
Highly probable forecast transactions						
Foreign exchange risk	**(70)**	**155**	**–**	(291)	55	–
Debt securities						
Foreign exchange risk	**–**	**–**	**–**	6	–	–
Borrowed funds						
Foreign exchange risk	**59**	**99**	**–**	15	158	–

54. Derivatives

54.7 Hedge accounting *continued*

54.7.3 Hedges of net investments in foreign operations

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

At 31 December 2024 the Group held the following foreign currency forward exchange contracts as hedging instruments in a net investment hedge.

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

	Group						
	2024						
	Notional amount Rm	Assets Rm	Liabilities Rm	Changes in fair value used to calculate hedge ineffective-ness Rm	Hedging gains or losses recognised in OCI Rm	Hedge ineffective-ness recognised in profit or loss Rm	Presentation of hedge ineffective-ness in profit or loss Rm
Foreign currency risk							
Forwards	–	–	–	(4)	(4)	–	–

	Group						
	2023						
	Notional amount Rm	Assets Rm	Liabilities Rm	Changes in fair value used to calculate hedge ineffective-ness Rm	Hedging gains or losses recognised in OCI Rm	Hedge ineffective-ness recognised in profit or loss Rm	Presentation of hedge ineffective-ness in profit or loss Rm
Foreign currency risk							
Forwards	4	4	–	(11)	(11)	–	–

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

54.7.4 Reconciliation of equity

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items (before tax) resulting from hedge accounting:

Reconciliation of equity

	Group					
	2024			2023		
	Cash flow hedge reserve Rm	Net Investment hedge reserve Rm	Foreign currency translation reserve Rm	Cash flow hedge reserve Rm	Net Investment hedge reserve Rm	Foreign currency translation reserve Rm
Balance at the beginning of the year	(1 753)	–	22	(4 405)	–	33
Hedging (losses)/gains for the reporting period	838	(4)	–	1 384	(11)	–
Interest rate risk	735	–	–	1 002	–	–
Foreign currency risk	103	(4)	–	382	(11)	–
Amounts reclassified to profit or loss:						
In relation to cash flows affecting profit or loss	1 621	–	–	1 268	–	–
Amounts transferred within OCI:	–	4	(4)	–	11	(11)
Balance at the end of the year	706	–	18	(1 753)	–	22

54. Derivatives *continued*

54.8 Interest rate benchmark reform

Background

The South African Reserve Bank (SARB) has confirmed that the Johannesburg Interbank Average Rate (JIBAR) will cease to exist from 2026 to be replaced by the South African Overnight Index Average (ZARONIA) in line with the global trend to transition away from Interbank Offered Rates ("IBORs").

The Group structures and executes a variety of transactions, debt issuances, lending activities as well as structured and derivative transactions.

Fair value hedges are used by the Group to protect against changes in the fair value of financial instruments due to movements in interest rates, while cash flow hedges are used to protect against potential cash flow variability arising from exposure to both interest rates and foreign currency risk. Both types of hedges are therefore affected by the interest rate benchmark reform. The financial instruments hedged for interest rate risk include fixed rate investment securities, fixed rate loans and advances, fixed debt securities and borrowed funds (fair value hedges) and variable rate loans and advances (cash flow hedges). The hedging instruments typically utilised are interest rate swaps or cross currency swaps, which reference a floating rate, such as JIBAR.

In addition, the Group has derivative and non-derivative financial instruments linked to IBORs that are not in hedge accounting relationships.

The Group's IBOR transition steering committee, which comprises a series of business and function workstreams with oversight and coordination provided by a central project team, has been managing the programme to streamline the transition for the Group and its clients in order to mitigate financial, accounting, operational, conduct, and legal risk arising from the IBOR Reform. Workstreams actively participate in industry-wide working groups to remain informed of the latest developments and to ensure consistency with the approaches of other market participants. The Group will leverage the experience it gained in the IBOR transition journey to plan for the upcoming JIBAR transition.

The SARB Market Practitioners Group (MPG), a joint public-private body has been mandated to facilitate decisions on the use of ZARONIA as an alternative reference rate for financial contracts to replace JIBAR. The Group participates in the SARB's MPG which is preparing for the transition of JIBAR to ZARONIA at an industry level. A high-level transition path for the South African market was defined as three key pillars:

- Pillar 1: Adoption in derivatives markets (new contracts or positions);
- Pillar 2: Adoption in cash markets (new contracts or positions); and
- Pillar 3: Transition of legacy positions.

Following the conclusion of the ZARONIA observation period on the 3rd of November 2023, the SARB announced that market participants may use ZARONIA as a reference rate in financial contracts going forward. The JIBAR transition timeline indicates that a formal announcement of the cessation of JIBAR will be made during 2025, and that the benchmark will be discontinued before the end of 2026.

Developments made towards implementing alternative benchmark interest rates

The Group's cash flow hedging relationships of JIBAR risks extend beyond the anticipated cessation dates for these IBORs. There is uncertainty over the timing and amount of the replacement rate cash flows which may impact the hedging relationship i.e. its effectiveness assessment and highly probable assessment. For the purposes of these assessments, the Group assumes that the hedged benchmark interest rate, the cash flows of the hedged item and/or the hedging instrument will not be altered as a result of IBOR reform.

If a hedging relationship impacted by uncertainty about IBOR reform has not been highly effective throughout the financial reporting period, then the Group evaluates whether the hedge is expected to be highly effective prospectively and whether the effectiveness of the hedging relationship can be reliably measured. The hedging relationship will not be discontinued as long as it meets all criteria for hedge accounting, with the exception of the requirement that the hedge was actually highly effective.

Hedging relationships impacted by uncertainty about IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and the hedging instrument, which may lead to hedge ineffectiveness. The Group has measured its hedging instruments indexed to IBORs using available quoted market rates for IBOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in IBOR on a similar basis.

The Group has certain designated hedging relationships where hedged items and/or hedging instruments reference an interest rate benchmark. These rates are in the process of being transitioned to risk free rates (RFRs) as these rates will no longer exist once the interest rate benchmark reform is finalised.

54. Derivatives

54.8 Interest rate benchmark reform *continued*

The table below provides more information on the hedge accounting relationships that are impacted by interest rate benchmark reform.

	Group 2024 Notional amount ZAR JIBAR Rm	Group 2024 Notional not impacted by benchmark reform Rm	Group 2024 Total Notional Rm
Cash Flow hedges	**211 560**	**12 950**	**224 510**
Interest Rate Swaps	**211 560**	**–**	**211 560**
Cross Currency Swaps	**–**	**6 887**	**6 887**
Forwards	**–**	**6 063**	**6 063**
Fair Value hedges	**80 176**	**10 665**	**90 841**
Interest Rate Swaps	**79 640**	**10 665**	**90 305**
Inflation Rate Swaps	**536**	**–**	**536**

	Group 2023 Notional amount ZAR JIBAR Rm	Group 2023 Notional not impacted by benchmark reform Rm	Group 2023 Total Notional Rm
Cash Flow hedges	226 687	10 763	237 450
Interest Rate Swaps	226 687	–	226 687
Cross Currency Swaps	–	6 887	6 887
Forwards	–	3 876	3 876
Fair Value hedges	75 965	10 566	86 532
Interest Rate Swaps	75 181	10 566	85 748
Inflation Rate Swaps	784	–	784

Financial instrument modifications due to IBOR reforms

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform if the following conditions are met: the change is necessary as a direct consequence of the reform; and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, i.e. the basis immediately before the change.

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

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

	Group			
	2024			
	Fair value through profit or loss			
	Mandatorily held at fair value Rm	Designated at fair value Rm	Hedging instruments Rm	Total Rm
Assets				
Cash, cash balances and balances with central banks	**3 528**	**–**	**–**	**3 528**
Investment securities	**8 618**	**14 565**	**–**	**23 183**
Trading portfolio assets	**224 465**	**–**	**–**	**224 465**
Hedging portfolio assets	**–**	**–**	**4 055**	**4 055**
Other assets	**216**	**–**	**–**	**216**
Loans and advances	**85 941**	**32 868**	**–**	**118 809**
Investments linked to investment contracts	**23 370**	**–**	**–**	**23 370**
Non-current assets held for sale	**–**	**–**	**–**	**–**
Assets outside the scope of IFRS 9	**–**	**–**	**–**	**–**
	346 138	**47 433**	**4 055**	**397 626**
Liabilities				
Trading portfolio liabilities	**66 020**	**–**	**–**	**66 020**
Hedging portfolio liabilities	**–**	**–**	**1 258**	**1 258**
Other liabilities	**–**	**87**	**–**	**87**
Deposits	**–**	**138 045**	**–**	**138 045**
Debt securities in issue	**–**	**59 704**	**–**	**59 704**
Liabilities under investment contracts	**–**	**23 547**	**–**	**23 547**
Borrowed funds	**–**	**–**	**–**	**–**
Liabilities outside the scope of IFRS 9	**–**	**–**	**–**	**–**
	66 020	**221 383**	**1 258**	**288 661**

Hedged portfolio assets include derivative assets to the amount of **R502** (2023: R698m) and **R3 553m** (2023: R4 743m) that have been designated as cash flow and fair value hedging instruments respectively.

Hedging portfolio liabilities includes derivative liabilities to the amount of **R236m** (2023: R612m) and **R1 022m** (2023: R1 077m) that have been designated as cash flow and fair value hedging instruments respectively.

The financial instruments designated at fair value through profit and loss includes items designated as hedged items in fair value hedging relationships.

Liabilities outside the scope of IFRS 9 includes **R821m** (2023: R1 167m) that relates to expected credit losses from undrawn facilities, financial guarantees and letters of credit.

Fair value through other comprehensive income includes investments in unlisted equity and hybrid instruments which represent investments that are held for strategic long-term purposes but can be sold at any point. Due to this dual intention these investments have been designated at fair value through other comprehensive income.

The assets and liabilities outside of the scope of IFRS 9 column includes non-financial assets and non-financial liabilities as well as other financial instruments outside the scope of IFRS 9.

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

Group								
2024								
Fair value through other comprehensive income				Amortised cost				
Debt instruments Rm	Equity instruments Rm	Hedged items Rm	Total Rm	Debt instruments Rm	Hedged items Rm	Total Rm	Outside the scope of IFRS 9 Rm	Total Rm
–	–	–	–	121 029	–	121 029	–	124 557
147 528	816	39 170	187 514	25 498	34 249	59 747	–	270 444
–	–	–	–	–	–	–	1 717	226 182
–	–	–	–	–	–	–	–	4 055
–	–	–	–	18 820	–	18 820	4 159	23 195
–	–	–	–	1 224 343	3 196	1 227 539	3 240	1 349 588
–	–	–	–	–	–	–	–	23 370
–	–	–	–	1 140	–	1 140	971	2 111
–	–	–	–	–	–	–	45 193	45 193
147 528	816	39 170	187 514	1 390 830	37 445	1 428 275	55 280	2 068 695
–	–	–	–	–	–	–	–	66 020
–	–	–	–	–	–	–	–	1 258
–	–	–	–	31 399	–	31 399	8 805	40 291
–	–	–	–	1 368 882	–	1 368 882	–	1 506 927
–	–	–	–	144 562	7 025	151 587	–	211 291
–	–	–	–	–	–	–	–	23 547
–	–	–	–	11 710	9 478	21 188	–	21 188
–	–	–	–	–	–	–	14 897	14 897
–	–	–	–	1 556 553	16 503	1 573 056	23 702	1 885 419

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

	Group			
	2023			
	Fair value through profit or loss			
	Mandatorily held at fair value Rm	Designated at fair value Rm	Hedging instruments Rm	Total Rm
Assets				
Cash, Cash balances and balances with central banks	4 336	–	–	4 336
Investment securities	9 286	11 595	–	20 881
Trading portfolio assets	190 085	–	–	190 085
Hedging portfolio assets	–	–	5 441	5 441
Other assets	2	–	–	2
Loans and advances	79 933	33 142	–	113 075
Investments linked to investment contracts	21 045	–	–	21 045
Non-current assets held for sale	–	–	–	–
Assets outside the scope of IFRS 9	–	–	–	–
	304 687	44 737	5 441	354 865
Liabilities				
Trading portfolio liabilities	62 548	–	–	62 548
Hedging portfolio liabilities	–	–	1 688	1 688
Other liabilities	–	29	–	29
Deposits	–	125 523	–	125 523
Debt securities in issue	–	73 946	–	73 946
Liabilities under investment contracts	–	21 247	–	21 247
Borrowed funds	–	–	–	–
Liabilities outside the scope of IFRS 9	–	–	–	–
	62 548	220 745	1 688	284 981

Fair value through other comprehensive income includes investments in unlisted equity and hybrid instruments which represent investments that are held for strategic long-term purposes but can be sold at any point. Due to this dual intention these investments have been designated at fair value through other comprehensive income.

The assets and liabilities outside of the scope of IFRS 9 column includes non-financial assets and non-financial liabilities as well as other financial instruments outside the scope of IFRS 9.

In 2023, the Group incorrectly classified its finance lease receivables (and payables which form part of loans and advances) and other liabilities respectively as amortised cost debt instruments rather than assets/liabilities outside the scope of IFRS 9. The correction resulted in a restatement of debt instruments at amortised cost from R1 153 979m to R1 150 958m and R37 369m to R33 564m for debt instruments amortised cost for assets and liabilities respectively, as well as a restatement of assets outside of IFRS 9 from nil to R3 021m and R4 695m to R8 500m in assets and liabilities.

In 2023, the Group incorrectly classified it's hedged borrowed funds as amortised cost debt instruments rather than hedged item at amortised cost. The correction resulted in a restatement of debt Instruments at amortised cost from R18 502m to R9 287m, as well as a restatement of hedged item at amortised cost from nil to R9 215m.

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

Group 2023								
Fair value through other comprehensive income				Amortised cost				
Debt instruments Rm	Equity instruments Rm	Hedged items Rm	Total Rm	Debt instruments Rm	Hedged items Rm	Total Rm	Outside the scope of IFRS 9 Rm	Total Rm
–	–	–	–	73 479	–	73 479	–	77 815
132 504	811	33 317	166 632	16 744	32 241	48 985	–	236 498
–	–	–	–	–	–	–	1 012	191 097
–	–	–	–	–	–	–	–	5 441
–	–	–	–	23 641	–	23 641	4 162	27 805
–	–	–	–	1 150 958	4 303	1 155 261	3 021	1 271 357
–	–	–	–	–	–	–	–	21 045
–	–	–	–	–	–	–	197	197
–	–	–	–	–	–	–	43 621	43 621
132 504	811	33 317	166 632	1 264 822	36 544	1 301 366	52 013	1 874 876
–	–	–	–	–	–	–	–	62 548
–	–	–	–	–	–	–	–	1 688
–	–	–	–	33 564	–	33 564	8 500	42 093
–	–	–	–	1 214 013	–	1 214 013	–	1 339 536
–	–	–	–	130 155	7 027	137 182	–	211 128
–	–	–	–	–	–	–	–	21 247
–	–	–	–	9 287	9 215	18 502	–	18 502
–	–	–	–	–	–	–	13 737	13 737
–	–	–	–	1 387 019	16 242	1 403 261	22 237	1 710 479

56. Fair value disclosures

56.1 Assets and liabilities held at fair value

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

	Group							
	2024				2023			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Cash, cash balances and balances with central banks	–	3 528	–	3 528	–	4 336	–	4 336
Investment securities	102 046	104 257	4 394	210 697	87 537	87 665	12 311	187 513
Trading and hedging portfolio assets	122 487	96 996	9 037	228 520	106 563	70 735	18 228	195 527
Debt instruments	76 025	11 479	1 204	88 708	66 491	6 398	1 259	74 149
Derivative assets	–	59 710	1 905	61 615	–	50 631	6 260	56 891
Commodity derivatives	–	1 032	17	1 049	–	400	26	426
Credit derivatives	–	–	427	427	–	–	367	367
Equity derivatives	–	5 288	1 032	6 320	–	5 466	1 879	7 345
Foreign exchange derivatives	–	18 568	402	18 970	–	12 409	2 599	15 008
Interest rate derivatives	–	34 822	27	34 849	–	32 356	1 389	33 745
Equity instruments	45 023	–	–	45 023	38 818	37	–	38 855
Money market assets	1 439	25 807	5 928	33 174	1 254	13 669	10 709	25 632
Other assets	–	216	–	216	–	2	–	2
Loans and advances	–	112 143	6 666	118 809	–	106 303	6 771	113 074
Investments linked to investment contracts	20 051	3 319	–	23 370	18 823	2 222	–	21 045
Total financial assets	244 584	320 459	20 097	585 140	212 923	271 263	37 310	521 497
Financial liabilities								
Trading and hedging portfolio liabilities	13 309	52 164	1 805	67 278	15 860	44 525	3 851	64 236
Derivative liabilities	42	52 164	1 805	54 011	13	44 525	3 851	48 389
Commodity derivatives	–	1 120	16	1 136	–	342	26	368
Credit derivatives	–	–	107	107	–	–	348	348
Equity derivatives	–	1 284	1 316	2 600	–	2 162	534	2 696
Foreign exchange derivatives	42	18 509	366	18 917	13	12 564	2 350	14 927
Interest rate derivatives	–	31 251	–	31 251	–	29 457	593	30 050
Short positions	13 267	–	–	13 267	15 847	–	–	15 847
Other liabilities	–	87	–	87	–	29	–	29
Deposits	60	136 298	1 687	138 045	692	122 567	2 264	125 523
Debt securities in issue	–	59 704	–	59 704	–	73 873	73	73 946
Liabilities under investment contracts	–	23 547	–	23 547	–	21 247	–	21 247
Total financial liabilities	13 369	271 800	3 492	288 661	16 552	262 241	6 188	284 981
Non-financial assets								
Commodities	1 717	–	–	1 717	1 011	–	–	1 011
Investment properties	–	–	225	225	–	–	378	378
Non-recurring fair value measurements								
Non-current assets held for sale	–	–	972	972	–	–	197	197
Non-current liabilities held for sale	–	–	1 064	1 064	–	–	–	–

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

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

56. Fair value disclosures *continued*

56.2 Reconciliation of Level 3 assets and liabilities

A reconciliation of the opening balances to closing balances for all movements on Level 3 assets is set out below:

	Group				
	2024				
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Investment Properties Rm	Total assets Rm
Opening balance at the beginning of the reporting period	**18 228**	**6 771**	**12 311**	**378**	**37 688**
Net interest income	**–**	**31**	**103**	**–**	**134**
Gains and losses from banking and trading activities	**199**	**45**	**194**	**–**	**438**
Gains and losses from investment activities	**–**	**–**	**(12)**	**–**	**(12)**
Purchases	**4 205**	**689**	**1 333**	**1**	**6 228**
Sales	**(12 231)**	**(812)**	**(2 694)**		**(15 737)**
Movement in other comprehensive income	**–**	**–**	**(79)**		**(79)**
Transfers to non-current assets held for sale	**–**	**–**	**–**	**(182)**	**(182)**
Transfer to Level 3	**–**	**170**	**254**	**–**	**424**
Transfer out of Level 3	**(1 171)**	**(219)**	**(6 946)**	**–**	**(8 336)**
Foreign currency conversion on assets	**(193)**	**(9)**	**(70)**	**28**	**(244)**
Closing balance at the end of the reporting period	**9 037**	**6 666**	**4 394**	**225**	**20 322**

The reduction in gains and losses from banking activities was largely attributable to the expiry and settlement of Naira linked derivatives. As detailed in the reconciliation of Level 3 assets, these positions were closed out during the current year..

Purchases of trading and hedging portfolio assets remain elevated, as they continue to reflect the nominal value of Stage 3 money market assets and debt instruments acquired during the current year.

	Group				
	2023				
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Investment Properties Rm	Total assets Rm
Opening balance at the beginning of the reporting period	12 807	10 659	11 105	397	34 969
Net interest income	–	59	67	–	126
Gains and losses from banking and trading activities	4 519	(95)	389	–	4 813
Gains and losses from investment activities	–	–	10	–	10
Purchases	7 762	91	6 600	–	14 453
Sales	(6 066)	(2 143)	(1 732)	(2)	(9 944)
Movement in other comprehensive income	–	14	(92)	–	(78)
Transfer to Level 3	948	–	2 926	–	3 874
Transfer out of Level 3	(1 682)	(1 779)	(6 861)	–	(10 322)
Foreign currency conversion on assets	(60)	(35)	(101)	(17)	(213)
Closing balance at the end of the reporting period	18 228	6 771	12 311	378	37 688

In 2023, the Group incorrectly disclosed Gains and losses from banking and trading activities within Trading and hedging portfolio assets as part of Purchases. This has resulted in a restatement in Purchases from R11 865m to R7 762m and Gains and losses from banking and trading activities from R416m to R4 519m.

56. Fair value disclosures

56.2 Reconciliation of Level 3 assets and liabilities *continued*

A reconciliation of the opening balances to closing balances for all movements on Level 3 liabilities is set out below:

	Group			
	2024			
	Trading and hedging portfolio liabilities Rm	Deposits Rm	Debt securities in Issue Rm	Total liabilities Rm
Opening balance at the beginning of the reporting period	**3 851**	**2 264**	**73**	**6 188**
Gains and losses from banking and trading activities	**789**	**96**	**–**	**885**
Issues	**212**	**331**	**–**	**543**
Settlements	**(3 010)**	**(3)**	**–**	**(3 013)**
Transfer out of Level 3	**(37)**	**(1 001)**	**(73)**	**(1 111)**
Closing balance at the end of the reporting period	**1 805**	**1 687**	**–**	**3 492**

The reduction in gains and losses from banking activities was largely attributable to the expiry and settlement of Naira linked derivatives. As detailed in the reconciliation of Level 3 liabilities, these positions were closed out during the current year.

	Group			
	2023			
	Trading and hedging portfolio liabilities Rm	Deposits Rm	Debt securities in Issue Rm	Total liabilities Rm
Opening balance at the beginning of the reporting period	528	3 769	–	4 297
Gains and losses from banking and trading activities	3 480	194	–	3 674
Issues	–	83	–	83
Settlements	(60)	(570)	–	(630)
Transfer to Level 3	68	–	73	141
Transfer out of Level 3	(161)	(1 184)	–	(1 345)
Foreign currency conversion on liabilities	(4)	(28)	–	(32)
Closing balance at the end of the reporting period	3 851	2 264	73	6 188

In 2023, the Group incorrectly disclosed Gains and losses from banking and trading activities within Trading and hedging portfolio liabilities as part of Issues. This has resulted in a restatement in Issues from R3 496m to R0 and Gains and losses from banking and trading activities from (R16m) to R3 480m.

56.2.1 Significant transfers between levels

During the 2024 and 2023 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity. Transfers between level 1 and level 2 are not considered significant for disclosure. Transfers have been reflected as if they had taken place at the beginning of the year.

56. Fair value disclosures *continued*

56.3 Unrealised gains and losses on Level 3 assets and liabilities

The total unrealised gains and losses for the reporting period on Level 3 positions held at the reporting date are set out below:

	Group 2024			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Aggregate unrealised gains and (losses) since inception	**345**	**43**	**114**	**502**
Unrealised gains and (losses) recognised	**199**	**60**	**31**	**290**

The movement in unrealised gains and losses was largely attributable to the expiry and settlement of Naira linked derivatives. As detailed in the reconciliation of Level 3 assets, these positions were closed out during the current year.

	Group 2023			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Aggregate unrealised gains and (losses) since inception	6 075	(42)	224	6 257
Unrealised gains and (losses) recognised	4 171	(37)	253	4 387

	Group 2024		
	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Aggregate unrealised gains and (losses) since inception	**(1 478)**	**(149)**	**(1 627)**
Unrealised Gains and (losses) recognised	**(761)**	**(169)**	**(930)**

The movement in unrealised gains and losses was largely attributable to the expiry and settlement of Naira linked derivatives. As detailed in the reconciliation of Level 3 liabilities, these positions were closed out during the current year.

	Group 2023		
	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Aggregate unrealised gains and (losses) since inception	(3 850)	173	(3 677)
Unrealised gains and (losses) recognised	(3 131)	(166)	(3 297)

The above table disclosure has been restated to include the aggregate unrealised gains and losses on level 3 position.

56. Fair value disclosures *continued*

56.4 Sensitivity analysis of valuations using unobservable inputs

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

A significant parameter has been deemed to be one which may result in a charge to profit or loss, or a change in the fair value of the asset or liability by more than 10% of the underlying value of the affected item.

This is demonstrated by the following sensitivity analysis which includes reasonable range of possible outcomes:

	Group					
	2024					
	Significant unobservable parameters	Change in significant unobservable input	Level 3 balance Rm	Weighted average discount rate	Potential favourable/ (unfavourable) profit or loss impact Rm	Potential favourable/ (unfavourable) equity impact Rm
Financial assets						
Investment securities	Credit spreads	**100/(100) bps**	**1 841**	**9.31%**		**(39)/41**
Trading and hedging portfolio assets						
Debt instruments and money market assets	Credit spreads	**100/(100) bps**	**7 131**	**10.10%**	**(327)/355**	
Derivative assets	Volatility, African basis curves, yield curves and credit spreads on credit default swaps.	**Volatility: 10% Other: 100/(100) bps**	**1 905**	**Not applicable**	**264/(264)**	
Loans and advances	Credit spreads	**100/(100) bps**	**6 661**	**7.45%**	**(452)/497**	
Financial liabilities						
Trading and hedging portfolio liabilities						
Derivative liabilities	Volatility, African basis curves, yield curves and credit spreads on credit default swaps.	**Volatility: 10% Other: 100/(100) bps**	**1 805**	**Not applicable**	**(444)/444**	
Deposits	Absa Group Limited's funding spreads	**100/(100) bps**	**1 687**	**10.88%**	**82/(88)**	

The sensitivity analysis excludes unlisted equity investments with a carrying amount of **R2 553m** (2023: R3 616m) as any reasonably possible changes in the valuation inputs would not have a material impact on profit or loss or equity.

