Absa Bank Limited

Summary consolidated financial results for the reporting period ended 31 December 2022

Contents

Financial director statement

These financial results for the reporting period ended 31 December 2022 were prepared by Absa Group Financial Control under the direction and supervision of the Absa 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 a strong control environment over the Bank's financial reporting processes and serves as an independent control function advising business management, escalating identified risks and establishing policies or processes to manage risk.

Board approval

The Board of Directors oversees the Bank's activities and holds management accountable for adhering to the risk governance framework. To do so, directors review 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 summary consolidated financial results (hereafter referred to as 'financial results') contained in the announcement released on the Stock Exchange News Service (SENS) on 13 March 2023. 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 Listings Requirements, IFRS and interpretations of IFRS, IAS 34 *Interim Financial Reporting* (IAS 34) and SAICA's Reporting Guides. The pro forma financial information contained in this announcement has been reviewed by the Group's external auditors who have issued an unmodified report prepared in terms of ISAE 3420.

Absa Bank Limited

Summary consolidated financial results for the reporting period ended 31 December 2022.

Authorised financial services and registered credit provider (NCRCP7)

Registration number: 1986/004794/06

Incorporated in the Republic of South Africa

JSE share code: ABSP ISIN: ZAE000079810

Bond Issuer Code: BIABS, ETN Issuer Code: ABSN1 and Hybrid Issuer Code: ABSH

(Absa, Absa Bank, the Bank or the Company)

The full report is available on the Company's website. Copies and/or the external auditors' unmodified limited assurance report of the full announcement may also be requested at the Company's registered office, at no charge, during office hours on normal business days.

Profit and dividend announcement

for the reporting period ended 31 December

Declaration of a final preference share dividend number 34

Absa Bank non-cumulative, non-redeemable preference shares (Absa Bank preference shares)

The Absa Bank preference shares have an effective coupon rate of 70% of Absa Bank's prevailing prime overdraft lending rate (prime rate).

Absa Bank's current prime rate is 10.75%.

Notice is hereby given that preference dividend number 34, equal to 70% of the average prime rate for 1 September 2022 to 28 February 2023 per Absa Bank preference share has been declared, for the period 1 September 2022 to 28 February 2023.

The dividend is payable on Monday, 24 April 2023, to shareholders of the Absa Bank preference shares recorded in the Register of Members of the Company at the close of business on Friday, 21 April 2023.

The Board of Absa Bank confirm that the Bank will satisfy the solvency and liquidity test immediately after completion of the dividend distribution and for the next 12 months.

Based on the average prime rate, the preference dividend payable for the period 1 September 2022 to 28 February 2023 would indicatively be 3 509.58904 cents per Absa Bank preference share, on assumption that there will be no further changes in the prime rate between the declaration date and 28 February 2023.

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

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 3 509.58904 cents per preference share for shareholders exempt from the dividend tax.
- The net local dividend for shareholders subject to withholding tax at a rate of 20% amounts to 2 807.67123 cents per preference share.
- Absa Bank currently has 4 944 839 preference shares in issue.
- Absa Bank's income tax reference number is 9575117719.

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, 18 April 2023
Shares commence trading ex-dividend	Wednesday, 19 April 2023
Record date	Friday, 21 April 2023
Payment date	Monday, 24 April 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 19 April 2023 and Friday, 21 April 2023, both dates inclusive. On Friday, 21 April 2023, 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, 24 April 2023.

On behalf of the Board

N R Drutman
Company Secretary

Johannesburg
13 March 2023

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

IFRS summary consolidated financial results

for the reporting period ended 31 December

Basis of presentation

IFRS financial results

These financial results are extracted from audited information, but are not themselves audited. Any investment decisions by shareholders should be based on consideration of the annual financial statements, which were audited by KPMG and PwC, who expressed an unmodified opinion thereon. The audited annual financial statements and the auditors' report are available for inspection at the company's registered office. The directors take full responsibility for preparation of this report and the financial information correctly extracted from the underlying annual financial statements.

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

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

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

New standards and interpretations not yet adopted

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

  The amendments aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

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

  The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, while changes in accounting policies are generally applied retrospectively to past transactions and other past events. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

- ***Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies***

  The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, guidelines and examples have been developed to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

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

  The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

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

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

- ***IFRS 17 – Insurance contracts***

  IFRS 17, Insurance Contracts replaces IFRS 4, Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023. The Bank has not elected for early adoption of the standard.

The directors have assessed the Bank's ability to continue as a going concern. The directors have concluded that there are no material uncertainties that could have cast significant doubt over the Bank's ability to continue as a going concern for at least a year from the date of approval of the financial results.

IFRS summary consolidated financial results

for the reporting period ended 31 December

Events after the reporting period

During 2022, Ghana requested assistance from the International Monetary Fund, to address the ongoing economic crisis. In December, a staff-level agreement was reached on an IMF programme at restoring macroeconomic stability and debt sustainability while preserving financial stability. As a result, wide ranging structural and fiscal reforms were initiated to restore fiscal stability and debt sustainability.

As part of the reforms, the Domestic Debt Exchange Programme was announced on 5 December 2022. The programme involved an invitation to exchange certain domestic notes and bonds, for new bonds of the Republic of Ghana. During 2023 certain entities within the Group accepted the invitation to exchange the eligible bonds held.

The new bonds received will be accounted for in the 2023 financial year end. However, information relating to the DDEP and related economic reforms have been considered in determining the calculation of impairments and fair values of exposures facing the government of Ghana for the 2022 financial year end as it gave evidence of conditions which existed at the reporting date. The economic environment in Ghana continues to be closely monitored and assessed.

In February 2023, the international Financial Action Task Force (FATF) announced its decision to place South Africa, among other countries, on its 'grey list' as the country has not yet implemented all the actions recommended by FATF to combat money laundering, terrorist financing and similar threats adequately. The grey-listing action may raise the cost of transactions as foreign financial institutions will, at least in some instances, apply additional controls to transactions that involve South African entities and individuals. The Bank already complies with rigorous international anti-financial crime standards and regulation, as required in order to access global financial markets. It is therefore unlikely that the grey-listing action will have any material direct impact on the Bank in the short term.

In line with the disposal of the Bank's investment management business, NewFunds (RF) Pty Ltd retired as the manager of the NewFunds Collective Investment Scheme in Securities, effective from 1 March 2023.

The directors are not aware of any other events, other than the aforementioned (as defined per IAS 10 *Events after the Reporting Period*) after the reporting date of 31 December 2022 and the date of authorisation of these annual consolidated and separate financial statements.

On behalf of the Board

M S Moloko
Chairman

A Rautenbach
Chief Executive Officer

J P Quinn
Financial Director

Johannesburg
13 March 2023

Summary consolidated IFRS salient features

for the reporting period ended 31 December

	2022 Rm	2021 Rm
Statement of comprehensive income (Rm)		
Income	**64 074**	58 492
Operating expenses	**37 122**	35 232
Pre-provision profit	**26 952**	23 261
Credit impairments charges	**8 687**	6 395
Profit/(loss) attributable to ordinary equity holders	**11 314**	10 573
Headline earnings[1]	**11 650**	10 726
Statement of financial position		
NAV	**90 791**	90 971
Gross loans and advances (Rm)	**1 065 993**	964 212
Total assets (Rm)	**1 479 352**	1 349 698
Deposits (Rm)	**1 015 623**	974 121
Loans to deposits and debt securities ratio (%)	**84.7**	84.6
Average loans to deposits and debt securities ratio (%)	**85.1**	84.5
Financial performance (%)		
Return on equity (RoE)	**13.0**	12.5
Return on average assets (RoA)	**0.8**	0.8
Return on risk-weighted assets (RoRWA)	**1.81**	1.66
Stage 3 loans ratio on gross loans and advances	**4.92**	5.14
Operating performance (%)		
Net interest margin on average interest-bearing assets	**3.68**	3.60
Credit loss ratio	**0.85**	0.67
Non-interest as a percentage of total income	**30.9**	34.5
Cost-to-income ratio	**57.9**	60.2
Jaws	**4**	3
Effective tax rate	**26.0**	26.6
Share statistics (million)		
Number of ordinary shares in issue	**448.3**	448.3
Weighted average number of ordinary shares in issue	**448.3**	448.3
Diluted weighted average number of ordinary shares in issue	**448.3**	448.3
Share statistics (cents)		
Basic earnings per ordinary share (EPS)	**2 523.8**	2 358.5
Diluted basic earnings per ordinary share (DEPS)	**2 523.8**	2 358.5
Headline earnings per ordinary shares (HEPS)	**2 598.7**	2 392.6
Diluted headline earnings per ordinary share (DHEPS)	**2 598.7**	2 392.6
Dividend per ordinary share relating to income for the reporting period	**1 673.0**	446.1
Dividend payout ratio (%)	**64**	19
Net asset value (NAV) per ordinary share	**20 300**	20 100
Tangible NAV per ordinary share	**17 742**	17 770
Capital adequacy (%)		
Absa Bank Limited	**17.6**	17.9
Common Equity Tier 1 (%)		
Absa Bank Limited	**12.5**	12.4

[1] After allowing for **R266m** (2021: R242m) profit attributable to preference equity holders and **R609m** (2021: R585m) profit attributable to Additional Tier 1 capital holders.

