Absa Group Limited

Unaudited condensed consolidated financial results for the interim reporting period ended 30 June 2022

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Financial director statement

These interim financial results for the reporting period ended 30 June 2022 were prepared by Absa Group Financial Control under the direction and supervision of the Absa Group Financial Director, J P Quinn CA(SA).

Finance is led by the Financial Director who reports directly to the Chief Executive Officer.

The Financial Director has regular unrestricted access to the Board of Directors (Board) as well as to the Group Audit and Compliance Committee (GACC).

Finance is responsible for establishing strong control environment over the Group's financial reporting processes and serves as an independent control function advising business management, escalating identified risks and establishing policies or processes to manage risk.

Board approval

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

Together with the GACC, the Board has reviewed and approved the unaudited condensed consolidated financial results for interim reporting period ended 30 June 2022 (hereafter referred to as the 'financial results') contained in the announcement released on the Stock Exchange News Service (SENS) on 15 August 2022. The GACC and the Board are satisfied that the details disclosed in the SENS are a fair presentation of the financial results and comply, in all material respects, with the relevant provisions of the Companies Act, JSE Limited Listings Requirements, IFRS and interpretations of IFRS, IAS 34 *Interim Financial Reporting* (IAS 34) and SAICA's Reporting Guides.

Absa Group Limited

Unaudited condensed consolidated financial results for the interim reporting period ended 30 June 2022

Authorised financial services and registered credit provider (NCRCP7)
Registration number: 1986/003934/06
Incorporated in the Republic of South Africa
JSE share code: ABG
ISIN: ZAE000255915
(Absa, Absa Group, the Group, or the Company)

This report is available on the Company's website (https://www.absa.africa/absaafrica/investor-relations/financial-results/), copies of the full announcement may also be requested at the Company's registered office, at no charge, during office hours on normal business days, subject to COVID-19 office protocols. This report is also available at the sponsor's office.

Profit and dividend announcement

for the interim reporting period ended 30 June 2022

Absa Group discloses International Financial Reporting Standards (IFRS) financial results and a normalised view, which adjusts for the financial consequences of separating from Barclays PLC. The following commentary compares the Group's IFRS financial results for the current period ended 30 June 2022 to the six months ended 30 June 2021 (1H21).

Salient features

- Diluted headline earnings per share (DHEPS) grew 29.8% to 1 278.4 cents from 984.6 cents.
- Declared an interim dividend of 650 cents per ordinary share, up 110% from 310 cents.
- Retail and Business Banking's (RBB's) headline earnings increased 34% to R5 593m, and Corporate and Investment Bank's (CIB's) headline earnings grew 5% to R4 279m.
- Return on equity (RoE) improved to 16.6% from 13.9%.
- Revenue grew 14% to R47.0bn and operating expenses rose 6% to R24.6bn, producing a 52.4% cost-to-income ratio.
- Pre-provision profit grew 24% to R22.3bn.
- Credit impairments rose 10% to R5.2bn, resulting in a 0.91% credit loss ratio from 0.88%.
- Common equity tier 1 (CET 1) capital ratio increased to 13.1%, remaining well above regulatory requirements and higher than the Board's target range of 11.0% to 12.5%.
- Net asset value (NAV) per share grew 9% to 15 668 cents.

Normalised reporting

Given the process of separating from Barclays PLC, the Group has reported IFRS-compliant financial results as well as a normalised view of such results. The latter adjusts for the consequences of the separation and better reflects the Group's underlying performance.

Normalised results are adjusted for the following items: R13m in revenue (1H21: R20m); operating expenses of R493m (1H21: R654m) mainly relating to amortisation and depreciation; other operating expenses of R11m (1H21: R4m credit) and a R127m (1H21: R176m) tax impact of the aforementioned items. In total, these adjustments added R356m (1H21: R442m) to the Group's normalised headline earnings during the period. Normalisation occurs at a Group level and does not affect divisional disclosures.

Constant currency

Constant currency (CCY) pro forma financial information has been presented to illustrate the impact of changes in the Group's major foreign currencies, namely the Botswana Pula, Ghanaian Cedi, Kenyan Shilling, Mauritius Rupee, Mozambique Metical, Seychelles Rupee, Tanzanian Shilling, Uganda Shilling, United States Dollar, Zambia Kwacha, Czech Crown and Pound Sterling. The CCY pro forma financial information has been prepared for illustrative purposes only and, because of its nature, may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. In determining the CCY pro forma financial information, amounts denoted in the above listed currencies for the current period and prior period have been converted to the presentation currency using the appropriate exchange rates as at 30 June 2021. The CCY pro forma financial information is the responsibility of Directors and has not been reviewed or reported on by the Group's joint external auditors.

Overview of results

The Group's headline earnings increased by 30% to R10 628m from R8 186m and diluted HEPS grew 29.8% to 1 278.4 cents from 984.6 cents. The Group's RoE improved to 16.6% from 13.9% and its return on average assets was 1.31% from 1.06%.

Revenue grew 14% to R46 958m, with net interest income rising 12% to R28 583m and non-interest income increasing 18% to R18 375m.

The Group's net interest margin on average interest-bearing assets increased to 4.54% from 4.41%, reflecting higher policy rates. With operating expenses increasing 6% to R24 625m, the cost-to-income ratio improved to 52.4% from 56.4%. Pre-provision profit grew 24% to R22 333m. Credit impairments increased 10% to R5 176m, resulting in a 0.91% credit loss ratio from 0.88%. Gross loans and advances grew 11% to R1 203bn, while deposits rose 10% to R1 214bn. An interim ordinary dividend of 650 cents per ordinary share was declared, with a pay-out ratio of 51%.

RBB's headline earnings grew 34% to R5 593m and CIB's increased 5% to R4 279m. Head Office, Treasury and other operations' headline earnings rose 173% to R1 112m, largely due to significantly higher net interest income in Treasury.

On a geographic basis, headline earnings in South Africa increased 29% to R8 924m, while Africa regions grew 33% to R1 704m.

Operating environment

The global economy entered 2022 on a strong footing, notwithstanding continued supply-chain interruptions. Those interruptions increased further due to the ongoing geopolitical conflict between Russia and Ukraine in late February, which saw many key global commodity prices rise significantly. Facing a much less certain geopolitical and macroeconomic environment, risk aversion in global financial markets increased sharply.

South Africa's economic performance post-COVID-19 has been volatile, but generally stronger than expected. The economy looks to have surpassed its pre-pandemic level of economic activity in the first quarter, albeit with far higher unemployment and public debt levels. With inflation nearing the top of the target range in late 2021, the Monetary Policy Committee (MPC) commenced a hiking cycle last November, initially increasing policy rates by 25 bps (basis points) at each subsequent meeting, and then accelerating to a 50 bps increase in May and to 75 bps in July.

Across our ARO presence countries, the post-COVID-19 economic recovery continued into early 2022, with commodity exporters benefitting from higher prices, while tourism rebounded strongly. However, Ghana is facing a considerably more challenging environment, given a deteriorating fiscal backdrop, currency depreciation, and soaring inflation, resulting in 450 bps of rate hikes in the first half. Despite global pressures and adverse weather conditions that impacted the agriculture sector, inflation picked up slowly in East African countries in the half. Nonetheless, East African central banks responded by raising policy rates to contain inflation expectations.

Group performance

Statement of financial position

Total assets increased 11% to R1 762bn, reflecting 12% growth in net loans and advances and 13% higher investment securities, as surplus liquidity was deployed in treasury bills.

Loans and advances

Total gross loans and advances grew 11% to R1 203bn, given 8% growth in gross loans and advances to customers to R1 094bn, while gross loans and advances to banks rose 60% to R109bn. Gross RBB loans and advances to customers rose 9% to R684bn, as instalment credit agreements grew 10% to R118bn, mortgages increased 8% to R312bn, personal and term loans increased 10% to R70bn and credit cards rose 8% to R48bn. RBB ARO gross loans and advances to customers grew 17% to R72bn or 10% in CCY.

CIB gross loans and advances to customers increased 7% to R409bn. CIB SA grew 5% to R344bn, including 11% growth in term loans and 36% higher foreign currency loans, while reverse repurchase agreements declined 29%. CIB ARO grew 18% to R65bn or 9% in CCY.

Profit and dividend announcement

for the interim reporting period ended 30 June 2022

Group performance (continued)

Statement of financial position (continued)

Funding

Group sources of liquidity declined 3% to R277bn, which equates to 26% of customer deposits. The Group's liquidity coverage ratio of 121% and the net stable funding ratio of 113%, were both well above minimum regulatory requirements. Total deposits rose 10% or 8% in CCY to R1 214bn. Excluding repurchase agreements, total deposits increased 7% to R1 108bn. Deposits due to customers grew 7% or 5% in CCY, to R1 085bn. Total deposits from banks rose 43% to R128bn. The loans-to-deposits and debt securities ratio decreased to 83.6% from 83.9%. Deposits due to customers constituted 78% of total funding, from 82%.

RBB deposits grew 10% to R573bn, with RBB SA increasing 9% to R471bn while RBB ARO rose 16% to R102bn. Within RBB SA, saving and transmission deposits increased 10% to R210bn and cheque account deposits rose 10% to R113bn. CIB deposits grew 4% to R416bn, with CIB SA up 1% largely due to 47% growth in foreign currency deposits. CIB ARO deposits increased 17% to R80bn.

Net asset value

The Group's NAV increased 7% to R130bn and NAV per share grew 9% to 15 668 cents. During the first half of 2022 the Group generated retained earnings of R10.5bn and paid dividends of R4.0bn.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) grew 6% to R949bn, largely due to 5% higher credit risk RWAs. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. The Group's CET 1 ratio increased to 13.1% from 12.4%, above the Board target range of 11.0% to 12.5%. The Group Tier 1 ratio rose to 14.8%, with a total capital adequacy ratio of 17.0%.

Statement of comprehensive income

Net interest income

Net interest income increased 12%, or 11% in CCY, to R28 583m from R25 597m, while average interest-bearing assets grew 8%. The Group's net interest margin improved to 4.54% from 4.41%, mainly due to higher policy rates in South Africa and ARO.

Loan margins improved by 7 bps, reflecting higher interest rates and reduced suspended interest in RBB SA. Slower growth in lower margin Investment Banking SA advances relative to total interest-bearing assets created a positive composition impact, offset by the negative mix impact of low growth in RBB SA unsecured lending. Deposit margins increased by 6 bps, largely due to a change in composition. Deposit pricing improved by 1 bp, due to Corporate SA, partially offset by the margin compression in ARO. Reduced low-margin deposits in Corporate SA and less reliance on wholesale funding had a positive composition effect on margins, which increased by 6 bps. Higher average policy rates and growth in South African endowment balances added 4 bps to the overall margin. Higher equity balances across ARO also increased the margin by 2 bps. The structural hedge released R1 339m to the income statement, 4 bps less than 1H21's R1 518m. The after-tax cash flow hedging reserve relating to the programme reflected a debit balance of R3.2bn as at 30 June 2022, from a credit of R0.8bn at 31 December 2021. Other factors had a 2 bps negative impact, as investing excess liquidity in lower margin-yielding instruments in ARO, USD AT1 issuance funding costs, and the reduced basis differential between prime and Johannesburg interbank average rate (JIBAR) in South Africa, outweighed the positive prime rate reset in the half and higher yields on inflation-linked assets in the liquid asset portfolio.

Non-interest income

Non-interest income increased 18%, or 17% in CCY, to R18 375m from R15 633m and accounted for 39% of total revenue, up from 37.9%. Net fee and commission income grew 7% to R11 550m, representing 63% of total non-interest income. Within this, transactional fees and commissions increased 8%, with cheque account fees down 1%, while electronic banking fees grew 18% and credit card fees rose 10%. Merchant income rose 11%, reflecting increased acquiring volumes. Net trading income, excluding the impact of hedge accounting, rose 12% to R4 139m, with Global Markets income increasing by 1% to R3 862m from R3 819m, with Markets SA up 1% and Markets ARO increasing 2%. Insurance revenue recovered strongly, contributing 9% total of non-interest income growth, mainly due to R1.1bn lower COVID-19 reserving, while claims reduced by R0.2bn, and net premium income grew by R0.3bn.

RBB SA's non-interest income grew 21% to R10 797m, largely due to a significant R1.3bn recovery in Insurance. Excluding this rebound, RBB SA's non-interest income grew 7%. Within Everyday Banking, the largest component of RBB SA, non-interest income increased 8% to R5 409m, while Relationship Banking rose 5% to R2 986m, and RBB ARO non-interest income grew 28%, or 24% in CCY, to R1 966m.

CIB non-interest income grew 6% to R5 193m. Corporate Bank non-interest income rose 12% to R1 240m due to transaction growth and trade finance, while Investment Bank increased 4% to R3 953m, with Global Markets up 1% to R3 862m, off a high base. CIB SA's non-interest income rose 6% to R3 328m, and CIB ARO grew 7%, or 6% in CCY, to R1 865m.

Impairment losses (credit impairments)

Credit impairments grew 10% to R5 176m from R4 702m, increasing the credit loss ratio to 0.91% from 0.88%. The charge was slightly above the mid-point of the Group's through-the-cycle range of 75 to 100 bps. In the 1H21 base, model enhancements and a change in the definition of default to align with peers reduced RBB SA credit impairments by R1 304m. A net release of R1 142m was recognised in the first half of 2022, mainly attributable to the consumption of the macro-overlay, as a larger portion of the anticipated risks are now captured through incurred losses or recalibrated IFRS 9 models which reflect the COVID-19 loss experience. This was partially offset by the impact of deteriorating macroeconomic scenarios relative to the reporting period ending 31 December 2021. Total loan coverage decreased slightly to 4.0% from 4.1% at 31 December 2021 and 4.5% in 1H21, although it remains well above the pre-COVID level of 3.3% at 31 December 2019. Stage 3 loan coverage reduced to 45.4% from 47.1%, due to the sale of unsecured legal balances and write-offs of non-performing loans (NPLs) with higher coverage. Stage 3 loans and advances improved to 5.3% from 5.6%, while stage 2 loans and advances decreased to 8.3% from 10.7%.

RBB credit impairments grew 16% to R4 878m from R4 196m, resulting in a 1.44% credit loss ratio, from 1.33%. RBB SA credit impairments grew 17% to R4 306m from R3 667m. Within this, Home Loans swung from a R290m reversal to a R272m charge, although its 0.19% credit loss ratio remains low. Vehicle and Asset Finance increased 56% to R1 175m, resulting in a 2.24% credit loss ratio, from 1.58%. The rise reflects higher delinquencies largely due to issues post DebiCheck implementation, an ageing legal book, and an increased customers in debt review. Everyday Banking credit impairments (including Personal Loans, Card and Overdrafts) grew 6% to R2 627m, in line with book growth, reflecting enhanced digital collections capabilities and concerted efforts to manage NPLs. Relationship Banking's charge fell 68% to R231m, due to an improved book construct, reducing its credit loss ratio to 0.34% from 1.14%.

CIB credit impairments decreased 42%, or 33% in CCY, to R297m from R510m, resulting in a credit loss ratio of 0.13% from 0.24%. The decline reflects reduced single-name charges in South Africa and a net impairment release on the performing book due to an improved portfolio construct. CIB SA credit impairments fell 71% to R162m, resulting in a credit loss ratio of 0.09% from 0.31%. CIB ARO credit impairments increased from a R47m credit to R135m, resulting in a 0.41% credit loss ratio. The increase was primarily due to higher single-name charges off a very low base. Corporate Bank credit impairments normalised to R111m, resulting in a 0.24% credit loss ratio from 0.04%. Investment Bank credit impairments dropped 63%, or 57% in CCY, from R497m to R186m, resulting in a 0.11% credit loss ratio.

Group performance (continued)

Statement of comprehensive income (continued)

Operating expenses

Operating expenses grew 6%, or 5% in CCY, to R24 625m from R23 259m, improving the Group's cost-to-income ratio to 52.4% from 56.4%. Staff costs rose 4% in reported and CCY, to R13 190m, accounting for 54% of total operating expenses. Salaries and other staff costs, the largest component, was flat at R11 311m largely due to a lower headcount and reduced restructuring costs offsetting salary inflation. Bonuses grew 49%, given improved performance and higher first half accrual. Non-staff costs grew 8%, or 6% in CCY, with IT costs 11% higher reflecting continued investment in digital platforms requiring additional software, cybersecurity and licensing spend. Total IT spend, including staff, amortisation and depreciation, grew 11% to R5 939m, or 34% of Group expenses. Amortisation of intangible assets decreased by 20% as a result of separation, offset by an increase of 15% due to an investment in digital, data and automation processes and analytics. Cash transportation costs fell 5%, reflecting migration to digital banking and increased cash recycling. Professional fees rose 35%, mainly from higher spend on strategic initiatives. Marketing costs grew 48%, due to increased campaign spend, mostly in RBB. Depreciation decreased by 7% primarily due to continued optimisation of property and physical IT infrastructure. Property costs declined 1%, reflecting continued property optimisation.

RBB operating expenses grew 7% to R18 331m (6% in CCY). RBB SA's costs grew 6% to R13 765m, reflecting salary increases, continued investment in technology and digitisation, marketing and increased bonuses, partially offset by the optimisation of distribution and reduced restructuring charges. RBB ARO's expenses increased 10%, 7% in CCY, to R4 566m, due to inflationary pressures, higher performance costs and investment in technology and digitisation.

CIB operating expenses grew 8% to R5 767m, or 7% in CCY, reflecting inflationary pressures across several jurisdictions, higher bonuses and increased investment spend. CIB SA's expenses grew 6% to R3 657m, largely due to higher performance costs and strategic investment. CIB ARO's expenses grew 12%, or 9% in CCY, to R2 110m given inflationary pressures.

Taxation

The Group's taxation expense grew 34% to R4 480m from R3 335m, resulting in an effective tax rate of 28.0% from 27.2%.

Segment performance

RBB

Headline earnings grew 34% to R5 593m, as pre-provision profit increased 24% to R14 165m. Revenue rose 14%, or 13% in CCY, to R32 496m, with net interest income up 9%, largely due to balance sheet growth. Customer loans grew by 9% and customer deposits increased by 10%. Non-interest income grew 22%, as mortality claims and COVID-19 provisions normalised and economic activity improved. Operating expenses increased 7%, or 6% in CCY, to R18 331m, resulting in a 54.6% cost-to-income ratio from 59.9%. RBB credit impairments rose 16%, producing a 1.44% credit loss ratio from 1.33%. RBB generated a return on regulatory capital (RoRC) of 19.9% from 15.2%, contributing 57% of total Group headline earnings excluding Head Office, Treasury and other operations.

RBB SA earnings grew 23% to R5 070m, resulting in a 21.7% RoRC. Pre-provision profit increased 21%, driven by 13% revenue growth, mostly reflecting reduced COVID-19 mortality claims and provisions as well as balance sheet growth. Operating expenses rose 6%, despite continued investment in digitisation and higher performance costs. Credit impairments increased 17%, largely due to the non-recurrence of model enhancement benefits in 1H21 and Vehicle and Asset Finance's higher charge. Everyday Banking headline earnings rose 4% to R1 658m, with 8% higher pre-provision profit partially offset by 6% growth in credit impairments. Non-interest income increased 8%, reflecting low teen growth in digital volumes and card turnover. Home Loans headline earnings decreased 23% to R1 080m, as credit impairments normalised off a very low base to outweigh the 6% pre-provision profit growth. Vehicle and Asset Finance's pre-provision profit grew 11% due to 13% higher net interest income. However, headline earnings decreased 90% to R26m, due to 56% higher credit impairments. Relationship Banking's headline earnings grew 34% to R2 016m, given 7% higher pre-provision profits and 68% lower credit impairments. Insurance headline earnings rebounded to R642m from a R297m loss. SA life insurance earnings recovered to R604m from a R449m loss due to 37% lower mortality and retrenchment claims, lower COVID-19 provisioning and 7% net premium income growth. Short-term insurance's headline earnings dropped 75% to R38m, reflecting significantly higher flood claims and surge claims related to electricity load shedding.