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56. Fair value disclosures

56.4 Sensitivity analysis of valuations using unobservable inputs *continued*

	2023					
	Significant unobservable parameters	Change in significant unobservable input	level 3 balance Rm	Weighted average discount rate	Potential favourable/ (unfavourable) profit or loss impact Rm	Potential favourable/ (unfavourable) equity impact Rm
Financial assets						
Investment securities	Credit spreads	100/(100) bps	8 695	10.23%		(236)/246
Trading and hedging portfolio assets						
Debt instruments and money market assets	Credit spreads	100/(100) bps	11 968	10.77%	(882)/1031	
Derivative assets	Volatility, African basis curves, yield curves, credit spreads on credit default swaps and NGN spot rate.	Volatility: 10% Other: 100/(100) bps	6 260	Not applicable	(21)/21	
Loans and advances	Credit spreads	100/(100) bps	6 746	8.09%	(458)/505	
Financial liabilities						
Trading and hedging portfolio liabilities						
Derivative liabilities	Volatility, African basis curves, yield curves, credit spreads on credit default swaps and NGN spot rate.	Volatility: 10% Other: 100/(100)bps	3 851	Not applicable	(25)/25	
Deposits	Absa Group Limited's funding spreads	100/(100) bps	2 264	12.36%	102/(109)	

In 2023, Naira exposures were included in both derivative assets and derivative liabilities. The spot exchange rate as of 31 December 2023 was estimated using a method that factors in the latest market developments and conditions at the reporting date. This was considered a significant unobservable parameter defined as one that could cause a change in the fair value of the asset or liability by more than 10% of the underlying value of the affected item. Consequently, these instruments were classified as Level 3.

The potential impact on profit or loss from stressing the NGN spot rate by 100 basis points was (R70m)/R70m on derivative assets and R56m/(R56m) on derivative liabilities. Excluding these exposures, the sensitivity on derivative assets would have been R49m/(R49m) and on derivative liabilities (R81m)/R81m. No similar estimation techniques have been applied in 2024.

The note disclosure has been enhanced to provide more detailed information on the input variables used in the sensitivity analysis.

In 2023, the Trading and hedging portfolio assets were disclosed as one line item (903)/1052, the disclosures have been enhanced to split the Trading and hedging portfolio assets between Debt instruments, money markets and Derivative assets by linking the Level 3 balance to each asset class on which we perform the sensitivity on as stipulated in the table above.

In 2023, the Trading and hedging portfolio liabilities were disclosed as one line item (25)/25, the disclosures have been enhanced to display that the sensitivity analyses only relate to Derivative liabilities.

56. Fair value disclosures *continued*

56.5 Unrecognised losses/(gains) as a result of the use of valuation models using unobservable inputs

The amount that is to be recognised in the statement of comprehensive income that relates to the difference between the transaction price and the amount that would have arisen had valuation models using observable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

	Group	
	2024 Rm	2023 Rm
Opening balance at the beginning of the reporting period	**(379)**	(634)
New transactions	**(297)**	(49)
Amounts recognised in profit or loss during the reporting period	**270**	304
Closing balance at the end of the reporting period	**(406)**	(379)

56.6 Third-party credit enhancements

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

56.7 Assets and liabilities not held at fair value

The following table summarises the carrying amounts and fair value of those assets and liabilities not held at fair value.

	Group				
	2024				
	Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Investment securities	59 747	60 804	45 605	827	14 372
Product Solutions Cluster	428 437	435 073	–	–	435 073
Home Loans	310 116	314 524	–	–	314 524
Vehicle and Asset Finance	118 321	120 549	–	–	120 549
Everyday Banking	20 166	19 704	–	–	19 704
Personal Loans	20 166	19 704	–	–	19 704
Relationship Banking	154 930	157 402	–	–	157 402
Absa Regional Operations – Retail and Business Banking	91 060	90 963	–	–	90 963
Corporate and Investment Banking	420 849	421 612	–	4 030	417 582
Corporate and Investment Banking SA	327 662	327 789	–	4 030	323 759
Corporate and Investment Banking ARO	93 187	93 823	–	–	93 823
Loans and advances to customers	1 115 442	1 124 754	–	4 030	1 120 724
Loans and advances to banks	57 039	56 968	19 038	37 930	–
Loans and advances	1 172 481	1 181 722	19 038	41 960	1 120 724
Total	1 232 228	1 242 526	64 643	42 787	1 135 096
Financial liabilities					
Fixed deposits	259 498	259 605	–	259 475	130
Deposits due to customers	259 498	259 605	–	259 475	130
Deposits from banks	93 457	93 256	7 245	86 011	–
Deposits	352 955	352 861	7 245	345 486	130
Debt securities in issue	151 587	151 903	–	151 903	–
Borrowed funds	21 188	21 241	–	21 241	–
Total	525 730	526 005	7 245	518 630	130

The above table excludes where the fair value approximated the carrying amount. The fair value amounts approximate the carrying amount due to the short-term nature and/or frequent repricing of interest rates on such instruments.

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	Group 2023				
	Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Investment securities	48 985	48 953	38 998	623	9 332
Product Solutions Cluster	415 390	418 203	–	–	418 203
Home Loans	302 065	304 218	–	–	304 218
Vehicle and Asset Finance	113 325	113 985	–	–	113 985
Everyday Banking	21 008	19 887	–	–	19 887
Personal Loans	21 008	19 887	–	–	19 887
Relationship Banking	146 071	148 070	–	–	148 070
Absa Regional Operations – Retail and Business Banking	78 493	78 811	–	–	78 811
Corporate and Investment Banking	390 305	392 478	–	2 016	390 462
Corporate and Investment Banking SA	308 436	312 206	–	2 016	310 190
Corporate and Investment Banking ARO	81 869	80 272	–	–	80 272
Loans and advances to customers	1 051 267	1 057 449	–	2 016	1 055 433
Loans and advances to banks	55 035	55 450	31 070	24 380	–
Loans and advances	1 106 302	1 112 899	31 070	26 396	1 055 433
Total	1 155 287	1 161 852	70 068	27 019	1 064 765
Financial liabilities					
Fixed deposits	245 745	246 793	–	245 738	1 055
Deposits due to customers	245 745	246 793	–	245 738	1 055
Deposits from banks	87 239	87 837	8 026	79 811	–
Deposits	332 984	334 630	8 026	325 549	1 055
Debt securities in issue	137 182	138 421	–	138 421	–
Borrowed funds	18 502	18 681	–	18 681	–
Total	488 668	491 732	8 026	482 651	1 055

Absa Regional Operations – Retail and Business Banking and Corporate and Investment Banking ARO loans and advances to customers have been restated. Refer to the Reporting changes overview note 1.21.3.

In 2023, the Group incorrectly disclosed the incorrect fair value amounts due to an error in the methodology used to calculate the fair values. This resulted in a restatement of fair values for Personal Loans to R19 887m (previously R18 854m), Vehicle and Asset Finance to R113 985m (previously R103 491m), Home Loans to R304 218m (previously R293 450m) and Relationship Banking to R148 070m (previously R133 329m).

57. Credit risk of financial instruments designated at fair value

The following table represents the maximum exposure to credit risk of financial instruments designated at fair value through profit or loss at the reporting date before taking into account collateral held or other credit enhancements:

	Group	
	2024 Rm	2023 Rm
Assets		
Investment securities	**14 565**	11 595
Loans and advances to customers	**32 868**	33 142
	47 433	44 737

The Group utilised credit derivatives and credit linked notes as a mechanism to hedge its exposure to credit risk for financial instruments designated at fair value through profit or loss. The value of collateral has been limited to the fair value of the instrument.

The Group does not hold any collateral against the financial assets designated at fair value in the current year and in the prior year.

Contractual obligation at maturity of financial liabilities designated at fair value through profit or loss

The following table represents the carrying amount of financial liabilities designated at fair value through profit or loss and the amount that the Group is contractually required to pay to the holder of the obligation at maturity:

	Group			
	2024		2023	
	Carrying amount Rm	**Contractual Obligation Rm**	Carrying amount Rm	Contractual Obligation Rm
Liabilities				
Deposits	**138 046**	**159 839**	125 523	116 245
Deposits from banks	**56 036**	**63 943**	36 967	44 014
Deposits due to customers	**82 010**	**95 896**	88 556	72 231
Other liabilities	**87**	**96**	29	29
Debt securities in issue	**59 704**	**68 099**	73 946	83 978
Liabilities under investment contracts	**23 547**	**23 547**	21 247	21 247
	221 384	**251 581**	220 745	221 499

(Increase)/decrease in fair value attributable to changes in own credit risk during the reporting period

	Group 2024 Rm	Group 2023 Rm
Liabilities		
Deposits from banks and customers	**(274)**	(330)
Cumulative adjustments in fair value attributable to changes in own risk		
Liabilities		
Deposits from banks and customers	**1 316**	1 042

The following approach is used in determining changes in fair value due to changes in own credit risk for deposits from banks and customers designated at fair value through profit or loss:

- The carrying amount reflects the effect on fair value of changes in own credit spreads derived from observable market data, such as spreads on Absa Group issued funding. Most market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

58. Risk management

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

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

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

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

The Enterprise Risk Management Framework:

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

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

The Enterprise Risk Management Framework is reviewed and approved annually by the Board.

58. Risk management

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

Strategy and risk appetite

The risk strategy is developed alongside the Group's business strategy and forms an integral part of the integrated planning process. Within the risk strategy, risk appetite defines the nature and amount of risk that the Group is willing to take to meet its strategic objectives. This forms part of the strategic planning process to ensure the business strategy is achievable within risk appetite, and that the organisation's decision-making and strategic planning is supported by risk information.

The Group's risk appetite:

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

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

Stress testing and scenario planning

Stress testing and scenario planning provides a forward-looking view of financial and non-financial risks under a range of scenarios and sensitivities to estimate the potential impact on the Group, including its subsidiaries, business lines or portfolios. Stress testing is an integral part of the Group's risk management and quantification and should alert management to unexpected outcomes arising from either decision made by management or a wide range of external downside/upside factors.

Stress testing forms a pillar of the Enterprise Risk Management Framework in that it contributes to risk identification, risk management and risk mitigation on an enterprise-wide basis. The Group's Board is responsible for approving the Stress Testing Framework and, through the Group Risk and Capital Management Committee, maintains ultimate responsibility for the Group's stress testing Programme.

58. Risk management

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

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

Credit risk

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

Market risk

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

- Trading book risk – The market risk resulting from trading activities booked in trading books across the Group in accordance with regulatory requirements.
- Banking book risk – The risk that the Group's current or projected financial condition and resilience might be adversely affected by changes in interest rate levels, yield curves and spreads. This risk arises in the banking book, due to re-pricing differences between assets, liabilities and equity, and includes funding spread risk and foreign exchange rate risk.

Capital and liquidity risk

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

- Capital risk – The risk that the Group has an insufficient level or inappropriate composition of capital to support its normal business activities and to remain within its Board-approved capital target ranges under normal operating conditions or above regulatory capital requirements under stressed conditions.
- Liquidity risk – The risk that the Group is unable to meet its contractual or contingent liquidity obligations or that it does not have the appropriate amount, tenor and composition of funding to support its assets.

Insurance risk

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

Notes to the consolidated financial statements
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58. Risk management *continued*

58.2 Credit risk

The following table sets out information regarding the credit quality of financial instruments to which the impairment requirements in IFRS 9 are applicable.

	Group			
	2024			
		Stage 1		
Maximum exposure to credit risk	**Gross maximum exposure Rm**	**DG 1-9 Rm**	**DG 10-19 Rm**	**DG 20-21 Rm**
Balances with other central banks	30 179	7 960	9 231	3 081
Balances with the SARB	78 431	78 431	–	–
Cash, cash balances and balances with central banks	**108 610**	**86 391**	**9 231**	**3 081**
Government bonds	177 425	154 484	6 921	–
Other	18 759	14 381	2 993	–
Treasury bills	50 386	45 896	1 626	2 386
Investment securities	**246 570**	**214 761**	**11 540**	**2 386**
Accounts receivables	14 909	10 524	4 265	–
Settlement accounts	3 914	3 618	296	–
Other assets	**18 823**	**14 142**	**4 561**	**–**
Product Solutions Cluster	445 946	83 692	263 827	26 601
Home Loans	320 567	73 554	183 436	14 473
Vehicle and Asset Finance	125 379	10 138	80 391	12 128
Everyday Banking	90 697	20 067	40 904	4 801
Card	59 972	19 447	24 413	1 565
Personal Loans	25 686	308	13 431	3 015
Transactions and Deposits	4 987	312	3 060	221
Other	52	–	–	–
Relationship Banking	159 237	12 716	128 209	–
Absa Regional Operations – Relationship and Business Banking	98 191	6 617	76 340	1 426
Corporate and Investment Banking	428 574	192 200	190 254	1 362
Corporate and Investment Banking SA	331 914	176 619	128 247	10
Corporate and Investment Banking ARO	96 660	15 581	62 007	1 352
Head Office, Treasury and other operations	4 042	4 013	25	–
Loans and advances to customers	**1 226 687**	**319 305**	**699 559**	**34 190**
Loans and advances to banks	**57 073**	**26 837**	**23 914**	**1 430**
Loans and advances	**1 283 760**	**346 142**	**723 473**	**35 620**
Off statement of financial position exposure				
Guarantees	55 716	22 332	24 824	70
Letters of credit	19 863	2 616	12 358	728
Revocable and irrevocable debt facilities	288 151	85 883	193 128	606
Total off statement financial position exposure	**363 730**	**110 831**	**230 310**	**1 404**

Refer to note 1.2.1 for DG bucket definitions.

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

Notes to the consolidated financial statements
for the reporting period ended 31 December

Group				
2024				
	Stage 2		Stage 3	Purchased or originated credit impaired
DG 1-9 Rm	DG 10-19 Rm	DG 20-21 Rm	Default Rm	Default Rm
2 284	7 623	–	–	–
–	–	–	–	–
2 284	7 623	–	–	–
6 500	4 141	–	–	5 379
–	1 061	–	324	–
423	55	–	–	–
6 923	5 257	–	324	5 379
–	120	–	–	–
–	–	–	–	–
–	120	–	–	–
1 037	5 924	26 511	38 354	–
97	3 357	16 791	28 859	–
940	2 567	9 720	9 495	–
177	4 848	3 749	16 151	–
41	3 174	1 761	9 571	–
15	1 347	1 840	5 730	–
121	327	148	798	–
–	–	–	52	–
5	8 996	–	9 311	–
–	3 168	2 743	7 897	–
47	30 097	559	14 055	–
47	17 777	268	8 946	–
–	12 320	291	5 109	–
–	4	–	–	–
1 266	53 037	33 562	85 768	–
–	4 374	518	–	–
1 266	57 411	34 080	85 768	–
13	8 014	101	362	–
–	4 084	77	–	–
232	4 983	714	2 605	–
245	17 081	892	2 967	–

58. Risk management

58.2 Credit risk *continued*

	Group			
	2023			
			Stage 1	
Maximum exposure to credit risk	Gross maximum exposure Rm	DG 1-9 Rm	DG 10-19 Rm	DG 20-21 Rm
Balances with other central banks	24 247	8 673	10 991	–
Balances with the SARB	36 099	32 957	3 142	–
Money market assets	–	–	–	–
Cash, cash balances and balances with central banks	60 346	41 630	14 133	–
Government bonds	156 428	138 495	7 223	–
Other	13 455	9 112	2 148	–
Treasury bills	44 942	35 182	5 719	–
Investment securities	214 825	182 789	15 090	–
Accounts receivables	19 348	6 780	12 480	–
Settlement accounts	4 307	4 304	3	
Other assets	23 655	11 084	12 483	–
Product Solutions Cluster	431 811	87 972	249 930	18 843
Home Loans	311 324	79 034	171 916	7 385
Vehicle and Asset Finance	120 487	8 938	78 014	11 458
Everyday Banking	88 833	17 185	41 154	4 910
Card	56 509	16 430	24 426	1 742
Personal Loans	27 240	349	14 171	2 927
Transactions and Deposits	5 032	406	2 557	241
Other	52	–	–	–
Relationship Banking	150 731	10 837	119 436	–
Absa Regional Operations – Relationship and Business Banking	84 537	7 491	62 458	1 293
Corporate and Investment Banking	396 489	186 807	171 963	531
Corporate and Investment Banking SA	311 943	174 870	113 447	103
Corporate and Investment Banking ARO	84 546	11 937	58 516	428
Head Office, Treasury and other operations	323	280	40	–
Loans and advances to customers	1 152 724	310 572	644 981	25 577
Loans and advances to banks	55 124	25 017	26 246	195
Loans and advances	1 207 848	335 589	671 227	25 772
Off statement of financial position exposure				
Guarantees	52 317	22 262	21 813	104
Letters of credit	22 815	2 373	17 826	550
Revocable and irrevocable debt facilities	272 250	77 938	183 970	727
Total off statement financial position exposure	347 382	102 573	223 609	1 381

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

Absa Regional Operations – Retail and Business Banking and Corporate and Investment Banking ARO gross loans and advances to customers have been restated. Refer to the Reporting changes overview note 1.21.3.

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

58. Risk management

58.2 Credit risk *continued*

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

	Group			
	2024			
Maximum exposure to credit risk	Gross carrying amount Rm	DG 1–9 Rm	DG 10–19 Rm	DG 20–21 Rm
Financial instruments				
Cash, cash balances and balances with central banks	3 528	3 528	–	–
Money market assets	3 528	3 528	–	–
Investment securities	18 494	17 502	992	–
Other	3 932	3 928	4	–
Treasury bills	14 562	13 574	988	–
Trading and hedging portfolio assets	183 497	148 179	35 094	224
Debt instruments	88 708	79 839	8 708	161
Derivative assets	61 615	42 073	19 479	63
Money market assets	33 174	26 267	6 907	–
Other assets	216	216	–	–
Accounts receivable	216	216	–	–
Loans and advances	118 808	61 786	57 022	–
Loans and advances to customers	103 374	54 525	48 849	–
Loans and advances to banks	15 434	7 261	8 173	–
Investments linked to investment contracts	3 327	3 327	–	–
Debt instruments	3 319	3 319	–	–
Money market assets	8	8	–	–
Total financial instruments	327 870	234 538	93 108	224
Reinsurance contract assets				
Reinsurance contracts assets	1 003	1 003	–	–
Total reinsurance contract assets	1 003	1 003	–	–

Notes to the consolidated financial statements
for the reporting period ended 31 December

58. Risk management
58.2 Credit risk *continued*

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

58. Risk management

58.2 Credit risk *continued*

Concentration of credit risk

Concentration of credit risk exists when a number of counterparties are located in a geographical region, such that their ability to meet contractual obligations is similarly affected by changes in economic or other conditions:

	Group				
	2024				
Geographical concentration of risk	**Asia, Americas and Australia Rm**	**Europe Rm**	**Africa Regions Rm**	**South Africa Rm**	**Total Rm**
On-statement of financial position exposure					
Cash, cash balances and balances with central banks	–	–	30 655	81 483	112 138
Investment securities	1 837	31 227	61 300	170 700	265 064
Trading portfolio assets	1 604	21 225	26 572	130 041	179 442
Hedging portfolio assets	–	–	–	4 055	4 055
Other assets	65	94	6 767	12 113	19 039
Loans and advances	25 475	48 571	233 719	1 094 803	1 402 568
Reinsurance contract assets	–	–	194	808	1 002
Investments linked to investment contracts	–	–	–	3 327	3 327
Subject to credit risk	28 981	101 117	359 207	1 497 330	1 986 635
Off-statement of financial position exposure					
Guarantees	1 664	2 872	20 433	30 747	55 716
Letters of credit	586	487	17 145	1 645	19 863
Revocable and irrevocable debt facilities	139	1 834	36 393	249 785	288 151
Subject to credit risk	2 389	5 193	73 971	282 177	363 730

Notes to the consolidated financial statements
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58. Risk management
58.2 Credit risk *continued*

	Group				
	2023				
Geographical concentration of risk	Asia, Americas and Australia Rm	Europe Rm	Africa Regions Rm	South Africa Rm	Total Rm
On-statement of financial position exposure					
Cash, cash balances and balances with central banks	–	–	24 768	39 914	64 682
Investment securities	8 461	25 131	54 296	142 770	230 658
Trading portfolio assets	2 638	20 289	11 675	116 628	151 230
Hedging portfolio assets	–	–	–	5 441	5 441
Other assets	14	151	7 244	16 248	23 657
Loans and advances	36 313	40 298	240 808	1 003 504	1 320 923
Reinsurance contract assets	–	–	83	889	972
Investments linked to investment contracts	–	–	–	2 223	2 223
Subject to credit risk	47 426	85 869	338 874	1 327 617	1 799 786
Off-statement of financial position exposure					
Guarantees	1 803	2 436	19 111	28 967	52 317
Letters of credit	1 046	1 107	16 315	4 347	22 815
Revocable and irrevocable debt facilities	81	808	30 840	240 521	272 250
Subject to credit risk	2 930	4 351	66 266	273 835	347 382

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

IFRS disclosures in terms of credit mitigation

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

The Group offsets asset and liability amounts in the statement of financial position where the ability and intention to net settle exists and the Group has a legally enforceable right to do so. Amounts disclosed in the maximum exposure category are stated net of these.

The collateral reported is calculated by determining the values of available underlying collateral, limited to the carrying amount and the undrawn facility of the related credit exposure where a loan is possibly over-collateralised.

No ECL allowance is recognised in the instance where there is sufficient or excess collateral held. The Group has determined this to be the case for **2%** (2023: 3.8%) of gross loans and advances.

The Group may also obtain collateral in the form of floating charges over receivables and inventory of corporate and other business customers. The value of this collateral varies depending on the level of receivables and inventory. It is impractical to provide an estimate of the amount of this collateral and the value of this collateral is not reported.

During the period there were no changes in the Group's collateral policies.

Collateral includes:

- Guarantees and/or letters of credit from third parties.
- Credit default swaps and other credit derivatives.
- Credit insurance.
- Physical collateral including fixed charges over property.
- Cash collateral.
- Other forms including master netting agreements, put options, and highly liquid securities held under reverse repurchase agreements.

58. Risk management

58.2 Credit risk *continued*

	Group				
	2024				
		Collateral – credit impaired financial assets			
Analysis of credit risk mitigation and collateral	Gross maximum exposure Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Debt instruments	88 708	–	–	–	–
Derivative assets	61 615	–	–	–	–
Money market assets	33 174	–	–	–	–
Trading portfolio assets	**183 497**	–	–	–	–
Product Solutions Cluster	504 477	–	32 619	–	–
Home Loans	375 879	–	25 475	–	–
Vehicle and Asset Finance	128 598	–	7 144	–	–
Everyday Banking	131 764	–	–	–	–
Card	96 056	–	–	–	–
Personal Loans	26 152	–	–	–	–
Transactions and Deposits	9 504	–	–	–	–
Other	52	–	–	–	–
Relationship Banking	191 516	47	5 846	–	–
Absa Regional Operations – Relationship and Business Banking	105 515	324	2 097	41	118
Corporate and Investment Banking	680 656	24	858	–	666
Corporate and Investment Banking SA	552 922	–	322	–	–
Corporate and Investment Banking ARO	127 734	24	536	–	666
Head Office, Treasury and other operations	4 285	–	–	–	–
Loans and advances to customers	**1 618 213**	395	41 420	41	784
Loans and advances to banks	**72 506**	–	–	–	–
Loans and advances	**1 690 719**	395	41 420	41	784
Off statement of financial position exposure					
Guarantees	55 716	–	5	–	–
Letters of credit	19 863	–	–	–	–
Total off-statement financial position exposure	**75 579**	–	5	–	–

Included in the gross maximum exposure, in the table above, is the exposure for off-statement of financial position exposure for irrevocable debt facilities and those revocable debt facilities which expose the Group to the risk of draw down in the absence of further intervention from the Group.