Summary consolidated statement of financial position

as at 31 December

	Note	31 December 2022 Rm	Restated 31 December 2021 Rm	Restated 1 January 2021 Rm
Assets				
Cash, cash balances and balances with central banks		**37 344**	33 751	33 812
Investment securities		**128 439**	116 265	99 489
Trading portfolio assets[1]		**156 071**	141 976	168 380
Hedging portfolio assets[1]		**4 972**	3 696	7 473
Other assets		**17 263**	16 737	14 819
Current tax assets		**45**	66	274
Non-current assets held for sale	1	**90**	57	136
Loans and advances	2	**1 032 520**	932 775	877 275
Loans to Group companies		**73 203**	76 733	56 145
Investments in associates and joint ventures		**1 725**	1 593	1 601
Property and equipment		**11 686**	12 382	13 923
Goodwill and intangible assets		**11 255**	10 406	9 626
Deferred tax assets		**4 739**	3 261	2 030
Total assets[1]		**1 479 352**	1 349 698	1 284 983
Liabilities				
Trading portfolio liabilities[1]		**91 397**	68 103	105 822
Hedging portfolio liabilities[1]		**2 237**	2 910	5 013
Other liabilities		**23 993**	35 834	22 475
Provisions		**4 051**	3 947	2 855
Current tax liabilities		**381**	102	3
Deposits		**1 015 623**	974 121	890 920
Debt securities in issue[1]		**203 275**	127 271	142 867
Loans from Group Companies		**9 152**	9 214	—
Borrowed funds	3	**26 282**	26 459	20 621
Deferred tax liabilities		**23**	19	8
Total liabilities[1]		**1 376 414**	1 247 980	1 190 584
Equity				
Capital and reserves				
Attributable to equity holders:				
Ordinary share capital		**304**	304	304
Ordinary share premium		**36 879**	36 879	36 879
Preference share capital		**1**	1	1
Preference share premium		**4 643**	4 643	4 643
Additional Tier 1 capital		**7 503**	7 004	7 004
Retained earnings		**52 633**	48 841	38 507
Other reserves		**975**	4 047	7 058
		102 938	101 719	94 396
Non-controlling interest – ordinary shares		**—**	—	3
Total equity		**102 938**	101 719	94 399
Total liabilities and equity[1]		**1 479 352**	1 349 698	1 284 983

[1] These numbers have been restated, refer to the reporting changes overview, note 15.

Summary consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	2022 Rm	2021 Rm
Net interest income		**42 387**	38 301
Interest and similar income		**89 169**	72 144
Effective interest income		**87 254**	70 492
Other interest income		**1 915**	1 652
Interest expense and similar charges		**(46 782)**	(33 843)
Non-interest income	4	**21 687**	20 191
Net fee and commission income		**19 332**	18 073
Fee and commission income		**21 350**	19 777
Fee and commission expense		**(2 018)**	(1 704)
Gains and losses from banking and trading activities		**1 586**	1 722
Gains and losses from investment activities		**3**	1
Other operating income		**766**	395
Total income		**64 074**	58 492
Credit impairment charges		**(8 687)**	(6 395)
Operating income before operating expenses		**55 387**	52 097
Operating expenses		**(37 122)**	(35 232)
Other expenses		**(1 916)**	(1 461)
Other impairments	5	**(591)**	(326)
Indirect taxation		**(1 325)**	(1 135)
Share of post-tax results of associates and joint ventures		**132**	132
Operating profit before income tax		**16 481**	15 536
Taxation expense		**(4 292)**	(4 139)
Profit for the reporting period		**12 189**	11 397
Profit attributable to:			
Ordinary equity holders		**11 314**	10 573
Non-controlling interest – ordinary shares		**—**	(3)
Preference equity holders		**266**	242
Additional Tier 1 capital		**609**	585
		12 189	11 397
Earnings per share:			
Basic earnings per share (cents)		**2 523.8**	2 358.5
Diluted earnings per share (cents)		**2 523.8**	2 358.5

Summary consolidated statement of comprehensive income

for the reporting period ended 31 December

	2022 Rm	2021 Rm
Profit for the reporting period	**12 189**	11 397
Other comprehensive income		
Items that will not be reclassified to profit or loss	**(152)**	54
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**(1)**	10
Fair value (losses)/gains	**(1)**	13
Deferred tax	**0**	(3)
Movement on liabilities designated at fair value through profit or loss (FVTPL) due to changes in own credit risk	**(151)**	(26)
Fair value movements	**(202)**	(36)
Deferred tax	**51**	10
Movement in retirement benefit fund assets and liabilities	**0**	70
(Decrease)/increase in retirement benefit surplus	**(36)**	98
Deferred tax	**36**	(28)
Items that are or may be subsequently reclassified to profit or loss	**(3 567)**	(3 406)
Movement in foreign currency translation reserve	**2**	(2)
Differences in translation of foreign operations	**2**	(2)
Movement in cash flow hedging reserve	**(4 477)**	(4 051)
Fair value losses	**(3 439)**	(1 463)
Amount removed from other comprehensive income and recognised in profit or loss	**(2 718)**	(4 163)
Deferred tax	**1 680**	1 575
Movement in fair value of debt instruments measured at FVOCI	**908**	647
Fair value gains	**1 291**	1 015
Release to profit or loss	**(7)**	(120)
Deferred tax	**(376)**	(248)
Total comprehensive income for the reporting period	**8 470**	8 045
Total comprehensive income attributable to:		
Ordinary equity holders	**7 595**	7 221
Non-controlling interest – ordinary shares	**—**	(3)
Preference shares	**266**	242
Additional Tier 1 capital	**609**	585
	8 470	8 045

Summary consolidated statement of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm
Balance at the end of the previous reporting period	**448 301**	**304**	**36 879**	**1**	**4 643**	**7 004**
Total comprehensive income	—	—	—	—	266	609
Profit for the period	—	—	—	—	266	609
Other comprehensive income	—	—	—	—	—	—
Dividends paid during the reporting period	—	—	—	—	(266)	—
Distributions paid during the reporting period	—	—	—	—	—	(609)
Movement in Additional Tier 1 capital[2]	—	—	—	—	—	499
Net contribution from/distribution to the Group in respect of equity-settled share-based payment schemes	—	—	—	—	—	—
Movement in share-based payment reserve	—	—	—	—	—	—
Transfer from share-based payment reserve	—	—	—	—	—	—
Value of employee services	—	—	—	—	—	—
Deferred tax	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	—	—	—
Balance at the end of the reporting period	**448 301**	**304**	**36 879**	**1**	**4 643**	**7 503**

All movements are reflected net of taxation.

[1] This includes ordinary shares and 'A' ordinary shares.
[2] Movement in additional Tier 1 capital includes an issuance of **R1 999m** and an expiry of **R1 500m**.

		2022									
Retained earnings Rm	Total other reserves Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
48 841	4 047	(866)	1 264	(1)	1 422	614	1 614	101 719	—	101 719
11 162	(3 567)	908	(4 477)	2	—	—	—	8 470	—	8 470
11 314	—	—	—	—	—	—	—	12 189	—	12 189
(152)	(3 567)	908	(4 477)	2	—	—	—	(3 719)	—	(3 719)
(6 500)	—	—	—	—	—	—	—	(6 766)	—	(6 766)
—	—	—	—	—	—	—	—	(609)	—	(609)
—	—	—	—	—	—	—	—	499	—	499
(738)	—	—	—	—	—	—	—	(738)	—	(738)
—	362	—	—	—	—	362	—	362	—	362
—	(318)	—	—	—	—	(318)	—	(318)	—	(318)
—	554	—	—	—	—	554	—	554	—	554
—	126	—	—	—	—	126	—	126	—	126
(132)	132	—	—	—	—	—	132	—	—	—
52 633	975	42	(3 213)	1	1 422	976	1 746	102 938	—	102 938

Summary consolidated statement of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm
Balance at the end of the previous reporting period	448 301	304	36 879	1	4 643	7 004
Total comprehensive income	—	—	—	—	242	585
Profit for the period	—	—	—	—	242	585
Other comprehensive income	—	—	—	—	—	—
Dividends paid during the reporting period	—	—	—	—	(242)	—
Distributions paid during the reporting period	—	—	—	—	—	(585)
Issuance of Additional Tier 1 capital	—	—	—	—	—	—
Net contribution from/distribution to the Group in respect of equity-settled share-based payment schemes	—	—	—	—	—	—
Movement in share-based payment reserve	—	—	—	—	—	—
Transfer from share-based payment reserve	—	—	—	—	—	—
Value of employee services	—	—	—	—	—	—
Deferred tax	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	—	—	—
Disposal of associates and joint ventures[2]	—	—	—	—	—	—
Balance at the end of the reporting period	448 301	304	36 879	1	4 643	7 004

All movements are reflected net of taxation.

[1] This includes ordinary shares and 'A' ordinary shares.
[2] On 30 September 2021, the board of directors disposed of Integrated Processing Solutions.

2021

Retained earnings Rm	Total other reserves Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
38 507	7 058	(1 513)	5 315	1	1 422	336	1 497	94 396	3	94 399
10 627	(3 406)	647	(4 051)	(2)	—	—	—	8 048	(3)	8 045
10 573	—	—	—	—	—	—	—	11 400	(3)	11 397
54	(3 406)	647	(4 051)	(2)	—	—	—	(3 352)	—	(3 352)
—	—	—	—	—	—	—	—	(242)	—	(242)
—	—	—	—	—	—	—	—	(585)	—	(585)
—	—	—	—	—	—	—	—	—	—	—
(176)	—	—	—	—	—	—	—	(176)	—	(176)
—	278	—	—	—	—	278	—	278	—	278
—	(253)	—	—	—	—	(253)	—	(253)	—	(253)
—	461	—	—	—	—	461	—	461	—	461
—	70	—	—	—	—	70	—	70	—	70
(132)	132	—	—	—	—	—	132	—	—	—
15	(15)	—	—	—	—	—	(15)	—	—	—
48 841	4 047	(866)	1 264	(1)	1 422	614	1 614	101 719	—	101 719

Summary consolidated statement of cash flows

for the reporting period ended 31 December

	Note	2022 Rm	Restated 2021 Rm
Net cash generated from/(utilised in) operating activities		**20 064**	(3 011)
Income taxes paid		**(3 967)**	(3 717)
Net cash generated from other operating activities[1]		**24 031**	706
Net cash utilised in investing activities		**(4 709)**	(3 064)
Purchase of property and equipment		**(1 612)**	(886)
Purchase of intangible assets		**(3 246)**	(2 644)
Proceeds from sale of non-current assets held for sale		**54**	112
Net cash generated from other investing activities		**95**	354
Net cash (utilised in)/generated from financing activities		**(9 217)**	2 498
Issuance of Additional Tier 1 capital		**1 999**	—
Expiry of Additional Tier 1 capital		**(1 500)**	—
Proceeds from borrowed funds		**1 916**	6 866
Repayment of borrowed funds		**(2 204)**	(2 381)
Dividends paid		**(6 766)**	(242)
Net cash utilised in other financing activities		**(2 662)**	(1 745)
Net increase/(decrease) in cash and cash equivalents[1]		**6 138**	(3 577)
Cash and cash equivalents at the beginning of the reporting period[1]	1	**30 325**	33 902
Cash and cash equivalents at the end of the reporting period[1]	2	**36 463**	30 325

