Absa Group Limited

Financial results for the
reporting period ended 30 June 2022

Report overview

Absa Group Limited (1986/003934/06)
The term Absa Group or the Group, refers to Absa Group Limited and its subsidiaries.

Absa reporting suite for the interim reporting period ended 30 June 2022
This financial results booklet for the reporting period ended 30 June 2022 is one of the publications released at the time of the Absa Group Limited's (Absa Group or the Group) financial results announcement on 15 August 2022. It is supplemented with additional disclosures, including the Group's JSE Limited SENS announcement and the interim financial results presentation. The full set of documents is available on www.absa.africa.

Business portfolio changes

- Costs related to business units have been allocated from Head Office to the relevant segments, resulting in the restatement of operating expenses and other expenses between segments.
- Revenue received from Islamic Banking in Retail and Business Banking (RBB) was aligned to Group's accounting policy and therefore eliminated the adjustment required in Head Office.
- Portions of the Commercial Property Finance portfolio were moved between RBB and Corporate and Investment Bank (CIB) to align with client portfolio segmentation.
- The Group moved some business units between RBB and CIB, which resulted in movements of intercompany balances reported in other assets and other liabilities in Head Office, due to changes of intergroup eliminations.

The aforementioned changes resulted in the restatement of the business portfolios' financial results for comparative periods, but have had no impact on the overall financial position or net earnings of the Group.

Correction of prior period error

The Group has identified a statement of financial position misclassification between 'Loans and advances to banks' and 'Loans and advances to customers' as well as 'Deposits from banks' and 'Deposits from customers' as clients were incorrectly classified as a bank as opposed to a customer, which has resulted in a restatement of the statement of financial position (refer to note 17). This has no impact on the statement of comprehensive income, statement of changes in equity and statement of cash flows.

Icons used with this report

- Negative increase
- Negative unchanged
- Negative decrease
- Positive increase
- Positive unchanged
- Positive decrease
- Neutral increase
- Neutral unchanged
- Neutral decrease
- Unchanged

Financial director statement

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

Finance is led by the Financial Director who reports directly to the Group Chief Executive, A Rautenbach.

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

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

Board approval

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

Together with the GACC, the Board has reviewed and approved the financial results announcement released on 15 August 2022.

Dividend per share
Interim: 650 cents

Key dates
Dividend payment: 19 September 2022
Financial year-end: 31 December 2022

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The Absa Group today

We are a Pan-African group, inspired by the people we serve and determined to be a globally respected organisation of which Africa can be proud. As a financial services provider, we play an integral role in the economic life of individuals, businesses, and nations. To this end, we offer a universal set of products and services across retail, business, corporate, investment and wealth banking, as well as investment management and insurance solutions.

We are listed on the Johannesburg Stock Exchange and have banks[1] in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Absa Bank Tanzania and National Bank of Commerce), Uganda and Zambia as well as insurance operations in Botswana, Kenya, Mozambique, South Africa and Zambia. We also have representative offices in Namibia, Nigeria and United States; as well as securities entities in the United Kingdom and the United States, along with technology support colleagues in Czech Republic.

15 countries

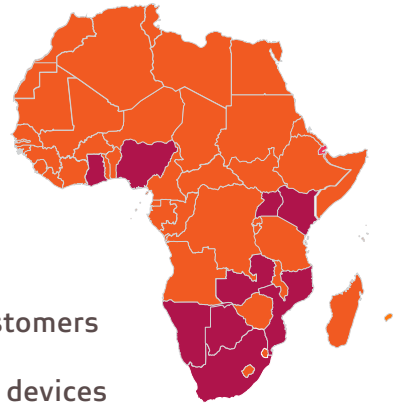
1 009 outlets*

7 360 ATMs

35 074 employees

2.8m digitally active customers

126 734 point-of-sale devices



* Outlets include branches and sales centres.

We help create, grow and protect wealth through partnerships in economic development, while playing a shaping role in Africa's growth and sustainability.

We bring possibilities to life

Possibilities come to life when we meet every challenge with tenacity, ingenuity, positivity and creativity. We coined a new word for our purpose, which is the driving force behind everything we do, a way of doing things that is unique to our continent.

We call it Africanacity

Results overview as at 30 June

Financial performance

Headline earnings	Revenue growth	Cost-to-income ratio	Credit loss ratio	Pre-provision profit
R11.0bn (2021: R8.6bn)	**14%** (2021: 3%)	**51.4%** (2021: 54.9%)	**0.91%** (2021: 0.88%)	**R22.8bn** (2021: R18.6bn)

Shareholder value

Return on equity	Headline earnings per ordinary share	Total dividend per ordinary share	Net asset value per ordinary share
17.7% (2021: 15.3%)	**1 298.5 cents** (2021: 1 019.7 cents)	**650 cents** (2021: 310 cents)	**14 937 cents** (2021: 13 859 cents)

Loans and deposits[2,3]

Gross loans and advances	Deposits
R1 203bn (2021: R1 080bn)	**R1 214bn** (2021: R1 105bn)

Liquidity and capital

Liquidity coverage ratio[4]	Common equity tier 1 ratio[5]
121.1% (2021: 124.0%)	**13.1%** (2021: 12.4%)

[1] Banks are wholly owned apart from the following where we hold majority stakes: Botswana 67.8%, Kenya 68.5%, Mozambique 98.7%, National Bank of Commerce, Tanzania 55% and Seychelles 99.8%.
[2] These numbers have been restated, refer to report overview.
[3] These numbers have been updated to include banks.
[4] The Group LCR reflects an aggregation of the Bank LCR and the ARO LCR. For this purpose, a simple average of the relevant three month-end data points is used in ARO, noting that the ARO LCR is capped at 80% per the minimum regulatory requirements. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.
[5] Due to the completion of the Group's separation from Barclays PLC, it has been decided that the difference between the normalised and IFRS capital ratios is no longer significant, and that the Group will only report capital ratios on an IFRS basis. Prior reporting periods have been restated to align with IFRS reporting principles.

Normalised Group performance

Normalised Group performance overview

for the reporting period ended

Group headline earnings of R11.0bn is the highest ever recorded in a half and was (27% CCY) higher than the prior year (HY'21: R8.6bn), underpinned by strong income-led pre-provision profit growth (+23%; +23% CCY), partially offset by higher impairments (+10%, +11% CCY). Strong earnings momentum over the medium term (+35% on H1'19) has been supported by solid income progression and improved efficiency.

Return on Equity of 17.7% has improved substantially from the prior year (H1'21: 15.3%) and is above Cost of Equity (14.5%). All business units reflected an improved returns position supported by stronger earnings and capital optimisation initiatives.

Very strong year-on-year income growth (+14%, +13% CCY) has been driven by growth in both non-interest income and net interest income. Non-interest income growth (+18%, +17% CCY) is mainly reflective of a recovery in the Insurance business, whilst net fee income growth (+7%, 7% CCY) was robust and trading income increased marginally from a high prior year base. Net interest income growth (+12%, +11% CCY) has been supported by solid balance sheet growth and an expanding net interest margin (4.54% vs H1'21: 4.41%), benefitting from the higher interest rate environment.

The Group remains well positioned for growth and resiliency as reflected in the capital position improving further (CET 1 ratio 13.1% vs H1'21: 12.4%) and the strong liquidity position with a Group Liquidity Coverage Ratio of 121.1% and Net Stable Funding Ratio of 113.0%, which are all above internal and regulatory minimum targets. The Group loan coverage ratio of 3.98% remains robust and well above the pre-COVID position (FY'19: 3.27%).

The contribution of non-interest income to total income of 39.2% was ahead of the prior year (H1'21: 37.9%) but remains below pre-COVID levels (H1'19: 42.0%) notwithstanding strong 2022 NIR growth.

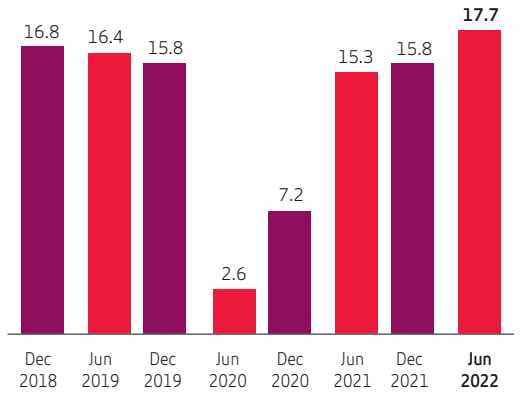
Credit impairments charges of R5.2bn increased on the prior year (+10%, +11% CCY) in RBB which has resulted in a credit loss ratio of 91bps (H1'21: 88 bps) which is within the top half of the Group's through-the-cycle target range (75 – 100 bps).

The Group improved its efficiency position year-on-year with the cost-to-income ratio reducing materially to 51.4% (H1'21: 54.9%). This reflects strong positive JAWS of 7% following faster income growth (+14%) relative to operating expenses growth (+7%, +6% CCY) (non-performance cost growth remains well contained, up 4% CCY).

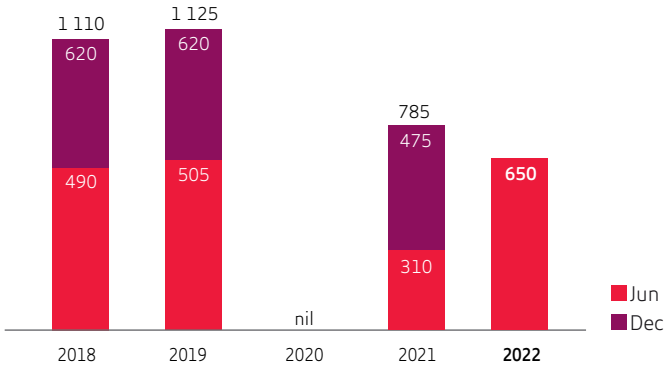
Normalised Group performance overview

for the reporting period ended

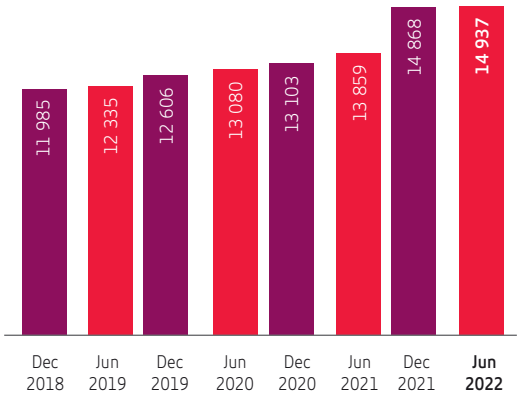
Return on equity (RoE) (%)



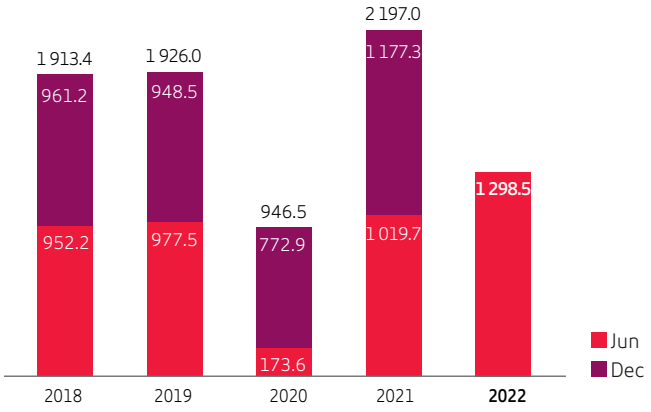
Dividend per ordinary shares (DPS) (cents)



Net asset value (NAV) per ordinary share (cents)



Headline earnings per ordinary share (HEPS) (cents)



Normalised Group performance overview

for the reporting period ended

	IFRS Group performance	30 June 2022 Barclays separation effects	Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income	28 583	(23)	28 560
Non-interest income	18 375	10	18 385
Total income	46 958	(13)	46 945
Credit impairment charges	(5 176)	—	(5 176)
Operating expenses	(24 625)	493	(24 132)
Other expenses	(1 216)	11	(1 205)
Share of post-tax results of associates and joint ventures	42	—	42
Operating profit before income tax	15 983	491	16 474
Tax expenses	(4 480)	(127)	(4 607)
Profit for the reporting period	11 503	364	11 867
Profit attributable to:			
Ordinary equity holders	10 481	355	10 836
Non-controlling interest – ordinary shares	594	9	603
Non-controlling interest – preference shares	123	—	123
Other equity: Additional Tier 1	305	—	305
	11 503	364	11 867
Headline earnings	10 628	356	10 984
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.54	n/a	4.54
Credit loss ratio	0.91	n/a	0.91
Non-interest income as % of total income	39.1	n/a	39.2
Income growth	14	n/a	14
Operating expenses growth	6	n/a	7
Cost-to-income ratio	52.4	n/a	51.4
Effective tax rate	28.0	n/a	28.0
Statement of financial position (Rm)			
Loans and advances	1 160 281	—	1 160 281
Loans and advances to customers	1 051 308	—	1 051 308
Loans and advances to banks	108 973	—	108 973
Investment securities	206 609	—	206 609
Other assets	394 806	(2 979)	391 827
Total assets	1 761 696	(2 979)	1 758 717
Deposits	1 213 509	—	1 213 509
Deposits due to customers	1 085 155	—	1 085 155
Deposits due to banks	128 354	—	128 354
Debt securities in issue	174 871	—	174 871
Other liabilities	225 644	462	226 106
Total liabilities	1 614 024	462	1 614 486
Equity	147 672	(3 441)	144 231
Total equity and liabilities	1 761 696	(2 979)	1 758 717
Key performance ratios (%)			
Return on average assets (RoA)	1.31	n/a	1.36
Return on equity (RoE)	16.6	n/a	17.7
Capital adequacy[1]	17.0	n/a	17.0
Common Equity Tier 1[1]	13.1	n/a	13.1
Share statistics (cents)			
Diluted headline earnings per ordinary share	1 278.4	n/a	1 296.7

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

Normalised Group performance overview

for the reporting period ended

	30 June 2020		
	IFRS Group performance	Barclays separation effects	Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income	25 597	(12)	25 585
Non-interest income	15 633	(8)	15 625
Total income	41 230	(20)	41 210
Credit impairment charges	(4 702)	—	(4 702)
Operating expenses	(23 259)	654	(22 605)
Other expenses	(1 028)	(4)	(1 032)
Share of post-tax results of associates and joint ventures	40	—	40
Operating profit before income tax	12 281	630	12 911
Tax expenses	(3 335)	(176)	(3 511)
Profit for the reporting period	8 946	454	9 400
Profit attributable to:			
Ordinary equity holders	8 162	445	8 607
Non-controlling interest – ordinary shares	374	9	383
Non-controlling interest – preference shares	120	—	120
Other equity: Additional Tier 1	290	—	290
	8 946	454	9 400
Headline earnings	8 186	442	8 628
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.41	n/a	4.41
Credit loss ratio	0.88	n/a	0.88
Non-interest income as % of total income	37.9	n/a	37.9
Income growth	2	n/a	3
Operating expenses growth	1	n/a	5
Cost-to-income ratio	56.4	n/a	54.9
Effective tax rate	27.2	n/a	27.2
Statement of financial position (Rm)			
Loans and advances[1]	1 036 603	—	1 036 603
Loans and advances to customers[1]	968 631	—	968 631
Loans and advances to banks[1]	67 972	—	67 972
Investment securities	182 623	—	182 623
Other assets	361 309	(3 973)	357 336
Total assets	1 580 535	(3 973)	1 576 562
Deposits [1]	1 105 237	—	1 105 237
Deposits due to customers[1]	1 015 385	—	1 015 385
Deposits due to banks[1]	89 852	—	89 852
Debt securities in issue	129 601	—	129 601
Other liabilities[1]	302 482	215[2]	302 697
Total liabilities	1 442 037	215	1 442 252
Equity	138 498	(4 188)	134 310
Total equity and liabilities	1 580 535	(3 973)	1 576 562
Key performance ratios (%)			
Return on average assets (RoA)	1.06	n/a	1.12
Return on equity (RoE)	13.9	n/a	15.3
Capital adequacy[3]	16.9	n/a	16.9
Common Equity Tier 1[3]	12.4	n/a	12.4
Share statistics (cents)			
Diluted headline earnings per ordinary share	984.6	n/a	1 018.2

[1] These numbers have been restated, refer to the report overview.

[2] 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'.

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

Normalised Group performance overview

for the reporting period ended

Reconciliation of IFRS to normalised results	31 December 2021 IFRS Group performance	Barclays separation effects	Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income	53 322	(25)	53 297
Non-interest income	32 584	(8)	32 576
Total income	85 906	(33)	85 873
Credit impairment charges	(8 499)	—	(8 499)
Operating expenses	(48 610)	1 198	(47 412)
Other expenses	(2 205)	(42)	(2 247)
Share of post-tax results of associates and joint ventures	132	—	132
Operating profit before income tax	26 724	1 123	27 847
Tax expenses	(7 299)	(305)	(7 604)
Profit for the reporting period	19 425	818	20 243
Profit attributable to:			
Ordinary equity holders	17 763	802	18 565
Non-controlling interest – ordinary shares	835	16	851
Non-controlling interest – preference shares	242	—	242
Other equity: Additional Tier 1	585	—	585
	19 425	818	20 243
Headline earnings	17 825	766	18 591
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.46	n/a	4.46
Credit loss ratio	0.77	n/a	0.77
Non-interest income as % of total income	37.9	n/a	37.9
Income growth	5	n/a	6
Operating expenses growth	1	n/a	4
Cost-to-income ratio	56.6	n/a	55.2
Effective tax rate	27.3	n/a	27.3
Statement of financial position (Rm)			
Loans and advances	1 092 257	—	1 092 257
Loans and advances to customers	1 017 386	—	1 017 386
Loans and advances to banks	74 871	—	74 871
Investment securities	188 898	—	188 898
Other assets	359 678	(3 539)	356 139
Total assets	1 640 833	(3 539)	1 637 294
Deposits	1 173 766	—	1 173 766
Deposits due to customers	1 075 736	—	1 075 736
Deposits due to banks	98 030	—	98 030
Debt securities in issue	131 076	—	131 076
Other liabilities	188 682	264	118 946
Total liabilities	1 493 524	264	1 493 788
Equity	147 309	(3 803)	143 506
Total equity and liabilities	1 640 833	(3 539)	1 637 294
Key performance ratios (%)			
Return on average assets (RoA)	1.13	n/a	1.18
Return on equity (RoE)	14.6	n/a	15.8
Capital adequacy[1]	17.0	n/a	17.0
Common Equity Tier 1[1]	12.8	n/a	12.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	2 143.5	n/a	2 193.4

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

Normalised salient features

for the reporting period ended

	30 June 2022	30 June 2021	Change %	31 December 2021
Statement of comprehensive income (Rm)				
Income	**46 945**	41 210	14	85 873
Operating expenses	**24 132**	22 605	7	47 412
Pre-provision profit	**22 813**	18 605	23	38 461
Credit impairment charges	**5 176**	4 702	10	8 499
Profit attributable to ordinary equity holders	**10 836**	8 607	26	18 565
Headline earnings[5]	**10 984**	8 628	27	18 591
Statement of financial position				
Net asset value (NAV) (Rm)	**126 449**	117 239	8	125 823
Gross loans and advances (Rm)[1, 2]	**1 203 294**	1 079 785	11	1 058 744
Total assets (Rm)	**1 758 717**	1 576 562	12	1 637 294
Deposits (Rm)[1, 2]	**1 213 509**	1 105 237	10	1 173 766
Gross loans to deposits and debt securities ratio (%)[1, 2]	**86.7**	87.4		86.9
Average gross loans to deposits and debt securities ratio (%)[1, 2]	**84.1**	83.6		84.2
Financial performance (%)				
Return on equity (RoE)	**17.7**	15.3		15.8
Return on average assets (RoA)	**1.36**	1.12		1.18
Return on risk-weighted assets (RoRWA)[3]	**2.39**	1.93		2.05
Stage 3 loans ratio on gross loans and advances	**5.29**	5.64		5.43
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4.54**	4.41		4.46
Credit loss ratio	**0.91**	0.88		0.77
Non-interest income as percentage of total income	**39.2**	37.9		37.9
Cost-to-income ratio	**51.4**	54.9		55.2
JAWS	**7**	(2)		1
Effective tax rate	**28.0**	27.2		27.3
Share statistics (million)				
Number of ordinary shares in issue	**847.8**	847.8		847.8
Number of ordinary shares in issue (excluding treasury shares)	**846.6**	846.0		846.3
Weighted average number of ordinary shares in issue	**845.9**	846.1		846.2
Diluted weighted average number of ordinary shares in issue	**847.0**	847.4		847.6
Share statistics (cents)				
Headline earnings per ordinary share	**1 298.5**	1 019.7	27	2 197.0
Diluted headline earnings per ordinary share	**1 296.7**	1 018.2	27	2 193.4
Basic earnings per ordinary share	**1 281.0**	1 017.3	26	2 193.9
Diluted basic earnings per ordinary share	**1 279.3**	1 015.7	26	2 190.3
Dividend per ordinary share relating to income for the reporting period	**650**	310	>100	785
Dividend payout ratio (%)	**50**	30		36
NAV per ordinary share	**14 937**	13 859	8	14 868
Tangible NAV per ordinary share	**13 789**	12 952	6	13 804
Capital adequacy (%)				
Absa Group Limited[4]	**17.0**	16.9		17.0
Absa Bank Limited[4]	**18.1**	17.7		17.9
Common Equity Tier 1 (%)				
Absa Group Limited[4]	**13.1**	12.4		12.8
Absa Bank Limited[4]	**13.1**	11.8		12.4

1 These numbers have been restated, refer to report overview.

2 These numbers have been updated to include banks.

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

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

5 After allowing for **R123m** (30 June 2021: R120m; 31 December 2021: R242m) profit attributable to preference equity holders and **R305m** (30 June 2021: R 290m; 31 December 2021: R585m) profit attributable to Additional Tier 1 capital holders.

Normalised salient features by segment

for the reporting period ended

	30 June			31 December
	2022	2021	Change %	2021
Headline earnings (Rm)				
RBB[1]	**5 593**	4 161	34	10 145
CIB[1]	**4 279**	4 059	5	7 789
Head Office, Treasury and other operations[1]	**1 112**	408	>100	657
Return on average risk-weighted assets (%)				
RBB[1]	**2.30**	1.77		2.14
CIB	**2.68**	2.54		2.42
Return on regulatory capital (%)				
RBB[1]	**19.9**	15.2		18.4
CIB[1]	**24.1**	22.8		21.7
Credit loss ratio (%)				
RBB[1]	**1.44**	1.33		1.21
CIB[1]	**0.13**	0.24		0.17
Gross loans and advances (Rm)				
RBB[1]	**698 240**	643 591	8	669 684
CIB[1]	**487 676**	424 491	15	457 395
Head Office, Treasury and other operations	**17 378**	11 703	48	6 618
Deposits (Rm)				
RBB[1, 2]	**573 073**	521 788	10	570 110
CIB[1, 2]	**501 796**	458 424	9	482 385
Head Office, Treasury and other operations[1, 2]	**138 640**	125 025	11	121 271

[1] These numbers have been restated, refer to the report overview.
[2] These numbers have been updated to include banks.

Profit commentary

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

Salient features

- Diluted headline earnings per share (DHEPS) grew 27% to 1 296.7 cents from 1 018.2 cents
- Declared an interim dividend of 650 cents per ordinary share, up 110% from 310 cents
- Retail and Business Banking's (RBB's) headline earnings increased 34% to R5 593m and Corporate and Investment Bank's (CIB's) headline earnings grew 5% to R4 279m
- Return on equity (RoE) improved to 17.7% from 15.3%
- Revenue grew 14% to R46.9bn, and operating expenses rose 7% to R24.1bn, producing a 51.4% cost-to-income ratio
- Pre-provision profit grew 23% to R22.8bn
- Credit impairments rose 10% to R5.2bn, resulting in a 0.91% credit loss ratio from 0.88%
- IFRS common equity tier 1 (CET 1) capital ratio increased to 13.1%, remaining well above regulatory requirements and higher than the Board's target range of 11.0% to 12.5%
- Net asset value (NAV) per share grew 8% to 14 937 cents

Normalised reporting

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

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

Overview of results

The Group's headline earnings increased by 27% to R10 984m from R8 628m and DHEPS grew 27% to 1 296.7 cents from 1 018.2 cents. The Group's RoE improved to 17.7% from 15.3% and its return on average assets was 1.36% from 1.12%.

Revenue grew 14% to R46 945m, with net interest income rising 12% to R28 560m and non-interest income increasing 18% to R18 385m. The Group's net interest margin on average interest-bearing assets increased to 4.54% from 4.41%, reflecting higher policy rates. With operating expenses increasing 7% to R24 132m, the cost-to-income ratio improved to 51.4% from 54.9%. Pre-provision profit grew 23% to R22 813m. Credit impairments increased 10% to R5 176m, resulting in a 0.91% credit loss ratio from 0.88%. Gross loans and advances grew 11% to R1 203bn, while deposits rose 10% to R1 214bn. An interim ordinary dividend of 650 cents per ordinary share was declared, with a pay-out ratio of 50%.

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

On a geographic basis, headline earnings in South Africa increased 26% to R9 215m, while Africa regions grew 32% to R1 769m.

Operating environment

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

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

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

Group performance

Statement of financial position

Total assets increased 12% to R1 759bn, reflecting 12% growth in net loans and advances and 13% higher investment securities, as surplus liquidity was deployed in treasury bills.

Loans and advances

Total gross loans and advances grew 11% to R1 203bn, given 8% growth in gross loans and advances to customers to R1 094bn, while gross loans and advances to banks rose 60% to R109bn. Gross RBB loans and advances to customers rose 9% to R684bn, as instalment credit agreements grew 10% to R118bn, mortgages increased 8% to R312bn, personal and term loans increased 10% to R70bn and credit cards rose 8% to R48bn. RBB ARO gross loans and advances to customers grew 17% to R72bn or 10% in constant currency (CCY). CIB gross loans and advances to customers increased 7% to R409bn. CIB SA grew 5% to R344bn, including 11% growth in term loans and 36% higher foreign currency loans, while reverse repurchase agreements declined 29%. CIB ARO grew 18% to R65bn or 9% in CCY.

Profit commentary

Group performance (continued)

Statement of financial position (continued)

Funding

Group sources of liquidity declined 3% to R277bn, which equates to 25% of customer deposits. The Group's liquidity coverage ratio of 121% and the net stable funding ratio of 113%, were both well above minimum regulatory requirements. Total deposits rose 10%, or 8% in CCY, to R1 214bn. Excluding repurchase agreements, total deposits increased 7% to R1 108bn. Deposits due to customers grew 7%, or 5% in CCY, to R1 085bn. Total deposits from banks rose 43% to R128bn. The loans-to-deposits and debt securities ratio decreased to 86.7% from 87.4%. Deposits due to customers constituted 78% of total funding, from 82%.

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

Net asset value

The Group's NAV increased 8% to R126bn and NAV per share grew 8% to 14 937 cents. During the first half of 2022, the Group generated retained earnings of R10.8bn and paid dividends of R4.0bn.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) grew 6% to R949bn, largely due to 5% higher credit risk RWAs. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. The Group IFRS CET 1 ratio increased to 13.1% from 12.4%, above the Board target range of 11.1% to 12.5%. The Group Tier 1 ratio rose to 14.8%, with a total capital adequacy ratio of 17.0%.

Statement of comprehensive income

Net interest income

Net interest income increased 12%, or 11% in CCY, to R28 560m from R25 585m, while average interest-bearing assets grew 8.4%. The Group's net interest margin improved to 4.54% from 4.41%, mainly due to higher policy rates in South Africa and ARO.

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

Non-interest income

Non-interest income increased 18%, or 17% in CCY, to R18 385m from R15 625m and accounted for 39.2% of total revenue, up from 37.9%. Net fee and commission income grew 7% to R11 550m, representing 63% of total non-interest income. Within this, transactional fees and commissions increased 8%, with cheque account fees down 1%, while electronic banking fees grew 18% and credit card fees rose 10%. Merchant income rose 11%, reflecting increased acquiring volumes. Net trading income, excluding the impact of hedge accounting, rose 12% to R4 139m with Global Markets income increasing by 1% to R3 862m from R3 819m, with Markets SA up 1% and Markets ARO increasing 2%. Insurance revenue recovered strongly, contributing 9% of total non-interest income growth, mainly due to R1.1bn lower COVID-19 reserving, while claims reduced by R0.2bn, and net premium income grew by R0.3bn.

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

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

Impairment losses (credit impairments)

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

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

Profit commentary

Group performance (continued)

Statement of comprehensive income (continued)

Impairment losses (credit impairments) (continued)

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

Operating expenses

Operating expenses grew 7%, or 6% in CCY, to R24 132m from R22 605m, improving the Group's cost-to-income ratio to 51.4% from 54.9%. Staff costs rose 4% in reported and CCY to R13 189m, accounting for 55% of total operating expenses. Salaries and other staff costs, the largest component, was flat at R11 310m largely due to a lower headcount and reduced restructuring costs offsetting salary inflation. Bonuses grew 47%, given improved performance and higher first half accrual. Non-staff costs grew 10%, or 9% in CCY, with IT costs 12% higher reflecting continued investment in digital platforms requiring additional software, cybersecurity and licensing spend. Total IT spend, including staff, amortisation and depreciation, grew 11% to R5 939m, or 25% of Group expenses. Investment in digital, data and automation processes and analytics saw amortisation of intangible assets grow by 15%. Cash transportation costs fell 5%, reflecting migration to digital banking and increased cash recycling. Professional fees rose 35%, mainly from higher spend on strategic initiatives. Marketing costs grew 48%, due to increased campaign spend, mostly in RBB. Depreciation decreased by 8% primarily due to continued optimisation of property and physical IT infrastructure. Property costs declined 1%, reflecting ongoing property optimisation.

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

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

Taxation

The Group's taxation expense grew 31% to R4 607m from R3 511m, resulting in an effective tax rate of 28.0% from 27.2%.

Segment performance

RBB

Headline earnings grew 34% to R5 593m, as pre-provision profit increased 24% to R14 165m. Revenue rose 14%, or 13% in CCY, to R32 496m, with net interest income up 9%, largely due to balance sheet growth. Customer loans grew by 9% and customer deposits increased by 10%. Non-interest income grew 22% as mortality claims and COVID-19 provisions normalised, and economic activity improved. Operating expenses increased 7%, or 6% in CCY, to R18 331m, resulting in a 56.4% cost-to-income ratio from 59.9%. RBB credit impairments rose 16%, producing a 1.44% credit loss ratio from 1.33%. RBB generated a return on regulatory capital (RoRC) of 19.9% from 15.2%, contributing 57% of total Group headline earnings excluding Head Office, Treasury and other operations.

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

RBB ARO's headline earnings increased significantly to R523m, from R54m, predominantly due to 42% higher pre-provision profit. Revenue grew 18%, or 16% in CCY, with non-interest income up 28% (24% in CCY) and net interest income increasing 15% (13% in CCY). Customer loans grew 17%, or 10% in CCY, while deposits rose 16% (7% in CCY). Costs increased 10%, or 7% in CCY, resulting in a cost-to-income ratio of 69.2% from 74.3%. Credit impairments rose 8%, producing a slightly lower credit loss ratio of 1.70%. RBB ARO's RoRC improved to 11.0% from 1.2%.

CIB

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

Profit commentary

Segment performance (continued)

CIB (continued)

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

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

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

Head office, Treasury and other operations

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

Geographic split

South Africa

Headline earnings grew 26% to R9 215m, driven by 21% higher pre-provision profit. Total revenue increased 13%, with non-interest income up 19% and net interest income rising 10%. Operating expenses grew 5%, resulting in a 48.8% cost-to-income ratio from 52.4%. Credit impairments increased 6%, producing a 0.91% credit loss ratio from 0.75%. South Africa contributed 84% of Group earnings. Its RoRC improved to 22.7% from 18.3%.

Africa regions

Headline earnings rose 32%, or 30% in CCY, to R1 769m. The average value of the Rand was slightly weaker during the period, adding 2% to Africa regions' revenue and earnings. Pre-provision profits increased 27%, driven by 17% revenue growth (15% in CCY). Net interest income grew 18%, or 16% in CCY, with 17% customer loan growth and improved margins. Non-interest revenue grew 14%, or 12% in CCY, reflecting 28% growth in RBB ARO. Operating expenses rose 11%, or 7% in CCY, producing a 59.7% cost-to-income ratio from 63.0%. Credit impairments increased 47%, or 51% in CCY, largely in CIB ARO off a very low base. Its credit loss ratio rose to 0.93% from 0.71%. Africa regions' RoRC improved to 14.16% from 12.5%.

Prospects

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

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

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

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

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

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

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

Basis of presentation

IFRS reporting

The Group's financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS-IC), the South African Institute of Chartered Accountants' Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act.

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

Normalised reporting

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

Normalisation adjusted for the following items interest earned on the remaining capital invested; non-interest income; operating expenses mainly relating to amortisation of intangible assets and depreciation; recovery of other operating expense and the tax impact of the aforementioned items. Since normalisation occurs at a Group level, it does not affect divisional disclosures.

Accounting policies

The accounting policies applied in preparing the consolidated financial results are the same as those in place for the Group's annual consolidated financial statements for the reporting period ended 31 December 2021.

The Board assess the Group's future performance and financial position on an ongoing basis and have no reason to believe that the Group will not be a going concern in the foreseeable future. The information in this report has therefore been prepared on a going concern basis.

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

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

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

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

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

Basis of presentation

Events after the reporting period

The Group has assessed the impact of the announcement made on 30 June 2022 relating to the strengthening of the Group Executive Committee and the introduction of a refined operating model to the Group's segments. The changes are effective from 1 July 2022, and therefore do not affect the Group's segment reporting and related parties disclosures in its financial results for the interim reporting period ended 30 June 2022. The impact of this announcement on segment reporting for the year ended 31 December 2022 is in the process of being determined (refer to Segment Report section).

Other than the aforementioned, the directors are not aware of any events (as defined by *IAS 10 – Events after the Reporting Period*) after the reporting date of 30 June 2022 and the date of authorisation of the interim financial results.