58. Risk management

58.2 Credit risk *continued*

Group							
2024							
		Collateral – not credit impaired financial assets					
Unsecured Rm	Total maximum exposure credit impaired financial assets Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets Rm
–	–	–	–	–	–	88 708	88 708
–	–	7 812	86	2 247	45 800	5 670	61 615
–	–	–	–	–	–	33 174	33 174
–	–	7 812	86	2 247	45 800	127 552	183 497
5 816	38 435	–	400 392	–	–	65 650	466 042
3 465	28 940	–	327 240	–	–	19 699	346 939
2 351	9 495	–	73 152	–	–	45 951	119 103
17 628	17 628	–	–	–	–	114 136	114 136
11 030	11 030	–	–	–	–	85 026	85 026
5 733	5 733	–	–	–	–	20 419	20 419
813	813	–	–	–	–	8 691	8 691
52	52	–	–	–	–	–	–
3 497	9 390	525	132 153	81	–	49 367	182 126
5 537	8 117	2 713	21 793	678	1 091	71 123	97 398
13 253	14 801	2 884	79 100	183	76 049	507 639	665 855
8 623	8 945	–	69 667	–	72 282	402 028	543 977
4 630	5 856	2 884	9 433	183	3 767	105 611	121 878
–	–	–	–	–	–	4 285	4 285
45 731	88 371	6 122	633 438	942	77 140	812 200	1 529 842
–	–	7	–	–	9 468	63 031	72 506
45 731	88 371	6 129	633 438	942	86 608	875 231	1 602 348
357	362	5	1 411	713	2	53 223	55 354
–	–	1	9	7	–	19 846	19 863
357	362	6	1 420	720	2	73 069	75 217

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58. Risk management
58.2 Credit risk *continued*

		Group				
		2023				
		Collateral – credit impaired financial assets				
Analysis of credit risk mitigation and collateral	Gross maximum exposure Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Debt instruments	74 149	–	–	–	–
Derivative assets	56 891	–	–	–	–
Money market assets	25 632	–	–	–	–
Trading portfolio assets	156 672	–	–	–	–
Product Solutions Cluster	490 690	–	34 081	–	–
Home Loans	367 491	–	25 898	–	–
Vehicle and Asset Finance	123 199	–	8 183	–	–
Everyday Banking	127 366	–	–	–	–
Card	90 090	–	–	–	–
Personal Loans	27 722	–	–	–	–
Transactions and Deposits	9 502	–	–	–	–
Other	52	–	–	–	–
Relationship Banking	172 926	76	5 176	–	–
Absa Regional Operations – Relationship and Business Banking	91 181	314	2 478	38	150
Corporate and Investment Banking	635 236	49	917	–	800
Corporate and Investment Banking SA	526 276	–	352	–	–
Corporate and Investment Banking ARO	108 960	49	565	–	800
Head Office, Treasury and other operations	594	–	–	–	–
Loans and advances to customers	1 517 993	439	42 652	38	950
Loans and advances to banks	75 182	–	–	–	–
Loans and advances	1 593 175	439	42 652	38	950
Off statement of financial position exposure					
Guarantees	52 317	–	5	–	–
Letters of credit	22 815	–	–	–	–
Total off-statement financial position exposure	75 132	–	5	–	–

For financial assets not listed in the table above, no credit mitigation or collateral was held during the reporting period.

Included in the gross maximum exposure, in the table above, is the exposure for off-statement of financial position exposure for irrevocable debt facilities and those revocable debt facilities which expose the Group to the risk of draw down in the absence of further intervention from the Group.

Absa Regional Operations – Retail and Business Banking and Corporate and Investment Banking ARO gross loans and advances to customers have been restated. Refer to the Reporting changes overview note 1.21.3.

58. Risk management

58.2 Credit risk *continued*

Group

2023

		Collateral – not credit impaired financial assets					
Unsecured Rm	Total maximum exposure credit impaired financial assets Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets Rm
–	–	–	–	–	–	74 149	74 149
–	–	7 342	1 013	2 544	39 342	6 650	56 891
–	–	–	–	–	–	25 632	25 632
–	–	7 342	1 013	2 544	39 342	106 431	156 672
4 824	38 905	–	388 271	–	–	63 514	451 785
2 776	28 674	–	318 458	–	–	20 359	338 817
2 048	10 231	–	69 813	–	–	43 155	112 968
16 172	16 172	–	–	–	–	111 194	111 194
9 873	9 873	–	–	–	–	80 217	80 217
5 546	5 546	–	–	–	–	22 176	22 176
701	701	–	–	–	–	8 801	8 801
52	52	–	–	–	–	–	–
3 080	8 332	895	153 658	121	6	9 914	164 594
3 545	6 525	2 886	23 330	659	973	56 808	84 656
10 775	12 541	4 560	85 724	277	65 091	467 043	622 695
5 884	6 236	–	74 094	–	60 547	385 399	520 040
4 891	6 305	4 560	11 630	277	4 544	81 644	102 655
–	–	–	–	–	–	594	594
38 396	82 475	8 341	650 983	1 057	66 070	709 067	1 435 518
–	–	–	–	–	16 091	59 091	75 182
38 396	82 475	8 341	650 983	1 057	82 161	768 158	1 510 700
828	833	162	2 909	733	10	47 670	51 484
–	–	54	24	90	14	22 633	22 815
828	833	216	2 933	823	24	70 303	74 299

58. Risk management

58.2 Credit risk *continued*

Financial assets written off during the financial period but still subject to enforcement activities

Contractual amount outstanding on financial assets that were written off during the reporting period but are still subject to enforcement activity:

	Group	
	2024 Rm	2023 Rm
Assets written off during financial period still subject to enforcement activities	**16 480**	14 580

Modified financial assets

The following table provides information on financial assets that were modified during the reporting period, without resulting in derecognition, while they had a loss allowance measured at an amount equal to lifetime ECL:

	Group	
	2024 Rm	2023 Rm
Financial assets modified during the period		
Loans and advances		
Amortised cost before modification	**7 568**	6 294
New modification loss	**(1 804)**	(1 731)

There were no financial assets modified during the current year for which loss allowance has changed to 12-month measurement (2023: None).

58.3 Macro-overlays and sensitivity analysis

Macro-overlays

In accordance with the Group's impairment policy, macro-overlays are used to account for known or expected risk factors which have not been considered in the ECL assessment or modelling process, or where uncertain future events have not been incorporated into the modelled approach.

Sensitivity of expected credit losses

For the purposes of the Group's actual weighting of its economic scenarios, a 40% probability weighting is applied to the baseline scenario; with a 30% probability weighting applied to both the upside and downside scenarios. However, given the level of uncertainty required in the determination of ECL, the Group has conducted a sensitivity analysis in order to indicate the impact on the ECL when assigning a probability weighting of 100% to each macroeconomic variable scenario.

The table below reflects the impact of changing the probability assigned to each scenario to 100% and does not include management adjustments required to provide a more appropriate assessment of risk.

	2024	
	Rm	**% Change**
ECL allowance on stage 1 and stage 2 loans and advances	**12 356**	**–**
Baseline	**12 027**	**(3)**
Upside	**11 050**	**(11)**
Downside	**14 248**	**15**

	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

58. Risk management

58.3 Macro-overlays and sensitivity analysis *continued*

In addition, as at 31 December 2024, 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:

	2024 Stage 2	
	Increase in gross carrying amount Rm	**Increase in expected credit loss Rm**
Product Solutions Cluster	**18 700**	**892**
Everyday Banking	**3 289**	**589**
Relationship Banking	**7 046**	**356**
Absa Regional Operations – Retail and Business Banking	**4 197**	**527**
Corporate and Investment Banking SA	**15 244**	**186**
Corporate and Investment Banking ARO	**3 947**	**75**

	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
Absa Regional Operations – Retail and Business Banking	3 563	411
Corporate and Investment Banking SA	14 421	330
Corporate and Investment Banking ARO	3 543	47

58.4 Equity investment risk

Equity risk in the banking book (ERBB) is defined as the risk of a loss arising from a decline in the value of investments in equity or an equity type instrument. This can be caused by the deterioration in the underlying operating asset performance, net asset value, enterprise value of the issuing entity, or by a decline in the market price of the equity or instrument itself.

Banking book equity risk is governed under the Non-traded Equity Risk and Purchased Debt Standard. Its purpose is to set the criteria for in-scope non-traded equity, lay out the minimum approval requirements, outline the minimum monitoring requirements and controls, and defines the key criteria covering the methodology for investment valuation. Banking book equity limits consume banking book capital, while equity exposures in the trading book are managed by market risk and consume capital in the trading book.

58. Risk management

58.4 Equity investment risk *continued*

Strategic investments are typically Board-approved investments for the Group (such as investments in subsidiaries), investments for public interest or in utilities. Within each equity portfolio, the Group aims to achieve a level of asset diversification to manage concentration risk.

Approach

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

- a formal approval governance process;
- key functional specialists reviewing investment proposals;
- adequate monitoring and control after the investment decision has been implemented; and
- ongoing implementation of best practice standards based on current market trends, hurdle rates and benchmarks.

Criteria considered for new investments and investment reviews cover a comprehensive set of financial, commercial, legal (and technical, where required) matters. The performance of these investments is monitored relative to the objectives of the portfolio.

The majority of the Group's equity investments are held in CIB and RBB – Business Banking. Equity and other investments held by insurance entities are addressed in the insurance risk management section of this report.

Risk measurement

Equity investment risk is monitored monthly in terms of regulatory and economic capital (EC) requirements and is complemented by a range of additional risk metrics and stress testing. The equity investment risk profile is further tracked across a range of dimensions such as geography, industry and currency. Risk monitoring is done in accordance with a risk appetite, mandate and scale limits framework.

The Group employs the market-based simple risk weight approach as prescribed by Regulation 31 of the Regulations relating to banks to calculate risk-weighted assets (RWA) and regulatory capital (RC) and a historical simulation approach with volatility scaling to calculate EC for ERBB.

Consequently, the RWA requirement is calculated using adjusted risk weightings of **318%** (2023: 318%) and **424%** (2023: 424%) for listed and unlisted equity investments, respectively. For investments in which the Group owns between 10% and 20% of the issued common share capital of a financial entity, a 250% risk weight is applied. For investments not in the common share capital of financial entities, as well as any investments in financial entities (in common and non-common share capital) with a shareholding percentage of more than 20%, the Group applies a common equity Tier 1 capital deduction, also referred to as the threshold deduction, in accordance with Regulation 38 of the Regulations relating to banks. RC requirements in respect of investments in associates and joint ventures, defined as financial companies in the Regulations relating to banks, are calculated with reference to either the pro rata consolidation methodology or the deduction approach.

The approach in determining the EC requirement employs a historical simulation, which assumes that historical price movements of a different industry sector can be used to proxy the changes in the market value of the portfolio and a volatility forecast is applied to scale the historical returns to better reflect current market conditions. This allows for the capturing of diversification between individual industry sectors.

The Solvency Assessment Management (SAM) regime is a risk-based regulatory and solvency regime, prescribed by the Insurance Act of 2017, and applies to regulated insurance entities and insurance groups. Absa Financial Services entities' liabilities, capital and solvency positions will continue to be reported under parallel processes accordingly.

58. Risk management

58.4 Equity investment risk *continued*

Analysis of equity investment risk in insurance and the banking book

The table below illustrates the equity sensitivity analysis and discloses the impact on pre-tax profit or loss and equity after the effect of hedges. Debt instruments have been excluded from the sensitivity analysis.

	Group									
	2024					2023				
	Impact of a 5% or 10% reduction in fair value			Impact of a 5% or 10% Increase in fair value		Impact of a 5% or 10% reduction in fair value			Impact of a 5% or 10% Increase in fair value	
	Profit or loss Rm	Equity Rm	Fair value Rm	Profit or loss Rm	Equity Rm	Profit or loss Rm	Equity Rm	Fair value Rm	Profit or loss Rm	Equity Rm
Insurance activities' listed and unlisted equity investments	**(181)**	**–**	**3 304**	**181**	**–**	(151)	–	2 729	151	–
Listed equity investments	**(149)**	**–**	**2 985**	**149**	**–**	(122)	–	2 434	122	–
Unlisted equity investments	**(32)**	**–**	**319**	**32**	**–**	(29)	–	295	29	–
Group listed and unlisted equity investments, excluding insurance activities' investments	**(149)**	**(77)**	**2 406**	**149**	**77**	(228)	(77)	3 122	228	77
Listed equity investments	**(10)**	**(4)**	**292**	**10**	**4**	(4)	(4)	156	4	4
Unlisted equity investments	**(139)**	**(73)**	**2 114**	**139**	**73**	(224)	(73)	2 966	224	73
Total on Group equity investments	**(330)**	**(77)**	**5 710**	**330**	**77**	(379)	(77)	5 851	379	77

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

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

The figures exclude all associates and joint ventures.

58. Risk management *continued*

58.5 Market Risk

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

58.5.1 Traded book risk

Traded Market risk

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

The Traded Market Risk Committee (TMRC) meets monthly to review, challenge and make recommendations concerning the traded market risk profile, including risk appetite, policies, limits, risk utilisation, valuation risk and the effectiveness of the control environment.

The Market Risk Infrastructure, Data, Governance and Control Committee (MRIDGCC) is a subcommittee of the TMRC that provides oversight of the traded market risk and control environment.

Approach

Traded market risk arises primarily as a result of client facilitation in wholesale markets. This involves market making, providing risk management solutions, generating revenues from assuming and managing risk, and execution of syndications.

Banking book is subjected to the same rigorous measurement and control standards as in the trading book, but the associated sensitivities are reported separately as "Banking book risk" as part of the Market Risk Management Framework.

Risk appetite

The risk appetite for market risk is based on:

- proposed business strategy;
- budgeted revenue growth;
- statistical modelling measures; and
- risk equated to capital projection under normal and stressed market conditions.

Risk measurement

A number of techniques are used to measure and control traded market risk on a daily basis, which include:

- value at risk (VaR) based measures including both VaR and stressed value at risk (sVaR);
- tail metrics;
- position and sensitivity reporting;
- stress testing;
- back testing; and
- standardised general and specific risk, as relevant.

Daily value at risk

Daily value at risk (DVaR) is an estimate of the potential loss that may arise from unfavourable market movements if current positions were to be held unchanged for one business day.

The Group uses an internal DVaR model based on the historical simulation method to derive the quantitative market risk measures under normal conditions. The DVaR model utilises a two-year data history of unweighted historical price and rate data and a holding period of one day with a confidence interval of 99%.

The historical simulation methodology can be split into three parts:

- Calculate hypothetical daily profit or loss for each position over the most recent two years, using observed daily market moves.
- Sum of all hypothetical profits or losses for day one across all positions, giving one total profit or loss. Repeat for all other days in the two-year history.
- DVaR is the 99th percentile loss selected from the resultant two-year historically simulated strip of daily hypothetical net profit or loss. Daily losses in excess of the DVaR figure are likely to occur, on average, up to six times over the two-year period.

This internal model is also used for measuring VaR over both a one-day and a 10-day holding period at a 99% confidence level for regulatory back testing and regulatory capital (RC) calculation purposes, respectively. The VaR internal model has been approved by the PA to calculate RC for trading book portfolios in South Africa. The approval covers general position risk across interest rate, foreign exchange, commodity, equity and traded credit products. As part of this approval, the PA has assigned a DVaR and sVaR model multiplier to be used in RC calculations. In addition to the VaR internal model, products which have not received IMA approval are capitalized under the standardized approach.

The performance of the DVaR model is regularly assessed for continued suitability. The main technique employed is backtesting, which counts the number of days when actual losses from trading activities exceed the corresponding 99% level of confidence assuming a one-day holding period calculated by the DVaR model.

DVaR estimates have a number of limitations:

- Historical simulation assumes that the past is a good representation of the future, which may not always be the case.
- The assumed time horizon does not fully capture the market risk of positions that cannot be closed out or hedged within this time horizon.
- DVaR does not indicate the potential loss beyond the selected percentiles.
- DVaR is based on positions as at the close of business and consequently intra-day risk, the risk from a position bought and sold on the same day, is not captured.

sVaR uses a similar methodology to DVaR, but is based on a one-year period of financial stress which is reviewed quarterly and assumes a 10-day holding period and a worst case loss. The period of stress used for Regulatory Capital is currently the 2008/2009 financial crisis.

Loss thresholds, tail risk metrics, position and sensitivity reporting and stress testing are used to complement DVaR in the management of traded market risk.

58. Risk management

58.5 Market Risk

58.5.1 Traded book risk *continued*

Analysis of traded market risk exposure

The following table reflects the VaR and sVaR statistics for trading book activities as measured by the internal model's approach (IMA). Traded market risk exposure, as measured by average total VaR, decreased to **R56.29m** (2023: R72.97m) for the reporting period, which is a **23%** decrease on the prior year average (2023: 29% increase). The decrease in average VaR was primarily driven by reduced exposures to African currencies, particularly the Nigerian Naira.

The exposure to other risks also decreased as the business adopted a more defensive strategy in response to macro-economic uncertainty, as central banks sought to balance persistent inflation and slow growth. Following the outcome of the US elections, the approach has shifted to a more risk-on stance. The long-term impact of the Trump presidency on emerging markets will depend on factors such as economic growth, currency fluctuations, interest rates, and geopolitical developments.

	Group							
	2024				2023			
	Average Rm	**High Rm**	**Low Rm**	**As at the reporting date Rm**	Average Rm	High Rm	Low Rm	As at the reporting date Rm
Interest rate risk	**54.82**	**118.87**	**27.59**	**43.78**	57.10	92.14	28.42	39.34
Foreign exchange risk	**31.75**	**152.66**	**5.69**	**11.77**	38.88	142.38	8.68	130.21
Equity risk	**5.85**	**14.35**	**1.85**	**3.55**	13.50	31.68	8.00	9.94
Commodity risk	**0.7**	**5.81**	**0.02**	**0.10**	0.86	4.64	0.34	0.55
Inflation risk	**13.95**	**22.56**	**6.72**	**12.28**	31.57	67.64	6.83	18.29
Credit spread risk	**18.50**	**35.95**	**5.52**	**31.21**	7.06	11.10	5.07	5.31
Diversification effect	**(69.27)**	**–**	**–**	**(65.28)**	(76.00)	–	–	(74.84)
Total DVaR	**56.30**	**161.90**	**27.68**	**37.41**	72.97	136.85	46.01	128.80
Regulatory VaR	**56.30**	**161.90**	**27.68**	**37.41**	72.97	136.85	46.01	128.80
Regulatory sVaR	**72.75**	**145.74**	**38.98**	**54.24**	75.59	127.38	34.33	83.99

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

Regulatory VaR and sVaR are reported with a one-day holding period at a 99% confidence level. The sVaR period is subject to ongoing review for appropriateness.

Notes to the consolidated financial statements

for the reporting period ended 31 December

58. Risk management

58.5 Market Risk *continued*

58.5.2 Banking book risk

Approach

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

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

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

Risk mitigation

Risk management strategies considered include:

- Strategies regarding changes in the volume, composition, pricing and interest rate risk characteristics of assets and liabilities; and
- The execution of applicable derivative contracts to maintain the Group's interest rate risk exposure within limits.
  - Where possible, hedge accounting is applied to derivatives that are used to hedge Banking book risk. In cases where hedge relationships do not qualify for hedge accounting, mismatches may arise due to different bases used in fair valuing the hedges and the underlying banking book exposure. Applicable accounting rules, as detailed in the Group's accounting policies, are followed.
  - Structural interest rate risk arises from the variability of income from non-interest bearing products, managed variable rate products and the Group's equity, and is managed by Group Treasury. Interest rate risk also arises in each of the Absa Regional Operations treasuries in the normal course of managing the balance sheet and facilitating customer activity. The risk is managed by the local treasury functions, subject to risk limits and other controls.

Key assumptions

Embedded optionality risk may also give rise to Banking book risk:

- Prepayment risk arises in relation to transactions where an early settlement option is embedded in the product. This risk most commonly arises in relation to fixed rate loans offered to retail customers, where the customer has an option to repay the loan prior to contractual maturity and where the Group is unable to collect full market-related compensation. This risk is managed by modelling the loans on a behaviouralised basis for both pricing and risk measurement. This treatment is also applied to non-maturing customer deposits.
- Recruitment risk arises when the Group commits to providing a product at a predetermined price for a period into the future. Customers have the option to take up this offer. Processes are in place to enable robust management of these additional forms of Banking book risk.

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

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

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

Notes to the consolidated financial statements

for the reporting period ended 31 December

58. Risk management

58.5 Market Risk

58.5.2 Banking book risk *continued*

Re-pricing profiles

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

Earnings at risk (EaR)/Net interest income (NII) sensitivity

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

Value at risk (VaR)

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

Economic capital

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

Economic value of equity (EVE) sensitivity

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

Stress testing

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

Risk control

Market risk is controlled through the use of AEaR, DVaR and stress limits as appropriate and supported by non-DVaR metrics (position and sensitivity limits), as well as the monthly monitoring of the risk profiles and EVE sensitivity. Limits are set and monitored in accordance with the limit framework. Limits for AEaR, DVaR and stress are agreed by the GMRC. Compliance with limits is monitored by the respective ARO market risk team with oversight provided by Market Risk.

Risk reporting

DVaR and supporting metrics are reported daily for Group Treasury, with the exception of two businesses, where reporting is performed on a monthly basis. The re-pricing profiles, AEaR, EVE sensitivity and stress results are reported monthly for Group Treasury.

Interest rate sensitivity analyses

Three separate interest rate sensitivity analyses for the Group's banking book are set out in the table that follows, namely, the re-pricing profile of the book, the potential effect of changes in market interest rates on annual earnings and impact on equity reserves.

Re-pricing profile

The re-pricing profile of the Group's banking books shows that the banking book remains asset sensitive, as interest-earning assets re-price sooner than interest-paying liabilities before and after derivative hedging activities. Accordingly, future net interest income remains vulnerable to a decrease in market interest rates.

Notes to the consolidated financial statements
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58. Risk management
58.5 Market Risk
58.5.2 Banking book risk *continued*

	Group			
	2024			
Expected re-pricing profile	**On demand – 3 months Rm**	**4 – 6 months Rm**	**7 – 12 months Rm**	**Over 12 months Rm**
Domestic bank book				
Interest rate sensitivity gap	**144 764**	**1 630**	**(36 453)**	**(71 405)**
Derivatives	**(139 013)**	**24 393**	**40 601**	**74 019**
Net interest rate sensitivity gap	**5 751**	**26 023**	**4 148**	**2 614**
Cumulative interest rate gap	**5 751**	**31 774**	**35 922**	**38 536**
Cumulative gap as a percentage of Absa Bank Limited's total assets (%)	**0.4**	**2.1**	**2.4**	**2.5**
Foreign subsidiaries' bank books				
Interest rate sensitivity gap	**14 711**	**(541)**	**(2 136)**	**5 658**
Net interest rate sensitivity gap	**14 711**	**(541)**	**(2 136)**	**5 658**
Cumulative interest rate gap	**14 711**	**14 170**	**12 034**	**17 692**
Cumulative gap as a percentage of foreign subsidiaries' total assets (%)	**4.0**	**3.8**	**3.3**	**4.8**
Total				
Cumulative interest rate gap	**20 462**	**45 944**	**47 956**	**56 228**
Cumulative gap as a percentage of the Group's total assets (%)	**1.0**	**2.2**	**2.3**	**2.7**

	Group			
	2023			
Expected re-pricing profile	On demand – 3 months Rm	4 – 6 months Rm	7 – 12 months Rm	Over 12 months Rm
Domestic bank book				
Interest rate sensitivity gap	167 742	(30 239)	(55 622)	(40 956)
Derivatives	(191 852)	39 930	61 274	90 647
Net interest rate sensitivity gap	(24 110)	9 691	5 652	49 691
Cumulative interest rate gap	(24 110)	(14 419)	(8 767)	40 925
Cumulative gap as a percentage of Absa Bank Limited's total assets (%)	(1.6)	(0.9)	(0.6)	2.7
Foreign subsidiaries' bank books				
Interest rate sensitivity gap	10 122	1 756	2 238	(629)
Net interest rate sensitivity gap	10 122	1 756	2 238	(629)
Cumulative interest rate gap	10 122	11 878	14 116	13 487
Cumulative gap as a percentage of foreign subsidiaries' total assets (%)	3.17	3.72	4.42	4.23
Total				
Cumulative interest rate gap	(13 988)	(2 541)	5 349	54 412
Cumulative gap as a percentage of the Group's total assets (%)	(0.7)	(0.1)	0.3	2.9

Interest rate sensitivity – Includes exposures held in the CIB banking book.

The domestic bank book Includes exposures held in the CIB banking book. Derivatives for interest rate risk management purposes (net nominal value).

Notes to the consolidated financial statements
for the reporting period ended 31 December

58. Risk management
58.5 Market Risk
58.5.2 Banking book risk *continued*

Impact on earnings

The table below shows the NII impact for a 100bps and 200bps changes in market interest rates for the Group's banking portfolios. Following the implementation of risk management strategies, an immediate and sustained parallel decrease of 200bps in all market interest rates would result in a pre-tax reduction of projected 12-month net interest income by **R1.904bn** as of the reporting date (2023: R1.885bn). A similar increase would result in an increase in projected 12-month net interest income of **R1.116bn** (2023: R1.200bn). NII sensitivity decreased to **2.7%** (2023: 2.8%) of the Group's net interest income.