Notes to the summary consolidated statement of cash flows

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

	2022 Rm	Restated 2021 Rm
Mandatory reserve balances with the SARB and other central banks	**19 379**	17 822
Coins and bank notes	**6 067**	8 353
Loans and advances to banks[1],[2]	**4 879**	7 727
	30 325	33 902

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

	2022 Rm	Restated 2021 Rm
Mandatory reserve balances with the SARB and other central banks	**21 813**	19 379
Coins and bank notes	**6 241**	6 067
Loans and advances to banks[1],[2]	**8 409**	4 879
	36 463	30 325

[1] These numbers have been restated, refer to note 15.
[2] Includes call advances, which are used as working capital for the Bank.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

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:

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

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.
- 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.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

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 %
Product Solutions Cluster	—	351 516	1 534	0.44
Home Loans	—	257 438	496	0.19
Vehicle and Asset Finance	—	94 078	1 038	1.10
Everyday Banking	—	49 101	2 078	4.23
Card	—	29 213	934	3.20
Personal Loans	—	17 279	908	5.25
Transactions and Deposits	—	2 609	236	9.05
Other	—	—	—	—
Relationship Banking	—	119 008	544	0.46
CIB	73 802	275 450	761	0.28
Head Office, Treasury and other operations	—	2 873	(157)	—
Loans and advances to customers	—	2 873	3	0.10
Reclassification to provisions[1]	—	—	(160)	—
Loans and advances to customers	73 802	797 948	4 760	0.60
Loans and advances to banks	34 426	39 560	20	0.05
Total loans and advances	108 228	837 508	4 780	0.57

[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 Bank's statement of financial position.

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
33 309	2 209	6.63	29 587	10 315	34.86	400 354
22 364	926	4.14	21 178	6 156	29.07	293 402
10 945	1 283	11.72	8 409	4 159	49.46	106 952
8 213	2 371	28.87	9 272	7 190	77.55	54 947
3 217	1 138	35.37	4 819	3 729	77.38	31 448
4 147	1 009	24.33	3 919	3 046	77.72	20 382
849	224	26.38	482	363	75.31	3 117
—	—	—	52	52	100	—
12 844	747	5.82	7 674	3 536	46.08	134 699
10 894	302	2.77	5 876	2 177	37.05	362 782
2	(136)	—	—	(26)	—	3 194
2	—	—	—	—	—	2 872
—	(136)	—	—	(26)	—	322
65 262	5 493	8.42	52 409	23 192	44.25	955 976
2 586	8	0.31	—	—	—	76 544
67 848	5 501	8.11	52 409	23 192	44.25	1 032 520

Notes to the summary consolidated financial results

for the reporting period ended 31 December

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 %
Product Solutions Cluster	—	323 604	1 534	0.47
Home Loans	—	236 453	637	0.27
Vehicle and Asset Finance	—	87 151	897	1.03
Everyday Banking	—	45 363	1 940	4.28
Card	—	26 525	925	3.49
Personal Loans	—	16 454	805	4.89
Transactions and Deposits	—	2 384	210	8.81
Other	—	—	—	—
Relationship Banking	—	108 722	682	0.63
CIB	89 988	216 371	1 096	0.51
Head Office, Treasury and other operations	—	275	(160)	—
Loans and advances to customers	—	275	4	1.45
Reclassification to provisions[2]	—	—	(164)	—
Loans and advances to customers	89 988	694 335	5 092	0.73
Loans and advances to banks	21 887	27 444	44	0.16
Total loans and advances	111 875	721 779	5 136	0.71

[1] These numbers have been restated, refer to the reporting changes overview note 15.

[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 Bank's statement of financial position.

2021[1]							
	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
	30 898	2 001	6.48	27 004	9 620	35.62	368 351
	21 091	803	3.81	19 869	5 699	28.68	270 274
	9 807	1 198	12.22	7 135	3 921	54.95	98 077
	6 052	1 902	31.43	8 734	6 635	75.97	49 672
	2 618	1 010	38.58	4 779	3 760	78.68	28 227
	2 726	697	25.57	3 391	2 459	72.52	18 610
	708	195	27.54	511	364	71.23	2 834
	—	—	—	53	52	98.11	1
	13 730	913	6.65	8 349	3 641	43.61	125 565
	29 200	250	0.86	5 434	1 529	28.14	338 118
	64	(139)	—	—	(57)	—	695
	64	—	—	—	—	—	335
	—	(139)	—	—	(57)	—	360
	79 944	4 927	6.16	49 521	21 368	43.15	882 401
	1 093	6	0.55	—	—	—	50 374
	81 037	4 933	6.09	49 521	21 368	43.15	932 775

2. Loans and advances (continued)

2.2 Reconciliation of ECL allowance

The following table sets out the breakdown of the ECL for loans and advances and undrawn facilities:

	2022					
	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Loans and advances	14 058	11 639	4 827	3 266	(317)	33 473
Stage 1	1 534	2 078	544	779	(155)	4 780
Stage 2	2 209	2 371	747	310	(136)	5 501
Stage 3	10 315	7 190	3 536	2 177	(26)	23 192
Undrawn facilities	—	—	—	—	325	325
Stage 1	—	—	—	—	163	163
Stage 2	—	—	—	—	136	136
Stage 3	—	—	—	—	26	26
Total loans and advances and undrawn facilities	14 058	11 639	4 827	3 266	8	33 798

	2021[(1)]					
	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Loans and advances	13 155	10 477	5 236	2 922	(353)	31 437
Stage 1	1 534	1 940	682	1 137	(157)	5 136
Stage 2	2 001	1 902	913	256	(139)	4 933
Stage 3	9 620	6 635	3 641	1 529	(57)	21 368
Undrawn facilities	—	—	—	—	360	360
Stage 1	—	—	—	—	164	164
Stage 2	—	—	—	—	139	139
Stage 3	—	—	—	—	57	57
Total loans and advances and undrawn facilities	13 155	10 477	5 236	2 922	7	31 797

(1) These numbers have been restated, refer to the reporting changes overview note 15.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

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:

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

(1) Previously the Bank presented the credit impairment raised and net change in interest as one line item. To enhance the disclosure, this has been disaggregated to provide users with more granularity.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

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:

	2021[1]					
Loans and advances at amortised cost and undrawn facilities	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total expected credit losses Rm
Balances at the beginning of the reporting period	13 198	12 897	5 446	2 885	6	34 432
Stage 1	1 601	1 845	800	1 335	6	5 587
Stage 2	1 789	2 686	1 228	381	—	6 084
Stage 3	9 808	8 366	3 418	1 169	—	22 761
Transfers between stages	—	—	—	—	—	—
Stage 1 net transfers	704	591	240	(52)	—	1 483
Transfers (from)/to stage 1	946	978	331	(61)	—	2 194
Transfers from/(to) stage 2	(153)	(167)	(54)	9	—	(365)
Transfers from/(to) stage 3	(89)	(220)	(37)	—	—	(346)
Stage 2 net transfers	506	(1 151)	(280)	48	—	(877)
Transfers from/(to) stage 1	(526)	(867)	(273)	61	—	(1 605)
Transfers (from)/to stage 2	1 549	616	100	(13)	—	2 252
Transfers from/(to) stage 3	(517)	(900)	(107)	—	—	(1 524)
Stage 3 net transfers	(1 210)	560	40	4	—	(606)
Transfers from/(to) stage 1	(420)	(109)	(60)	—	—	(589)
Transfers from/(to) stage 2	(1 396)	(450)	(45)	4	—	(1 887)
Transfers (from)/to stage 3	606	1 119	145	—	—	1 870
Credit impairment charges raised	999	3 208	980	238	1	5 426
Amounts written off	(1 730)	(6 390)	(1 719)	(321)	—	(10 160)
Net change in interest	688	762	529	120	—	2 099
Balance at the end of the reporting period	13 155	10 477	5 236	2 922	7	31 797
Stage 1	1 534	1 940	682	1 137	7	5 300
Stage 2	2 001	1 902	913	256	—	5 072
Stage 3	9 620	6 635	3 641	1 529	—	21 425

[1] These numbers have been restated, refer to the reporting changes overview note 15.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

2. Loans and advances (continued)

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

Macro-overlays

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

Coverage levels have remained fairly stable despite the reduction in the macro-overlay. For further details on expected credit loss analysis by market segment and credit exposure type, please see note 2.1. The segment report per market segment also provides further insights on key credit metrics.

Macroeconomic scenarios

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

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

Despite the current market conditions being marked by global shocks and high uncertainty, the Bank has maintained its probability-weightings of 40%, 30%, and 30% for the baseline, upside, and downside scenarios respectively. However, to address the unprecedented environment, the ranges between the baseline, mild upside, and downside macroeconomic scenarios have been significantly widened compared to the figures presented as at 31 December 2021.

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

	Baseline					Mild upside					Mild downside				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Real GDP (%)	1.6	1.1	1.8	1.9	2.0	1.9	1.6	2.4	2.5	2.6	0.9	(1.1)	0.6	0.8	0.9
CPI (%)	6.8	5.3	4.5	4.5	4.6	6.7	4.1	4.1	4.0	4.3	7.0	7.8	5.4	5.1	5.5
Average repo rate (%)	5.3	7.3	6.8	6.8	6.8	5.2	6.3	6.0	6.0	6.0	5.3	9.0	8.5	8.1	8.0

The following table shows the key forecast assumptions used for South Africa to calculate the Group's ECL allowance 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

Baseline scenario as at 31 December 2022

South Africa

The global, regional, and domestic economic outlook remains unusually uncertain. Although COVID-19 is no longer an immediate threat to the economy, risks from geopolitical uncertainty, particularly those surrounding the Russia/Ukraine conflict, and those arising from heightened tension between some Western countries and China, have risen. Both the duration and intensity of these risks are currently difficult to predict.

These risks have already had an impact on oil, food, and other supply chains, and their ongoing impact is difficult to predict. Global financial conditions have tightened and are expected to tighten further in early 2023. The tightening delivered so far has placed pressure on many emerging assets, and uncertainty over the path of global policy in 2023 is continuing to cause fluctuations in global asset markets more broadly.