RBB ARO's headline earnings increased significantly to R523m, from R54m, predominantly due to 42% higher pre-provision profit. Revenue grew 18%, or 16% in CCY, with non-interest income up 28% (24% in CCY) and net interest income increasing 15% (13% in CCY). Customer loans grew 17%, or 10% in CCY, while deposits rose 16% (7% in CCY). Costs increased 10%, or 7% in CCY, resulting in a cost-to-income ratio of 69.2% from 74.3%. Credit impairments rose 8%, producing a slightly lower credit loss ratio of 1.70%. RBB ARO's RoRC improved to 11.1% from 1.2%.

CIB

Headline earnings rose 5% to R4 279m as credit impairments decreased 42%, and pre-provision profits grew 6%, or 7% in CCY. Revenue increased 7% to R12 461m. Net interest income grew 8%, with an improved net interest margin, while customer loans and customer deposits rose 7% and 4% respectively. Non-interest income increased 6%, driven by improved trade finance and transaction volumes, as well as growth in Investment Banking Division fees. Operating expenses rose 8%, or 7% in CCY, to R5 767m, resulting in a cost-to-income ratio of 46.3% from 45.8%. CIB's credit loss ratio improved to 0.13% from 0.24% due to reduced single-name charges and a net impairment release on the performing book, given an improved portfolio construct. CIB contributed 43% of the Group's headline earnings, excluding Head Office, Treasury and other operations and produced a 24.1% RoRC from 22.8%.

Investment Bank's headline earnings decreased 1% to R2 974m, as pre-provision profit declined 2% and its taxation expense increased. Operating expenses grew 14%, while revenue rose 4%, resulting in a 39.6% cost-to-income ratio. Credit impairments reduced by 63%, improving Investment Bank's credit loss ratio to 0.11%. Investment Bank accounted for 70% of CIB's earnings.

Corporate Bank's headline earnings rose 22% to R1 305m, on the back of 29% pre-provision profit growth. Revenue grew 13%, including 13% higher net interest income as average customer loans increased 17% and deposit margins improved. Non-interest income rose 12%, with transaction revenue growth on higher volumes and improved customer primacy. Credit impairments normalised off a very low base, resulting in a 0.24% credit loss ratio.

Segment performance (continued)

CIB (continued)

CIB SA's headline earnings increased 7% to R2 955m, reflecting 71% lower credit impairments and 2% growth in pre-provision profit. Revenue grew 4%, with non-interest income up 6%. Operating expenses rose 6%, producing a 46.6% cost-to-income ratio. CIB SA constituted 69% of CIB's total headline earnings. CIB ARO's headline earnings rose 2% to R1 324m, with 15% pre-provision profit growth, as 14% higher revenue (13% in CCY) exceeded 12% cost growth (9% in CCY). Net interest income grew 20%, on 18% customer loan growth and improved margins. Credit impairments increased materially to R135m from a R47m credit, resulting in a 0.41% credit loss ratio.

Head Office, Treasury and other operations

Headline earnings increased significantly to R1 112m from R408m. Net interest income more than doubled to R1 559m from R719m as SA Group Treasury had reset benefits from rising policy rates, higher investment returns and increased endowment revenue.

Geographic split

South Africa

Headline earnings grew 29% to R8 924m, driven by 21% higher pre-provision profit. Total revenue increased 13%, with non-interest income up 19% and net interest income rising 10%. Operating expenses grew 5%, resulting in a 48.8% cost-to-income ratio from 52.4%. Credit impairments increased 6%, producing a 0.91% credit loss ratio from 0.75%. South Africa contributed 84% of Group earnings. Its RoRC improved to 22.7% from 18.3%.

Africa regions

Headline earnings rose 33%, or 30% in CCY, to R1 704m. The average value of the Rand was slightly weaker during the period, adding 2% to Africa regions' revenue and earnings. Pre-provision profits increased 27%, driven by 17% revenue growth (15% in CCY). Net interest income grew 18%, or 16% in CCY, with 17% customer loan growth and improved margins. Non-interest revenue grew 14%, or 12% in CCY, reflecting 28% growth in RBB ARO. Operating expenses rose 11%, or 7% in CCY, producing a 59.7% cost-to-income ratio from 63.0%. Credit impairments increased 47%, or 51% in CCY, largely in CIB ARO off a very low base. Its credit loss ratio rose to 0.93% from 0.71%. Africa regions' RoRC improved to 14.6% from 12.5%.

Prospects

The outlook for the global economy is particularly uncertain. Geopolitical events in Ukraine are acute, and sharp moves in commodity prices and potential supply interruptions are difficult to assess. Moreover, dramatic increases in inflation are being felt across most economies, triggering in many the most rapid monetary policy tightening in decades. Economic growth is widely expected to fall, although the extent remains unclear. This macroeconomic environment has increased risk aversion in global financial markets, producing a material headwind for financial flows into emerging markets.

Against this highly uncertain global backdrop, we expect South Africa's economy to grow 2.3% in 2022, as a better-than-expected first quarter is likely to be tempered by the impacts of second quarter flooding in KwaZulu-Natal, ongoing electricity shortages and an increase in strike action in some sectors. Sectoral differences are likely to remain significant, with high commodity prices boosting parts of the mining sector, while households face steep increases in fuel, food and other important prices. Headline consumer price inflation breached the central bank's 6% upper target in May, and we expect inflation to remain elevated until mid-2023. We see further policy rate increases taking the prime rate to 11% by early 2023. Eskom's operational challenges remain a key downside risk to economic growth and investor sentiment.

We forecast 4.5% GDP-weighted economic growth for our ARO presence countries. However, the risks to growth are tilted towards the downside as the more depressed global environment, rising domestic inflation, and tighter monetary policy in most ARO countries are likely to impact aggregate demand. Ghana's near-term outlook is clouded by its fiscal challenges and elevated inflation. We expect East African markets, along with Botswana and Mozambique, to continue to record solid growth this year.

Based on these assumptions, and excluding further major unforeseen political, macroeconomic, or regulatory developments, our guidance for 2022 is as follows:

- We expect low double-digit revenue growth, with non-interest income growth slightly higher than net interest income. We see high single-digit growth in customer loans, while customer deposits will likely grow by low to mid-single digits. Our net interest margin benefits from rising rates, with a R500m uplift on an annualised basis for a 1% rise in policy rates, post the structural hedge.
- We expect low to mid-single digit operating expense growth, resulting in positive operating JAWS and growth in pre-provision profits in the teens. Our 2022 cost-to-income ratio is expected to improve from 2021, but increase slightly from the first half.
- Given rising policy rates and inflationary pressures, our credit loss ratio is likely to increase, to the upper half of our through-the-cycle target range of 75 to 100 bps, broadly in line with the first half charge.
- Consequently, we expect our RoE to improve to around 17%.
- Lastly, our Group CET 1 ratio is expected to remain very strong. We aim to increase our dividend pay-out ratio to at least 50% for 2022.

In terms of medium-term guidance, we aim to achieve a cost-to-income ratio in the low 50s and maintain our RoE above 17% on a sustainable basis, which is heavily dependent on the macro backdrop globally and in our presence countries.

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

Profit and dividend announcement

for the interim reporting period ended 30 June 2022

Declaration of interim ordinary dividend number 70

Shareholders are advised that an ordinary dividend of 650 cents per ordinary share was declared on 15 August 2022, for the interim reporting period ended 30 June 2022. The ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on Friday, 16 September 2022. The directors of Absa Group Limited confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

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

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 650 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 520 cents per ordinary share for shareholders liable to pay the dividend tax.
- Absa Group Limited currently has 847 750 679 ordinary shares in issue (includes 17 183 416[1] treasury shares).
- Absa Group Limited's income tax reference number is 9150116714.

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

Last day to trade cum dividend	Tuesday, 13 September 2022
Shares commence trading ex-dividend	Wednesday, 14 September 2022
Record date	Friday, 16 September 2022
Payment date	Monday, 19 September 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 14 September 2022 and Friday, 16 September 2022, both dates inclusive. On Monday, 19 September 2022, the dividend will be electronically transferred to the bank accounts of certificated shareholders. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will also be credited on Monday, 19 September 2022.

On behalf of the Board

N R Drutman
Company Secretary

Johannesburg
15 August 2022

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

[1] Includes shares to be utilised when establishing a BBBEE structure.

IFRS condensed consolidated financial results

for the interim reporting period ended 30 June 2022

Basis of presentation

The Group's condensed consolidated financial results for the interim reporting periods ended 30 June 2022 and 30 June 2021 are unaudited and have not been independently reviewed by the Group's external auditors. These financial results have been prepared in accordance with the recognition and measurement requirements of the International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS-IC), the South African Institute of Chartered Accountants' Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements and the requirements of the Companies Act.

The accounting policies, presentation and disclosure of the unaudited condensed consolidated financial results comply with IAS 34.

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 foreseeable future. For this reason, the information in this report has been prepared on a going concern basis.

Accounting policies

The accounting policies applied in preparing the unaudited condensed consolidated financial results are consistent to those applied in the Group's annual consolidated financial statements for the reporting period ended 31 December 2021, except for those highlighted below.

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

- **Amendment to IAS 16 –** *Property, Plant and Equipment – Proceeds before intended use.*

  The amendments, which are applicable for financial periods beginning on or after 1 January 2022, amend the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- **Amendment to IAS 37 –** *Provisions, Contingent Liabilities, Contingent Assets: Onerous Contracts – Cost of fulfilling a contract*

  The amendments, which are applicable for financial periods beginning on or after 1 January 2022, specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

These amendments had no impact on the unaudited condensed consolidated financial results of the Group.

Standards issued not yet effective

IFRS 17 – *Insurance Contracts*

IFRS 17 – *Insurance Contracts* establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles for reinsurance contracts held and issued investment contracts with discretionary participation features. The standard brings a greater degree of comparability and transparency about an insurer's financial health and the profitability of new and in-force insurance business.

IFRS 17 introduces a general measurement model that measures groups of insurance contracts based on fulfilment cash flows (comprising probability-weighted current estimates of future cash flows, an explicit entity-specific adjustment for non-financial risk and the use of an appropriate discount rate) and a contractual service margin (effectively representing the unearned profit). As a result, no profit may be recognised at inception of an insurance contract, and profit is rather recognised over the coverage period. Losses are however immediately recognised on initial recognition for contracts where fulfilment cash flows are a net outflow. The use of this measurement model involves a significant degree of estimates and judgements in measuring a group of insurance contracts; such as methods used to determine the risk adjustment and discount rate. The general measurement model is expected to be applied mainly to the Group's long-term insurance products.

The premium allocation approach is a simplified measurement model that may be applied when certain conditions are fulfilled:

- The coverage period of each contract in the group is 1 year or less; or
- The use of this method would produce a measurement that would not differ materially from the measurement if the general measurement model had been applied.

Under the premium allocation approach, the amount relating to remaining service is measured by allocating the premium over the coverage period. Not only is this measurement model more simplified, it also provides for a more cost effective option as opposed to the general measurement model.

This approach will be applied mainly to the Group's short-term businesses and where business in the Life entity has a contract boundary of less than 12 months.

The general measurement model has specific modifications applicable to accounting for reinsurance contracts, direct participating contracts and investment contracts with discretionary participation features.

IFRS 17 is effective for the first annual reporting period beginning on or after 1 January 2023 and should be applied retrospectively. As the Group has chosen not to early adopt the standard; the transition period for the Group has commenced from 1 January 2022.

IFRS 17 sets out the following transition methods available that will need to be applied for each group of insurance contracts. These methods include:

- **The full retrospective approach** – This approach is compulsory if the entity can practically source all the information required to account for the in-force book at transition as if IFRS 17 has always applied.

IFRS 17 – *Insurance Contracts* (continued)

- **The modified retrospective approach** – An entity has the option to use the modified retrospective approach to the extent that it does not have reasonable and supportable information to apply the full retrospective approach. The objective of the modified retrospective approach is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available at the transition date without undue cost or effort.
- **The fair value approach** – Permitted as an alternative to the modified retrospective approach for a group of contracts when full retrospective application of that group of contracts is impracticable, or required when full retrospective application of a group of contracts is impracticable and an entity cannot obtain reasonable and supportable information for that group of contracts to use the modified retrospective approach. To apply the fair value approach, an entity should determine the contractual service margin or loss at the transition date as the difference between the fair value of a group of insurance contracts and the IFRS 17 fulfilment cash flows measured at that date. In determining the fair value, an entity must apply the requirements of IFRS 13 – *Fair Value Measurement*.

The full retrospective approach is expected to be applied to the Group's short-term business and most of its life insurance products whilst the fair value approach is expected to be applied for most products incepted pre-2016.

Unpacking of the new concepts within the accounting standard have largely been concluded to support the base case methodologies and interpretations which are being used in the transition and impact assessments. The implementation of the new finance process is being finalised in 2022. The hybrid parallel runs in flight from the first quarter of 2022 to ensure the new data process that supports the IFRS 17 calculations are thoroughly tested before the commencement of the full parallel cycle from the second half of 2022 onwards. The end to end solution will be tested ahead of the compliance date of 1 January 2023.

The impact to retained earnings on transition is being calculated, with assurance from the external auditors to be presented to the boards of Absa Financial Services, Absa Life, Absa Insurance Company, Absa Life Botswana, Absa Life Zambia, Absa Life Assurance Kenya and First Assurance Kenya in the fourth quarter of 2022.

The IFRS 17 programme remains on track to deliver an integrated actuarial and finance solution.

Events after the reporting period

The Group has assessed the impact of the announcement made on 30 June 2022 relating to the strengthening of the Group Executive Committee and the introduction of a refined operating model on the Group's segments. The changes are effective on 01 July 2022, and as such, the Group has identified that these changes do not affect the Group's segment reporting and related parties disclosures in its financial results for the interim reporting period ended 30 June 2022. The Group is in the process of understanding the impact of these changes on its year-end disclosures. Please refer to note 11 which provides further detail on these changes.

Other than the aforementioned, the directors are not aware of any other events (as defined per IAS 10 – *Events after the Reporting Period*) after the reporting date of 30 June 2022 until the date of authorisation of these condensed consolidated financial results.

On behalf of the Board

M S Moloko
Group Chairman

A Rautenbach
Group Chief Executive

J P Quinn
Group Financial Director

Johannesburg
15 August 2022

Condensed consolidated IFRS salient features

for the reporting period ended

	Note	30 June 2022	30 June 2021	31 December 2021
Statement of comprehensive income (Rm)				
Income		**46 958**	41 230	85 906
Operating expenses		**24 625**	23 259	48 610
Pre-provision profit		**22 333**	17 971	37 296
Credit impairment charges		**5 176**	4 702	8 499
Profit attributable to ordinary equity holders		**10 481**	8 162	17 763
Headline earnings[1]	6	**10 628**	8 186	17 825
Statement of financial position				
Net asset value (NAV) (Rm)		**130 135**	121 656	129 863
Gross loans and advances (Rm)[2]		**1 203 294**	1 079 785	1 133 697
Total assets (Rm)		**1 761 696**	1 580 535	1 640 833
Deposits (Rm)[2]		**1 213 509**	1 105 237	1 173 766
Loans to deposits and debt securities ratio (%)[3]		**83.6**	83.9	86.9
Average loans to deposits and debt securities ratio (%)[3]		**84.1**	83.6	84.2
Financial performance (%)				
Return on equity (RoE)		**16.6**	13.9	14.6
Return on average assets (RoA)		**1.31**	1.06	1.13
Return on risk-weighted assets (RoRWA)		**2.31**	1.83	1.96
Stage 3 loans ratio on gross loans and advances		**5.29**	5.64	5.43
Operating performance (%)				
Net interest margin on average interest-bearing assets		**4.54**	4.41	4.46
Credit loss ratio		**0.91**	0.88	0.77
Non-interest as a percentage of total income		**39.1**	37.9	37.9
Cost-to-income ratio		**52.4**	56.4	56.6
JAWS		**8**	1	4
Effective tax rate		**28.0**	27.2	27.3
Share statistics (million)				
Number of ordinary shares in issue		**847.8**	847.8	847.8
Number of shares in issue (excluding treasury shares)		**830.6**	847.8	830.3
Weighted average number of ordinary shares in issue		**830.2**	830.1	830.2
Diluted weighted average number of ordinary shares in issue		**831.3**	831.4	831.6
Share statistics (cents)				
Basic earnings per ordinary share (EPS)		**1 262.5**	983.3	2 139.6
Diluted basic earnings per ordinary share (DEPS)		**1 260.7**	981.8	2 136.0
Headline earnings per ordinary share (HEPS)	6	**1 280.2**	986.2	2 147.1
Diluted headline earnings per ordinary share (DHEPS)	6	**1 278.4**	984.6	2 143.5
NAV per ordinary share		**15 668**	14 350	15 641
Tangible NAV per ordinary share		**14 199**	13 050	14 207
Dividend per ordinary share relating to income for the reporting period		**650**	310	785
Dividend payout ratio (%)		**51**	30	37
Capital adequacy (%)				
Absa Group Limited		**17.0**	16.9	17.0
Absa Bank Limited		**18.1**	17.7	17.9
Common Equity Tier 1 (%)				
Absa Group Limited		**13.1**	12.4	12.8
Absa Bank Limited		**13.1**	11.8	12.4

[1] After allowing for **R123m** (30 June 2021: R120m; 31 December 2021: R242m) profit attributable to preference equity holders and **R305m** (30 June 2021: R290m; 31 December 2021: R585m) profit attributable to Additional Tier 1 capital holders.

[2] These numbers have been restated, refer to reporting changes overview, note 15.5.

[3] These numbers have been restated to include the balances relating to 'loans and advances to banks' and 'deposits due to banks' in line with the changes per note 15.5.

Condensed consolidated statement of financial position

as at

	Note	30 June 2022 Rm	30 June 2021 Rm	31 December 2021 Rm
Assets				
Cash, cash balances and balances with central banks		**61 353**	56 610	66 041
Investment securities		**206 609**	182 623	188 898
Trading portfolio assets		**211 797**	206 163	203 079
Hedging portfolio assets		**6 096**	6 851	5 159
Other assets		**53 053**	32 692	24 156
Current tax assets		**632**	514	665
Non-current assets held for sale	1	**5 150**	1 373	4 259
Loans and advances[(1)]	2	**1 160 281**	1 036 603	1 092 257
Reinsurance assets		**1 025**	510	732
Investments linked to investment contracts		**18 930**	22 190	19 803
Investments in associates and joint ventures		**1 635**	1 641	1 593
Investment properties		**419**	487	421
Property and equipment		**15 206**	16 185	15 970
Goodwill and intangible assets		**12 200**	11 022	11 903
Deferred tax assets		**7 310**	5 071	5 897
Total assets		**1 761 696**	1 580 535	1 640 833
Liabilities				
Trading portfolio liabilities		**97 631**	82 839	72 819
Hedging portfolio liabilities		**7 082**	3 804	3 659
Other liabilities		**61 207**	57 213	48 410
Provisions		**3 960**	3 712	5 396
Current tax liabilities		**1 151**	686	1 091
Non-current liabilities held for sale	1	**3 333**	542	3 465
Deposits[(1)]		**1 213 509**	1 105 237	1 173 766
Debt securities in issue		**174 871**	129 601	131 076
Liabilities under investment contracts		**19 830**	25 258	21 126
Policyholder liabilities under insurance contracts		**5 776**	5 297	5 731
Borrowed funds	3	**25 240**	27 426	26 600
Deferred tax liabilities		**434**	422	386
Total liabilities		**1 614 024**	1 442 037	1 493 524
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital		**1 661**	1 660	1 660
Share premium		**10 722**	10 636	10 644
Retained earnings		**117 218**	103 952	110 859
Other reserves		**534**	5 408	6 700
		130 135	121 656	129 863
Non-controlling interest – ordinary shares		**5 889**	5 194	5 798
Non-controlling interest – preference shares		**4 644**	4 644	4 644
Other equity: Additional Tier 1 capital[(2)]		**7 004**	7 004	7 004
Total equity		**147 672**	138 498	147 309
Total liabilities and equity		**1 761 696**	1 580 535	1 640 833

(1) These numbers have been restated, refer to reporting changes overview, note 15.5.