Annual earnings at risk for 100 and 200 bps changes in market interest rates

	Group 2024 Change in market interest rates			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Domestic bank book (Rm)	**(1 006)**	**(398)**	**413**	**758**
Foreign subsidiaries' bank books (Rm)	**(898)**	**(371)**	**179**	**358**
Total (Rm)	**(1 904)**	**(769)**	**592**	**1 116**
Percentage of the Group's net interest income (%)	**(2.7)**	**(1.1)**	**0.8**	**1.6**
Percentage of the Group's equity (%)	**(1.0)**	**(0.4)**	**0.3**	**0.6**

	Group 2023 Change in market interest rates			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Domestic bank book (Rm)	(460)	(184)	149	290
Foreign subsidiaries' bank books (Rm)	(1 425)	(978)	455	910
Total (Rm)	(1 885)	(1 162)	604	1 200
Percentage of the Group's net interest income (%)	(2.8)	(1.7)	0.9	1.8
Percentage of the Group's equity (%)	(1.1)	(0.7)	0.4	0.7

58. Risk management

58.5 Market Risk

58.5.2 Banking book risk *continued*

Impact on equity reserves

Market interest rate changes may affect equity (capital) in the following three ways:

- Higher or lower profit after tax resulting from higher or lower net interest income;
- Higher or lower fair value through other comprehensive income reserve reflecting higher or lower fair values of fair value through other comprehensive income financial instruments; and
- Higher or lower values of derivatives held in the cash flow hedging reserve.

The pre-tax effect of net interest income sensitivity is reported in the preceding sensitivity analysis. The effect of taxation can be estimated using the effective tax rate for the reporting period.

The equity reserve sensitivities that follow are illustrative, based on simplified scenarios and consider the impact on the cash flow hedges and fair value through other comprehensive income portfolios which are mark-to-market through reserves. The impact on equity is calculated by revaluing the fixed rate fair value through other comprehensive income assets, including the effect of any associated hedges and derivatives designated as cash flow hedges, for an assumed change in market interest rates. The increase in sensitivity of the fair value through other comprehensive income reserves is mainly due to the increase in the net directional risk.

Sensitivity of reserves to market interest rate movements

	Group					
	2024			2023		
	Impact on equity at the reporting date Rm	**Maximum impact Rm**	**Minimum impact Rm**	Impact on equity at the reporting date Rm	Maximum impact Rm	Minimum impact Rm
Fair value through other comprehensive income reserve	**191**	**1 092**	**191**	970	174	1 073
Cash flow hedging reserve	**(162)**	**3 705**	**(732)**	1 983	7 088	1 983
	29	**4 797**	**(541)**	2 953	7 262	3 056
As a percentage of Group equity (%)	**–**	**4.9**	**(0.6)**	2.8	6.9	2.9

The sensitivity of reserves to market interest rate movements exhibit very little convexity resulting in a materially equivalent change in value for -100 bps parallel move. Basis risk has remained constant.

58. Risk management *continued*

58.6 Capital and liquidity risk

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

58.6.1 Capital risk

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

The Group's capital risk strategy, which is in line with and in support of the Group's strategy, is to create sustainable value for shareholders within the boundaries imposed by the Group's risk appetite through effective financial risk management.

The Group's capital risk priorities are to:

- Deliver sustainable shareholder value by generating long-term growth while maintaining sufficient capital supply. Maintain strong capital ratios within the Board-approved risk appetite and above regulatory minimum levels while supporting a sustainable dividend payout ratio.
- Appropriately deploy capital and manage the repatriation of dividends from subsidiaries to optimise capital utilisation.
- 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.
- The Prudential standard on First Loss Absorbing Capacity instruments has been promulgated with an implementation date of 1 January 2026. The Group will appropriately prioritise the issuance of FLAC instruments to meet the 6-year phase-in period.
- The Prudential Authority, together with the South African Reserve Bank (SARB), has agreed to implement a positive cycle-neutral countercyclical buffer (CCyB). The minimum regulatory capital requirements will increase by 1% with an effective date of 1 January 2026, post a 1-year phase-in period. The SARB requires that banks maintain a positive cycle-neutral CCyB to serve as a shock absorber that can be released in the event of sudden stress.
- The Group remains committed to optimising its total loss-absorbing capacity through a combination of capital and FLAC instruments issued in both domestic and international markets.
- Monitor and evaluate regulatory developments, and proposed amendments to banking regulations expected in 2025 that may impact the capital position including Basel III finalisation and fundamental review of the trading book.
- Continue to participate in the finalisation of the Financial Conglomerate Supervisory Framework capital standard in South Africa.

Various processes play a role in ensuring that the Group's capital risk priorities are met, including:

- The Internal Capital Adequacy Assessment Process (ICAAP);
- Stress testing; and
- Recovery and Resolution Planning.

The capital risk process in the Group encompasses all regulated entities within it (including insurance entities and banking subsidiaries in the Absa Regional Operations). Appropriate Board approved capital buffers, above the minimum regulatory requirements, are held at an entity level. The Group ensures that all regulated entities are adequately capitalised in terms of their respective minimum capital adequacy requirements (CARs). The Group's capital target ranges for the current reporting period were set after considering the following:

- Capital risk appetite;
- The preference of rating agencies for loss absorbing capital;
- Stress scenarios and its impact on the integrated plan, including the capital position of the Group;
- Current Basel III and future Basel IV requirements and accounting developments; and
- Peer analysis.

58. Risk management

58.6 Capital and liquidity risk

58.6.1 Capital risk *continued*

Capital adequacy ratios (unaudited)

Group	2024	2023	2024 Board target ranges %	2024 Minimum regulatory capital requirements %	2023 Board target ranges %	2023 Minimum regulatory capital requirements %
Statutory capital ratios (includes unappropriated profits) (%)						
Common Equity Tier 1	**12.6**	12.5	**11-12.5**	**8.5**	11-12.5	8.5
Tier 1	**14.4**	14.2	**>12.0**	**10.3**	>12.0	10.3
Total	**15.8**	15.8	**>14.5**	**12.5**	>14.5	12.5
Capital supply and demand for the reporting period (Rm)						
Qualifying capital	**183 439**	166 812				
Total RWA	**1 160 916**	1 058 640				

Regulatory capital comprises the following:

Common Equity Tier 1 – ordinary share capital, share premium and retained earnings including reserves, less regulatory deductions. Tier 1 – Common Equity Tier 1 plus perpetual, non-cumulative instruments with principal loss-absorption features issued in terms of the Basel III rules.

Total Capital – Tier 1 plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III.

During the past year, the Group complied in full with all externally imposed capital requirements which remained the same as prior year.

The 2024 minimum total regulatory capital adequacy requirement of **12.5%** (2023: 12.5%) includes the capital conservation buffer, Pillar 2A at 1% and the D-SIB add-on but excludes the bank specific individual capital requirement (Pillar 2B add-on) as required by regulatory guidance.

58.6.2 Liquidity risk

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

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

Priorities

The Group's liquidity risk management objectives are:

- Preserve the Group's liquidity position in line with risk appetite.
- Manage the funding and HQLA position in line with the Board-approved framework and ensure compliance with regulatory requirements
- Focus on growing core retail, relationship bank, corporate and public sector deposits.
- Continue to strengthen and diversify the funding base while optimising funding costs, to support asset growth, other strategic initiatives and maintain the strong net stable funding ratio (NSFR) over the 5-year phase out of the national discretion.
- Collaborate with the regulatory authorities and other stakeholders on the SARB's approach to resolution planning in South Africa.
- Report in terms of the current and future Depositor Insurance Scheme requirements, which came into effect on 1 April 2024, with the Corporation for Depositor Insurance established to give depositors reasonable access to their covered deposits when their bank has been placed in resolution.

58. Risk management

58.6 Capital and liquidity risk

58.6.2 Liquidity risk *continued*

Approach to liquidity risk

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

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

Stress and scenario testing

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

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

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

Contingency funding planning

The Contingency Funding Plan (CFP) includes, inter alia:

- the roles and responsibilities of senior management in a crisis.
- authorities for invoking the plan.
- communications strategy.
- an analysis of a realistic range of market-wide and Group-specific liquidity stress tests.
- scenario analyses and the extent to which each stress test and scenario can be mitigated by the management of the statement of financial position.
- a range of early warning indicators (EWIs), which assist in informing management when deciding whether the CFP should be invoked.

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

58. Risk management

58.6 Capital and liquidity risk

58.6.2 Liquidity risk *continued*

Contractual maturity of financial assets and liabilities

The table below provides detail on the contractual maturity and mismatch position of all financial instruments and other assets and liabilities. Derivatives (other than those designated in a hedging relationship) and trading portfolio assets and liabilities are included in the 'on demand' time bucket at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity since they are not held for settlement according to such maturity and will frequently be settled before contractual maturity at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity. Borrowed funds have been included based on contractual maturities and do not take into account the effect of early redemption features, which are being exercised. For details regarding early redemption options, refer to note 21.

	Group					
	2024					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	105 084	19 252	157	70	(6)	124 557
Investment securities	10 518	85 675	105 646	68 729	(124)	270 444
Trading and hedging portfolio assets	224 465	53	663	3 339	–	228 520
Derivative assets	57 560	53	663	3 339	–	61 615
Non-derivative assets	166 905	–	–	–	–	166 905
Other financial assets	4 880	13 867	278	14	(3)	19 036
Loans and advances	194 826	364 485	509 628	333 630	(52 981)	1 349 588
Non-current assets held for sale	–	1 140	–	–	–	1 140
Investments linked to investment contracts	1 249	1 402	2 964	17 755	–	23 370
Financial assets	541 022	485 874	619 336	423 537	(53 114)	2 016 655
Non-financial assets	–	–	–	–	–	50 244
Insurance related assets (refer to note 58.7)		–				1 796
Total assets						**2 068 695**
Liabilities						
Trading and hedging portfolio liabilities	66 020	75	648	535	–	67 278
Derivative liabilities	52 753	75	648	535	–	54 011
Non-derivative liabilities	13 267	–	–	–	–	13 267
Other financial liabilities	14 142	14 737	4	2 603	–	31 486
Deposits	890 774	473 457	133 406	9 290	–	1 506 927
Debt securities in issue	580	88 853	105 077	16 781	–	211 291
Liabilities under investment contracts	2 131	1 624	3 220	16 572	–	23 547
Borrowed funds	–	3 133	17 724	331	–	21 188
Financial liabilities	973 647	581 879	260 079	46 112	–	1 861 717
Non-financial liabilities						16 760
Insurance related liabilities (refer to 58.7)						6 942
Total liabilities						**1 885 419**
Equity						**183 276**
Total equity and liabilities						**2 068 695**
Net liquidity position of financial instruments	**(432 625)**	**(96 005)**	**359 257**	**377 425**	**(53 114)**	**154 938**

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

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

The following current items are disclosed under non-financial assets and non-financial liabilities: current tax liabilities, provisions (details on the current/non-current split are included in note 16).

The following non-current items are disclosed under non-financial assets and non-financial liabilities: Investments in associates and joint ventures, goodwill and intangible assets, provisions (details on the current/non-current splits are included in note 16), investment property, property and equipment and deferred tax.

58. Risk management
58.6 Capital and liquidity risk
58.6.2 Liquidity risk *continued*

	Group					
	2023					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 year Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	60 212	17 436	156	51	(40)	77 815
Investment securities	1 512	76 520	93 929	64 556	(19)	236 498
Trading and hedging portfolio assets	190 141	164	700	4 521	–	195 526
Derivative assets	51 506	164	700	4 521	–	56 891
Non-derivative assets	138 635	–	–	–	–	138 635
Other financial assets	9 414	13 666	59	518	(13)	23 644
Loans and advances	193 785	353 343	452 427	321 369	(49 566)	1 271 358
Non-current assets held for sale	–	197	–	–	–	197
Investments linked to investment contracts	–	1	1 139	19 905	–	21 045
Financial assets	455 064	461 327	548 410	410 920	(49 638)	1 826 083
Non-financial assets	–		–	–	–	47 128
Insurance related assets (refer to note 58.7)						1 665
Total assets						1 874 876
Liabilities						
Trading and hedging portfolio liabilities	62 548	219	893	576	–	64 236
Derivative liabilities	46 701	219	893	576	–	48 389
Non-derivative liabilities	15 847	–	–	–	–	15 847
Other financial liabilities	18 419	13 115	58	2 157	–	33 749
Deposits	763 637	451 104	114 482	10 313	–	1 339 536
Debt securities in issue	468	91 667	105 475	13 518	–	211 128
Liabilities under investment contracts	645	1	1 206	19 395	–	21 247
Borrowed funds	861	6 973	10 264	404	–	18 502
Financial liabilities	846 578	563 079	232 378	46 363	–	1 688 398
Non-financial liabilities						15 403
Insurance related liabilities (Refer to 58.7)						6 678
Total liabilities						1 710 479
Equity						164 397
Total equity and liabilities						1 874 876
Net liquidity position of financial instruments	(391 514)	(101 752)	316 032	364 557	(49 638)	137 685

The on demand and the within 1 year bucketing for Cash, cash balances and balances with central banks has been restated due to the correction of the prior year cash and cash equivalents, refer to note 1.21.1.

Notes to the consolidated financial statements

for the reporting period ended 31 December

58. Risk management

58.6 Capital and liquidity risk

58.6.2 Liquidity risk *continued*

Undiscounted maturity (Statement of financial position value with impact of future interest)	Group 2024 On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 year Rm	Discount effect Rm	Total Rm
Liabilities						
On-statement of financial position						
Trading and hedging portfolio liabilities	**66 020**	**78**	**749**	**1 230**	**(799)**	**67 278**
Derivative liabilities	**52 753**	**78**	**749**	**1 230**	**(799)**	**54 011**
Non-derivative liabilities	**13 267**	**–**	**–**	**–**	**–**	**13 267**
Other financial liabilities	**14 144**	**14 807**	**5**	**4 009**	**(1 479)**	**31 486**
Deposits	**890 821**	**481 278**	**158 384**	**20 611**	**(44 167)**	**1 506 927**
Debt securities in issue	**580**	**91 477**	**131 401**	**31 335**	**(43 502)**	**211 291**
Liabilities under investment contracts	**2 131**	**1 634**	**4 082**	**40 397**	**(24 697)**	**23 547**
Borrowed funds	**–**	**2 935**	**21 569**	**1 265**	**(4 581)**	**21 188**
Financial liabilities	**973 696**	**592 209**	**316 190**	**98 847**	**(119 225)**	**1 861 717**
Non-financial liabilities						**16 760**
Insurance related liabilities (Refer to 58.7)						**6 942**
Total liabilities						**1 885 419**
Off-statement of financial position						
Guarantees	**55 716**	**–**	**–**	**–**	**–**	**55 716**
Loan commitments	**150 802**	**-**	**–**	**–**	**–**	**150 802**
Letters of credit	**19 863**	**–**	**–**	**–**	**–**	**19 863**

Undiscounted maturity (Statement of financial position value with impact of future interest)	Group 2023 On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 year Rm	Discount effect Rm	Total Rm
Liabilities						
On-statement of financial position						
Trading and hedging portfolio liabilities	62 548	230	1 078	1 320	(940)	64 236
Derivative liabilities	46 701	230	1 078	1 320	(940)	48 389
Non-derivative liabilities	15 847	–	–	–	–	15 847
Other financial liabilities	18 478	13 139	67	3 322	(1 257)	33 749
Deposits	765 935	459 531	135 173	23 814	(44 917)	1 339 536
Debt securities in issue	468	94 791	131 377	24 480	(39 988)	211 128
Liabilities under investment contracts	645	1	1 568	47 822	(28 789)	21 247
Borrowed funds	861	7 316	15 804	1 002	(6 481)	18 502
Financial liabilities	848 935	575 008	285 067	101 760	(122 372)	1 688 398
Non-financial liabilities						15 403
Insurance related liabilities (Refer to 58.7)						6 678
Total liabilities						1 710 479
Off-statement of financial position						
Guarantees	52 317	–	–	–	–	52 317
Loan commitments	136 887	-	–	–	–	136 887
Letters of credit	22 815	–	–	–	–	22 815

In 2023, the Group incorrectly allocated amounts relating to on demand on the within 1 year bucket. As a result, the loan commitments payable on demand has been restated from R112 310m to R136 887m and loan commitments payable within 1 year from R24 577m to nil.

58. Risk management *continued*

58.7 Insurance risk management

Definition

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

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

Objectives

The Group's insurance risk management objectives are to:

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

Governance

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

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

	Committee	Main objectives
Board committees	AFS and entity boards	Approve risk appetite, dividends and strategy. Further, the boards are responsible for ultimate ownership of any applicable local regulatory requirements (including the Prudential Standards).
	AFS Audit, Risk and Compliance Committee (ARCC)	Committee of the AFS Board. Oversight on behalf of the AFS and entity boards. Oversees internal controls, risk, compliance, internal and external audit matters as well as capital and liquidity management. Recommends dividends to the boards, having regard to the impact on capital adequacy after allowing for stresses and the impact of the actual dividend being declared. May refer duties, or seek input from the Group Actuarial Committee, where applicable.
	AFS Group Actuarial Committee (GAC)	Committee of the AFS Board. Provides support and assists the ARCC, AFS and entity boards with actuarial and related financial risk matters, capital and liquidity management, without detracting from, or assuming the responsibilities of the ARCC. Also enables the Head of Actuarial Function and Statutory Actuaries to fulfil their professional and statutory duties.
	AFS Sustainability, Social and Ethics Committee (SSEC)	The purpose of the Committee is to specifically monitor the Insurance Group's activities, having regard to any relevant legislation, or prevailing codes of best practice on matters relating to social and economic development; good and responsible corporate citizenship; the environment; health and public safety; labour and employment; conduct and ethics; consumer relationships; stakeholder management and transformation. Monitor implementation of policies that protect the interests of policyholders and other stakeholders.

58. Risk management

58.7 Insurance risk management *continued*

	Committee	Main objectives
Management committees	AFS Insurance Risk Committee (IRC)	A management committee that is responsible for insurance risk oversight and monitoring across the Absa Group, with a particular emphasis on AFS, the regulated insurance group, and associated licensed insurance entities. Agree risk appetite limits for insurance risk and insurance model risk, and monitor adherence thereto. Oversee the relevant Own Risk and Solvency Assessment processes, and capital management. Refresh of relevant Insurance Principal Risk Management Frameworks, and supporting policies.
	Executive Risk Committee (ERC)	Responsible for the oversight of all risks applicable to the business unit. Reviews and monitors the control environment as well as the risk culture of the business unit, monitors the risk profile against the approved appetite, as well as assurance activities.
	Life Insurance Financial and Actuarial Management Committee/Non-Life Financial Risk Committee	These Committees support the management of the relevant business units and Boards of Directors in discharging their responsibility regarding the governing of financial risk, and advise on the management and oversight of financial risk and capital management as a function of the ERC.
	Insurance Governance Control Forum (IGCF)	The role of the IGCF is to provide independent oversight and challenge of the Insurance Risk control environment of all the insurance business units within AFS. The IGCF is established in line with the requirements of the AFS Enterprise Risk Management Framework which requires the Insurance Risk Type Officer to establish a Principal Risk Forum where the effectiveness and the adherence to the IPRMF is monitored and challenged. This is required to enable assurance to be provided to the Insurance Risk Type Officer.

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

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

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

IPRMF and supporting policies

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

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

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

58. Risk management

58.7 Insurance risk management *continued*

Insurance Risk Subtypes

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

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

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

58. Risk management

58.7 Insurance risk management *continued*

Insurance Risk Management Methodology

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

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

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58. Risk management

58.7 Insurance risk management *continued*

Life insurance risks

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

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

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

Underwriting risk

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

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

58. Risk management

58.7 Insurance risk management *continued*

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

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

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

Reinsurance and reinsurer credit risk

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

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

		2024		2023	
Standard and Poor's rating[1]	Description	**Number of reinsurers**	**Total premiums ceded Rm**	Number of reinsurers	Total premiums ceded Rm
AA- and above	Very Strong	**7**	**570**	6	469
A-	Strong	**1**	**181**	1	122
BBB+	Good	**6**	**89**	6	60
Unrated	N/A	**3**	**47**	2	66
Total		**17**	**887**	15	717

1 Long Term Financial Strength International Scale Local Currency Ratings.

The individual ratings of the various reinsurers, knowledge of disputes and collection experience are used to determine the non-performance risk associated with the recognised reinsurance assets.

Reserving risk

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

Assumption risk

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

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

58. Risk management

58.7 Insurance risk management *continued*

Mortality risk

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

Pandemic Risk

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

Lapse risk

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

Expense risk

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

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

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

Retrenchment risk

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

Concentration risk

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

	2024 Total benefits assured					2023 Total benefits assured				
Benefit band per life assured ('000)	**Number of policies**	**Gross of reinsurance Rm**	**%**	**Net of reinsurance Rm**	**%**	Number of policies	Gross of reinsurance Rm	%	Net of reinsurance Rm	%
0 – 250[2]	**3 730 229**	**113 710**	**31**	**103 897**	**35**	4 809 885	136 371	37	124 739	54
250 – 500	**97 257**	**36 123**	**10**	**31 568**	**11**	112 411	37 105	10	30 178	13
500+	**127 721**	**214 752**	**59**	**161 670**	**54**	186 131	196 349	53	74 241	33
	3 955 207	**364 585**	**100**	**297 135**	**100**	5 108 427	369 825	100	229 158	100

2 Active book volumes reduced by **1 079 656 (22%)** (2023: 526 287 (9%)) policies YoY, driven mainly by the cancellation of Cheque Embedded policies in 2024.

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

58. Risk management

58.7 Insurance risk management *continued*

Asset-Liability mismatch risk

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

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

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

Longevity risk

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

Non-life insurance risks

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

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

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

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

Underwriting risk

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

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

58. Risk management

58.7 Insurance risk management *continued*

Reinsurance and reinsurance credit risk

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

- Automatic surplus reinsurance cover which provides protection against significant property related claims. By covering against excessive losses, surplus treaty reinsurance provides security to the company's equity and solvency position when unusual or major events occur.
- Further large loss cover is purchased in the form of risk excess-of-loss cover to protect our net retention.
- Facultative reinsurance cover is bought when a risk exceeds the set underwriting limits.
- Catastrophe Cover is bought to protect the net retention (after surplus and facultative reinsurance) following a catastrophe event. The treaty covers various perils (including Hail, floods and Earthquake), protection is bought in line with the output from catastrophe models that analyse risks at a location level. The Catastrophe Cover purchased covers losses of up to **R4.1bn** (2023: R4.1bn).

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

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

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

		2024		2023	
Standard and Poor's rating[4]	Description	**Number of reinsurers**	**Total premiums ceded Rm**	Number of reinsurers	Total premiums ceded Rm
AA- and above	Very Strong	**7**	**103**	10	103
A-	Strong	**15**	**65**	16	74
BBB+	Good	**3**	**31**	2	16
Unrated	N/A	**–**	**–**	–	–
Total		**25**	**199**	28	193

4 Long Term Financial Strength International Scale Local Currency Ratings.

Reserving risk

Reserving risk refers to the risk of fluctuations in the timing and amount of claim settlements which may result in the estimates of insurance contract liabilities being insufficient. Absa Group typically settles its claims within a period of one year.

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

The best estimate liabilities are then discounted back to the reporting date to reflect the time value of money. A risk adjustment for non-financial risk is added to reflect the compensation required for bearing the uncertainty about the amount and timing of the claims liability cash flows. The risk adjustment for non-life insurance entities is calculated using the confidence interval approach, targeting the 75th percentile. The risk adjustment for non-financial risk is determined by applying bootstrapping techniques on the claim fulfilment cashflows gross of salvages and recoveries. This corresponds to a 75th percentile confidence level. Refer to note 8: Insurance and reinsurance contracts.

The impact of climate change and the associated increase in extreme weather events results in greater uncertainty in the estimation of insurance contract liabilities. The most material impact of weather-related claims throughout the year was observed for AIC, amounting to claims of approximately **R250m** paid in 2024 (2023: R279m).

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58. Risk management
58.7 Insurance risk management *continued*

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

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

	2024		2023	
	Rm	**%**	Rm	%
South Africa[5]				
Johannesburg	**232 309**	**21**	227 874	28
Cape Town	**125 504**	**11**	123 343	15
Pretoria	**123 099**	**11**	121 356	15
KwaZulu Natal	**83 870**	**7**	83 088	10
Others	**278 890**	**25**	256 479	32
Total South Africa	**843 672**	**75**	812 140	100
ARO				
Mozambique	**223 526**	**20**	46 664	51
Kenya	**60 101**	**5**	45 583	49
Total ARO	**283 627**	**25**	92 247	100
TOTAL	**1 127 299**	**100**	904 387	

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

The maximum expected loss for a one in 250-year event is a loss of **R2.7bn** (2023: R2.7bn). Catastrophe cover is purchased to cover losses up to **R4.1bn** (2023: R4.1bn).

Insurance risks applicable to both life and non-life insurance
Sensitivity analyses on assumptions

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

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

Non-life entities' contracts are measured using the PAA, resulting in no impact on CSM.