In addition to these global shocks, the South African economy faces several uncertainties specific to the country. The most significant of these is electricity load shedding as Eskom's operational difficulties deepened significantly into late 2022.

At the time of the forecast, Absa's expectation was for the South African economy to have expanded by 1.6% in 2022, which is slightly weaker than the previous forecast. Absa expects economic growth to slip to 1.1% in 2023 due to severe short-term electricity constraints. There is a slow improvement toward GDP growth of 2.0% by 2026, with an expectation that load shedding will gradually dissipate.

For the household sector, employment recovered more quickly in 2022 than previously feared, resulting in a similar outperformance in household incomes. Absa expects employment and household income growth to moderate significantly in 2023 and beyond, in line with the very subdued GDP outlook.

Consumer price inflation rose more quickly than expected during 2022, largely due to sharply higher food and fuel prices. Inflation breached the 6% upper-target of the central bank early in 2022, and at the time of the forecast, Absa projected inflation to average 6.8% year-on-year in 2022 and to average 5.3% in 2023 before returning to the middle of the 3 – 6% target from 2025.

The South African Reserve Bank responded to higher South African inflation and to tighter global financial conditions with 350 bps in interest rate increases from November 2021 through November 2022, which is a significantly faster pace of increase than previously expected. At the time of the forecast, Absa expects the repo rate to peak at 7.5% in early 2023 before declining marginally into late 2023.

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

South Africa's public finances have been on an improving path, following the immediate COVID-19-related shock, with the fiscal deficit shrinking as a proportion of GDP due to better-than-expected revenue collection and restrained expenditure growth. The Bank believes that South Africa's sovereign credit rating has stabilised, but notes the downside risks to this view emanating from the electricity crisis and the poor financial performance of several large state-owned enterprises.

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

Notes to the summary consolidated financial results

for the reporting period ended 31 December

2. Loans and advances (continued)

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

Macroeconomic scenarios (continued)

Sensitivity of expected credit losses

For the purposes of the Bank'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 Bank 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.

	2022 Rm	2022 % change
ECL allowance on stage 1 and stage 2 loans and advances	10 281	0
Baseline	10 032	(2)
Upside	8 664	(16)
Downside	12 254	19

	2021 Rm	2021 % change
ECL allowance on stage 1 and stage 2 loans and advances	10 069	—
Baseline	9 855	(2)
Upside	9 825	(2)
Downside	10 547	5

In addition, as at 31 December 2022, the Bank assessed what the impact on expected credit losses would be, if 5% of the gross carrying amount of loans and advances to customers in stage 1 experience a SICR and move to stage 2. The ECL changes below include the effect on undrawn committed facilities and guarantees which are reflected as 'provisions' in the statement of financial position. This impact has been presented below:

	2022 Stage 2	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
Product Solutions Cluster	**17 576**	**1 088**
Everyday Banking	**2 455**	**605**
Relationship Banking	**5 950**	**319**
CIB	**13 773**	**343**

	2021[(1)] Stage 2	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
Product Solutions Cluster	16 180	972
Everyday Banking	2 268	616
Relationship Banking	5 436	327
CIB	10 819	38

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.

[(1)] These numbers have been restated, refer to the reporting changes overview, note 15.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

3. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: **R1 916m** (2021: R6 866m) of subordinated notes were issued and **R2 204m** (2021: R2 381m) were redeemed.

The bank issued R1.9bn floating rate notes on 16 September 2022. The notes are unsecured and maturing on 16 September 2032.

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

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:

	2022					
	Product Solutions Cluster Rm	Everyday Banking Rm	Relationship Banking Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total Rm
Fee and commission income from contracts with customers	1 155	11 740	5 768	2 714	(27)	21 350
Consulting and administration fees	137	—	122	32	27	318
Transactional fees and commissions	727	10 798	3 744	2 055	71	17 395
Cheque accounts	—	2 921	1 729	155	—	4 805
Credit cards	—	1 868	194	—	43	2 105
Electronic banking	—	4 045	1 136	1 154	—	6 335
Other[1]	727	715	561	748	28	2 779
Savings accounts	—	1 249	124	(2)	—	1 371
Merchant income	—	563	1 717	—	—	2 280
Trust and other fiduciary services fees	—	—	76	18	—	94
Other fees and commissions	2	9	66	244	(125)	196
Insurance commissions received	289	370	4	—	—	663
Investment banking fees	—	—	39	365	—	404
Other income from contracts with customers	—	—	27	—	—	27
Other non-interest income, net of expenses[2]	(46)	(555)	(700)	1 223	388	310
Total non-interest income	1 109	11 185	5 095	3 937	361	21 687

	2021					
	Product Solutions Cluster[3] Rm	Everyday Banking[3] Rm	Relationship Banking[3] Rm	CIB Rm	Head Office, Treasury and other operations Rm	Total Rm
Fee and commission income from contracts with customers	1 106	10 887	5 395	2 477	(88)	19 777
Consulting and administration fees	147	—	153	24	20	344
Transactional fees and commissions	667	9 997	3 534	1 857	(20)	16 035
Cheque accounts	—	2 742	1 804	135	—	4 681
Credit cards	—	1 665	155	—	—	1 820
Electronic banking	—	3 514	996	1 083	—	5 593
Other[1]	667	703	450	639	(20)	2 439
Savings accounts	—	1 373	129	—	—	1 502
Merchant income	—	543	1 558	—	—	2 101
Trust and other fiduciary services fees	—	2	59	18	—	79
Other fees and commissions	3	9	49	223	(88)	196
Insurance commissions received	289	336	6	—	—	631
Investment banking fees	—	—	36	355	—	391
Other income from contracts with customers[3]	—	—	37	—	—	37
Other non-interest income, net of expenses[2]	(45)	(547)	(517)	1 502	(16)	377
Total non-interest income	1 061	10 340	4 915	3 979	(103)	20 191

(1) Other transactional fees and commissions income include service and credit-related fees of **R873m** (2021: R644m), exchange commission of **R795m** (2021: R680m) and cash handling fees of **R315m** (2021: 242m)

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

3) These numbers have been restated, refer to the reporting changes overview, note 15.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

5. Other impairments

	2022 Rm	2021 Rm
Intangible assets[1]	**237**	144
Investments in associates and joint ventures	**—**	(11)
Non-current assets held for sale	**—**	1
Property and equipment[2]	**354**	192
	591	326

6. Headline earnings

	2022		2021	
	Gross Rm	Net[3] Rm	Gross Rm	Net[3] Rm
Headline earnings is determined as follows:				
Profit attributable to ordinary equity holders of the Bank		**11 314**		10 573
Total headline earnings adjustments:		**336**		153
IFRS 5 – Profit on disposal on non-current assets held for sale	**(20)**	**(15)**	(20)	(16)
IFRS 5 – Re-measurement of non-current assets held for sale	**—**	**—**	1	1
IAS 16 – (Profit)/loss on disposal of property and equipment	**(2)**	**—**	2	—
IAS 16 & IAS 36 – Insurance recovery of property and equipment damaged during riots	**(126)**	**(92)**	(121)	(87)
IAS 28 – Reversal 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	**354**	**254**	217	157
IAS 36 – Impairment of intangible assets	**237**	**185**	144	110
IAS 40 – Profit on disposal of investment property	**(0)**	**(0)**	—	—
Change in tax rate	**—**	**4**	—	—
Headline earnings/diluted headline earnings		**11 650**		10 726
Headline earnings per share/diluted headline earnings per share (cents)		**2 598.7**		2 392.6

[1] The Bank has impaired certain software assets totalling **R237m** (2021: R144m) for which the value in use is determined to be zero.

[2] Property and equipment amounting to **R354m** (2021: R192m) was impaired without a related transfer to non-current assets held for sale. Included in the **R354m** recognised during 2022, is the impairment of a right-of-use asset of **R117m**, an impairment on furniture and other equipment of R84m and an impairment of buildings of **R27m**.

[3] The net amount is reflected after taxation and non-controlling interest. Other non-core assets include assets such as property and equipment and intangible assets that are not core to operations of the Bank.

7. Dividends per share

	2022 Rm	2021 Rm
Dividends declared to ordinary equity holders		
Interim dividend **(15 August 2022: 1003.78911 cents per share (cps)** (16 August 2021: 0 cps)	**4 500**	—
Final dividend **(13 March 2023: 669.19274 cps)** (14 March 2022: 446.12851 cps)	**3 000**	2 000
	7 500	2 000
Dividends declared to preference equity holders (net of treasury shares)		
Interim dividend **(15 August 2022: 2 883.42466 cps)** (16 August 2021: 2 470.13699 cps)	**143**	122
Final dividend **(13 March 2023: 3 509.58904 cps)** (14 March 2022: 2 494.10959 cps)	**174**	123
	317	245
Distributions declared and paid to Additional Tier 1 capital note holders		
Distribution		
10 January 2022: 21 024.73 Rand per note (rpn); 11 January 2021: 20 214.47 rpn	**26**	25
27 January 2022: 20 751.67 rpn; 27 January 2021: 20 085.45 rpn	**26**	24
28 February 2022: 20 860.19 rpn; 26 February 2021: 19 268.38 rpn	**35**	32
07 March 2022: 20 236.90 rpn; 05 March 2021: 18 786.19 rpn	**28**	26
14 March 2022: 23 747.26 rpn; 12 March 2021: 22 301.37 rpn	**36**	33
11 April 2022: 21 545.81 rpn; 12 April 2021: 20 922.52 rpn	**27**	26
28 April 2022: 21 087.07 rpn; 28 April 2021: 20 423.89 rpn	**26**	25
30 May 2022: 21 732.79 rpn; 28 May 2021: 20 299.23 rpn	**36**	34
06 June 2022: 21 109.51 rpn; 07 June 2021: 20 324.60 rpn	**29**	28
13 June 2022: 24 744.52 rpn; 14 June 2021: 23 971.29 rpn	**37**	36
11 July 2022: 22 769.95 rpn; 12 July 2021: 20 984.85 rpn	**28**	26
27 July 2022: 22 068.49 rpn; 27 July 2021: 20 280.82 rpn[1]	**27**	25
29 August 2022: 23 415.67 rpn; 30 August 2021: 21 074.03 rpn	**39**	36
05 September 2022: 22 792.38 rpn; 06 September 2021: 19 778.16 rpn	**31**	27
12 September 2022: 26 345.12 rpn; 13 September 2021: 23 268.58 rpn	**40**	35
10 October 2022: 24 515.15 rpn; 11 October 2021: 21 047.18 rpn	**30**	26
27 October 2022: 25 878.67 rpn; 27 October 2021: 20 751.67 rpn	**31**	25
28 November 2022: 25 574.74; 29 November 2021: 20 361.56 rpn	**43**	34
05 December 2022: 24 993.84 rpn; 06 December 2021: 19 738.27 rpn	**34**	27
13 December 2021: 23 248.63 rpn	**—**	35
	609	585
Dividends paid to ordinary equity holders		
Final dividend **(22 April 2022: 446.12851 cps)** (2021: 0 cps)	**2 000**	—
Interim dividend **(19 September 2022: 1003.78911)** (2021: 0 cps)	**4 500**	—
	6 500	—
Dividends paid to preference equity holders		
Final dividend **(22 April 2022: 2 494.10959 cps)** (25 April 2021: 2 429.86301 cps)	**123**	120
Interim dividend **(19 September 2022: 2 833.42466 cps)** (20 September 2021: 2 470.13699 cps)	**143**	122
	266	242