(2) The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, a subsidiary of the Group and were previously presented as 'Non-controlling interest'. The reference to 'Non-controlling interest' has however been removed and changed to 'Other equity' as these instruments do not meet the definition of 'Non-controlling interest'. The change had no impact on the profit or loss, or net equity position of the Group.

Condensed consolidated statement of comprehensive income

for the reporting period ended

	Note	30 June 2022 Rm	30 June 2021 Rm	31 December 2021 Rm
Net interest income		**28 583**	25 597	53 322
Interest and similar income		**50 889**	44 132	89 495
Effective interest income		**49 853**	43 218	87 844
Other interest income		**1 036**	914	1 651
Interest expense and similar charges		**(22 306)**	(18 535)	(36 173)
Non-interest income	4	**18 375**	15 633	32 584
Net fee and commission income		**11 550**	10 764	22 074
Fee and commission income		**13 556**	12 520	25 549
Fee and commission expense		**(2 006)**	(1 756)	(3 475)
Net insurance premium income		**4 576**	4 282	8 778
Net claims and benefits incurred on insurance contracts		**(2 373)**	(2 621)	(5 514)
Changes in investment and insurance contract liabilities		**1 995**	(1 684)	(2 799)
Gains from banking and trading activities		**4 043**	3 613	6 606
Gains and losses from investment activities		**(1 586)**	1 088	2 704
Other operating income		**170**	191	735
Total income		**46 958**	41 230	85 906
Credit impairment charges		**(5 176)**	(4 702)	(8 499)
Operating income before operating expenses		**41 782**	36 528	77 407
Operating expenses		**(24 625)**	(23 259)	(48 610)
Other expenses		**(1 216)**	(1 028)	(2 205)
Other impairments	5	**(233)**	(121)	(420)
Indirect taxation		**(983)**	(907)	(1 785)
Share of post-tax results of associates and joint ventures		**42**	40	132
Operating profit before income tax		**15 983**	12 281	26 724
Taxation expense		**(4 480)**	(3 335)	(7 299)
Profit for the reporting period		**11 503**	8 946	19 425
Profit attributable to:				
Ordinary equity holders		**10 481**	8 162	17 763
Non-controlling interest – ordinary shares		**594**	374	835
Non-controlling interest – preference shares		**123**	120	242
Other equity: Additional Tier 1 capital[1]		**305**	290	585
		11 503	8 946	19 425
Earnings per share:				
Basic earnings per share (cents)	6	**1 262.5**	983.3	2 139.6
Diluted earnings per share (cents)	6	**1 260.7**	981.8	2 136.0

[1] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, a subsidiary of the Group and were previously presented as 'Non-controlling interest'. The reference to 'Non-controlling interest' has however been removed and changed to 'Other equity' as these instruments do not meet the definition of 'Non-controlling interest'. The change had no impact on the profit or loss, or net equity position of the Group.

Condensed consolidated statement of comprehensive income

for the reporting period ended

	30 June 2022 Rm	30 June 2021 Rm	31 December 2021 Rm
Profit for the reporting period	**11 503**	8 946	19 425
Other comprehensive income			
Items that will not be reclassified to profit or loss	**(9)**	295	83
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**(5)**	7	(133)
Fair value (losses)/gains	**(6)**	9	(172)
Deferred tax	**1**	(2)	39
Movement on liabilities designated at FVTPL due to changes in own credit risk	**5**	15	(26)
Fair value movements	**13**	20	(36)
Deferred tax	**(8)**	(5)	10
Movement in retirement benefit fund assets and liabilities	**(9)**	273	242
(Decrease)/increase in retirement benefit surplus	**(15)**	91	108
(Increase)/decrease in retirement benefit deficit	**—**	230	169
Deferred tax	**6**	(48)	(35)
Items that are or may be subsequently reclassified to profit or loss	**(6 428)**	(2 682)	(1 298)
Movement in foreign currency translation reserve	**(1 136)**	(480)	2 414
Differences in translation of foreign operations	**(1 136)**	(480)	2 510
Release to profit or loss	**—**	—	(96)
Movement in cash flow hedging reserve	**(4 535)**	(3 147)	(4 051)
Fair value losses	**(4 241)**	(2 246)	(1 469)
Amounts transferred within other comprehensive income	**2**	—	6
Amount removed from other comprehensive income and recognised in profit or loss	**(1 997)**	(2 125)	(4 163)
Deferred tax	**1 701**	1 224	1 575
Movement in fair value of debt instruments measured at FVOCI	**(757)**	945	339
Fair value (losses)/gains	**(818)**	1 605	691
Release to profit or loss	**(13)**	(230)	(120)
Deferred tax	**74**	(430)	(232)
Total comprehensive income for the reporting period	**5 066**	6 559	18 210
Total comprehensive income attributable to:			
Ordinary equity holders	**4 106**	5 861	16 376
Non-controlling interest – ordinary shares	**532**	288	1 007
Non-controlling interest – preference shares	**123**	120	242
Other equity: Additional Tier 1 capital[1]	**305**	290	585
	5 066	6 559	18 210

[1] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, a subsidiary of the Group and were previously presented as 'Non-controlling interest'. The reference to 'Non-controlling interest' has however been removed and changed to 'Other equity' as these instruments do not meet the definition of Non-controlling interest'. The change had no impact on the profit or loss, or net equity position of the Group.

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Condensed consolidated statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other comprehensive income reserve Rm
Balance at the beginning of the reporting period	830 285	1 660	10 644	110 859	6 700	825	(845)
Total comprehensive income	—	—	—	10 472	(6 366)	—	(718)
Profit for the period	—	—	—	10 481	—	—	—
Other comprehensive income	—	—	—	(9)	(6 366)	—	(718)
Dividends paid during the reporting period	—	—	—	(3 951)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(197)	(137)	—	—	—
Elimination of the movement in treasury shares held by Group entities	282	1	78	—	—	—	—
Movement in share-based payment reserve	—	—	197	—	175	—	—
Transfer from share-based payment reserve	—	—	197	—	(197)	—	—
Value of employee services	—	—	—	—	348	—	—
Deferred tax	—	—	—	—	24	—	—
Movement in general credit risk reserve	—	—	—	17	(17)	(17)	—
Share of post-tax results of associates and joint ventures	—	—	—	(42)	42	—	—
Balance at the end of the reporting period	830 567	1 661	10 722	117 218	534	808	(1 563)

June 2022

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity: Additional Tier 1 Capital Rm	Total equity Rm
1 262	3 123	57	679	1 599	129 863	5 798	4 644	7 004	147 309
(4 535)	(1 113)	—	—	—	4 106	532	123	305	5 066
—	—	—	—	—	10 481	594	123	305	11 503
(4 535)	(1 113)	—	—	—	(6 375)	(62)	—	—	(6 437)
—	—	—	—	—	(3 951)	(441)	(123)	—	(4 515)
—	—	—	—	—	—	—	—	(305)	(305)
—	—	—	—	—	(334)	—	—	—	(334)
—	—	—	—	—	79	—	—	—	79
—	—	—	175	—	372	—	—	—	372
—	—	—	(197)	—	—	—	—	—	—
—	—	—	348	—	348	—	—	—	348
—	—	—	24	—	24	—	—	—	24
—	—	—	—	—	—	—	—	—	—
—	—	—	—	42	—	—	—	—	—
(3 273)	2 010	57	854	1 641	130 135	5 889	4 644	7 004	147 672

Condensed consolidated statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other compre-hensive income reserve Rm
Balance at the beginning of the reporting period	828 789	1 657	10 561	95 345	8 108	1 181	(1 225)
Total comprehensive income	—	—	—	8 458	(2 597)	—	960
Profit for the period	—	—	—	8 162	—	—	—
Other comprehensive income	—	—	—	296	(2 597)	—	960
Dividends paid during the reporting period	—	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(264)	6	—	—	—
Elimination of the movement in treasury shares held by Group entities	1 190	3	75	—	—	—	—
Movement in share-based payment reserve	—	—	264	—	40	—	—
Transfer from share-based payment reserve	—	—	264	—	(264)	—	—
Value of employee services	—	—	—	—	278	—	—
Deferred tax	—	—	—	—	26	—	—
Movement in general credit risk reserve	—	—	—	185	(185)	(185)	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(2)	2	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(40)	40	—	—
Balance at the end of the reporting period	829 979	1 660	10 636	103 952	5 408	996	(265)

[1] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, a subsidiary of the Group. These were previously presented as 'Non-controlling interests'. As they do not meet the definition of non-controlling interests, the description thereof has been adjusted to refer to the instruments as 'Other equity instruments'. This had no impact on the profit and loss, or net equity position of the Group.

June 2021

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory 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[1] Rm	Total equity Rm
5 313	934	40	383	1 482	115 671	4 984	4 644	7 004	132 303
(3 147)	(410)	—	—	—	5 861	288	120	290	6 559
—	—	—	—	—	8 162	374	120	290	8 946
(3 147)	(410)	—	—	—	(2 301)	(86)	—	—	(2 387)
—	—	—	—	—	—	(78)	(120)	—	(198)
—	—	—	—	—	—	—	—	(290)	(290)
—	—	—	—	—	(258)	—	—	—	(258)
—	—	—	—	—	78	—	—	—	78
—	—	—	40	—	304	—	—	—	304
—	—	—	(264)	—	—	—	—	—	—
—	—	—	278	—	278	—	—	—	278
—	—	—	26	—	26	—	—	—	26
—	—	—	—	—	—	—	—	—	—
—	—	2	—	—	—	—	—	—	—
	—	—	—	40	—	—	—	—	—
2 166	524	42	423	1 522	121 656	5 194	4 644	7 004	138 498

Condensed consolidated statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Fair value through other compre-hensive income reserve Rm
Balance at the beginning of the reporting period	828 789	1 657	10 561	95 345	8 108	1 181	(1 225)
Total comprehensive income	—	—	—	17 858	(1 482)	—	380
Profit for the period	—	—	—	17 763	—	—	—
Other comprehensive income	—	—	—	95	(1 482)	—	380
Dividends paid during the reporting period	—	—	—	(2 573)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(280)	7	—	—	—
Elimination of the movement in treasury shares held by Group entities	1 496	3	83	—	—	—	—
Movement in share-based payment reserve	—	—	280	—	296	—	—
Transfer from share-based payment reserve	—	—	280	—	(280)	—	—
Value of employee services	—	—	—	—	506	—	—
Deferred tax	—	—	—	—	70	—	—
Movement in general credit risk reserve	—	—	—	356	(356)	(356)	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(17)	17	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(132)	132	—	—
Disposal of associates and joint ventures[1]	—	—	—	15	(15)	—	—
Balance at the end of the reporting period	830 285	1 660	10 644	110 859	6 700	825	(845)

[1] On 30 September 2021, the Board disposed of Integrated Processing Solutions

[2] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, a subsidiary of the Group. These were previously presented as 'Non-controlling interests'. As they do not meet the definition of non-controlling interests, the description thereof has been adjusted to refer to the instruments as 'Other equity instruments'. This had no impact on the profit and loss, or net equity position of the Group.

December 2021

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory 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[2] Rm	Total equity Rm
5 313	934	40	383	1 482	115 671	4 984	4 644	7 004	132 303
(4 051)	2 189	—	—	—	16 376	1 007	242	585	18 210
—	—	—	—	—	17 763	835	242	585	19 425
(4 051)	2 189	—	—	—	(1 387)	172	—	—	(1 215)
—	—	—	—	—	(2 573)	(193)	(242)	—	(3 008)
—	—	—	—	—	—	—	—	(585)	(585)
—	—	—	—	—	(273)	—	—	—	(273)
—	—	—	—	—	86	—	—	—	86
—	—	—	296	—	576	—	—	—	576
—	—	—	(280)	—	—	—	—	—	—
—	—	—	506	—	506	—	—	—	506
—	—	—	70	—	70	—	—	—	70
—	—	—	—	—	—	—	—	—	—
—	—	17	—	—	—	—	—	—	—
—	—	—	—	132	—	—	—	—	—
—	—	—	—	(15)	—	—	—	—	—
1 262	3 123	57	679	1 599	129 863	5 798	4 644	7 004	147 309

Condensed consolidated statement of cash flows

for the reporting period ended

	Note	30 June 2022 Rm	30 June 2021 Rm	31 December 2021 Rm
Cash generated from/(utilised in) operating activities		**6 905**	(4 652)	6 475
Income taxes paid		**(5 869)**	(3 322)	(7 692)
Net cash generated from/(utilised in) other operating activities		**12 774**	(1 330)	14 167
Net cash utilised in investing activities		**(2 064)**	(1 563)	(3 519)
Purchase of property and equipment		**(824)**	(598)	(1 475)
Purchase of intangible assets		**(1 461)**	(1 180)	(2 975)
Proceeds from sale of non-current assets held for sale		**55**	63	113
Net cash generated from other investing activities		**166**	151	818
Net cash (utilised in)/generated from financing activities		**(6 794)**	5 404	(515)
Proceeds from borrowed funds		**—**	6 866	6 866
Repayment of borrowed funds		**(1 142)**	(231)	(2 381)
Dividends paid		**(4 515)**	(210)	(3 007)
Net cash utilised in other financing activities		**(1 137)**	(1 021)	(1 993)
Net (decrease)/increase in cash and cash equivalents		**(1 953)**	(811)	2 441
Cash and cash equivalents at the beginning of the reporting period		**20 318**	16 796	16 796
Effect of foreign exchange rate movements on cash and cash equivalents		**1 238**	237	1 081
Cash and cash equivalents at the end of the reporting period	1	**19 603**	16 222	20 318

Notes to the condensed consolidated statement of cash flows

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

	30 June 2022 Rm	30 June 2021 Rm	31 December 2021 Rm
Cash, cash balances and balances with central banks[1]	**14 577**	14 403	14 403
Loans and advances to banks[2]	**5 741**	2 393	2 393
	20 318	16 796	16 796

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

	30 June 2022 Rm	30 June 2021 Rm	31 December 2021 Rm
Cash, cash balances and balances with central banks[1]	**13 006**	12 896	14 577
Loans and advances to banks[2]	**6 597**	3 326	5 741
	19 603	16 222	20 318

[1] Includes coins and bank notes.

[2] Includes call advances, which are used as working capital by the Group.

Notes to the condensed consolidated financial results

for the reporting period ended

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

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

- RBB disposed of property and equipment with a carrying amount of **R3m**.
- Head Office, Treasury and other operations disposed of property with a carrying amount of **R32m**.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of **R82m** and intangible assets with a carrying amount of **R1m** to non-current assets held for sale.
- The Absa Investment Cluster (comprising Absa Asset Management (Pty) Ltd, Absa Alternative Asset Management (Pty) Ltd, Absa Fund Managers Ltd, Absa Multi-Managers and the majority of its market Linked Investment Service Provider (LISP) business (divisions of Absa Investment Management (Pty) Ltd), and Absa's NewFunds (RF) Proprietary Limited (excluding the commodity ETF business) continues to be classified as held for sale. While the transaction does not directly include the disposal of investment funds held by the Group in a number of related unit trust investment funds, it will result in the de-consolidation of these funds linked to the transaction. The assets and liabilities classified as non-current asset and liabilities for sale comprised mainly investments linked to investment contracts, cash and bank balances, investment securities, trade receivables, goodwill and intangible assets and liabilities linked to investment contracts. The increase in total value of assets is **R843m** and the total decrease in value of liabilities is **R132m** for non-current assets and non-current liabilities previously transferred.

The following movements in non-current assets and non-current liabilities held for sale were effected during the interim reporting period ended 30 June 2021:

- Head Office, Treasury and other operations disposed property and equipment with a carrying amount of R54m.
- Total assets of R1 283m and total liabilities of R542m were reclassified into the non-current assets and liabilities held for sale category relating to the sale of a component of the business, targeted for conclusion before the end of 2022[1]. The assets and liabilities transferred into non-current asset and liabilities for sale comprised mainly cash and bank balances, trade receivables and intangible assets.

The following movements in non-current assets and non-current liabilities held for sale were effected during the previous period ended 31 December 2021:

- Head Office, Treasury and other operations disposed of property and equipment with a carrying amount of R93m.
- Following a strategic review of the business, Absa has agreed a transaction to sell the Absa Investment Cluster (comprising Absa Asset Management (Pty) Ltd, Absa Alternative Asset Management (Pty) Ltd, Absa Fund Managers Ltd (excluding the Absa Prudential Money Market Fund), Absa Multi-Managers and the majority of its market Linked Investment Service Provider (LISP) business (a division of Absa Investment Management (Pty) Ltd) and Absa's NewFunds (RF) Proprietary Limited (excluding the commodity ETF business). While the transaction does not directly include the disposal of investment funds held by the Group in a number of related unit trust investment funds, it will result in the de-consolidation of these funds linked to the transaction. Consequently, these funds were also reclassified as non-current assets and liabilities held for sale. Total assets of R4 259m and total liabilities of R3 465m were reclassified into the non-current assets and liabilities held for sale category relating to the sale targeted for conclusion before the end of 2022. The assets and liabilities transferred into non-current asset and liabilities for sale comprised mainly investments linked to investment contracts, cash and bank balances, investment securities, trade receivables, goodwill and intangible assets and liabilities linked to investment contracts.
- Head Office, Treasury and other operations transferred property and equipment with a carrying amount of R15m to non-current assets held for sale and a R1m impairment was recognised on remaining assets previously classified as held for sale.
- Foreign exchange movements resulted in a R2m decrease in assets.

[1] As at 30 June 2021 the sale was targeted for conclusion in half-year 2022.