58. Risk management

58.7 Insurance risk management *continued*

Underwriting risk

	2024					
	CSM		Profit or loss		Equity	
	Gross Rm	Net Rm	Gross Rm	Net Rm	Gross Rm	Net Rm
Life risk						
Mortality rates (1% increase)	**(101)**	**(73)**	**(20)**	**(20)**	**(20)**	**(20)**
Mortality rates (1% decrease)	**102**	**72**	**19**	**19**	**19**	**19**
Morbidity rate (1% increase)	**(10)**	**(7)**	**(3)**	**(3)**	**(3)**	**(3)**
Morbidity rates (1% decrease)	**10**	**7**	**3**	**3**	**3**	**3**
Expenses (5% increase)	**(97)**	**(96)**	**(30)**	**(30)**	**(30)**	**(30)**
Expenses (5% decrease)	**97**	**97**	**30**	**30**	**30**	**30**
Lapse rates (5% increase)	**(193)**	**(185)**	**9**	**9**	**9**	**9**
Lapse rates (5% decrease)	**205**	**197**	**(10)**	**(10)**	**(10)**	**(10)**
Non – life						
Ultimate claims (5% increase)	**N/A**	**N/A**	**(39)**	**(31)**	**(39)**	**(31)**
Ultimate claims (5% decrease)	**N/A**	**N/A**	**39**	**31**	**39**	**31**

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

Interest Rate Risk

Sensitivity analysis

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

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

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

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

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for the reporting period ended 31 December

58. Risk management

58.7 Insurance risk management *continued*

	2024					
	CSM		Profit or loss		Equity	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
Interest rates (0.5% parallel shift)	**(45)**	**49**	**(2)**	**2**	**210**	**(211)**

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

Liquidity risk

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

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

Maturity analyses

The following table provides a maturity analysis of the group's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur.

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

58. Risk management

58.7 Insurance risk management *continued*

Group

	2024 Estimates of present value of future cash flows						
	1 year or less Rm	1-2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Insurance Contracts							
Assets	**829**	**773**	**609**	**499**	**402**	**2 502**	**5 614**
Liabilities	**(1 501)**	**706**	**500**	**(91)**	**(269)**	**631**	**(24)**
	(672)	**1 479**	**1 109**	**408**	**133**	**3 133**	**5 590**
Reinsurance contracts							
Assets	**247**	**5**	**(2)**	**(16)**	**(14)**	**(159)**	**61**
Liabilities	**(74)**	**(37)**	**(29)**	**(24)**	**(19)**	**(143)**	**(326)**
	173	**(32)**	**(31)**	**(40)**	**(33)**	**(302)**	**(265)**

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

58. Risk management

58.7 Insurance risk management *continued*

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

	2024		2023	
	Amounts payable on demand Rm	**Carrying amount Rm**	Amount payable on demand Rm	Carrying amount Rm
Life savings contracts	**2 265**	**2 506**	1 853	2 043

Absa Vehicle Management Solutions

The interest rate sensitivity analyses, liquidity maturity analyses and liquidity on demand disclosures include figures from Absa Vehicle Management Solutions (AVMS) in line with the requirements of IFRS17, which may include non-insurance operations in line with the definitions set out in the Standard.

AVMS is not a regulated insurer and falls outside the scope of the IPRMF requirements. The entity does not manage its risks in alignment with the practices of regulated insurance entities within the Group.

While AVMS is not subject to the IPRMF or regulatory requirements for insurers, it has established processes to effectively manage capital, market, interest rate, credit and liquidity risk in line with Absa Group Limited's Enterprise Risk Management Framework.

Insurance-related investment risks

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

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

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

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

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

58. Risk management

58.7 Insurance risk management *continued*

Capital management for regulated insurance entities

Regulatory capital

The Solvency Assessment Management (SAM) regime is a risk-based regulatory and solvency regime, prescribed by the Insurance Act of 2017, and applies to regulated insurance entities and insurance groups. Absa Financial Services entities' liabilities, capital and solvency positions will continue to be reported under parallel processes accordingly.

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

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

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

Solvency position (unaudited)

The table below shows the regulatory capital position for the solo insurance entities as at 31 December 2024. The regulatory capital cover of South African entities take into account foreseeable dividends.

Entity	Country	Type	Solo in-country regulatory capital cover 2024	Solo in-country regulatory capital cover 2023
Absa Life	South Africa	Life Insurance	**1.42**	1.42
AIC	South Africa	Non-life Insurance	**1.52**	1.61
AIRMS	South Africa	Non-life Insurance	**2.57**	2.84
ARTIC	South Africa	Non-life Insurance	**1.57**	N/A
ALB	Botswana	Life Insurance	**3.95**	3.63
ALZ	Zambia	Life Insurance	**2.68**	1.84
ALAK	Kenya	Life Insurance	**1.41**	2.98
FAK	Kenya	Non-life Insurance	**1.03**	1.40
GAM	Mozambique	Composite insurance	**4.10**	4.15

The audited SAM solvency position for AFS as an insurance group as at 31 December 2024 will be submitted to the regulator by 30 April 2025. AFS is solvent as at 31 December 2024, with an unaudited capital cover of **1.33** before foreseeable dividends (31 December 2023: 1.36).

58. Risk management *continued*

58.8 Foreign Exchange and Inflation Risk

58.8.1 Foreign exchange risk

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

Transactional foreign exchange risk

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

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

Foreign currency translation sensitivity analysis

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

Functional foreign currency

	Group			
	2024		2023	
	Foreign currency net investment Rm	**Impact on equity from 5% currency translation shock Rm**	Foreign currency net investment Rm	Impact on equity from 5% currency translation shock Rm
Botswana pula	**4 510**	**226**	4 215	211
Ghana cedi	**5 734**	**287**	4 920	246
Kenya shilling	**12 385**	**619**	8 120	406
Mauritian rupee	**1 684**	**84**	1 596	80
Mozambican metical	**3 440**	**172**	2 972	149
Namibian dollar	**2**	**–**	3	–
Nigerian naira	**33**	**2**	15	1
Seychelles rupee	**1 131**	**57**	1 053	53
Pound sterling	**1 079**	**54**	835	42
Tanzanian shilling	**6 068**	**303**	4 563	228
Uganda shilling	**4 323**	**216**	3 892	195
United States dollar	**8 400**	**420**	7 069	353
Zambia kwacha	**3 566**	**178**	3 041	152
	52 355	**2 618**	42 294	2 116

The exchange rate used to convert Absa Bank of Ghana balances at year end was **1.24GHS** (2023: 0.65GHS) as this was determined to be the rate the Group would be able to access on repatriation of funds to South Africa.

58. Risk management

58.8 Foreign Exchange and Inflation Risk *continued*

58.8.2 Impact of hyperinflation

The Ghanaian economy was assessed to be hyperinflationary for the periods ending 31 December 2024 and 31 December 2023, and hyperinflation accounting has been applied for the respective periods. Accordingly, the results, cash flows and financial position of the Group's subsidiary, Absa Bank Ghana have been expressed in terms of the measuring unit current at the reporting date.

The hyperinflation impact reduced the Group's profit after tax by **R653m** (2023: R403 million). The consumer price indices (which represent the general price indices), as published by the Ghana Statistical Services, were used in adjusting the historic cost local currency results and financial positions of the Group's Ghanaian subsidiary. The consumer price index for the current year was **248.34** (2023: 200.50). A movement in CPI for the current reporting period of **23.9%** (2023: 23.2%) was applied to restate the results of Absa Bank Ghana. As at 31 December 2024, the cumulative three-year inflation rate was **135%** (2023: 114%).

59. Going concern

The Directors assess the Group's future performance and financial position on an ongoing basis and have no reason to believe that the Group will not be a going concern in the reporting period ahead. For this reason, these consolidated financial statements are prepared on a going concern basis.

60. Events after the reporting period

The Group has assessed the impact of the announcement made on the 5 December 2024 to combine Product Solutions Cluster, Everyday Banking and Private Wealth Banking into a single business unit – Retail SA – to improve the Group's ability to deliver client value, particularly distribution of value-added services and insurance products across a large customer base. The changes are effective from 1 January 2025, and therefore do not affect the Group's Segment reporting and Related parties disclosures in its financial results for the annual reporting period ended 31 December 2024. The impact of this announcement on segment reporting for the year ended 31 December 2025 is in the process of being determined.

Since the start of 2025 there has been increasing volatility in geopolitics which has resulted in shifts in global domestic and foreign policy. This has heightened uncertainty and could have a wide range of direct and indirect ramifications. Global trade developments and pressure on aid spending are expected to impact on the markets, outlooks and expectations of the countries in which the Group operates. This situation will be closely monitored and assessed for its impact on the business.

Other than the aforementioned, the directors are not aware of any events (as defined per IAS10 Events after the Reporting Period) after the reporting date of 31 December 2024 and the date of authorisation of these annual consolidated financial statements.

61. Directors' and prescribed officers' remuneration

The Group Remuneration Committee's (RemCo) mandate includes ensuring that reward practices are aligned with shareholder interests, both in the performance of our employees and the values they uphold.

The Group strives to promote reward practices that foster sustainable high performance and accordingly, the Group rewards both short and longer term performance. All elements of remuneration are benchmarked against the market, as well as local and international best practice.

The RemCo reviews executive director and prescribed officer performance against a balanced scorecard of objectives, which ensures rigorous focus on business imperatives including, importantly, financial performance. The outcomes of this are a primary input to variable remuneration decisions. Risk management is carefully considered.

The Group's remuneration approach complies with the regulatory and statutory provisions relating to remuneration governance, in all the countries where the Group operates and in accordance with relevant requirements in Africa and other relevant jurisdictions in which we conduct business operations.

61. Directors' and prescribed officers' remuneration *continued*

Combined tables for 2024 total remuneration

Executive directors

Awarded Remuneration	Charles Russon 2024 R	Charles Russon 2023 R	Deon Raju 2024 R	Deon Raju 2023 R
Salary	**6 456 843**	6 142 498	**4 314 159**	
Medical Aid	**245 940**	226 272	**88 935**	
Retirement benefits	**196 856**	197 595	**133 016**	
Other employee benefits	**72 606**	71 135	**49 546**	
Total fixed remuneration	**6 972 245**	6 637 500	**4 585 656**	
Cash award	**7 250 000**	7 000 000	**3 750 000**	
Deferred share award	**6 250 000**	6 000 000	**2 750 000**	
Total short-term incentives	**13 500 000**	13 000 000	**6 500 000**	
Face value of long term incentive award (on-target award)	**15 000 000**	12 000 000	**11 000 000**	
Total awarded remuneration	**35 472 245**	31 637 500	**22 085 656**	

The cash award is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2024 and March 2025 in respect of prior year performance.

The deferred share award is the portion of the short-term incentive award that is subject to deferral into Absa Group shares on 50% of the portion that exceeds R1m. Deferred awards were granted in April 2024 for the 2023 short-term incentive award, and will be granted in April 2025 for 2024 performance.

Short-term incentives are not defined as incentives that are settled in the next 12 months after the reporting period, but rather represent the category of performance-based awards (comprising a cash payment and a deferred award) per the Group's remuneration policy, to which no future performance targets apply. The only conditions attached to deferred short-term incentives relate to the continued service requirements over the vesting period (three years).

The long-term incentives relate to awards which have future Group performance criteria that will determine the final vesting outcome, in addition to a continued service condition. This is the 'on-target' value of the award.

Other employee benefits include any encashment of leave.

Total awarded remuneration for 2024 includes the fixed remuneration paid during 2024, the total short-term incentive in respect of prior year performance (consisting of a cash award paid in March 2025 and a deferred share award to be granted in April 2025), and the face value of the long-term incentive to be granted in April 2025. Amounts disclosed in 2023 follow the same principle. See notes below regarding the pro-ration of fixed remuneration for individuals who were not in their roles for the full year.

Charles Russon was appointed as Interim Group Chief Executive Officer and executive director on 15 October 2024, prior to which he was a prescribed officer for 2023 and from 1 January to 14 October 2024. His fixed remuneration is disclosed for the full period in the Executive Directors' Remuneration tables.

Deon Raju was appointed as Group Financial Director and executive director on 26 April 2024. His remuneration disclosures for 2024 are set out in this table. His fixed remuneration is pro-rated for the period served as an executive director, with the short-term incentive and long-term incentive awards shown at full value. The short-term incentive therefore also includes a portion of the total award made in respect of his role as Group Chief Risk Officer, from 1 January 2024 to 25 April 2024

Arrie Rautenbach ceased to be Group Chief Executive Officer and executive director on 15 October 2024. His remuneration disclosures for 2024 are all set out in this table. His fixed remuneration is pro-rated for the period served as an executive director during 2024, and no short-term incentive and long-term incentive awards were granted to him.

Christopher Snyman was the Interim Group Financial Director and executive director from 22 November 2023 to 26 April 2024. His remuneration disclosures for 2023 and 2024 are set out in this table. His fixed remuneration is pro-rated for the period served as an executive director during 2023 and 2024, with the short-term incentive and long-term incentive awards shown at full value. The short-term incentive in both 2023 and 2024 therefore also includes a portion of the award in each year for his role as Head of Group Financial Decision Support, which was neither an executive director nor a prescribed officer role.

Jason Quinn ceased to be Group Financial Director and executive director on 22 November 2023, and his fixed remuneration was pro-rated for the time served as an executive director during 2023. No short-term incentive and long-term incentive awards were granted to him in respect of this period.

61. Directors' and prescribed officers' remuneration *continued*

Arrie Rautenbach		Christopher Snyman		Jason Quinn		Total	
2024 R	2023 R	**2024 R**	2023 R	**2024 R**	2023 R	**2024 R**	2023 R
8 048 346	9 794 398	**1 098 179**	357 333		5 853 292	**19 917 527**	22 147 521
155 450	180 960	**42 108**	12 691		119 494	**532 433**	539 417
149 164	189 634	**65 682**	21 524		444 457	**544 718**	853 210
91 170	269 994	**13 198**	4 286		69 424	**226 520**	414 839
8 444 130	10 434 986	**1 219 167**	395 834		6 486 667	**21 221 198**	23 954 987
	6 800 000	**2 900 000**	2 625 000			**13 900 000**	16 425 000
	5 800 000	**1 900 000**	1 625 000			**10 900 000**	13 425 000
	12 600 000	**4 800 000**	4 250 000			**24 800 000**	29 850 000
	17 000 000	**5 000 000**	5 000 000			**31 000 000**	34 000 000
8 444 130	40 034 986	**11 019 167**	9 645 834		6 486 667	**77 021 198**	87 804 987

61. Directors' and prescribed officers' remuneration *continued*

Combined tables for 2024 total remuneration

Prescribed officers

Awarded Remuneration	Christine Wu 2024 R	Christine Wu 2023 R	Faisal Mkhize 2024 R	Faisal Mkhize 2023 R	Geoffrey Lee 2024 R	Geoffrey Lee 2023 R
Salary	**3 432 613**		**5 290 586**	5 150 753	**5 388 968**	5 251 388
Medical Aid			**162 101**	124 676	**270 360**	237 456
Retirement benefits	**255 463**		**405 801**	393 982	**199 160**	199 537
Other employee benefits	**46 640**		**64 012**	345 933	**64 012**	61 619
Total fixed remuneration	**3 734 716**		**5 922 500**	6 015 344	**5 922 500**	5 750 000
Cash award	**2 600 000**		**2 875 000**	2 875 000	**3 610 000**	3 139 250
Deferred share award	**1 600 000**		**1 875 000**	1 875 000	**2 610 000**	2 139 250
Total short-term incentives	**4 200 000**		**4 750 000**	4 750 000	**6 220 000**	5 278 500
Face value of long term incentive award (on-target award)	**8 500 000**		**8 500 000**	7 500 000	**8 500 000**	9 500 000
Other payments						
Total awarded remuneration	**16 434 716**		**19 172 500**	18 265 344	**20 642 500**	20 528 500

The cash award is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2024 and March 2025 in respect of prior year performance.

The deferred share award is the portion of the short-term incentive award that is subject to deferral into Absa Group shares on 50% of the portion that exceeds R1m. Deferred awards were granted in April 2024 for the 2023 short-term incentive award, and will be granted in April 2025 for 2024 performance.

Short-term incentives are not defined as incentives that are settled in the next 12 months after the reporting period, but rather represent the category of performance-based awards (comprising a cash payment and a deferred award) per the Group's remuneration policy, to which no future performance targets apply. The only conditions attached to deferred short-term incentives relate to the continued service requirements over the vesting period (three years).

The long-term incentives relate to awards which have future Group performance criteria that will determine the final vesting outcome, in addition to a continued service condition. This is the 'on-target' value of the award.

Total awarded remuneration for 2024 includes the fixed remuneration paid during 2024, the total short-term incentive award in respect of prior year performance (consisting of a cash award paid in March 2025 and a deferred share award granted in April 2025), and the face value of the long-term incentive award to be granted in April 2025. Amounts disclosed in 2023 follow the same principle. See notes on the right regarding the pro-ration of fixed remuneration for individuals who were not in their roles for the full year.

Christine Wu was appointed as Chief Executive: Everyday Banking and prescribed officer on 26 April 2024, and Yasmin Masithela was appointed as Interim Chief Executive: Corporate and Investment Banking and prescribed officer on 15 October 2024. Their remuneration disclosures for 2024 are set out in the Prescribed Officers' Remuneration tables. Their fixed remuneration is pro-rated for the period served as prescribed officers during 2024, with the short-term incentive and long-term incentive awards shown at full value. Their short-term incentives therefore include a portion of the award for their performance, respectively, as Managing Executive: Consumer Products, and Managing Executive: Transactional Banking. Neither of these roles were prescribed officer roles.

Saviour Chibiya's fixed remuneration reflects a year-on-year variability, primarily due to fluctuations in foreign exchange rates. The partial payment of fixed remuneration in South Africa (8 months) and in Zambia (4 months) for 2023 compared to 2024 full fixed remuneration paid in Zambia also contributed to this variability. His expatriate benefits have been included under 'Other payments' for the prior year. Saviour's 2023 awarded remuneration has also been updated to include an additional long-term incentive award of R4m, received in September 2024, after the publication of the 2023 Annual Financial Statements and 2023 Remuneration Report.

Cowyk Fox ceased to be Chief Executive: Everyday Banking and prescribed officer on 22 April 2024. His fixed remuneration is pro-rated for the period served as prescribed officer during 2024, and no short-term incentive and long-term incentive award were granted to him.

61. Directors' and prescribed officers' remuneration *continued*

Saviour Chibiya		Yasmin Masithela		Cowyk Fox		Total	
2024 R	2023 R	**2024 R**	2023 R	**2024 R**	2023 R	**2024 R**	2023 R
3 403 037	4 067 915	**1 320 277**		**1 573 564**	5 055 165	**20 409 045**	19 525 221
463 636	101 941	**36 585**		**30 613**	101 840	**963 295**	565 913
486 264	383 281	**41 957**		**62 078**	199 537	**1 450 723**	1 176 337
1 757 638	681 465	**13 414**		**19 339**	392 859	**1 965 055**	1 481 876
6 110 576	5 234 602	**1 412 233**		**1 685 594**	5 749 401	**24 788 119**	22 749 347
3 250 000	3 250 000	**6 600 000**			2 516 000	**18 935 000**	11 780 250
2 250 000	2 250 000	**5 600 000**			1 516 000	**13 935 000**	7 780 250
5 500 000	5 500 000	**12 200 000**			4 032 000	**32 870 000**	19 560 500
8 500 000	8 500 000	**6 500 000**			4 500 000	**40 500 000**	30 000 000
	773 373						773 373
20 110 576	20 007 975	**20 112 233**		**1 685 594**	14 281 401	**98 158 119**	73 083 220

61. Directors' and prescribed officers' remuneration *continued*

Outstanding share-based long-term incentives

The table below outlines share-based and long-term incentive awards (awarded in respect of performance in a prior period).

	Group 2024			
Executive directors	**Number of shares under award at 1 January 2024**	**Number of shares/ Trust units awarded during 2024**	Share price/ Unit value on award R	**Number of shares/ cash released/ during 2024**
Charles Russon				
Share incentive plan deferral 2021 – 2024	**10 463**			**10 463**
Long-term incentive award 2019	**4 187**			**4 187**
Share incentive plan performance 2020	**45 371**			**22 685**
Share incentive plan performance 2021	**54 927**			**17 192**
Share incentive plan deferral 2022 – 2025	**21 315**			**10 657**
Share incentive plan performance 2022	**55 604**			
Share incentive plan deferral 2023 – 2026	**35 862**			**11 954**
Share incentive plan performance 2023	**60 689**			
Absa eKhaya Colleague Share Scheme 2023 – 2028	**860**			
Share incentive plan deferral 2024 – 2027		**38 839**	154.48	
Share incentive plan performance 2024		**77 679**	154.48	
Total	**289 278**	**116 518**		**77 138**
Deon Raju				
Share incentive plan deferral 2021 – 2024	**980**			**980**
Share incentive plan performance 2021	**31 387**			**29 472**
Share incentive plan deferral 2022 – 2025	**10 379**			**5 190**
Share incentive plan performance 2022	**44 483**			
Share incentive plan deferral 2023 – 2026	**16 551**			**5 517**
Share incentive plan performance 2023	**46 896**			
Absa eKhaya Colleague Share Scheme 2023 – 2028	**1 032**			
Share incentive plan deferral 2024 – 2027		**12 807**	154.48	
Share incentive plan performance (Apr) 2024		**55 023**	154.48	
Share incentive plan performance (Sept) 2024		**12 421**	161.01	
Total	**151 708**	**80 251**		**41 159**

61. Directors' and prescribed officers' remuneration *continued*

Group
2024

Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	**Number of shares/ options lapsed (forfeited) in 2024**	**Number of shares/ Trust units under award/ option at 31 December 2024**	End of performance period	Last scheduled vesting date	Fair Value of unvested awards at 31 December 2024 R
145.68	1 524 250	264 701	–	–	2024/04/02	2024/04/02	–
153.07	640 904	224 248	–	–	2024/03/18	2024/03/18	–
145.68	3 304 751	862 717	–	**22 686**	2025/04/01	2025/04/01	4 304 669
145.68	2 504 531	435 000	**3 351**	**34 384**	2026/04/01	2026/04/01	6 524 364
145.68	1 552 512	231 194	–	**10 658**	2025/04/01	2025/04/01	2 022 356
				55 604	2025/04/01	2025/04/01	10 550 859
145.68	1 741 459	136 211	–	**23 908**	2026/04/01	2026/04/01	4 536 543
				60 689	2026/04/01	2026/04/01	11 515 738
				860	2028/09/01	2028/09/01	81 511
				38 839	2027/04/01	2027/04/01	7 369 700
				77 679	2027/04/01	2027/04/01	14 739 590
	11 268 407	2 154 071	**3 351**	**325 307**			61 645 330
145.68	142 766	24 766	–	–	2024/04/02	2024/04/02	–
145.68	4 293 481	745 736	**1 915**	–	2024/04/02	2024/04/02	–
145.68	756 079	112 465	–	**5 189**	2025/04/01	2025/04/01	984 613
				44 483	2025/04/01	2025/04/01	8 440 649
145.68	803 717	62 788	–	**11 034**	2026/04/01	2026/04/01	2 093 702
				46 896	2026/04/01	2026/04/01	8 898 516
				1 032	2028/09/01	2028/09/01	97 813
				12 807	2027/04/01	2027/04/01	2 430 128
				55 023	2027/04/01	2027/04/01	10 440 614
				12 421	2027/09/01	2027/09/01	2 356 885
	5 996 043	945 755	**1 915**	**188 885**			35 742 920

61. Directors' and prescribed officers' remuneration *continued*

Outstanding share-based long-term incentives

The table below outlines share-based and long-term incentive awards (awarded in respect of performance in a prior period).

	Group 2024			
Executive directors	**Number of shares under award at 1 January 2024**	**Number of shares/ Trust units awarded during 2024**	Share price/ Unit value on award R	**Number of shares/ cash released/ during 2024**
Arrie Rautenbach				
Share incentive plan deferral 2021 – 2024	**12 554**	–	–	**12 554**
Long-term incentive award 2019	**6 131**	–	–	**6 131**
Share incentive plan performance 2020	**59 503**	–	–	**29 751**
Share incentive plan performance 2021	**80 430**	–	–	**25 174**
Share incentive plan deferral 2022 – 2025	**21 315**	–	–	**10 657**
Share incentive plan performance 2022	**94 528**	–	–	
Share incentive plan deferral 2023 – 2026	**48 275**	–	–	**16 092**
Share incentive plan performance 2023	**93 793**	–	–	
Absa eKhaya Colleague Share Scheme 2023 – 2028	**860**	–	–	
Share incentive plan deferral 2024 – 2027		**37 545**	154.48	
Share incentive plan performance 2024		**110 046**	154.48	
Total	**417 389**	**147 591**		**100 359**
Christopher Snyman				
Share incentive plan deferral 2021 – 2024	**393**			**393**
Share incentive plan performance 2021	**25 894**			**24 314**
Share incentive plan deferral 2022 – 2025	**4 448**			**2 224**
Share incentive plan performance 2022	**18 271**			
Share incentive plan deferral 2023 – 2026	**8 275**			**2 758**
Share incentive plan performance 2023	**19 304**			
Absa eKhaya Colleague Share Scheme 2023 – 2028	**860**			
Share incentive plan deferral 2024 – 2027		**10 519**	154.48	
Share incentive plan performance 2024		**32 366**	154.48	
Total	**77 445**	**42 885**		**29 689**

Charles Russon's outstanding share-based long-term awards include awards received prior to his appointment as Interim Group Chief Executive Officer and executive director on 15 October 2024, prior to which he was a prescribed officer for 2023 and from 1 January to 14 October 2024. The last tranche of his 2021 share-based long-term incentive award is due to vest in 2026.