[1] In December 2021, the Bank inadvertently disclosed an incorrect 'distributions declared' date. This has been corrected to 27 July 2021.

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8. Acquisitions and disposals of businesses and other similar transactions

8.1 Acquisitions of businesses during the current reporting period

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

8.2 Disposals of businesses during the current reporting period

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

8.3 Acquisitions of businesses during the previous reporting period

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

8.4 Disposals of businesses during the previous reporting period

The Bank disposed of Card Issuing and Personal loan books on 30 June 2021. The Bank received a cash consideration of R94m on disposal. The Bank disposed of the Integrated Processing Solutions investment on 30 September 2021. The Bank 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 Financial Director. Punki Modise held the position of Interim Chief Executive of Retail Business Banking till 30 June 2022 after which she was appointed as Group Chief Strategy and Sustainability Officer effective 1 July 2022.

Sello Moloko commenced the role as Group Chairman after the retirement of Wendy Lucas-Bull with effect from 1 April 2022.

9.1 Prior period related party events and transactions

Daniel Mminele announced his resignation as the Chief Executive Officer of Absa Group Limited from 30 April 2021. The Board appointed Jason Quinn as the interim Chief Executive Officer and Punkie Modise as the interim 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 1 April 2022.

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

10. Contingencies, commitments and similar items

	2022 Rm	2021 Rm
Guarantees	**44 102**	36 293
Irrevocable debt facilities[1]	**98 379**	100 334
Letters of credit	**12 873**	9 475
Other	**10**	—
	155 364	146 102
Authorised capital expenditure		
Contracted but not provided for	**622**	509

Guarantees include performance guarantee contracts and financial guarantee contracts.

Financial guarantee contracts represent contracts where the Bank 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 Bank does not have the right to terminate the facilities by written notice.

Irrevocable debt facilities have been updated, in the current year, to remove other lending facilities for which an impairment provision has been raised, and to present gross loan commitments that are contractually committed only 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 Bank 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.

[1] During the year, the Group reviewed its classification of certain undrawn facilities granted to customers. As a result of this review, the classification of certain facilities was amended from irrevocable to revocable. This reclassification more accurately reflects the underlying terms of these facilities. The prior year numbers have been restated from R144 832m to R100 344m to reflect this change.

10. Contingencies, commitments and similar items (continued)

Legal proceedings

Legal matters

The Bank is engaged in various other legal, competition and regulatory matters both in South Africa and a number of other jurisdictions. It is involved in legal proceedings which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, employment, environmental and other statutory and common law issues.

The Bank is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Bank is or has been engaged.

At the present time, the Bank 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 Bank'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 Bank 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 Bank's control. We are also awaiting policy positions to be taken by Regulators. Some of these are likely to have an impact on the Bank's customers, business lines, systems and earnings.

The Bank is continuously evaluating its programmes and controls in general relating to compliance with regulation and responding to the same. The Bank 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 Bank regards the relationship with Regulators as very important and manages such engagements on a continuous basis.

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

Income taxes

The Bank is subject to income taxes in numerous jurisdictions and the calculation of the Bank'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 Bank's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

The Bank 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 Bank's Tax Risk Framework.

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11. Segment reporting

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

The Bank has changed its operating model, which was effective from 1 July 2022. This change is part of the Bank's journey to enhance market competitiveness, while also improving its transformation position. In essence, the Bank has moved from two commercial businesses, Corporate and Investment Bank (CIB) and Retail and Business Banking (RBB), to four business units (Everyday Banking, Relationship Banking, Product Solutions Cluster and CIB).

	2022 Rm	2021 Rm
11.1 Total headline earnings by segment[1]		
Product Solutions Cluster[1]	**1 960**	2 521
Everyday Banking[1]	**3 948**	4 050
Relationship Banking[1]	**4 046**	3 723
CIB[1]	**4 211**	4 081
Head Office, Treasury and other operations[1][2]	**(1 891)**	(3 020)
Barclays PLC separation effects[3]	**(624)**	(629)
	11 650	10 726
11.2 Total income by segment[1]		
Product Solutions Cluster[1]	**10 247**	9 304
Everyday Banking[1]	**24 040**	21 955
Relationship Banking[1]	**14 423**	13 673
CIB[1]	**14 136**	13 636
Head Office, Treasury and other operations[1][2]	**1 170**	(100)
Barclays PLC separation effects[3]	**58**	24
Total headline earnings	**64 074**	58 492
11.3 Total profit by segment[1]		
Product Solutions Cluster	**2 149**	2 687
Everyday Banking	**4 056**	4 165
Relationship Banking	**4 227**	3 908
CIB	**4 552**	4 372
Head Office, Treasury and other operations[2]	**(2 172)**	(3 068)
Barclays PLC separation effects[3]	**(623)**	(667)
Total income	**12 189**	11 397
11.4 Total internal income by segment[1]		
Product Solutions Cluster[1]	**(23 301)**	(15 996)
Everyday Banking[1]	**16 138**	13 206
Relationship Banking[1]	**4 574**	3 745
CIB[1]	**(6 739)**	4 173
Head Office, Treasury and other operations[1][2]	**9 345**	2 494
Barclays PLC separation effects[1][3]	**58**	25
Total income	**75**	7 647
11.5 Total assets by segment[1]		
Product Solutions Cluster[1]	**455 124**	416 655
Everyday Banking[1]	**377 147**	358 606
Relationship Banking[1]	**265 637**	248 401
CIB[1]	**910 175**	822 940
Head Office, Treasury and other operations[1][2]	**(530 884)**	(500 127)
Barclays PLC separation effects[3]	**2 153**	3 223
Total internal income	**1 479 352**	1 349 698
11.6 Total liabilities by segment		
Product Solutions Cluster[1]	**450 663**	412 184
Everyday Banking[1]	**373 129**	353 788
Relationship Banking[1]	**261 184**	244 130
CIB[1]	**904 735**	817 587
Head Office, Treasury and other operations[1][2]	**(612 192)**	(578 895)
Barclays PLC separation effects[1][3]	**(1 105)**	(814)
Total liabilities	**1 376 414**	1 247 980

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

Notes to the summary consolidated financial results

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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.

	2022		2021	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets				
Balances with the SARB	31 103	31 103	27 684	27 684
Coins and bank notes	6 241	6 241	6 067	6 067
Cash, cash balances and balances with central banks	37 344	37 344	33 751	33 751
Investment securities	40 763	40 337	32 900	33 919
Other assets	14 837	14 601	14 392	14 392
Product Solutions Cluster	400 354	384 544	368 352	367 117
Home Loans	293 402	285 089	270 275	266 310
Vehicle and Asset Finance	106 952	99 455	98 077	100 807
Everyday Banking	54 946	53 285	49 672	49 845
Card	31 446	31 446	28 227	28 227
Personal loans	20 382	18 721	18 611	18 784
Transactions and Deposits	3 118	3 118	2 834	2 834
Relationship Banking	134 699	133 472	125 565	130 427
CIB	288 980	291 903	248 129	249 152
Head Office, Treasury and other operations	3 195	3 195	695	695
Loans and advances to customers	882 174	866 399	792 413	797 236
Loans and advances to banks	42 118	42 118	28 486	28 486
Loans and advances	924 292	908 517	820 899	825 722
Loans to Group companies	73 203	73 255	76 733	76 733
Total assets (not held at fair value)	1 090 439	1 074 054	978 675	984 517
Financial liabilities				
Other liabilities	21 488	21 302	33 357	33 357
Call deposits	88 501	88 501	90 398	90 398
Cheque account deposits	236 318	236 318	229 375	229 375
Credit card deposits	2 142	2 142	2 137	2 137
Fixed deposits	171 107	171 119	154 785	154 186
Foreign currency deposits	41 388	41 388	33 429	33 429
Notice deposits	67 562	67 562	70 148	70 148
Other deposits	871	871	935	935
Saving and transmission deposits	236 768	236 768	225 300	225 300
Deposits due to customers	844 657	844 669	806 507	805 908
Deposits from banks	53 311	53 307	46 239	46 229
Deposits	897 968	897 976	852 746	852 137
Debt securities in issue	141 055	140 946	103 394	102 718
Borrowed funds	26 282	26 269	26 459	26 282
Loans from Group companies	9 152	9 152	9 214	9 214
Total liabilities (not held at fair value)	1 095 945	1 095 645	1 025 170	1 023 708

13. Assets and liabilities held at fair value

13.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

The Bank 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.

Commodity derivatives

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.