Notes to the condensed consolidated financial results

for the reporting period ended

2. Loans and advances

2.1 ECL analysis by market segment and class of credit exposure

	Carrying amount of financial assets measured at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB	—	569 474	5 769	1.01
Home Loans	—	244 659	499	0.20
Vehicle and Asset Finance	—	91 005	1 057	1.16
Everyday Banking	—	57 185	2 415	4.22
Card	—	37 315	1 278	3.42
Personal Loans	—	17 346	905	5.22
Transactions and Deposits	—	2 524	232	9.19
Relationship Banking	—	116 441	721	0.62
RBB ARO	—	60 184	1 077	1.79
RBB Other	—	—	—	—
CIB	81 399	283 872	1 162	0.41
CIB South Africa	81 399	231 622	796	0.34
CIB ARO	—	52 250	366	0.70
Head Office, Treasury and other operations	—	754	(150)	—
Loans and advances to customers	—	754	4	0.53
Reclassification to provisions[1]	—	—	(154)	—
Loans and advances to customers	81 399	854 100	6 781	0.79
Loans and advances to banks	40 198	63 933	88	0.14
Total loans and advances	121 597	918 033	6 869	0.75

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

30 June 2022

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
61 200	6 700	10.95	53 510	25 174	47.05	646 541
23 822	795	3.34	20 436	6 017	29.44	281 606
9 365	1 346	14.37	8 032	4 146	51.62	101 853
8 966	2 547	28.41	10 883	8 180	75.16	63 892
5 474	1 639	29.94	6 944	5 255	75.68	41 561
2 819	712	25.26	3 458	2 577	74.52	19 429
673	196	29.12	481	348	72.35	2 902
13 258	1 017	7.67	8 382	3 424	40.85	132 919
5 789	995	17.19	5 725	3 355	58.60	66 271
—	—	—	52	52	100	—
33 899	656	1.94	10 117	3 738	36.95	403 731
25 426	256	1.01	5 475	2 011	36.73	340 859
8 473	400	4.72	4 642	1 727	37.20	62 872
—	(105)	—	—	(27)	—	1 036
—	—	—	—	—	—	750
—	(105)	—	—	(27)	—	286
95 099	7 251	7.62	63 627	28 885	45.40	1 051 308
4 938	8	0.16	—	—	—	108 973
100 037	7 259	7.26	63 627	28 885	45.40	1 160 281

Notes to the condensed consolidated financial results

for the reporting period ended

2. Loans and advances (continued)

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

	Carrying amount of financial assets measured at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB[1]	—	514 387	5 928	1.15
Home Loans	—	219 014	498	0.23
Vehicle and Asset Finance	—	85 223	1 210	1.42
Everyday Banking	—	52 481	2 327	4.43
Card	—	34 308	1 282	3.74
Personal Loans	—	15 366	716	4.66
Transactions and Deposits	—	2 807	329	11.72
Relationship Banking[1]	—	107 989	950	0.88
RBB ARO	—	49 680	943	1.90
RBB Other	—	—	—	—
CIB[1,2]	99 414	223 018	1 527	0.68
CIB South Africa[1,2]	99 414	180 553	1 271	0.70
CIB ARO	—	42 465	256	0.60
Head Office, Treasury and other operations	—	317	(186)	—
Loans and advances to customers	—	317	4	1.26
Reclassification to provisions[3]	—	—	(190)	—
Loans and advances to customers[2]	99 414	737 722	7 269	0.99
Loans and advances to banks[2]	21 953	44 183	44	0.10
Total loans and advances	121 367	781 905	7 313	0.94

[1] These numbers have been restated, refer to the reporting changes overview, note 15.3.
[2] These numbers have been restated, refer to the reporting changes overview, note 15.5.
[3] This represents the ECL allowance on undrawn facilities which has resulted in the ECL allowance on loans and advances exceeding the carrying amount of the drawn exposure. To the extent that such occurs, a 'provision' is recognised on the Group's statement of financial position.

30 June 2021						
Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
61 602	6 342	10.30	52 885	26 041	49.24	590 563
25 265	839	3.32	19 992	5 735	28.69	257 199
7 630	948	12.42	7 104	3 817	53.73	93 982
7 530	2 476	32.88	12 872	9 712	75.45	58 368
4 555	1 808	39.69	7 708	5 847	75.86	37 634
2 678	574	21.43	4 614	3 440	74.56	17 928
297	94	31.65	550	425	77.27	2 806
14 032	1 033	7.36	8 302	3 915	47.16	124 425
7 145	1 046	14.64	4 562	2 810	61.60	56 588
—	—	—	53	52	98.11	1
51 944	934	1.80	8 040	2 683	33.37	377 272
41 632	302	0.73	5 217	1 385	26.55	323 858
10 312	632	6.13	2 823	1 298	45.98	53 414
139	(98)	—	—	(55)	—	795
139	—	—	—	—	—	452
—	(98)	—	—	(55)	—	343
113 685	7 178	6.31	60 925	28 669	47.06	968 630
1 903	22	1.16	—	—	—	67 973
115 588	7 200	6.23	60 925	28 669	47.06	1 036 603

Notes to the condensed consolidated financial results

for the reporting period ended

2. Loans and advances (continued)

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

	Carrying amount of financial assets measured at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB[1]	—	542 962	5 618	1.03
Home Loans	—	236 205	638	0.27
Vehicle and Asset Finance	—	87 151	897	1.03
Everyday Banking	—	54 132	2 285	4.22
Card	—	35 294	1 270	3.60
Personal Loans	—	16 454	805	4.89
Transactions and Deposits	—	2 384	210	8.81
Relationship Banking[1]	—	108 760	682	0.63
RBB ARO	—	56 714	1 116	1.97
RBB Other	—	—	—	—
CIB[1]	89 988	264 785	1 403	0.53
CIB South Africa	89 988	216 495	1 097	0.51
CIB ARO	—	48 290	306	0.63
Head Office, Treasury and other operations	—	352	(162)	—
Loans and advances to customers	—	352	4	1.14
Reclassification to provisions[2]	—	—	(166)	—
Loans and advances to customers	89 988	808 099	6 859	0.85
Loans and advances to banks	28 218	43 602	74	0.17
Total loans and advances	118 206	851 701	6 933	0.81

[1] These numbers have been restated, refer to the reporting changes overview, note 15.3.

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

31 December 2021						
Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
59 982	6 427	10.71	51 659	24 473	47.37	618 085
21 210	803	3.79	19 999	5 699	28.50	270 274
9 807	1 198	12.22	7 135	3 921	54.95	98 077
8 166	2 396	29.34	10 655	7 868	73.84	60 404
4 732	1 504	31.78	6 753	5 045	74.71	38 960
2 726	697	25.57	3 391	2 459	72.52	18 610
708	195	27.54	511	364	71.23	2 834
13 730	913	6.65	8 349	3 641	43.61	125 603
7 069	1 117	15.80	5 468	3 292	60.20	63 726
—	—	—	53	52	98.11	1
39 034	737	1.89	9 918	3 058	30.83	398 527
29 200	250	0.86	5 434	1 529	28.14	338 241
9 834	487	4.95	4 484	1 529	34.10	60 286
64	(139)	—	—	(57)	—	774
64	—	—	—	—	—	412
—	(139)	—	—	(57)	—	362
99 080	7 025	7.09	61 577	27 474	44.62	1 017 386
3 133	8	0.26	—	—	—	74 871
102 213	7 033	6.88	61 577	27 474	44.62	1 092 257

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance

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

	30 June 2022			
	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Loans and advances	37 643	5 651	(281)	43 013
Stage 1	5 769	1 249	(149)	6 869
Stage 2	6 700	664	(105)	7 259
Stage 3	25 174	3 738	(27)	28 885
Undrawn facilities	36	97	286	419
Stage 1	23	68	154	245
Stage 2	13	15	105	133
Stage 3	—	14	27	41
Total loans and advances and undrawn facilities	37 679	5 748	5	43 432

	30 June 2021			
	RBB Rm	CIB[(1)] Rm	Head Office, Treasury and other operations[(1)] Rm	Total expected credit losses[(1)] Rm
Loans and advances	38 311	5 198	(327)	43 182
Stage 1	5 928	1 564	(179)	7 313
Stage 2	6 342	951	(93)	7 200
Stage 3	26 041	2 683	(55)	28 669
Undrawn facilities	29	65	343	437
Stage 1	17	45	190	252
Stage 2	12	8	98	118
Stage 3	—	12	55	67
Total loans and advances and undrawn facilities	38 340	5 263	16	43 619

	31 December 2021			
	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Loans and advances	36 518	5 282	(360)	41 440
Stage 1	5 618	1 479	(164)	6 933
Stage 2	6 427	745	(139)	7 033
Stage 3	24 473	3 058	(57)	27 474
Undrawn facilities	31	87	362	480
Stage 1	19	61	166	246
Stage 2	12	12	139	163
Stage 3	—	14	57	71
Total loans and advances and undrawn facilities	36 549	5 369	2	41 920

[(1)] These numbers have been restated, refer to the reporting changes overview, note 15.5.

Notes to the condensed consolidated financial results

for the reporting period ended

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance (continued)

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

	30 June 2022			
Loans and advances at amortised cost and undrawn facilities	**RBB Rm**	**CIB Rm**	**Head Office, Treasury and other operations Rm**	**Total expected credit losses Rm**
Balances at the beginning of the reporting period	**36 549**	**5 369**	**2**	**41 920**
Stage 1	5 637	1 540	2	7 179
Stage 2	6 439	757	—	7 196
Stage 3	24 473	3 072	—	27 545
Transfers between stages	—	—	—	—
Stage 1 net transfers	904	20	—	924
Stage 2 net transfers	(2 120)	(19)	—	(2 139)
Stage 3 net transfers	1 216	(1)	—	1 215
Credit impairment charges raised and interest in suspense	5 933	498	3	6 434
Amounts written off	(4 728)	(66)	—	(4 794)
Foreign exchange movements	(75)	(53)	—	(128)
Balance at the end of the reporting period	**37 679**	**5 748**	**5**	**43 432**
Stage 1	5 792	1 317	5	7 114
Stage 2	6 713	679	—	7 392
Stage 3	25 174	3 752	—	28 926

	30 June 2021			
Loans and advances at amortised cost and undrawn facilities	RBB Rm	CIB[(1)] Rm	Head Office, Treasury and other operations[(1)] Rm	Total expected credit losses[(1)] Rm
Balances at the beginning of the reporting period	39 057	5 214	19	44 290
Stage 1	5 569	1 818	18	7 405
Stage 2	7 672	888	1	8 561
Stage 3	25 816	2 508	—	28 324
Transfers between stages	—	—	—	—
Stage 1 net transfers	1 737	(46)	—	1 691
Stage 2 net transfers	(2 161)	104	—	(2 057)
Stage 3 net transfers	424	(58)	—	366
Credit impairment charges raised and interest in suspense	5 029	310	(3)	5 336
Amounts written off	(5 634)	(202)	—	(5 836)
Foreign exchange movements	(112)	(59)	—	(171)
Balance at the end of the reporting period	38 340	5 263	16	43 619
Stage 1	5 945	1 609	11	7 565
Stage 2	6 354	959	5	7 318
Stage 3	26 041	2 695	—	28 736

(1) These numbers have been restated, refer to the reporting changes overview, note 15.5.

Notes to the condensed consolidated financial results

for the reporting period ended

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance (continued)

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

	31 December 2021			
Loans and advances at amortised cost and undrawn facilities	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balances at the beginning of the reporting period	39 057	5 214	19	44 290
Stage 1	5 569	1 817	19	7 405
Stage 2	7 672	889	—	8 561
Stage 3	25 816	2 508	—	28 324
Transfers between stages	—	—	—	—
Stage 1 net transfers	1 551	(18)	—	1 533
Stage 2 net transfers	(1 065)	22	—	(1 043)
Stage 3 net transfers	(486)	(4)	—	(490)
Credit impairment charges raised and interest in suspense	10 008	493	(17)	10 484
Amounts written off	(13 011)	(494)	—	(13 505)
Foreign exchange movements	495	156	—	651
Balance at the end of the reporting period	36 549	5 369	2	41 920
Stage 1	5 637	1 540	2	7 179
Stage 2	6 439	757	—	7 196
Stage 3	24 473	3 072	—	27 545

2. Loans and advances (continued)

2.3 Macro-overlays, payment relief and forward-looking assumptions

Macro-overlays

The determination of the Group's ECL remains a significant area of judgement and estimation. Since the onset of the COVID-19 pandemic, the Group used management adjustments to account for changes in forward-looking assumptions and to cater for risks not yet reflected in impairment models.

Since the second half of 2021, data used in the calibration of ECL parameter models were refreshed for the first time since the onset of the COVID-19 pandemic. Therefore, some risks previously accounted for through the macro-overlay are now recognised via modelled ECL. Accordingly, a portion of the macro-overlay has been released to the extent that the COVID-19 loss experience is now captured in the models. In addition, the latest macroeconomic forecasts were incorporated directly into the ECL parameter models within the South African retail portfolios resulting in a larger portion of ECL estimation being driven by modelled output.

The table below provides a statement of comprehensive income impact assessment of how changes in forward-looking assumptions and movements in the macro-overlay ('macro impact') impacts the Group's credit impairment charge. The impairment charge impact of refreshing model parameters with the latest performance data (model parameter refresh) is also disclosed as a portion of the macro-overlay and will be consumed to the extent that the COVID-19 loss experienced is replaced with a model driven output.

	30 June						31 December		
	2022			2021			2021		
	Macro impact Rm	Model para-meter refresh Rm	Net impact on impair-ment charge Rm	Macro impact Rm	Model para-meter refresh Rm	Net impact on impair-ment charge Rm	Macro impact Rm	Model para-meter refresh Rm	Net impact on impair-ment charge Rm
RBB	(731)	(134)	(865)	86	—	86	(2 464)	1 533	(931)
Home Loans	(181)	42	(139)	—	—	—	(271)	154	(117)
Vehicle and Asset Finance	(295)	(76)	(371)	—	—	—	(435)	198	(237)
Everyday Banking	(93)	(66)	(159)	176	—	176	(1 285)	1 078	(207)
Card	(118)	(4)	(122)	176	—	176	(643)	569	(74)
Personal Loans	45	(66)	(21)	—	—	—	(544)	475	(69)
Transactions and Deposits	(20)	4	(16)	—	—	—	(98)	34	(64)
Relationship Banking	(156)	—	(156)	(4)	—	(4)	(254)	31	(223)
RBB ARO	(6)	(34)	(40)	(86)	—	(86)	(219)	72	(147)
RBB Other	—	—	—	—	—	—	—	—	—
CIB	(266)	—	(266)	(77)	—	(77)	(297)	—	(297)
CIB South Africa	(250)	—	(250)	(41)	—	(41)	(201)	—	(201)
CIB ARO	(16)	—	(16)	(36)	—	(36)	(96)	—	(96)
Head Office, Treasury and other operations	(11)	—	(11)	(9)	—	(9)	(12)	—	(12)
Total	(1 008)	(134)	(1 142)	—	—	—	(2 773)	1 533	(1 240)

A net release of **R1 142m** was recognised in the first half of 2022, mainly attributable to the consumption of the macro-overlay, as a larger portion of the anticipated risks are now captured through incurred losses or recalibrated IFRS 9 models which reflect the COVID-19 loss experience. This was partially offset by the impact of deteriorating macroeconomic scenarios relative to the reporting period ending 31 December 2021. The credit impairment charge and credit loss ratio should however be assessed on a holistic basis as pandemic-related losses, which largely offset the movements referenced above, are not ring-fenced and disclosed separately.

A net release of R1 240m was recognised for the full year 2021. This was mainly driven by the improvement in macroeconomic assumptions relative to the initial expectations had in 2020 and the consumption of the macro-overlay as anticipated risks either materialised or dissipated during this period.

The reassessment of the macro-overlay in the first half of 2021 suggested a portion of the macro-overlay should be released given an improving macroeconomic outlook during the early parts of 2021. However, given the renewed uncertainty emerging from the severity of the third wave and the potential of protracted lockdowns, the macro-overlay was largely retained across portfolios.

Notes to the condensed consolidated financial results

for the reporting period ended

2. Loans and advances (continued)

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

Macroeconomic scenarios

ECL estimation must reflect an unbiased and probability-weighted estimate of future losses. This is determined by evaluating a range of possible macroeconomic outcomes. While economic activity across South Africa and various ARO presence countries had started to recover due to the easing of lockdown restrictions, economic concerns remain due to higher levels of unemployment, sovereign debt and inflation. Accordingly, these risks have been incorporated in the scenarios used to calculate the Group's impairment charge as at 30 June 2022.

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

The following table shows the key forecast assumptions used for South Africa to calculate the Group's credit impairment charge for the interim reporting period ended 30 June 2022:

	Baseline					Mild upside					Mild downside				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Real GDP (%)	2.0	1.8	1.8	1.9	2.0	2.5	2.2	2.2	2.4	2.5	1.2	0.9	1.0	1.1	1.1
CPI (%)	5.9	5.4	4.7	4.6	4.6	5.4	4.8	4.8	4.6	4.6	7.0	6.8	5.2	4.9	5.0
Average repo rate (%)	4.6	5.7	6.3	6.5	6.5	4.6	6.1	6.8	6.8	6.8	5.0	7.5	8.0	7.5	7.5

The following table shows the key forecast assumptions used for South Africa to calculate the Group's impairment charge for the interim reporting period ended 30 June 2021:

	Baseline					Mild upside					Mild downside				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Real GDP (%)	3.8	2.3	2.1	2.1	2.2	4.4	2.9	2.3	2.5	2.5	3.3	0.6	1.0	1.2	1.3
CPI (%)	3.7	4.0	4.1	4.4	4.6	3.8	4.2	4.3	4.5	4.6	4.0	4.6	4.7	5.0	5.1
Average repo rate (%)	3.5	3.9	4.6	4.8	4.8	3.5	4.2	5.1	5.5	5.5	3.6	4.9	5.9	6.0	6.0

The following table shows the key forecast assumptions used for South Africa to calculate the Group's impairment charge for the reporting period ended 31 December 2021:

	Baseline					Mild upside					Mild downside				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Real GDP (%)	5.2	1.7	2.0	2.0	2.0	5.5	2.2	2.5	2.3	2.3	4.9	0.8	1.1	1.0	1.0
CPI (%)	4.4	4.4	4.2	4.3	4.4	4.4	4.4	4.4	4.4	4.6	4.5	5.2	5.2	5.3	5.3
Average repo rate (%)	3.5	3.9	4.7	6.1	6.5	3.5	4.3	5.2	6.4	7.3	3.5	4.1	5.9	7.0	7.8

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets at 30 June 2022:

	Baseline					Mild upside					Mild downside				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Botswana															
Real GDP (%)	4.9	4.6	3.9	3.8	3.8	6.8	6.6	5.4	5.3	5.3	3.0	3.1	2.4	2.1	2.1
CPI (%)	9.0	5.0	3.8	4.0	4.0	7.5	3.8	2.9	3.0	3.0	10.2	6.3	5.2	5.5	5.5
Average policy rate (%)	5.6	6.0	6.3	6.3	6.3	5.6	5.8	6.0	6.0	6.0	5.9	6.8	7.3	7.5	7.5
Ghana															
Real GDP (%)	4.8	5.2	5.5	5.6	5.6	5.7	6.3	6.7	6.8	6.8	3.8	4.1	4.3	4.4	4.4
CPI (%)	19.3	10.7	11.0	10.5	10.5	16.5	8.7	9.0	9.5	9.5	21.5	13.4	14.0	15.0	15.0
Average policy rate (%)	17.5	18.5	18.5	18.9	18.1	16.6	17.0	17.0	17.0	16.1	18.6	21.0	21.0	21.0	20.1
Kenya															
Real GDP (%)	5.4	5.1	5.2	5.2	5.2	7.3	6.8	6.5	6.8	6.8	4.0	3.5	4.0	4.0	4.0
CPI (%)	6.8	4.8	4.6	4.6	4.7	5.7	4.1	4.0	4.0	4.1	7.8	6.0	5.9	5.9	6.0
Average policy rate (%)	7.2	7.9	8.1	9.0	9.0	7.0	7.4	7.6	8.0	8.0	7.7	8.9	9.6	10.0	10.0
Mauritius															
Real GDP (%)	8.2	5.6	4.4	4.0	4.0	11.6	6.6	6.0	5.1	5.0	4.5	3.3	2.7	2.4	2.3
CPI (%)	9.7	4.2	3.4	3.5	3.5	6.8	3.0	2.5	2.5	2.5	12.0	6.0	5.1	5.2	5.2
Average policy rate (%)	2.3	3.3	3.8	3.9	4.0	2.0	2.4	2.7	2.8	3.0	2.5	4.2	4.8	4.9	5.0

2. Loans and advances (continued)

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

Macroeconomic scenarios (continued)

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets at 30 June 2021:

	Baseline					Mild upside					Mild downside				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Botswana															
Real GDP (%)	6.5	5.0	4.2	4.0	3.8	8.6	6.8	5.6	5.4	5.2	3.4	3.1	2.2	2.0	1.8
CPI (%)	6.0	4.6	3.4	3.8	3.8	5.1	3.4	2.8	3.3	3.4	6.9	6.2	4.9	5.3	5.2
Average policy rate (%)	3.8	4.0	4.3	4.8	4.9	3.7	3.7	3.9	4.2	4.4	4.1	4.6	5.2	5.8	6.1
Ghana															
Real GDP (%)	4.6	5.9	6.3	6.3	6.0	6.1	7.0	7.6	7.5	7.2	2.1	3.5	3.8	4.0	3.8
CPI (%)	8.1	8.5	9.5	10.9	11.0	7.6	7.8	8.4	8.9	9.9	10.2	10.4	10.7	11.3	12.3
Average policy rate (%)	13.9	13.6	14.5	14.9	15.5	13.9	13.6	14.0	14.0	14.5	14.0	14.9	16.3	17.0	17.5
Kenya															
Real GDP (%)	4.3	5.3	5.7	6.1	6.3	5.5	6.0	6.5	6.8	7.2	2.3	3.3	3.7	4.1	4.4
CPI (%)	5.2	5	4.5	5.3	4.3	4.7	4.0	3.5	4.3	3.4	5.9	6.2	5.7	6.5	5.5
Average policy rate (%)	7.0	7.3	8.0	8.0	8.3	7.1	7.1	7.3	7.6	7.8	7.0	7.6	8.5	9.0	9.3
Mauritius															
Real GDP (%)	5.0	7.9	4.8	4.0	3.8	9.2	6.3	5.9	5.3	5.1	3.0	4.4	4.1	2.7	2.5
CPI (%)	2.9	3.4	2.6	2.5	2.5	2	3.2	1.9	2.0	2.2	3.6	5.0	4.0	4.0	4.0
Average policy rate (%)	1.9	2.5	2.9	3.8	3.9	1.8	2.2	2.7	3.3	3.6	2.1	3.6	3.9	4.3	4.7

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets at 31 December 2021:

	Baseline					Mild upside					Mild downside				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Botswana															
Real GDP (%)	8.3	4.9	4.0	3.8	3.8	9.8	6.6	5.6	5.3	5.3	7.2	3.1	3.0	1.9	1.9
CPI (%)	6.5	5.0	3.7	3.8	3.4	6.2	4.0	2.4	2.4	2.0	7.0	6.5	5.2	5.4	5.2
Average policy rate (%)	3.8	4.0	4.4	4.9	5.0	3.7	3.7	3.8	4.2	4.4	3.8	4.4	5.0	5.3	6.3
Ghana															
Real GDP (%)	3.7	5.7	5.4	5.5	5.5	4.3	8.6	7.2	6.6	6.3	2.3	3.5	3.4	3.1	3.0
CPI (%)	9.4	9.3	9.5	10.5	10.7	9.1	8.0	7.7	8.5	8.5	9.7	11.0	11.4	12.8	13.0
Average policy rate (%)	13.8	14.1	15.4	16.1	16.5	13.8	13.6	14.1	14.6	15.5	14.0	15.1	16.4	17.8	18.9
Kenya															
Real GDP (%)	4.4	5.5	5.3	5.1	5.0	5.5	6.5	6.5	6.8	6.7	2.6	3.1	3.7	4.1	4.4
CPI (%)	6.0	5.4	5.1	4.8	4.4	5.7	4.0	3.5	3.2	3.0	6.3	6.2	6.0	5.9	5.5
Average policy rate (%)	7.0	7.2	8.0	8.3	8.3	6.9	6.9	7.3	7.6	7.8	7.1	7.7	8.5	9.0	9.3
Mauritius															
Real GDP (%)	4.0	9.2	5.8	5.0	4.0	5.5	11.2	7.0	5.6	5.4	2.0	8.0	4.0	3.0	2.5
CPI (%)	3.9	4.0	3.2	3.0	3.0	3.9	3.2	2.2	2.0	2.0	3.9	5.0	4.8	4.5	4.5
Average policy rate (%)	1.9	2.2	2.7	3.4	3.9	1.9	1.9	2.3	3.0	3.2	1.9	2.5	3.2	4.1	4.8

2. Loans and advances (continued)

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

Macroeconomic scenarios (continued)

Baseline scenarios as at 30 June 2022

South Africa

The outlook for the global, regional and domestic environment remains unusually uncertain. Subsequent waves of COVID-19 have each been generally less disruptive to the economy, and this pattern is expected to persist. Geopolitical concerns, particularly surrounding the Russia/Ukraine conflict look likely to impact the outlook for some time, with the ongoing impact to oil, food and other supply chains difficult to predict. Global financial conditions have tightened and are expected to tighten significantly further over 2022 and 2023, causing fluctuations in global asset markets, placing pressure on some emerging market assets, and generally leading to considerable global dollar strength against most global peers.

In addition to these global shocks, the domestic economy also faces a number of South Africa-specific uncertainties. Energy availability is strained, the potential for a repeat of July 2021's social unrest is heightened, and the impact of higher inflation and rising domestic interest rates onto a generally weak economy are all important sources of risk to the outlook.

Full-year data for 2021 shows that the economy grew by 4.9%, slightly weaker than we had previously forecast, but still sufficient to leave South Africa on track to recover to pre-COVID-19 levels of economic activity during 2022. Significant revision to past National Accounts data by the South African Reserve Bank (SARB) revealed an economy that was larger than previously measured. At the time of modelling, the Group forecast GDP growth of 2.0% for 2022, a number that includes an early estimate of the impact of severe flooding in KZN during April, and 1.8% for each of 2023 and 2024. Electricity loadshedding is expected to be at the same level of severity in 2022 as it was in 2021, and then to improve slowly thereafter.

For the household sector, employment outcomes were somewhat worse in 2021 than previously forecast, but the Group expects some of that weaker base to be recovered more quickly in 2022 than earlier forecast. A similar pattern of a somewhat weaker than expected 2021 and a marginally upgraded forecast for 2022 is seen in forecast household incomes growth. The SARB's revision of historical data has seen household debt and debt service as ratios of disposable income both move lower in the recent history and over the forecast period, even as interest rates during 2022 are expected to increase more rapidly than previously expected. We anticipate house price growth to continue to lag overall consumer price increase, implying small price falls for housing in real terms.

South Africa's public finances remain under pressure, though significant windfall taxes from parts of the corporate sector have provided space for near-term budget outperformance and the National Treasury was able to announce a lower outcome for the financial year ended 2022 and a better deficit trajectory for 2023 and beyond. The Group has upgraded its outlook on the country's sovereign rating so that it is now expected to remain at current levels over the next several years.

Consumer inflation is forecast to be materially higher than expected earlier, reflecting largely the expected impact of higher food and energy prices resulting from the Russia/Ukraine geopolitical conflict. At the time of the forecast exercise, CPI was projected to increase by an average of 5.9% in 2022 and by 5.4% in 2023, as compared to 4.4% and 4.2% respectively in the modelling round done six months earlier.

As a consequence of expected heightened inflation over the next two years, at the time of the economic modelling work the SARB's repo rate was expected to rise to 5.25% by end-2022, and a further 125 bps over the course of 2023/2024 to take the rate to 6.5% by end-2024. That forecast reflects an accelerated pace of rate rises, particularly in 2022, as compared to the earlier forecast round, but with the end-2024 rate being the same. At the time of the modelling the market was forecasting a larger rate hiking cycle.

ARO

There is considerable economic and geographic diversity across our ARO presence countries. In general, the economies of East Africa were the least impacted by the COVID-19 downturn, the island economies have been most impacted, and the economies in Southern and Western Africa falling somewhere in between. As compared to our December update, our GDP-weighted aggregate of ARO economic growth was stronger than expected for 2021, at 5.8% year-on-year, reflecting more COVID-19 resilience than feared. Coming off that stronger base, we now project ARO GDP growth of 4.8% for 2022 and 4.9% in 2023, both marginally weaker than at the December update.

With few exceptions, inflation is rising significantly as higher global energy prices and upward pressure of food prices both impact consumer prices. Across the region, most central banks are now in a rate hiking cycle. These headwinds to economic growth further complicate the authorities' efforts to reduce fiscal deficits and improve debt sustainability, and a number of ARO countries are engaging with the IMF for financial support. As of 1 June 2022 Ghana, Kenya and Zambia are listed by the IMF as being at high risk of debt distress, whilst Mozambique is registered as being in debt distress.

Notes to the condensed consolidated financial results

for the reporting period ended

2. Loans and advances (continued)

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

Sensitivity of expected credit losses

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

	30 June 2022		30 June 2021		31 December 2021	
	Rm	% change	Rm	% change	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	**14 127**	**—**	14 513	—	13 996	—
Baseline	**13 681**	**(3)**	14 261	(2)	13 752	(2)
Upside	**13 418**	**(5)**	14 115	(3)	13 722	(2)
Downside	**15 415**	**9**	15 230	5	14 444	3

In addition, as at 30 June 2022, 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 significant increase in credit risk 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:

	30 June 2022		30 June 2021		31 December 2021	
	Stage 2		Stage 2		Stage 2	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm	Increase in gross carrying amount Rm	Increase in expected credit loss Rm	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
RBB	**28 474**	**2 829**	25 717	2 353	27 154	2 628
CIB	**14 194**	**217**	10 967	121	13 234	180

Payment relief measures

Payment relief provided to clients under Directive 3/2020 has fully matured. Inflows into arrears of the expired payment relief portfolio have stabilised and the portfolio is performing in line with expectation. The credit portfolio is once again managed on a holistic basis and the normal credit stage allocation methodology is applied across the entire portfolio. Please refer to note 2.1 for an ECL analysis by market segment and class of credit exposure for the entire portfolio.

Notes to the condensed consolidated financial results

for the reporting period ended

3. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: **R0m** (30 June 2021: R6 866; 31 December 2021: R6 866m) of subordinated notes were issued and **R1 142m** (30 June 2021: R231m; 31 December 2021: R2 381m) were redeemed.

4. Disaggregation of non-interest income

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

	30 June 2022				
	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	11 541	1 961	54	—	13 556
Consulting and administration fees	162	61	5	—	228
Transactional fees and commissions	8 901	1 447	(1)	—	10 347
Cheque accounts	2 283	81	—	—	2 364
Credit cards	1 346	—	—	—	1 346
Electronic banking	2 729	555	—	—	3 284
Other[1]	1 843	811	(1)	—	2 653
Savings accounts	700	—	—	—	700
Merchant income	1 275	2	—	—	1 277
Trust and other fiduciary services fees	146	10	456	—	612
Other fees and commissions	163	228	(70)	—	321
Insurance commissions received	876	—	(336)	—	540
Investment banking fees	18	213	—	—	231
Other income from contracts with customers	35	—	—	—	35
Other non-interest income, net of expenses	1 187	3 232	374	(9)	4 784
Total non-interest income	12 763	5 193	428	(9)	18 375

	30 June 2021				
	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	10 638	1 751	131	—	12 520
Consulting and administration fees	205	46	5	—	256
Transactional fees and commissions	8 227	1 361	(18)	—	9 570
Cheque accounts	2 315	73	—	—	2 388
Credit cards	1 225	1	—	—	1 226
Electronic banking	2 229	548	—	—	2 777
Other[1]	1 683	739	(18)	—	2 404
Savings accounts	775	—	—	—	775
Merchant income	1 153	1	(1)	—	1 153
Trust and other fiduciary services fees	89	7	556	—	652
Other fees and commissions	125	209	(64)	—	270
Insurance commissions received	828	—	(347)	—	481
Investment banking fees	11	127	—	—	138
Other income from contracts with customers	36	—	—	(4)	32
Other non-interest income, net of expenses[2]	(229)	3 141	156	13	3 081
Total non-interest income[2]	10 445	4 892	287	9	15 633

[1] Other transactional fees and commissions income include service and credit-related fees of **R1 043m** (June 2021: R862m), exchange commission **R359m** (June 2021: R308m) and guarantees **R150m** (June 2021: R175m).

[2] These numbers have been restated, refer to the reporting changes overview, note 15.4.

4. Disaggregation of non-interest income (continued)

	31 December 2021				
	RBB Rm	CIB Rm	Head Office, Treasury and other operations Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	21 791	3 621	137	—	25 549
Consulting and administration fees	378	97	8	—	483
Transactional fees and commissions	16 729	2 736	(18)	—	19 447
Cheque accounts	4 576	139	—	—	4 715
Credit cards	2 517	1	—	—	2 518
Electronic banking	4 691	1 117	—	—	5 808
Other[1]	3 423	1 479	(18)	—	4 884
Savings accounts	1 522	—	—	—	1 522
Merchant income	2 430	9	—	—	2 439
Trust and other fiduciary services fees	246	18	993	—	1 257
Other fees and commissions	273	403	(120)	—	556
Insurance commissions received	1 699	—	(726)	—	973
Investment banking fees	36	358	—	—	394
Other income from contracts with customers	226	25	(1)	(16)	234
Other non-interest income, net of expenses[2]	583	5 649	545	24	6 801
Total non-interest income[2]	22 600	9 295	681	8	32 584

5. Other impairments

	30 June		31 December
	2022 Rm	2021 Rm	2021 Rm
Goodwill[3]	—	65	94
Intangible assets[4]	—	—	144
Investments in associates and joint ventures[5]	—	—	(11)
Non-current assets held for sale[6]	—	—	1
Property and equipment[7]	**233**	56	192
	233	121	420

[1] Other transactional fees and commissions income include service and credit-related fees of **R1 766m** (December 2020: R1 587m), exchange commission **R680m** (December 2020: R603m) and guarantees **R325m** (December 2020: R359m).

[2] These numbers have been restated, refer to the reporting changes overview, note 15.4.

[3] In the previous financial year, the Group adjusted goodwill relating to Woolworths Financial Services totalling R65m as a result of an acquisition adjustment which was incorrectly accounted for in 2008. This has been corrected in the 2021 financial year, as it was considered immaterial. In addition, goodwill relating to First Assurance Kenya Limited amounting to R29m was impaired as at December 2021.

[4] The Group has impaired certain software assets totalling **R0m** (30 June 2021: R0m and 31 December 2021: R144m) for which the value in use is determined to be zero.

[5] An impairment loss reversal of R11m was recognised in 2021 related to the dissolution of Integrated Processing Solutions.

[6] The Group has impaired certain assets totalling **R0m** (30 June 2021: R0m and 31 December 2021: R1m) which have been classified as held for sale under IFRS 5.

[7] Included in the R233m, is the impairment of a right of use asset of R117m, impairment of Absa Towers East of R63m and impairment of the Bridge Park property of R21m due to the underutilisation of the properties.

6. Headline earnings

	30 June				31 December	
	2022		2021		2021	
	Gross Rm	Net[1] Rm	Gross Rm	Net[1] Rm	Gross Rm	Net[1] Rm
Headline earnings is determined as follows:						
Profit attributable to ordinary equity holders of the Group		**10 481**		8 162		17 763
Total headline earnings adjustments:		**147**		24		62
IFRS 3 – Goodwill impairment	**—**	**—**	—	—	29	29
IFRS 5 – Profit on disposal of non-current assets held for sale	**(20)**	**(15)**	(9)	(7)	(20)	(16)
IFRS 5 – Re-measurement of non-current assets held for sale	**—**	**—**	—	—	1	1
IAS 16 – (Profit) on disposal of property and equipment	**(7)**	**(6)**	(12)	(10)	(90)	(71)
IAS 16 and IAS 36 – Insurance recovery of property and equipment damaged during riots	**—**	**—**	—	—	(121)	(87)
IAS 21 – Recycled foreign currency translation reserve	**—**	**—**	—	—	(96)	(74)
IAS 28 – (Reversal)/impairment of investments in associates and joint ventures	**—**	**—**	—	—	(11)	(11)
IAS 28 – Profit on disposal of associates and joint ventures	**—**	**—**	—	—	(1)	(1)
IAS 36 – Impairment of property and equipment	**233**	**168**	56	41	217	157
IAS 36 – Impairment of intangible assets	**—**	**—**	—	—	144	110
IAS 38 – Profit on disposal of intangible assets	**—**	**—**	—	—	1	1
IAS 40 – Change in fair value of investment properties	**—**	**—**	—	—	31	24
Headline earnings/diluted headline earnings		**10 628**		8 186		17 825
Headline earnings per ordinary share (cents)		**1 280.2**		986.2		2 147.1
Diluted headline earnings per ordinary share (cents)		**1 278.4**		984.6		2 143.5

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

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7. Dividends per share

	30 June 2022 Rm	30 June 2021 Rm	31 December 2021 Rm
Dividends declared to ordinary equity holders			
Interim dividend **(15 August 2022: 650 cps)** (16 August 2021: 310 cps)	**5 510**	2 628	2 628
Final dividend (14 March 2022: 475 cps)	**—**	—	4 027
	5 510	2 628	6 655
Dividends declared to ordinary equity holders (net of treasury shares)			
Interim dividend **(15 August 2022: 650 cps)** (16 August 2021: 310 cps)	**5 399**	2 573	2 573
Final dividend **(–)** (14 March 2022: 475 cps)	**—**	—	3 944
	5 399	2 573	6 517
Dividends declared to non-controlling preference equity holders			
Interim dividend **(16 August 2022: 2 883.42500 cps)** (16 August 2021: 2 470.13699 cps)	**143**	122	122
Final dividend **(-)** (14 March 2022: 2 494.10959)	**—**	—	123
	143	122	245
Distributions declared and paid to Additional Tier 1 capital note holders			
Distribution			
10 January 2022: 21 024.73 Rands per note (rpn); 11 January 2021: 20 214.47 rpn	**26**	25	25
27 January 2022: 20 751.67 rpn; 27 January 2021: 20 085.45 rpn	**25**	24	24
28 February 2022: 20 860.19 rpn; 26 February 2021: 19 268.38 rpn	**35**	32	32
07 March 2022: 20 236.90 rpn; 05 March 2021: 18 786.19 rpn	**28**	26	26
14 March 2022: 23 747.26 rpn; 12 March 2021: 22 301.37 rpn	**36**	33	33
11 April 2022: 21 525.81 rpn; 12 April 2021: 20 922.52 rpn	**27**	26	26
28 April 2022: 21 087.07 rpn; 28 April 2021: 20 423.89 rpn	**25**	25	25
30 May 2022: 21 732.79 rpn; 28 May 2021: 20 299.23 rpn	**36**	34	34
06 June 2022: 21 109.51 rpn; 07 June 2021: 20 326.60 rpn	**29**	28	28
13 June 2022: 24 744.52 rpn; 14 June 2021: 23 971.29 rpn	**37**	36	36
12 July 2021: 20 984.85 rpn	**—**	—	26
27 July 2022: 20 280.82 rpn	**—**	—	25
30 August 2021: 21 074.03 rpn	**—**	—	36
06 September 2021: 19 778.16 rpn	**—**	—	27
13 September 2021: 23 268.58 rpn	**—**	—	35
11 October 2021: 21 047.18 rpn	**—**	—	26
27 October 2021: 20 751.67 rpn	**—**	—	25
29 November 2021: 20 361.56 rpn	**—**	—	34
06 December 2021: 19 738.27 rpn	**—**	—	27
13 December 2021: 23 248.63 rpn	**—**	—	35
	304	289	585
Dividends paid to ordinary equity holders (net of treasury shares)			
Final dividend **(2022: 475 cps)** (2021: 0 cps)	**3 951**	—	—
Interim dividend (20 September 2021: 310 cps)	**—**	—	2 573
	3 951	—	2 573
Dividends paid to non-controlling preference equity holders			
Final dividend **(4 March 2022: 2 494.10959 cps)** (25 April 2021: 2 429.86301 cps)	**123**	120	120
Interim dividend (20 September 2021: 2 470.13699 cps)	**—**	—	122
	123	120	242

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8. Acquisitions and disposals of businesses and other similar transactions

8.1.1 Acquisitions of businesses during the current reporting period

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

8.1.2 Disposals of businesses during the current reporting period

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

8.2.1 Acquisitions of businesses during the previous reporting periods

There were no acquisitions of businesses during the previous reporting periods.