Deon Raju`s outstanding share-based long-term incentive awards include awards received prior to his appointment as Group Financial Director and executive director on 26 April 2024.

Arrie Rautenbach's outstanding share-based long-term awards include awards received prior to his appointment as Group Chief Executive Officer and executive director on 29 March 2022.

Christopher Snyman's outstanding share-based long-term incentive awards include awards received prior to his appointment as Interim Group Financial Director and executive director between 22 November 2023 to 26 April 2024.

Christopher Snyman's and Deon Raju`s 2021 to 2024 Share Incentive Plan Performance awards will vest after a period of three years. The number of shares to vest will be based on the measurement of the predetermined performance conditions linked to the Performance awards.

The number of shares that vested was based on the measurement of the predetermined performance conditions linked to the Share Incentive Plan Performance awards.

61. Directors' and prescribed officers' remuneration *continued*

Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/ options lapsed (forfeited) in 2024	Number of shares/ Trust units under award/ option at 31 December 2024	End of performance period	Last scheduled vesting date	Fair Value of unvested awards at 31 December 2024 R
			Group 2024				
145.68	1 828 867	317 582	**–**	**–**	2024/04/02	2024/04/02	–
153.07	938 472	328 335	**–**	**–**	2024/03/18	2024/03/18	–
145.68	4 334 126	1 131 497	**–**	**29 752**	2025/04/01	2025/04/01	5 645 442
145.68	3 667 348	637 059	**4 908**	**50 348**	2026/04/01	2026/04/01	9 553 533
145.68	1 552 512	231 194	**–**	**10 658**	2025/04/01	2025/04/01	2 022 356
			–	**94 528**	2025/04/01	2025/04/01	17 936 688
145.68	2 344 283	183 411	**–**	**32 183**	2026/04/01	2026/04/01	6 106 724
				93 793	2026/04/01	2026/04/01	17 797 222
				860	2028/09/01	2028/09/01	81 511
				37 545	2027/04/01	2027/04/01	7 124 164
				110 046	2027/04/01	2027/04/01	20 881 229
	14 665 608	2 829 078	**4 908**	**459 713**			87 148 869
145.68	57 252	9 906	**–**	**–**	2024/04/02	2024/04/02	–
145.68	3 542 064	615 207	**1 580**	**–**	2024/04/02	2024/04/02	–
145.68	323 992	48 220	**–**	**2 224**	2025/04/01	2025/04/01	422 004
				18 271	2025/04/01	2025/04/01	3 466 922
145.68	401 785	31 321	**–**	**5 517**	2026/04/01	2026/04/01	1 046 851
				19 304	2026/04/01	2026/04/01	3 662 934
				860	2028/09/01	2028/09/01	81 511
				10 519	2027/04/01	2027/04/01	1 995 980
				32 366	2027/04/01	2027/04/01	6 141 449
	4 325 093	704 654	**1 580**	**89 061**			16 817 651

For all individuals who were executive directors at the time of granting the 2020 and 2021 Share Incentive Plan Performance awards, the awards vested over a five year period. The number of shares that vested was based on the measurement of the predetermined performance conditions linked to the Performance awards. For all executive directors, the 2022, 2023 and 2024 Share Incentive Plan Performance awards will vest over a three year period. This is aligned to a RemCo-approved amendment to the remuneration framework for improved alignment to market practice.

On 1 September 2023, Absa implemented a B-BBEE transaction and staff incentivisation scheme, the Absa eKhaya Colleague Share Scheme, with awards in the form of Trust units (and corresponding Allocated Scheme Shares) made to eligible employees. The scheme will run over a period of five years.

The fair value of the awards is calculated based on the number of shares multiplied by the closing share price (R189.75), or the Trust Unit value (R94.78) in the case of eKhaya, on 31 December 2024. For the 2022 to 2024 Share Incentive Plan Performance awards, the fair value is calculated prior to the application of Group performance conditions, which will be tested at the end of the relevant performance period to determine the vesting outcome. Dividend equivalents may apply at the time of vesting on the number of shares that vest.

61. Directors' and prescribed officers' remuneration *continued*

Outstanding share-based long-term incentives

	Group 2024			
Prescribed officers	Number of shares under award at 1 January 2024	Number of shares/ Trust units awarded during 2024	Share price/ Unit value on award R	Number of shares/ cash released/ during 2024
Christine Wu				
Share incentive plan deferral 2021 – 2024	1 307			1 307
Share incentive plan performance 2021	30 602			28 735
Share incentive plan deferral 2022 – 2025	5 319			2 660
Share incentive plan performance 2022	22 241			
Share incentive plan deferral 2023 – 2026	8 984			2 995
Share incentive plan performance 2023	22 344			
Absa eKhaya Colleague Share Scheme 2023 – 2028	1 032			
Share incentive plan deferral 2024 – 2027		5 858	154.48	
Share incentive plan performance (April) 2024		29 129	154.48	
Share incentive plan performance (Sept) 2024		24 843	161.01	
Total	**91 829**	**59 830**		**35 697**
Faisal Mkhize				
Share incentive plan deferral 2021 – 2024	1 046			1 046
Share incentive plan performance 2021	26 679			25 051
Share incentive plan deferral 2022 – 2025	5 560			2 780
Share incentive plan performance (April) 2022	22 241			
Share incentive plan performance (Sept) 2022	24 536			
Share incentive plan deferral 2023 – 2026	16 551			5 517
Share incentive plan performance 2023	46 896			
Absa eKhaya Colleague Share Scheme 2023 – 2028	1 032			
Share incentive plan deferral 2024 – 2027		12 137	154.48	
Share incentive plan performance 2024		48 549	154.48	
Total	**144 541**	**60 686**		**34 394**

61. Directors' and prescribed officers' remuneration *continued*

			Group 2024				
Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	**Number of shares/ options lapsed (forfeited) in 2024**	**Number of shares/ Trust units under award/ option at 31 December 2024**	End of performance period	Last scheduled vesting date	Fair Value of unvested awards at 31 December 2024 R
145.68	190 404	33 069	**–**	**–**	2024/04/02	2024/04/02	–
145.68	4 186 115	727 089	**1 867**	**–**	2024/04/02	2024/04/02	–
145.68	387 509	57 689	**–**	**2 659**	2025/04/01	2025/04/01	504 545
				22 241	2025/04/01	2025/04/01	4 220 230
145.68	436 312	34 089	**–**	**5 989**	2026/04/01	2026/04/01	1 136 413
				22 344	2026/04/01	2026/04/01	4 239 774
				1 032	2028/09/01	2028/09/01	97 813
				5 858	2027/04/01	2027/04/01	1 111 556
				29 129	2027/04/01	2027/04/01	5 527 228
				24 843	2027/09/01	2027/09/01	4 713 959
	5 200 340	851 936	**1 867**	**114 095**			21 551 518
145.68	152 381	26 368	**–**	**–**	2024/04/02	2024/04/02	–
145.68	3 649 430	633 854	**1 628**	**–**	2024/04/02	2024/04/02	–
145.68	404 990	60 166	**–**	**2 780**	2025/04/01	2025/04/01	527 505
				22 241	2025/04/01	2025/04/01	4 220 230
				24 536	2025/09/01	2025/09/01	4 655 706
145.68	803 717	62 788		**11 034**	2026/04/01	2026/04/01	2 093 702
				46 896	2026/04/01	2026/04/01	8 898 516
				1 032	2028/09/01	2028/09/01	97 813
				12 137	2027/04/01	2027/04/01	2 302 996
				48 549	2027/04/01	2027/04/01	9 212 173
	5 010 518	783 176	**1 628**	**169 205**			32 008 641

61. Directors' and prescribed officers' remuneration *continued*

Outstanding share-based long-term incentives

	Group 2024			
Prescribed officers	**Number of shares under award at 1 January 2024**	**Number of shares/ Trust units awarded during 2024**	Share price/ Unit value on award R	**Number of shares/ cash released/ during 2024**
Geoffrey Lee				
Share incentive plan deferral 2021 – 2024	**1 307**			**1 307**
Share incentive plan performance 2021	**26 679**			**25 051**
Share incentive plan deferral 2022 – 2025	**6 487**			**3 243**
Share incentive plan performance (April) 2022	**22 241**			
Share incentive plan performance (Sept) 2022	**24 536**			
Share incentive plan deferral 2023 – 2026	**16 551**			**5 517**
Share incentive plan performance 2023	**46 896**			
Absa eKhaya Colleague Share Scheme 2023 – 2028	**860**			
Share incentive plan deferral 2024 – 2027		**13 848**	154.48	
Share incentive plan performance (Apr) 2024		**61 496**	154.48	
Total	**145 557**	**75 344**		**35 118**
Saviour Chibiya				
Share incentive plan notional deferral 2021 – 2024	**1 439**			**1 439**
Share incentive plan notional performance 2021	**30 602**			**28 735**
Share incentive plan notional deferral 2022 – 2025	**7 413**			**3 707**
Share incentive plan notional performance 2022	**33 362**			
Share incentive plan notional deferral 2023 – 2026	**16 551**			**5 517**
Share incentive plan notional performance 2023	**46 896**			
Absa eKhaya Colleague Share Scheme: Phantom award (Zambia) 2023 – 2028	**860**			
Share incentive plan notional deferral 2024 – 2027	–	**14 564**	154.48	
Share incentive plan notional performance (Apr) 2024	–	**29 129**	154.48	
Share incentive plan notional performance (Sept) 2024	–	**24 843**	161.01	
Total	**137 123**	**68 536**		**39 398**

Notes to the consolidated financial statements
for the reporting period ended 31 December

61. Directors' and prescribed officers' remuneration *continued*

			Group 2024				
Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/ options lapsed (forfeited) in 2024	Number of shares/ Trust units under award/ option at 31 December 2024	End of performance period	Last scheduled vesting date	Fair Value of unvested awards at 31 December 2024 R
145.68	190 404	33 069	–	–	2024/04/02	2024/04/02	–
145.68	3 649 430	633 854	1 628	–	2024/04/02	2024/04/02	–
145.68	472 440	70 218	–	3 244	2025/04/01	2025/04/01	615 549
				22 241	2025/04/01	2025/04/01	4 220 230
				24 536	2025/09/01	2025/09/01	4 655 706
145.68	803 717	62 788		11 034	2026/04/01	2026/04/01	2 093 702
				46 896	2026/04/01	2026/04/01	8 898 516
				860	2028/09/01	2028/09/01	81 511
				13 848	2027/04/01	2027/04/01	2 627 658
				61 496	2027/04/01	2027/04/01	11 668 866
	5 115 991	799 929	1 628	184 155			34 861 738
145.68	209 634	36 274	–	–	2024/04/02	2024/04/02	–
145.68	4 186 115	727 089	1 867	–	2024/04/02	2024/04/02	–
145.68	540 036	80 415	–	3 706	2025/04/01	2025/04/01	703 214
				33 362	2025/04/01	2025/04/01	6 330 440
145.68	803 717	62 788	–	11 034	2026/04/01	2026/04/01	2 093 702
				46 896	2026/04/01	2026/04/01	8 898 516
				860	2028/09/01	2028/09/01	81 511
				14 564	2027/04/01	2027/04/01	2 763 519
				29 129	2027/04/01	2027/04/01	5 527 228
				24 843	2027/09/01	2027/09/01	4 713 959
	5 739 502	906 566	1 867	164 394			31 112 089

61. Directors' and prescribed officers' remuneration *continued*

Outstanding share-based long-term incentives

	Group 2024			
Prescribed officers	**Number of shares under award at 1 January 2024**	**Number of shares/ Trust units awarded during 2024**	Share price/ Unit value on award R	**Number of shares/ cash released/ during 2024**
Yasmin Masithela				
Share incentive plan deferral 2021 – 2024	**850**			**850**
Share incentive plan performance 2021	**31 387**			**29 472**
Share incentive plan deferral 2022 – 2025	**15 199**			**7 599**
Share incentive plan performance 2022	**22 241**			
Share incentive plan deferral 2023 – 2026	**26 482**			**8 827**
Share incentive plan performance 2023	**24 827**			
Absa eKhaya Colleague Share Scheme 2023 – 2028	**1 032**			
Share incentive plan deferral 2024 – 2027		**33 661**	154.48	
Share incentive plan performance 2024		**29 129**	154.48	
Total	**122 018**	**62 790**		**46 748**
Cowyk Fox				
Share incentive plan deferral 2021 – 2024	**1 307**			**1 307**
Share incentive plan performance 2021	**29 817**			**27 998**
Share incentive plan deferral 2022 – 2025	**6 023**			**3 012**
Share incentive plan performance (April) 2022	**22 241**			
Share incentive plan performance (Sept) 2022	**24 536**			
Share incentive plan deferral 2023 – 2026	**16 551**			**5 517**
Share incentive plan performance 2023	**46 896**			
Absa eKhaya Colleague Share Scheme 2023 – 2028	**860**			
Share incentive plan deferral 2024 – 2027		**9 813**	154.48	
Share incentive plan performance 2024		**29 129**	154.48	
Total	**148 231**	**38 942**		**37 834**

The number of shares that vested was based on the measurement of the predetermined performance conditions linked to the Share Incentive Plan Performance awards.

Faisal Mkhize's, Cowyk Fox' and Geoffrey Lee's outstanding share-based long-term awards include awards received prior to becoming prescribed officers on 1 July 2022. Cowyk Fox ceased to be a prescribed officer on 22 April 2024.

Cowyk Fox' Share Incentive Plan awards were forfeited in full upon his notice of resignation on 22 April 2024.

Christine Wu`s outstanding share-based long-term awards include awards received prior to her appointment as a prescribed officer on 26 April 2024.

Yasmin Masithela`s outstanding share-based long-term awards include awards received prior to her appointment as a prescribed officer on 15 October 2024.

On 1 September 2023, Absa implemented a B-BBEE transaction and staff incentivisation scheme, the Absa eKhaya Colleague Share Scheme, with awards in the form of Trust units (and corresponding Allocated Scheme Shares) made to eligible employees. The scheme will run over a period of five years.

The fair value of the awards is calculated based on the number of shares multiplied by the closing share price (R189.75), or the Trust Unit value (R94.78) in the case of eKhaya, on 31 December 2024. For the 2022 to 2024 Share Incentive Plan Performance awards, the fair value is calculated prior to the application of Group performance conditions, which will be tested at the end of the relevant performance period to determine the vesting outcome. Dividend equivalents may apply at the time of vesting on the number of shares that vest.

61. Directors' and prescribed officers' remuneration *continued*

Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/ options lapsed (forfeited) in 2024	Number of shares/ Trust units under award/ option at 31 December 2024	End of performance period	Last scheduled vesting date	Fair Value of unvested awards at 31 December 2024 R
			Group 2024				
145.68	123 828	21 415	–	–	2024/04/02	2024/04/02	–
145.68	4 293 481	745 736	1 915	–	2024/04/02	2024/04/02	–
145.68	1 107 022	164 764	–	7 600	2025/04/01	2025/04/01	1 442 100
				22 241	2025/04/01	2025/04/01	4 220 230
145.68	1 285 917	100 519	–	17 655	2026/04/01	2026/04/01	3 350 036
				24 827	2026/04/01	2026/04/01	4 710 923
				1 032	2028/09/01	2028/09/01	97 813
				33 661	2027/04/01	2027/04/01	6 387 175
				29 129	2027/04/01	2027/04/01	5 527 228
	6 810 248	1 032 434	1 915	136 145			25 735 505
145.68	190 404	33 069	–	–	2024/04/02	2024/04/02	–
145.68	4 078 749	708 442	1 819	–	2024/04/02	2024/04/02	–
145.68	438 788	65 265	3 011	–	2025/04/01	2025/04/01	–
			22 241	–	2025/04/01	2025/04/01	–
			24 536	–	2025/09/01	2025/09/01	–
145.68	803 717	62 788	11 034	–	2026/04/01	2026/04/01	–
			46 896	–	2026/04/01	2026/04/01	–
			860	–	2028/09/01	2028/09/01	–
			9 813	–	2027/04/01	2027/04/01	–
			29 129	–	2027/04/01	2027/04/01	–
	5 511 658	869 564	149 339	–			–

61. Directors' and prescribed officers' remuneration *continued*

Outstanding share-based long-term incentives

	Group 2023			
Executive directors	Number of shares under award at 1 January 2023	Number of shares/ Trust units awarded during 2023	Share price/ Unit value on award R	Number of shares/ cash released during 2023
Arrie Rautenbach				
Share incentive plan deferral 2020 – 2023	19 911	–	–	19 911
Share incentive plan deferral 2021 – 2024	25 109			12 555
Long-term incentive award 2019	12 262	–	–	6 131
Share incentive plan performance 2020	130 321	–	–	29 752
Share incentive plan performance 2021	80 430			–
Share incentive plan deferral 2022 – 2025	31 972			10 657
Share incentive plan performance 2022	94 528			
Share incentive plan deferral 2023 – 2026		48 275	181.25	
Share incentive plan performance 2023		93 793	181.25	
Absa eKhaya Colleague Share Scheme 2023 – 2028		860	79.61	
Total	394 533	142 928		79 006
Jason Quinn				
Share incentive plan deferral 2020 – 2023	20 816	–	–	20 816
Share incentive plan deferral 2021 – 2024	25 109	–	–	12 555
Long-term incentive award 2019	11 964	–	–	5 981
Share incentive plan performance 2020	130 321	–	–	29 752
Share incentive plan performance 2021	78 468	–	–	
Share incentive plan deferral 2022 – 2025	44 483	–	–	14 828
Share incentive plan performance 2022	69 506	–	–	
Share incentive plan deferral 2023 – 2026		38 620	181.25	
Share incentive plan performance 2023		71 724	181.25	
Absa eKhaya Colleague Share Scheme 2023 – 2028		860	79.61	
Total	380 667	111 204		83 932

61. Directors' and prescribed officers' remuneration *continued*

Group 2023							
Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/ options lapsed (forfeited) in 2023	Number of shares/ Trust units under award/ option at 31 December 2023	End of performance period	Last scheduled vesting date	Fair Value of unvested awards at 31 December 2023 R
184.60	3 675 571	623 025		–	2023/04/01	2023/04/01	–
184.60	2 317 653	205 091		12 554	2024/04/01	2024/04/01	2 055 215
171.72	1 052 815	265 136		6 131	2022/03/18	2024/03/18	1 003 706
184.60	5 492 219	931 122	41 066	59 503	2023/04/01	2025/04/01	9 741 236
–	–	–	–	80 430	2024/04/01	2026/04/01	13 167 195
184.60	1 967 282	128 851		21 315	2025/04/01	2025/04/01	3 489 479
				94 528	2025/04/01	2025/04/01	15 475 179
				48 275	2026/04/01	2026/04/01	7 903 100
				93 793	2026/04/01	2026/04/01	15 354 852
				860	2028/09/01	2028/09/01	55 530
	14 505 540	2 153 225	41 066	417 389			68 245 492
184.60	3 842 634	651 453	–	–	2023/04/01	2023/04/01	–
184.60	2 317 653	205 091	6 277	6 277	2024/04/01	2024/04/01	1 027 608
171.72	1 027 229	258 782	5 983	–	2022/03/18	2024/03/18	–
184.60	5 492 219	931 122	100 569	–	2023/04/01	2025/04/01	–
–	–	–	78 468	–	2024/04/01	2026/04/01	–
184.60	2 737 249	179 247	14 827	14 828	2025/04/01	2025/04/01	2 427 492
			69 506	–	2025/04/01	2025/04/01	–
			19 310	19 310	2026/04/01	2026/04/01	3 161 240
			71 724	–	2026/04/01	2026/04/01	–
			860	–	2028/09/01	2028/09/01	–
	15 416 984	2 225 695	367 524	40 415			6 616 340

61. Directors' and prescribed officers' remuneration *continued*

Outstanding share-based long-term incentives

	Group 2023			
Executive directors	Number of shares under award at 1 January 2023	Number of shares/ Trust units awarded during 2023	Share price/ Unit value on award R	Number of shares/ cash released during 2023
Christopher Snyman				
Share incentive plan deferral 2020 – 2023	4 055	–	–	4 055
Share incentive plan deferral 2021 – 2024	785	–	–	392
Share incentive plan performance 2020	32 580	–	–	22 314
Share incentive plan performance 2021	25 894	–	–	
Share incentive plan deferral 2022 – 2025	6 672	–	–	2 224
Share incentive plan performance 2022	18 271	–	–	–
Share incentive plan deferral 2023 – 2026		8 275	181.25	–
Share incentive plan performance 2023		19 304	181.25	
Absa eKhaya Colleague Share Scheme 2023 – 2028		860	79.61	
Total	88 257	28 439		28 985

Arrie Rautenbach's outstanding share-based long-term awards include awards received prior to his appointment as CEO and an executive director on 29 March 2022.

The number of shares that vested was based on the measurement of the predetermined performance conditions linked to the Performance awards.

For all executive directors, the 2020 and 2021 Share Incentive Plan Performance awards will vest over a five year period. The number of shares that vest will be based on the measurement of the predetermined performance conditions linked to the Performance awards. This applies only in respect of individuals who were executive directors at the time of the award.

For all executive directors, the 2022 and 2023 Share Incentive Plan Performance award will vest over a three year period. This is aligned to a RemCo-approved amendment to the remuneration framework for improved alignment to market practice.

On 1 September 2023, Absa implemented a B-BBEE transaction and staff incentivisation scheme, with awards in the form of Trust units (and corresponding Allocated Scheme Shares) made to eligible employees. The scheme will run over a period of 5 years.

Jason Quinn ceased to be an executive director on 22 November 2023. In March 2022, as part of the transitional arrangements to the new Group CEO, and aligned with the commercial imperative to ensure continuity and stability at senior executive level, the Board entered into a retention agreement with Jason upon his return to the Group Financial Director role. In terms of this retention arrangement, and subsequent exit terms, he forfeited 50% of all outstanding deferred short-term incentive awards and 100% of all long-term incentive awards on the date of notice of his resignation. The value of the awards subject to forfeiture, using the 31 December 2023 share price and before application of the adjustment for performance conditions on the 2021 long-term incentive, was R60.1m. Jason retained deferred short-term incentive awards worth R6.6m. The awards subject to eligible leaver status will remain in the Share Incentive Plan and will vest on their normal vesting date.

Christopher Snyman's outstanding share-based long-term incentive awards include awards received prior to his appointment as Interim Group Financial Director and executive director on 22 November 2023.

Christopher Snyman's 2020 to 2023 Share Incentive Plan Performance awards will vest after a period of three years. The number of shares to vest will be based on the measurement of the predetermined performance conditions linked to the Performance awards.

The fair value of the awards is calculated based on the number of shares multiplied by the closing share price (R163.71) or the Trust Unit value (R64.57) on 31 December 2023. For the 2020 to 2023 Share Incentive Plan Performance awards, the fair value is calculated prior to the application of Group performance conditions, which will be tested at the end of the relevant performance period to determine the vesting outcome. Dividend equivalents may apply at the time of vesting on the number of shares that vest.

61. Directors' and prescribed officers' remuneration *continued*

Group 2023							
Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/ options lapsed (forfeited) in 2023	Number of shares/ Trust units under award/ option at 31 December 2023	End of performance period	Last scheduled vesting date	Fair Value of unvested awards at 31 December 2023 R
184.60	748 553	126 820	–	–	2023/04/01	2023/04/01	–
184.60	72 363	6 276	–	393	2024/04/01	2024/04/01	64 338
184.60	4 119 164	698 342	10 266	–	2023/04/01	2023/04/01	–
			–	25 894	2024/04/01	2024/04/01	4 239 107
184.60	410 550	26 767		4 448	2025/04/01	2025/04/01	728 182
–	–	–	–	18 271	2025/04/01	2025/04/01	2 991 145
–	–	–	–	8 275	2026/04/01	2026/04/01	1 354 700
				19 304	2026/04/01	2026/04/01	3 160 258
				860	2028/09/01	2028/09/01	55 530
	5 350 630	858 205	10 266	77 445			12 593 260

61. Directors' and prescribed officers' remuneration *continued*

Outstanding share-based long-term incentives

The table below outlines share-based and long-term incentive awards (awarded in respect of performance in a prior period).