On behalf of the Board

S Moloko
Group Chairman

J P Quinn
Group Financial Director

Johannesburg
15 August 2022

Dividend announcement

Declaration of interim dividend number 70

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

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

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

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

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

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

On behalf of the Board

N R Drutman
Company Secretary

Johannesburg
15 August 2022

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

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

Consolidated normalised statement of comprehensive income

for the reporting period ended

	Note	30 June 2022 Rm	2021 Rm	Change %	31 December 2021 Rm
Net interest income	2	**28 560**	25 585	12	53 297
Interest and similar income		**50 889**	44 132	15	89 495
Effective interest income		**49 853**	43 219	15	87 844
Other interest income		**1 036**	913	13	1 651
Interest expense and similar charges		**(22 329)**	(18 547)	20	(36 198)
Non-interest income	3	**18 385**	15 625	18	32 576
Net fee and commission income		**11 550**	10 765	7	22 074
Fee and commission income	3.1	**13 556**	12 520	8	25 550
Fee and commission expense	3.1	**(2 006)**	(1 755)	14	(3 476)
Net insurance premium income	3.2	**4 576**	4 282	7	8 778
Net claims and benefits incurred on insurance contracts	3.3	**(2 373)**	(2 621)	(9)	(5 514)
Changes in investment and insurance contract liabilities	3.4	**1 995**	(1 684)	<(100)	(2 799)
Gains from banking and trading activities	3.5	**4 043**	3 597	12	6 590
Gains and losses from investment activities	3.6	**(1 586)**	1 088	<(100)	2 704
Other operating income	3.7	**180**	198	(9)	743
Total income		**46 945**	41 210	14	85 873
Credit impairment charges	4	**(5 176)**	(4 702)	10	(8 499)
Operating income before operating expenditure		**41 769**	36 508	14	77 374
Operating expenditure	5	**(24 132)**	(22 605)	7	(47 412)
Other expenses		**(1 205)**	(1 032)	17	(2 247)
Other impairments		**(233)**	(121)	93	(384)
Indirect taxation	6	**(972)**	(911)	7	(1 863)
Share of post-tax results of associates and joint ventures		**42**	40	5	132
Operating profit before income tax		**16 474**	12 911	28	27 847
Taxation expense	7	**(4 607)**	(3 511)	31	(7 604)
Profit for the reporting period		**11 867**	9 400	26	20 243
Profit attributable to:					
Ordinary equity holders		**10 836**	8 607	26	18 565
Non-controlling interest – ordinary shares		**603**	383	57	851
Non-controlling interest – preference shares		**123**	120	3	242
Other equity: Additional Tier 1 capital[1]		**305**	290	5	585
		11 867	9 400	26	20 243
Earnings per share:					
Basic earnings per share (cents)	1	**1 281.1**	1 017.3	26	2 194.0
Diluted earnings per share (cents)	1	**1 279.3**	1 015.7	26	2 190.4

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

Consolidated normalised statement of comprehensive income

for the reporting period ended

	30 June 2022 Rm	2021 Rm	Change %	31 December 2021 Rm
Profit for the reporting period	**11 867**	9 400	26	20 243
Other comprehensive income				
Items that will not be reclassified to profit or loss	**(8)**	295	<(100)	83
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**(5)**	7	<(100)	(133)
Fair value (losses)	**(6)**	9	<(100)	(172)
Deferred tax	**1**	(2)	<(100)	39
Movement on liabilities designated at FVTPL due to changes in own credit risk	**5**	15	(67)	(26)
Fair value movements	**13**	20	(35)	(36)
Deferred tax	**(8)**	(5)	60	10
Movement in retirement benefit fund assets and liabilities	**(8)**	273	<(100)	242
Increase/(decrease) in retirement benefit surplus	**(14)**	91	<(100)	108
Decrease/(increase) in retirement benefit deficit	**—**	230	(100)	169
Deferred tax	**6**	(48)	<(100)	(35)
Items that are or may be subsequently reclassified to profit or loss	**(6 434)**	(2 567)	>100	(1 163)
Movement in foreign currency translation reserve	**(1 142)**	(366)	>100	2 549
Differences in translation of foreign operations	**(1 142)**	(366)	>100	2 645
Release to profit or loss	**—**	—	—	(96)
Movement in cash flow hedging reserve	**(4 535)**	(3 147)	44	(4 051)
Fair value (losses)	**(4 241)**	(2 246)	89	(1 463)
Amounts transferred within other comprehensive income	**2**	—	100	—
Amount removed from other comprehensive income and recognised in profit or loss	**(1 997)**	(2 125)	(6)	(4 163)
Deferred tax	**1 701**	1 224	39	1 575
Movement in fair value of debt instruments measured at FVOCI	**(757)**	946	<(100)	339
Fair value (losses)/gains	**(818)**	1 606	<(100)	691
Release to profit or loss	**(13)**	(230)	(94)	(120)
Deferred tax	**74**	(430)	<(100)	(232)
Total comprehensive income for the reporting period	**5 425**	7 128	(24)	19 163
Total comprehensive income attributable to:				
Ordinary equity holders	**4 456**	6 421	(31)	17 314
Non-controlling interest – ordinary shares	**541**	297	82	1 022
Non-controlling interest – preference shares	**123**	120	3	242
Other equity: Additional Tier 1 capital[1]	**305**	290	5	585
	5 425	7 128	(24)	19 163

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

Consolidated normalised statement of financial position

as at

	Note	30 June 2022 Rm	2021 Rm	Change %	31 December 2021 Rm
Assets					
Cash, cash balances and balances with central banks		**61 353**	56 610	8	66 041
Investment securities		**206 609**	182 623	13	188 898
Trading portfolio assets		**211 797**	206 163	3	203 079
Hedging portfolio assets		**6 096**	6 851	(11)	5 159
Other assets		**52 942**	32 553	63	23 982
Current tax assets		**478**	490	(2)	529
Non-current assets held for sale		**5 150**	1 373	>100	4 259
Loans and advances[1]	8	**1 160 281**	1 036 603	12	1 092 257
Reinsurance assets		**1 025**	510	>100	732
Investments linked to investment contracts		**18 930**	22 190	(15)	19 803
Investments in associates and joint ventures		**1 635**	1 641	(0)	1 593
Investment property		**419**	487	(14)	421
Property and equipment		**14 825**	15 639	(5)	15 509
Goodwill and intangible assets		**9 709**	7 667	27	9 008
Deferred tax assets		**7 468**	5 162	45	6 024
Total assets		**1 758 717**	1 576 562	12	1 637 294
Liabilities					
Trading portfolio liabilities		**97 631**	82 839	18	72 819
Hedging portfolio liabilities		**7 082**	3 804	86	3 659
Other liabilities		**61 050**	57 084	7	48 069
Provisions		**3 960**	3 711	7	5 394
Current tax liabilities		**825**	550	50	1 005
Non-current liabilities held for sale		**3 333**	542	>100	3 465
Deposits[1]	9	**1 213 509**	1 105 237	10	1 173 766
Debt securities in issue	10	**174 871**	129 601	35	131 076
Loans from Barclays separation segment		**945**	481	96	693
Liabilities under investment contracts		**19 830**	25 258	(21)	21 126
Policyholder liabilities under insurance contracts		**5 776**	5 297	9	5 731
Borrowed funds	11	**25 240**	27 426	(8)	26 600
Deferred tax liabilities		**434**	422	3	386
Total liabilities		**1 614 486**	1 442 252	12	1 493 788
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Share capital	11	**1 693**	1 692	0	1 692
Share premium	11	**4 167**	4 081	2	4 089
Retained earnings		**120 043**	106 063	13	113 327
Other reserves		**546**	5 403	(90)	6 715
		126 449	117 239	8	125 823
Non-controlling interest – ordinary shares		**6 134**	5 423	13	6 035
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Other equity: Additional Tier 1 capital[2]		**7 004**	7 004	—	7 004
Total equity		**144 231**	134 310	7	143 506
Total liabilities and equity		**1 758 717**	1 576 562	12	1 637 294

[1] These numbers have been restated, refer to the report overview.

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

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Consolidated normalised statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the beginning of the reporting period	846 266	1 692	4 089	113 327	6 715	825
Total comprehensive income	—	—	—	10 828	(6 372)	—
Profit for the period	—	—	—	10 836	—	—
Other comprehensive income	—	—	—	(8)	(6 372)	—
Dividends paid during the reporting period	—	—	—	(3 951)	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(197)	(136)	—	—
Elimination of the movement in Treasury shares held by Group entities	281	1	78	—	—	—
Movement in share-based payment reserve	—	—	197	—	178	—
Transfer from share-based payment reserve	—	—	197	—	(197)	—
Value of employee services	—	—	—	—	351	—
Deferred tax	—	—	—	—	24	—
Movement in general credit risk reserve	—	—	—	17	(17)	(17)
Share of post-tax results of associates and joint ventures	—	—	—	(42)	42	—
Acquisition of non-controlling interest	—	—	—	—	—	—
Balance at the end of the reporting period	846 547	1 693	4 167	120 043	546	808

Consolidated normalised statement of changes in equity

for the reporting period ended

30 June 2022

Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity: Additional Tier 1 capital Rm	Total equity Rm
(845)	1 262	3 145	57	672	1 599	125 823	6 035	4 644	7 004	143 506
(718)	(4 535)	(1 119)	—	—	—	4 456	541	123	305	5 425
—	—	—	—	—	—	10 836	603	123	305	11 867
(718)	(4 535)	(1 119)	—	—	—	(6 380)	(62)	—	—	(6 442)
—	—	—	—	—	—	(3 951)	(442)	(123)	—	(4 516)
—	—	—	—	—	—	—	—	—	(305)	(305)
—	—	—	—	—	—	(333)	—	—	—	(333)
—	—	—	—	—	—	79	—	—	—	79
—	—	—	—	178	—	375	—	—	—	375
—	—	—	—	(197)	—	—	—	—	—	—
—	—	—	—	351	—	351	—	—	—	351
—	—	—	—	24	—	24	—	—	—	24
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	42	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
(1 563)	(3 273)	2 026	57	850	1 641	126 449	6 134	4 644	7 004	144 231

Consolidated normalised statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the beginning of the reporting period	844 769	1 689	4 006	97 010	7 988	1 181
Total comprehensive income	—	—	—	8 905	(2 484)	—
Profit for the period	—	—	—	8 607	—	—
Other comprehensive income	—	—	—	298	(2 484)	—
Dividends paid during the reporting period	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(264)	5	—	—
Elimination of the movement in Treasury shares held by Group entities	1 190	3	75	—	—	—
Movement in share-based payment reserve	—	—	264	—	42	—
Transfer from share-based payment reserve	—	—	264	—	(264)	—
Value of employee services	—	—	—	—	281	—
Deferred tax	—	—	—	—	25	—
Movement in general credit risk reserve	—	—	—	185	(185)	(185)
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(2)	2	—
Share of post-tax results of associates and joint ventures	—	—	—	(40)	40	—
Balance at the end of the reporting period	845 959	1 692	4 081	106 063	5 403	996

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

Consolidated normalised statement of changes in equity

for the reporting period ended

30 June 2021										
Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity: Additional Tier 1 capital[1] Rm	Total equity Rm
(1 225)	5 313	824	40	373	1 482	110 693	5 205	4 644	7 004	127 546
960	(3 147)	(297)	—	—	—	6 421	297	120	290	7 128
—	—	—	—	—	—	8 607	383	120	290	9 400
960	(3 147)	(297)	—	—	—	(2 186)	(86)	—	—	(2 272)
—	—	—	—	—	—	—	(79)	(120)	—	(199)
—	—	—	—	—	—	—	—	—	(290)	(290)
—	—	—	—	—	—	(259)	—	—	—	(259)
—	—	—	—	—	—	78	—	—	—	78
—	—	—	—	42	—	306	—	—	—	306
—	—	—	—	(264)	—	—	—	—	—	—
—	—	—	—	281	—	281	—	—	—	281
—	—	—	—	25	—	25	—	—	—	25
—	—	—	—	—	—	—	—	—	—	—
—	—	—	2	—	—	—	—	—	—	—
—	—	—	—	—	40	—	—	—	—	—
(265)	2 166	527	42	415	1 522	117 239	5 423	4 644	7 004	134 310

Consolidated normalised statement of changes in equity

for the reporting period

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the beginning of the reporting period	844 769	1 689	4 006	97 010	7 988	1 181
Total comprehensive income	—	—	—	18 664	(1 350)	—
Profit for the period	—	—	—	18 565	—	—
Other comprehensive income	—	—	—	99	(1 350)	—
Dividends paid during the reporting period	—	—	—	(2 573)	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(280)	4	—	—
Elimination of the movement in Treasury shares held by Group entities	1 497	3	83	—	—	—
Movement in share-based payment reserve	—	—	280	—	299	—
Transfer from share-based payment reserve	—	—	280	—	(280)	—
Value of employee services	—	—	—	—	509	—
Deferred tax	—	—	—	—	70	—
Movement in general credit risk reserve	—	—	—	356	(356)	(356)
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(17)	17	—
Share of post-tax results of associates and joint ventures	—	—	—	(132)	132	—
Disposal of associates and joint ventures[1]	—	—	—	15	(15)	—
Balance at the end of the reporting period	846 266	1 692	4 089	113 327	6 715	825

[1] On 30 September 2021, the board of directors disposed of Integrated Processing Solutions.

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

Consolidated normalised statement of changes in equity

for the reporting period

31 December 2021										
Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity: Additional Tier 1 capital[2] Rm	Total equity Rm
(1 225)	5 313	824	40	373	1 482	110 693	5 205	4 644	7 004	127 546
380	(4 051)	2 321	—	—	—	17 314	1 022	242	585	19 163
—	—	—	—	—	—	18 565	851	242	585	20 243
380	(4 051)	2 321	—	—	—	(1 251)	171	—	—	(1 080)
—	—	—	—	—	—	(2 573)	(192)	(242)	—	(3 007)
—	—	—	—	—	—	—	—	—	(585)	(585)
—	—	—	—	—	—	(276)	—	—	—	(276)
—	—	—	—	—	—	86	—	—	—	86
—	—	—	—	299	—	579	—	—	—	579
—	—	—	—	(280)	—	—	—	—	—	—
—	—	—	—	509	—	509	—	—	—	509
—	—	—	—	70	—	70	—	—	—	70
—	—	—	—	—	—	—	—	—	—	—
—	—	—	17	—	—	—	—	—	—	—
—	—	—	—	—	132	—	—	—	—	—
—	—	—	—	—	(15)	—	—	—	—	—
(845)	1 262	3 145	57	672	1 599	125 823	6 035	4 644	7 004	143 506

Condensed consolidated normalised statement of cash flows

for the reporting period ended

	Note	30 June 2022 Rm	2021 Rm	Change %	31 December 2021 Rm
Net cash generated from/(utilised in) operating activities		**7 389**	(4 627)	>(100)	7 650
Net cash utilised in investing activities		**(2 548)**	(1 586)	61	(4 691)
Net cash (utilised in)/ generated from financing activities		**(6 794)**	5 402	>(100)	(518)
Net cash (decrease)/increase in cash and cash equivalents		**(1 953)**	(811)	>100	2 441
Cash and cash equivalents at the beginning of the reporting period	1	**20 318**	16 796	21	16 796
Effect of foreign exchange rate movement on cash and cash equivalents		**1 238**	237	>100	1 081
Cash and cash equivalents at the end of the reporting period	2	**19 603**	16 222	21	20 318

Notes to the condensed consolidated normalised statement of cash flows

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

Cash, cash balances and balances with central banks[1]	**14 577**	14 403	1	14 403
Loans and advances to banks[2]	**5 741**	2 393	>100	2 393
	20 318	16 796	21	16 796

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

Cash, cash balances and balances with the central banks[1]	**13 006**	12 896	1	14 577
Loans and advances to banks[2]	**6 597**	3 326	98	5 741
	19 603	16 222	21	20 318

[1] Includes coins and bank notes.

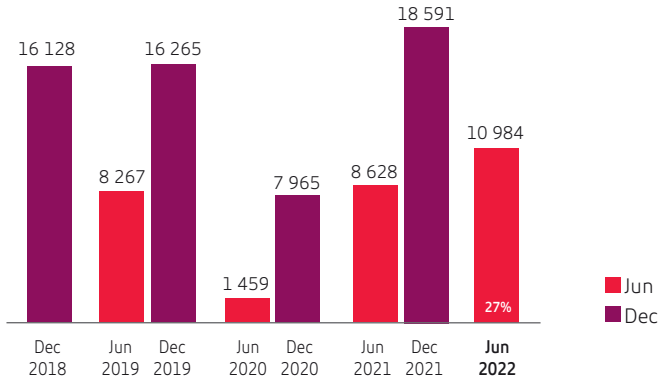
[2] Includes call advances which are used as working capital by the Group.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

1. Headline earnings and earnings per ordinary share

Headline earnings (Rm and change %)



Headline earnings	30 June 2022 Gross Rm	30 June 2022 Net Rm	30 June 2021 Gross Rm	30 June 2021 Net Rm	Net change %	31 December 2021 Gross Rm	31 December 2021 Net Rm
Headline earnings is determined as follows:							
Profit attributable to ordinary equity holders		**10 836**		8 607	26		18 565
Total headline earnings adjustment		**148**		21	>100		26
IFRS 3 – Goodwill impairment	**—**	**—**	—	—	—	29	29
IFRS 5 – Profit on disposal of non-current assets held for sale	**(20)**	**(15)**	(9)	(7)	>100	(20)	(16)
IFRS 5 – Re-measurement of non-current assets held for sale	**—**	**—**	—	—	—	1	1
IAS 16 – Profit on disposal of property and equipment	**(8)**	**(5)**	(16)	(13)	(62)	(106)	(81)
IAS 16 and IAS 36 – Insurance recovery of property and equipment damaged during riots	**—**	**—**	—	—	—	(121)	(87)
IAS 21 – Recycled foreign currency translation reserve	**—**	**—**	—	—	—	(96)	(74)
IAS 28 – Impairment of investments in associates and joint ventures	**—**	**—**	—	—	—	(11)	(11)
IAS 28 – Profit on disposal of associates and joint ventures	**—**	**—**	—	—	—	(1)	(1)
IAS 36 – Impairment of property and equipment	**233**	**168**	56	41	>100	214	154
IAS 36 – Impairment of intangible assets	**—**	**—**	—	—	—	111	87
IAS 38 – Profit on disposal of intangible assets	**—**	**—**	—	—	—	1	1
IAS 40 – Change in fair value of investment properties	**—**	**—**	—	—	—	31	24
		10 984		8 628	27		18 591

Notable adjustments to headline earnings

- 'Profit on disposal of non-current assets held for sale' relates to disposal of property.
- 'Profit on disposal of property and equipment' relates mainly to disposal of equipment and branch assets.
- 'Impairment of property and equipment' arose mainly due to impairment of property.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

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

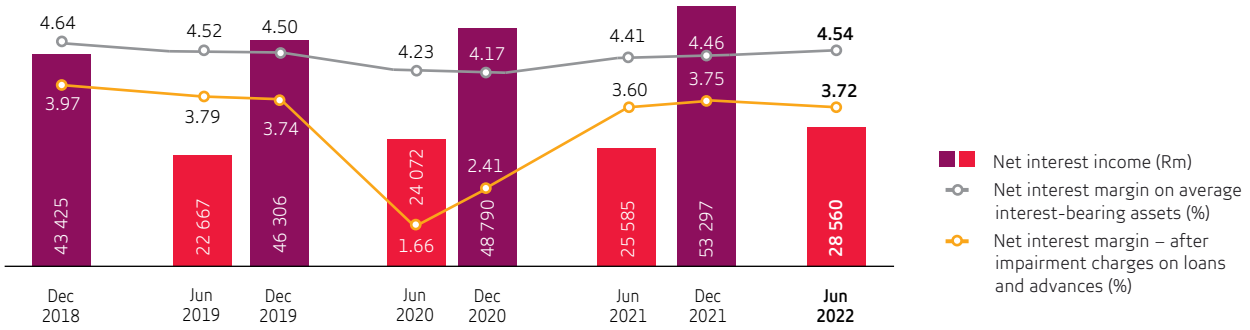
	30 June 2022 Rm	30 June 2021 Rm	Change value/ %	31 December 2021 Rm
Basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**10 836**	8 607	26	18 565
Weighted average number of ordinary shares in issue (million)	**845.9**	846.1	(0.2)	846.2
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8	—	847.8
Treasury shares held by Group entities (million)	**(1.9)**	(1.7)	(0.2)	(1.6)
Basic earnings per ordinary share (cents)	**1 281.0**	1 017.3	26	2 193.9
Diluted basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**10 836**	8 607	26	18 565
Diluted weighted average number of ordinary shares in issue (million)	**847.0**	847.4	(0.0)	847.6
Weighted average number of ordinary shares in issue (million)	**845.9**	846.1	(0.2)	846.2
Adjustments for share options issued at no value (million)	**1.1**	1.3	0.2	1.4
Diluted basic earnings per ordinary share (cents)	**1 279.3**	1 015.7	26	2 190.3
Headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**10 984**	8 628	27	18 591
Weighted average number of ordinary shares in issue (million)	**845.9**	846.1	(0.2)	846.2
Headline earnings per ordinary share (cents)	**1 298.5**	1 019.7	27	2 197.0
Diluted headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**10 984**	8 628	27	18 591
Diluted weighted average number of ordinary shares in issue (million)	**847.0**	847.4	(0.0)	847.6
Diluted headline earnings per ordinary share (cents)	**1 296.7**	1 018.2	27	2 193.4

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

2. Net interest income

Net interest income and net interest margin



	30 June						31 December		
	2022			2021			2021		
	Average balance[1] Rm	Average rate %	Interest income/ (expense) Rm	Average balance[1] Rm	Average rate %	Interest income/ (expense) Rm	Average balance[1] Rm	Average rate %	Interest income/ (expense) Rm
Assets									
Cash, cash balances and balances with central banks	**4 295**	**0.46**	**10**	3 201	0.76	12	2 622	0.91	24
Investment securities	**171 714**	**7.44**	**6 338**	146 227	7.87	5 708	154 604	7.16	11 064
Loans and advances	**1 092 624**	**8.22**	**44 540**	1 020 601	7.59	38 412	1 038 348	7.55	78 407
Interest-bearing assets	**1 268 633**	**8.09**	**50 888**	1 170 028	7.61	44 132	1 195 574	7.49	89 495
Non-interest-bearing assets	**326 398**	**—**	**—**	386 527	—	—	381 681	—	—
Total assets	**1 595 031**	**—**	**50 888**	1 556 555	—	44 132	1 577 255	—	89 495
Liabilities									
Deposits	**928 484**	**(3.92)**	**(18 041)**	884 618	(3.35)	(14 691)	897 581	(3.08)	(27 645)
Debt securities in issue	**119 782**	**(5.48)**	**(3 257)**	116 453	(5.36)	(3 093)	109 718	(5.82)	(6 390)
Borrowed funds	**24 495**	**(8.48)**	**(1 030)**	20 311	(7.57)	(763)	22 856	(9.47)	(2 164)
Interest-bearing liabilities	**1 072 761**	**(4.20)**	**(22 328)**	1 021 382	(3.66)	(18 547)	1 030 155	(3.51)	(36 198)
Non-interest-bearing liabilities	**388 095**	**—**	**—**	407 315	—	—	415 793	—	—
Total liabilities	**1 460 856**	**—**	**(22 328)**	1 428 698	—	(18 547)	1 445 948	—	(36 198)
Total equity	**134 175**	**—**	**—**	127 857	—	—	131 307	—	—
Total equity and liabilities	**1 595 031**	**—**	**(22 328)**	1 556 555	—	(18 547)	1 577 255	—	(36 198)
Net interest margin on average interest-bearing assets		**4.54**			4.41			4.46	

[1] Average balances are calculated based on daily weighted average balances.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

2. Net interest income (continued)

	30 June		31 December
	2022 bps	2021 bps	2021 bps
Net interest margin at the end of the previous reporting period	**441**	423	417
Loans and advances to customers (i)	**7**	4	3
Change in rates (pricing)	**7**	4	6
Change in composition	**—**	—	(3)
Deposits due to customers (ii)	**6**	(12)	(3)
Change in rates (pricing)	**1**	(10)	(9)
Change in composition	**6**	6	16
Endowment (iii)	**(1)**	(8)	(10)
Equity endowment (iii)	**6**	(10)	(2)
SA	**4**	(7)	(2)
Africa Regional Operations	**2**	(3)	—
Interest rate risk management (hedging strategy) (iii)	**(4)**	10	8
Other (iv)	**(2)**	26	23
Change in net interest margin	**13**	18	29
Net interest margin at the end of the current reporting period	**454**	441	446

Performance

The Group's net interest margin of **454 bps** (2021: 441 bps) is 13 bps higher than the previous reporting period (2021: increased by 18 bps) supported by increases in policy rates in South Africa (prime increased by 125 bps from the comparative period) and across the Absa Regional Operations markets. The detailed year-on-year movement reflects the following:

(i) Loans and advances to customers

- Higher interest rates as well as lower suspended interest in RBB SA supported Group margin.
- Slower growth in low-margin advances in Investment Banking in South Africa relative to the Group's interest-bearing assets created a positive composition impact, which was offset by the negative mix impact of muted growth in the unsecured portfolio in RBB SA.

(ii) Deposits due to customers

- Deposit margin expansion is supported by the impact of higher policy rates in Corporate SA, partially offset by margin compression in ARO RBB.
- A decrease in low-margin deposits in Corporate SA and less reliance on wholesale funding had a positive composition effect on margins.

Performance indicators and condensed normalised notes to the consolidated financial statements

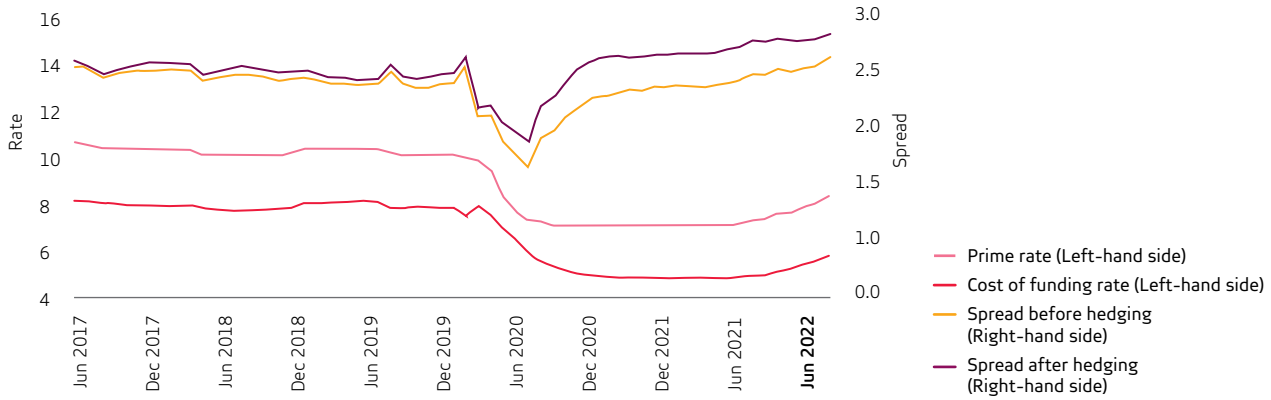
for the reporting period ended

2. Net interest income (continued)

Performance (continued)

(iii) Hedging strategy and equity endowment

Hedging impact on net interest margin[1] (%)



- Absa Bank Limited employs a governed interest rate management strategy (hedging programme) through the interest rate cycle to reduce margin volatility associated with structural balances (i.e. rate insensitive liabilities as well as the endowment associated with equity).
- Qualification criterion for balances to be treated as structural is well defined and tested. As at 30 June 2022 an aggregate of **13%** (30 June 2021: 12%; 31 December 2021: 13%) of Absa Bank Limited's total capital and liabilities constituted structural balances.
- Cash flow hedge accounting is applied to account for the interest rate swaps executed as part of the hedging programme in South Africa. The after-tax 'cash flow hedging reserve' relating to the hedging programme reflected a debit balance of **R3.2bn** (30 June 2021: credit of R1.8bn; 31 December 2021: credit of R0.8bn). The year-on-year benefit realised on the structural hedge programme is 4 bps lower, releasing **R1 339m** (30 June 2021: R1 518m; 31 December 2021: R3 158m) to the statement of comprehensive income.
- Endowment had a 3 bps positive impact on net interest margin in South Africa year-on-year (Equity +4 bps; Deposits -1 bps) reflective of higher policy rates.
- The overall impact of total endowment after hedging was (-1 bps). This was a result of lower rate earned on the hedging programme, partially offset by the faster growth of endowment balances relative to the Group's interest-bearing assets.
- The impact of endowment on equity in ARO on the Group's net interest margin was positive **(+2 bps)** (30 June 2021: -3 bps; 31 December 2021: flat) mainly reflective of the positive mix impact of higher equity balances across most markets. The year-on-year impact of higher rates was only marginally favourable.

(iv) Other

Other items have had a cumulative 2 bps negative impact mainly representing:

- Excess liquidity invested in lower margin-yielding instruments in ARO markets;
- Funding costs associated with the USD AT1 issuance in May 2021;
- The negative impact on margin of a reduction in the basis differential between prime and JIBAR; partially offset by
- The positive reset impact following the increase in prime rate in the current reporting period; and
- Higher yields earned on the Liquid Asset Portfolio, particularly in inflation-linked assets, had a positive impact on margin (price impact).

[1] Absa Bank Limited hedging strategy:
- The hedging programme provides greater margin stability from an interest rate risk perspective over the entire cycle.
- In a decreasing rate scenario, the hedging programme enhances the net interest margin while the opposite is true for an increasing rate scenario.
- Basis risk still remains between prime assets and the three-month Johannesburg Interbank Agreed Rate (JIBAR) reporting liabilities after hedging.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income

3.1 Net fee and commission income

	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Consulting and administration fees	**228**	256	(11)	483
Transactional fees and commissions	**10 347**	9 570	8	19 447
Cheque accounts	**2 364**	2 388	(1)	4 715
Credit cards (includes card issuing fees)[1]	**1 346**	1 226	10	2 518
Electronic banking	**3 283**	2 778	18	5 808
Other (includes fees on mortgage loans and foreign currency transactions)[2]	**2 654**	2 403	10	4 884
Savings accounts	**700**	775	(10)	1 522
Insurance commission received	**540**	481	12	973
Investment, markets execution and investment banking fees	**231**	138	67	394
Merchant income	**1 277**	1 154	11	2 439
Other fee and commission income	**322**	269	20	556
Trust and other fiduciary services fees	**611**	652	(6)	1 257
Portfolio and other management fees	**457**	518	(12)	952
Trust and estate income	**154**	134	15	305
Fee and commission income	**13 556**	12 520	8	25 549
Fee and commission expense	**(2 006)**	(1 755)	14	(3 475)
Brokerage fees	**(52)**	(41)	27	(95)
Cheque processing fees	**(4)**	(9)	(56)	(16)
Clearing and settlement charges	**(662)**	(537)	23	(1 000)
Insurance commission paid	**(632)**	(567)	11	(1 128)
Notification fees	**(120)**	(113)	6	(235)
Other	**(480)**	(426)	13	(881)
Valuation fees	**(56)**	(62)	(10)	(120)
	11 550	10 765	7	22 074
Segment split				
RBB[3]	**9 541**	8 849	8	18 231
CIB[3]	**1 731**	1 568	10	3 212
Head Office, Treasury and other operations	**278**	348	(20)	631
	11 550	10 765	7	22 074

3.2 Net insurance premium income

	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Gross insurance premiums	**5 413**	4 832	12	9 932
Premiums ceded to reinsurers	**(837)**	(550)	52	(1 154)
	4 576	4 282	7	8 778
Segment split				
RBB	**4 576**	4 282	7	8 778
	4 576	4 282	7	8 778

[1] Credit cards include acquiring and issuing fees.

[2] Other transactional fees and commissions income include service and credit-related fees of **R1 077m** (30 June 2021: R862m; 31 December 2021: R1 766m), exchange commission **R359m** (30 June 2021: R308m; 31 December 2021: R680m) and guarantees **R150m** (30 June 2021: R175m; 31 December 2021: R325m).

[3] These numbers have been restated, refer to the report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.3 Net claims and benefits incurred on insurance contracts

	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Gross claims and benefits incurred on insurance contracts	**(3 009)**	(3 122)	(4)	(6 539)
Reinsurance recoveries	**636**	501	27	1 025
	(2 373)	(2 621)	(9)	(5 514)
Segment split				
RBB	**(2 311)**	(2 595)	(11)	(5 465)
Head Office, Treasury and other operations	**(62)**	(26)	>100	(49)
	(2 373)	(2 621)	(9)	(5 514)

3.4 Changes in investment and insurance contract liabilities

	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Change in insurance contract liabilities	**243**	(844)	<(100)	(788)
Change in investment contract liabilities[1]	**1 752**	(840)	<(100)	(2 011)
	1 995	(1 684)	<(100)	(2 799)
Segment split				
RBB	**1 992**	(1 686)	<(100)	(2 804)
Head Office, Treasury and other operations	**3**	2	50	5
	1 995	(1 684)	<(100)	(2 799)

[1] One of the main drivers to the movement of the Group's 'Liabilities under investment contracts' is the underlying performance of the related assets. 'Change in investment contract liabilities' should therefore be read in conjunction with 'Net gains on investments from insurance activities: Policyholder investment contracts' reported in 'Gains and losses from investment activities'.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.5 Gains and losses from banking and trading activities

	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Net gains on investments	**148**	301	(51)	55
Debt instruments designated at fair value through profit or loss	**73**	54	35	(2)
Equity instruments at fair value through profit or loss	**62**	17	>100	(63)
Unwind from reserves for debt instruments at FVOCI	**13**	230	(94)	120
Net trading result	**3 969**	3 287	21	6 561
Net trading income excluding the impact of hedge accounting	**4 139**	3 686	12	7 066
Ineffective portion of hedges	**(170)**	(399)	(57)	(505)
Cash flow hedges	**(188)**	(442)	(57)	(539)
Fair value hedges	**18**	43	(58)	34
Other (losses)/gains	**(74)**	9	>100	(26)
	4 043	3 597	12	6 590
Segment split[1]				
RBB	**371**	221	68	535
CIB	**3 448**	3 324	4	6 034
Head Office, Treasury and other operations[3]	**224**	52	>100	21
	4 043	3 597	12	6 590

3.6 Gains and losses from investment activities

	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Net gains on investments from insurance activities	**(1 609)**	1 081	<(100)	2 681
Policyholder insurance contracts	**45**	243	(81)	472
Policyholder investment contracts[2]	**(1 754)**	754	<(100)	1 997
Shareholders' funds	**100**	84	19	212
Other gains	**23**	7	>100	23
	(1 586)	1 088	<(100)	2 704
Segment split				
RBB	**(1 602)**	1 193	<(100)	2 738
Head Office, Treasury and other operations[3]	**16**	(105)	<(100)	(34)
	(1 586)	1 088	<(100)	2 704

[1] These numbers have been restated, refer to the report overview.

[2] One of the main drivers to the movement of the Group's 'Liabilities under investment contracts' is the underlying performance of the related assets. 'Net gains on investments from insurance activities: Policyholder investment contracts' should therefore be read in conjunction with 'Change in investment contract liabilities' reported in 'Changes in investment and insurance contract liabilities'.

[3] This includes the elimination of investment returns of Absa Life Limited in RBB for funds invested with Group Treasury. The elimination is recognised between 'Gains and losses from investment activities' by RBB, and 'Net interest income' and 'Gains and losses from banking and trading activities' by Group Treasury.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.7 Other operating income

	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Property-related income	**27**	35	(23)	110
Income from investment properties	**1**	2	(50)	(28)
Change in fair value	**—**	—	—	(31)
Rentals	**1**	2	(50)	3
Property-related income arising from contracts with customers	**26**	33	(21)	138
Profit on disposal of property and equipment	**7**	16	(56)	106
Profit on sale of developed properties	**8**	3	>100	7
Profit on sale of repossessed properties	**—**	3	(100)	4
Rental income	**11**	11	—	21
Insurance proceeds received related to property and equipment[1]	**—**	—	—	96
Other operating income	**153**	163	(6)	537
Foreign exchange differences, including recycle from other comprehensive income	**(25)**	(6)	>100	162
Income from maintenance contracts	**19**	14	36	37
Loss on disposal of intangible assets	**—**	—	—	(1)
Sundry income[2]	**159**	155	3	339
	180	198	(9)	743
Segment split				
Property-related income	**27**	35	(23)	206
RBB	**26**	33	(21)	203
CIB	**—**	—	—	25
Head Office, Treasury and other operations	**1**	2	(50)	(22)
Other operating income	**153**	163	(6)	537
RBB[3]	**170**	148	15	383
CIB[3]	**14**	—	100	24
Head Office, Treasury and other operations[3]	**(31)**	15	<(100)	130
	180	198	(9)	743

[1] Insurance proceeds received related to property and equipment amounted to R121m of which R96m is reflected in other operating income and R25m was recovered against the impairment.
[2] Sundry income includes profit on disposal of non-core assets.
[3] These numbers have been restated, refer to the report overview.

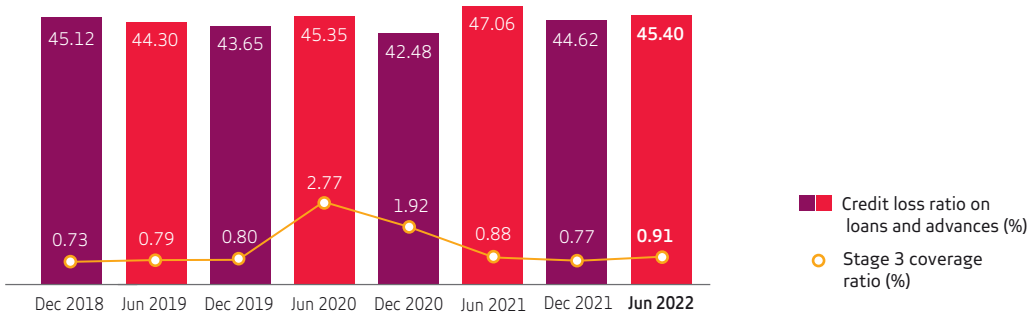
Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges

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

Credit loss and Stage 3 coverage ratios



Charge to the statement of comprehensive income by market segment	30 June 2022 Rm	2021 Rm	Change %	31 December 2021 Rm
RBB				
Home Loans	**272**	(290)	<(100)	(134)
Vehicle and Asset Finance	**1 175**	755	56	1 426
Everyday Banking	**2 627**	2 469	6	4 348
Card	**1 396**	1 286	9	2 356
Personal Loans	**1 010**	963	5	1 643
Transactions and Deposits	**221**	220	0	349
Relationship Banking	**231**	732	(68)	867
RBB ARO	**572**	529	8	1 290
Retail and Business Banking Other (RBB Other)	**1**	1	—	—
Total charge	**4 878**	4 196	16	7 797
Credit loss ratio (%)	**1.44**	1.33		1.21
CIB				
CIB South Africa	**162**	557	(71)	660
CIB ARO	**135**	(47)	<(100)	76
Total charge	**297**	510	(42)	736
Credit loss ratio (%)	**0.13**	0.24		0.17
Head Office, Treasury and other operations				
Total charge	**1**	(4)	<(100)	(34)
Total charge to the statement of comprehensive income	**5 176**	4 702	10	8 499
Comprising:				
Credit impairment charges raised	**6 455**	5 644	14	10 977
Loans and advances to customers and undrawn facilities[1]	**6 422**	5 330	20	10 471
Loans and advances to banks	**12**	6	100	13
Other financial instruments subject to credit impairment	**7**	117	(94)	237
Guarantees and letters of credit	**14**	191	(93)	256
Recoveries of financial instruments subject to credit impairment previously written off	**(491)**	(315)	56	(774)
Net change in interest including other	**(788)**	(627)	26	(1 704)
Total charge to the statement of comprehensive income	**5 176**	4 702	10	8 499

[1] Credit impairment charges on loans and advances to customers and undrawn facilities includes net change in interest that has been suspended.