8.2.2 Disposals of businesses during the previous reporting periods

The Group disposed of Card Issuing and Personal loan books on 30 June 2021. The Group received a cash consideration of R94m on disposal.

The Group disposed of the Integrated Processing Solution investment on 30 September 2021. The Group received a cash consideration of R12m on disposal.

9. Related parties

Arrie Rautenbach was appointed as Chief Executive Officer of Absa Group effective 29 March 2022 whilst Jason Quinn resumed his position as Group Financial Director. Punki Modise was appointed as Interim Chief Executive of Retail Business Banking and remains on the Executive Committee.

Sello Moloko commenced the role as Group Chairman after the retirement of Wendy Lucas-Bull with effect from 01 April 2022.

9.1.1 Prior period related party events and transactions

Daniel Mminele announced his resignation as the Group Chief Executive of Absa Group Limited from 30 April 2021. The Board appointed Jason Quinn as the Interim Group Chief Executive and Punki Modise as the Interim Group Financial Director with effect from 20 April 2021 and 23 April 2021, respectively.

The Board appointed Sello Moloko as an independent non-executive director and Chairman designate with effect from 1 December 2021. He commenced his role as Chairman of Absa Group on 1 April 2022, taking over from Wendy Lucas-Bull, who retired from the position with effect from 01 April 2022.

Following the decision to dissolve Integrated Processing Solutions Proprietary Limited, the Group disposed of the Integrated Processing Solution investment on 30 September 2021. The Group received a cash consideration of R12m on disposal.

10. Contingencies, commitments and similar items

	30 June 2022 Rm	30 June 2021 Rm	31 December 2021 Rm
Guarantees	**55 349**	48 830	48 828
Irrevocable debt facilities	**175 376**	175 724	180 023
Letters of credit	**26 634**	13 739	17 782
Other	**1**	—	—
	257 360	238 293	246 633
Authorised capital expenditure			
Contracted but not provided for	**795**	935	938

Guarantees include performance guarantee contracts and financial guarantee contracts.

Financial guarantee contracts represent contracts where the Group undertakes to make specified payments to a counterparty, should the counterparty suffer a loss as a result of a specified debtor failing to make payment when due in accordance with the terms of a debt instrument. This amount represents the maximum off-statement of financial position exposure.

Irrevocable facilities are commitments to extend credit where the Group does not have the right to terminate the facilities by written notice.

Irrevocable debt facilities do not include other lending facilities which are revocable but for which an impairment provision has been raised (i.e. revolving products). The value of exposure to these other lending facilities is included in the credit risk disclosure, whereas the above table presents only those gross loan commitments that are contractually committed and are legally irrevocable.

Commitments generally have fixed expiry dates. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

The Group has capital commitments in respect of computer equipment, software and property development. Management is confident that future net revenues and funding will be sufficient to cover these commitments.

10. Contingencies, commitments and similar items (continued)

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.

The relief measures provided by the PA in 2020 of a temporary relaxation of both capital supply and short-term liquidity requirements, enabling banks to continue the provision of credit into the economy during this period of financial stress. This support was discontinued in its entirety in April 2022.

Income taxes

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

The Group recognises provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. The carrying amount of any resulting provisions will be sensitive to the manner in which tax matters are expected to be resolved, and the stage of negotiations or discussion with the relevant tax authorities. There may be significant uncertainty around the final outcome of tax proceedings, which in many instances, will only be concluded after a number of years. Management estimates are informed by a number of factors including, inter alia, the progress made in discussions or negotiations with the tax authorities, the advice of expert legal counsel, precedent set by the outcome of any previous claims, as well as the nature of the relevant tax environment.

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

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11. Segment reporting

The identified reportable segments in the following table are disclosed based on how the Group's businesses have been managed and reported at the reporting date to the Group Executive Committee which is seen as the Chief Operating Decision Maker.

	30 June		31 December
	2022 Rm	2021 Rm	2021 Rm
11.1 Total headline earnings by segment[1]			
RBB	**5 593**	4 161	10 145
CIB	**4 279**	4 059	7 789
Head Office, Treasury and other operations[2]	**1 112**	408	657
Barclays PLC separation effects[3]	**(356)**	(442)	(766)
	10 628	8 186	17 825
11.2 Total income by segment[1]			
RBB	**32 496**	28 578	59 968
CIB	**12 461**	11 625	23 108
Head Office, Treasury and other operations[2]	**1 988**	1 007	2 797
Barclays PLC separation effects[3]	**12**	20	33
	46 957	41 230	85 906
11.3 Total profit by segment[1]			
RBB	**6 230**	4 646	11 150
CIB	**4 679**	4 407	8 473
Head Office, Treasury and other operations[2]	**958**	347	620
Barclays PLC separation effects[3]	**(364)**	(454)	(818)
	11 503	8 946	19 425
11.4 Total internal income by segment[1]			
RBB	**(514)**	410	1 058
CIB	**(5 216)**	238	(1 236)
Head Office, Treasury and other operations[2]	**5 707**	(660)	153
Barclays PLC separation effects[3]	**23**	12	25
	—	—	—
11.5 Total assets by segment[1]			
RBB	**1 205 962**	1 104 291	1 186 984
CIB	**1 065 112**	974 342	991 566
Head Office, Treasury and other operations[2]	**(512 357)**	(502 071)	(541 256)
Barclays PLC separation effects[3]	**2 979**	3 973	3 539
	1 761 696	1 580 535	1 640 833
11.6 Total liabilities by segment[1]			
RBB	**1 193 284**	1 096 512	1 172 814
CIB	**1 060 922**	970 819	985 005
Head Office, Treasury and other operations[2]	**(639 720)**	(625 080)	(664 031)
Barclays PLC separation effects[3]	**(462)**	(214)	(264)
	1 614 024	1 442 037	1 493 524

On 30 June 2022, the Group announced a refinement to its operating model which is effective from 01 July 2022. This change is part of the Group's journey to enhance market competitiveness with due consideration to its transformation imperative. In essence, the Group will move from two commercial businesses, Corporate and Investment Bank (CIB) Pan-Africa and Retail and Business Banking (RBB) Pan-Africa, to five business units (Everyday Banking, Relationship Banking, Product Solutions, CIB Pan-Africa and RBB Absa Regional Operations). The impact of this announcement on segment reporting for the year ended 31 December 2022 is in the process of being determined.

(1) These numbers have been restated, refer to the reporting changes overview, note 15.
(2) Head Office, Treasury and other operations in South Africa represents a reconciling stripe and is not a reporting segment.
(3) 'Barclays PLC separation effects' is the reconciling stripe and does not represent a reportable segment.

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12. Financial assets and financial liabilities not held at fair value

The following table summarises the carrying amounts and fair value of those assets and liabilities not held at fair value.

	30 June			
	2022		2021	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets				
Balances with other central banks	12 951	12 951	11 530	11 530
Balances with the SARB	28 366	28 366	26 502	26 502
Coins and bank notes	13 006	13 006	12 896	12 896
Cash, cash balances and balances with central banks	54 323	54 323	50 928	50 928
Investment securities	39 596	39 218	34 465	36 124
Other assets	49 777	49 777	29 417	29 417
RBB[1]	646 541	641 887	590 563	585 566
Home Loans	281 606	275 311	257 200	255 067
Vehicle and Asset Finance	101 853	101 618	93 981	92 515
Everyday Banking	63 892	63 569	58 368	57 712
Card	41 561	41 561	37 634	37 634
Personal Loans	19 429	19 106	17 928	17 272
Transactions and Deposits	2 902	2 902	2 806	2 806
Relationship Banking[1]	132 919	135 038	124 425	123 438
RBB ARO	66 271	66 351	56 588	56 834
RBB Other	0	0	1	1
CIB[1, 2]	322 332	323 778	277 859	280 716
CIB South Africa[1, 2]	259 460	262 481	224 446	228 291
CIB ARO	62 872	61 297	53 413	52 425
Head Office, Treasury and other operations	1 036	1 036	795	795
Loans and advances to customers[2]	969 909	966 701	869 217	867 077
Loans and advances to banks[2]	68 775	68 774	46 019	46 010
Loans and advances	1 038 684	1 035 475	915 236	913 087
Non-current assets held for sale	4 854	4 854	1 123	1 123
Total assets (not held at fair value)	1 187 234	1 183 647	1 031 169	1 030 679
Financial liabilities				
Other liabilities	56 366	56 366	52 449	52 449
Call deposits[2]	130 130	130 130	114 659	114 693
Cheque account deposits	312 428	312 428	299 977	299 977
Credit card deposits	2 056	2 056	1 954	1 954
Fixed deposits	188 708	185 108	178 106	182 360
Foreign currency deposits[2]	64 750	64 750	49 079	49 079
Notice deposits	70 758	70 758	74 738	74 738
Other deposits[2]	1 288	1 288	1 174	1 174
Saving and transmission deposits	244 494	244 494	222 634	222 634
Deposits due to customers[2]	1 014 612	1 011 012	942 321	946 609
Deposits from banks [2]	60 679	60 675	58 479	58 744
Deposits	1 075 291	1 071 687	1 000 800	1 005 353
Debt securities in issue	132 276	132 039	107 439	108 017
Borrowed funds	25 240	25 167	27 426	27 565
Total liabilities (not held at fair value)	1 289 173	1 285 259	1 188 114	1 193 384

(1) These numbers have been restated, refer to the reporting changes overview Note 15.2.
(2) These numbers have been restated, refer to the reporting changes overview Note 15.5.

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12. Financial assets and financial liabilities not held at fair value (continued)

The following table summarises the carrying amounts and fair value of those assets and liabilities not held at fair value:

	31 December 2021	
	Carrying amount Rm	Fair value Rm
Financial assets		
Balances with other central banks	17 521	17 521
Balances with the SARB	27 684	27 684
Coins and bank notes	14 577	14 577
Cash, cash balances and balances with central banks	59 782	59 782
Investment securities	36 670	37 689
Other assets	20 995	20 995
RBB[1]	618 086	621 882
Home Loans	270 276	266 310
Vehicle and Asset Finance	98 076	100 807
Everyday Banking	60 404	60 578
Card	38 960	38 960
Personal Loans	18 610	18 784
Transactions and Deposits	2 834	2 834
Relationship Banking[1]	125 603	130 464
RBB ARO	63 727	63 723
CIB[1]	308 538	308 309
CIB South Africa[1]	248 252	249 275
CIB ARO	60 286	59 034
Head Office, Treasury and other operations[1]	774	774
Loans and advances to customers	927 398	930 965
Loans and advances to banks	46 653	46 647
Loans and advances	974 051	977 612
Non-current assets held for sale	842	842
Total assets (not held at fair value)	1 092 340	1 096 920
Financial liabilities		
Other liabilities	43 776	43 776
Call deposits	136 443	136 443
Cheque account deposits	301 215	301 215
Credit card deposits	2 137	2 137
Fixed deposits	182 369	178 783
Foreign currency deposits	54 075	54 075
Notice deposits	70 148	70 148
Other deposits	1 268	1 268
Saving and transmission deposits	249 068	249 068
Deposits due to customers	996 723	993 137
Deposits from banks	53 862	53 851
Deposits	1 050 585	1 046 988
Debt securities in issue	106 339	105 662
Borrowed funds	26 600	26 423
Total liabilities (not held at fair value)	1 227 300	1 222 849

[1] These numbers have been restated, refer to the reporting changes overview Note 15.2.

13. Assets and liabilities held at fair value

13.1 Fair value measurement and valuation processes

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 Valuations Committee and an Independent Valuation Control (IVC) team, which is independent from the front office.

The Traded Risk and Valuations 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 Absa Group Audit and Compliance Committee.

The Traded Risk and Valuations 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 external independent 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 external independent sources to measure the fair value which supports conclusions that valuations are performed in accordance with IFRS and internal valuation policies.

Investment properties

The fair value of investment properties is determined based on the most appropriate methodology applicable to the specific property. Methodologies include the market comparable approach that reflects recent transaction prices for similar properties, discounted cash flows and income capitalisation methodologies. In estimating the fair value of the properties, the highest and best use of the properties is taken into account.

Where possible the fair value of the Group's investment properties is determined through valuations performed by external independent valuers.

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

Commodities

The fair value of commodities is determined primarily using data derived from markets in which the underlying commodities are traded.

13.2 Fair value measurements

Valuation inputs

IFRS 13 requires an entity to classify fair values measured and/or disclosed according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined as follows:

Quoted market prices – Level 1

Fair values are classified as Level 1 if they have been determined using observable prices in an active market. Such fair values are determined with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents 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

Fair values are classified as Level 2 if they have been determined using models for which inputs are observable in an active market.

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 (unobservable inputs). An input is deemed significant if it is shown to contribute more than 10% to the fair value of an item. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

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 by reference to quoted market prices for similar instruments or, in the case of certain mortgage-backed securities, 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 by 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, dependent on the nature of the investment, may include discounted cash flow analysis, enterprise value comparisons with similar companies and price earnings comparisons. For each investment, the relevant methodology 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 option pricing models.

13. Assets and liabilities held at fair value
(continued)

13.2 Fair value measurements (continued)

Loans and advances

The disclosed 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 as detailed above.

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.

13.3 Fair value adjustments

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

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. 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 hedging strategy. Bid-offer levels are derived from market sources, such as broker data. For those assets and liabilities where the firm 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, since the bid-offer spread does not represent a transaction cost.

Uncollateralised derivative adjustments

A fair value adjustment is incorporated into uncollateralised derivative valuations to reflect the impact on fair value of counterparty credit risk, the Group's own credit quality, 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 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 on at least an annual basis.

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13. Assets and liabilities held at fair value (continued)

13.4 Fair value hierarchy

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.

	30 June							
	2022				2021			
Recurring fair value measurements	Level 1 Rm	Level 2 Rm	Level 3[1] Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Cash, cash balances and balances with central banks	—	7 030	—	7 030	2 051	3 631	—	5 682
Investment securities	35 666	121 834	9 512	167 012	43 263	95 410	9 485	148 158
Trading and hedging portfolio assets	114 530	92 581	10 163	217 274	112 459	98 048	1 719	212 226
Debt instruments	67 467	10 887	236	78 590	66 811	6 218	219	73 248
Derivative assets	—	67 477	6 059	73 536	—	74 102	329	74 431
Commodity derivatives	—	1 742	3	1 745	—	743	31	774
Credit derivatives	—	20	241	261	—	1	139	140
Equity derivatives	—	4 519	5 814	10 333	—	6 751	143	6 894
Foreign exchange derivatives	—	19 014	1	19 015	—	17 273	2	17 275
Interest rate derivatives	—	42 182	—	42 182	—	49 334	14	49 348
Equity instruments	45 606	—	—	45 606	44 867	—	—	44 867
Money market assets	1 457	14 217	3 868	19 542	781	17 728	1 171	19 680
Other assets	—	1	—	1	—	13	—	13
Loans and advances[2]	—	107 744	13 853	121 597	—	107 186	14 180	121 366
Investments linked to investment contracts	17 142	1 787	—	18 929	17 335	4 855	—	22 190
Total financial assets	167 338	330 977	33 528	531 843	175 108	309 143	25 384	509 635
Financial liabilities								
Trading and hedging portfolio liabilities	36 335	67 958	421	104 714	26 863	59 634	147	86 644
Derivative liabilities	—	67 958	421	68 379	—	59 634	147	59 781
Commodity derivatives	—	1 603	—	1 603	—	760	1	761
Credit derivatives	—	798	261	1 059	—	242	107	349
Equity derivatives	—	5 504	157	5 661	—	3 790	29	3 819
Foreign exchange derivatives	—	19 920	—	19 920	—	15 044	—	15 044
Interest rate derivatives	—	40 133	3	40 136	—	39 798	10	39 808
Short positions	36 335	—	—	36 335	26 863	—	—	26 863
Other liabilities	—	4	—	4	—	54	—	54
Deposits[2]	2	134 343	3 873	138 218	124	100 935	3 377	104 436
Debt securities in issue	513	42 082	—	42 595	1 043	21 118	—	22 161
Liabilities under investment contracts	—	19 830	—	19 830	—	25 258	—	25 258
Total financial liabilities	36 850	264 217	4 294	305 361	28 030	206 999	3 524	238 553
Non-financial assets								
Commodities	619	—	—	619	787	—	—	787
Investment properties	—	—	419	419	—	—	487	487
Non-recurring fair value measurements								
Non-current assets held for sale[3]	—	—	296	296	—	—	250	250
Non-current liabilities held for sale[3]	—	—	3 333	3 333	—	—	542	542

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

[2] These numbers have been restated, refer to 15.5.

[3] Includes certain items classified in terms of the requirements of IFRS 5 which are measured at fair value in terms of their respective standards.

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for the reporting period ended

13. Assets and liabilities held at fair value (continued)

13.4 Fair value hierarchy (continued)

	31 December 2021			
Recurring fair value measurements	Level 1 Rm	Level 2 Rm	Level 3[1] Rm	Total Rm
Financial assets				
Cash, cash balances and balances with central banks	—	6 259	—	6 259
Investment securities	56 221	87 446	8 561	152 228
Trading and hedging portfolio assets	115 035	90 234	2 327	207 596
Debt instruments	66 659	12 614	122	79 395
Derivative assets	—	59 501	1 386	60 887
Commodity derivatives	—	907	13	920
Credit derivatives	—	2	140	142
Equity derivatives	—	7 349	1 232	8 581
Foreign exchange derivatives	—	11 578	1	11 579
Interest rate derivatives	—	39 665	—	39 665
Equity instruments	47 283	—	—	47 283
Money market assets	1 093	18 119	819	20 031
Other assets	—	13	—	13
Loans and advances	—	101 477	16 729	118 206
Investments linked to investment contracts	17 804	1 999	—	19 803
Total financial assets	189 060	287 428	27 617	504 105
Financial liabilities				
Trading and hedging portfolio liabilities	24 650	51 555	273	76 478
Derivative liabilities	—	51 555	273	51 828
Commodity derivatives	—	823	1	824
Credit derivatives	—	749	93	842
Equity derivatives	—	2 513	169	2 682
Foreign exchange derivatives	—	12 687	—	12 687
Interest rate derivatives	—	34 783	10	34 793
Short positions	24 650	—	—	24 650
Other liabilities	—	59	—	59
Deposits	156	119 828	3 197	123 181
Debt securities in issue	536	24 201	—	24 737
Liabilities under investment contracts	—	21 126	—	21 126
Total financial liabilities	25 342	216 769	3 470	245 581
Non-financial assets				
Commodities	642	—	—	642
Investment properties	—	—	421	421
Non-recurring fair value measurements				
Non-current assets held for sale[2]	—	—	3 417	3 417
Non-current liabilities held for sale[2]	—	—	3 465	3 465

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

[2] Includes certain items classified in terms of the requirements of IFRS 5 which are measured at fair value in terms of their respective standards.