	Group 2023			
Prescribed officers	Number of shares under award at 1 January 2023	Number of shares/ Trust units awarded during 2023	Share price/ Unit value on award R	Number of shares/ cash released during 2023
Charles Russon				
Share incentive plan deferral 2020 – 2023	15 113	–	–	15 113
Share incentive plan deferral 2021 – 2024	20 925	–	–	10 462
Long-term incentive award 2019	8 374	–	–	4 187
Share incentive plan performance 2020	99 370	–	–	22 685
Share incentive plan performance 2021	54 927	–	–	
Share incentive plan deferral 2022 – 2025	31 972			10 657
Share incentive plan performance 2022	55 604			
Share incentive plan deferral 2023 – 2026		35 862	181.25	
Share incentive plan performance 2023		60 689	181.25	
Absa eKhaya Colleague Share Scheme 2023 – 2028		860	79.61	
Total	286 285	97 411		63 104
Faisal Mkhize				
Share incentive plan deferral 2020 – 2023	5 430	–	–	5 430
Share incentive plan deferral 2021 – 2024	2 092	–	–	1 046
Share incentive plan performance 2020	35 295	–	–	24 173
Share incentive plan performance 2021	26 679	–	–	–
Share incentive plan deferral 2022 – 2025	8 340	–	–	2 780
Share incentive plan performance 2022	22 241	–	–	
Share incentive plan performance 2022	24 536	–	–	–
Share incentive plan deferral 2023 – 2026		16 551	181.25	
Share incentive plan performance 2023		46 896	181.25	
Absa eKhaya Colleague Share Scheme 2023 – 2028		1 032	79.61	
Total	124 613	64 479		33 429
Cowyk Fox				
Share incentive plan deferral 2020 – 2023	6 049			6 049
Share incentive plan deferral 2021 – 2024	2 615			1 308
Share incentive plan performance 2020	40 400			27 669
Share incentive plan performance 2021	29 817			
Share incentive plan deferral 2022 – 2025	9 035			3 012
Share incentive plan performance 2022	22 241			
Share incentive plan performance 2022	24 536			
Share incentive plan deferral 2023 – 2026		16 551	181.25	
Share incentive plan performance 2023		46 896	181.25	
Absa eKhaya Colleague Share Scheme 2023 – 2028		860	79.61	
Total	134 693	64 307		38 038

61. Directors' and prescribed officers' remuneration *continued*

			Group 2023				
Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/ options lapsed (forfeited) in 2023	Number of shares/ Trust units under award/ option at 31 December 2023	End of performance period	Last scheduled vesting date	Fair Value of unvested awards at 31 December 2023 R
184.60	2 789 860	472 945	–	–	2023/04/01	2023/04/01	–
184.60	1 931 285	170 940		10 463	2024/04/01	2024/04/01	1 712 898
171.72	718 992	180 993		4 187	2022/03/18	2024/03/18	685 454
184.60	4 187 651	709 972	31 314	45 371	2023/04/01	2025/04/01	7 427 686
–	–	–	–	54 927	2024/04/01	2026/04/01	8 992 099
184.60	1 967 282	128 851		21 315	2025/04/01	2025/04/01	3 489 479
				55 604	2025/04/01	2025/04/01	9 102 931
				35 862	2026/04/01	2026/04/01	5 870 968
				60 689	2026/04/01	2026/04/01	9 935 396
				860	2028/09/01	2028/09/01	55 530
	11 595 070	1 663 701	31 314	289 278			47 272 441
184.60	1 002 378	169 832	–	–	2023/04/01	2023/04/01	–
184.60	193 092	16 983	–	1 046	2024/04/01	2024/04/01	171 241
184.60	4 462 336	756 491	11 122	–	2023/04/01	2023/04/01	–
–	–	–	–	26 679	2024/04/01	2024/04/01	4 367 619
184.60	513 188	33 597	–	5 560	2025/04/01	2025/04/01	910 228
				22 241	2025/04/01	2025/04/01	3 641 074
–	–	–	–	24 536	2025/09/01	2025/09/01	4 016 789
				16 551	2026/04/01	2026/04/01	2 709 564
				46 896	2026/04/01	2026/04/01	7 677 344
				1 032	2028/09/01	2028/09/01	66 636
	6 170 994	976 903	11 122	144 541			23 560 495
184.60	1 116 645	189 215		–	2023/04/01	2023/04/01	–
184.60	241 457	21 229		1 307	2024/04/01	2024/04/01	213 969
184.60	5 107 697	865 959	12 731	–	2023/04/01	2023/04/01	–
				29 817	2024/04/01	2024/04/01	4 881 341
184.60	556 015	36 366	–	6 023	2025/04/01	2025/04/01	986 025
–	–	–	–	22 241	2025/04/01	2025/04/01	3 641 074
–	–	–	–	24 536	2025/09/01	2025/09/01	4 016 789
				16 551	2026/04/01	2026/04/01	2 709 564
				46 896	2026/04/01	2026/04/01	7 677 344
				860	2028/09/01	2028/09/01	55 530
	7 021 814	1 112 769	12 731	148 231			24 181 636

61. Directors' and prescribed officers' remuneration *continued*

Outstanding share-based long-term incentives

	Group 2023			
Prescribed officers	Number of shares under award at 1 January 2023	Number of shares/ Trust units awarded during 2023	Share price/ Unit value on award R	Number of shares/ cash released during 2023
Geoffrey Lee				
Share incentive plan deferral 2020 – 2023	5 973			5 973
Share incentive plan deferral 2021 – 2024	2 615			1 308
Share incentive plan performance 2020	35 295			24 173
Share incentive plan performance 2021	26 679			
Share incentive plan deferral 2022 – 2025	9 730			3 243
Share incentive plan performance 2022	22 241			
Share incentive plan performance 2022	24 536			
Share incentive plan deferral 2023 – 2026		16 551	181.25	
Share incentive plan performance 2023		46 896	181.25	
Absa eKhaya Colleague Share Scheme 2023 – 2028		860	79.61	
Total	127 069	64 307		34 697
Saviour Chibiya				
Share incentive plan notional deferral 2020 – 2023	4 163			4 163
Share incentive plan notional deferral 2021 – 2024	2 877			1 438
Share incentive plan notional performance 2020	24 175			16 557
Share incentive plan notional performance 2021	30 602			
Share incentive plan notional deferral 2022 – 2025	11 120			3 707
Share incentive plan notional performance 2022	33 362			–
Share incentive plan deferral 2023 – 2026		16 551	181.25	
Share incentive plan performance 2023		46 896	181.25	
Absa eKhaya Colleague Share Scheme: Phantom award (Zambia) 2023 – 2028		860	79.61	
Total	106 299	64 307		25 865

The number of shares that vested was based on the measurement of the predetermined performance conditions linked to the Performance awards.

Charles Russon's 2020 and 2021 Share Plan Incentive Performance awards will vest over a five year period.

Charles Russon's 2022 and 2023 Share Incentive Plan Performance award will vest over a three year period.

Faisal Mkhize's, Cowyk Fox's and Geoffrey Lee's outstanding share-based long-term awards include awards received prior to becoming prescribed officers on 1 July 2022.

Faisal Mkhize's, Cowyk Fox's and Geoffrey Lee's 2020 and 2021 Share Plan Incentive Performance awards will vest over a three year period as they were made prior to them becoming prescribed officers. The 2022 and 2023 Share Incentive Plan Performance award will vest over a three year period for all prescribed officers. This is aligned to a RemCo-approved amendment to the remuneration framework for improved alignment to market practice.

Saviour Chibiya's outstanding notional share-based long-term awards include awards received prior to becoming a prescribed officer on 1 July 2022. The 2020 and 2021 Notional Share Plan Incentive Performance awards will vest over a three year period as they were made prior to him becoming a prescribed officer. The 2022 and 2023 Share Incentive Plan Performance award will vest over a three year period for all prescribed officers. This is aligned to a RemCo-approved amendment to the remuneration framework for improved alignment to market practice.

On 1 September 2023, Absa implemented B-BBEE transaction and staff incentivisation scheme, with awards in the form of Trust units (and corresponding Allocated Scheme Shares) made to eligible employees. The scheme will run over a period of 5 years.

61. Directors' and prescribed officers' remuneration *continued*

Group 2023							
Market price on release date R	Value of release (pre-tax) R	Value of dividend released (pre-tax) R	Number of shares/ options lapsed (forfeited) in 2023	Number of shares/ Trust units under award/ option at 31 December 2023	End of performance period	Last scheduled vesting date	Fair Value of unvested awards at 31 December 2023 R
184.60	1 102 616	186 815		–	2023/04/01	2023/04/01	–
184.60	241 457	21 229		1 307	2024/04/01	2024/04/01	213 969
184.60	4 462 336	756 491	11 122	–	2023/04/01	2023/04/01	–
				26 679	2024/04/01	2024/04/01	4 367 619
184.60	598 658	39 135	–	6 487	2025/04/01	2025/04/01	1 061 987
–	–	–	–	22 241	2025/04/01	2025/04/01	3 641 074
–	–	–	–	24 536	2025/09/01	2025/09/01	4 016 789
				16 551	2026/04/01	2026/04/01	2 709 564
				46 896	2026/04/01	2026/04/01	7 677 344
				860	2028/09/01	2028/09/01	55 530
	6 405 067	1 003 670	11 122	145 557			23 743 876
184.60	768 490	130 143			2023/04/01	2023/04/01	–
184.60	265 455	23 444		1 439	2024/04/01	2024/04/01	235 579
184.60	3 056 422	518 172	7 618		2023/04/01	2023/04/01	–
				30 602	2024/04/01	2024/04/01	5 009 853
184.60	684 312	44 673	–	7 413	2025/04/01	2025/04/01	1 213 582
–	–	–	–	33 362	2025/04/01	2025/04/01	5 461 693
				16 551	2026/04/01	2026/04/01	2 709 564
				46 896	2026/04/01	2026/04/01	7 677 344
				860	2028/09/01	2028/09/01	55 530
	4 774 679	716 432	7 618	137 123			22 363 145

The fair value of the awards is calculated based on the number of shares multiplied by the closing share price (R163.71) or the Trust Unit value (R64.57) on 31 December 2023. For the 2020, 2021 and 2022 Share Incentive Plan Performance awards, the fair value is calculated before the application of Group performance conditions, which will be tested at the end of the relevant performance period to determine the vesting outcome. Dividend equivalents may apply at the time of vesting on the number of shares that vest.

61. Directors' and prescribed officers' remuneration *continued*

Group Chairman and Non-executive directors' fees

Non-executive directors' fees paid during 2024

Directors	Group Board R
Alex Darko	
Alison Beck	867 934
Alpheus Mangale	895 667
Daisy Naidoo	612 776
Francis Okomo-Okello	
Fulvio Tonelli	904 942
Ihron Rensburg	904 942
John Cummins	895 667
Luisa Diogo	889 484
Nhlanhla Mjoli-Mncube	1 165 278
Peter Mageza	904 942
René van Wyk	904 942
Rose Keanly	904 942
Sello Moloko	7 285 611
Swithin Munyantwali	139 503
Tasneem Abdool-Samad	904 942
Total	18 181 572

The Group Audit and Compliance Committee (GACC), Group Risk and Capital Management Committee (GRCMC), Remuneration Committee (RemCo) and Social, Sustainability and Ethics Committee (SSEC) chairmen receive fees equal to two-and-a-half times, and the Information Technology Committee (ITC) chairman receives two-and-a-quarter times, the fee payable to the members of these committees. The chairmen of the remaining Board committees and subcommittees receive fees equal to twice the fee payable to the members of these committees.

Alpheus Mangale joined the Group Remuneration Committee (RemCo) on 1 September 2024.

Daisy Naidoo retired from the Absa Group Board on 4 June 2024 and was paid until 30 November 2024 as part of her notice arrangements.

Fulvio Tonelli is also a director on Absa Bank Kenya PLC board and member of their Audit and Risk Committee, Credit Committee and Strategy Committee (reported under Other).

From 1 September 2024, an INED (John Cummins) was appointed to the Models Committee (MC) as member and Chairman. The fees for the MC members and Chairman will be determined at the Annual General Meeting (AGM). In the meantime, the ad-hoc meeting fee was utilised for this purpose.

Luisa Diogo was also the Chairman of the Absa Bank Moçambique, SA Board until 12 July 2024. The fee covers chairmanship as well as membership of any board committees. She also serves as Chairman of Global Alliance Seguros, S.A. (both reported under Other).

The fee applicable to Sello Moloko, the Group Chairman, covers chairmanship of the Absa Group and Absa Bank boards as well as membership of any board committees and subcommittees.

Swithin Munyantwali resigned from the Absa Group Board on 12 March 2024.

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

Notes to the consolidated financial statements

for the reporting period ended 31 December

61. Directors' and prescribed officers' remuneration *continued*

Group Board committees and sub-committees R	Absa Bank R	Absa Financial Services R	Other R	**2024 Total R**	2023 Total R	2022 Total R
					1 562 600	2 192 189
825 404				**1 693 338**	115 689	
663 437				**1 559 104**	643 566	
762 802				**1 375 578**	1 515 983	2 883 305
					1 229 369	1 601 993
1 088 181			675 817	**2 668 940**	2 192 538	2 315 064
1 041 305			204 667	**2 150 914**	1 358 534	1 303 792
894 372			32 188	**1 822 227**	1 446 448	1 378 619
660 903			2 206 807	**3 757 194**	3 155 850	
1 003 663	112 055			**2 280 996**	1 738 027	1 627 935
1 569 480				**2 474 422**	733 879	
2 057 180	112 055			**3 074 177**	2 722 394	2 727 269
1 448 988	112 055	788 706		**3 254 691**	2 651 296	2 737 962
				7 285 611	6 951 577	5 610 483
162 105				**301 608**	2 621 389	1 297 475
2 017 784	112 055	937 067		**3 971 848**	3 340 363	3 426 393
14 195 604	448 220	1 725 773	3 119 479	**37 670 648**	33 979 502	29 102 479

Company financial statements

Company statement of financial position

as at 31 December

	Note	Company 2024 Rm	Company 2023 Rm
Assets			
Investment securities	2	**9 681**	9 418
Trading portfolio assets		**1**	4
Other assets	3	**64**	31
Current tax assets		**2**	–
Loans and advances	4	**533**	3 378
Subsidiaries	5	**87 783**	83 604
Deferred tax assets	6	**7**	9
Total assets		**98 071**	96 444
Liabilities			
Other liabilities	7	**281**	310
Current tax liabilities		**–**	22
Loans from Absa Group Companies		**103**	47
Borrowed funds	8	**26 196**	23 438
Total liabilities		**26 580**	23 817
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Share capital	9	**1 789**	1 789
Share premium	9	**31 785**	31 616
Retained earnings		**26 953**	29 845
Other reserves		**1 290**	1 115
		61 817	64 365
Other equity: Additional Tier 1 capital	10	**9 674**	8 262
Total equity		**71 491**	72 627
Total liabilities and equity		**98 071**	96 444

Company statement of comprehensive income

for the reporting period ended 31 December

	Note	Company 2024 Rm	Company 2023 Rm
Interest income		**2 455**	2 400
Interest expense		**(1 687)**	(1 999)
Non-interest income		**10 185**	11 580
Gains and losses from investment activities	11	**9 124**	10 693
Other operating income	12	**1 061**	887
Total income		**10 953**	11 981
Credit impairment charges		**14**	(1)
Operating income before operating expenditure		**10 967**	11 980
Operating expenditure		**(69)**	11
Operating expenses	13	**(56)**	(38)
Other impairments	14	**(13)**	49
Indirect tax		**–**	–
Operating profit before income tax		**10 898**	11 991
Taxation expense	15	**(438)**	(401)
Profit for the reporting period		**10 460**	11 590
Profit attributable to:			
Ordinary equity holders		**9 361**	10 691
Other equity: Additional Tier 1 capital		**1 099**	899
Profit for the reporting period		**10 460**	11 590
Profit for the reporting period		**10 460**	11 590
Other comprehensive income			
Items that are or may be subsequently reclassified to profit or loss		**(4)**	(11)
Movement in cash flow hedging reserve		**(4)**	(11)
Fair value movements		**(4)**	(11)
Total comprehensive income for the reporting period		**10 456**	11 579
Total comprehensive income attributable to:			
Ordinary equity holders		**9 357**	10 680
Other equity: Additional Tier 1 capital		**1 099**	899
		10 456	11 579

Interest income and interest expense are recognised as a result of the application of the effective interest method to the Company's amortised cost financial instruments.

Gains or losses from investing activities, which includes dividends received, and interest income is considered revenue.

Company statement of changes in equity

for the reporting period ended 31 December

	Company									
	2024									
	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	Cash flow hedging reserve Rm	Share-based payment reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Other equity: Additional Tier 1 Capital Rm	Total equity Rm
Balance at the beginning of the reporting period	**894 376**	**1 789**	**31 616**	**29 845**	**1 115**	**12**	**1 103**	**64 365**	**8 262**	**72 627**
Total comprehensive income	–	–	–	**9 361**	**(4)**	**(4)**	–	**9 357**	**1 099**	**10 456**
Profit for the period	–	–	–	**9 361**	–	–	–	**9 361**	**1 099**	**10 460**
Other comprehensive income	–	–	–	–	**(4)**	**(4)**	–	**(4)**	–	**(4)**
Dividends paid during the reporting period	–	–	–	**(12 253)**	–	–	–	**(12 253)**	–	**(12 253)**
Distributions paid during the reporting period	–	–	–	–	–	–	–	–	**(1 099)**	**(1 099)**
Issuance of Additional Tier 1 capital		–	–	–	–	–	–	–	**3 090**	**3 090**
Redemption of Tier 1		–	–	–	–	–	–	–	**(1 678)**	**(1 678)**
Net contribution/distribution from/to the Group in respect of equity-settled share-based payment arrangements	–	–	**169**	–	–	–	–	**169**	–	**169**
Movement in share-based payment reserve	–	–	–	–	**179**	–	**179**	**179**	–	**179**
Value of employee services	–	–	–	–	**179**	–	**179**	**179**	–	**179**
Balance at the end of the reporting period	**894 376**	**1 789**	**31 785**	**26 953**	**1 290**	**8**	**1 282**	**61 817**	**9 674**	**71 491**
Note	9	9	9						10	

Company statement of changes in equity
for the reporting period ended 31 December

Company

2023

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	Cash flow hedging reserve Rm	Share-based payment reserve Rm	Capital and reserves attri-butable to ordinary equity holders Rm	Other equity: Addi-tional Tier 1 Capital Rm	Total equity Rm
Balance as reported at the end of the previous reporting period	847 750	1 696	23 572	30 791	929	23	906	56 988	7 503	64 491
Total comprehensive income	–	–	–	10 691	(11)	(11)	–	10 680	899	11 579
Profit for the period	–	–	–	10 691	–	–	–	10 691	899	11 590
Other comprehensive income	–	–	–	(0)	(11)	(11)	–	(11)	–	(11)
Shares issued	46 626	93	8 211	–	–	–	–	8 305	–	8 305
Dividends paid during the reporting period	–		–	(11 637)	–	–	–	(11 637)		(11 637)
Distributions paid during the reporting period	–	–	–	–	–	–	–	–	(899)	(899)
Issuance of Additional Tier 1 capital	–	–	–	–	–	–	–	–	2 000	2 000
Redemption of Tier 1 capital	–	–	–	–	–	–	–	–	(1 241)	(1 241)
Purchase of Group shares in respect of equity-settled share based payment arrangements	–	–	(167)	–	–	–	–	(167)	–	(167)
Movement in share-based payment reserve	–	–	–	–	197	–	197	197		197
Value of employee services	–	–	–	–	197	–	197	197	–	197
Balance at the end of the reporting period	894 376	1 789	31 616	29 845	1 115	12	1 103	64 365	8 262	72 627
Note	9	9	9						10	

Consolidated statement of cash flows

for the reporting period ended 31 December

		Company	
	Note	2024 Rm	Restated 2023 Rm
Cash flow from operating activities			
Profit before tax		**10 898**	11 991
Adjustment of non-cash items			
Interest income		**(2 455)**	(2 400)
Interest expense		**1 687**	1 999
Foreign exchange movements on borrowed funds		**39**	225
Dividend income		**(10 224)**	(11 593)
Reversal of impairment of subsidiary		**–**	(126)
Impairment of subsidiary		**13**	77
Cash flow from operating activities before changes in operating assets and liabilities		**(42)**	173
Net (increase) in other assets		**(21)**	(6)
Net increase in other liabilities		**–**	28
Interest received		**2 422**	2 174
Dividends received		**9 851**	11 090
Interest paid		**(1 688)**	(1 671)
Income taxes paid		**(72)**	(349)
Net cash generated from operating activities		**10 450**	11 439
Cash flow from investing activities			
Proceeds from the repayment on investment securities issued by subsidiaries		**–**	7 482
Debt instruments issued by subsidiaries		**(5 409)**	(8 328)
Proceeds from the repayment of debt instruments issued by subsidiaries		**3 075**	1 738
Additional Tier 1 Capital issued by subsidiaries		**(3 090)**	(2 000)
Redemption of Additional Tier 1 Capital issued by subsidiaries		**1 678**	1 241
Acquisition of investment in subsidiaries		**(18)**	–
Net cash received from/(utilised in) investing activities		**(3 764)**	133
Cash flow from financing activities			
Dividends paid		**(12 273)**	(11 637)
Issue of Additional Tier 1 capital		**3 090**	2 000
Redemption of Additional Tier 1 capital		**(1 678)**	(1 241)
Proceeds from borrowed funds	8	**5 605**	2 158
Repayment of borrowed funds	8	**(3 181)**	(9 070)
Issue of ordinary shares		**–**	8 305
Distribution to Tier 1 capital holders		**(1 099)**	(899)
Net cash utilised in financing activities		**(9 536)**	(10 384)
Net increase/(decrease) in cash and cash equivalents		**(2 850)**	1 188
Cash and cash equivalents at the beginning of the reporting period		**3 383**	2 195
Cash and cash equivalents at the end of the reporting period		**533**	3 383

The presentation of the Company Statement of cash flows has been amended and the prior period has consequently been restated to align to these presentation changes. Refer to the accounting policies, note 1.1.

Notes to the Company financial statements

for the reporting period ended 31 December 2024

1. Accounting policies

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

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

1. 1 Change in presentation

Statement of cash flows

During the current financial year, the Company revised its disclosure in the Statement of cash flows (SOCF) by providing additional line items to align to the requirements included in IAS 7 Statement of Cash Flows (IAS 7). Previously, the Statement of cash flows included 'Accrued interest income and foreign exchange movements' and 'Accrued interest expense and foreign exchange movements', which has since been updated to separately disclose unrealised foreign exchange movements from interest income and interest expense. Also, as a result of the change in presentation, the following items have been disclosed separately on the SOCF: dividend income, cash flows from dividends received, interest received, and interest paid.

To align to the current year, the prior year's Statement of cash flows has been restated, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). The impact of this change is presentational and does not affect the reported cash flows from operating, investing, or financing activities. Additionally, there is no impact on the Statement of financial position, Statement of comprehensive income, Statement of changes in equity or any notes to the Company financial statements.

The impact of the change in presentation on the Company Statement of cash flows is as follows:

	2023		
Statement of cash flows	As previously Reported Rm	Presentation changes Rm	Restated Rm
Cash flow from operating activities			
Accrued interest income and foreign exchange movements	(1 341)	1 341	–
Accrued interest expense and foreign exchange movements	1 165	(1 165)	–
Interest income	–	(2 400)	(2 400)
Interest expense	–	1 999	1 999
Foreign exchange movements on borrowed funds	–	225	225
Dividend income	–	(11 593)	(11 593)
Cash flow from operating activities before changes in operating assets and liabilities	11 766	(11 593)	173
Interest received	–	2 174	2 174
Dividends received	–	11 090	11 090
Interest paid	–	(1 671)	(1 671)

2. Investment securities

	Company	
	2024 Rm	2023 Rm
Debt securities	**9 681**	9 418
	9 681	9 418

The ECL has been assessed to be immaterial as these debt instruments have a low probability of default, due to the short-term nature, coupled with historical experience and available forward-looking information.

3. Other assets

	Company 2024 Rm	2023 Rm
Accounts receivable	**1**	1
Prepayments	**63**	30
	64	31

4. Loans and advances

	Company 2024 Rm	2023 Rm
Gross loans and advances to banks	**533**	3 383
Expected credit losses	**–**	(5)
	533	3 378

The gross loans and advances balance fully comprise of cash and cash equivalents. The ECL has been assessed as immaterial as these loans have a low probability of default, due to their short rem nature, coupled with historical experience and available forward looking information.

5. Subsidiaries

	Company 2024 Rm	2023 Rm
Equity investments	**65 048**	63 283
Debt instruments	**22 735**	20 321
	87 783	83 604

Refer to note 46.4 of the Group's financial statements for a list of significant subsidiaries. The debt instruments comprises of loans to subsidiaries and the preference shares held in Newshelf 1405 (RF) Proprietary Limited, which were acquired as part of the Group's B-BBEE transaction. These instruments are measured at amortised cost. The balance is unsecured and classified as stage 1 (DG1-9 bucketing). The ECL allowance is **R39m** (2023: R49m).