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Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

4.2 ECL analysis by market segment and class of credit exposure

	30 June 2022			
		Stage 1		
	Carrying amount of financial assets measured at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
RBB	—	569 474	5 769	1.01
Home Loans	—	244 659	499	0.20
Vehicle and Asset Finance	—	91 005	1 057	1.16
Everyday Banking	—	57 185	2 415	4.22
Card	—	37 315	1 278	3.42
Personal Loans	—	17 346	905	5.22
Transactions and Deposits	—	2 524	232	9.19
Relationship Banking	—	116 441	721	0.62
RBB ARO	—	60 184	1 077	1.79
RBB Other	—	—	—	—
CIB	81 399	283 872	1 162	0.41
CIB South Africa	81 399	231 622	796	0.34
CIB ARO	—	52 250	366	0.70
Head Office, Treasury and other operations	—	754	(150)	—
Loans and advances to customers	—	754	4	0.53
Reclassification to provisions[1]	—	—	(154)	—
Loans and advances to customers	81 399	854 100	6 781	0.79
Loans and advances to banks	40 198	63 933	88	0.14
Total loans and advances	121 597	918 033	6 869	0.75

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

30 June 2022

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

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

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

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

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

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

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

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

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

4.3 Reconciliation of ECL allowance

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

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

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

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

4.3 Reconciliation of ECL allowance (continued)

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

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

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

4.3 Reconciliation of ECL allowance (continued)

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

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

Macro-overlays

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

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

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

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

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

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

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

Macroeconomic scenarios

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

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

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

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

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

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

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

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

Macroeconomic scenarios (continued)

Baseline scenarios as at 30 June 2022

South Africa

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

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

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

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

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

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

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

ARO

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Credit impairment charges (continued)

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

Sensitivity of expected credit losses

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

	30 June 2022		30 June 2021		31 December 2021	
	Rm	**% change**	Rm	% change	Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances	**14 127**	**—**	14 513	—	13 966	—
Baseline	**13 681**	**(3)**	14 261	(2)	13 752	(2)
Upside	**13 418**	**(5)**	14 115	(3)	13 722	(2)
Downside	**15 415**	**9**	15 230	5	14 444	3

In addition, as at 30 June 2022, the Group assessed what the impact on expected credit losses would be if 5% of the gross carrying amount of loans and advances to customers in stage 1 experience a significant increase in credit risk and move to stage 2. The ECL changes below include the effect on undrawn committed facilities and guarantees which are reflected as 'provisions' in the statement of financial position. This impact has been presented below:

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

Payment relief measures

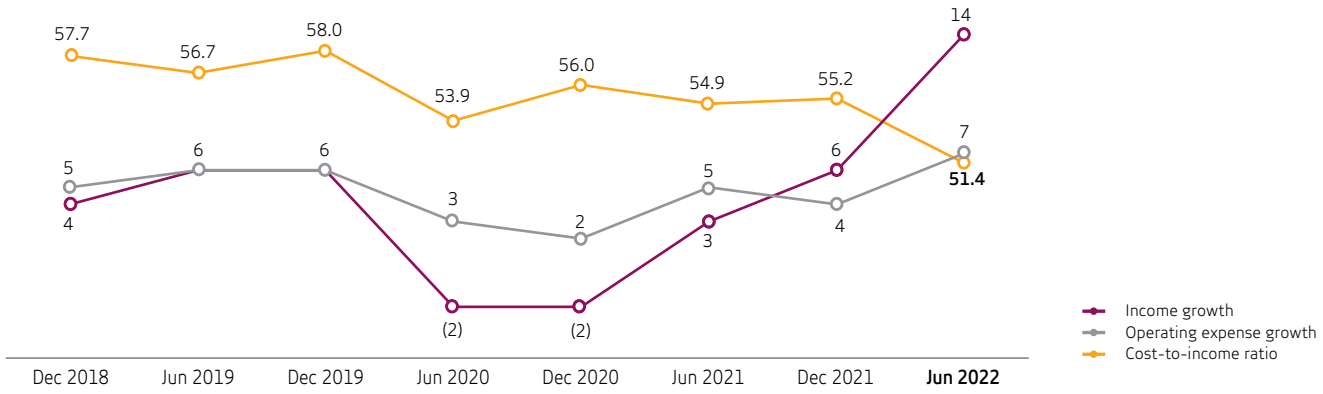
Payment relief provided to clients under Directive 3/2020 has fully matured. Inflows into arrears of the expired payment relief portfolio have stabilised and the portfolio is performing in line with expectation. The credit portfolio is once again managed on a holistic basis and the normal credit stage allocation methodology is applied across the entire portfolio. Please refer to note 4.2 for an ECL analysis by market segment and class of credit exposure for the entire portfolio.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

5. Operating expenses

JAWS and cost-to-income ratio (%)



Breakdown of operating expenses	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Administration fees	**60**	31	94	52
Amortisation of intangible assets	**736**	638	15	1 445
Auditors' remuneration	**204**	165	24	450
Cash transportation	**574**	606	(5)	1 135
Depreciation	**1 563**	1 691	(8)	3 465
Equipment costs	**184**	155	19	333
Information technology	**2 643**	2 368	12	4 928
Marketing costs	**771**	522	48	1 287
Other operating costs (includes net fraud losses, travel and entertainment costs)	**1 160**	1 095	6	2 288
Printing and stationery	**150**	136	10	288
Professional fees	**1 334**	985	35	2 358
Property costs	**895**	902	(1)	1 879
Staff costs	**13 189**	12 667	4	26 147
Bonuses	**1 315**	894	47	2 709
Deferred cash and share-based payments	**397**	329	21	616
Other staff costs[1]	**431**	454	(5)	876
Salaries and current service costs on post-retirement benefit funds	**10 879**	10 857	0	21 566
Training costs	**167**	133	26	380
Straight-line lease expenses on short-term leases and low value assets	**99**	89	11	204
Telephone and postage	**570**	555	3	1 153
	24 132	22 605	7	47 412

Breakdown of IT-related spend included in operating expenses	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Amortisation of intangible assets and depreciation of IT equipment	**1 127**	1 123	0	2 468
Information technology	**2 643**	2 368	12	4 928
Staff costs	**1 525**	1 315	16	2 673
of which staff costs pre the capitalisation of project-related resource costs	**1 770**	1 581	12	3 165
Other IT-related spend	**644**	538	20	1 417
	5 939	5 344	11	11 486

[1] Includes recruitment costs, membership fees to professional bodies, staff parking, restructuring costs, study assistance, staff relocation and refreshment costs.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

5. Operating expenses (continued)

On a normalised basis operating costs increased by **7%** (CCY 6%) to **R24 132m** (30 June 2021: R22 605m) reflecting an increase in staff costs of **4%** (CCY 4%) year-on-year whilst non-staff costs increased by **10%** (CCY 9%). Staff cost growth mainly reflects higher performance incentives, excluding which salaries and other remaining staff costs remained flat to prior year in constant currency terms. Non-staff cost growth mainly reflects higher information technology costs and amortisation charges from continuing investments, as well as higher professional fees and marketing spend, which were partially offset by lower depreciation and property costs.

- Amortisation of intangible assets increased by **15%** (CCY 15%) to R736m. The Group has continued to invest in new digital, data and automation capabilities which has resulted in an increase in goodwill and intangible assets to **R9 709m** (June 2021: R7 667m).
- Cash transportation costs decreased by **5%** (CCY 5%) to R574m and reflect lower merchant cash volumes supported by a migration towards digital banking and increased cash recycling.
- Depreciation decreased by **8%** (CCY 8%) to R1 563m and reflects continued optimisation of property and physical IT infrastructure.
- Information technology costs increased by **12%** (CCY 11%) to R2 643m and mainly reflect continuing investment into digital platforms requiring additional licensing, software and cybersecurity spend.
- Marketing costs increased by **48%** (CCY 47%) to R771m and mainly reflect higher campaigns spend.
- Professional fees increased by **35%** (CCY 35%) to R1 334m mainly from higher spend on strategic initiatives.
- Property costs decreased by **1%** (CCY 1%) to R895m and reflect the continued benefit of the Group's property optimisation strategy.
- Staff costs increased by **4%** (CCY 4%) to **R13 189m** (June 2021: R12 667m). Salaries and other staff costs of **R11 310m** (June 2021: R11 311m) have remained flat to prior year reflective of lower headcount levels and lower restructuring costs which offset salary inflation. Bonuses of **R1 315m** (June 2021: R894m) increased by **47%** (CCY 48%) reflective of Group performance trends, whilst deferred cash and share-based payments of **R397m** (June 2021: R329m) increased by **21%** (CCY 21%).
- Telephone and postage costs increased by **3%** (CCY 1%) to R570m reflecting low growth on communication costs and market data subscriptions.

6. Indirect taxation

	30 June			31 December
	2022 Rm	2021 Rm	Change %	2021 Rm
Training levy	**127**	108	18	209
Value-added tax net of input credits	**845**	803	5	1 654
	972	911	7	1 863

7. Taxation expense

	30 June			31 December
	2022 Rm	2021 Rm	Change %	2021 Rm
Reconciliation between operating profit before income tax and the taxation expense				
Operating profit before income tax	**16 474**	12 911	28	27 847
Share of post-tax results of associates and joint ventures	**(42)**	(40)	5	(132)
	16 432	12 871	28	27 715
Tax calculated at a tax rate of 28%	**4 601**	3 604	28	7 760
Effect of different tax rates in other countries	**144**	131	10	274
Expenses not deductible for tax purposes[1]	**329**	378	(13)	734
Assessed losses[2]	**11**	6	83	124
Dividend income	**(349)**	(401)	(13)	(856)
Non-taxable interest[3]	**(319)**	(247)	29	(526)
Other income not subject to tax	**(34)**	(81)	(58)	(15)
Other	**176**	108	63	49
Effect of tax rate changes[4]	**34**	—	100	33
Items of a capital nature	**14**	13	8	27
	4 607	3 511	31	7 604

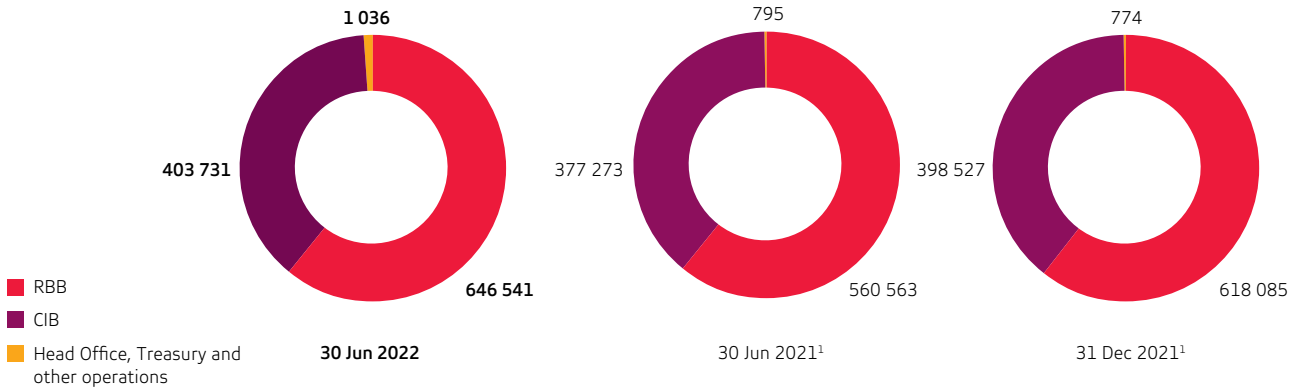
[1] This includes additional tax levies and general non-deductible expenses due to the application of in-country tax legislation.
[2] Assessed losses include reversals of previously recognised tax assets, utilisation of previously unrecognised losses and additional losses incurred where no deferred tax assets were recognised.
[3] This relates to interest earned from certain governments in Africa as well as interest earned on certain capital instruments, which are exempt from tax.
[4] This relates to taxable gains and losses that will only be utilised from 1 January 2023 due to the changes in the SA tax rate from 28% to 27%.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

8. Loans and advances

Loans and advances to customers by segment (Rm)



	30 June 2022 %	30 June 2021 %	31 December 2021 %
Loans and advances to customers	**90.6**	93.5	93.2
RBB	**55.7**	57.0	56.6
CIB	**34.8**	36.4	36.5
Head Office, Treasury and other operations	**0.1**	0.1	0.1
Loans and advances to banks	**9.4**	6.5	6.8
	100.0	100.0	100.0

Loans and advances to customers by segment	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 %
RBB				
RBB SA[1]	**612 486**	567 487	8	585 352
Credit cards	**48 070**	44 596	8	45 110
Instalment credit agreements	**118 259**	107 984	10	112 987
Loans to associates and joint ventures	**24 164**	25 088	(4)	24 400
Mortgages[1]	**312 068**	288 763	8	300 723
Other loans and advances	**4 327**	3 297	31	3 625
Overdrafts	**35 763**	34 397	4	33 127
Personal and term loans	**69 835**	63 362	10	65 380
ARO loans and advances	**71 698**	61 387	17	69 251
Gross loans and advances to customers[1]	**684 184**	628 874	9	654 603
Credit impairment charges on loans and advances to customers	**(37 643)**	(38 311)	(2)	(36 518)
	646 541	590 563	9	618 085

[1] These numbers have been restated, refer to the report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

8. Loans and advances (continued)

Loans and advances to customers by segment (continued)	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
CIB				
CIB SA[1]	**343 922**	326 817	5	341 117
Foreign currency loans	**41 300**	30 446	36	37 949
Mortgages[1]	**53 458**	50 415	6	52 549
Term loans	**117 633**	105 519	11	115 220
Overdrafts	**15 825**	11 561	37	12 358
Overnight finance[1]	**22 131**	19 731	12	24 759
Preference shares	**30 372**	26 998	12	27 450
Reverse repurchase agreements[1]	**50 605**	71 778	(29)	60 208
Other loans and advances	**12 598**	10 369	21	10 624
ARO loans and advances	**65 365**	55 600	18	62 608
Gross loans and advances to customers[1]	**409 287**	382 417	7	403 725
Impairment losses on loans and advances to customers	**(5 556)**	(5 144)	8	(5 198)
	403 731	377 273	7	398 527
Head Office, Treasury and other operations				
Gross loans and advances to customers	**754**	456	65	416
Impairment losses on loans and advances to customers	**282**	339	(17)	358
	1 036	795	30	774
Total loans and advances				
Gross loans and advances to customers[1]	**1 094 225**	1 011 747	8	1 058 744
Gross loans and advances to banks[1]	**109 069**	68 038	60	74 953
Gross loans and advances	**1 203 294**	1 079 785	11	1 133 697
Credit impairment charges on loans and advances	**(43 013)**	(43 182)	0	(41 440)
Credit impairment charges on loans and advances to customers	**(42 917)**	(43 116)	0	(41 358)
Credit impairment charges on loans and advances to banks	**(96)**	(66)	46	(82)
Net loans and advances including reverse repurchase agreements	**1 160 281**	1 036 603	12	1 092 257
Less: Reverse repurchase agreements[1]	**(93 999)**	(100 600)	(7)	(85 992)
Net loans and advances excluding reverse repurchase agreements[1]	**1 066 282**	936 003	14	1 006 265

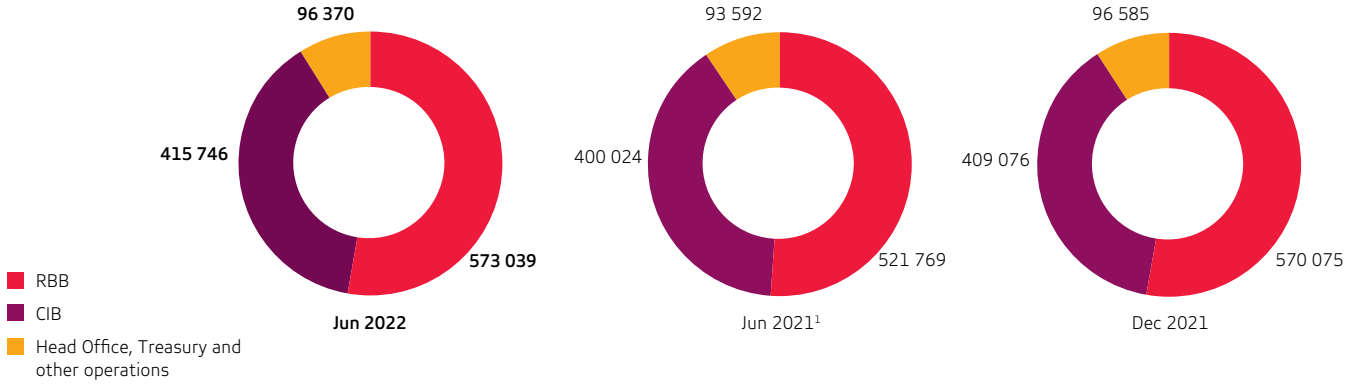
[1] These numbers have been restated, refer to the report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

9. Deposits

Deposits due to customers by segment (Rm)



Total funding mix	30 June 2022 %	30 June 2021 %	31 December 2021 %
Deposits due to customers	**78.2**	82.3	82.5
RBB	**41.4**	42.3	43.7
CIB[1]	**29.9**	32.4	31.4
Head Office, Treasury and other operations[1]	**6.9**	7.6	7.4
Deposits from banks[1]	**9.2**	7.2	7.5
Debt securities in issue	**12.6**	10.5	10.0
	100.0	100.0	100.0

[1] These numbers have been restated, refer to the report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

9. Deposits (continued)

Deposits by segment	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
RBB	**573 039**	521 769	10	570 075
RBB South Africa deposits	**470 723**	433 507	9	468 639
Call deposits	**14 280**	13 173	8	15 855
Cheque account deposits	**113 352**	103 435	10	109 828
Credit card deposits	**2 056**	1 954	5	2 137
Fixed deposits	**94 228**	90 079	5	92 171
Foreign currency deposits	**1 221**	1 218	0	1 281
Notice deposits	**35 090**	31 647	11	33 623
Other deposits	**418**	375	11	415
Saving and transmission deposits	**210 078**	191 626	10	213 329
ARO deposits	**102 316**	88 262	16	101 436
CIB[1]	**415 746**	400 024	4	409 076
CIB South Africa deposits[1]	**335 711**	331 817	1	320 687
Call deposits[1]	**54 514**	46 515	17	39 515
Cheque account deposits[1]	**130 092**	139 780	(7)	124 199
Fixed deposits	**60 895**	61 946	(2)	75 525
Foreign currency deposits[1]	**39 711**	27 070	47	28 550
Notice deposits	**18 428**	21 199	(13)	18 542
Other deposits[1]	**614**	503	22	521
Repurchase agreements with non-banks[1]	**20 405**	24 886	(18)	21 863
Saving and transmission deposits	**11 052**	9 918	11	11 972
ARO deposits	**80 035**	68 207	17	88 389
Head Office, Treasury and other operations[1]	**96 370**	93 592	3	96 585
Total deposits due to customers including repurchase agreements	**1 085 155**	1 015 385	7	1 075 736
Total deposits from banks including repurchase agreements[1]	**128 354**	89 852	43	98 030
Total deposits including repurchase agreements	**1 213 509**	1 105 237	10	1 173 766
Less: Repurchase agreements[1]	**(105 473)**	(68 225)	55	(74 404)
Total deposits excluding repurchase agreements	**1 108 036**	1 037 012	7	1 099 362

[1] June 2021 numbers have been restated, refer to the report overview.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

10. Debt securities in issue

	30 June 2022 Rm	2021 Rm	Change %	31 December 2021 Rm
Commercial paper	**1 750**	3 292	(47)	1 913
Credit-linked notes	**19 398**	11 126	74	15 165
Floating rate notes	**47 730**	33 963	41	34 693
Negotiable certificates of deposit	**67 908**	39 427	72	38 978
Other	**1 971**	2 387	(17)	2 124
Promissory notes	**2**	2	—	2
Senior notes	**36 010**	39 303	(8)	38 100
Structured notes and bonds	**102**	101	1	101
	174 871	129 601	35	131 076
Segment split				
RBB	**85**	75	13	84
CIB	**23 135**	16 868	37	19 289
Head Office, Treasury and other operations	**151 651**	112 658	35	111 703
	174 871	129 601	35	131 076

11. Equity and borrowed funds

	30 June 2022 Rm	2021 Rm	Change %	31 December 2021 Rm
Authorised				
891 774 054 (30 June 2021: 891 774 054; 31 December 2021: 891 774 054) ordinary shares of R2.00 each	**1 784**	1 784	—	1 784
Issued				
847 750 679 (30 June 2021: 847 750 679; 31 December 2021: 847 750 679) ordinary shares of R2.00 each	**1 696**	1 696	—	1 696
	(3)	(4)	(25)	(4)
1 203 261 (30 June 2021: 1 791 425; 31 December 2021: 1 485 177) treasury shares held by Group entities	**1 693**	1 692	0	1 692
Total issued capital				
Share capital	**1 693**	1 692	0	1 692
Share premium	**4 167**	4 081	2	4 089
	5 860	5 773	2	5 781

Number of ordinary shares in issue (after deductions of treasury shares)	30 June 2022 Number of shares (million)	2021 Number of shares (million)	Change %	31 December 2021 Number of shares (million)
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—	847.8
Treasury shares held by the Group	**(1.2)**	(1.8)	(33)	(1.5)
	846.6	846.0	0	846.3

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

11. Equity and borrowed funds (continued)

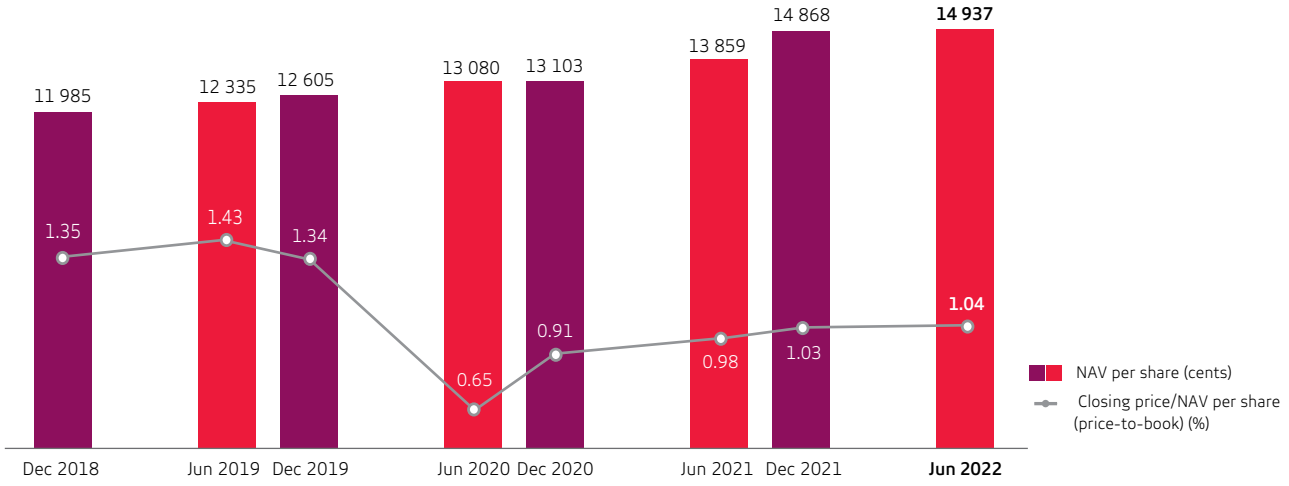
Borrowed funds		30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Subordinated callable notes issued by Absa Bank Limited					
Interest rate	**Final maturity date**				
Consumer Price Index link note fixed at 5.50%	7 December 2028	**1 500**	1 500	—	1 500
Subordinated callable notes issued by Absa Group Limited					
11.74%	20 August 2026	**—**	140	(100)	—
11.81%	3 September 2027	**737**	737	—	737
Three-months JIBAR + 2.13%	17 May 2030	**2 676**	2 676	—	2 676
Three-months JIBAR + 2.40%	11 April 2029	**1 580**	1 580	—	1 580
Three-months JIBAR + 2.45%	29 November 2028	**1 500**	1 500	—	1 500
Three-months JIBAR + 3.60%	3 September 2027	**30**	30	—	30
Three-months JIBAR + 4.00%	20 August 2026	**—**	1 510	(100)	—
Three-months JIBAR + 4.00%	3 November 2026	**—**	500	(100)	—
Three-months JIBAR + 3.78%	17 March 2027	**—**	642	(100)	642
Three-months JIBAR + 3.85%	25 May 2027	**—**	500	(100)	500
Three-months JIBAR + 3.85%	14 August 2029	**390**	390	—	390
Three-months JIBAR + 3.15%	30 September 2027	**295**	295	—	295
Three-months JIBAR + 3.45%	29 September 2029	**1 014**	1 014	—	1 014
USD 6.25%	25 April 2028	**4 952**	4 952	—	4 952
USD 6.375%	n/a	**6 866**	6 866	—	6 866
Subordinated callable notes issued by other subsidiaries					
Absa Bank of Botswana limit Bank rate + 2.25%	14 November 2028	**136**	133	2	136
Other					
Accrued interest		**1 275**	1 188	7	1 196
Fair value adjustments		**(681)**	282	<(100)	60
Foreign exchange movements		**2 970**	991	>100	2 526
		25 240	27 426	(8)	26 600

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

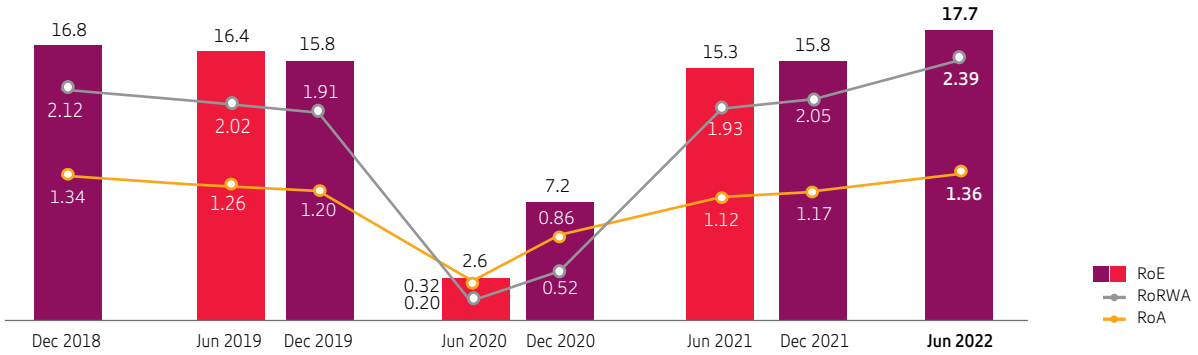
11. Equity and borrowed funds (continued)

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



12. Returns

RoE, RoA and RoRWA %

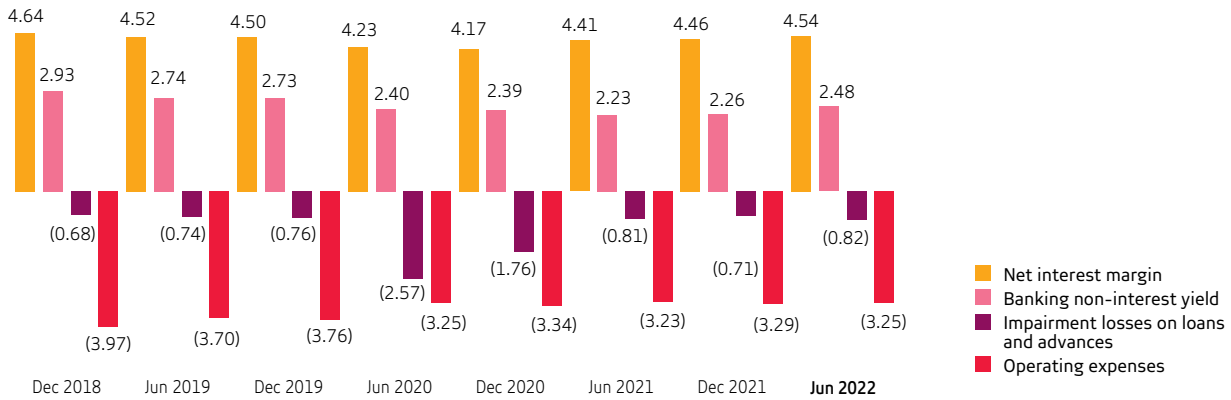


Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

13. RoE decomposition

Major drivers of RoE (%)



		30 June 2022 %	30 June 2021 %	31 December 2021 %
	Net interest margin on average interest-bearing assets	**4.54**	4.41	4.46
Less:	Credit impairment charges/average interest-bearing assets	**0.82**	0.81	0.71
Equals:	Net interest margin on average interest-bearing assets – after credit impairment charges	**3.72**	3.60	3.75
Multiply:	Average interest-bearing assets/average banking assets	**84.74**	82.98	83.06
Equals:	Banking interest yield	**3.15**	2.99	3.11
Plus:	Banking non-interest yield	**2.48**	2.23	2.26
Equals:	Banking income yield	**5.63**	5.22	5.38
Less:	Operating expenses/average banking assets	**3.25**	3.23	3.29
Equals:	Net banking return	**2.38**	1.99	2.08
Less:	Other[1]	**0.90**	0.75	0.79
Equals:	Banking return	**1.48**	1.23	1.29
Multiply:	Average banking assets/total average assets	**91.71**	90.60	91.26
Equals:	RoA	**1.36**	1.12	1.18
Multiply:	Leverage	**13.05**	13.67	13.40
Equals:	RoE	**17.7**	15.3	15.8

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

14. Off-statement of financial position items

	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Contingencies, commitments and similar items				
Guarantees	**55 349**	48 830	13	48 828
Irrevocable debt facilities	**175 376**	175 724	(0)	180 023
Letters of credit	**26 634**	13 739	94	17 782
Other	**1**	—	100	—
	257 360	238 293	8	246 633
Authorised capital expenditure				
Contracted but not provided for	**795**	935	(15)	938

Guarantees include performance guarantee contracts and financial guarantee contracts.

Financial guarantee contracts represent contracts where the Group undertakes to make specified payments to a counterparty, should the counterparty suffer a loss as a result of a specified debtor failing to make payment when due in accordance with the terms of a debt instrument.

This amount represents the maximum off-statement of financial position exposure.

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

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

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

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

15. Legal proceedings

Legal matters

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

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

At the present time, the Group does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group's results of operations or cash flow for a particular period, depending on, amongst other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

The Group has not disclosed the contingent liabilities associated with these matters either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the outcome of the matter. Provision is made for all liabilities which are expected to materialise.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

15. Legal proceedings (continued)

Regulatory developments

The scale of regulatory change remains challenging post the reforms introduced in response to the global financial crisis. These reforms resulted in significant tightening of regulation and changes to regulatory structures globally and locally, especially for companies that are deemed to be of systemic importance. Concurrently, there is continuing political and regulatory scrutiny in the operation of the banking and consumer credit industries globally and locally which, in some cases, is leading to increased regulation.

The nature and impact of future changes in the legal framework, policies and regulatory action especially in the areas of financial crime, banking and insurance regulation, cannot currently be fully predicted and are beyond the Group's control. We are also awaiting policy positions to be taken by Regulators. Some of these are likely to have an impact on the Group's customers, business lines, systems and earnings.

The Group is continuously evaluating its programmes and controls in general relating to compliance with regulation and responding to the same. The Group undertakes monitoring, review and assurance activities, and has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and has made disclosures on material findings as and when appropriate. The Group regards the relationship with Regulators as very important and manages such engagements on a continuous basis.

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

16. Income taxes

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

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

17. Correction of prior period error

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

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

The restatement presents the Group with the opportunity to align the statement of financial position presentation of loans and advances and deposits to that of peer banks, i.e., combining 'Loans and advances to banks' and 'Loans and advances to customers' to be reported in one line as 'Loans and advances', and similarly combining 'Deposits due to customers' and 'Deposits due to banks' to be reported in one line as 'Deposits'. The change will enhance the Group's comparability and relevance to its peers in the market. The impact of the restatement and combining the afore-mentioned items are disclosed below. The loans and advances and deposits split between customers and banks is still disclosed in the notes. Refer to notes 8 and 9.

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

18. Standards issued not yet effective

IFRS 17 – *Insurance Contracts*

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

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

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

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

Under the premium allocation approach, the amount relating to remaining service is measured by allocating the premium over the coverage period. This approach will be applied mainly to the Group's short-term businesses, and where business in the life entity has a contract boundary of less than 12 months.

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

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

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

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

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

Unpacking of the new concepts within the accounting standard have largely been concluded to support the base case methodologies and interpretations which are being used in the transition and impact assessments. In 2022, the new finance process will be established with parallel runs commencing from the third quarter, 2022 to ensure the end to end solution inclusive of the transition and impact assessment is fully understood, quantified and implemented ahead of the compliance date of 1 January 2023.