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. Assets and liabilities held at fair value

(continued)

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 Bank is not a market maker, mid prices are adjusted to bid and offer prices respectively unless the relevant mid prices are reflective of the appropriate exit price as a practical expedient given the nature of the underlying instruments. Bid-offer adjustments reflect expected close out strategy and, for derivatives, the fact that they are managed on a portfolio basis. The methodology for determining the bid-offer adjustment for a derivative portfolio will generally involve netting between long and short positions and the bucketing of risk by strike and term in accordance with the hedging strategy. Bid-offer levels are derived from market sources, such as broker data. For those assets and liabilities where the Bank is a market maker and has the ability to transact at, or better than, mid-price (which is the case for certain equity, bond and vanilla derivative markets), the mid-price is used.

Uncollateralised derivative adjustments

A fair value adjustment is incorporated into uncollateralised derivative valuations to reflect the impact on fair value of counterparty credit risk, the Bank's own credit quality, as well as the cost of funding across all asset classes.

Model valuation adjustments

Valuation models are reviewed under the Bank'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 at least annually.

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

13.4 Fair value hierarchy

The following table shows the Bank'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.

	2022				2021			
Recurring fair value measurements	Level 1 Rm	Level 2 Rm	Level 3[1] Rm	Total Rm	Level 1 Rm	Level 2[3] Rm	Level 3 Rm	Total Rm
Financial assets								
Investment securities	44 522	38 575	4 580	87 677	37 400	39 541	6 424	83 365
Trading and hedging portfolio assets	84 706	65 645	10 078	160 429	71 515	71 188	2 327	145 030
Debt instruments[3]	81 011	2 348	486	83 845	66 545	758	122	67 425
Derivative assets	—	58 098	3 950	62 048	—	58 010	1 386	59 396
Commodity derivatives	—	188	—	188	—	907	13	920
Credit derivatives	—	32	192	224	—	2	140	142
Equity derivatives	—	5 027	3 752	8 779	—	7 349	1 232	8 581
Foreign exchange derivatives	—	16 388	6	16 394	—	10 089	1	10 090
Interest rate derivatives	—	36 463	—	36 463	—	39 663	—	39 663
Equity instruments	1 201	—	—	1 201	3 877	—	—	3 877
Money market assets	2 494	5 199	5 642	13 335	1 093	12 420	819	14 332
Loans and advances	—	98 701	9 527	108 228	—	95 147	16 729	111 876
Total financial assets	129 228	202 921	24 185	356 334	108 915	205 876	25 480	340 271
Financial liabilities								
Trading and hedging portfolio liabilities	36 847	56 424	363	93 634	21 146	49 594	273	71 013
Derivative liabilities	—	56 424	363	56 787	—	49 594	273	49 867
Commodity derivatives	—	117	—	117	—	823	1	824
Credit derivatives	—	—	260	260	—	—	93	93
Equity derivatives	—	4 588	90	4 678	—	2 513	169	2 682
Foreign exchange derivatives	—	16 934	13	16 947	—	11 490	—	11 490
Interest rate derivatives	—	34 785	—	34 785	—	34 768	10	34 778
Short positions	36 847	—	—	36 847	21 146	—	—	21 146
Deposits	1	115 373	2 281	117 655	156	119 245	1 974	121 375
Debt securities in issue[3]	1 222	60 997	—	62 219	975	22 902	—	23 877
Total financial liabilities	38 070	232 794	2 644	273 508	22 277	191 741	2 247	216 265
Non-financial assets								
Commodities	614	—	—	614	642	—	—	642
Non-recurring fair value measurements								
Non-current assets held for sale[2]	—	—	90	90	—	—	57	57

(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.
(3) These amounts have been restated, refer to reporting changes overview note 1.15.

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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 such as the Black Scholes model, futures pricing models and/or Exchange Traded Fund (ETF) models	Spot price of physical or futures, market interest rates and/or volatilities
Credit derivatives	Discounted cash flow techniques and/or option pricing models, such as the Black Scholes model	Interest rate, recovery rate and; credit spread and/or quanto ratio
Equity derivatives	Discounted cash flow models, option pricing models and/or futures pricing models	Spot share prices, market interest rates, volatility and/or dividend stream
Foreign exchange derivatives	Discounted cash flow techniques and/or option pricing models, such as the Black Scholes model	Interest rate curves,repurchase agreements, money market curves and/or volatilites
Interest rate derivatives	Discounted cash flow and/or option 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	Discounted cash flow models	Interest rates and/or money market curves
Investment securities	Listed equities: market bid price	Underlying price of market traded instruments and/or interest rates
Deposits	Discounted cash flow models	Interest rates and/or money market curves
Debt securities in issue and other liabilities	Discounted cash flow models	Underlying price of market traded instruments and/or interest rate curves

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:

	2022			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	**2 327**	**16 729**	**6 424**	**25 480**
Net interest income	**—**	**202**	**144**	**346**
Gains and losses from banking and trading activities	**(544)**	**(447)**	**(52)**	**(1 043)**
Purchases	**5 689**	**816**	**596**	**7 101**
Sales	**(304)**	**(2 463)**	**(3 358)**	**(6 125)**
Movement in other comprehensive income	**—**	**—**	**14**	**14**
Transfer to Level 3	**3 450**	**—**	**813**	**4 263**
Transfer out of Level 3	**(540)**	**(5 310)**	**(1)**	**(5 851)**
Closing balance at the end of the reporting period	**10 078**	**9 527**	**4 580**	**24 185**

	2021			
	Trading and hedging portfolio assets Rm	Loans and advances Rm	Investment securities Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	2 502	13 597	9 612	25 711
Net interest income	—	180	47	227
Gains and losses from banking and trading activities	906	(96)	(5)	805
Purchases	626	6 009	916	7 551
Sales	(42)	(4 137)	(2 913)	(7 092)
Movement in other comprehensive income	—	—	21	21
Settlements	—	—	(60)	(60)
Transfer to Level 3	175	1 176	—	1 351
Transfer out of Level 3	(1 840)	—	(1 194)	(3 034)
Closing balance at the end of the reporting period	2 327	16 729	6 424	25 480

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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:

	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	1 974	2 247
Gains and losses from banking and trading activities	(31)	(84)	(115)
Issues	240	1 145	1 385
Settlements	(8)	(736)	(744)
Transfer to Level 3	2	—	2
Transfer out of Level 3	(113)	(18)	(131)
Closing balance at the end of the reporting period	363	2 281	2 644

	2021		
	Trading and hedging portfolio liabilities Rm	Deposits Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	172	3 562	3 734
Gains and losses from banking and trading activities	48	(118)	(70)
Issues	55	373	428
Settlements	(1)	(1 692)	(1 693)
Transfer out of Level 3	(1)	(151)	(152)
Closing balance at the end of the reporting period	273	1 974	2 247

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.

13.8 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:

	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	2 777	(306)	24	2 495	(30)	354	324

	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	147	1 833	45	2 025	189	1 190	1 379

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

13.9 Sensitivity analysis of valuations using unobservable inputs

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

The following table reflects the reasonable possible variances applied to significant parameters utilised in our valuations.

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

A significant parameter has been deemed to be one which may result in a charge to profit or loss, or a change in the fair value of the asset or liability by more than 10% of the underlying value of the affected item. This is demonstrated by the following sensitivity analysis which includes a reasonable range of possible outcomes:

		2022	
	Significant unobservable parameters	Potential effect recorded in profit or loss Favourable/(Unfavourable) Rm	Potential effect recorded directly in equity Favourable/(Unfavourable) Rm
Deposits	**Absa Group Limited/Absa funding**	**119/ (128)**	**—/ —**
Investment securities	**Risk adjustment yield curves, future earnings and marketability discounts**	**—/ —**	**(77)/80**
Loans and advances	**Credit spreads**	**(623)/ 683**	**—/ —**
Trading and hedging portfolio assets	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**216/ (210)**	**—/ —**
Trading and hedging portfolio liabilities	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**(457)/ 457**	**—/ —**

		2021	
	Significant unobservable parameters	Potential effect recorded in profit or loss Favourable/(Unfavourable) Rm	Potential effect recorded directly in equity Favourable/(Unfavourable) Rm
Deposits	Absa Group Limited/Absa funding	126/(138)	—/ —
Investment securities	Risk adjustment yield curves, future earnings and marketability discounts	—/ —	(113)/116
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	—/ —

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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:

Category of asset/liability	Valuation techniques applied	Significant unobservable inputs	2022 Range of estimates utilised for the unobservable inputs	2021
Loans and advances	Discounted cash flow and/or dividend yield models	Credit spreads	**0.035% to 3.21%**	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	**8.5%**	Discount rate of 8.5%
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discounted cash flow models	Credit spreads	**0.305% to 4.020%**	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	**0.1% to 24.22% 15% to 82.3% 49% 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)	**16.4% to 38.9%**	17.77% to 68.49%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	**5.03% to 40%**	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	**0.05% to 9.395%**	0.052% to 7.3%
Deposits	Discounted cash flow models	The Bank's funding spreads (greater than 5 years)	**1.150% to 1.575%**	1.15% to 1.6%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	**1.150% to 1.575%**	1.15% to 1.6%

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 applied. Interest rates and money market curves are considered unobservable inputs for items which mature after five years. Where instruments mature in less than five years, these inputs may be 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 a fair value measurement is correlated with the extent of reliance which is required to be placed on observable input. 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).

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

The amount that is to be recognised in the statement of comprehensive income that relates to the difference between the transaction price and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

	2022 Rm	2021 Rm
Opening balance at the beginning of the reporting period	**(521)**	(446)
New transactions	**(394)**	(212)
Amounts recognised in profit or loss during the reporting period	**281**	137
Closing balance at the end of the reporting period	**(634)**	(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 Bank 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 Bank to protect against changes in fair value of financial instruments due to movements in interest rates and are therefore affected by 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 Bank 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 Bank 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 are expected to be discontinued post 30 June 2023.

The Bank's exposure to IBORs subject to change at 31 December 2022 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 SARB announced in 2020 that the JIBAR would cease to exist in the near future as it did not comply with the International Organisation of Securities Commissions Principles for Financial Benchmarks. The SARB Market Practitioners Bank (MPG), a joint public-private body has been mandated to facilitate decisions on the choice of alternative reference rates for financial contracts that should replace JIBAR.

The transition journey for JIBAR has made some progress at an industry level, however, transition timelines are yet to be announced by the SARB. The Bank participates in the SARB's MPG which has started its own preparations for the transition of JIBAR including the publishing of ZARONIA as an alternative rate. The Bank has acquired experience in rate transition through the IBOR journey and has started adopting best practices for JIBAR planning and transition. The Bank's JIBAR journey thus far includes daily submission of transaction data to the SARB for the calculation and publication of ZARONIA.