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

6. Deferred tax

	Company 2024 Rm	2023 Rm
6.1 Reconciliation of net deferred tax (liability)/asset		
Balance at the beginning of the reporting period	**9**	1
Charge to profit or loss (refer to note 15)	**(2)**	8
Balance at the end of the year	**7**	9
6.2 Deferred tax (liability)/asset		
Tax effects of temporary differences between tax and book value for:		
Deferred income	**7**	9
Net deferred tax (liability)/asset	**7**	9

7. Other liabilities

	Company 2024 Rm	2023 Rm
Unclaimed dividends	**258**	280
Deferred income	**23**	30
	281	310

8. Borrowed funds

			Company 2024 Rm	2023 Rm
Subordinated callable notes issued by Absa Group Limited				
Interest rate	**Final Maturity date**	**Note**		
Three-month JIBAR + 2.13%	17 May 2030	i.	**2 676**	2 676
Three-month JIBAR + 2.40%	11 April 2029	ii.	**–**	1 580
Three-month JIBAR + 3.85%	14 August 2029	iii.	**–**	390
Three-month JIBAR + 3.45%	29 September 2029	iv.	**–**	1 014
Three-month JIBAR + 2.10%	16 September 2032	v.	**1 916**	1 916
Three-month JIBAR + 1.72%	26 August 2033	vi.	**2 158**	2 158
Three-month JIBAR + 1.72%	06 August 2034	vii.	**1 000**	
Three-month JIBAR + 1.75%	21 September 2034	viii.	**2 019**	
Three-month JIBAR + 1.70%	16 October 2034	ix.	**500**	
Three-month JIBAR + 1.62%	12 October 2034	x.	**1 700**	
Foreign currency denominated notes				
USD 6.375%	n/a	xi.	**6 866**	6 866
Other				
Accrued interest			**119**	135
Foreign exchange movements			**2 574**	2 324
			21 528	19 059
Non-subordinated debt extended by Absa Group Limited				
Three-month JIBAR + 1.20%	11 September 2025	xii.	**58**	58
Three-month JIBAR + 1.20%	30 January 2025	xiii.	**301**	301
Three-month JIBAR + 1.225%	29 January 2024	xiv.	**–**	197
Three-month JIBAR + 1.24%	29 January 2029	xv.	**197**	–
Three-month SOFR + 2.11%	26 March 2025	xvi.	**758**	758
Three-month SOFR + 1.37%	22 November 2026	xvii.	**149**	149
Three-month SOFR + 1.36%	27 January 2026	xviii.	**456**	456
Three-month SOFR + 1.78%	18 October 2029	xix.	**371**	371
Three-month SOFR + 1.80%	18 March 2025	xx.	**339**	339
Three-month SOFR + 1.46%	25 February 2026	xxi.	**74**	74
Three-month SOFR + 1.99%	21 December 2027	xxii.	**847**	847
Three-month SOFR + 1.75%	29 December 2025	xxiii.	**271**	271
Three-month SOFR + 1.93%	08 February 2029	xxiv.	**189**	–
Other				
Accrued interest			**33**	34
Foreign exchange movements			**625**	524
			4 668	4 379
			26 196	23 438

Notes to the Company financial statements

for the reporting period ended 31 December

8. Borrowed funds *continued*

	Company 2024 Rm	Company 2023 Rm
Reconciliation of Borrowed funds		
Opening balance	**23 438**	28 682
Changes arising from cash movements:	**720**	(6 429)
Borrowed fund issuances	**5 605**	2 158
Borrowed fund redemptions	**(3 181)**	(6 540)
Interest paid	**(1 704)**	(2 047)
Changes arising from non-cash movements:	**2 038**	1 185
Interest accrued	**1 687**	1 998
Foreign exchange movements	**351**	(813)
Closing balance	**26 196**	23 438

In the prior year, the repayment of borrowed funds of R9 070m in the statement of cash flows includes the redemption amount referred to above of R6 540m and realised foreign exchange of R2 530m, which is included in the foreign exchange movements of R813m.

i. The three-month JIBAR plus 2.13% floating rate notes may be redeemed in full at the option of Absa Group Limited on 17 May 2030. Interest is paid quarterly in arrears on 17 February, 17 May, 17 August and 17 November. Absa Group Limited has the option to exercise the redemption on any interest payment date after 17 May 2025. No step-up will apply on the coupon rate, should Absa Group Limited not exercise the redemption option.

ii. The three-month JIBAR plus 2.40% floating rate notes were redeemed in full on 11 April 2024.

iii. The three-month JIBAR plus 3.85% floating rate notes were redeemed in full on 14 August 2024.

iv. The three-month JIBAR plus 3.45% floating rate notes were redeemed in full on 29 September 2024.

v. The three-month JIBAR plus 2.10% floating rate notes with a nominal amount of ZAR 1.9bn may be redeemed in full at the option of Absa Group Limited on 16 September 2032, with the first optional redemption date being 16 September 2027. The interest is paid quarterly in arrears on 16 March, 16 June, 16 September and 16 December each year until the maturity date, with the first interest determination date being 12 September 2022. No step-up will apply on the coupon rate, should Absa Group Limited not exercise the redemption option.

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

vii. The three-month JIBAR plus 1.72% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 06 August 2034. Interest is paid quarterly in arrears on 06 February, 06 May, 06 August and 06 November. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

viii. The three-month JIBAR plus 1.75% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 21 September 2034. Interest is paid quarterly in arrears on 21 March, 21 June, 21 September and 21 December. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

ix. The three-month JIBAR plus 1.70% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 16 October 2034. Interest is paid quarterly in arrears on 16 January, 16 April, 16 July and 16 October. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

8. Borrowed funds *continued*

x. The three-month JIBAR plus 1.62% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 12 October 2034. Interest is paid quarterly in arrears on 12 January, 12 April, 12 July and 12 October. No step-up will apply on the coupon rate, should Absa Bank Limited not exercise the redemption option.

xi. The 6.375% fixed rate reset unsecured and perpetual notes with a nominal amount of USD 500m have no fixed redemption date. The notes qualify as additional Tier 1 capital for the Group. The Group is obliged to pay interest on each Interest Payment Date unless: (a) it elects not to pay the relevant interest amount on such Interest Payment Date in whole or in part and for any reason; (b) it is in breach of either (i) the Capital Regulations or (ii) the Solvency Condition on the business day prior to such Interest Payment Date or would be in breach of the Capital Regulations or the Solvency Condition if the relevant interest amount were paid on such Interest Payment Date; or (c) at any time the Prudential Authority imposes a mandatory prohibition on the payment by the Issuer of such interest amount. The interest is payable semi-annually in arrears on 27 May and 27 November each year, commencing on 27 November 2021. The reset dates are every 5 years. The interest rate is 6.375% from the issue date to (but excluding) the first reset date, 27 November 2026. Thereafter, the interest rate will be reset to an interest applicable to the relevant reset period. The terms of the Additional Tier 1 capital notes include a regulatory requirement which provides for the write off, in whole or in part, in the case of a disqualifying event. In addition, interest payments are mandatorily payable if, for any reason, the instrument no longer meets the criteria of AT1 Capital in terms of Regulation 38(11).

xii. The three-month JIBAR plus 1.20% floating rate notes should be redeemed in full by Absa Group Limited on 11 September 2025. Interest is paid quarterly in arrears on 11 March, 11 June, 11 September and 11 December. Absa Group Limited may redeem a portion (being a minimum of R7m) or full amount on any interest payment date, by giving the lender not less than 20 business days prior notice.

xiii. The three-month JIBAR plus 1.20% floating rate notes should be redeemed in full by Absa Group Limited on 30 January 2025. Interest is paid quarterly in arrears on 30 January, 30 April, 30 July and 30 October. Absa Group Limited may redeem a portion (being a minimum of R100m) or full amount on any interest payment date, by giving the lender not less than 5 business days prior notice.

xiv. The three-month JIBAR plus 1.225% floating rate notes were redeemed in full on 29 January 2024.

xv. The three-month JIBAR plus 1.24% floating rate notes should be redeemed in full by Absa Group Limited on 29 January 2029. Interest is paid quarterly in arrears on 29 January, 29 April, 29 July and 29 October. Absa Group Limited may redeem a portion (being a minimum of R50m) or full amount on any interest payment date, by giving the lender not less than 20 business days prior notice.

xvi. The three-month SOFR plus 2.11% floating rate notes should be redeemed in full by Absa Group Limited on 26 March 2025. Interest is paid quarterly in arrears on 26 March, 26 June, 26 September and 26 December. Absa Group Limited may redeem a portion (being a minimum of $10m) or full amount on any interest payment date, by giving the lender not less than 20 business days prior notice. The interest rate was amended from LIBOR plus 1.85% to SOFR plus 2.11% effective 26 December 2023.

xvii. The three-month SOFR plus 1.37% floating rate notes should be redeemed in full by Absa Group Limited on 22 November 2026. Interest is paid quarterly in arrears. The borrower will repay the loan together with any accrued, but unpaid interest and all other amounts accrued under this agreement by way of a single repayment, on the repayment date.

xviii. The three-month SOFR plus 1.36% floating rate notes should be redeemed by Absa Group Limited on 27 January 2026. Interest is paid quarterly in arrears on 27 January, 27 April, 27 July and 27 October. The borrower will repay the loan together with any accrued, but unpaid interest and all other amounts accrued under this agreement by way of a single repayment, on the repayment date. The interest rate was amended from LIBOR plus 1.1% to SOFR plus 1.36% on 27 January 2023.

xix. The three-month SOFR plus 1.78% floating rate notes should be redeemed by Absa Group Limited on 18 October 2029. Interest is paid quarterly in arrears on 18 January, 18 April, 18 July and 18 October. Absa Group Limited may redeem a portion (being a minimum of R10m) or full amount on any interest payment date, by giving the lender not less than 20 business days prior notice. The interest rate was amended from LIBOR plus 1.52% to SOFR plus 1.78% on 18 January 2023.

8. Borrowed funds *continued*

xx. The three-month SOFR plus 1.80% floating rate notes should be redeemed in full by Absa Group Limited on 18 March 2025. Interest is paid quarterly in arrears on 18 March, 18 June, 18 September and 18 December. Absa Group Limited may redeem a portion (being a minimum of $10m) or full amount on any interest payment date, by giving the lender not less than 20 business days prior notice.

xxi. The three-month SOFR plus 1.46% floating rate notes should be redeemed by Absa Group Limited on 25 February 2026. Interest is paid quarterly in arrears on 25 February, 25 May, 25 August and 25 November. Absa Group Limited may redeem a portion (being a minimum of $10m) or full amount on any interest payment date, by giving the lender not less than 20 business days prior notice. The interest rate was amended from LIBOR plus 1.20% to SOFR plus 1.46% effective 25 November 2023.

xxii. The three-month SOFR plus 1.99% floating rate notes should be redeemed by Absa Group Limited on 21 December 2027. Interest is paid quarterly in arrears. The borrower will repay the loan together with any accrued, but unpaid interest and all other amounts accrued under this agreement by way of a single repayment, on the repayment date.

xxiii. The three-month SOFR plus 1.75% floating rate notes should be redeemed by Absa Group Limited on 29 December 2025. Interest is paid quarterly in arrears. The borrower will repay the loan together with any accrued, but unpaid interest and all other amounts accrued under this agreement by way of a single repayment, on the repayment date.

xxiv. The three-month SOFR plus 1.93% floating rate notes should be redeemed by Absa Group Limited on 08 February 2029. Interest is paid quarterly in arrears. The borrower will repay the loan together with any accrued, but unpaid interest and all other amounts accrued under this agreement by way of a single repayment, on the repayment date.

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

Note xi is listed on the London Stock Exchange.

Notes xii to xxiv have been issued to Absa Group subsidiaries.

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

9. Share capital and premium

Ordinary share capital

	Company	
	2024 Rm	2023 Rm
Authorised		
950 000 000 (2023: 950 000 000) ordinary shares of R2.00 each	**1 900**	1 900
Issued		
894 376 907 (2023: 894 376 907) ordinary shares of R2.00	**1 789**	1 789
Total Issued capital		
Share capital	**1 789**	1 789
Share premium	**31 785**	31 616
	33 574	33 405

Authorised shares

During the current reporting period, the authorised share capital remained unchanged with par value of R2 each.

Unissued shares

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

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

Shares issued

There were no shares issued during the current reporting period.

Notes to the Company financial statements
for the reporting period ended 31 December

10. Other equity: Additional Tier 1 capital

		Company 2024 Rm	Company 2023 Rm
Subordinated callable notes issued by Absa Group Limited			
Interest rate	**Date of issue**		
Three-month JIBAR + 4.50%	28 May 2019	**–**	1 678
Three-month JIBAR + 4.25%	5 December 2019	**1 376**	1 376
Three-month JIBAR + 4.55%	26 October 2020	**1 209**	1 209
Three-month JIBAR + 3.58%	15 November 2022	**1 999**	1 999
Three-month JIBAR + 2.94%	30 October 2023	**2 000**	2 000
Three-month JIBAR + 2.90%	13 May 2024	**1 511**	–
Three-month JIBAR + 2.74%	28 November 2024	**1 579**	–
		9 674	8 262

The Additional Tier 1 capital notes represent perpetual, subordinated instruments redeemable in full at the option of Absa Group Limited (the issuer) 5 June 2025, 27 October 2025, 16 November 2027, 30 October 2028 ,14 May 2029 and 29 November 2029 subject to regulatory approval. These instruments include a write-off provision which is required under Basel III. This provision is triggered by the Prudential Authority and shall be instituted at the earlier of (i) a decision that a write-off, without which the Issuer would become non-viable, is necessary; or (ii) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable. In addition, the Additional Tier 1 Notes do not have a contractual obligation to pay interest. Accordingly, the instruments are classified as equity instruments. Additional Tier 1 that was issued on the 28 May 2019 was redeemed on the 28 November 2024.

11. Gains and losses from investment activities

	Company 2024 Rm	Company 2023 Rm
Dividends received from subsidiaries	**9 124**	10 693

Dividends received by Absa Company are considered to be revenue.

12. Other operating income

	Company 2024 Rm	Company 2023 Rm
Foreign exchange differences	**(39)**	(13)
Dividends received	**1 100**	900
	1 061	887

13. Operating expense

	Company 2024 Rm	Company 2023 Rm
Administration fees	**56**	38

14. Other impairments

	Company 2024 Rm	Company 2023 Rm
Equity investment in subsidiaries	**(13)**	(77)
Impairment reversal	**–**	126
	(13)	49

Impairment losses and reversals relate to investments in subsidiaries. As Absa Group Limited is an investment holding company, the investment in subsidiaries represent the main cash generating operation of the Company.

Equity investment in subsidiaries amounting to **R-13m** (2023: R77m) was impaired based on a recoverable amount of **R16m** (2023: R3m) which was determined with reference to expected future cash flows from the investment.

15. Taxation expense

	Company 2024 Rm	Company 2023 Rm
Current		
Current tax	**107**	96
Current tax – previous reporting period	**(40)**	(6)
Foreign tax	**369**	319
	436	409
Deferred (refer to note 6)	**2**	(8)
Deferred tax	**2**	(8)
	438	401
Reconciliation between operating profit before income tax and the taxation expense		
Operating profit before income tax	**10 898**	11 991
Tax calculated at a tax rate of 27%	**2 942**	3 238
Expenses not deductible for tax purposes	**79**	32
Dividend Income	**(2 596)**	(2 921)
Non-Taxable interest	**(4)**	–
Deductible expenditure not recognised in profit or loss	**(297)**	(247)
Items of a capital nature	**5**	(13)
South African current taxation prior year	**(43)**	(8)
Foreign tax	**352**	320
	438	401

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

16. Dividends per share

	Company	
	2024 Rm	2023 Rm
Dividends declared to ordinary equity holders		
Interim dividend **(19 August 2024: 685 Cents per share (cps))** (14 August 2023: 685 cps)	**6 126**	6 126
Final dividend **(11 March 2025: 775 cps)** (11 March 2024: 685 cps)	**6 931**	6 126
	13 057	12 252
Distributions declared and paid to additional Tier 1 capital note holders		
Distribution		
29 January 2024: 33 242.52 Rands per note (rpn); 10 January 2023: 28 250.30 rpn	**40**	35
31 January 2024: 28 766.30 rpn; 27 January 2023: 27 831.89 rpn	**58**	34
16 February 2024: 30 090.30 rpn; 16 February 2023: 25 894,77 rpn	**60**	52
28 February 2024: 32 431.89 rpn; 28 February 2023: 29 490.41 rpn	**55**	50
5 March 2024: 31 476.03 rpn; 6 March 2023: 28 588.96 rpn	**43**	39
29 April 2024: 32 266.36 rpn; 11 April 2023: 30 000.08 rpn	**39**	37
30 April 2024: 27 941.92 rpn; 28 April 2023: 29 960.19 rpn	**56**	36
16 May 2024: 29 458.36 rpn; 16 May 2023: 26 895.07 rpn	**59**	54
28 May 2024: 31 726.85 rpn; 29 May 2023: 29 465.75 rpn	**53**	49
5 June 2024: 31 801.75 rpn; 5 June 2023: 29 212.25 rpn	**44**	40
27 July 2024: 32 161.64 rpn; 10 July 2023: 31 334.79 rpn	**39**	39
31 July 2024: 28 456.99 rpn; 27 July 2023: 30 841.64 rpn	**57**	37
14 August 2024: 28 664.38 rpn	**43**	–
16 August 2024: 30 070.14 rpn; 16 August 2023: 29 397.15 rpn	**60**	59
28 August 2024: 32 368.88 rpn; 28 August 2023: 32 391.01 rpn	**54**	54
5 September 2024: 31 738.74 rpn; 5 September 2023: 32 116.82 rpn	**44**	44
28 October 2024: 31 994.60 rpn; 10 October 2023: 33 397.26 rpn	**39**	41
31 October 2024: 28 288.11 rpn; 27 October 2023: 32 767.12 rpn	**57**	41
14 November 2024: 28 104.11 rpn	**42**	–
18 November 2024: 30 466.30 rpn; 16 November 2023: 30 216.33 rpn	**61**	60
28 November 2024: 32 094.14 rpn; 28 November 2023: 32 431.89 rpn	**54**	54
05 December 2024: 31 122.00 rpn; 05 December 2023: 31 413.80 rpn	**43**	44
	1 100	899
Dividends paid to ordinary equity holders		
Final dividend **(22 April 2024: 685 cps)** (24 April 2023: 650 cps)	**6 126**	5 510
Interim dividend **(13 September 2024: 685 cps)** (18 September 2023: 685 cps)	**6 127**	6 126
	12 253	11 636

17. Related parties

Refer to note 46 of the Group's financial statements for the full disclosure of related-party transactions. In addition to this disclosure the following related party transactions and balances exist for the Company.

The Loans to subsidiaries in the table below are provided to Absa Bank Limited under the same terms as the Absa Group Limited externally issued subordinated debt (refer to note 8) and reflect Absa Group Limited as the lender of the subordinated debt to Absa Bank Limited. The investment securities balance relates to the Tier 1 Capital instruments issued to Absa Bank Limited which is under the same terms as the subordinated equity (refer to note 10). There are no guarantees or collateral held against these exposures.

For information on the directors of the Company, refer to the Group's Directors' and Prescribed Officers' Remuneration note 61.

	2024 Rm	2023 Rm
Balances and transactions with subsidiaries		
Debit amounts shown as positive, credit amounts are shown as negative.		
Balances		
Loans and advances to banks	**533**	3 378
Investment securities (refer to note 2)	**9 681**	9 418
Loan to subsidiaries	**22 735**	20 322
Loans from Absa Group companies	**(103)**	–
Borrowed funds (refer to note 8)	**(4 668)**	(4 379)
Transactions		
Interest income	**(1 811)**	(2 114)
Operating income	**(1 100)**	(900)
Operating expenditure	**50**	–
Dividends received	**(9 124)**	(10 693)

The Operating Income amount was previously presented incorrectly. It has now been restated from a positive to a negative figure to accurately reflect its status as an income item.

In addition, Absa Group Limited Company is the primary obligor for the Group's share-based payment transactions. For more information, refer to note 50 of the consolidated financial statements.

18. Risk management

In order to gain an understanding of the risk management framework applied by the Company please refer to note 58 of the Group's financial statements.

	Company	
Credit Risk	**2024 Gross maximum exposure – Stage 1 Rm**	2023 Gross maximum exposure – Stage 1 Rm
Maximum exposure to credit risk		
Loans and advances	**533**	3 383
Investment securities	**9 681**	9 418
Other assets	**64**	31
Subsidiaries	**22 774**	20 370
	33 052	33 202

18. Risk management *continued*

Liquidity risk

Analysis of liquidity risk:

	Company					
	2024					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 year Rm	Impairment losses Rm	Total Rm
Assets						
Investment securities	–	–	9 681	–	–	9 681
Other financial assets	1	–	–	–	–	1
Loans and advances	533	–	–	–	–	533
Trading portfolio assets	1					1
Loans to subsidiaries	–	3 011	19 197	566	(39)	22 735
Financial assets	535	3 011	28 878	566	(39)	32 951
Non-financial assets						65 120
Total assets						98 071
Liabilities						
Other financial liabilities	258	–	–	–	–	258
Loans from Absa Group Companies	103					103
Borrowed funds	–	4 334	21 555	307	–	26 196
Financial liabilities	361	4 334	21 555	307	–	26 557
Non-financial liabilities						23
Total liabilities						26 580
Equity						71 491
Total equity and liabilities						98 071
Net liquidity position of financial instruments	174	(1 323)	7 323	259	(39)	6 394

Notes to the Company financial statements
for the reporting period ended 31 December

18. Risk management
Liquidity risk *continued*

Analysis of risk:

	Company					
	2023					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 year Rm	Impairment losses Rm	Total Rm
Assets						
Investment securities	–	–	9 215	203	–	9 418
Other financial assets	1	–	–	–	–	1
Loans and advances	3 383	–	–	–	(5)	3 378
Trading portfolio assets	4	–	–	–	–	4
Loans to subsidiaries	237	3 498	16 288	347	(49)	20 321
Financial assets	3 625	3 498	25 503	550	(54)	33 122
Non-financial assets						63 322
Total assets						96 444
Liabilities						
Other financial liabilities	279	–	–	–	–	279
Loans from Absa Group Companies	47	–	–	–	–	47
Borrowed funds	209	3 496	19 427	306	–	23 438
Financial liabilities	535	3 496	19 427	306	–	23 764
Non-financial liabilities						53
Total liabilities						23 817
Equity						72 627
Total equity and liabilities						96 444
Net liquidity position of financial instruments	3 090	2	6 076	244	(54)	9 358

Notes to the Company financial statements
for the reporting period ended 31 December

18. Risk management
Liquidity risk *continued*

Analysis of risk:

Undiscounted maturity (Statement of financial position value with impact of future interest)	Company 2024 On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 year Rm	Discount effect Rm	Total Rm
Liabilities						
On-statement of financial position						
Other financial liabilities	258	–	–	–	–	258
Loans from Absa Group Companies	103					103
Borrowed funds	–	4 461	25 751	1 732	(5 748)	26 196
Total liabilities	361	4 461	25 751	1 732	(5 748)	26 557

Undiscounted maturity (Statement of financial position value with impact of future interest)	Company 2023 On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 year Rm	Discount effect Rm	Total Rm
Liabilities						
On-statement of financial position						
Other financial liabilities	279	–	–	–	–	279
Loans from Absa Group Companies	47	–	–	–	–	47
Borrowed funds	209	3 666	23 688	630	(4 755)	23 438
Total liabilities	535	3 666	23 688	630	(4 755)	23 764

19. Fair Value Disclosures
19.1 Assets and liabilities not held at fair value

The following table summarises the carrying amounts and fair value of those assets and liabilities not held at fair value.

	Company 2024 Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Investment securities	9 681	10 015	–	–	10 015
Financial liabilities					
Borrowed funds	26 196	25 935	–	25 935	–

19. Fair Value Disclosures

19.1 Assets and liabilities not held at fair value *continued*

The above table excludes the financial instruments where the fair value approximated the carrying amount. The fair value amounts approximates the carrying amount due to the short-term nature and/or frequent repricing of interest rates on such instruments.

	Company				
	2023				
	Carrying amount Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Investment securities	9 418	9 964	–	–	9 964
Financial liabilities					
Borrowed funds	23 438	22 953	–	22 953	–

19.2 Assets and liabilities held at fair value

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

	Company							
	2024				2023			
	Level 1 Rm	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Trading and hedging portfolio assets	**–**	**1**	**–**	**1**	–	4	–	4
Derivative assets	**–**	**1**	**–**	**1**	–	4	–	4
Foreign exchange derivatives	**–**	**1**	**–**	**1**	–	4	–	4
Total financial assets	**–**	**1**	**–**	**1**	–	4	–	4

20. Going concern

The Directors assess the Company's future performance and financial position on an ongoing basis and have no reason to believe that the Company will not be a going concern in the reporting period ahead. For this reason, these consolidated financial statements are prepared on a going concern basis.

21. Events after the reporting period

Since the start of 2025 there has been increasing volatility in geopolitics which has resulted in shifts in global domestic and foreign policy. This has heightened uncertainty and could have a wide range of direct and indirect ramifications. Global trade developments and pressure on aid spending are expected to impact on the markets, outlooks and expectations of the countries in which the Group operates. This situation will be closely monitored and assessed for its impact on the business.

Other than the aforementioned, the directors are not aware of any events (as defined per IAS10 Events after the Reporting Period) that occurred after the reporting date of 31 December 2024 and the date of authorisation of these annual separate financial statements.

Contact information

Absa Group Limited

Incorporated in the Republic of South Africa
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Authorised financial services and registered credit provider (NCRCP7)
JSE share code: ABG
ISIN: ZAE000255915
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Transfer Secretary

Computershare Investor Services (Pty) Ltd
Telephone: +27 11 370 5000
computershare.com/za/

Queries

Please direct investor relations queries to
IR@absa.africa

Please direct media queries to
groupmedia@absa.africa

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

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

Sponsors

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

Joint sponsor and debt sponsor
Absa Bank Limited (Corporate and Investment Bank)
Telephone: +27 11 895 6000
IBDJSESponsor@absa.africa

Auditors

KPMG Inc.
Telephone: +27 11 647 7111
kpmg.com/za/en/home.html
PricewaterhouseCoopers Inc.
Telephone: +27 11 797 4000
https://www.pwc.co.za/

Your story matters