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

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

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

Segment performance

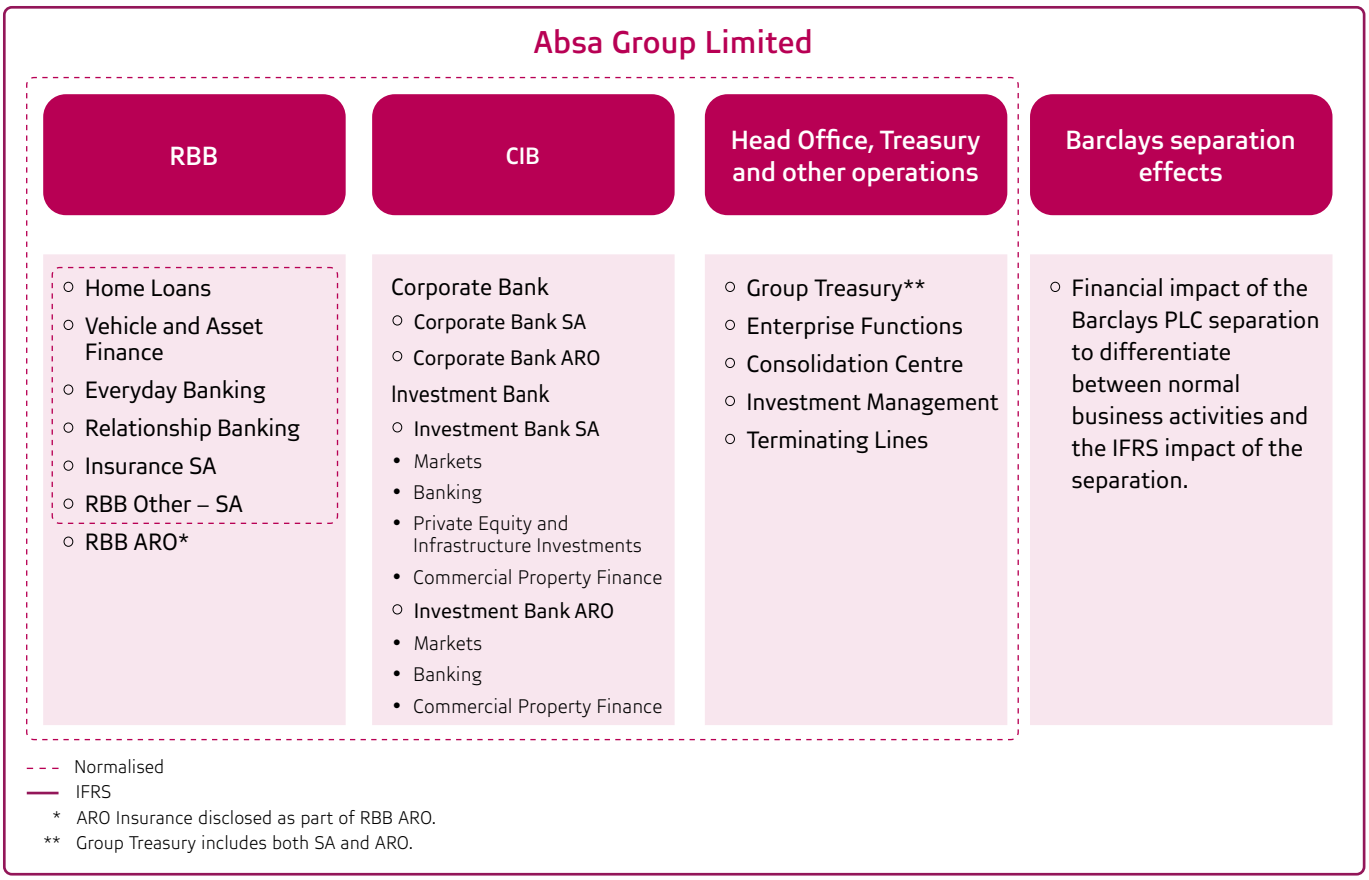
Segment performance overview

for the reporting period ended

Segment reporting structure

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

On 30 June 2022, the Group announced a refinement to its operating model which is effective from 1 July 2022. This change is part of the Group's journey to enhance market competitiveness with due consideration to its transformation imperative. In essence, the Group will move from two commercial businesses, Corporate and Investment Banking (CIB) Pan-Africa and Retail and Business Banking (RBB) Pan-Africa, to five business units (Everyday Banking, Relationship Banking, Product Solutions, CIB Pan-Africa and RBB ARO). The impact of this announcement on segment reporting for the year ended 31 December 2022 is in the process of being determined



Operational metrics	30 June 2022	30 June 2021	Change %	31 December 2021
South Africa				
Outlets (including number of branches and sales centres)	**619**	611	1	616
ATMs	**6 297**	8 435	(25)	7 613
Africa regions				
Outlets (including number of branches and sales centres)	**390**	382	2	391
ATMs	**1 063**	1 067	(0)	1 055
Number of permanent and temporary employees	**35 074**	36 141	(3)	35 267
South Africa (excludes WFS employees)	**25 610**	26 667	(4)	25 908
Africa regions	**9 296**	9 302	(0)	9 180
International operations outside Africa[1]	**168**	172	(2)	179

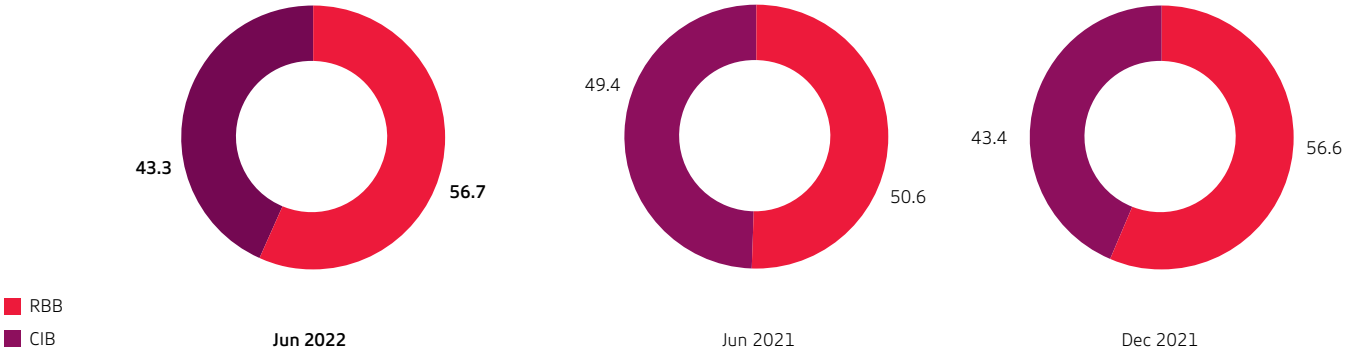
[1] Headcount as disclosed is in relation to the Group's international offices in the United States, the United Kingdom and the Czech Republic.

Segment performance overview

for the reporting period ended

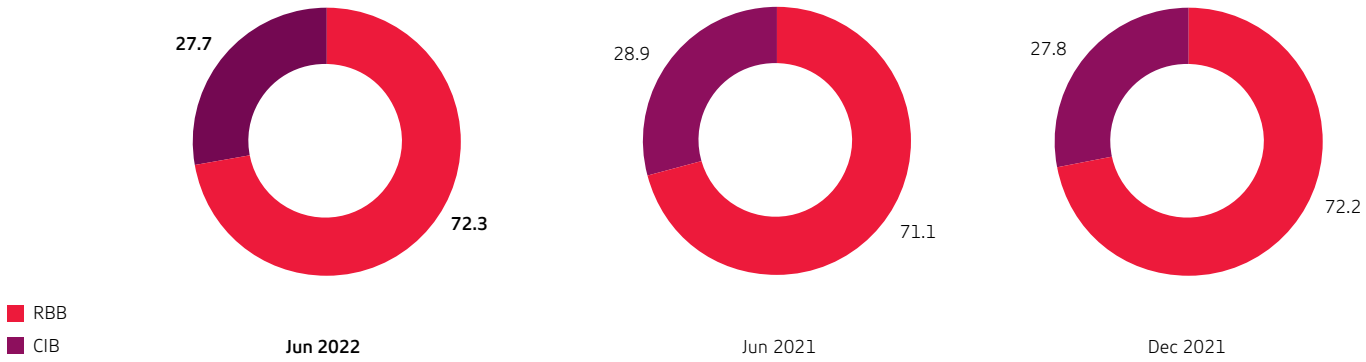
Performance per market segment

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



Headline earnings[1]	30 June 2022 Rm	2021 Rm	Change %	31 December 2021 Rm
RBB	**5 593**	4 161	34	10 145
CIB	**4 279**	4 059	5	7 789
Head Office, Treasury and other operations	**1 112**	408	>100	657
	10 984	8 628	27	18 591

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



Income[1]	30 June 2022 Rm	2021 Rm	Change %	31 December 2021 Rm
RBB	**32 496**	28 578	14	59 968
CIB	**12 461**	11 625	7	23 108
Head Office, Treasury and other operations	**1 988**	1 007	97	2 797
	46 945	41 210	14	85 873

[1] These numbers have been restated, refer to report overview.

Segment report per market segment

for the reporting period ended

	RBB[1]					CIB[1]				
	30 June				31 December	30 June				31 December
	2022	2021	CCY %	Change %	2021	2022	2021	CCY %	Change %	2021
Statement of comprehensive income (Rm)										
Net interest income	**19 733**	18 133	9	9	37 369	**7 268**	6 733	8	8	13 814
Non-interest income	**12 763**	10 445	22	22	22 599	**5 193**	4 892	6	6	9 294
Total income	**32 496**	28 578	13	14	59 968	**12 461**	11 625	7	7	23 108
Credit impairment charges	**(4 878)**	(4 196)	16	16	(7 797)	**(297)**	(510)	(33)	(42)	(736)
Operating expenses	**(18 331)**	(17 114)	6	7	(35 045)	**(5 767)**	(5 329)	7	8	(11 099)
Other expenses	**(558)**	(509)	7	10	(1 115)	**(139)**	(140)	(1)	(1)	(318)
Operating profit before income tax	**8 729**	6 759	30	29	16 011	**6 258**	5 646	10	11	10 955
Tax expense	**(2 499)**	(2 113)	19	18	(4 861)	**(1 579)**	(1 239)	27	27	(2 482)
Profit for the reporting period	**6 230**	4 646	35	34	11 150	**4 679**	4 407	6	6	8 473
Profit attributable to:										
Ordinary equity holders	**5 590**	4 165	35	34	10 112	**4 280**	4 059	5	5	7 768
Non-controlling interest – ordinary shares	**377**	235	59	60	542	**235**	184	27	28	374
Non-controlling interest – preference shares	**76**	72	5	6	145	**47**	48	(2)	(2)	97
Other equity: Additional Tier 1 capital	**187**	174	8	7	351	**117**	116	1	1	234
	6 230	4 646	35	34	11 150	**4 679**	4 407	6	6	8 473
Headline earnings	**5 593**	4 161	35	34	10 145	**4 279**	4 059	5	5	7 789
Operating performance (%)										
Net interest margin on average interest-bearing assets	**3.63**	3.65			3.60	**2.36**	2.26			2.28
Credit loss ratio	**1.44**	1.33			1.21	**0.13**	0.24			0.17
Non-interest income as % of income	**39.3**	36.5			37.7	**41.7**	42.1			40.2
Income growth	**14**	(5)			0	**7**	14			10
Operating expenses growth	**7**	3			2	**8**	14			10
Cost-to-income ratio	**56.4**	59.9			58.4	**46.3**	45.8			48.0
Statement of financial position (Rm)										
Loans and advances[1]	**660 596**	605 280	9	9	633 166	**482 026**	419 292	14	15	452 113
Loans and advances to customers	**646 541**	590 563	9	9	618 085	**403 731**	377 273	6	7	398 527
Loans and advances to banks	**14 055**	14 717	(5)	(4)	15 081	**78 295**	42 019	83	86	53 586
Investment securities	**34 942**	32 936	6	6	34 198	**43 380**	43 990	(1)	(1)	43 242
Other assets	**510 424**	466 075	8	10	519 620	**539 706**	511 060	5	6	496 211
Total assets	**1 205 962**	1 104 291	8	9	1 186 984	**1 065 112**	974 342	8	9	991 566
Deposits[1]	**573 073**	521 788	8	10	570 110	**501 796**	458 424	8	9	482 385
Deposits due to customers	**573 039**	521 769	8	10	570 075	**415 746**	400 024	2	4	409 076
Deposits due to banks	**34**	19	55	79	35	**86 050**	58 400	47	47	73 309
Debt securities in issue	**85**	75	(0)	13	84	**23 135**	16 868	37	37	19 289
Other liabilities	**620 126**	574 649	8	8	602 620	**535 991**	495 527	8	8	483 331
Total liabilities	**1 193 284**	1 096 512	8	9	1 172 814	**1 060 922**	970 819	8	9	985 005
Financial performance (%)										
RoRWA[2]	**2.30**	1.77			2.14	**2.68**	2.54			2.42
RoA	**0.96**	0.78			0.91	**0.89**	0.85			0.81
RoRC	**19.9**	15.2			18.4	**24.1**	22.8			21.7

[1] These numbers have been restated, refer to the report overview.

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

Head Office, Treasury and other operations[1]					Normalised Group performance				
				31 December					31 December
2022	2021	CCY %	Change %	2021	**2022**	2021	CCY %	Change %	2021
1 559	719	>100	>100	2 114	**28 560**	25 585	11	12	53 297
429	288	47	49	683	**18 385**	15 625	17	18	32 576
1 988	1 007	94	97	2 797	**46 945**	41 210	13	14	85 873
(1)	4	(52)	<(100)	34	**(5 176)**	(4 702)	11	10	(8 499)
(34)	(162)	(76)	(79)	(1 268)	**(24 132)**	(22 605)	6	7	(47 412)
(466)	(343)	36	36	(682)	**(1 163)**	(992)	16	17	(2 115)
1 487	506	>100	>100	881	**16 474**	12 911	27	28	27 847
(529)	(159)	>100	>100	(261)	**(4 607)**	(3 511)	31	31	(7 604)
958	347	>100	>100	620	**11 867**	9 400	26	26	20 243
966	383	>100	>100	685	**10 836**	8 607	26	26	18 565
(9)	(36)	(76)	(75)	(65)	**603**	383	56	57	851
—	—	—	—	—	**123**	120	3	3	242
1	—	—	100	—	**305**	290	5	5	585
958	347	>100	>100	620	**11 867**	9 400	26	26	20 243
1 112	408	>100	>100	657	**10 984**	8 628	27	27	18 591
n/a	n/a			n/a	**4.54**	4.41			4.46
n/a	n/a			n/a	**0.91**	0.88			0.77
n/a	n/a			n/a	**39.2**	37.9			37.9
n/a	n/a			n/a	**14**	3			6
n/a	n/a			n/a	**7**	5			4
n/a	n/a			n/a	**51.4**	54.9			55.2
17 659	12 031	26	47	6 978	**1 160 281**	1 036 603	11	12	1 092 257
1 036	795	30	30	774	**1 051 308**	968 631	8	9	1 017 386
16 623	11 236	26	48	6 204	**108 973**	67 972	54	60	74 871
128 287	105 697	16	21	111 458	**206 609**	182 623	10	13	188 898
(658 303)	(619 799)	6	6	(659 692)	**391 827**	357 336	6	10	356 139
(512 357)	(502 071)	4	2	(541 256)	**1 758 717**	1 576 562	10	12	1 637 294
138 640	125 025	10	11	121 271	**1 213 509**	1 105 237	8	10	1 173 766
96 370	93 592	3	3	96 585	**1 085 155**	1 015 385	5	7	1 075 736
42 270	31 433	30	34	24 686	**128 354**	89 852	41	43	98 030
151 651	112 658	35	35	111 703	**174 871**	129 601	35	35	131 076
(930 011)	(862 762)	8	8	(897 005)	**226 106**	207 414	4	9	188 946
(639 720)	(625 079)	3	2	(664 031)	**1 614 486**	1 442 252	10	12	1 493 788
n/a	n/a			n/a	**2.39**	1.93			2.05
n/a	n/a			n/a	**1.36**	1.12			1.18
n/a	n/a			n/a	**n/a**	n/a			n/a

Segment report per geographical segment

for the reporting period ended

	South Africa[1]			
	30 June			31 December
	2022	2021	Change %	2021
Statement of comprehensive income (Rm)				
Net interest income	**21 092**	19 260	10	39 781
Non-interest income	**14 609**	12 325	19	25 791
Total income	**35 701**	31 585	13	65 572
Credit impairment charges	**(4 468)**	(4 219)	6	(7 163)
Operating expenses	**(17 422)**	(16 540)	5	(34 938)
Other expenses	**(890)**	(736)	21	(1 605)
Operating profit before income tax	**12 921**	10 090	28	21 866
Tax expenses	**(3 336)**	(2 401)	39	(5 247)
Profit for the reporting period	**9 585**	7 689	25	16 619
Profit attributable to:				
Ordinary equity holders	**9 064**	7 263	25	15 715
Non-controlling interest – ordinary shares	**93**	16	>100	76
Non-controlling interest – preference shares	**123**	120	3	242
Other equity: Additional Tier 1 capital	**305**	290	5	585
	9 585	7 689	25	16 618
Headline earnings	**9 215**	7 286	26	15 775
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4.09**	4.02		4.02
Credit loss ratio	**0.91**	0.75		0.75
Non-interest income as % of income	**40.9**	39.0		39.3
Income growth	**13**	7		8
Cost growth	**5**	8		7
Cost-to-income ratio	**48.8**	52.4		53.3
Statement of financial position (Rm)				
Loans and advances[1]	**1 007 907**	905 162	11	940 457
Loans and advances to customers	**922 164**	858 629	7	893 373
Loans and advances to banks	**85 743**	46 533	84	47 084
Investment securities	**127 967**	125 426	2	122 906
Other assets	**336 372**	304 776	10	287 316
Total assets	**1 472 246**	1 335 364	10	1 350 679
Deposits[1]	**1 001 132**	931 812	7	966 352
Deposits due to customers	**897 542**	854 191	5	880 247
Deposits due to banks	**103 590**	77 621	33	86 105
Debt securities in issue	**171 957**	126 860	36	127 982
Other liabilities	**179 077**	164 827	9	138 634
Total liabilities	**1 352 166**	1 223 499	11	1 232 968
Financial performance (%)				
RoRWA	**2.78**	2.18		2.36
RoA	**0.68**	1.24		1.24
RoRC	**22.7**	18.3		19.6

[1] These numbers have been restated, refer to the report overview.

[2] Africa regions RoRC is on notional equity basis calculated using SARB RWAs.

Africa regions[1]					Normalised Group performance				
30 June				31 December	30 June				31 December
2022	2021	CCY %	Change %	2021	**2022**	2021	CCY %	Change %	2021
7 468	6 325	16	18	13 516	**28 560**	25 585	11	12	53 297
3 776	3 300	12	14	6 785	**18 385**	15 625	17	18	32 576
11 244	9 625	15	17	20 301	**46 945**	41 210	13	14	85 873
(708)	(483)	51	47	(1 336)	**(5 176)**	(4 702)	11	10	(8 499)
(6 710)	(6 065)	7	11	(12 474)	**(24 132)**	(22 605)	6	7	(47 412)
(273)	(256)	1	7	(510)	**(1 163)**	(992)	(5)	17	(2 115)
3 553	2 821	26	26	5 981	**16 474**	12 911	27	28	27 847
(1 271)	(1 110)	16	15	(2 357)	**(4 607)**	(3 511)	31	31	(7 604)
2 282	1 711	32	33	3 624	**11 867**	9 400	26	26	20 243
1 772	1 344	33	32	2 849	**10 836**	8 607	27	26	18 565
510	367	38	39	775	**603**	383	56	57	851
—	—	—	—	—	**123**	120	3	3	242
—	—	—	—	—	**305**	290	5	5	585
2 282	1 711	32	33	3 624	**11 867**	9 400	26	26	20 243
1 769	1 342	30	32	2 816	**10 984**	8 628	27	27	18 591
6.59	6.23			6.52	**4.54**	4.41			4.46
0.93	0.71			0.94	**0.91**	0.88			0.77
33.6	34.3			33.4	**39.2**	37.9			37.9
17	(9)			(2)	**14**	3			6
11	(6)			(5)	**7**	5			4
59.7	63.0			61.4	**51.4**	54.9			55.2
152 374	131 441	8	16	151 800	**1 160 281**	1 036 603	11	12	1 092 257
129 144	110 002	10	17	124 013	**1 051 308**	968 631	8	9	1 017 386
23 230	21 439	(3)	8	27 787	**108 973**	67 972	54	60	74 871
78 642	57 197	26	37	65 992	**206 609**	182 623	10	13	188 898
55 455	52 560	(11)	6	68 823	**391 827**	357 336	6	10	356 139
286 471	241 198	7	19	286 615	**1 758 717**	1 576 562	10	12	1 637 294
212 377	173 425	12	22	207 414	**1 213 509**	1 105 237	8	10	1 173 766
187 613	161 194	7	16	195 489	**1 085 155**	1015 385	5	7	1075 736
24 764	12 231	83	>100	11 925	**128 354**	89 852	41	43	98 030
2 914	2 741	23	6	3 094	**174 871**	129 601	35	35	131 076
47 029	42 587	(8)	10	50 312	**226 106**	207 414	4	9	188 946
262 320	218 753	8	20	260 820	**1 614 486**	1 442 252	10	12	1 493 788
1. 37	1.17			1.17	**2.39**	1.93			2.05
0.64	0.47			0.93	**1.36**	1.12			1.18
14.6	12.5			12.5	**n/a**	n/a			n/a

RBB

for the reporting period ended

RBB earnings increased by **34%** to **R5.6bn** (30 June 2021: R4.2bn) as pre-provision profit grew **24%** with growth across both SA and ARO

Customer advances
grew by **9%** to **R647bn**.

RORC increased
to **19.9%** (30 June 2021: 15.2%) as a result of the earnings growth and is well above cost of equity

Deposits
grew **8%** to **R573bn**.

Cost to income ratio improved
to **56.4%** (30 June 2021: 59.9%) from positive JAWS of **7%**.

Balance sheet resilience
largely maintained across the business

Non-interest income grew
by **22%** to **R12.8bn** (30 June 2021: R10.4bn) as mortality claims normalised and economic activity improved

Net interest income grew
by **9%** to **R19.7bn** (30 June 2021: R18.1bn) reflecting balance sheet growth and increased interest rates.

Credit loss ratio increased
to **1.44%** (30 June 2021: 1.33%) given the significant model enhancement benefits realised in 2021.

* All growth rates are CCY.

	30 June			31 December
Salient features	2022	2021	Change %	2021
Income (Rm)[1]	**32 496**	28 578	14	59 968
Pre-provision profit (Rm)[1]	**14 165**	11 464	24	24 923
Headline earnings (Rm)[1]	**5 593**	4 161	34	10 145
Credit loss ratio (%)	**1.44**	1.33		1.21
Cost-to-income ratio (%)	**56.4**	59.9		58.4
RoRWA (%)	**2.30**	1.77		2.14
RoA (%)[1]	**0.96**	0.78		0.91
RoRC (%)	**19.9**	15.2		18.4

[1] These numbers have been restated, refer to the report overview.

RBB

for the reporting period ended

Business profile

RBB offers a comprehensive suite of banking and insurance products and services to individual, enterprise and commercial customers. It caters for the full spectrum of customers, from those needing basic banking services to those requiring sophisticated financial solutions. The focus is on providing a consistently superior experience across each of the channels, matched closely to the needs and expectations of each customer segment. Customers are served through an extensive branch and self-service terminal network, digital channels, financial advisors, relationship bankers as well as dealerships, originators, alliances and joint ventures.

Key business areas

- **Home Loans –** offers residential property-related finance solutions direct to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and mortgage originators.
- **Vehicle and Asset Finance (VAF) –** offers funding solutions for passenger and light commercial vehicles to individual customers through approved dealerships, and preferred suppliers. VAF's Joint Venture with Ford Financial Services is an extension of the business and reinforces the strategic intent of establishing and harnessing relationships with dealers and customers.
- **Everyday Banking –** offers day-to-day banking services to the retail customer and includes:
  - **Card –** offers credit cards through the branch network and digital channels. Included in this portfolio is Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and credit-linked insurance products.
  - **Personal Loans –** offers unsecured instalment loans through face-to-face engagements and digital channels.
  - **Transactional and Deposits –** offers a full range of transactional banking, savings and investment products, rewards programme and services through a variety of channels. These include the branch and self-service terminal network and digital channels.
- **Relationship Banking –** consists of the Business units and associated products, where a named relationship exists and was formed to provide customers with a single 'warm-body' relationship manager rather than multiple touch points with the Group. The businesses within Relationship Banking include Card Acquiring, Commercial Asset Finance (CAF), Business Banking (Including associated lending, transactional & deposit products), Private Banking, Wealth and Financial Advisory.

  Relationship Banking also includes an Equity portfolio which is being reduced in an orderly manner.
- **Insurance SA** consists of:
  - **Life Insurance –** offers life insurance, covering death, disability and retrenchment, as well as funeral and life wrapped investment products.
  - **Short-term Insurance –** provides short-term insurance solutions to the retail and commercial market segments. Direct-to-client short-term solutions being iDirect and Activate, are also available to the retail market.
- **RBB Absa Regional Operations –** offers a comprehensive suite of retail and business banking products and insurance products and services to individual and commercial customers across the region. A range of solutions are provided to meet customers' transactional, borrowing, savings, protection and investment needs. This is facilitated through branch, self-service and digital channels, supported by a relationship-based model that includes a well-defined coverage structure built on specific customer value propositions.
- **Retail and Business Banking Other –** includes investment spend, holding companies and related consolidation entries and allocated shareholder overhead expenses.
  - **Customer Value Management** (not reported separately) - supports the businesses to provide a singular view of the customer across RBB SA whilst ensuring alignment of the customer value propositions and a consistent voice in the market.

RBB

for the reporting period ended

	RBB SA[1]			
	30 June			31 December
	2022	2021	Change %	2021
Statement of comprehensive income (Rm)				
Net interest income	**15 098**	14 098	7	28 752
Non-interest income	**10 797**	8 907	21	19 330
Total income	**25 895**	23 005	13	48 082
Credit impairment charges	**(4 306)**	(3 667)	17	(6 507)
Operating expenses	**(13 765)**	(12 974)	6	(26 547)
Other expenses	**(317)**	(278)	14	(652)
Operating profit before income tax	**7 507**	6 086	23	14 376
Tax expenses	**(2 086)**	(1 715)	22	(3 989)
Profit for the reporting period	**5 421**	4 371	24	10 387
Profit attributable to:				
Ordinary equity holders	**5 065**	4 109	23	9 811
Non-controlling interest – ordinary shares	**93**	16	>100	80
Non-controlling interest – preference shares	**76**	72	6	145
Other equity: Additional Tier 1 capital	**187**	174	7	351
	5 421	4 371	24	10 387
Headline earnings	**5 070**	4 107	23	9 860
Operating performance (%)				
Net interest margin on average interest-bearing assets	**3.07**	3.13		3.05
Credit loss ratio	**1.41**	1.29		1.12
Non-interest income as % of income	**41. 7**	38.7		40.2
Income growth	**13**	(4)		0
Operating expenses growth	**6**	7		6
Cost-to-income ratio	**53.2**	56.4		55.2
Statement of financial position (Rm)				
Loans and advances	**593 965**	548 167	8	569 130
Loans and advances to customers	**580 270**	533 975	9	554 358
Loans and advances to banks	**13 695**	14 192	(4)	14 772
Investment securities	**33 578**	32 011	5	33 049
Other assets	**457 624**	421 432	9	466 372
Total assets	**1 085 167**	1 001 610	8	1 068 551
Deposits	**470 727**	433 508	9	468 643
Deposits due to customers	**470 723**	433 507	9	468 639
Deposits due to banks	**4**	1	>100	4
Debt securities in issue	**—**	—	—	—
Other liabilities	**601 729**	557 225	8	583 304
Total liabilities	**1 072 456**	990 733	8	1 051 947
Financial performance (%)				
RoRWA	**2.53**	2.09		2.49
Return on average assets	**0.97**	0.85		0.98
RoRC	**21.7**	17.9		21.4

[1] These numbers have been restated, refer to the report overview.

RBB ARO[1]					RBB[1]				
30 June				31 December	30 June				31 December
2022	2021	CCY %	Change %	2021	2022	2021	CCY %	Change %	2021
4 635	4 035	13	15	8 617	**19 733**	18 133	9	9	37 369
1 966	1 538	24	28	3 269	**12 763**	10 445	22	22	22 599
6 601	5 573	16	18	11 886	**32 496**	28 578	13	14	59 968
(572)	(529)	7	8	(1 290)	**(4 878)**	(4 196)	16	16	(7 797)
(4 566)	(4 140)	7	10	(8 498)	**(18 331)**	(17 114)	6	7	(35 045)
(241)	(231)	(1)	4	(463)	**(558)**	(509)	7	10	(1 115)
1 222	673	83	82	1 635	**8 729**	6 759	30	29	16 011
(413)	(398)	9	4	(872)	**(2 499)**	(2 113)	19	18	(4 861)
809	275	>100	>100	763	**6 230**	4 646	35	34	11 150
525	56	<(100)	>100	301	**5 590**	4 165	35	34	10 112
284	219	29	30	462	**377**	235	59	60	542
—	—	—	—	—	**76**	72	5	6	145
—	—	—	—	—	**187**	174	8	7	351
809	275	>100	>100	763	**6 230**	4 646	35	34	11 150
523	54	>100	>100	285	**5 593**	4 161	35	34	10 145
9.06	8.86			8.94	**3.63**	3.65			3.60
1.70	1.74			2.03	**1.44**	1.33			1.21
29.8	27.6			27.5	**39.3**	36.5			37.7
18	(11)			(4)	**14**	(5)			(0)
10	(8)			(7)	**7**	3			2
69.2	74.3			71.5	**56.4**	59.9			58.4
66 631	57 113	10	17	64 036	**660 596**	605 280	9	9	633 166
66 271	56 588	10	17	63 727	**646 541**	590 563	9	9	618 085
360	525	(37)	(31)	309	**14 055**	14 717	(5)	(4)	15 081
1 364	925	37	47	1 149	**34 942**	32 936	6	6	34 198
52 800	44 643	7	18	53 248	**510 424**	466 075	8	10	519 620
120 795	102 681	9	18	118 433	**1 205 962**	1 104 291	8	9	1 186 984
102 346	88 280	7	16	101 467	**573 073**	521 788	8	10	570 110
102 316	88 262	7	16	101 436	**573 039**	521 769	8	10	570 075
30	18	42	67	31	**34**	19	55	79	35
85	75	(0)	13	84	**85**	75	(0)	13	84
18 397	17 424	(0)	6	19 316	**620 126**	574 649	8	8	602 620
120 828	105 779	6	14	120 867	**1 193 284**	1 096 512	8	9	1 172 814
1.24	0.14			0.36	**2.30**	1.77			2.14
0.92	0.10			0.27	**0.96**	0.78			0.91
11.1	1.2			3.1	**19.9**	15.2			18.4

RBB South Africa

for the reporting period ended

RBB SA headline earnings grew **23%** to **R5.1bn** (30 June 2021: R4.1bn), reflecting pre-provision profit growth of **21%**, supported by the normalisation of mortality claims, improved economic activity and balance sheet growth, while credit impairment charges increased by **17%** due non-recurrence of the model enhancement benefits realised in 2021.

Production momentum
across asset portfolios.

Non-interest income grew
21% to **R10.8bn** (30 June 2021: R8.9bn), as mortality rates normalised and economic activity improved.

Balance sheet remains resilient
with Expected Loss Allowance coverage levels above pre-COVID-19 levels.

Cost to income ratio improved
to **53.2%** (30 June 2021: 56.4%) from **7%** positive JAWS.

Deposits grew faster than advances
enhancing the funding base.

RORC improved
to **21.7%**

Customer numbers improved
to **9.6m** with growth in the Retail Affluent and Youth segments

Net interest margin contracted by 6 bps
from faster growth in secured assets and investment deposits.

Credit loss ratio increased
to **1.41%** (30 June 2021: 1.29%) as the model enhancement benefits realised in 2021 were not repeated

Salient features	30 June 2022	30 June 2021	Change %	31 December 2021
Income (Rm)[1]	**25 895**	23 005	13	48 082
Pre-provision profit (Rm)[1]	**12 130**	10 031	21	21 535
Headline earnings (Rm)[1]	**5 070**	4 107	23	9 860
Credit loss ratio (%)	**1.41**	1.29		1.12
Cost-to-income ratio (%)[1]	**53.2**	56.4		55.2
RoRWA (%)	**2.53**	2.09		2.49
RoA (%)[1]	**0.97**	0.85		0.98
RoRC (%)	**21.7**	17.9		21.4

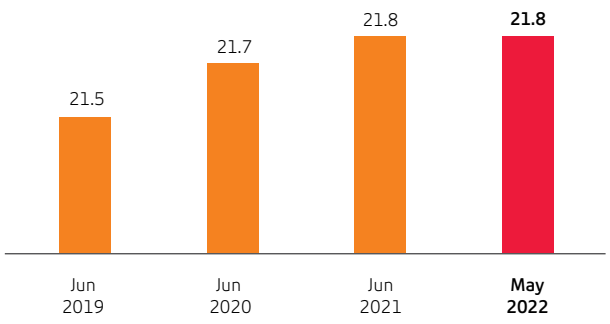
Headline earnings by segment	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021
RBB	**5 070**	4 107	23	9 860
Home Loans[1]	**1 080**	1 400	(23)	2 590
Vehicle and Asset Finance[1]	**26**	248	(90)	622
Everyday Banking[1]	**1 658**	1 598	4	3 923
Relationship Banking[1]	**2 016**	1 501	34	3 535
Insurance Cluster	**642**	(297)	>100	68
Retail and Business Banking Other[1]	**(352)**	(343)	3	(878)

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

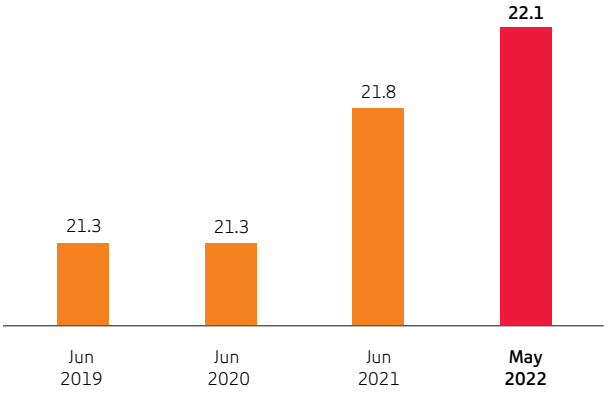
RBB South Africa

for the reporting period ended

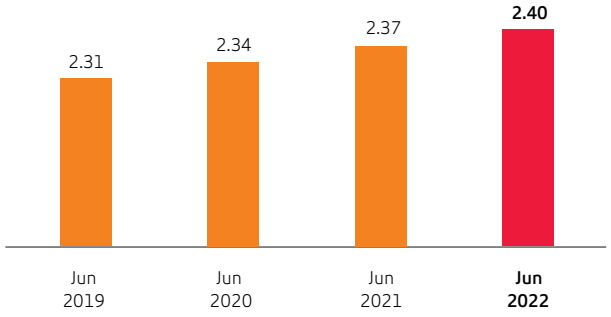
Retail Deposits market share (%)[1]



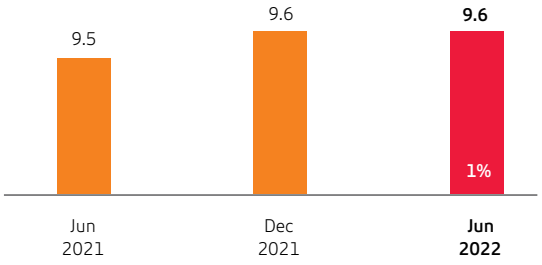
Retail Advances market share (%)[1]



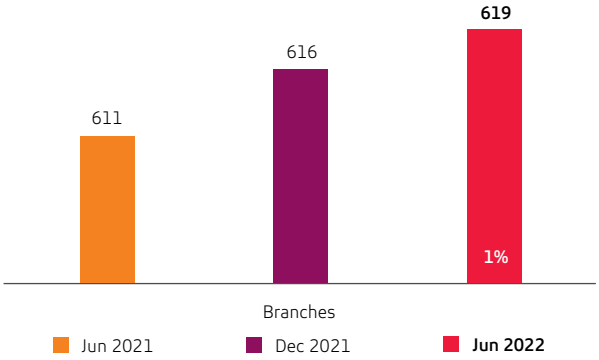
Retail and Business Banking Product holding (average number)

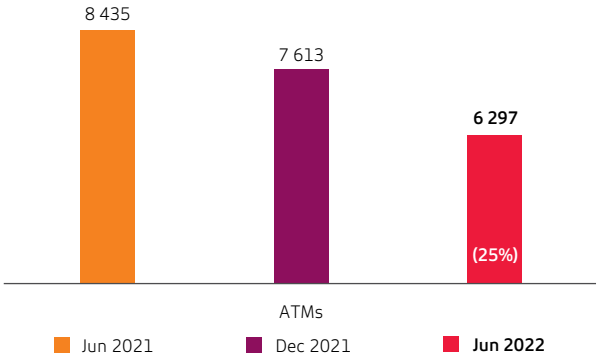


Customer Numbers (millions and % change)

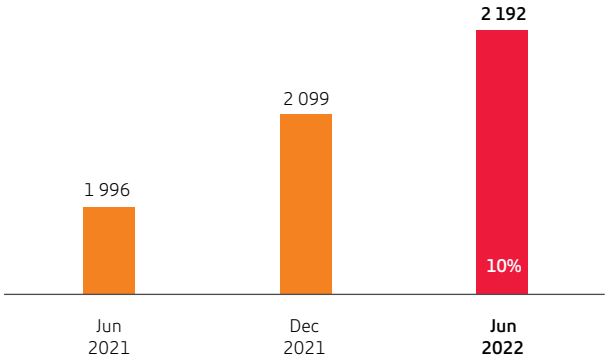


Physical footprint (number and change %)





Number of digitally active customers (thousands and change %)



[1] Source: SARB BA900, May 2022 numbers have been included as June 2022 was not available upon finalisation of the results.