The Bank'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 Bank 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 (the Supplement) and ISDA 2020 IBOR Fallbacks Protocol (the Protocol) on 23 October 2020. New fallbacks for derivatives linked to key IBORs came into effect on 25 January 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 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 Bank is aiming to agree changes to contracts that would allow IFRS 9 reliefs to apply. In particular, the Bank 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 Bank is working proactively with all counterparties to minimise this risk from occurring.

Operational risk: Our Bank'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 Bank's IBOR Steering Committee or where more appropriate the relevant function best placed to monitor and/or mitigate risk.

14. Interest rate benchmark reform (continued)

Developments made towards implementing alternative benchmark interest rates

For derivatives subject to interest rate reform, the Bank and a significant portion of its counterparties have adhered to the Protocol as well as the Supplement. The protocol provides for the calculation of an economically equivalent rate to previous rates when IBORs are no longer available.

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

The Bank's cash flow hedging relationships of JIBAR and USD 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank'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 Bank 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 Bank 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 Bank 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.

	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	200 634	—	—	—	200 634	16 253	216 887
Interest rate swaps	200 634	—	—	—	200 634	—	200 634
Cross currency swaps	—	—	—	—	—	12 337	12 337
Forwards	—	—	—	—	—	3 916	3 916
Fair value hedges	59 800	15 114	—	—	74 914	—	74 914
Interest rate swaps	58 816	15 114	—	—	73 930	—	73 930
Cross currency swaps	—	—	—	—	—	—	—
Inflation rate swaps	984	—	—	—	984	—	984

[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)

	2021						
	Notional amount						
	ZAR JIBAR Rm	USD LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Total Rm	Notional not impacted by benchmark reform Rm	Total notional Rm
Cash flow hedges	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.

	2022				
	Carrying values of financial instruments impacted by benchmark reform and yet to transition				
	USD LIBOR Rm	GBP LIBOR[3] Rm	EUR LIBOR[3] Rm	JPY LIBOR[3] Rm	Total Rm
Non-derivative assets[1]	**30 763**	—	—	—	**30 763**
Non-derivative liabilities[1]	**2 891**	—	—	—	**2 891**
Derivative notionals[2]	**764 528**	—	—	—	**764 528**

	2021				
	Carrying values of financial instruments impacted by benchmark reform and yet to transition				
	USD LIBOR Rm	GBP LIBOR Rm	EUR LIBOR Rm	JPY LIBOR Rm	Total Rm
Non-derivative assets[1]	59 758	1 554	926	—	62 238
Non-derivative liabilities[1]	5 251	—	—	—	5 251
Derivative notionals[2]	867 998	4 001	2 212	63	874 274

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 Bank 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.

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15. Reporting changes overview

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

15.1 Change in accounting policy

15.1.1 Cash and cash equivalents

The IFRS Interpretation Committee published an agenda decision on 'Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of cash flows) – Agenda Paper 3' in April 2022. Based on the afore-mentioned agenda decision, the Statement of Cash flows of the Bank has been reviewed and it was concluded that the mandatory reserves with the SARB should be included as 'Cash and cash equivalents' in the Statement of cash flows. The portion which is included in cash and cash equivalents is that which can be utilised by the Bank. This is calculated by applying the percentage that is accessible to the Bank in accordance with the regulatory terms.

As required by IAS 8, the afore-mentioned changes have been applied retrospectively to all prior periods affected. These changes in accounting policy do not have an impact on the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, or earnings per share of the Bank.

The impact of the afore-mentioned restatements is as follows:

	31 December 2021			
Statement of cash flows	As previously reported Rm	Mandatory reserve balances with the SARB Rm	Nostros (refer to 15.2 below) Rm	Restated Rm
Cash and cash equivalents	6 170	19 379	4 777	30 326

	1 January 2021			
	As previously reported Rm	Mandatory reserve balances with the SARB Rm	Nostros (refer to 15.2 below) Rm	Restated Rm
Cash and cash equivalents	8 783	17 822	7 297	33 902

15.2 Correction of prior period errors

15.2.1 Nostro balances in the Statement of cash flows

As part of the review of what constitutes Cash and cash equivalents, it was identified that nostro balances with foreign banks was incorrectly excluded from Cash and cash equivalents and the Statement of cash flows has subsequently been corrected.

Refer to note 15.1 above for the impact of the afore-mentioned restatement.

As required by IAS 8, the afore-mentioned changes have been applied retrospectively to all prior periods affected. These errors have no impact on the Statement of comprehensive income, Statement of financial position, or earnings per share of the Bank.

15.2.2 Trading and Hedging portfolio assets and liabilities and debt securities in the Statement of financial position

In terms of the Bank's accounting policy, movements in the fair value of collateral held on certain over the counter (OTC) derivative contracts are, in terms of the requirements of IAS 32, required to be offset against the related derivative market-to-market movement and presented on a net basis on the Statement of financial position. Certain movements in the fair value of the collateral linked to the Bank's hedging strategy were historically reported as part of Trading portfolio assets and Trading portfolio liabilities, as opposed to Hedging portfolio assets and Hedging portfolio liabilities, respectively. These items have been adjusted to correctly set off derivative movements from movements in collateral in terms of the requirements of IAS 32.

Furthermore, as part of the Bank's ongoing process to improve financial controls and processes, it was identified that the fair value of certain credit linked note (CLN) instruments had been incorrectly recognised as part of Trading portfolio assets, as opposed to Debt securities in issue.

As required by IAS 8, the afore-mentioned changes have been applied retrospectively to all prior periods affected. These errors have no impact on the Statement of comprehensive income, Statement of changes in equity, or earnings per share of the Bank.

The impact of the afore-mentioned restatements on the Statement of financial position and Statement of cash flows are as follows:

	31 December 2021			
Statement of financial position	As previously reported Rm	OTC derivatives Rm	Fair value on CLNs Rm	Restated Rm
Assets				
Trading portfolio assets	141 815	1 462	(1 301)	141 976
Hedging portfolio assets	5 157	(1 462)	—	3 696
Liabilities				
Trading portfolio liabilities	(67 354)	(749)	—	(68 103)
Hedging portfolio liabilities	(3 659)	749	—	(2 910)
Debt securities in issue	(128 571)	—	1 301	(127 271)

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15. Reporting changes overview (continued)

15.2 Correction of prior period errors (continued)

15.2.2 Trading and Hedging portfolio assets and liabilities and debt securities in the Statement of financial position (continued)

	1 January 2021			
	As previously reported Rm	OTC derivatives Rm	Fair value on CLN Rm	Restated balance Rm
Assets				
Trading portfolio assets	166 148	3 525	(1 293)	168 380
Hedging portfolio assets	10 998	(3 525)		7 473
Liabilities				
Trading portfolio liabilities	(105 967)	145	—	(105 822)
Hedging portfolio liabilities	(4 868)	(145)	—	(5 013)
Debt securities in issue	(144 160)	—	1 293	(142 867)

15.3 Changes to reportable segments and business portfolios

15.3.1 Reportable segment changes

The Bank has changed its operating model, effective 1 July 2022. This change is part of the Bank's journey to enhance market competitiveness, while also improving its transformation position. In essence, the Bank has moved from two commercial businesses, Corporate and Investment Banking (CIB) and Retail and Business Banking (RBB), to four business units (Everyday Banking, Relationship Banking, Product Solutions and CIB).

15.3.2 Business portfolio changes

The business portfolio changes below resulted in the restatement of the business units' financial results for comparative periods but have had no impact on the overall financial position or net earnings of the Bank.

(a) Costs related to business units have been reallocated between the relevant segments, resulting in an adjustment to operating expenses and other expenses between segments.

	2021			
Statement of comprehensive income	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	Restated Rm
Operating expenses				
RBB	(24 102)	—	24 102	—
Product Solutions Cluster	n/a	(560)	(3 775)	(4 335)
Everyday Banking	n/a	601	(12 824)	(12 223)
Relationship Banking	n/a	112	(7 503)	(7 391)
CIB	(7 301)	30	—	(7 271)
Head Office, Treasury and other operations	(2 822)	(183)	—	(3 005)
Other expenses				
RBB	(579)	—	579	—
Product Solutions Cluster	n/a	—	(113)	(113)
Everyday Banking	n/a	—	(415)	(415)
Relationship Banking	n/a	—	(51)	(51)
CIB	(249)	(2)	—	(251)
Head Office, Treasury and other operations	(694)	2	—	(692)

Notes to the summary consolidated financial results

for the reporting period ended 31 December

15. Reporting changes overview (continued)

15.3 Changes to reportable segments and business portfolios (continued)

15.3.2 Business portfolio changes (continued)

(b) The following re-allocations occurred within total income:

i. Revenue received from Islamic Banking in Everyday Banking was aligned to Group's accounting policy and therefore eliminated the adjustment required in Head Office.

ii. Group Treasury refined its allocation methodology to better reflect the underlying performance of the relevant business units which resulted in the reallocation of net interest income.

	2021			
Statement of comprehensive income	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	Restated Rm
Total Income				
RBB	43 849	—	(43 849)	—
Product Solutions Cluster	n/a	197	9 107	9 304
Everyday Banking	n/a	439	21 516	21 955
Relationship Banking	n/a	447	13 226	13 673
CIB	12 854	782	—	13 636
Head Office, Treasury and other operations	1 765	(1 865)	—	(100)

(c) Portions of the Commercial Property Finance portfolio were moved between Relationship Banking and CIB to align with client portfolio segmentation.

	2021			
Loans and advances to customers	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	Restated Rm
RBB	543 698	(109)	(543 589)	—
Product Solutions Cluster	n/a	—	368 352	368 352
Everyday Banking	n/a	—	49 672	49 672
Relationship Banking	n/a	—	125 565	125 565
CIB	338 008	109	—	338 117

(d) The reallocations as described in note a to b above resulted in adjustments to the related intercompany balances. These balances are included in 'other assets' and 'other liabilities' the impact of which is shown in the table below.