13. Assets and liabilities held at fair value (continued)

13.5 Measurement of assets and liabilities categorised 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
Derivatives		
Commodity derivatives	Discounted cash flow techniques, option pricing models, futures pricing models and/or Exchange Traded Fund (ETF) models	Spot price of physical or futures, market interest rates and/or volatilities
Credit derivatives	Discounted cash flow techniques and/or market standard credit derivative pricing	Interest rate, recovery rate, and credit spread and/or quanto ratio
Equity derivatives	Discounted cash flow models, option pricing models and/or futures pricing models	Spot price, interest rate, volatility and/or dividend stream
Foreign exchange derivatives	Discounted cash flow techniques and/or option pricing models	Spot price, interest rate curves, basis curves and/or volatilities
Interest rate derivatives	Discounted cash flow and/or swaption pricing models	Interest rate curves, repurchase agreement curves, money market curves and/or volatilities
Money market assets	Discounted cash flow models	Money market curves and/or interest rates
Loans and advances	Future cash flows are discounted using market-related interest rates, adjusted for credit inputs, over the contractual period of the instruments (that is, discounted cash flow)	Interest rate curves, money market curves and/or credit spreads
Investment securities and investments linked to investment contracts	Discounted cash flow models	Underlying price of market traded instruments and/or interest rates
Deposits	Discounted cash flow models	Interest rate curve, money market curves and/or credit spreads
Debt securities in issue and other liabilities	Discounted cash flow models	Underlying price of market traded instruments, interest rate curves and/or credit spreads

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for the reporting period ended

13. Assets and liabilities held at fair value (continued)

13.6 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:

	30 June 2022					
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	**2 327**	**16 729**	**8 561**	**421**	**—**	**28 038**
Net interest income	**—**	**219**	**42**	**—**	**—**	**261**
Gains and losses from banking and trading activities	**(385)**	**(136)**	**(1)**	**—**	**—**	**(522)**
Purchases	**3 058**	**2 636**	**1 405**	**—**	**—**	**7 099**
Sales	**(163)**	**(1 101)**	**(1 734)**	**(1)**	**—**	**(2 999)**
Movement in other comprehensive income	**—**	**—**	**(106)**	**(1)**	**—**	**(107)**
Transfer to Level 3	**5 725**	**—**	**1 598**	**—**	**—**	**7 323**
Transfer out of Level 3	**(399)**	**(4 494)**	**(253)**	**—**	**—**	**(5 146)**
Closing balance at the end of the reporting period	**10 163**	**13 853**	**9 512**	**419**	**—**	**33 947**

	30 June 2021					
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	2 502	13 597	11 912	496	618	29 125
Net interest income	—	184	30	—	—	214
Gains and losses from banking and trading activities	125	(774)	107	—	—	(542)
Purchases	530	3 404	571	—	—	4 505
Sales	(68)	(3 128)	(1 083)	(11)	—	(4 290)
Movement in other comprehensive income	—	—	(236)	2	—	(234)
Transfer to Level 3	260	1 099	—	—	—	1 359
Transfer out of Level 3	(1 630)	(202)	(1 816)	—	(618)	(4 266)
Closing balance at the end of the reporting period	1 719	14 180	9 485	487	—	25 871

	31 December 2021					
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	2 502	13 597	11 912	496	618	29 125
Net interest income	—	180	47	—	—	227
Other income	—	—	—	(7)	—	(7)
Gains and losses from banking and trading activities	906	(96)	(16)	(25)	—	769
Purchases	626	6 008	920	—	—	7 554
Sales	(142)	(4 136)	(2 892)	(51)	—	(7 121)
Movement in other comprehensive income	—	—	(157)	19	—	(138)
Settlements	—	—	(60)	—	—	(60)
Transferred to/(from) assets/liabilities	—	—	—	(11)	—	(11)
Transfer to Level 3	175	1 176	—	—	—	1 351
Transfer out of Level 3	(1 840)	—	(1 193)	—	(618)	(3 651)
Closing balance at the end of the reporting period	2 327	16 729	8 561	421	—	28 038

13. Assets and liabilities held at fair value (continued)

13.6 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:

	30 June 2022		
	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	273	3 197	3 470
Gains and losses from banking and trading activities	145	(42)	103
Movement in other comprehensive income	—	(101)	(101)
Issues	—	4 748	4 748
Settlements	(1)	(3 929)	(3 930)
Transfer to Level 3	11	—	11
Transfer out of Level 3	(7)	—	(7)
Closing balance at the end of the reporting period	421	3 873	4 294

	30 June 2021		
	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	173	4 682	4 855
Gains and losses from banking and trading activities	(37)	(2 257)	(2 294)
Movement in other comprehensive income	—	(28)	(28)
Issues	9	2 560	2 569
Settlements	—	(1 653)	(1 653)
Transfer to Level 3	8	73	81
Transfer out of Level 3	(6)	—	(6)
Closing balance at the end of the reporting period	147	3 377	3 524

	31 December 2021		
	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	173	4 682	4 855
Gains and losses from banking and trading activities	48	(118)	(70)
Purchases	—	5	5
Movement in other comprehensive income	—	117	117
Issues	55	6 216	6 271
Settlements	(1)	(7 554)	(7 555)
Transfer out of Level 3	(2)	(151)	(153)
Closing balance at the end of the reporting period	273	3 197	3 470

13.7 Significant transfers between levels

During the 2022 and 2021 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 have been reflected as if they had taken place at the beginning of the year. Transfers between level 1 and level 2 are not considered significant for disclosure.

13. Assets and liabilities held at fair value (continued)

13.8 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:

	30 June 2022						
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	**5 025**	**1 517**	**102**	**6 644**	**(96)**	**250**	**154**

	30 June 2021						
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	97	(451)	(161)	(515)	(81)	1 480	1 399

	31 December 2021						
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	576	1 833	19	2 428	189	1 190	1 379

13.9 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 most impact this sensitivity analysis are those with more illiquid and/or structured portfolios. The alternative assumptions are applied independently and do not take account of any cross correlation between assumptions that would reduce the overall effect on the valuations.

The following tables reflects the reasonable possible variances applied to significant parameters utilised in our valuations:

Significant unobservable parameter	Positive/(negative) variance applied to parameters
Credit spreads	100/(100) bps
Volatilities	10/(10)%
Basis curves	100/(100) bps
Yield curves and repo curves	100/(100) bps
Future earnings and marketability discounts	15/(15)%
Funding spreads	100/(100) bps

13. Assets and liabilities held at fair value (continued)

13.9 Sensitivity analysis of valuations using unobservable inputs (continued)

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 a reasonable range of possible outcomes:

		30 June 2022	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(unfavourable) Rm	Favourable/(unfavourable) Rm
Deposits	Absa Group Limited/ Absa funding	133/(145)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	(255)/233
Loans and advances	Credit spreads	(879)/957	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	146/(146)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(290)/290	—/—

		30 June 2021	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(unfavourable) Rm	Favourable/(unfavourable) Rm
Deposits	Absa Group Limited/ Absa funding	183/(202)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	—/—	(732)/833
Loans and advances	Credit spreads	(862)/937	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(19)/19	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	23/(23)	—/—

		31 December 2021	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(unfavourable) Rm	Favourable/(unfavourable) Rm
Deposits	Absa Group Limited/ Absa funding	126/(138)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	—/—	(240)/251
Loans and advances	Credit spreads	(979)/1 060	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(41)/41	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(37)/37	—/—

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

13. Assets and liabilities held at fair value (continued)

13.10 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:

			30 June		31 December
			2022	2021	2021
Category of asset/ liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs		
Loans and advances	Discounted cash flow models and/or yield for debt instruments	Credit spreads	**0.04% to 3.07%**	1.27% to 3.7%	1.4% to 3.7%
Investment securities	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Risk adjusted yield curves, future earnings, marketability discounts and/or competitor multiples	**Discount rate of 8% to 8.5%**	Discount rate of 8%	Discount rate of 8.5%
Trading and hedging portfolio assets and liabilities					
Debt instruments	Discounted cash flow models	Credit spreads	**0.01% to 4.55%**	0.17% to 12.9%	0.04% to 4.55%
Derivative assets					
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	**0.09% to 24.15%, 15% to 82.3%, 49% to 100%**	0.013% to 26.5%, 15% to 82.3%, 50% to 100%	0.035% to 4.502%, 15% to 93.2%, 54% to 100%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	**18.15% to 55.98%**	16.12% to 44.4%	17.77% to 68.49%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	**3.35% to 29.80%**	0.55% to 23%	0.88% to 20%
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	**0.025% to 9.3125%**	0.25% to 4.925%	0.052% to 7.3%
Deposits	Discounted cash flow models	Absa Group Limited's funding spreads (greater than 5 years)	**1.250% to 1.625%**	1.15% to 1.6%	1.15% to 1.6%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	**1.250% to 1.625%**	1.15% to 1.6%	1.15% to 1.6%
Investment properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of	**1 to 6 years**	1 to 6 years	1 to 6 years
		Annual selling price escalations	**6% to 8%**	6% to 8%	6% to 8%
		Income capitalisation rates	**8% to 8.5%**	8%	8.5%
		Risk adjusted discount rates	**10% to 15%**	10% to 15%	10% to 15%

For assets or liabilities held at amortised cost and disclosed in Levels 2 or 3 of the fair value hierarchy, the discounted cash flow valuation technique is used. Interest rates and money market curves are considered unobservable inputs for items which mature after five years. However, if the items mature in less than five years, these inputs are considered to be observable, depending on other facts and circumstances.

For debt securities in issue held at amortised cost, a further significant input would be the underlying price of the market traded instrument.

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

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

13. Assets and liabilities held at fair value (continued)

13.11 Unrecognised (gains) as a result of the use of valuation models using unobservable inputs

The amount that is yet 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 unobservable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

	30 June		31 December
	2022 Rm	2021 Rm	2021 Rm
Opening balance at the beginning of the reporting period	**(521)**	(446)	(446)
New transactions	**(394)**	(192)	(212)
Amounts recognised in profit or loss during the reporting period	**116**	61	137
Closing balance at the end of the reporting period	**(799)**	(577)	(521)

13.12 Third-party credit enhancements

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

14. Interest rate benchmark reform

Background

The Group structures and executes a variety of transactions, including equity-linked offerings, debt issuances, lending activities as well as structured and derivative transactions.

Fair value hedges are used by the Group to protect against changes in the fair value of financial instruments due to movements in interest rates and are therefore affected by the interest rate benchmark reform. The financial instruments hedged for interest rate risk include fixed rate investment securities, fixed rate loans and advances, fixed debt securities and borrowed funds. The hedging instruments typically utilised are interest rate swaps or cross currency swaps, which reference a floating rate, namely ZAR JIBAR or USD LIBOR.

Cash flow hedges are used by the Group to protect against the potential cash flow variability arising from exposure to interest rate and foreign currency risk and are therefore also affected by interest rate benchmark reform. The financial instruments designated as hedged items include variable rate loans and advances, and the hedging instruments typically utilised are interest rate swaps or cross currency swaps which reference a floating rate, namely ZAR JIBAR or USD LIBOR.

In addition, the Group has derivative and non-derivative financial instruments linked to IBORs that are not in hedge accounting relationships.

The GBP, EUR and JPY LIBOR rates and the one-week and two-month USD LIBOR rates were discontinued at 31 December 2021. The remaining USD LIBOR rates is expected to be discontinued post 30 June 2023.

The Group's exposure to IBORs subject to change at 31 December 2021 were not significant compared to those expected to be changed post June 2023. The GBP Libor, EUR Libor, JYP Libor and US Libor have transitioned to the Sterling Overnight Index Average (SONIA), Euro Short-Term Rate (€STR), Tokyo Overnight Average Rate (TONAR) and Secured Overnight Financing Rate (SOFR) respectively as alternative reference rates.

The South African Reserve Bank (SARB) announced in 2020 that the Johannesburg Interbank Average Rate (JIBAR) would cease to exist in the near future as it did not comply with the IOSCO Principles for Financial Benchmarks. The SARB Market Practitioners Group (MPG), a joint public-private body has been mandated to facilitate decisions on the choice of alternative reference rates for financial contracts that should replace JIBAR.

The transition journey for JIBAR is still in its nascency and transition timelines are yet to be announced by the SARB. The Group participates in the SARB's MPG and has started its own preparations for the transition of JIBAR. Lessons learned during the Libor transition journey will pave the way for an efficient transition of JIBAR in due course.

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 is currently managing the transition. Workstreams actively participate in industry-wide working groups to remain informed of the latest developments and to ensure consistency with the approaches of other market participants.

The main risks to which the Group is exposed as result of IBOR reform are operational as detailed below:

Conduct risk: The transition to alternative benchmark rates could result in the risk of market or customer misconduct, which may lead to customer complaints, regulatory sanctions or reputational impact. This includes the risk of misleading clients, anti-competitive practices, both during and after transition (such as collusion and information sharing) and risks arising from conflicts of interest.

Pricing and valuation considerations: International Securities and Derivatives Association (ISDA) published the IBOR Fallbacks Supplement and ISDA 2020 IBOR Fallbacks Protocol on 23 October 2020. New fallbacks for derivatives linked to key IBORs came into effect on 25 January 2021, ensuring a viable safety net is in place in the event an IBOR becomes permanently unavailable while entities continue to have exposure to that rate. The supplement incorporates the fallbacks into all new non-cleared derivatives contracts from 25 January 2021 that reference the 2006 ISDA Definitions. Derivative participants can incorporate the fallback into legacy non-cleared derivatives contracts via use of an ISDA protocol or through bilateral negotiation. For cleared derivatives, central counterparties (CCPs) have incorporated the ISDA IBOR fallbacks in their rule books for both new and legacy contracts.

Accounting: If transition to alternative benchmark rates for certain contracts is finalised in a manner that does not permit the application of the reliefs introduced in the Phase 2 amendments, this could lead to discontinuation of hedge accounting relationships, increased volatility in profit or loss if re-designated hedges are not fully effective and volatility in the profit or loss if non-derivative financial instruments are modified or derecognised. The Group is aiming to agree changes to contracts that would allow IFRS 9 reliefs to apply. In particular, the Group is not seeking to novate derivatives or close out derivatives and enter into new on-market derivatives where derivatives have been designated in hedging relationships.

Litigation risk: If no agreement is reached to implement the interest rate benchmark reform on existing contracts (e.g. arising from differing interpretation of existing fallback terms), there is a risk of litigation and prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working proactively with all counterparties to minimise this risk from occurring.

14. Interest rate benchmark reform (continued)

Background (continued)

Operational risk: Our Group's IT systems are undergoing upgrades to fully manage the transition to alternative benchmark rates and there is a risk that such upgrades are not fully functional in time resulting in additional manual procedures which give rise to operational risks.

These risks are being managed through either the Group's IBOR Steering Committee or where more appropriate the relevant function best placed to monitor and/or mitigate risk.

Developments made towards implementing alternative benchmark interest rates

For derivatives subject to interest rate reform, the Group and a significant portion of its counterparties have adhered to the ISDA IBOR Fallbacks Protocol (the 'Protocol') as well as the IBOR Fallbacks Supplement (the 'Supplement') published by the ISDA in October 2020. The protocol has become effective on 25 January 2021, and provides for the calculation of an economically equivalent rate to previous rates when IBORs are no longer available.

The Group has been systematically including fallback language in all new contracts as of January 2021 across all Libor currencies. For legacy contracts referencing Libor, particularly for non-USD currencies, the Group has either included fallback language into the contracts or actively transitioned these to new risk-free rates, i.e. re-contracted using the risk-free rates in preparation of the cessation of Libor. As at 31 December 2021 all active transactions referencing non-USD Libor, either contain fallback language, have been actively transitioned or will naturally roll-off as they do not have further reset dates. Absa is in the process of transiting contracts referencing USD Libor either through the use of fallbacks or the active transitions approach and will aim to complete this activity by 30 June 2023.

The Group will continue to apply the Phase 1 amendments to IFRS 9/IAS 39 until the uncertainty on the timing and amount of cash flows arising from interest rate benchmark reform ends. It is expected that this uncertainty will continue until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced and the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread.

The Group has elected to apply the Phase 2 amendments prospectively from effective date with no restatement of comparatives.

The Group has certain designated hedging relationships where hedged items and/or hedging instruments reference an interest rate benchmark. These rates are in the process of being transitioned to risk-free rates (RFRs) as these rates will no longer exist once the interest rate benchmark reform is finalised.

The Group's cash flow hedging relationships of JIBAR and US dollar LIBOR risks extend beyond the anticipated cessation dates for both 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 table below provides more information on the hedge accounting relationships that are impacted by interest rate benchmark reform.

	30 June 2022						
	Notional amount						
	ZAR JIBAR Rm	USD LIBOR Rm	EUR LIBOR[1] Rm	JPY LIBOR[1] Rm	Total Rm	Notional not impacted by benchmark reform Rm	Total Notional Rm
Cash flow hedges	196 083	—	—	—	196 083	1 618	197 701
Interest rate swaps	195 012	—	—	—	195 012	—	195 012
Cross currency swaps	1 071	—	—	—	1 071	647	1 718
Forwards	—	—	—	—	—	971	971
Fair value hedges	59 350	4 094	—	—	63 444	647	64 091
Interest rate swaps	58 360	4 094	—	—	62 454	647	63 101
Cross currency swaps	—	—	—	—	—	—	—
Inflation rate swaps	990	—	—	—	990	—	990

[1] These exposures have transitioned to the new risk-free rate following the remediation that was undertaken in 2021.

14. Interest rate benchmark reform (continued)

Developments made towards implementing alternative benchmark interest rates (continued)

	31 December 2021						
	ZAR JIBAR Rm	USD LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Total Rm	Notional not impacted by benchmark reform Rm	Total Notional Rm
Cash flow hedges	192 956	—	50	128	193 134	2 204	195 338
Interest rate swaps	180 649	—	—	—	180 649	—	180 649
Cross currency swaps	12 307	—	50	128	12 485	—	12 485
Forwards	—	—	—	—	—	2 204	2 204
Fair value hedges	61 052	15 943	—	128	77 123	—	77 123
Interest rate swaps	56 625	15 943	—	128	72 696	—	72 696
Cross currency swaps	2 857	—	—	—	2 857	—	2 857
Inflation rate swaps	1 570	—	—	—	1 570	—	1 570

The table below provides information on financial instruments that have yet to transition to an alternative benchmark rate as at the end of the reporting period.

	30 June 2022					
	Carrying values of financial instruments impacted by benchmark reform and yet to transition					
	USD JIBAR Rm	**GBP LIBOR[3] Rm**	**EUR LIBOR[3] Rm**	**JPY LIBOR[3] Rm**	**Other Rm**	**Total Rm**
Non-derivative assets[1]	**60 108**	**—**	**—**	**—**	**—**	**60 108**
Non-derivative liabilities[1]	**5 692**	**—**	**—**	**—**	**—**	**5 692**
Derivative notionals[2]	**855 795**	**—**	**—**	**—**	**—**	**855 795**

	31 December 2021					
	Carrying values of financial instruments impacted by benchmark reform and yet to transition					
	USD JIBAR Rm	GBP LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Other Rm	Total Rm
Non-derivative assets[1]	90 676	1 573	1 697	15	—	93 961
Non-derivative liabilities[1]	5 251	—	—	—	—	5 251
Derivative notionals[2]	972 088	4 001	2 212	63	—	978 364

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.

[1] Includes both on-balance sheet and off-balance sheet exposures. Carrying amounts for on-balance sheet and notional amounts for off-balance sheet have been included.

[2] Balances represent the notional amount of derivative assets and liabilities directly impacted by the IBOR reform.

[3] These exposures have transitioned to the new risk-free rate following the remediation that was undertaken in 2021.

15. Reporting changes overview

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

15.1 Costs related to business units have been allocated from Head Office to the relevant segments, resulting in the restatement of operating expenses and other expenses between segments.