RBB South Africa

for the reporting period ended

	Home Loans[1]				Vehicle and Asset Finance[1]				Everyday Banking[1]			
		30 June		31 December		30 June		31 December		30 June		31 December
	2022	2021	Change %	2021	2022	2021	Change %	2021	2022	2021	Change %	2021
Statement of comprehensive income (Rm)												
Net interest income	**2 590**	2 438	6	5 012	**1 690**	1 500	13	3 047	**6 794**	6 334	7	12 924
Non-interest income	**222**	224	(1)	459	**317**	301	5	602	**5 409**	5 021	8	10 262
Total income	**2 812**	2 662	6	5 471	**2 007**	1 801	11	3 649	**12 203**	11 355	7	23 186
Credit impairment charges	**(272)**	290	<(100)	134	**(1 175)**	(755)	56	(1 426)	**(2 627)**	(2 469)	6	(4 348)
Operating expenses[1]	**(952)**	(908)	5	(1 813)	**(749)**	(673)	11	(1 378)	**(6 996)**	(6 530)	7	(13 050)
Other expenses	**(8)**	(29)	(72)	(76)	**(12)**	(2)	>100	53	**(46)**	(43)	7	(95)
Operating profit before income tax	**1 580**	2 015	(22)	3 716	**71**	371	(81)	898	**2 534**	2 313	10	5 693
Tax expenses	**(428)**	(552)	(22)	(1 022)	**(11)**	(93)	(88)	(214)	**(725)**	(645)	12	(1 581)
Profit for the reporting period	**1 152**	1 463	(21)	2 694	**60**	278	(78)	684	**1 809**	1 668	8	4 112
Profit attributable to:			—				—				—	
Ordinary equity holders	**1 080**	1 401	(23)	2 565	**25**	248	(90)	622	**1 658**	1 598	4	3 924
Non-controlling interest – ordinary shares	**—**	—	—	—	**—**	—	—	—	**93**	16	>100	79
Non-controlling interest – preference shares	**21**	18	17	38	**10**	9	11	18	**17**	16	6	32
Other equity: Additional Tier 1 capital	**51**	44	16	91	**25**	21	19	44	**41**	38	8	77
	1 152	1 463	(21)	2 694	**60**	278	(78)	684	**1 809**	1 668	8	4 112
Headline earnings	**1 080**	1 400	(23)	2 590	**26**	248	(90)	622	**1 658**	1 598	4	3 923
Operating performance (%)												
Net interest margin on average interest-bearing assets	**1.73**	1.79		1.78	**3.21**	3.13		3.07	**3.94**	3.98		3.88
Credit loss ratio	**0.19**	(0.22)		(0.05)	**2.24**	1.58		1.45	**6.01**	5.72		5.02
Non-interest income as % of income	**7.9**	8.4		8.4	**15.8**	16.7		16.5	**44.3**	44.2		44.3
Income growth	**6**	11		11	**11**	20		16	**7**	(6)		(3)
Operating expenses growth	**5**	5		4	**11**	12		14	**7**	4		4
Cost-to-income ratio	**33.9**	34.1		33.1	**37.3**	37.4		37.8	**57.3**	57.5		56.3
Statement of financial position (Rm)												
Loans and advances	**281 855**	257 492	9	270 571	**101 853**	93 981	8	98 077	**74 543**	70 736	5	72 856
Loans and advances to customers	**281 606**	257 200	9	270 275	**101 853**	93 981	8	98 077	**63 893**	58 368	9	60 404
Loans and advances to banks	**249**	292	(15)	296	**—**	—	—	—	**10 650**	12 368	(14)	12 452
Investment securities	**14 453**	12 967	11	13 785	**4 953**	4 495	10	4 742	**3 514**	3 409	3	3 383
Other assets[1]	**28 359**	24 455	16	26 874	**3 724**	3 609	3	3 666	**280 548**	259 688	8	278 827
Total assets	**324 667**	294 914	10	311 230	**110 530**	102 085	8	106 485	**358 605**	333 833	7	355 066
Deposits	**1 908**	1 895	1	1 915	**—**	—	—	—	**279 089**	261 144	7	278 323
Deposits due to customers	**1 908**	1 895	1	1 915	**—**	—	—	—	**279 089**	261 144	7	278 323
Deposits due to banks	**—**	—	—	—	**—**	—	—	—	**—**	—	—	—
Other liabilities[1]	**320 162**	290 420	10	305 561	**109 491**	100 776	9	104 799	**76 367**	69 623	10	71 405
Total liabilities	**322 070**	292 315	10	307 476	**109 491**	100 776	9	104 799	**355 456**	330 767	7	349 728
Financial performance (%)												
RoRWA	**2.19**	3.09		2.78	**0.09**	0.96		1.16	**3.40**	3.32		4.09
RoA	**0.68**	0.98		0.88	**0.05**	0.51		0.62	**0.96**	1.01		1.19

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

Relationship Banking[1]				Insurance				Retail and Business Banking Other				RBB South Africa			
			31 December				31 December				31 December				31 December
2022	2021	Change %	2021	2022	2021	Change %	2021	2022	2021	Change %	2021	2022	2021	Change %	2021
4 305	4 105	5	8 317	—	(1)	(100)	(2)	(281)	(278)	1	(546)	15 098	14 098	7	28 752
2 986	2 845	5	5 808	1 486	181	>100	1 284	377	335	13	915	10 797	8 907	21	19 330
7 291	6 950	5	14 125	1 486	180	>100	1 282	96	57	68	369	25 895	23 005	13	48 082
(231)	(732)	(68)	(867)	—	—	—	—	(1)	(1)	—	—	(4 306)	(3 667)	17	(6 507)
(4 142)	(4 014)	3	(8 107)	(516)	(443)	16	(932)	(410)	(406)	1	(1 267)	(13 765)	(12 974)	6	(26 547)
(5)	(17)	(71)	(41)	(70)	(70)	—	(147)	(176)	(117)	50	(346)	(317)	(278)	14	(652)
2 913	2 187	33	5 110	900	(333)	>100	203	(491)	(467)	5	(1 244)	7 507	6 086	23	14 376
(804)	(595)	35	(1 408)	(258)	36	<(100)	(135)	140	134	4	371	(2 086)	(1 715)	22	(3 989)
2 109	1 592	32	3 702	642	(297)	>100	68	(351)	(333)	5	(873)	5 421	4 371	24	10 387
		—								—				—	
2 016	1 498	35	3 516	642	(297)	>100	68	(356)	(339)	5	(884)	5 065	4 109	23	9 811
—	—	—	—	—	—	—	—	—	—	—	1	93	16	>100	80
27	28	(4)	55	—	—	—	—	1	1	—	2	76	72	6	145
66	66	—	131	—	—	—	—	4	5	(20)	8	187	174	7	351
2 109	1 592	32	3 702	642	(297)	>100	68	(351)	(333)	5	(873)	5 421	4 371	24	10 387
2 016	1 501	34	3 535	642	(297)	>100	68	(352)	(343)	3	(878)	5 070	4 107	23	9 860
3.68	3.82		3.67	n/a	n/a		n/a	n/a	n/a		n/a	3.07	3.13		3.05
0.34	1.14		0.67	n/a	n/a		n/a	n/a	n/a		n/a	1.41	1.29		1.12
41.0	40. 9		41. 1	n/a	n/a		n/a	n/a	n/a		n/a	41.7	38.7		40.2
5	4		4	726	(87)		(46)	n/a	n/a		n/a	13	(4)		0
3	5		3	16	4		20	n/a	n/a		n/a	6	7		6
56.8	57.8		57.4	34.7	246.1		72.8	n/a	n/a		n/a	53.2	56.4		55.2
134 217	125 048	7	126 342	842	499	69	580	655	411	59	704	593 965	548 167	8	569 130
132 918	124 425	7	125 603	—	—	—	—	—	1	(100)	(1)	580 270	533 975	9	554 358
1 299	623	>100	739	842	499	69	580	655	410	60	705	13 695	14 192	(4)	14 772
6 352	6 248	2	6 148	5 276	4 720	12	4 910	(970)	172	<(100)	81	33 578	32 011	5	33 049
109 204	96 541	13	117 665	21 358	23 815	(10)	22 692	14 431	13 323	8	16 647	457 624	421 432	9	466 372
249 773	227 837	10	250 155	27 476	29 034	(5)	28 182	14 116	13 906	2	17 432	1 085 167	1 001 610	8	1 068 551
189 719	170 459	11	188 394	—	—	—	—	11	10	10	11	470 727	433 508	9	468 643
189 714	170 457	11	188 390	—	—	—	—	12	11	9	11	470 723	433 507	9	468 639
5	2	>100	4	—	—	—	—	(1)	(1)	—	—	4	1	>100	4
57 175	55 191	4	57 570	24 904	27 284	(9)	26 258	13 630	13 931	(2)	17 710	601 729	557 225	8	583 304
246 894	225 650	9	245 964	24 904	27 284	(9)	26 258	13 641	13 940	(2)	17 721	1 072 456	990 733	8	1051 947
3.04	2.13		2.53	n/a	n/a		n/a	n/a	n/a		n/a	2.53	2.09		2.49
1.64	1.32		1.48	4.65	(1.96)		0.23	n/a	n/a		n/a	0.97	0.85		0.98

RBB South Africa

for the reporting period ended

Business performance

RBB SA continued to execute against its 2018 strategic transformation journey, supported by the momentum of the economic recovery, specifically in the first quarter of the year. Although the operating environment did become more difficult in the second quarter, key performance indicators continued to trend positively and in line with expectations benefitting from the deliberate execution over the past 3 years:

- Home loans registrations increased by **7%**;
- VAF production increased by **7%**;
- Personal loans production increased **36%**;
- Credit card limits in issue increased by **6%**;
- Deposits grew **9%**, driven by investment deposits;
- Relationship Banking advances increased by **7%**;
- Card turnover volumes grew **13%**;
- Merchant acquiring turnover grew **14%**;
- Physical cash volumes contracted by **4%**;
- Embedded value of new business increased **21%** to **R278m** from improving new business volumes;
- Insurance lapse rates remained stable at **2.6%** per month;
- Claims increased by **17%** in the Short-term insurance business given weather related claims;
- Product holding increased to **2.40**; and
- Digitally active customers grew by **10%** to **2.2m**, primarily driven by increased app users.

Re-engaging with the customer base and improving customer experience have been essential elements of the transformation journey. This followed a multi-phase approach which started with the launch of the first of its kind digital fraud warranty in 2018 and was closely followed by improvements in customer complaints management which has seen the Bank having the lowest level of ombudsman complaints, out of the peer group, for the past 2 years. Marketing campaigns were streamlined to elevate the value of the ecosystem whilst product propositions were enhanced through the bancassurance model and the Absa Rewards offering was re-invigorated as new partners were brought on board. In 2021 customer centric pricing changes that provided R500m in fee reductions were implemented, whilst Absa Advantage, a behavioural rewards programme, was launched and has created over 300k in unique customer interactions. Together this ecosystem has started to translate into tangible improvements in NPS with over half of customers surveyed acting as Promotors of the brand.

Customer numbers grew to **9.6m** (30 June 2021: 9.5m) with growth primarily in the Retail Affluent segment, which grew **7%** whilst the strategic objective to grow the Youth segment is starting to gain traction growing by **4%** since December 2021. Similar trends have been observed in primacy although the tougher operating environment in the second quarter did impact already strained entry level banking customer income and spending levels, resulting in primary customers reducing to **2.7m** (30 June 2021: 2.8m). Customer relationships continue to be deepened across the RBB ecosystem with product holding per customer improving to **2.40** (30 June 2021: 2.37).

Advances growth of **9%** was supported by continued momentum in the secured portfolios and improved production in the unsecured portfolios. The improvement in the unsecured portfolios has been supported by the 2021 release of credit strategies, implemented in 2020 to avoid adverse selection, as well as the enablement of Personal Loan sales on the Absa Banking App. Market share of Retail advances, per the BA 900, improved to **22.1%** (30 June 2021: 21.8%).

The business continues to be prudent in its loss expectations and whilst overall book construct has improved, the macroeconomic outlook has weakened since December 2021. Accordingly, the overall book coverage of **5.26%** has remained largely in line with the December 2021 level and is still significantly higher than 2019 levels notwithstanding the definition of default and model enhancement benefits realised in 2021. Coverage was built in VAF to account for an increase in delinquencies as payment issues experienced post DebiCheck implementation, impacted debit order success rates.

Deposit growth was resilient at **9%**, supported by both transactional and investment deposits with growth of **8%** and **9%** respectively. Transactional deposit growth is reflective of the deepening of customer relationships as well as lower consumption spend although this started to come under pressure in the second quarter, given the higher inflation. Investment deposit growth was assisted by the closure of the Absa Money Market Fund in 2021, with a significant portion of customers electing to migrate to Absa investment products. Retail Deposit market share, per the BA 900, is **21.8%** (30 June 2021: 21.8%).

The Life insurance balance sheet has proven resilient through the COVID-19 pandemic and, in December 2021, was strengthened to R423m for the impact of additional waves, given the onset of the Omicron variant in late December. The mortality impact of the Omicron variant in the first quarter was less than initially expected and **R290m** of the COVID-19 reserve was released in the first half of the year, resulting in a reserve of **R133m** at the end of June 2022.

The business continues to digitise with the focus on ensuring consistent customer engagements and continuously enhancing product and channel digital journeys, specifically on the Absa Banking App. Customer acceptance of digital channels accelerated since the onset of the COVID-19 pandemic in 2020 and has continued in 2022 with the digital customers increasing by **10%** to **2.2m** whilst new digital registrations have increased by **15%** on 2021 levels. The quality of the digital channels has been recognised in the market with the Bank receiving a number of digital accolades including Best Digital Bank in South Africa and Excellence in Innovation for the chatbot "Abby" at the recent Global Banking and Finance awards, while the app continues to be the highest rated by customers. Recent enhancements to the Absa Banking App include:

- End to End personal loan fulfilment
- Increased "Abby" navigational features: and
- Security hub, which enables customers to check their digital banking safety

The investment in digitisation and automation of products and processes, both internally and customer led, as well as a relentless focus on driving efficiencies has reduced the cost to income ratio to **53.2%** from 58.4% in 2018. Despite the significant reduction the business continues to create investment capacity with investment spend having doubled since 2018.

RORC has improved to **21.7%** (June 2021: 17.7%) driven by the stronger earnings and capital demand optimisation and is well above the Group's cost of equity.

Looking ahead RBB SA will focus on:

- Targeted balance sheet acquisition to support return enhancement;
- Leveraging the ecosystem to continuously create value for customers;
- Maturing the go to market capability with focus on primacy and digital adoption;
- Further enhancing digitised collection capabilities; and
- Embedding the refined operating model.

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RBB South Africa

for the reporting period ended

Everyday Banking

	Card[1]				Personal Loans[1]			
	30 June			31 December	30 June			31 December
	2022	2021	Change %	2021	2022	2021	Change %	2021
Statement of comprehensive income (Rm)								
Net interest income	**2 366**	2 163	9	4 405	**1 481**	1 307	13	2 691
Non-interest income	**1 327**	1 206	10	2 550	**169**	184	(8)	355
Total income	**3 693**	3 369	10	6 955	**1 650**	1 491	11	3 046
Credit impairment charges	**(1 396)**	(1 286)	9	(2 356)	**(1 010)**	(963)	5	(1 643)
Operating expenses	**(1 663)**	(1 514)	10	(3 066)	**(674)**	(619)	9	(1 170)
Other expenses	**(19)**	(12)	58	(34)	**(6)**	(7)	(14)	(14)
Operating profit before income tax	**615**	557	10	1 499	**(40)**	(98)	(59)	219
Tax expenses	**(169)**	(160)	6	(420)	**15**	31	(52)	(55)
Profit for the reporting period	**446**	397	12	1 079	**(25)**	(67)	(63)	164
Profit attributable to:								
Ordinary equity holders	**333**	362	(8)	962	**(45)**	(84)	(46)	130
Non-controlling interest – ordinary shares	**93**	16	>100	79	**—**	—	—	—
Non-controlling interest – preference shares	**6**	6	—	11	**6**	5	20	10
Other equity: Additional Tier 1 capital	**14**	13	8	27	**14**	12	17	24
	446	397	12	1 079	**(25)**	(67)	(63)	164
Headline earnings	**333**	362	(8)	961	**(45)**	(84)	(46)	130
Operating performance (%)								
Credit loss ratio	**5.73**	5.53		5.01	**8.80**	8.33		7.13
Non-interest income as % of income	**35.9**	35.8		36.7	**10.2**	12.3		11.7
Income growth	**10**	(6)		0	**11**	(13)		(7)
Operating expenses growth	**10**	(0)		6	**9**	(2)		4
Cost-to-income ratio	**45.0**	44.9		44.1	**40.8**	41.5		38.4
Statement of financial position (Rm)								
Loans and advances	**41 772**	37 884	10	39 164	**19 428**	17 928	8	18 610
Loans and advances to customers	**41 563**	37 634	10	38 960	**19 428**	17 928	8	18 610
Loans and advances to banks	**209**	250	(16)	204	**—**	—	—	—
Investment securities	**2 026**	1 893	7	1 923	**953**	950	0	935
Other assets	**10 655**	9 952	7	9 778	**450**	467	(4)	450
Total assets	**54 453**	49 729	9	50 865	**20 831**	19 345	8	19 995
Deposits	**1 969**	1 882	5	2 056	**21**	16	31	21
Deposits due to customers	**1 969**	1 882	5	2 056	**21**	16	31	21
Deposits due to banks	**—**	—	—	—	**—**	—	—	—
Debt securities in issue	**—**	—	—	—	**—**	—	—	—
Other liabilities	**50 682**	46 025	10	46 448	**20 852**	19 412	7	19 842
Total liabilities	**52 651**	47 907	10	48 504	**20 873**	19 428	7	19 863
Financial performance (%)								
RoRWA	**1.45**	1.58		2.12	**(0.33)**	(0.71)		0.53
RoA	**1.29**	1.51		1.95	**(0.44)**	(0.87)		0.67

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

Transactional and Deposits				Everyday Banking			
30 June			31 December	30 June			31 December
2022	2021	Change %	2021	**2022**	2021	Change %	2021
2 947	2 864	3	5 828	**6 794**	6 334	7	12 924
3 913	3 631	8	7 357	**5 409**	5 021	8	10 262
6 860	6 495	6	13 185	**12 203**	11 355	7	23 186
(221)	(220)	(0)	(349)	**(2 627)**	(2 469)	6	(4 348)
(4 659)	(4 397)	6	(8 814)	**(6 996)**	(6 530)	7	(13 050)
(21)	(24)	(13)	(47)	**(46)**	(43)	7	(95)
1 959	1 854	6	3 975	**2 534**	2 313	10	5 693
(571)	(516)	11	(1 106)	**(725)**	(645)	12	(1 581)
1 388	1 338	4	2 869	**1 809**	1 668	8	4 112
1 370	1 320	4	2 832	**1 658**	1 598	4	3 924
—	—	—	—	**93**	16	>100	79
5	5	—	11	**17**	16	6	32
13	13	—	26	**41**	38	8	77
1 388	1 338	4	2 869	**1 809**	1 668	8	4 112
1 370	1 320	4	2 832	**1 658**	1 598	4	3 923
3	2.64		2.09	**6.01**	5.72		5.02
57	55.9		55.8	**44.3**	44.2		44.3
6	(4)		(3)	**7**	(6)		(3)
6	6		3	**7**	4		4
67.9	66.8		66.8	**57.3**	57.5		56.3
13 343	14 924	(11)	15 082	**74 543**	70 736	5	72 856
2 902	2 806	3	2 834	**63 893**	58 368	9	60 404
10 441	12 118	(14)	12 248	**10 650**	12 368	(14)	12 452
535	566	(5)	525	**3 514**	3 409	3	3 383
269 443	249 269	8	268 599	**280 548**	259 688	8	278 827
283 321	264 759	7	284 206	**358 605**	333 833	7	355 066
277 099	259 246	7	276 246	**279 089**	261 144	7	278 323
277 099	259 246	7	276 246	**279 089**	261 144	7	278 323
—	—	—	—	**—**	—	**—**	—
—	—	—	—	**—**	—	**—**	—
4 833	4 186	15	5 115	**76 367**	69 623	10	71 405
281 932	263 432	7	281 361	**355 456**	330 767	7	349 728
11.31	9.82		10.99	**3.40**	3.32		4.09
1.01	1.06		1.08	**0.96**	1.01		1.19

RBB South Africa

for the reporting period ended

Business unit performance

Home Loans

Business performance

New mortgages registered remained strong for the first half of the year, despite the increasing interest rate environment. Home Loans application volumes decreased by **10%** whilst average application ticket value increased by **7%** against 2021 with similar trends observed across the industry. Home Loans remains steadfast in its ambition to House the Nation and shape the industry in a meaningful manner.

The overall confidence in the South African property market remained stable in 2022:

- Absa average homeowner sentiment index increased by 1 percentage point to **78%** in the second quarter of 2022 (second quarter 2021: 77%); and
- National house price inflation index remained constant at **5.1%** in 2022 (30 June 2021: 5.1%).

The business continued to create value by executing against a consistent strategy. This was achieved through:

- Continuous refinement of acquisition and pricing strategies to ensure consistent performance in an increasingly competitive environment;
- Improving collections capabilities through system and process enhancements, increasing the resilience of the business;
- Enhancing digital self-service capability by providing more digital features to customers;
- Offering customers improved solutions and value by focusing on bancassurance and Everyday banking integration;
- Progress on track in delivering an integrated frontend and workflow system which improves the customer and colleague experience; and
- A unique sustainable energy proposition, supporting customers to remain connected during power disruptions.

The financial performance was driven by:

- New mortgages registered increasing by **7%** against 2021, whilst the market increased by 4%;
- Market share for new mortgages registered over the past 12 months increasing to **23.5%** (30 June 2021: 21.9%);
- Average LTV on new mortgages registered increasing to **89.6%** (30 June 2021: 89.1%); and
- Mortgages originated by mortgage originators as a percentage of business increasing to **66.7%** (30 June 2021: 62.5%).

Financial performance

Gross loans and advances increased by **9%** to **R289bn** (30 June 2021: R264bn) on the back of continued growth in new mortgages registered. Absa's home loans market share increased to **23.7%** from 23.2% in June 2021 (BA900).

Headline earnings decreased to **R1 080m** (30 June 2021: R1 400m) as pre-provision profit growth of **6%** was offset by a higher credit impairment charge.

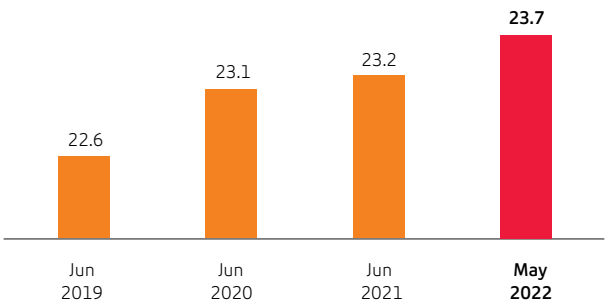
Net interest income increased **6%** to **R2 590m** (30 June 2021: R2 438m), reflecting the growth in advances although partially offset by increasing pricing pressures in the market and higher funding costs.

Credit impairment charges increased to **R272m** (30 June 2021: -R290m) driven primarily by ageing within the legal book, as a result of the continued challenges emanating from the changes to the sale in execution process, and higher early cycle arrears as customers started to be impacted by the increasing rate cycle. The release in the prior year reflects the definition of default and model enhancement benefits realised and the current year credit loss ratio of **0.19%** (30 June 2021: -0.22%) remains well within the through the cycle range. The NPL ratio improved to **7.1%** (30 June 2021: 7.6%) whilst NPL and Total coverage of **29.6%** (30 June 2021: 28.8%) and **2.53%** (30 June 2021: 2.68%).

Looking ahead Home Loans will focus on:

- Delivering a superior home loan experience throughout the product's lifetime with the development of digital self-service and application capabilities;
- Remaining sustainable and competitive through the cycle with consistent market presence and refined credit models;
- Improving collections efficiency with process automation in distressed property sales and providing early distress solutions to customers in their time of need;
- Broadening franchise value by providing integrated home loan solutions with transactional and insurance products;
- Delivering integrated and simple sustainable living solution for the market by leveraging the full bank's value; and
- Supporting the expansion of Absa's affordable mortgage portfolio through innovative funding mechanisms.

Mortgages market share (%)[1]



[1] Source SARB BA900, May 2022 numbers have been included as June 2022 was not available upon finalisation of the results.

RBB South Africa

for the reporting period ended

Business unit performance (continued)

Vehicle and Asset Finance

Business performance

Despite vehicle supply chain disruptions and other economic challenges, the domestic vehicle market returned to stable sales levels characterised by:

- New vehicle sales increasing by **11%** for the six month period ending June 2022 (naamsa)[2];
- New vehicle price inflation averaging **5.5%** for the six month period ending June 2022 (StatsSA); and
- Financed vehicle market growing by **3.1%** for the quarterly period ending March 2022 (Transunion)[3].

VAF continued to focus on achieving its strategic objectives through:

- Excellence in dealer and customer service levels through the implementation of additional self-service features on Voice and Digital platforms;
- Further enhancements to collections strategies through the implementation of improved risk differentiation and continued focus on asset realisation processes;
- Continued refinement of application systems to maintain industry leading turnaround times across Dealer and Direct Sales Channels;
- Expanding share in Wholesale Finance to Dealer Groups in collaboration with Relationship Banking on the back of increasing the number of primary banked dealers and unique propositions;
- Implementing the bancassurance sales operating model to deliver value propositions to customers through the dealer network; and
- Deepening relationships with the naamsa Automotive Business Council and Original Equipment Manufacturers (OEMs) to play a meaningful role in the industry.

The above has resulted in:

- Production increasing by **7%** year on year;
- Market share on Instalment Debtors (per BA900) increasing to **23.2%** (30 June 2021: 22.6%);
- Stable trend in margins with pressure emerging on new business pricing due to market competition; and
- Improved collections effectiveness and an increased take-up of solutions by distressed customers including voluntary asset realisation.

Financial performance

Gross loans and advances to customers increased by **8%** to **R108bn** (30 June 2021: R100bn) driven by solid production levels and a stable run-off on the back book.

Headline earnings decreased by R223m to **R26m** mainly due to higher credit impairment charges with pre-provision profit increasing by **11%**. Cost to income remained stable at **37.3%** supported by robust revenue growth.

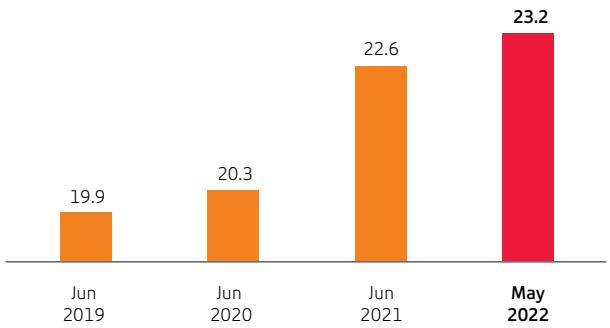
Net interest income grew by **13%** to **R1 690m** (30 June 2021: R1 500) supported by the strong book growth and run-off of the lower margin back book.

Credit impairment charges increased to **R1 175m** (30 June 2021: R755m) with the credit loss ratio increasing to **2.24%** (30 June 2021: 1.58%) driven by increased customer delinquencies and the non-recurrence of the default definition implementation benefits realised in 2021. The increase in customer delinquencies largely reflect payment issues experienced post DebiCheck implementation that impacted debit order success rates while economic pressure on customers did start to emerge in the second quarter. The NPL ratio increased to **7.4%** (30 June 2021: 7.1%) driven by sustained pressure on the legal book and customers in debt review which also contributed to the credit impairment charge. Total and NPL impairment coverage remained significantly above pre-COVID levels at **6.04%** (30 June 2021: 6.00%) and **51.6%** (30 June 2021: 53.7%) respectively.

Looking ahead, VAF will focus on:

- Building a balanced portfolio across new and used vehicles;
- Improving returns through quality new business origination and efficient use of financial resources;
- Continued enhancement to payments performance as well as improved assistance to customers in distress through collections effectiveness initiatives supported by improvements to risk differentiated collections strategies;
- Implementation of additional acquisition and payment features on digital platforms;
- Building strategic partnerships with new market entrants and deepening relationships as the preferred financial services partner with industry stakeholders; and
- Understanding the transition scenarios into New Energy Vehicles (NEV) in support of the Group's sustainability goals.

VAF market share (%)[1]



[1] Source SARB BA900, May 2022 numbers have been included as June 2022 was not available upon finalisation of the results.
[2] Source: naamsa stats for new vehicles.
[3] Transunion stats for new and use vehicles.

RBB South Africa

for the reporting period ended

Business unit performance (continued)

Everyday Banking

Business performance

The operating environment was more favourable for business growth with an end to most of the COVID-19 lockdown restrictions in the first quarter. Although this did weaken in the second quarter as customers were impacted by rising inflation and interest rates as well as increased load-shedding. The business, however, continued to accelerate the execution of its growth strategy through:

- Building further momentum in acquisition growth in the Core Middle Market, Retail Affluent and Young Adult segments;
- Expanding the non-traditional acquisition channels across the business;
- Further entrenching relationships with customers, as well as investing in sustainable revenue streams for the future;
- Delivering holistic and integrated product solutions to customers and enhancing the Absa Rewards programme; and
- Adding new digital capabilities to the Absa mobile banking App, further supporting the increase in the rate of digital adoption.

The above contributed to the increase in the key performance indicators, including digital adoption, transaction activity and production:

- The number of digitally registered and digitally active customers grew **15%** and **10%** respectively;
- There was a further migration of transactions from the traditional channels to digital channels, with the former contracting while the latter grew at double-digit rates;
- The trends on customer and service experience improved across the channels in the first quarter. The NPS (Net promoter score) steadily improved from 46% to **58%**, while the Complaints Index showed a reduced number of formal complaints lodged by customers;
- Primacy in the Retail Affluent and Young Adult segments improved by 4% driven by improved customer activity levels;
- The sales of transactional cheque accounts grew **35%**, however, there was some pressure on the entry-level segment, particularly in the first quarter while the second quarter improved noticeably;
- Sales of credit card accounts grew **7%**, supported by business initiatives and an increase in credit demand;
- Credit card limit production grew **18%**, with improving trends in the limit utilisation rates; and
- Personal Loan production reverted to 2019 levels and grew **36%** year on year reflecting acceleration in digital channels as well as investments in marketing initiatives. The contribution of production from the digital channels more than doubled since the start of 2022 following enhancements to the digital capabilities on the mobile banking app.

Financial performance

Gross loans and advances grew **6%** to **R77bn** (30 June 2021: R73bn) driven by the acceleration in asset production and improved usage levels.

Deposits grew **7%** to **R279bn** (30 June 2021: R261bn) and were supported by growth in both the investment and transactional portfolios which increased **8%** and **5%** respectively. The increase in investment deposits was supported by the migration of customers from the Absa Money Market Fund, whilst transactional deposits benefitted from an increase in the number of primary customers in the Core Middle Market, Retail Affluent and Young Adult segments.

Headline earnings growth of **4%** to **R1 658m** (30 June 2021: R1 598m) was driven by pre-provision profit growth of **8%** although partially offset by a **6%** increase in credit impairment charges.

Net interest income grew **7%** to **R6 794m** (30 June 2021: R6 334m) supported by balance sheet growth and the increasing interest rate:

- Net interest income on advances growth of **10%** reflects an increase in lending balances as well as better margins across the products as the lending mix returned to pre-COVID-19 levels.
- Net interest income on deposits growth of **3%** was driven by the growth in the deposits book as margins were compressed by the stronger growth in investment deposits.

Non-interest income grew **8%** to **R5 409m** (30 June 2021: R5 021m) as economic activity normalised and was supported by **12%** growth in digital volumes and debit and credit card turnover growth of **13%**, and **14%** respectively. The migration to digital from the traditional channels continued to be a drag on Non-Interest Revenue growth with ATM and Branch volumes decreasing by **6%**.

Credit impairment charges grew **6%** to **R2 627m** reflecting growth in the loan book and the non-recurrence of the model enhancement benefits realised in 2021. The economic pressure, specifically in the second quarter, was mitigated by pro-active measures taken to assist customers with their obligations, together with strong payment performance benefitting from concerted focus and investment in collections capabilities and strategies. The credit loss ratio thus increased by 29 bps to **6.01%** (30 June 2021: 5.72%), however the underlying book quality remains strong and within appetite. The NPL ratio improved to **14.1%** (30 June 2021: 17.7%) from concerted efforts to manage the NPL book whilst overall coverage of **17.06%** remains well above pre-COVID levels.

Operating expenses grew **7%** to **R6 996m** (30 June 2021: R6 530m) driven by annual salary increases, as well as additional investment in digital capabilities, marketing and in fraud detection and prevention capabilities although this was offset by continued optimisation of the physical network of branches and ATMs in line with changes in customer behaviour.

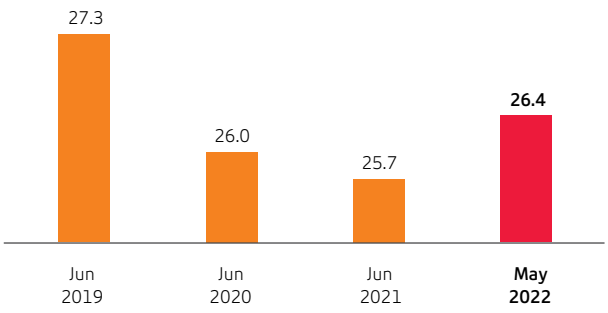
Looking ahead, Everyday Banking will focus on:

- Accelerating acquisitions, with additional focus on the entry level banking segment, whilst maintaining the momentum in Core Middle Market and Retail Affluent segments;
- Scaling up production across the segments including the expansion of non-traditional channels;
- Leveraging the investment and lending products to strengthen primary relationships with existing and new customers;
- Continuing to enhance the customer value propositions across the customer segments, as well as improving the onboarding experience for customers;
- Accelerating digital adoption and sustained activity, through the deployment of market-leading digital payment innovations; and
- Maintaining a sound and responsible approach to lending given the emerging economic climate, whilst optimising the capabilities of the digital collections.

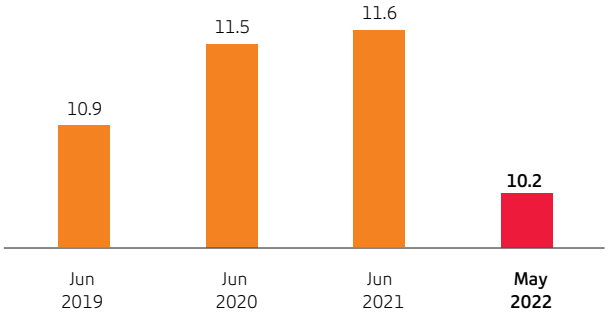
RBB South Africa

for the reporting period ended

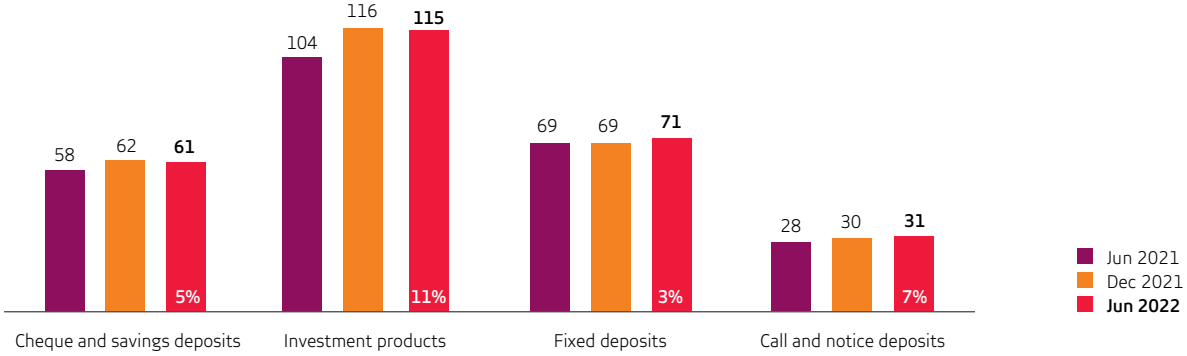
Card market share stock (%)[1]



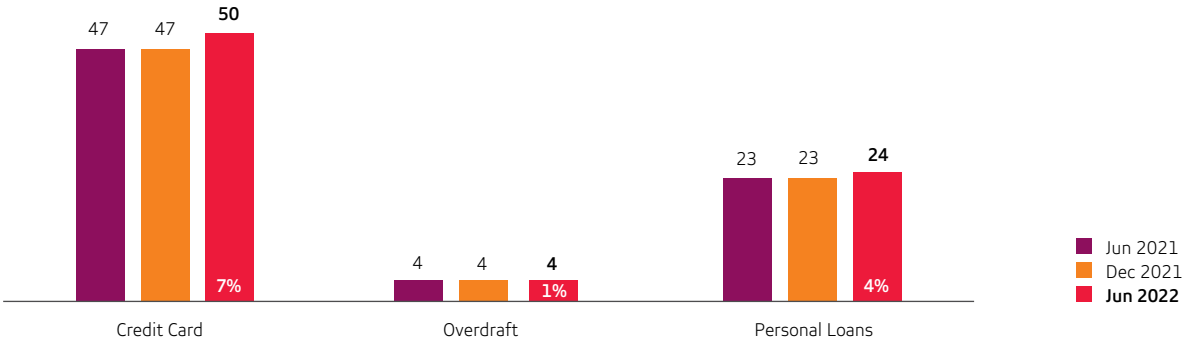
Personal loans market share (%)[1]



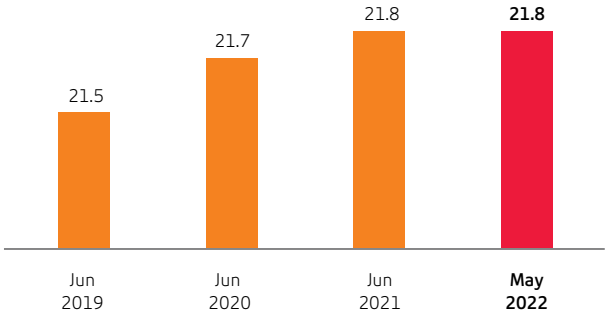
Deposits (Rm and change %)



Gross loans and advances (Rm and change %)



Deposits market share (%)[1]



[1] Source SARB BA900, May 2022 numbers have been included as June 2022 was not available upon finalisation of the results.