	2021				
Statement of financial position	As previously reported Rm	Business portfolio changes Rm	Reportable segment changes Rm	Fair value correction of CLNs (refer to note 1.19.2) Rm	Restated Rm
Other assets					
RBB	436 416	—	(436 416)	—	—
Product Solutions Cluster	n/a	0	29 517	—	29 517
Everyday Banking	n/a	974	291 727	—	292 701
Relationship Banking	n/a	947	115 172	—	116 119
CIB	404 719	(453)	—	(1 293)	402 973
Head Office, Treasury and other operations	(542 400)	(1 475)	—	—	(543 875)
Other liabilities					
RBB	541 230	—	(541 230)	—	—
Product Solutions Cluster	n/a	495	409 774	—	410 269
Everyday Banking	n/a	(411)	75 865	—	75 454
Relationship Banking	n/a	145	55 591	—	55 736
CIB	407 499	(1 325)	—	—	406 174
Head Office, Treasury and other operations	(801 328)	1 096	—	—	(800 231)

Summary consolidated normalised financial results

for the reporting period ended 31 December

Normalised financial results as a consequence of the 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 IT and brand projects, and which commenced on 6 June 2017.

The Separation Programme was completed within agreed timelines.
All 273 projects achieved Separation and 198 service schedules were terminated. The final Separation Forum was held on 15 December 2020, where all formal closures were approved. The South African Reserve Bank (SARB), Absa Regional Operations (ARO) as well as the United Kingdom (UK) regulators have since been informed that Barclays PLC and Absa Group Limited have concluded and closed the Separation Programme.

The separation process has had a significant impact on the Bank's financial results, most notably an increase in the capital base and internally generated intangible assets, together with generated endowment revenues, and amortisation of the aforementioned assets as they are brought into use. The aforementioned results show a disconnect between the underlying business performance and the IFRS financial results. Normalised results have therefore been disclosed to reflect the underlying business performance.

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 summary 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 separating activities, operating expenses (including amortisation of intangible assets) and other expenses (collectively the 'separation'). The Bank 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 Bank's financial position, changes in equity, cash flows and results of operations.

These results are considered to be pro forma financial information
and have been presented in accordance with the JSE Limited Listing Requirements which require that pro forma financial information be compiled in terms of the JSE Limited Listing 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 Bank's Board. The summary consolidated financial results have been audited by the Bank's external auditors.

Summary consolidated normalised salient features

for the reporting period ended 31 December

	2022[1]	2021
Statement of comprehensive income (Rm)		
Income	**64 016**	58 468
Operating expenses	**36 205**	34 225
Pre-provision profit	**27 811**	24 243
Credit impairments charges	**8 687**	6 396
Profit attributable to ordinary equity holders	**11 938**	11 239
Headline earnings[2]	**12 274**	11 355
Statement of financial position		
NAV	**87 533**	86 034
Total assets (Rm)	**1 477 199**	1 346 475
Financial performance (%)		
Return on equity (RoE)	**14.3**	13.9
Return on average assets (RoA)	**0.9**	0.9
Return on risk-weighted assets (RoRWA)	**1.91**	1.77
Operating performance (%)		
Net interest margin on average interest-bearing assets	**3.67**	3.60
Non-interest as a percentage of total income	**33.9**	34.5
Cost-to-income ratio	**56.6**	58.5
JAWS	**4**	1
Effective tax rate	**26.1**	26.7
Share statistics (million)		
Weighted average number of ordinary shares in issue	**448.3**	448.3
Diluted weighted average number of ordinary shares in issue	**448.3**	448.3
Share statistics (cents)		
Headline earnings per ordinary share (HEPS)	**2 737.9**	2 532.9
Diluted headline earnings per ordinary share (DHEPS)	**2 737.9**	2 532.9
Basic earnings per ordinary share (EPS)	**2 662.9**	2 507.0
Diluted basic earnings per ordinary share (DEPS)	**2 662.9**	2 507.0
Dividend per ordinary share relating to income for the reporting period	**1 673.0**	446.1
Dividend payout ratio (%)	**61**	18
NAV per ordinary share	**19 526**	19 191
Tangible NAV per ordinary share	**17 458**	17 516
Capital adequacy (%)		
Absa Bank Limited	**17.6**	17.9
Common Equity Tier 1(%)		
Absa Bank Limited	**12.5**	12.4

[1] Please refer to the summary consolidated normalised reconciliation for the period ended 31 December 2022 for further information as presented on page 46 – 47.
[2] After allowing for **R266m** (2021: R242m) profit attributable to preference equity holders and **R609m** (2021: R585m) profit attributable to additional Tier 1 capital holders.

Summary consolidated reconciliation of IFRS to normalised results

for the reporting period ended 31 December

	2022		
	IFRS Bank performance[1]	Barclays separation effects[2]	Normalised Bank performance[3]
Statement of comprehensive income (Rm)			
Net interest income	42 387	—	42 387
Non-interest income	21 687	(58)	21 629
Total income	64 074	(58)	64 016
Credit impairment charges	(8 687)	—	(8 687)
Operating expenses	(37 122)	917	(36 205)
Other expenses	(1 916)	—	(1 916)
Share of post-tax results of associates and joint ventures	132	—	132
Operating profit before income tax	16 481	859	17 340
Tax expenses	(4 292)	(236)	(4 528)
Profit for the reporting period	12 189	623	12 812
Profit attributable to:			
Ordinary equity holders	11 314	623	11 937
Ordinary shares	—	—	—
Preference shares	266	—	266
Additional Tier 1	609	—	609
	12 189	623	12 812
Headline earnings	11 650	624	12 274
Operating performance (%)			
Net interest margin on average interest-bearing assets	3.68	n/a	3.67
Credit loss ratio	0.85	n/a	0.85
Non-interest income as % of total income	33.9	n/a	33.9
Income growth (%)	9.5	n/a	9.5
Operating expenses growth (%)	5.4	n/a	5.8
Cost-to-income ratio	57.9	n/a	56.6
Effective tax rate	26.0	n/a	26.1
Statement of financial position (Rm)			
Loans and advances	1 032 520	—	1 032 520
Investment securities	128 439	—	128 439
Other assets	318 393	(2 153)	316 240
Total assets	1 479 352	(2 153)	1 477 199
Deposits	1 015 623	(0)	1 015 623
Debt securities in issue	203 275	—	203 275
Other liabilities[4]	157 516	1 105	158 621
Total liabilities	1 376 414	1 105	1 377 519
Equity	102 938	(3 258)	99 680
Total equity and liabilities	1 479 352	(2 153)	1 477 199
Key performance ratios (%)			
RoA	0.8	n/a	0.8
RoE	13.0	n/a	14.3
Capital adequacy	17.6	n/a	17.6
Common Equity Tier 1	12.5	n/a	12.5
Share statistics (cents)			
Diluted headline earnings per ordinary share	2 598.7	n/a	2 737.9

(1) IFRS Bank performance, presents the IFRS information as extracted from the Bank's summary consolidated financial results for the reporting period ended 31 December 2022.
(2) Barclays separation effects, presents the financial effects of the separation on the summary consolidated financial results of the Bank.
(3) Normalised Bank performance, presents the consolidated financial results of the Bank, after adjusting for the consequences of the separation.
(4) 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'.

Summary consolidated reconciliation of IFRS to normalised results

for the reporting period ended 31 December

	2021		
	IFRS Bank performance[1]	Barclays separation effects[2]	Normalised Bank performance[3]
Statement of comprehensive income (Rm)			
Net interest income	38 301	(25)	38 276
Non-interest income	20 191	1	20 192
Total income	58 492	(24)	58 468
Impairment losses	(6 395)	(1)	(6 396)
Operating expenses	(35 232)	1 007	(34 225)
Other expenses	(1 461)	(61)	(1 522)
Share of post-tax results of associates and joint ventures	132	—	132
Operating profit before income tax	15 536	921	16 457
Tax expenses	(4 139)	(254)	(4 393)
Profit for the reporting period	11 397	667	12 064
Profit attributable to:			
Ordinary equity holders	10 573	667	11 240
Ordinary shares	(3)	—	(3)
Preference shares	242	—	242
Additional Tier 1	585	—	585
	11 397	667	12 064
Headline earnings	10 726	629	11 355
Operating performance (%)			
Net interest margin on average interest-bearing assets	3.60	n/a	3.60
Credit loss ratio	0.67	n/a	0.67
Non-interest income as % of total income	34.5	n/a	34.5
Income growth (%)	9.0	n/a	9.4
Operating expenses growth (%)	6.1	n/a	8.5
Cost-to-income ratio	60.2	n/a	58.5
Effective tax rate	26.6	n/a	26.7
Statement of financial position (Rm)			
Loans and advances	932 775	—	932 775
Investment securities	116 265	—	116 265
Other assets[6]	300 658	(3 223)	297 435
Total assets[4]	1 349 698	(3 223)	1 346 475
Deposits	974 121	—	974 121
Debt securities in issue[4]	127 271	—	127 271
Other liabilities[4][5]	146 588	814	147 402
Total liabilities[4]	1 247 980	814	1 248 794
Equity	101 719	(4 037)	97 682
Total equity and liabilities	1 349 698	(3 223)	1 346 475
Key performance ratios (%)			
RoA	0.8	n/a	0.8
RoE	12.5	n/a	13.9
Capital adequacy[6]	17.9	n/a	17.9
Common Equity Tier 1[6]	12.4	n/a	12.4
Share statistics (cents)			
Diluted headline earnings per ordinary share	2 392.6	n/a	2 532.9

[1] IFRS Bank performance, presents the IFRS information as extracted from the Bank's summary consolidated financial results for the reporting period ended 31 December 2021.
[2] Barclays separation effects, presents the financial effects of the separation on the summary consolidated financial results of the Bank.
[3] Normalised Bank performance, presents the consolidated financial results of the Bank, after adjusting for the consequences of the separation.
[4] These numbers have been restated, refer to reporting changes overview, note 15.
[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 Bank's separation from Barclays PLC, it has been decided that the difference between normalized and IFRS capital ratios is no longer significant, and that the Bank will only report capital ratios on an IFRS basis.

Glossary

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

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.

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 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.

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

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.

Glossary

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 profit
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.

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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Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

Authorised financial services and registered credit provider (NCRCP7)

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