	30 June 2021			31 December 2021		
	As previously reported Rm	Cost re-allocation Rm	Restated Rm	As previously reported Rm	Cost re-allocation Rm	Restated Rm
Operating expenses						
RBB	(17 164)	50	(17 114)	(35 110)	65	(35 045)
CIB	(5 345)	16	(5 329)	(11 138)	39	(11 099)
Head Office, Treasury and other operations	(96)	(66)	(162)	(1 164)	(104)	(1 268)
Other expenses						
RBB	(480)	(29)	(509)	(1 088)	(27)	(1 115)
CIB	(138)	(2)	(140)	(316)	(2)	(318)
Head Office, Treasury and other operations	(374)	31	(343)	(711)	29	(682)

15.2 Portions of the Commercial Property Finance portfolio were moved between RBB and CIB to align with client portfolio segmentation. These resulted in the restatement of the carrying amount for the respective segments. Included in the June 2021 CIB re-allocation is a prior period error adjustment of R3 717m between banks and customers (refer to note 15.5).

	30 June 2021				31 December 2021		
	As previously reported Rm	BU change impact Rm	Prior period error (refer 15.5) Rm	Restated Rm	As previously reported Rm	BU change impact Rm	Restated Rm
Portfolio change							
RBB	124 382	43	—	124 425	125 712	(109)	125 603
CIB	220 771	3 674	(3 717)	220 728	248 143	109	248 252

15.3 The Group moved some business units between RBB and CIB, which resulted in movements of intercompany balances reported in other assets and other liabilities in Head Office, due to changes of intergroup eliminations. The inter-segment impact for June 2021 in other liabilities is inclusive of the change made due to the disclosure enhancement initiative implemented by the Group in December 2021 to disclose deposits from banks separate from other liabilities and the prior period error
(refer to 15.5).

	30 June 2021					31 December 2021		
	As previously reported Rm	BU change impact Rm	Prior period error Rm	Banks disclosure change Rm	Restated Rm	As previously reported Rm	BU change impact Rm	Restated Rm
Other assets								
RBB	458 173	7 902	—	—	466 075	519 465	155	519 620
CIB	510 678	382	—	—	511 060	495 574	637	496 211
Head Office, Treasury and other operations	(611 515)	(8 284)	—	—	(619 799)	(658 900)	(792)	(659 692)
Other liabilities								
RBB	566 705	7 963	—	19	574 649	602 526	94	602 620
CIB	556 906	327	(3 306)	(58 400)	495 527	482 617	714	483 331
Head Office, Treasury and other operations	(820 914)	(8 290)	(2 125)	(31 433)	(862 762)	(896 197)	(808)	(897 005)
Barclays Separation	(215)	—	—	—	(215)	—	—	—

15. Reporting changes overview (continued)

15.4 Revenue received from Islamic Banking in RBB was aligned with the Group's accounting policy and therefore eliminated the adjustment required in Head Office.

	30 June 2021			31 December 2021		
	As previously reported Rm	Re-allocation Rm	Restated Rm	As previously reported Rm	Re-allocation Rm	Restated Rm
Total income						
RBB	28 643	(65)	28 578	60 095	(127)	59 968
CIB	11 625	—	11 625	23 105	3	23 108
Head Office, Treasury and other operations	942	65	1 007	2 673	124	2 797

15.5 Correction of prior period error

The Group has identified a statement of financial position misclassification between 'Loans and advances to banks' and 'Loans and advances to customers' as well as 'Deposits from banks' and 'Deposits from customers' as a broker was incorrectly classified as a bank as opposed to a customer. This has resulted in R12.8bn previously being reported as 'Loans and advances to banks', which should have been disclosed as 'Loans and advances to customers' and R5.4bn previously included in 'Deposits from banks', which should have been reported as 'Deposits from customers' for the interim reporting period ended 30 June 2021.

In accordance with IAS 8 requirements, the Group has restated the statement of financial position for the interim reporting period ending 30 June 2021. This has no impact on the statement of comprehensive income, statement of changes in equity and statement of cash flows.

The restatement presents the Group with the opportunity to align the statement of financial position presentation of loans and advances and deposits to that of peer banks, i.e., combining 'Loans and advances to banks' and 'Loans and advances to customers' to be reported in one line as 'Loans and advances', and similarly combining 'Deposits due to customers' and 'Deposits due to banks' to be reported in one line as 'Deposits'. The change will enhance the Group's comparability and relevance to its peers in the market. The impact of the restatement and combining the afore-mentioned items are disclosed below. The loans and advances and deposits split between customers and banks is still disclosed in the notes. Refer to note 2.

	30 June 2021			
	As previously reported Rm	Correction of error Rm	Aggregation of banks and customers Rm	Restated Rm
Assets				
Loans and advances to banks	80 765	(12 793)	(67 972)	—
Loans and advances to customers	955 838	12 793	(968 631)	—
Loans and advances	—	—	1 036 603	1 036 603
Liabilities				
Deposits from banks	95 283	(5 431)	(89 852)	—
Deposits due to customers	1 009 954	5 431	(1 015 385)	—
Deposits	—	—	1 105 237	1 105 237

Additional risk management disclosure

At the start of the COVID-19 pandemic the Group provided additional risk disclosures to highlight risks the Group is exposed to as a result of both financial assets held and financial liabilities issued. The COVID-19 risk management disclosures were aimed at demonstrating the impact that the virus had on the Group's credit, liquidity, and market risks, as well as the way in which it manages its capital. For the current reporting period the Group has disclosed all COVID-19 related disclosures in note 2, to the extent it remains relevant, as such the additional risk management section will not be presented. Detailed risk management disclosures are included in the annual financial statements.

Condensed consolidated normalised financial results

for the reporting period ended

Normalised financial results (normalised results) as a consequence of Barclays PLC separation

Barclays PLC contributed R12.1 billion in 2017 (approximately $1 billion at the time) towards the three-year separation programme, which comprised mainly of IT and brand projects, and which commenced on 6 June 2017.

The separation project was completed in December 2020. The Group will continue with normalised reporting to reflect significant post separation impacts on the income statement and the performance ratios.

Normalised results have therefore been disclosed to reflect the underlying business performance. Refer to page 2 for the IFRS results.

The following presents the items which have been excluded from the normalised results:

- Barclays PLC contribution (including the endowment benefit)
- Hedging linked to separation activities
- Technology and brand separation projects
- Depreciation, amortisation and impairments on the aforementioned projects
- Transitional service payments to Barclays PLC
- Employee cost and benefits linked to separation activities
- Separation project execution and support cost.

Basis of presentation

Normalised results

The condensed consolidated normalised results have been prepared to illustrate the impact of the separation from Barclays PLC and adjust for the interest income on Barclays PLC's separation contribution, hedging linked to the separation activities, operating expenses (including amortisation of intangible assets) and other expenses (collectively the 'separation'). The Group will present normalised results for future periods where the financial impact of separation is considered material. Normalisation does not affect divisional disclosures.

Normalised results have been prepared for illustrative purposes only and because of their nature may not fairly present the Group's financial position, changes in equity, cash flows and results of operations.

The normalised results have not been prepared using the accounting policies of the Group and do not comply with IFRS. These results are considered to be pro forma financial information and have been presented in accordance with the JSE Limited Listings Requirements which require that pro forma financial information be compiled in terms of the JSE Limited Listings Requirements, the SAICA Guide on Pro Forma Financial Information and any relevant guidance issued by the IRBA. The normalised results are the responsibility of the Group's Board. The condensed consolidated financial results have not been audited or independently reviewed by the Group's external auditors.

Condensed consolidated normalised salient features

for the reporting period ended

	30 June		31 December
	2022[1]	2021	2021
Statement of comprehensive income (Rm)			
Income	**46 945**	41 210	85 873
Operating expenses	**24 132**	22 605	47 412
Pre-provision profit	**22 813**	18 605	38 461
Credit impairment charges	**5 176**	4 702	8 499
Profit attributable to ordinary equity holders	**10 836**	8 607	18 565
Headline earnings[2]	**10 984**	8 628	18 591
Statement of financial position (Rm)			
Net asset value (NAV)	**126 449**	117 239	125 823
Total assets	**1 758 717**	1 576 562	1 637 294
Financial performance (%)			
Return on equity (RoE)	**17.7**	15.3	15.8
Return on average assets (RoA)	**1.36**	1.12	1.18
Return on risk weighted assets (RoRWA)[3]	**2.39**	1.93	2.05
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4.54**	4.41	4.46
Non-interest as a percentage of total income	**39.2**	37.9	37.9
Cost-to-income ratio	**51.4**	54.9	55.2
JAWS	**7**	(2)	1
Effective tax rate	**28.0**	27.2	27.3
Share statistics (million)			
Number of shares in issue (excluding treasury shares)	**846.6**	846.0	846.3
Weighted average number of ordinary shares in issue	**845.9**	846.1	846.2
Diluted weighted average number of ordinary shares in issue	**847.0**	847.4	847.6
Share statistics (cents)			
Basic earnings per ordinary share (EPS)	**1 281.0**	1 017.3	2 193.9
Diluted basic earnings per ordinary share (DEPS)	**1 279.3**	1 015.7	2 190.3
Headline earnings per ordinary share (HEPS)	**1 298.5**	1 019.7	2 197.0
Diluted headline earnings per ordinary share (DHEPS)	**1 296.7**	1 018.2	2 193.4
NAV per ordinary share	**14 937**	13 869	14 868
Tangible NAV per ordinary share	**13 789**	12 962	13 804
Dividend per ordinary share related to income for the reporting period	**650**	310	785
Dividend payout ratio (%)	**50**	30	36
Capital adequacy (%)			
Absa Group Limited[4]	**17.0**	16.9	17.0
Absa Bank Limited[4]	**18.1**	17.7	17.9
Common Equity Tier 1 (%)			
Absa Group Limited[4]	**13.1**	12.4	12.8
Absa Bank Limited[4]	**13.1**	11.8	12.4

[1] Please refer to the condensed consolidated normalised reconciliation for the interim reporting period ended 30 June 2022 for further information as presented on page 62 to 64.

[2] After allowing for **R123m** (30 June 2021: R120m; 31 December 2021: R242m) profit attributable to preference equity holders and **R305m** (30 June 2021: R290m; 31 December 2021: R585m) profit attributable to Additional Tier 1 capital holders.

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

[4] Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting principles.

Condensed consolidated reconciliation of IFRS to normalised results

for the reporting period ended

	30 June 2022		
	IFRS Group performance[1]	Barclays PLC separation effects[2]	Normalised Group performance[3]
Statement of comprehensive income (Rm)			
Net interest income	28 583	(23)	28 560
Non-interest income	18 375	10	18 385
Total income	46 958	(13)	46 945
Credit impairment charges	(5 176)	—	(5 176)
Operating expenses	(24 625)	493	(24 132)
Other expenses	(1 216)	11	(1 205)
Share of post-tax results of associates and joint ventures	42	—	42
Operating profit before income tax	15 983	491	16 474
Tax expenses	(4 480)	(127)	(4 607)
Profit for the reporting period	11 503	364	11 867
Profit attributable to:			
Ordinary equity holders	10 481	355	10 836
Non-controlling interest – ordinary shares	594	9	603
Non-controlling interest – preference shares	123	—	123
Other equity: Additional Tier 1 capital	305	—	305
	11 503	364	11 867
Headline earnings	10 628	356	10 984
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.54	n/a	4.54
Credit loss ratio	0.91	n/a	0.91
Non-interest income as % of total income	39.1	n/a	39.2
Income growth	14	n/a	14
Operating expenses growth	6	n/a	7
Cost-to-income ratio	52.4	n/a	51.4
Effective tax rate	28.0	n/a	28.0
Statement of financial position (Rm)			
Loans and advances	1 160 281	—	1 160 281
Investment securities	206 609	—	206 609
Other assets	394 806	(2 979)	391 827
Total assets	1 761 696	(2 979)	1 758 717
Deposits	1 213 509	—	1 213 509
Debt securities in issue	174 871	—	174 871
Other liabilities	225 644	462	226 106
Total liabilities	1 614 024	462	1 614 486
Equity	147 672	(3 441)	144 231
Total equity and liabilities	1 761 696	(2 979)	1 758 717
Key performance ratios (%)			
RoA	1.31	n/a	1.36
RoE	16.6	n/a	17.7
Capital adequacy[4]	17.0	n/a	17.0
Common Equity Tier 1[4]	13.1	n/a	13.1
Share statistics (cents)			
Diluted headline earnings per ordinary share	1 278.4	n/a	1 296.7

(1) IFRS Group performance presents the IFRS information as extracted from the Group's condensed consolidated financial results for the reporting period ended 30 June 2022.

(2) Barclays PLC separation effects presents the financial effects of the separation on the condensed consolidated financial results of the Group.

(3) Normalised Group performance presents the condensed consolidated financial results of the Group, after adjusting for the consequences of the separation.

(4) Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting principles.

Condensed consolidated reconciliation of IFRS to normalised results

for the reporting period ended

	30 June 2021		
	IFRS Group performance[1]	Barclays PLC separation effects[2]	Normalised Group performance[3]
Statement of comprehensive income (Rm)			
Net interest income	25 597	(12)	25 585
Non-interest income	15 633	(8)	15 625
Total income	41 230	(20)	41 210
Credit impairment charges	(4 702)	—	(4 702)
Operating expenses	(23 259)	654	(22 605)
Other expenses	(1 028)	(4)	(1 032)
Share of post-tax results of associates and joint ventures	40	—	40
Operating profit before income tax	12 281	630	12 911
Tax expenses	3 335	176	3 511
Profit for the reporting period	8 946	454	9 400
Profit attributable to:			
Ordinary equity holders	8 162	445	8 607
Non-controlling interest – ordinary shares	374	9	383
Non-controlling interest – preference shares	120	—	120
Other equity: Additional Tier 1 capital[4]	290	—	290
	8 946	454	9 400
Headline earnings	8 186	442	8 628
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.41	n/a	4.41
Credit loss ratio	0.88	n/a	0.88
Non-interest income as % of total income	37.9	n/a	37.9
Income growth	2	n/a	3
Operating expenses growth	1	n/a	5
Cost-to-income ratio	56.4	n/a	54.9
Effective tax rate	27.2	n/a	27.2
Statement of financial position (Rm)			
Loans and advances[5]	1 036 603	—	1 036 603
Investment securities	182 623	—	182 623
Other assets	361 309	(3 973)	357 336
Total assets	1 580 535	(3 973)	1 576 562
Deposits[5]	1 105 237	—	1 105 237
Debt securities in issue	129 601	—	129 601
Other liabilities[5]	207 199	215[6]	207 414
Total liabilities	1 442 037	215	1 442 252
Equity	138 498	(4 188)	134 310
Total equity and liabilities	1 580 535	(3 973)	1 576 562
Key performance ratios (%)			
RoA	1.06	n/a	1.12
RoE	13.9	n/a	15.28
Capital adequacy[7]	16.9	n/a	16.9
Common Equity Tier 1[7]	12.4	n/a	12.4
Share statistics (cents)			
Diluted headline earnings per ordinary share	984.6	n/a	1 018.2

[1] IFRS Group performance presents the IFRS information as extracted from the Group's condensed consolidated financial results for the interim reporting period ended 30 June 2021.

[2] Barclays PLC separation effects presents the financial effects of the separation on the condensed consolidated interim financial results of the Group.

[3] Normalised performance presents the condensed consolidated interim financial results of the Group, after adjusting for the consequences of the separation.

[4] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, as subsidiary of the Group and were previously presented as 'Non-controlling interest'. The reference to 'Non-controlling interest' has however been removed and changed to 'Other equity' as these instruments do not meet the definition of 'Non-controlling interest'. The change had no impact on the profit or loss, or net equity position of the Group.

[5] These numbers have been restated, refer to reporting changes overview 15.5.

[6] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'.

[7] Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting principles.

Condensed consolidated reconciliation of IFRS to normalised results

for the reporting period ended

	31 December 2021		
	IFRS Group performance[1]	Barclays PLC separation effects[2]	Normalised Group performance[3]
Statement of comprehensive income (Rm)			
Net interest income	53 322	(25)	53 297
Non-interest income	32 584	(8)	32 576
Total income	85 906	(33)	85 873
Credit impairment charges	(8 499)	—	(8 499)
Operating expenses	(48 610)	1 198	(47 412)
Other expenses	(2 205)	(42)	(2 247)
Share of post-tax results of associates and joint ventures	132	—	132
Operating profit before income tax	26 724	1 123	27 847
Tax expenses	(7 299)	(305)	(7 604)
Profit for the reporting period	19 425	818	20 243
Profit attributable to:			
Ordinary equity holders	17 763	802	18 565
Non-controlling interest – ordinary shares	835	16	851
Non-controlling interest – preference shares	242	—	242
Other equity: Additional Tier 1 capital[4]	585	—	585
	19 425	818	20 243
Headline earnings	17 825	766	18 591
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.46	n/a	4.46
Credit loss ratio	0.77	n/a	0.77
Non-interest income as % of total income	37.9	n/a	37.9
Income growth	5	n/a	6
Operating expenses growth	1	n/a	4
Cost-to-income ratio	56.6	n/a	55.2
Effective tax rate	27.3	n/a	27.3
Statement of financial position (Rm)			
Loans and advances	1 092 257	—	1 092 257
Investment securities	188 898	—	188 898
Other assets	359 678	(3 539)	356 139
Total assets	1 640 833	3 539	1 637 294
Deposits	1 173 766	—	1 173 766
Debt securities in issue	131 076	—	131 076
Other liabilities	188 682	264[5]	188 946
Total liabilities	1 493 524	264	1 493 788
Equity	147 309	(3 803)	143 506
Total equity and liabilities	1 640 833	(3 539)	1 637 294
Key performance ratios (%)			
RoA	1.13	n/a	1.18
RoE	14.6	n/a	15.8
Capital adequacy[6]	17.0	n/a	17.0
Common Equity Tier 1[6]	12.8	n/a	12.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	2 143.5	n/a	2 193.4

[1] IFRS Group performance presents the IFRS information as extracted from the Group's condensed consolidated financial results for the reporting period ended 31 December 2021.

[2] Barclays PLC separation effects presents the financial effects of the separation on the condensed consolidated financial results of the Group.

[3] Normalised Group performance presents the summary consolidated financial results of the Group, after adjusting for the consequences of the separation.

[4] The Additional Tier 1 instruments were issued on the back of Additional Tier 1 instruments issued by Absa Bank Limited, as subsidiary of the Group and were previously presented as 'Non-controlling interest'. The reference to 'Non-controlling interest' has however been removed and changed to 'Other equity' as these instruments do not meet the definition of 'Non-controlling interest'. The change had no impact on the profit or loss, or net equity position of the Group.

[5] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'.

[6] Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting principles.

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

Earnings per share

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

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

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

Headline earnings per share

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

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

Glossary

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

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

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

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

Non-interest income as a percentage of income
Non-interest income as a percentage of income from operations. Income consists of net interest income and non-interest income.

Pre-provision profits
Total income less operating expenses.

Return on assets (RoA)
Annualised headline earnings as a proportion of total average assets.

Return on average equity (RoE)
Annualised headline earnings as a proportion of average equity.

Return on average regulatory capital
Measure of efficient use, by segment, of regulatory capital.

Return on average risk-weighted assets
Annualised headline earnings as a proportion of average risk-weighted assets.

Stage 3 loans ratio on gross loans and advances
Stage 3 loans and advances as a percentage of gross loans and advances.

Tangible net asset value per share
Total equity attributable to ordinary equity holders less goodwill and intangible assets, divided by the number of shares in issue. The tangible net asset value per share figure excludes the non-cumulative, non-redeemable preference shares issued.

Value of new business
The discounted value, at the date of sale, of the projected after-tax shareholder profits from new covered business, net of the opportunity cost of the required capital for new business. New covered business is defined as long-term insurance contracts written by the Group during the reporting period and for which at least one premium has been recognised in the financial statements. The value of new business is calculated using closing assumptions for all basis items.

Weighted average number of shares
The number of shares in issue at the beginning of the reporting period increased by shares issued during the reporting period, weighted on a time basis for the period during which they participated in the income, less treasury shares held by entities, weighted on a time basis for the period during which the entities held these shares.

Contact information

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