RBB South Africa

for the reporting period ended

Business unit performance (continued)

Relationship Banking

Business performance

The business continued to execute against its strategic initiatives as the economic momentum in the second half of 2021 carried into the first quarter of the year. Despite the tougher operating environment in the second quarter, characterised by rising inflation, increasing interest rates and persistent loadshedding, the business continued to gain traction on its key initiatives.

Acceleration in growing the commercial segment has been supported by growing historically strong products and sectors including Agri and Merchant Acquiring, whilst leveraging the ecosystem to deepen customer relationships.

In the SME segment the business has focused on creating simple and easy to use digital solutions for customers. This started with the launch of the Business Evolve proposition in 2020, which is continuously updated with additional digital features and is now supported by a holistic offering for customers, including

- MobilePay, a merchant acquiring app solution that turns an Android smart phone into a payment accepting device with no device rental or monthly fees; and
- Absa SME Friday which supports Absa SMEs by rewarding Absa Retail clients for shopping at local Absa SME on a Friday.

The CustomerOne customer relationship management system continues to evolve and together with improvements in the voice and digital channels, enables bankers to focus on providing value added services to customers. The integration of the end to end credit journeys is progressing well and is expected to improve overall customer experience.

Financial performance

Gross loans and advances to customers grew by **6%** to **R138bn** (30 June 2021: R130bn) reflecting momentum in the Agri portfolio while improved business investment confidence assisted growth in Overdrafts and Commercial Asset Finance, specifically in manufacturing and agriculture.

Deposits increased by **11%** to **R190bn** (30 June 2021: R170bn) reflecting continued growth in transactional, and investments deposits which increased by **10%** and **12%** respectively. Transactional deposit growth was supported by growth in the 3rd party fund management product as well as the build-up of customer liquidity in the past 2 years although this has started to taper as businesses started to invest again. Investment deposit growth was supported by customer led migrations from the Absa Money Market Fund which closed in 2021 and growth in specific products as customer searched for yield.

Headline Earnings increased by **34%** to **R2 016** (30 June 2021: R1 501m), driven by a **7%** growth in pre-provision profits and a **68%** decrease in credit impairment charges.

Net Interest Income increased by **5%** to **R4 305m** (30 June 2021: R4 105m) as balance sheet growth was offset by deposit margin compression:

- Net interest income on advances increased by **10%** as average balances grew by **6%** and margins improved across lending products
- Net interest income on deposits increased by **3%** as a **12%** increase in average balances was offset by an adverse product mix within the portfolio

Non-Interest Income increased by **5%** to **R2 986m** (30 June 2021: R2 845m) driven by improved transactional activity, a **14%** increase in acquiring turnovers, with growth in Commercial and SME segments, and strong growth in the Fiduciary business as activity at the municipal and master of the high court normalised. This growth was offset by an acceleration in customer migration to lower yielding digital channels and bundled products.

Credit impairment charges decreased by **68%** to **R231m** (30 June 2021: R732m) from an improvement in the overall book construct, resulting in the credit loss ratio decreasing to **0.34%** (30 June 2021: 1.14%). Total book coverage decreased to **3.74%** (30 June 2021: 4.53%) given the improved construct but remains well above pre-COVID levels.

Operating expenditure increased by **3%** benefitting from the embedment of the operating model optimisation as well as automation and digitisation initiatives in line with customer behaviour changes.

Looking ahead, Relationship Banking will focus on:

- Refining the Relationship Banking service model to further improve client centric delivery;
- Leveraging the Relationship Banking ecosystem for customer benefit;
- Continuous improvement to the SME proposition; and
- Scaling the Bancassurance business by aligning advice distribution channels.

RBB South Africa

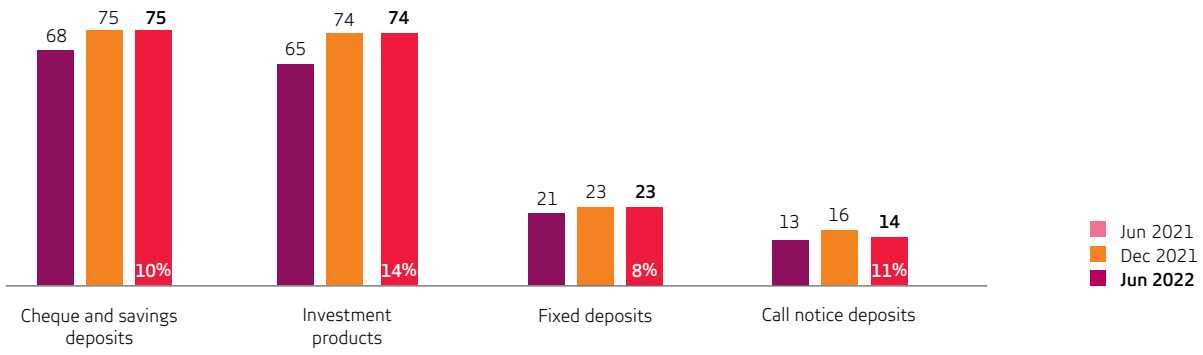
for the reporting period ended

Business unit performance (continued)

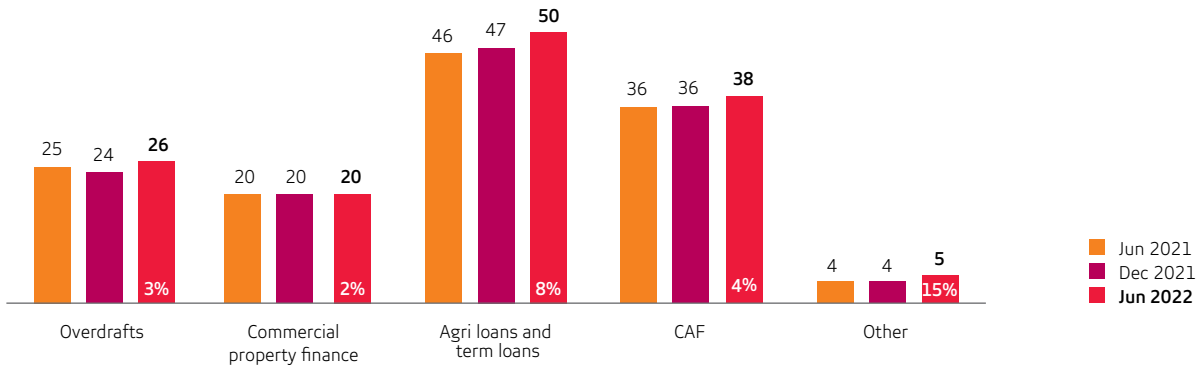
Relationship Banking (continued)

Financial performance (continued)

Deposits (Rm and change %)



Gross loans and advances (Rm and change %)



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for the reporting period ended

	Life Insurance			
	30 June			31 December
	2022 Rm	2021 Rm	Change %	2021 Rm
Statement of comprehensive income (Rm)				
Net insurance premium income	**2 083**	1 947	7	3 971
Net insurance claims and benefits paid	**(823)**	(1 315)	(37)	(2 659)
Investment income			—	
Policyholder investment contracts	**(1 415)**	715	<(100)	1 681
Policyholder insurance contracts	**(78)**	150	<(100)	280
Changes in investment and insurance contract liabilities			—	
Policyholder investment contracts	**1 431**	(691)	>100	(1 641)
Policyholder insurance contracts	**333**	(674)	>100	(411)
Other income	**26**	5	>100	15
Gross operating income	**1 557**	137	>100	1 236
Net commission paid by insurance companies	**(367)**	(371)	(1)	(742)
Operating expenses	**(313)**	(263)	19	(548)
Other expenses	**(68)**	(68)	—	(141)
Net operating income	**809**	(565)	>100	(195)
Investment income on shareholders' funds	**38**	21	81	53
Taxation expense	**(243)**	95	<(100)	(32)
Profit for the period	**604**	(449)	>100	(174)
Headline earnings	**604**	(449)	>100	(174)
Note (Rm)				
Investment income				
Policyholder investment contracts	**(1 415)**	715	<(100)	1 681
Net interest income	**189**	243	(22)	524
Dividend income	**117**	90	30	194
Fair value gains/(losses)	**(1 721)**	382	<(100)	963
Policyholder insurance contracts	**(78)**	150	<(100)	280
Net interest income	**29**	27	7	54
Dividend income	**8**	3	>100	9
Fair value gains/(losses)	**(115)**	120	<(100)	217
Shareholder funds	**38**	21	81	52
Net interest income	**42**	24	75	52
Dividend income	**—**	—	—	—
Fair value gains/(losses)	**(4)**	(3)	33	—
Total	**(1 455)**	886	<(100)	2 013
Net interest income	**260**	294	(12)	630
Dividend income	**125**	93	34	203
Fair value gains/(losses)	**(1 840)**	499	<(100)	1 180

Short-term Insurance				Insurance SA			
30 June			31 December	30 June			31 December
2022 Rm	2021 Rm	Change %	2021 Rm	**2022 Rm**	2021 Rm	Change %	2021 Rm
1 576	1 540	2	3 120	**3 659**	3 487	5	7 091
(1 129)	(963)	17	(2 046)	**(1 952)**	(2 278)	(14)	(4 705)
		—					
—	—	—	—	**(1 415)**	715	<(100)	1 681
20	17	18	33	**(58)**	167	<(100)	313
		—					
—	—	—	—	**1 431**	(691)	>100	(1 641)
—	—	—	—	**333**	(674)	>100	(411)
15	12	25	35	**41**	17	>100	50
482	606	(20)	1 142	**2 039**	743	>100	2 378
(261)	(243)	7	(482)	**(628)**	(614)	2	(1 224)
(203)	(180)	13	(385)	**(516)**	(443)	16	(933)
(2)	(2)	—	(6)	**(70)**	(70)	—	(147)
16	181	(91)	269	**825**	(384)	>100	74
37	30	23	76	**75**	51	47	129
(15)	(59)	(75)	(103)	**(258)**	36	<(100)	(135)
38	152	(75)	242	**642**	(297)	>100	68
38	152	(75)	242	**642**	(297)	>100	68
—	—	—	—	**(1 415)**	715	<(100)	1 681
—	—	—	—	**189**	243	(22)	524
—	—	—	—	**117**	90	30	194
—	—	—	—	**(1 721)**	382	<(100)	963
20	17	18	33	**(58)**	167	<(100)	313
20	17	18	33	**49**	44	11	87
—	—	—	—	**8**	3	>100	9
—	—	—	—	**(115)**	120	<(100)	217
37	30	23	77	**75**	51	47	129
44	40	10	88	**86**	64	34	140
—	—	—	2	**—**	—	—	2
(7)	(10)	(30)	(13)	**(11)**	(13)	(15)	(13)
57	47	21	110	**(1 398)**	933	<(100)	2 123
64	57	12	121	**324**	351	(8)	751
—	—	—	2	**125**	93	34	205
(7)	(10)	(30)	(13)	**(1 847)**	489	<(100)	1 167

RBB South Africa

for the reporting period ended

	Insurance SA			
	30 June			31 December
	2022 Rm	2021 Rm	Change %	2021 Rm
Statement of financial position				
Assets				
Financial assets backing investment and insurance liabilities				
Policyholder investment contracts	**19 970**	22 393	(11)	21 308
Cash balances and loans and advances to banks	**907**	1 341	(32)	1 184
Investment securities	**19 063**	21 052	(9)	20 124
Policyholder insurance contracts	**3 169**	3 046	4	3 224
Cash balances and loans and advances to banks	**267**	258	3	264
Investment securities	**2 682**	2 679	0	2 798
Reinsurance assets	**220**	109	>100	162
Shareholder funds	**3 424**	2 543	35	2 714
Cash balances and loans and advances to banks	**831**	502	66	602
Investment securities	**2 593**	2 041	27	2 112
Other assets	**913**	1 051	(13)	936
Property and equipment	**—**	1	(100)	—
Total assets	**27 476**	29 034	(5)	28 182
Liabilities				
Liabilities under investment contracts	**19 883**	22 332	(11)	21 242
Policyholder liabilities under insurance contracts	**3 009**	3 381	(11)	3 382
Other liabilities	**1 802**	1 345	34	1 408
Other liabilities	**1 702**	1 264	35	1 321
Other liabilities relating to investment contracts	**100**	81	23	87
Deferred tax liabilities	**210**	226	(7)	226
Total liabilities	**24 904**	27 284	(9)	26 258
Equity				
Capital and reserves	**2 572**	1 750	47	1 924
Total equity	**2 572**	1 750	47	1 924
Total liabilities and equity	**27 476**	29 034	(5)	28 182

RBB South Africa

for the reporting period ended

Business unit performance (continued)

Insurance South Africa

Business performance

The South African Insurance Cluster's performance was characterised by a reduced impact of the COVID-19 pandemic on mortality, resulting in a reduction of overall claims paid and a release of short-term provisions in the Life insurance business. This was contrasted by a significant increase in Short-term insurance claims from weather-related events, particularly the floods in KwaZulu-Natal and the Western Cape, and higher surge claims from the increase in loadshedding. The business continues to focus on delivering an integrated bancassurance model and has made progress in its execution:

- Credit Life strike rates of **72%** (30 June 2021: 67%) continue to improve as customer journeys are integrated and new products are launched;
- Integration of the Instant Life digital on-boarding and claims process into the bank branches assisted with growth of **20%** in this product; and
- The business has implemented an integrated operating model with the Vehicle Finance business leading to an increase in the Activate product premium of **265%** year on year.

The financial performance was driven by:

- New business volumes increasing **26%**;
- Policy losses within the Life business remaining relatively stable at **2.6%** (30 June 2021: 2.2%); and
- Overall claims decreasing by **14%** as lower COVID-19 related mortality and retrenchment claims in the life business were partially offset by weather and loadshedding related claims in the Short-Term business.

The COVID-19 reserve in the Life business was strengthened in December 2021 to **R423m** to allow for the 4th and potential 5th wave of COVID-19 in 2022. Provision releases of **R290m** have been made in the first half of the year resulting in a COVID-19 reserve totalling **R133m** at the end of June.

Capital continues to be managed prudently with the Solvency Capital Requirement cover well in excess of the regulatory minimum of 1 time.

South Africa Life insurance

	30 June			31 December
Salient features – Life Insurance	**2022**	2021	Change %	2021
Shareholders' net assets (Rm)	**1 450**	553	>100	846
Cost of solvency capital (Rm)	**(180)**	(120)	50	(177)
Value of business in-force (Rm)	**4 123**	4 209	(2)	4 232
Embedded value (Rm)	**5 393**	4 642	16	4 901
Embedded value earnings (Rm)	**528**	(172)	<(100)	74
Return on embedded value (%)	**22.7**	(6.7)	<(100)	1.4
EVNB (Rm)	**278**	230	21	543
Value of new business as a percentage of the present value of future premiums (%) (gross)	**10.4**	6.2	68	7.2

Headline earnings increased to a profit of **R604m** (30 June 2021: R449m loss) reflecting a **37%** decrease in mortality and retrenchment claims, releases of **R290m** from the COVID-19 reserve and **7%** growth in Net premiums.

Net premiums increased **7%** to **R2 083m** (30 June 2021: R1 947m) driven by growth in the funeral and personal loans credit life business due to the closer integration with bank operations.

Net insurance claims declined **37%** to **R823m** (30 June 2021: R1 315m) primarily due to a **30%** decrease in mortality claims.

The impact on mortality of the 4th wave of infections was less severe than forecast, at the end of 2021, largely as a result of the Omicron variant having a less severe impact on mortality and the improving national vaccination rate. Accordingly, the COVID-19 specific provisions were reassessed as at 30 June 2022 and reduced by **R290m**.

Year on year the Embedded Value has increased by **16%**, due to premium growth, lower claims experience and the partial release of the COVID-19 reserve. The value of in-force business decreased by **2%** due to the adverse impact of strengthening assumptions which was partly offset by growth in the in-force book. Embedded Value of New Business (EVNB) increased **21%** due to an increase in volumes and the reduction in the corporate tax rate.

RBB South Africa

for the reporting period ended

Business unit performance (continued)

Insurance Cluster (continued)

Short-term Insurance

Salient features – Short-term Insurance	30 June 2022	30 June 2021	Change %	31 December 2021
Headline earnings (Rm)	**38**	152	(75)	242
Net premium income (Rm)	**1 576**	1 540	2	3 120
Underwriting margin (%)	**(0.1)**	10.8		7.5
Loss ratio (%)	**72**	62		66

Headline earnings decreased **75%** to **R38m** (2021: R152m) reflecting a significant increase in claims experience with the underwriting margin reducing to **-0.1%** (30 June 2021: 10.8%).

Net insurance premium income increased **2%** to **R1 576m** (30 June 2021: R1 540m) driven by underlying growth in the recently launched digital insurance platform "Activate" and personal lines intermediated business, partially offset by a reinsurance reinstatement premium related to the flooding in KwaZulu-Natal.

Claims increased by **17%** driven by the increased rainfall seen over the first half of the year and surge claims driven by the more frequent load-shedding, as underlying claims remained within expectations. The business incurred claims of **R186m** related to the floods in KwaZulu-Natal and the Western Cape although the comprehensive reinsurance programme in place limited losses per event to **R25m**.

Looking ahead the South African Insurance Cluster will continue to focus on:

- Enhancing digital insurance capabilities and offerings as well as customer self-service functionality;
- Improving product propositions and creating seamless integration in customer banking journey;
- Further enhancements in the usage of data in retention and collections; and
- The transition to IFRS 17 from 1 January 2023.

RBB ARO

for the reporting period ended

RBB ARO headline earnings increased by 9 times to **R523m** (30 June 2021: R54m), driven by pre-provision profit growth of **42%** (CCY: 43%) as credit impairment charges increased by **8%** (CCY: 7%).

Customer Advances grew
by **17%** (CCY:10%) to **R66.3bn**, supported by strong production levels in personal lending, mortgages and commercial lending.

Deposits due to customers grew
by **16%** (CCY: 7%) to **R102bn** supported by both transactional and investment products.

Credit loss ratio
improved to **1.70%** (30 June 2021: 1.74%) as operations normalised and economic activity recovered post the COVID-19 pandemic.

Margins expanded
as a result of higher interest rates across key markets.

Non-interest income
as a percentage of total income increased to **29.8%** (30 June 2021: 27.6%) as economic activity normalised across the continent.

RoRC increased
to **11.1%** (30 June 2021: 1.2%) as a result of strong earnings growth and continuous focus on capital efficiencies.

Digitally active customers increased
to **54.2%** (30 June 2021: 52.7%) of the transactional customer base.

Cost to income ratio
of **69.2%** (30 June 2021: 74.3%) has improved but remains elevated.

	30 June				31 December
Salient features	2022	2021	CCY %	Change %	2021
Income (Rm)[1]	**6 601**	5 573	16	18	11 886
Pre-provision profit (Rm)[1]	**2 035**	1 433	43	42	3 388
Headline earnings (Rm)[1]	**523**	54	>100	>100	285
Credit loss ratio (%)	**1.70**	1.74			2.03
Cost-to-income ratio (%)	**69.2**	74.3			71.5
RoRWA (%)	**1.24**	0.14			0.36
RoA (%)[1]	**0.92**	0.10			0.27
RoRC (%)	**11.1**	1.2			3.1

[1] These numbers have been restated, refer to report overview.

RBB ARO

for the reporting period ended

Business performance

RBB ARO accelerated execution on its digital first, customer centric strategy in 2022, whilst remaining cautious in supporting customers as business activity normalised across markets. This acceleration is evidenced by the improvement in performance metrics across the business:

- Digitally active customers increased to **54.2%** (30 June 2021: 52.7%) of the transactional customer base, in line with our strategic intent to increase digital transaction activity;
- Mobile lending continued to accelerate with the value of disbursements increasing by **60%** to **R3bn** (30 June 2021:R1.9bn);
- Delivered VISA Direct in Kenya which is a first to market solution allowing customers to seamlessly send funds globally in a safe, simple and convenient manner;
- Delivered a Digital Customer onboarding solution reducing reliance on branches for customer acquisition;
- Launched the Dynamic Currency Conversion on Absa ATMs in multiple markets;
- New loan production grew by **2%** driven by growth in relatively low to medium risk sectors with secured lending growing **35%**;
- Active card acquiring merchants increased by **8%**; and
- Credit and Debit card turnover increased by **28%** and **29%** respectively.

Financial performance

FX impact on financial performance

The Rand marginally depreciated on average compared to the basket of ARO currencies in H1 2022. This had a positive impact on earnings translation, revenue and the closing balance sheet positions. Commentary below has been provided using constant currency growth rates which better reflect the underlying performance.

ARO Banking

Loans and advances to customers increased by **10%** driven by growth in personal lending and mortgage lending portfolios of **8%** each, while commercial loans grew by **10%**.

Deposits due to customers increased by **7%** driven by growth in both investment and transactional products.

Headline earnings increased to **R418m** (30 June 2021: R46m), driven by growth in pre-provision profits of **37%** partially offset by a **7%** increase in the credit impairment charge.

Net interest income increased by **13%** driven by the balance sheet growth across the markets as well as the higher interest rates in Kenya, Ghana, Botswana and Mozambique.

Non-interest income increased by **19%** reflecting higher Trade and FX revenues in the commercial segment and an increase in credit and debit card turnover. Transactional fee growth was muted reflecting the structural shift to cheaper digital products and channels, limited fee increases across markets and the macroeconomic pressures on consumers.

Credit impairment charges increased by **7%** to **R608m** (30 June 2021: R571m) with the credit loss ratio improving to **1.70%** (30 June 2021: 1.74%). The reduction in the credit loss ratio is largely due to an improved book construct in the Retail segment given the focus on low and medium risk sectors. The NPL ratio increased to **7.99%** (30 June 2021: 7.43%) due to single name impairments in the commercial segment while overall coverage reduced marginally to **7.57%** (30 June 2021: 7.82%).

Operating expenses increased by **7%** relative to average inflation of **9%** across the ARO markets, as increased performance costs and investments in technology and digitisation were offset by focused cost management initiatives.

ARO Insurance

Headline earnings increased by more than **100%** as net premiums increased **18%**, driven by an increase in group risk and education products. Mortality and retrenchment claims reduced by **8%** coupled with a release in the Life reserves resulting from a decrease in the COVID-19 mortality rates.

Africa Life insurance

Headline earnings increased by more than **100%** as net premiums increased **16%**, driven by an increase in group risk and education products, an **8%** reduction in mortality and retrenchment claims and a **R23m** reduction in the COVID-19 reserve following the decrease in COVID-19 mortality rates.

Africa Short-term insurance

Headline earnings increased by **30%** driven by a **20%** increase in net premiums, largely in motor insurance, whilst claims increased by **15%** as economic activity normalised across markets.

Looking ahead RBB ARO will focus on:

- Establishing primary relationships with customers by deepening existing and building new customer relationships;
- Delivering a seamless omni-channel experience for customers, whilst optimising the branch operating model;
- Leveraging new propositions within mobile lending and payments to augment the existing suite of customer solutions;
- Rolling out an enhanced digital capability while further deepening the Commercial and SME product offering; and
- Integrating the Insurance and Banking businesses to provide customers with a holistic and seamless financial service with enhanced frontline and digital capabilities.

CIB

for the reporting period ended

Revenue growth of 7% to **R12 461m**, reflecting solid growth in the client franchise. Credit impairments declined by 42% and cost growth was contained at 8%. This performance resulted in overall headline earnings growth of 5% while Return on regulatory capital improved to 24.1% from 22.8% in the prior year.

Key performance highlights for the period include the following:

All core operating divisions
delivered revenue growth on prior year, with the Corporate Bank delivering 13% growth.

Investment Bank headline earnings
down 1% (down 1% in constant currency) with 4% revenue growth and 14% cost growth.

Credit loss ratio
below the through-the-cycle target range of 20 – 30 bps at **0.13%** (30 June 2021: 0.24%).

Challenging trading
conditions in West Africa.

RoRC
increased to **24.1%** from 22.8% benefiting from increased headline earnings and efficient capital management.

ARO credit loss ratio
deteriorated to **0.41%** from (0.15%).

Loan to Deposit ratio
of **92.0%** (30 June 2021: 90.5%) as customer deposit balances exceeded customer advances balances.

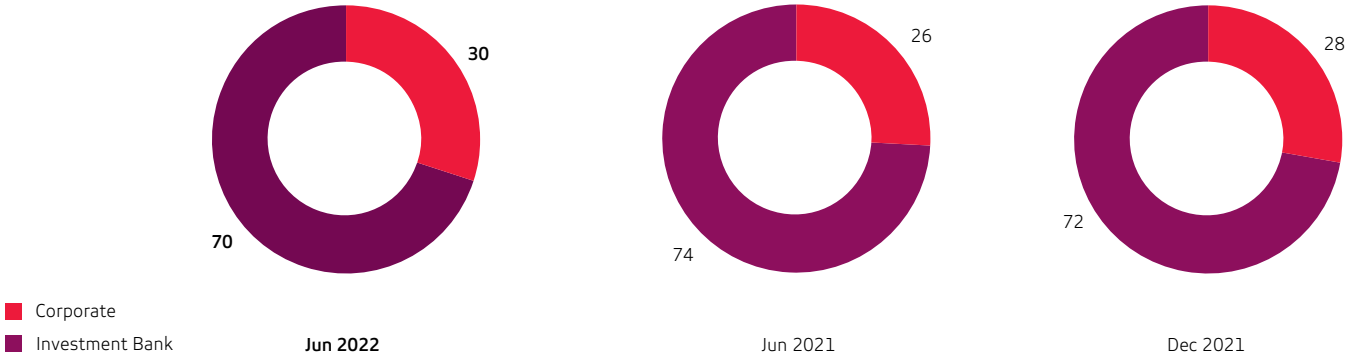
Negative JAWS of -1.0%
as cost growth of 8% was higher than revenue growth of 7%.

The business has migrated
100% of clients across ARO onto Absa Access (the new transactional banking platform).

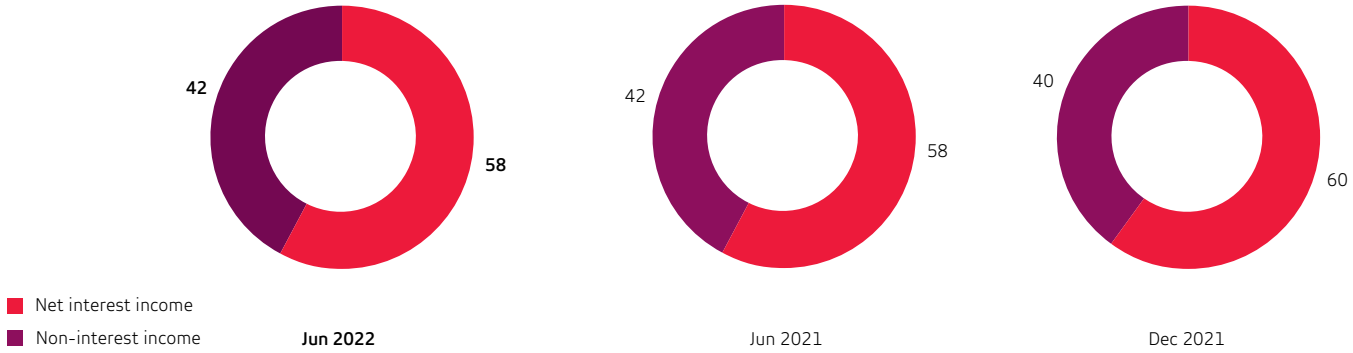
CIB

for the reporting period ended

Headline earnings contribution (%)



Revenue mix (%)



CIB salient features	30 June 2022	2021	CCY%	Change %	31 December 2021
Income (Rm)[1]	**12 461**	11 625	7	7	23 108
Headline earnings (Rm)[1]	**4 279**	4 059	5	5	7 789
Pre-provision profit (Rm)[1]	**6 694**	6 295	7	6	12 009
Cost-to-income ratio (%)	**46.3**	45.8			48.0
Credit loss ratio (%)	**0.13**	0.24			0.17
RoRWA (%)	**2.68**	2.54			2.42
RoA (%)	**0.89**	0.85			0.81
RoA net of internal balances (%)[2]	**1.23**	1.18			1.11
RoRc (%)	**24.1**	22.8			21.7

[1] These numbers have been restated, refer to report overview.

[2] Return on assets metric utilising the impact of net internal assets within the total averages assets balance.

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CIB

for the reporting period ended

	Corporate Bank[1]				
	30 June				31 December
	2022	2021	CCY%	Change %	2021
Statement of comprehensive income (Rm)					
Net interest income	**3 789**	3 343	13	13	6 950
Non-interest income	**1 240**	1 105	12	12	2 287
Total income	**5 029**	4 448	13	13	9 237
Credit impairment charges	**(111)**	(13)	>100	>100	35
Operating expenses	**(2 821)**	(2 734)	2	3	(5 663)
Other expenses	**(34)**	(30)	11	13	(104)
Operating profit before income tax	**2 063**	1 671	23	23	3 505
Tax expenses	**(616)**	(474)	30	30	(1 074)
Profit for the reporting period	**1 447**	1 197	20	21	2 431
Profit attributable to:					
Ordinary equity holders	**1 306**	1 069	21	22	2 172
Non-controlling interest – ordinary shares	**104**	89	16	17	180
Non-controlling interest – preference shares	**11**	11	(2)	0	23
Other equity: Additional Tier 1 capital	**26**	28	(6)	(7)	56
	1 447	1 197	20	21	2 431
Headline earnings	**1 305**	1 069	21	22	2 197
Operating performance (%)					
Net interest margin on average interest-bearing assets	**2.16**	2.01			2.04
Credit loss ratio	**0.24**	0.04			(0.05)
Non-interest income as % of income	**24.7**	24.8			24.8
Income growth	**13**	3			5
Operating expenses growth	**3**	9			7
Cost-to-income ratio	**56.1**	61.5			61.3
Statement of financial position (Rm)					
Loans and advances[1]	**102 259**	68 208	46	50	87 356
Loans and advances to customers	**77 033**	55 729	35	38	67 802
Loans and advances to banks	**25 226**	12 479	96	>100	19 554
Investment securities	**3 349**	2 739	22	22	2 792
Other assets	**281 830**	281 148	(2)	0	278 186
Total assets	**387 438**	352 095	8	10	368 334
Deposit[1]	**373 563**	343 169	7	9	357 669
Deposits due to customers	**359 863**	334 040	5	8	345 912
Deposits due to banks	**13 700**	9 129	59	50	11 757
Debt securities in issue	**—**	—	—	—	—
Other liabilities	**13 860**	9 337	47	48	9 697
Total liabilities	**387 423**	352 506	8	10	367 366
Financial performance (%)					
RoRWA	**2.67**	2.61			2.43
RoA	**0.73**	0.63			0.63

[1] These numbers have been restated, refer to the report overview.

Investment Bank[1]					Total CIB				
30 June				31 December	30 June				31 December
2022	2021	CCY%	Change %	2021	**2022**	2021	CCY%	Change %	2021
3 479	3 390	3	3	6 864	**7 268**	6 733	8	8	13 814
3 953	3 787	4	4	7 007	**5 193**	4 892	6	6	9 294
7 432	7 177	4	4	13 871	**12 461**	11 625	7	7	23 108
(186)	(497)	(57)	(63)	(771)	**(297)**	(510)	(33)	(42)	(736)
(2 946)	(2 595)	13	14	(5 436)	**(5 767)**	(5 329)	7	8	(11 099)
(105)	(110)	(4)	(5)	(214)	**(139)**	(140)	(1)	(1)	(318)
4 195	3 975	5	6	7 450	**6 258**	5 646	10	11	10 955
(963)	(765)	25	26	(1 408)	**(1 579)**	(1 239)	27	27	(2 482)
3 232	3 210	0	1	6 042	**4 679**	4 407	6	6	8 473
2 974	2 990	(1)	(1)	5 596	**4 280**	4 059	5	5	7 768
131	95	36	38	194	**235**	184	27	28	374
36	37	(2)	(3)	74	**47**	48	(2)	(2)	97
91	88	3	3	178	**117**	116	1	1	234
3 232	3 210	0	1	6 042	**4 679**	4 407	6	6	8 473
2 974	2 990	(1)	(1)	5 592	**4 279**	4 059	5	5	7 789
2.64	2.57			2.60	**2.36**	2.26			2.28
0.11	0.28			0.21	**0.13**	0.24			0.17
53.2	52.8			50.5	**41.7**	42.1			40.2
4	23			13	**7**	14			10
14	19			14	**8**	14			10
39.6	36.2			39.2	**46.3**	45.8			48.0
379 767	351 084	7	8	364 757	**482 026**	419 292	14	15	452 113
326 698	321 544	1	2	330 725	**403 731**	377 273	6	7	398 527
53 069	29 540	78	80	34 032	**78 295**	42 019	83	86	53 586
40 031	41 251	(3)	(3)	40 450	**43 380**	43 990	(1)	(1)	43 242
257 876	229 912	12	12	218 025	**539 706**	511 060	5	6	496 211
677 674	622 247	8	9	623 232	**1 065 112**	974 342	8	9	991 566
128 233	115 255	11	11	124 716	**501 796**	458 424	8	9	482 385
55 883	65 984	(15)	(15)	63 164	**415 746**	400 024	2	4	409 076
72 350	49 271	46	47	61 552	**86 050**	58 400	47	47	73 309
23 135	16 868	37	37	19 289	**23 135**	16 868	37	37	19 289
522 131	486 190	7	7	473 634	**535 991**	495 527	8	8	483 331
673 499	618 313	8	9	617 639	**1 060 922**	970 819	8	9	985 005
2.68	2.52			2.41	**2.68**	2.54			2.42
0.99	0.98			0.91	**0.89**	0.85			0.81

Total CIB

for the reporting period ended

	CIB SA			
	30 June			31 December
	2022	2021	Change %	2021
Statement of comprehensive income (Rm)				
Net interest income	**4 523**	4 438	2	8 914
Non-interest income	**3 328**	3 141	6	5 787
Total income	**7 851**	7 579	4	14 701
Credit impairment charges	**(162)**	(557)	(71)	(660)
Operating expenses	**(3 657)**	(3 451)	6	(7 183)
Other expenses	**(83)**	(87)	(5)	(243)
Operating profit before income tax	**3 949**	3 484	13	6 615
Tax expenses	**(829)**	(553)	50	(1 085)
Profit for the reporting period	**3 120**	2 931	6	5 530
Profit attributable to:				
Ordinary equity holders	**2 956**	2 767	7	5 199
Non-controlling interest – ordinary shares	**—**	—	—	—
Non-controlling interest – preference shares	**47**	48	(2)	97
Other equity: Additional Tier 1 capital	**117**	116	1	234
	3 120	2 931	6	5 530
Headline earnings	**2 955**	2 766	7	5 239
Operating performance (%)				
Net interest margin on average interest-bearing assets	**1.84**	1.84		1.83
Credit loss ratio	**0.09**	0.31		0.18
Non-interest income as % of income	**42.4**	41.4		39.4
Income growth	**4**	31		17
Operating expenses growth	**6**	23		16
Cost-to-income ratio	**46.6**	45.5		48.9
Statement of financial position (Rm)				
Loans and advances[1]	**413 605**	358 253	15	380 570
Loans and advances to customers	**340 859**	323 860	5	338 241
Loans and advances to banks	**72 746**	34 393	>100	42 329
Investment securities	**42 066**	42 944	(2)	41 927
Other assets	**469 217**	443 322	6	411 207
Total assets	**924 888**	844 519	10	833 704
Deposit[1]	**421 034**	387 254	9	392 983
Deposits due to customers	**335 712**	331 817	1	320 687
Deposits due to banks	**85 322**	55 437	54	72 296
Debt securities in issue	**23 135**	16 868	37	19 289
Other liabilities	**474 924**	435 003	9	414 779
Total liabilities	**919 093**	839 125	10	827 051
Financial performance (%)				
RoRWA	**2.57**	2.29		2.17
RoA	**0.72**	0.67		0.63

[1] These numbers have been restated, refer to the report overview.

CIB ARO					Total CIB				
30 June				31 December	30 June				31 December
2022	2021	CCY%	Change %	2021	**2022**	2021	CCY%	Change %	2021
2 745	2 295	19	20	4 900	**7 268**	6 733	8	8	13 814
1 865	1 751	6	7	3 507	**5 193**	4 892	6	6	9 294
4 610	4 046	13	14	8 407	**12 461**	11 625	7	7	23 108
(135)	47	<(100)	<(100)	(76)	**(297)**	(510)	(33)	(42)	(736)
(2 110)	(1 878)	9	12	(3 916)	**(5 767)**	(5 329)	7	8	(11 099)
(56)	(53)	4	6	(75)	**(139)**	(140)	(1)	(1)	(318)
2 309	2 162	6	7	4 340	**6 258**	5 646	10	11	10 955
(750)	(686)	10	9	(1 397)	**(1 579)**	(1 239)	27	27	(2 482)
1 559	1 476	5	6	2 943	**4 679**	4 407	6	6	8 473
1 324	1 292	2	2	2 569	**4 280**	4 059	5	5	7 768
235	184	27	28	374	**235**	184	27	28	374
—	—	—	—	—	**47**	48	(2)	(2)	97
—	—	—	—	—	**117**	116	1	1	234
1 559	1 476	5	6	2 943	**4 679**	4 407	6	6	8 473
1 324	1 293	2	2	2 550	**4 279**	4 059	5	5	7 789
4.44	4.00			4.14	**2.36**	2.26			2.28
0.41	(0.15)			0.12	**0.13**	0.24			0.17
40.5	43.3			41.7	**41.7**	42.1			40.2
14	(8)			(1)	**7**	14			10
12	1			1	**8**	14			10
45.8	46.4			46.6	**46.3**	45.8			48.0
68 421	61 039	4	12	71 543	**482 026**	419 292	14	15	452 113
62 872	53 413	9	18	60 286	**403 731**	377 273	6	7	398 527
5 549	7 626	(31)	(27)	11 257	**78 295**	42 019	83	86	53 586
1 314	1 046	25	26	1 315	**43 380**	43 990	(1)	(1)	43 242
70 489	67 738	(3)	4	85 004	**539 706**	511 060	5	6	496 211
140 224	129 823	0	8	157 862	**1 065 112**	974 342	8	9	991 566
80 762	71 170	3	13	89 402	**501 796**	458 424	8	9	482 385
80 034	68 207	7	17	88 389	**415 746**	400 024	2	4	409 076
728	2 963	(74)	(75)	1 013	**86 050**	58 400	47	47	73 309
—	—	—	—	—	**23 135**	16 868	37	37	19 289
61 067	60 524	(3)	1	68 552	**535 991**	495 527	8	8	483 331
141 829	131 694	0	8	157 954	**1 060 922**	970 819	8	9	985 005
2.95	3.35			3.15	**2.68**	2.54			2.42
1.85	2.00			1.87	**0.89**	0.85			0.81

Total CIB

for the reporting period ended

Business profile

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

Key business areas

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

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

Financial performance

Headline Earnings increased by 5% to **R4 279m** (30 June 2021: R4 059m, up 5% in constant currency), driven by pre-provision growth of 6% and reduced credit impairment charges, down 42%.

- Corporate Bank headline earnings increased by 22% (up 21% in constant currency), underpinned by strong revenue-led pre-provision profit growth of 29%.
- Investment Bank recorded a marginal decline of 1% (down 1% in constant currency), with costs up 14% which offset a reduction in impairments and 4% revenue growth.

Return on Regulatory Capital increased from 22.8% to 24.1%.

Total income increased by 7% to **R12 461m** (30 June 2021: R11 625m, up 7% in constant currency), reflecting solid growth across the franchise with all core product areas delivering growth on prior year; ARO income was up 14%, growing faster than SA at 4%. Net interest income increased by 8% to **R7 268m** (30 June 2021: R6 733m, up 8% in constant currency) supported by margin expansion of 10bps to 236bps, average customer deposit growth of 4% and average advances growth of 4%. Non-interest income grew by 6% to **R5 193m** (30 June 2021: R4 892m, up 6% in constant currency) driven by improved fees in the Investment Banking Division (IBD), improved Trade Finance and Transactions volumes in the Corporate Bank as well as a resilient Markets performance.

- The Corporate Bank recorded double-digit income growth of 13% to **R5 029m** (30 June 2021: R4 448m, up 13% in constant currency), with SA up 5% and ARO up 25% (23% in constant currency). This performance was supported by growth in average loans, higher margins as well as increased transaction volumes. The business further benefited from a focused execution strategy in Trade Finance across the continent, growth in primacy and efforts made in channel modernisation.
- Investment Bank income increased by 4% to **R7 432m** (30 June 2021: R7 177m, up 4% in constant currency), with SA up 3% and ARO up 5% (up 5% in constant currency). The performance was underpinned by the Investment Banking Division up 5% (up 5% in constant currency) largely driven by improved fees and margin. Markets up 1% (up 1% in constant currency) despite the high base, supported by a solid client franchise performance. The Commercial Property Finance business was up 12% (13% in constant currency) driven by a combination of margin expansion and asset growth.

Credit Impairments decreased by 42% to **R297m** (30 June 2021: R510m, down 33% in constant currency), attributable to lower single-name charges in SA and improved portfolio construct resulting in a net impairment release on the performing book. The credit loss ratio was below the through-the-cycle target range (20-30bps) at 13bps (30 June 2021: 24bps). The performing impairment coverage ratio decreased from 0.90% to 0.57% but remains above historical levels.

Operating expenses increased by 8% to **R5 767m** (30 June 2021: R5 329m, 7% in constant currency), largely due to inflationary pressures experienced across multiple jurisdictions as well as an increase in strategic investment spend on people, platforms and technology. Cost to income ratio increased to 46.3% (30 June 2021: 45.8%).

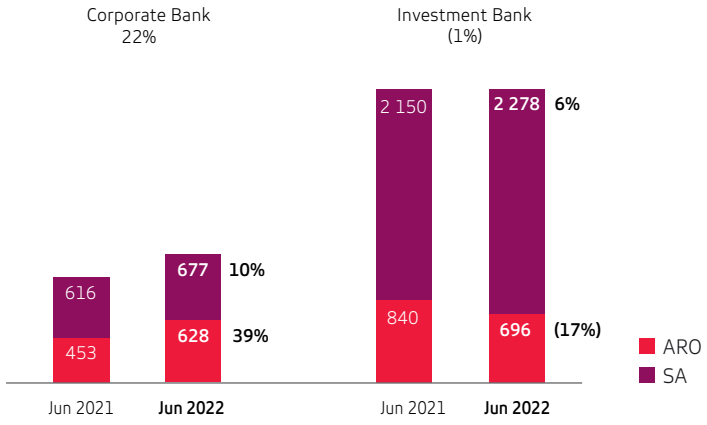
Healthy liquidity position, with a Loan to Deposit Ratio of 92.0% as customer deposit balances exceed customer advances. Customer advances increased by 7% to **R403.7bn** (30 June 2021: R377.3bn, up 6% in constant currency), while customer deposits increased 4% to **R415.7bn** (30 June 2021: R400.0bn, up 2% in constant currency). Excluding reverse repurchase agreements and repurchase agreements, growth was 16% and 5% respectively (14% and 3% in constant currency).

Total CIB

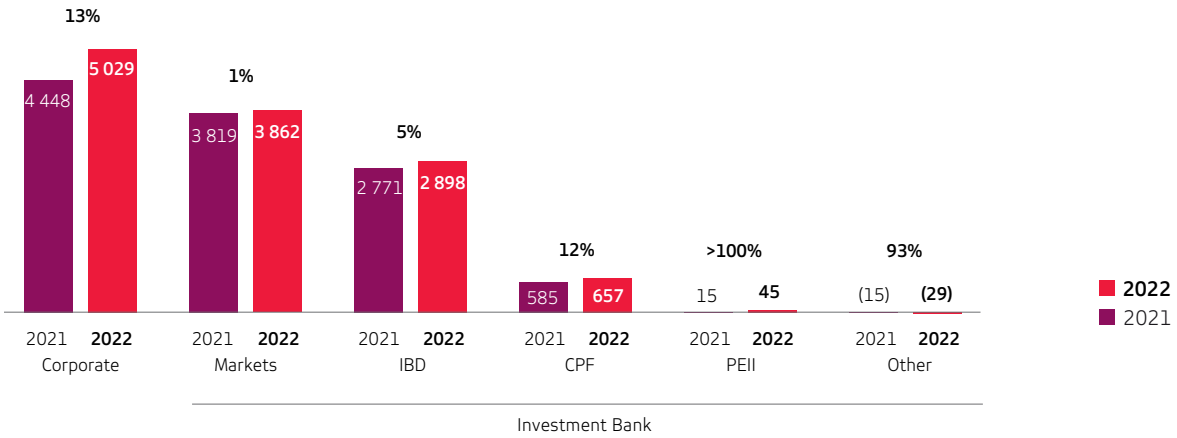
for the reporting period ended

Financial performance (continued)

Headline earnings (Rm and change %)



Gross income mix (Rm and change %)



Total CIB

for the reporting period ended

Business performance

The Corporate and Investment Bank continued its growth momentum in the first half. All business units delivered growth, with Transactional Banking and CPF notably reporting double digit growth performances. This performance solidifies our commitment to delivering our Pan Africa growth strategy.

- Growing primacy and New To Bank client acquisitions remain a key focus. To date, CIB has improved its primacy metrics and client acquisition with notable improvements in our ARO franchise.
- In line with the digital and platform strategy, the business has migrated 100% of its ARO client base onto Absa Access. The remainder of the year will focus on the SA migration and Pan African activation of clients onto this strategic platform, increasing the level of client activity as well as improving the overall user experience.
- CIB remains committed to attracting and retaining talent that is critical to the delivery of the strategy with a continued focus on hiring, promotion, diversity and inclusion; with a strong focus on women and African populations.
- CIB continues to make progress on its Sustainability agenda. In the first half of 2022, CIB closed a landmark sustainable finance transaction for one of the largest mining companies in South Africa. This transaction sets the benchmark for future deals and cements our strategic goal of being a partner of choice by going beyond debt finance but also providing a solution which integrated into their ESG and Sustainability goals.

Overall, the CIB strategy remains resilient and delivered a solid performance in the first half of the year. The focus for H2 is to maintain this momentum.

The following accolades were received during the first half of the year:

- Best Investment Bank in Power/Energy (Global Sector Award) and Best Equity Bank (African Region Award) by Global Finance Awards 2022. Awards acknowledge excellence in advisory, capital raising and financing solutions.
- Most Innovative Bank in Africa at the Global Finance – Innovators Awards 2022 for the second consecutive year.
- Awarded Local Markets Loan House of the Year and Sub-Sahara Africa Investment Bank of the Year at the Annual Bonds & Loans Africa Awards 2022.
- Awarded several accolades at the 5th annual South African Listed Tracker Awards (SALTA) 2022 – best total investment returns over the past one-to-ten years in several categories.
- Africa's Best Bank for Transaction Services at Euromoney's Awards for Excellence 2022.
- Middle East & Africa Banking (MEA) Innovation Awards 2022
  - Best Trade Finance Platform Initiative – Absa Trade Management Online (TMO)
  - Best Bank for Cash Management – Africa
  - Best Bank for Trade Finance – Africa
  - Best Bank for Trade Finance – Ghana.

Corporate Bank

The Corporate Bank franchise grew income by 13% to **R5 029m** (30 June 2021: R4 448m, up 13% in constant currency) supported by a strong performance in ARO, up 25% to **R2 210m** (30 June 2021: R1 766m, up 23% in constant currency), while SA income increased by 5% to **R2 819m** (30 June 2021: R2 682m).

Net interest income increased by 13% to **R3 789m** (30 June 2021: R3 343m, up 13% in constant currency) as demand for short term funding improved, with average customer loan balances increasing by 17%. Average customer deposits grew by 3% with margins expanding as a result of the increasing interest rate environment.

Non-interest income up 12% to **R1 240m** (30 June 2021: R1 105m, up 12% in constant currency) due to continued momentum in both the Transactions and Trade franchises.

Corporate Bank Pan Africa income was driven by the following:

- Trade Finance has continued on its strong growth trajectory, delivering growth of 15% as the strategy to become the trade partner of choice on the continent yielded positive results in both SA and ARO. In SA, Trade Finance was up 10% driven by increased balances, offset by a decrease in outward guarantee volumes, while a combination of improved volumes and margins benefited the performance in ARO (up 24%).
- Cash Management increased by 11% driven by growth in net margin and deposit balances, coupled with increased transactional volumes.
  - Deposits increased by 11%, due to higher margins in a number of jurisdictions coupled with average balance sheet increasing 3%. SA Deposit income was up 4% driven by favourable margins due to increasing interest rates, with average customer deposits remaining stable at **R253bn** (30 June 2021: R255bn). ARO Deposit income increased by 21% largely due to average customer deposits increasing by 9%, coupled with margin expansion as a result of changes in country contributions.
  - The growth of 11% in Transactions was a function of increased client primacy and higher volumes, with SA and ARO increasing 11% and 12% respectively. This is testament to the business' continued efforts to modernise channels and to expand client propositions across the continent.
- Working capital increased by 8% as a result of higher customer advances across the continent and improved margins.

	30 June				31 December
Corporate Bank salient features	**2022**	2021	CCY %	Change %	2021
Gross income (Rm)	**5 029**	4 448	13	13	9 237
Credit impairments (Rm)	**(111)**	(13)	>100	>100	35
Net income (Rm)	**4 918**	4 435	10	11	9 272
Average loans and advances to customers (Rbn)	**65.3**	55.9	17	17	57.3
Average deposits due to customers (Rbn)	**333.9**	325.1	2	3	329.0

Total CIB

for the reporting period ended

Business performance (continued)

Investment Bank

Investment Bank income increased by 4% to **R7 432m** (30 June 2021: R7 177m, 4% in constant currency), with all business units delivering growth on prior year. SA was up 3% to **R5 032m** (30 June 2021: R4 897m) and ARO was up 5% to **R2 401m** (30 June 2021: R2 279m, up 5% in constant currency).

Business units performed as follows:

Global Markets

Global Markets income increased by 1% to **R3 862m** (30 June 2021: R3 819m, up 1% in constant currency), with Markets SA up 1% to **R2 447m** (30 June 2021: R2 433m) and Markets ARO up 2% to **R1 415m** (30 June 2021: R1 386m, up 2% in constant currency).

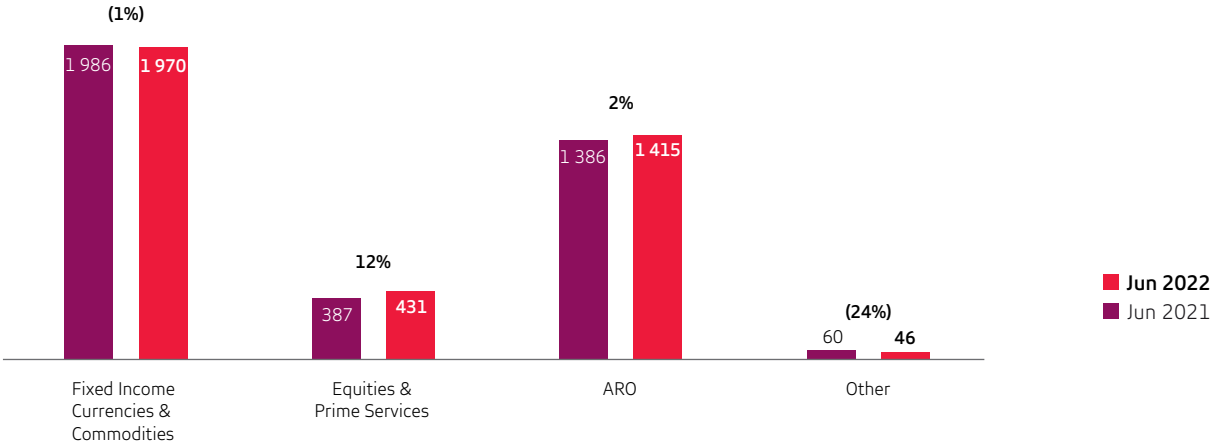
The **Markets SA** performance was driven by:

- **Fixed Income, Currencies and Commodities** revenue decreased by 1% to **R1 970m** (30 June 2021: R1 986m) driven by subdued client origination, partially offset by a strong trading performance as a result of increased volatility inherent in the market. Fixed Income and Credit was impacted by lower corporate investment and hedging activity as well as widening of credit spreads, while Foreign Exchange benefited from improved electronic capabilities and increased demand for Structured FX solutions.
- **Equities and Prime** revenue increased by 12% to **R431m** (30 June 2021: R387m) driven by increased client flows as a result of continued investment in electronic platforms that has strengthened the franchise offering and yielded diversified returns. The increase in Prime Services was driven by client acquisitions, margin extraction and balance sheet optimisation.

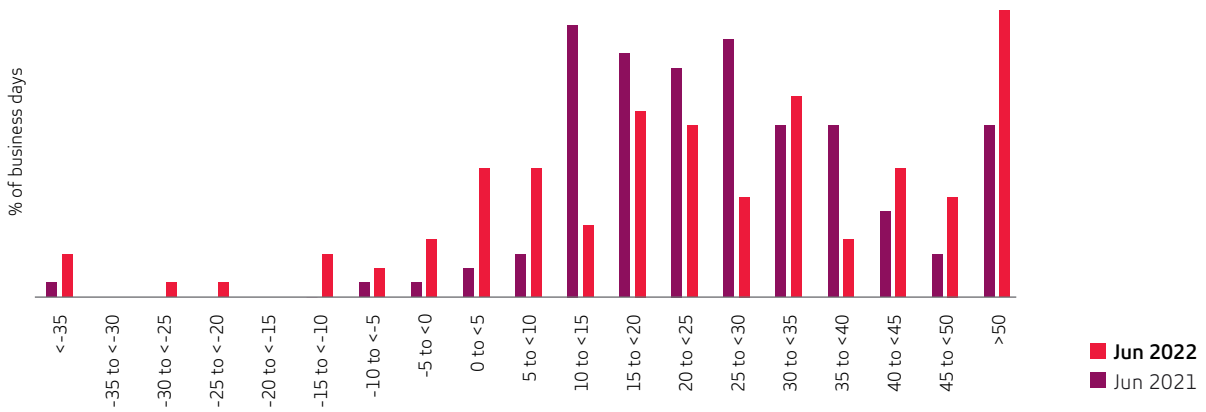
Markets ARO grew by 2% driven by robust growth in the FX client franchise across all segments and markets.

- This was due to embedding the business' FX strategy, which encompasses digital and growing the client base through strong collaboration with the Coverage and Transactional Banking teams leading to higher cross sell. In addition, the business saw an increase in derivative revenue in line with its focus to diversify product offerings. This was, however, offset by reduced trading revenues impacted by a challenging trading environment especially in our West African region.

Global Markets gross income split (Rm and change %)



Daily markets income distribution (Rm)



Total CIB

for the reporting period ended

Business performance (continued)

Investment Bank (continued)

Investment Banking Division

Income increased by 5% to **R2 898m** (30 June 2021: R2 771m, up 5% in constant currency) attributable to NIR growth of 13% benefiting from improved fees, while NII grew by 3% supported by average customer loan growth and margin expansion.

The business benefited from margin expansion in a competitive market within the Financing Business, with average margin expansion of 9 bps. Average customer loans up 1% to **R191.4bn**, with strong growth in the Structured Trade and Commodity Finance (STCF) book as a result of higher commodity volumes and prices as well as growth in the Preference share book driven by a number of client franchise leading transactions, which offset some of the delayed pipeline execution in some of our flow debt products due to general economic slowdown.

The Advisory business saw strong growth off a low base due to subdued activity in the prior year; Equity Capital Markets (ECM) improved from prior year despite Equity Capital opportunities remaining under pressure due to lower domestic and regional market activity.

	30 June				31 December
Salient features	**2022**	2021	CCY %	Change %	2021
Gross income (Rm)	**2 898**	2 771	5	5	5 642
Credit impairment charges (Rm)	**(157)**	(508)	(64)	(69)	(749)
Net income (Rm)	**2 741**	2 263	19	21	4 893
Average loans and advances to customers (Rbn)	**191.4**	188.8	1	1	188.3

Commercial Property Finance SA (CPF)

The CPF Pan Africa business income increased by 12% to **R657m** (30 June 2021: R585m, up 13% in constant currency), aligned to the strategy of becoming a leading provider of property finance across the African continent.

Net interest income increased by 11% supported by asset growth of 3%, margin expansion and broadening the product offering across presence countries in priority sectors.

The business continues to attract good quality business, with credit impairments remaining low.

	30 June				31 December
Salient features	**2022**	2021	CCY %	Change %	2021
Gross income (Rm)	**657**	585	13	12	1 210
Credit impairment charges (Rm)	**(28)**	(2)	>100	>100	(65)
Net income (Rm)	**629**	583	8	8	1 145
Average net portfolio assets (Rbn)	**62.8**	60.8	3	3	61.4

Private Equity and Infrastructure Investments SA (PEII)

Non-Core Private Equity and Infrastructure Investments reported income of **R45m** (30 June 2021: R15m income) mainly due to proceeds from sale of assets.

	30 June			31 December
Salient features	**2022**	2021	Change %	2021[1]
Revaluations (Rm)	**—**	(0)	100	(90)
Realisations, dividends, interest and fees (Rm)	**44**	14	>100	28
Funding (Rm)	**1**	2	(24)	3
Net income (Rm)	**45**	15	>100	(59)
Total portfolio size (Rbn)	**1.6**	1.7	(2)	1.7

Total CIB

for the reporting period ended

Looking ahead

The CIB strategy has remained resilient and delivered solid performance in the first half of the year. There is positive momentum across the business, with a collective commitment to delivering on the next phase of growth.

The key areas of focus will be the following:

- Driving client migrations and activations onto digital channels Pan Africa to better serve clients and increase primacy;
- Maintaining the stability of platforms, building out a consistently great user experience;
- Building connectivity for global clients through the refined Pan-Africa operating model and by leveraging our International Office;
- Build upon existing ESG capabilities and become an African leader in this regard;
- Growing the Custody & Trustee offering across the continent;
- Continue to work with stakeholders to ensure the continued viability and sustainability of the renewable energy sector;
- Building a diverse and inclusive CIB that is representative of the markets which we serve and seek to serve; and
- Continuing to build and nurture a culture that drives excellence, learning, and collaboration

Head Office, Treasury and other operations

for the reporting period ended

Financial performance

Headline earnings within Head office, Treasury and other operations improved materially to **R1 112m** (30 June 2021: R408m). The driver of the year-on-year movement reflects stronger net interest income (R1 559m) which more than doubled from the prior year (30 June 2021: R719m). This NII outcome was supported by SA Group Treasury which benefitted from reset benefits following increases in the policy rate (prime rate ↑ 125 bps since November 2021 as compared to no increases in H1 2021), higher investment returns coupled with higher endowment earned on stronger earnings.

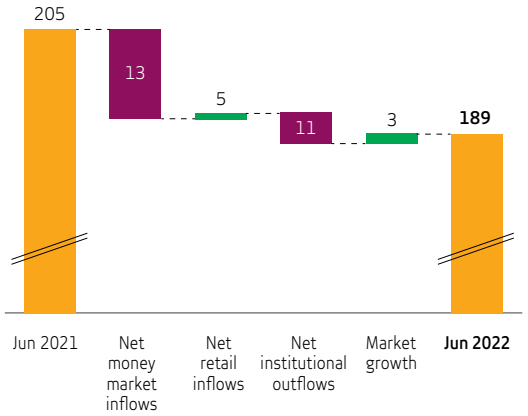
Investment Management

Investment Management headline earnings declined by 33% to **R86m** (30 June 2021: R129m). This decline in headline earnings was driven by revenue decline of 14% to **R416m** (30 June 2021: R481m) mainly as a result of the closure of the Absa Money Market Fund while operating expenses decreased by 2% to **R296m** (30 June 2021: R302m).

	30 June			31 December
	2022 Rbn	2021 Rbn	Change %	2021 Rbn
Assets under management and administration	**189**	205	(8)	210
Money market	**13**	15	(13)	13
Non-money market	**176**	190	(8)	197

Movement in asset under management and administration (Rbn)

Assets under management declined by 8% to **R189bn** (30 Jun 2021: R205bn). Year-to-date net outflows (money market, retail and institutional) were R19bn mainly as a result of the closure of the money market fund.



Group IFRS performance

Consolidated IFRS salient features

for the reporting period ended

	30 June			31 December
			Change	
	2022	2021	%	2021
Statement of comprehensive income (Rm)				
Income	**46 958**	41 230	14	85 906
Operating expenses	**24 625**	23 259	6	48 610
Pre-provision profit	**22 333**	17 971	24	37 296
Credit impairment charges	**5 176**	4 702	10	8 499
Profit attributable to ordinary equity holders	**10 481**	8 162	28	17 763
Headline earnings[1]	**10 628**	8 186	30	17 825
Statement of financial position				
Net asset value (NAV) (Rm)	**130 135**	121 656	7	129 863
Total assets	**1 761 696**	1 580 535	11	1 640 833
Financial performance (%)				
Return on equity (RoE)	**16.6**	13.9		14.6
Return on average assets (RoA)	**1.31**	1.06		1.13
Return on risk-weighted assets (RoRWA)	**2.31**	1.83		1.96
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4.54**	4.41		4.46
Non-interest income as percentage of total income	**39.1**	37.9		37.9
Cost-to-income ratio	**52.4**	56.4		56.6
JAWS	**8**	1		4
Effective tax rate	**28.0**	27.2		27.3
Share statistics (million)				
Number of ordinary shares in issue	**847.8**	847.8		847.8
Number of ordinary shares in issue (excluding treasury shares)	**830.6**	847.8		830.3
Weighted average number of ordinary shares in issue	**830.2**	830.1		830.2
Diluted weighted average number of ordinary shares in issue	**831.3**	831.4		831.6
Share statistics (cents)				
Headline earnings per ordinary share (HEPS)	**1 280.2**	986.2	29.8	2 147.1
Diluted headline earnings per ordinary share (DHEPS)	**1 278.4**	984.6	29.8	2 143.5
Basic earnings per ordinary share (EPS)	**1 262.5**	983.3	28.4	2 139.6
Diluted basic earnings per ordinary share (DEPS)	**1 260.7**	981.8	28.4	2 136.0
Dividend per ordinary share relating to income for the reporting period	**650**	310	>100	785
Dividend payout ratio (%)	**51**	30	69.2	37
NAV per ordinary share	**15 668**	14 350	9	15 641
Tangible NAV per ordinary share	**14 199**	13 050	9	14 207
Capital adequacy (%)				
Absa Group Limited	**17.0**	16.9		17.0
Absa Bank Limited	**18.1**	17.7		17.9
Common Equity Tier 1 (%)				
Absa Group Limited	**13.1**	12.4		12.8
Absa Bank Limited	**13.1**	11.8		12.4

[1] After allowing for **R123m** (30 June 2021: 120m; 31 December 2021: R242m) profit attributable to preference equity holders and **R305m** (30 June 2021: R290m; 31 December 2021: R585m) profit attributable to Additional Tier 1 capital holders.

Consolidated IFRS statement of comprehensive income

for the reporting period ended

	Note	30 June 2022 Rm	2021 Rm	Change %	31 December 2021 Rm
Net interest income	2	**28 583**	25 597	12	53 322
Interest and similar income		**50 889**	44 132	15	89 495
Effective interest income		**49 853**	43 218	15	87 844
Other interest income		**1 036**	914	13	1 651
Interest expense and similar charges		**(22 306)**	(18 535)	20	(36 173)
Non-interest income	3	**18 375**	15 633	18	32 584
Net fee and commission income		**11 550**	10 764	7	22 074
Fee and commission income	3.1	**13 556**	12 520	8	25 549
Fee and commission expense	3.1	**(2 006)**	(1 756)	14	(3 475)
Net insurance premium income	3.2	**4 576**	4 282	7	8 778
Net claims and benefits incurred on insurance contracts	3.3	**(2 373)**	(2 621)	(9)	(5 514)
Changes in investment and insurance contract liabilities	3.4	**1 995**	(1 684)	<(100)	(2 799)
Gains and losses from banking and trading activities	3.5	**4 043**	3 613	12	6 606
Gains and losses from investment activities	3.6	**(1 586)**	1 088	<(100)	2 704
Other operating income	3.7	**170**	191	(11)	735
Total income		**46 958**	41 230	14	85 906
Credit impairment charges	4	**(5 176)**	(4 702)	10	(8 499)
Operating income before operating expenditure		**41 782**	36 528	14	77 407
Operating expenditure	5	**(24 625)**	(23 259)	6	(48 610)
Other expenses		**(1 216)**	(1 028)	18	(2 205)
Other impairments		**(233)**	(121)	93	(420)
Indirect taxation	6	**(983)**	(907)	8	(1 785)
Share of post-tax results of associates and joint ventures		**42**	40	5	132
Operating profit before income tax		**15 983**	12 281	30	26 724
Taxation expense	7	**(4 480)**	(3 335)	34	(7 299)
Profit for the reporting period		**11 503**	8 946	29	19 425
Profit attributable to:					
Ordinary equity holders		**10 481**	8 162	28	17 763
Non-controlling interest – ordinary shares		**594**	374	59	835
Non-controlling interest – preference shares		**123**	120	3	242
Other equity: Additional Tier 1 capital[1]		**305**	290	5	585
		11 503	8 946	29	19 425
Earnings per share:					
Basic earnings per share (cents)	1	**1 262.5**	983.3	28	2139.6
Diluted earnings per share (cents)	1	**1 260.7**	981.8	28	2136.0

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

Consolidated IFRS statement of comprehensive income

for the reporting period ended

	30 June 2022 Rm	2021 Rm	Change %	31 December 2021 Rm
Profit for the reporting period	**11 503**	8 946	29	19 425
Other comprehensive income				
Items that will not be reclassified to profit or loss	**(9)**	295	<(100)	83
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**(5)**	7	<(100)	(133)
Fair value (losses)/gains	**(6)**	9	<(100)	(172)
Deferred tax	**1**	(2)	<(100)	39
Movement on liabilities designated at FVTPL due to changes in own credit risk	**5**	15	(67)	(26)
Fair value movements	**13**	20	(35)	(36)
Deferred tax	**(8)**	(5)	60	10
Movement in retirement benefit fund assets and liabilities	**(9)**	273	<(100)	242
(Decrease)/increase in retirement benefit surplus	**(15)**	91	<(100)	108
(Increase)/decrease in retirement benefit deficit	**—**	230	(100)	169
Deferred tax	**6**	(48)	<(100)	(35)
Items that are or may be subsequently reclassified to profit or loss	**(6 428)**	(2 682)	>100	(1 298)
Movement in foreign currency translation reserve	**(1 136)**	(480)	>100	2 414
Differences in translation of foreign operations	**(1 136)**	(480)	>100	2 510
Release to profit or loss	**—**	—	—	(96)
Movement in cash flow hedging reserve	**(4 535)**	(3 147)	44	(4 051)
Fair value losses	**(4 241)**	(2 246)	89	(1 469)
Amounts transferred within other comprehensive income	**2**	—	100	6
Amount removed from other comprehensive income and recognised in profit or loss	**(1 997)**	(2 125)	(6)	(4 163)
Deferred tax	**1 701**	1 224	39	1 575
Movement in fair value of debt instruments measured at FVOCI	**(757)**	945	<(100)	339
Fair value (losses)/gains	**(818)**	1 605	<(100)	691
Release to profit or loss	**(13)**	(230)	(94)	(120)
Deferred tax	**74**	(430)	<(100)	(232)
Total comprehensive income for the reporting period	**5 066**	6 559	(23)	18 210
Total comprehensive income attributable to:				
Ordinary equity holders	**4 106**	5 861	(30)	16 376
Non-controlling interest – ordinary shares	**532**	288	85	1 007
Non-controlling interest – preference shares	**123**	120	3	242
Other equity: Additional Tier 1 capital[1]	**305**	290	5	585
	5 066	6 559	(23)	18 210

Consolidated IFRS statement of financial position

as at

	Note	30 June 2022 Rm	2021 Rm	Change %	31 December 2021 Rm
Assets					
Cash, cash balances and balances with central banks		**61 353**	56 610	8	66 041
Investment securities		**206 609**	182 623	13	188 898
Trading portfolio assets		**211 797**	206 163	3	203 079
Hedging portfolio assets		**6 096**	6 851	(11)	5 159
Other assets		**53 053**	32 692	62	24 156
Current tax assets		**632**	514	23	665
Non-current assets held for sale		**5 150**	1 373	>100	4 259
Loans and advances[1]	8	**1 160 281**	1 036 603	12	1 092 257
Reinsurance assets		**1 025**	510	>100	732
Investments linked to investment contracts		**18 930**	22 190	(15)	19 803
Investments in associates and joint ventures		**1 635**	1 641	(0)	1 593
Investment property		**419**	487	(14)	421
Property and equipment		**15 206**	16 185	(6)	15 970
Goodwill and intangible assets		**12 200**	11 022	11	11 903
Deferred tax assets		**7 310**	5 071	44	5 897
Total assets		**1 761 696**	1 580 535	11	1 640 833
Liabilities					
Trading portfolio liabilities		**97 631**	82 839	18	72 819
Hedging portfolio liabilities		**7 082**	3 804	86	3 659
Other liabilities		**61 207**	57 213	7	48 409
Provisions		**3 960**	3 712	7	5 396
Current tax liabilities		**1 151**	686	68	1 091
Non-current liabilities held for sale		**3 333**	542	>100	3 465
Deposits[1]	9	**1 213 509**	1 105 237	10	1 173 766
Debt securities in issue	10	**174 871**	129 601	35	131 076
Liabilities under investment contracts		**19 830**	25 258	(21)	21 126
Policyholder liabilities under insurance contracts		**5 776**	5 297	9	5 731
Borrowed funds	11	**25 240**	27 426	(8)	26 600
Deferred tax liabilities		**434**	422	3	386
Total liabilities		**1 614 024**	1 442 037	12	1 493 524
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Share capital	11	**1 661**	1 660	0	1 660
Share premium	11	**10 722**	10 636	1	10 644
Retained earnings		**117 218**	103 952	13	110 859
Other reserves		**534**	5 408	(90)	6 700
		130 135	121 656	7	129 863
Non-controlling interest – ordinary shares		**5 889**	5 194	13	5 798
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Other equity: Additional Tier 1 capital[2]		**7 004**	7 004	—	7 004
Total equity		**147 672**	138 498	7	147 309
Total liabilities and equity		**1 761 696**	1 580 535	11	1 640 833

[1] These numbers have been restated, refer to the report overview.

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

Consolidated IFRS statement of changes in equity

for the reporting period ended

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

Consolidated IFRS statement of changes in equity

for the reporting period ended

30 June 2022

Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity: Additional Tier 1 capital Rm	Total equity Rm
(845)	1 262	3 123	57	679	1 599	129 863	5 798	4 644	7 004	147 309
(718)	(4 535)	(1 113)	—	—	—	4 106	532	123	305	5 066
—	—	—	—	—	—	10 481	594	123	305	11 503
(718)	(4 535)	(1 113)	—	—	—	(6 375)	(62)	—	—	(6 437)
—	—	—	—	—	—	(3 951)	(441)	(123)	—	(4 515)
—	—	—	—	—	—	—	—	—	(305)	(305)
—	—	—	—	—	—	(334)	—	—	—	(334)
—	—	—	—	—	—	79	—	—	—	79
—	—	—	—	175	—	372	—	—	—	372
—	—	—	—	(197)	—	—	—	—	—	—
—	—	—	—	348	—	348	—	—	—	348
—	—	—	—	24	—	24	—	—	—	24
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	42	—	—	—	—	—
(1 563)	(3 273)	2 010	57	854	1 641	130 135	5 889	4 644	7 004	147 672

Consolidated IFRS statement of changes in equity

for the reporting period ended

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

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

Consolidated IFRS statement of changes in equity

for the reporting period ended

30 June 2021										
Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity: Additional Tier 1 capital[1] Rm	Total equity Rm
(1 225)	5 313	934	40	383	1 482	115 671	4 984	4 644	7 004	132 303
960	(3 147)	(410)	—	—	—	5 861	288	120	290	6 559
—	—	—	—	—	—	8 162	374	120	290	8 946
960	(3 147)	(410)	—	—	—	(2 301)	(86)	—	—	(2 387)
—	—	—	—	—	—	—	(78)	(120)	—	(198)
—	—	—	—	—	—	—	—	—	(290)	(290)
—	—	—	—	—	—	(258)	—	—	—	(258)
—	—	—	—	—	—	78	—	—	—	78
—	—	—	—	40	—	304	—	—	—	304
—	—	—	—	(264)	—	—	—	—	—	—
—	—	—	—	278	—	278	—	—	—	278
—	—	—	—	26	—	26	—	—	—	26
—	—	—	—	—	—	—	—	—	—	—
—	—	—	2	—	—	—	—	—	—	—
—	—	—	—	—	40	—	—	—	—	—
(265)	2 166	524	42	423	1 522	121 656	5 194	4 644	7 004	138 498

Consolidated IFRS statement of changes in equity

for the reporting period ended

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

[1] On 30 September 2021, the board of directors disposed of Integrated Processing Solutions.

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

Consolidated IFRS statement of changes in equity

for the reporting period ended

31 December 2021										
Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Other equity: Additional Tier 1 capital[2] Rm	Total equity Rm
(1 225)	5 313	934	40	383	1 482	115 671	4 984	4 644	7 004	132 303
380	(4 051)	2 189	—	—	—	16 376	1 007	242	585	18 210
—	—	—	—	—	—	17 763	835	242	585	19 425
380	(4 051)	2 189	—	—	—	(1 387)	172	—	—	(1 215)
—	—	—	—	—	—	(2 573)	(193)	(242)	—	(3 008)
—	—	—	—	—	—	—	—	—	(585)	(585)
—	—	—	—	—	—	(273)	—	—	—	(273)
—	—	—	—	—	—	86	—	—	—	86
—	—	—	—	296	—	576	—	—	—	576
—	—	—	—	(280)	—	—	—	—	—	—
—	—	—	—	506	—	506	—	—	—	506
—	—	—	—	70	—	70	—	—	—	70
—	—	—	—	—	—	—	—	—	—	—
—	—	—	17	—	—	—	—	—	—	—
—	—	—	—	—	132	—	—	—	—	—
—	—	—	—	—	(15)	—	—	—	—	—
(845)	1 262	3 123	57	679	1 599	129 863	5 798	4 644	7 004	147 309

Condensed consolidated IFRS statement of cash flows

for the reporting period ended

	Note	30 June 2022 Rm	2021 Rm	Change %	31 December 2021 Rm
Net cash generated from/(utilised in) operating activities		**6 905**	(4 652)	>(100)	6 475
Net cash utilised in investing activities		**(2 064)**	(1 563)	32	(3 519)
Net cash (utilised in)/generated from financing activities		**(6 794)**	5 404	>(100)	(515)
Net (decrease)/increase in cash and cash equivalents		**(1 953)**	(811)	>100	2 441
Cash and cash equivalents at the beginning of the reporting period	1	**20 318**	16 796	21	16 796
Effect of foreign exchange rate movement on cash and cash equivalents		**1 238**	237	>100	1 081
Cash and cash equivalents at the end of the reporting period	2	**19 603**	16 222	21	20 318

Notes to the condensed consolidated statement of cash flows

1. Cash and cash equivalents at the beginning of the reporting period				
Cash, cash balances with central banks[1]	**14 577**	14 403	1	14 403
Loans and advances to banks[2]	**5 741**	2 393	>100	2 393
	20 318	16 796	21	16 796
2. Cash and cash equivalents at the end of the reporting period				
Cash, cash balances with central banks[1]	**13 006**	12 896	1	14 577
Loans and advances to banks[2]	**6 597**	3 326	98	5 741
	19 603	16 222	21	20 318

[1] Includes coins and bank notes.

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

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

1. Headline earnings and earnings per ordinary share

Headline earnings	30 June 2022 Gross Rm	30 June 2022 Net Rm	30 June 2021 Gross Rm	30 June 2021 Net Rm	Net change %	31 December 2021 Gross Rm	31 December 2021 Net Rm
Headline earnings is determined as follows:							
Profit attributable to ordinary equity holders		**10 481**		8 162	28		17 763
Total headline earnings adjustment		**147**		24	>100		62
IFRS 3 – Goodwill impairment	—	—	—	—	—	29	29
IFRS 5 – Profit on disposal of non-current assets held for sale	**(20)**	**(15)**	(9)	(7)	>100	(20)	(16)
IFRS 5 – Re-measurement of non-current assets held for sale	—	—	—	—	—	1	1
IAS 16 – Profit on disposal of property and equipment	**(7)**	**(6)**	(12)	(10)	(40)	(90)	(71)
IAS 16 and 36 – Insurance recovery of property and equipment damaged during riots	—	—	—	—	—	(121)	(87)
IAS 21 – Recycled foreign currency translation reserve	—	—	—	—	—	(96)	(74)
IAS 28 – Impairment of investments in associates and joint ventures	—	—	—	—	—	(11)	(11)
IAS 28 – Loss on disposal of associates and joint ventures	—	—	—	—	—	(1)	(1)
IAS 36 – Impairment of property and equipment	**233**	**168**	56	41	>100	217	157
IAS 36 – Impairment of intangible assets	—	—	—	—	—	144	110
IAS 38 – Profit on disposal of intangible assets	—	—	—	—	—	1	1
IAS 40 – Change in fair value of investment properties	—	—	—	—	—	31	24
		10 628		8 186	30		17 825

	30 June 2022 Rm	30 June 2021 Rm	Change value/ %	31 December 2021 Rm
Basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**10 481**	8 162	28	17 763
Weighted average number of ordinary shares in issue (million)	**830.2**	830.1	0.1	830.2
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8	—	847.8
Treasury shares held by Group entities (million)	**(17.6)**	(17.7)	0.1	(17.6)
Basic earnings per ordinary share (cents)	**1 262.5**	983.3	28	2 139.6
Diluted basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**10 481**	8 162	28	17 763
Diluted weighted average number of ordinary shares in issue (million)	**831.3**	831.4	0.3	831.6
Weighted average number of ordinary shares in issue (million)	**830.2**	830.1	0.1	830.2
Adjustments for share options issued at no value (million)	**1.1**	1.3	0.2	1.4
Diluted basic earnings per ordinary share (cents)	**1 260.7**	981.8	28	2 136.0
Headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**10 628**	8 186	30	17 825
Weighted average number of ordinary shares in issue (million)	**830.2**	830.1	0.1	830.2
Headline earnings per ordinary share (cents)	**1 280.2**	986.2	30	2 147.1
Diluted headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**10 628**	8 186	30	17 825
Diluted weighted average number of ordinary shares in issue (million)	**831.3**	831.4	0.3	831.6
Diluted headline earnings per ordinary share (cents)	**1 278.4**	984.6	30	2 143.5

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income

3.5 Gains and losses from banking and trading activities

	30 June			31 December
	2022 Rm	2021 Rm	Change %	2021 Rm
Net gains on investments	**148**	301	(51)	55
Debt instruments designated at fair value through profit or loss	**73**	54	35	(2)
Equity instruments at fair value through profit or loss	**62**	17	>100	(63)
Unwind from reserves for debt instruments at FVOCI	**13**	230	(94)	120
Net trading result	**3 969**	3 287	21	6 561
Net trading income excluding the impact of hedge accounting	**4 139**	3 686	12	7 066
Ineffective portion of hedges	**(170)**	(399)	(57)	(505)
Cash flow hedges	**(188)**	(442)	(57)	(539)
Fair value hedges	**18**	43	(58)	34
Other (losses)/gains	**(74)**	25	<(100)	(10)
	4 043	3 613	12	6 606
Segment split				
RBB[1]	**371**	221	68	535
CIB[1]	**3 448**	3 324	4	6 034
Head Office, Treasury and other operations[1,2]	**223**	53	>100	21
Barclays separation effects	**1**	15	(93)	16
	4 043	3 613	12	6 606

[1] The numbers have been restated, refer to the report overview.

[2] This includes the elimination of investment returns of Absa Life Limited in RBB for funds invested with Group Treasury. The elimination is recognised between 'Gains and losses from investment activities' by RBB, and 'Net interest income' and 'Gains and losses from banking and trading activities' by Group Treasury.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.7 Other operating income

	30 June 2022 Rm	2021 Rm	Change %	31 December 2021 Rm
Property-related income	**27**	31	(13)	94
Income from investment properties	**1**	2	(50)	(28)
Change in fair value	**—**	—	—	(31)
Rentals	**1**	2	(50)	3
Property-related income arising from contracts with customers	**26**	29	(10)	122
Profit on disposal of property and equipment	**7**	12	(42)	90
Profit on sale of developed properties	**8**	3	>100	7
Profit on sale of repossessed properties	**—**	3	(100)	4
Rental income	**11**	11	—	21
Insurance proceeds received related to property and equipment[1]	**—**	—	—	96
Other operating income	**143**	160	(11)	545
Foreign exchange differences, including recycle from other comprehensive income	**(38)**	(10)	>100	169
Income from maintenance contracts	**19**	14	36	37
Loss on disposal of intangible assets	**—**	—	—	(1)
Sundry income[2]	**162**	156	4	340
	170	191	(11)	735
Segment split[3]				
Property-related income	**27**	31	(13)	190
RBB	**26**	33	(21)	203
CIB	**—**	—	—	25
Head Office, Treasury and other operations	**1**	2	(50)	(21)
Barclays separation effects	**—**	(4)	(100)	(17)
Other operating income	**143**	160	(11)	545
RBB[3]	**170**	148	15	383
CIB[3]	**14**	(1)	<(100)	23
Head Office, Treasury and other operations[3]	**(30)**	15	<(100)	130
Barclays separation effects	**(11)**	(2)	>100	9
	170	191	(11)	735

[1] Insurance proceeds received related to property and equipment amounted to R121m of which R96m is reflected in other operating income and R25m was recovered against the impairment.

[2] Sundry income includes profit on disposal of non-core assets and non-interest income.

[3] These numbers have been restated, refer to the report overview.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

5. Operating expenses

Breakdown of operating expenses	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Administration fees	**73**	45	62	79
Amortisation of intangible assets	**1 140**	1 194	(5)	2 417
Auditors' remuneration	**201**	165	22	450
Cash transportation	**574**	606	(5)	1 135
Depreciation	**1 631**	1 759	(7)	3 608
Equipment costs	**184**	155	19	333
Information technology	**2 645**	2 393	11	4 980
Marketing costs	**771**	522	48	1 287
Other operating costs (includes net fraud losses, travel and entertainment costs)	**1 167**	1 097	6	2 299
Printing and stationery	**150**	136	10	288
Professional fees	**1 335**	989	35	2 362
Property costs	**895**	902	(1)	1 882
Staff costs	**13 190**	12 652	4	26 133
Bonuses	**1 315**	881	49	2 695
Deferred cash and share-based payments	**397**	329	21	616
Other[1]	**432**	454	(5)	878
Salaries and current service costs on post-retirement benefit funds	**10 879**	10 855	0	21 564
Training costs	**167**	133	26	380
Straight-line lease expenses on short-term leases and low value assets	**99**	89	11	204
Telephone and postage	**570**	555	3	1 153
	24 625	23 259	6	48 610
Barclays separation effects	**493**	654	(25)	1 198
Professional fees	**2**	4	(50)	5
Staff costs	**—**	(15)	(100)	(14)
Other[2]	**491**	665	(26)	1 207

Total operating costs include costs incurred in relation to the separation from Barclays PLC of **R493m** (30 June 2021: R654m) which have decreased by **25%** (CCY 26%) year-on-year and mainly comprise amortisation of intangible assets of **R404m** (30 June 2021: R556m) in relation to assets created under separation.

6. Indirect taxation

	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Training levy	**127**	107	19	209
Value-added tax net of input credits	**857**	800	7	1 576
	983	907	8	1 785

[1] Includes recruitment costs, membership fees to professional bodies, staff parking, restructuring costs, study assistance, staff relocation and refreshment costs.

[2] Mainly includes amortisation and depreciation costs.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

7. Taxation expense

	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Reconciliation between operating profit before income tax and the taxation expense				
Operating profit before income tax	**15 983**	12 281	30	26 724
Share of post-tax results of associates and joint ventures	**(42)**	(40)	5	(132)
	15 941	12 241	30	26 592
Tax calculated at a tax rate of 28%	**4 463**	3 427	30	7 446
Effect of different tax rates in other countries	**159**	131	21	291
Expenses not deductible for tax purposes[1]	**329**	378	(13)	735
Assessed losses[2]	**11**	6	83	124
Dividend income	**(349)**	(401)	(13)	(856)
Non-taxable interest[3]	**(319)**	(247)	29	(526)
Other income not subject to tax	**(34)**	(81)	(58)	(15)
Other	**176**	116	52	48
Effect of tax rate changes[4]	**34**	—	100	33
Items of a capital nature	**10**	6	67	19
	4 480	3 335	34	7 299

11. Equity

	30 June 2022 Rm	30 June 2021 Rm	Change %	31 December 2021 Rm
Authorised				
891 774 054 (30 June 2021: 891 774 054; 31 December 2021: 891 774 054) ordinary shares of R2.00 each	**1 784**	1 784	—	1 784
Issued				
847 750 679 (30 June 2021: 847 750 679; 31 December 2021: 847 750 679) ordinary shares of R2.00 each	**1 696**	1 696	—	1 696
17 183 416 (30 June 2021: 17 771 580; 31 December 2021: 17 465 332) treasury shares held by Group entities	**(35)**	(36)	(3)	(36)
	1 661	1 660	0	1 660
Total issued capital				
Share capital	**1 661**	1 660	0	1 660
Share premium	**10 722**	10 636	1	10 644
	12 383	12 296	1	12 304

Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date	30 June 2022 Number of shares (million)	30 June 2021 Number of shares (million)	Change %	31 December 2021 Number of shares (million)
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—	847.8
Treasury shares held by the Group	**(17.2)**	(17.8)	(3)	(17.5)
	830.6	830.0	0	830.3

[1] This includes additional tax levies and general non-deductible expenses due to the application of in country tax legislation.

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

[3] This relates to interest earned from certain governments in Africa as well as interest earned on certain capital instruments, which are exempt from tax.

[4] This relates to taxable gains and losses that will only be utilised from 1 January 2023 due to the changes in the SA tax rate from 28% to 27%.

IFRS reconciliation

for the reporting period ended

	Total Group normalised performance			
	30 June			31 December
	2022	2021	Change %	2021
Statement of comprehensive income (Rm)				
Net interest income	**28 560**	25 585	12	53 297
Non-interest income	**18 385**	15 625	18	32 576
Total income	**46 945**	41 210	14	85 873
Credit impairment charges	**(5 176)**	(4 702)	10	(8 499)
Operating expenses	**(24 132)**	(22 605)	7	(47 412)
Other expenses	**(1 163)**	(992)	17	(2 115)
Operating profit/(loss) before income tax	**16 474**	12 911	28	27 847
Tax expenses	**(4 607)**	(3 511)	31	(7 604)
Profit/(loss) for the reporting period	**11 867**	9 400	26	20 243
Profit attributable to:				
Ordinary equity holders	**10 836**	8 607	26	18 565
Non-controlling interest – ordinary shares	**603**	383	57	851
Non-controlling interest – preference shares	**123**	120	3	242
Other equity: Additional Tier 1 capital	**305**	290	5	585
	11 867	9 400	26	20 243
Headline earnings	**10 984**	8 628	27	18 591
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4.54**	4.41		4.46
Credit loss ratio	**0.91**	0.88		0.77
Non-interest income as % of income	**39.2**	37.9		37.9
Income growth	**14**	3		6
Operating expenses growth	**7**	5		4
Cost-to-income ratio	**51.4**	54.9		55.2
Statement of financial position (Rm)				
Loans and advances[1]	**1 160 281**	1 036 603	60	1 092 257
Loans and advances to customers[1]	**1 051 308**	968 631	9	1 017 386
Loans and advances to banks[1]	**108 973**	67 972	60	74 871
Investment securities	**206 609**	182 623	13	188 898
Other assets	**391 827**	357 336	10	356 139
Total assets	**1 758 717**	1 576 562	12	1 637 294
Deposits[1]	**1 213 509**	1 105 237	43	1 173 766
Deposits due to customers[1]	**1 085 155**	1 015 385	7	1 075 736
Deposits due to banks[1]	**128 354**	89 852	43	98 030
Debt securities in issue	**174 871**	129 601	35	131 076
Other liabilities[2]	**226 106**	207 414	9	188 946
Total liabilities	**1 614 486**	1 442 252	12	1 493 788
Financial performance (%)				
RoRWA	**2.39**	1.93		2.05
RoA	**1.36**	1.12		1.18

[1] These numbers have been restated, please refer to the report overview.

[2] This represents a contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The amount is presented in 'Loan from Barclays separation segment' in the consolidated normalised statement of financial position (refer to page 20).

IFRS reconciliation

for the reporting period ended

Barclays separation effects				IFRS Group			
30 June			31 December	30 June			31 December
2022	2021	Change %	2021	**2022**	2021	Change %	2021
23	12	92	25	**28 583**	25 597	12	53 322
(10)	8	<(100)	8	**18 375**	15 633	18	32 584
13	20	(35)	33	**46 958**	41 230	14	85 906
—	—	—	—	**(5 176)**	(4 702)	10	(8 499)
(493)	(654)	(25)	(1 198)	**(24 625)**	(23 259)	6	(48 610)
(11)	4	<(100)	42	**(1 174)**	(988)	19	(2 073)
(491)	(630)	(22)	(1 123)	**15 983**	12 281	30	26 724
127	176	(28)	305	**(4 480)**	(3 335)	34	(7 299)
(364)	(454)	(20)	(818)	**11 503**	8 946	29	19 425
(355)	(445)	(20)	(802)	**10 481**	8 162	28	17 763
(9)	(9)	—	(16)	**594**	374	59	835
—	—	—	—	**123**	120	3	242
—	—	—	—	**305**	290	5	585
(364)	(454)	(20)	(818)	**11 503**	8 946	29	19 425
(356)	(442)	(19)	(766)	**10 628**	8 186	30	17 825
n/a	n/a		n/a	**4.54**	4.41		4.46
n/a	n/a		n/a	**0.91**	0.88		0.77
n/a	n/a		n/a	**39.1**	37.9		37.9
n/a	n/a		n/a	**14**	2		5
n/a	n/a		n/a	**6**	1		1
n/a	n/a		n/a	**52.4**	56.4		56.6
—	—	—	—	**1 160 281**	1 036 603	12	1 092 257
—	—	—	—	**1 051 308**	968 631	9	1 017 386
—	—	—	—	**108 973**	67 972	60	74 871
—	—	—	—	**206 609**	182 623	13	188 898
2 979	3 973	(25)	3 539	**394 806**	361 309	9	359 678
2 979	3 973	(25)	3 539	**1 761 696**	1 580 535	11	1 640 833
—	—	—	—	**1 213 509**	1 105 237	10	1 173 766
—	—	—	—	**1 085 155**	1 015 385	7	1 075 736
—	—	—	—	**128 354**	89 852	43	98 030
—	—	—	—	**174 871**	129 601	35	131 076
(462)	(215)	>100	(264)	**225 644**	207 199	9	188 682
(462)	(215)	>100	(264)	**1 614 024**	1 442 037	12	1 493 524
n/a	n/a		n/a	**2.31**	1.83		1.96
n/a	n/a		n/a	**1.31**	1.06		1.13

Barclays separation effects

Update on programme

The Separation project was completed in December 2020. The Group has presented normalised results to reflect underlying business performance. The financial effect of Separation is highlighted below.

	Barclays separation effects			
	30 June			31 December
	2022	2021	Change %	2021
Statement of comprehensive income (Rm)				
Net interest income	**23**	12	92	25
Non-interest income	**(10)**	8	<(100)	8
Total income	**13**	20	(35)	33
Operating expenses	**(493)**	(654)	(25)	(1 198)
Other operating expenses	**(11)**	4	<(100)	42
Operating profit before income tax	**(491)**	(630)	(22)	(1 123)
Tax expenses	**127**	176	(28)	305
Profit for the reporting period	**(364)**	(454)	(20)	(818)
Profit attributable to:				
Ordinary equity holders	**(355)**	(445)	(20)	(802)
Non-controlling interest – ordinary shares	**(9)**	(9)	—	(16)
	(364)	(454)	(20)	(818)
Headline earnings	**(356)**	(442)	(19)	(766)
Statement of financial position (Rm)				
Intangible assets	**2 491**	3 355	(26)	2 895
Property, plant and equipment	**381**	546	(30)	461
Other assets	**107**	72	49	183
Total assets	**2 979**	3 973	(25)	3 539
Other liabilities[1]	**(462)**	(215)	<(100)	(264)
Total equity	**3 441**	4 188	(18)	3 803
Total equity and liabilities	**2 979**	3 973	(25)	3 539

[1] Other liabilities in the Barclays Separation Segment, for June 2021, represents a contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The amount is presented in 'Loan from Barclays separation segment' in the consolidated normalised statement of financial position (refer to page 20).

Barclays separation effects

Statement of comprehensive income

Net interest income: **R24m** (30 June 2021: R12m) was earned on the remaining capital invested after successfully completing the separation programme. Non-interest income of **-R10m** (2021: R9m) reflects foreign currency revaluation losses.

Operating expenses of **R493m** (30 June 2021: R654m) include **R404m** (30 June 2021: R556m) that relates to the amortisation of intangible assets that were created under Separation. Other operating expenses of **R11m** (30 June 2021: R4m credit) reflects indirect taxation.

Statement of financial position

Total assets

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

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

Total equity and liabilities

Total equity of **R3.4bn** (30 June 2021: R4.2bn) relates to the R12.1bn contribution received from Barclays and income earned on the contribution less separation expenditure incurred to date. Separation will still incur the amortisation and depreciation expenditure on the assets capitalised in the upcoming financial years.

Risk management overview

Risk management overview

for the reporting period ended

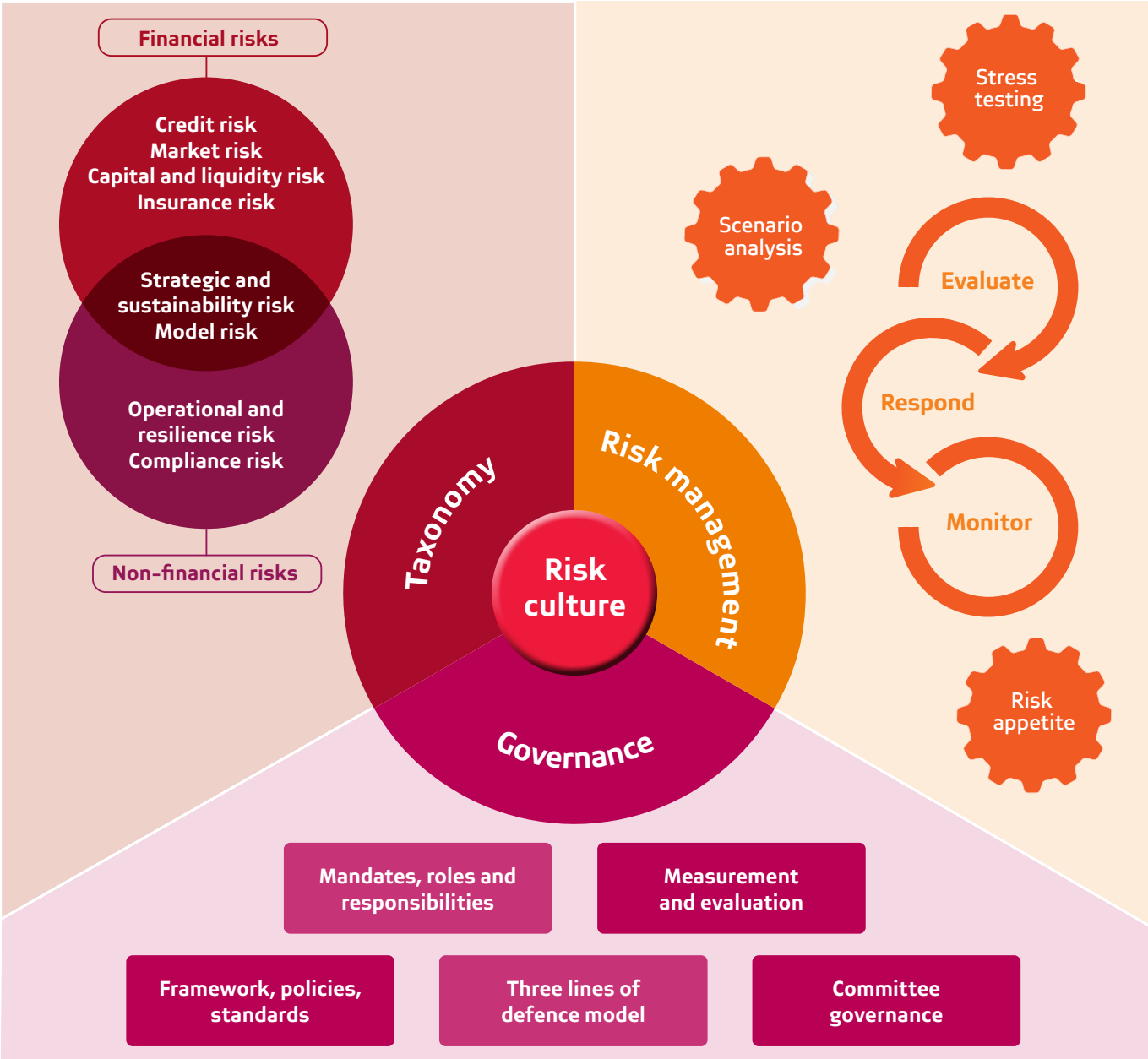
The Enterprise Risk Management Framework

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

The Group actively identifies and assesses risks and opportunities arising from internal and external environments, while proactively identifying emerging risks. To ensure effective risk management, this consolidated response is monitored as follows:

- Recognition of the importance of having a strong risk culture, which is an integral aspect of the broader Group's culture.
- Well-considered key risks (referred to as principal risks), clear ownership and accountability, and complete risk coverage across the Group.
- A coherent risk management operating model and appropriate risk practices, tools and techniques to support the Group's strategy.
- Well-defined risk governance structure at Group, country, business and group functions, with clear Board escalation and oversight.
- A combined assurance model with control functions independence and clear accountability for managing and overseeing the effective execution of assurance throughout the Group.
- Comprehensive and structured processes for evaluating, responding to and monitoring risks.

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



Risk management overview

for the reporting period ended

Risks arising from the operating environment

The Russia-Ukraine conflict continues to keep global uncertainty heightened and is expected to have an ongoing impact on global markets, outlooks and the expectations of the markets in which the Group operates. Risks faced by financial market participants and the global and domestic economies are expected to remain heightened. Monitoring of the events unfolding in Europe and continuous assessments of the Group's exposure and potential risks, both direct and indirect, is ongoing as the impact on various markets will not be uniform. The Group has assessed that its direct exposure to Russia is negligible and thus monitoring is focused mainly on the indirect exposures and risks. Sensitivity to energy inflation and certain commodity prices remain elevated and are monitored.

The Group's focus remains on proactive risk and capital management to positively position itself as the situation unfolds. Risks are actively identified, and the consolidated response monitored to ensure effective implementation achieving the targeted result. Scenario analyses is used in the early detection of potential areas of weakness and to assess response effectiveness.

Risk theme	Current and emerging risks
Global and local economic recovery uncertainty	• Recovery of economic activity remains under pressure. Increasing global inflation driving monetary policy tightening, and resultant interest rate increases, will affect growth and economic recovery, potentially introducing supply-side inflation into economies already under pressure. • Sovereign actions taken to limit inflation may result in economic hardship, higher unemployment, increased inequality, and lower business and consumer confidence. • High sovereign debt levels, combined with reduced debt and interest servicing capacity, increase the possibility of sovereign restructures or defaults and an emerging markets debt crisis. **Management's response** • Maintain a dynamic approach to risk appetite setting in response to the outlook for the remainder of 2022 and beyond. • Use scenarios to evaluate the potential outcomes of a variety of external and internal factors. Management develops mitigating actions and assesses their effectiveness to guide decision making on an ongoing basis. • Monitor downside risk presented by the uncertainty in the outlook where the economic recovery is likely to be unstable and manage risk reduction strategies.
Strategic, execution and business risks arising from external and internal drivers	• Global uncertainty arising from geopolitical instability and other market drivers, which result in increased pressure on emerging markets. • Sovereign actions taken to limit inflation may result in economic hardship, higher unemployment, increased inequality, and lower business and consumer confidence. • Infrastructure failures, including logistical and power supply disruptions, in certain markets continue to negatively impact stakeholders. • Disruption through changing customer preferences and competitor offerings. • Potential adverse impact of large strategic change projects on strategy risk, change risk and people risk. **Management's response** • Monitor and manage risk strategy and risk appetite based on the ongoing evaluation of global and regional developments to identify and mitigate risks as they arise. This includes re-evaluating credit policies and operational and resilience processes, while enabling business to pursue selective strategic opportunities. • Ongoing alignment of risk objectives with the Group's strategy to support its customers and communities efficiently, responsibly and sustainably. • Actively engage governments, communities and customers to support initiatives to address economic hardship. • Ensure sufficient investment to continue delivering scalable digital solutions that focus on current and evolving customer needs. • Build and embed a winning brand with a focus on innovative business processes and products designed to meet unique customer needs and preferences. • Ensure strategic and large change projects are properly scoped, fully capacitated and closely monitored through senior oversight, including independent quality assurance.

Risk management overview

for the reporting period ended

Risks arising from the operating environment (continued)

Risk theme	Current and emerging risks
Environmental and social risks impact the Group, its customers and operating environment	• Adverse impact of ongoing and rapid climate and social change on communities and customers will negatively impact communities and sharply heighten the Group's credit and insurance risks. • Evolving complexities in the management of social trends, and the societies and political environments in which the Group operates. • Increasing expectations from stakeholders to integrate sustainability risk management practices with business activities. **Management's response** • Implement the United Nations Environmental Programme Finance Initiative Principles for Responsible Banking and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). • Reduce the Group's direct environmental footprint in line with its 2030 environmental action plan and understand physical climate risk impacts. • Embed processes encouraging customers to adopt business strategies and practices aligned with the Group's sustainability policy. • Develop financing standards for other climate sensitive industries in line with the existing coal financing standard. • Continuously enhance credit and insurance risk models to assess the impact of climate change risk. • Continue to develop internal capabilities to utilise scenario analyses and stress testing to better estimate the impact of climate change on the Group's portfolio to inform the review and alignment of Absa portfolios for climate change risk and opportunities. • Regularly assess the suitability and strategic alignment of products and customer value propositions with changing environmental and social factors and the impact on the Group's risk profile. • Maintain focus on the financial inclusivity of customers, including the ongoing support of small and medium-sized enterprises.
Heightened resilience, fraud, financial crime, people and cyber risks expected for the foreseeable future	• Heightened risk of social unrest due to heightened inflation impacting on cost-of-living, weak economic environments, infrastructure failures and poor service delivery. • Heightened fraud and security risks arising from economic pressure. • Increasing opportunistic financial crime and cybercrime, combined with rising sophistication of criminal activity, impacting customers and the Group. • Increasing exposure to potential data leaks arising from third and fourth-party suppliers. • Heightened risk to employee wellness from evolving work environments. **Management's response** • Maintain focus on physical and digital operational resilience and proactively identify and mitigate risks. • Maintain high stability of the technology estate to minimise incidents impacting customers and operational effectiveness. • Continue to invest in security platforms and continuously evolve controls to secure customer information, including investments in technology, data capability (including external intelligence), customer awareness campaigns and industry collaboration. • Continue to embed and refine the processes and procedures in place to respond to incidents to alleviate the potential impact on customers. • Embed a strong and resilient risk culture across the Group through ongoing awareness and training. • Enhance due diligence performed on third-party suppliers through ongoing review and monitoring of controls. • Monitor and manage the impact on employees through an expanded Group wellness programme and support employees in the evolution of working environments.
Increased compliance risk due to new and emerging regulations and oversight	• Increasing pace and evolving complexity of regulatory and statutory requirements across the Group's markets impact on the current business model, including: ◦ Finalisation of Basel III ◦ Benchmark reform ◦ Sustainability regulations ◦ Resolution Framework ◦ Depositor Insurance Scheme ◦ Monetary Policy Implementation Framework ◦ Conduct, culture and governance supervision • Potential long-term impact of regulatory changes on business strategy and Group performance. **Management's response** • Maintain a forward-looking approach to evaluate, respond to and monitor regulatory and statutory change. • Engage with regulatory authorities and other stakeholders on upcoming regulatory changes to ensure the most appropriate outcomes for the banking sector and broader economy. • Strengthen a culture of sound regulatory compliance across the Group. • Develop systems with the agility to accommodate rapid change. • Understand the impact of future requirements on the current business model and practices, and proactively make necessary changes.

Risk management overview

for the reporting period ended

Key performance metrics

Common equity tier 1 (CET 1) ratio[1]	13.1%
June 2021: 12.4%	
Economic capital (EC) coverage[1]	1.6%
June 2021: 1.6%	
Leverage ratio[1]	7.7%
June 2021: 7.7%	
Liquidity coverage ratio (LCR)[2]	121.1%
June 2021: 124.0%	
Net stable funding ratio (NSFR)	113.0%
June 2021: 118.3%	
Credit loss ratio (CLR)	0.91%
June 2021: 0.88%	
Stage 3 ratio on gross loans and advances	5.3%
June 2021: 5.6%	
Stage 1 and stage 2 coverage ratio	1.4%
June 2021: 1.6%	
Stage 3 coverage ratio	45.4%
June 2021: 47.1%	
Banking book net interest income (NII) sensitivity for a 2% upward shock in interest rates	R993m
June 2021: R1 170m	
Operational risk losses	R245m
June 2021: R266m	

Review of current reporting period

- Capital ratios improved year-on-year, driven by strong earnings growth and regulatory model enhancements on risk weighted assets (RWA). CET1 moved above the top-end of the Board target range, well above minimum regulatory requirements.
- The liquidity position remains healthy and liquidity metrics are within risk appetite.
- Loan book growth was largely driven by growth in loans and advances to banks off the back of an uptick in international trade and markets related activity. This was supplemented by moderate growth across CIB and RBB.
- The CLR tracked within the top half of the Group's through-the-cycle range as higher delinquencies and an ageing legal book across the secured lending portfolios placed some upward pressure on the Group's impairment charge.
- Credit coverage levels remained significantly higher than pre-pandemic levels, notwithstanding the partial release of the macro-overlay and model enhancement changes made in 2021.
- Interest rate risk sensitivity in the banking book was proactively managed. The Group remained positively geared to higher policy rates post risk management discipline.
- Operational risk losses decreased, reflecting improved recoveries.
- The Group continued to invest in infrastructure, process re-engineering, employee development and technology to deliver improved operational resilience.
- Sustainability targets, as a percentage of the Group's total loans, were set on the exposure to the oil, coal and gas sectors over the short-, medium- and long-term.

Priorities

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

- Creating sustainable value for shareholders while maintaining sufficient capital supply for growth. Capital ratios are to be maintained at the top end of the Board risk appetite and above minimum levels of regulatory capital.
- Continue to lengthen and diversify the funding base to support asset growth and other strategic initiatives while optimising funding costs.
- Monitor growth to ensure a well-diversified credit portfolio in line with the Group strategy and risk appetite.
- Monitor changes in the global macroeconomic, political and regulatory environments to identify and manage risks at an early stage. The potential impact of these and other events are modelled and considered in a comprehensive stress testing framework.
- Improve controls, efficiency and operational resilience, through enhanced platforms and digital capabilities, across critical processes.
- Engage and collaborate with regulatory authorities and other stakeholders on upcoming regulatory changes, to ensure the most appropriate outcomes for the banking sector and broader economy.
- Develop further climate action guidelines or standards to guide the Group's approach to climate change-related risks and opportunities to align with commitments made by the Group.
- Conduct business and product impact assessments to evaluate the quantitative and qualitative implications of implementing Basel III finalisation, including the Fundamental Review of the Trading Book (FRTB) and the proposed amendments to the regulations relating to banks.

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

Risk management overview

for the reporting period ended

Credit risk

The risk of financial losses arising due to a borrower, counterparty to a derivative transaction or an issuer of debt securities defaulting on contractual obligations.

Key metrics	30 June 2022	30 June 2021	31 December 2021
CLR (%)	**0.91**	0.88	0.77
Stage 3 ratio on gross loans and advances (%)	**5.3**	5.6	5.4
Stage 3 coverage ratio (%)	**45.4**	47.1	44.6
Stage 1 and stage 2 coverage ratio (%)	**1.4**	1.6	1.5
Total coverage ratio (%)	**4.0**	4.5	4.1
Performing book weighted average probability of default (PD) (%)[1]	**2.2**	2.3	2.3
Weighted average loss given default (LGD) (%)[1]	**29.1**	30.7	29.9
Credit risk economic capital (EC) (Rbn)[2]	**66.4**	55.7	64.4
Total credit RWA (Rbn)	**725.7**	688.5	719.5
Primary credit risk RWA (Rbn)[3]	**686.7**	646.2	679.8
Counterparty credit risk (CCR) RWA (Rbn)[4]	**26.5**	30.3	26.5
Equity risk RWA (Rbn)	**12.5**	12.0	13.2

Review of current reporting period

- Gross loans and advances increased to R1 203bn (30 June 2021: R1 080bn) largely driven by growth in loans and advances to banks as a result of an uptick in international trade and markets-related activity. This was supplemented by moderate growth across CIB and RBB.
- The credit loss ratio (CLR) at **0.91%** (30 June 2021: 0.88%) tracked within the top half of the Group's through-the-cycle range (0.75% to 1.00%) as higher delinquencies, mainly attributed to the revised debit order process in VAF, and an ageing legal book across the secured lending portfolios placed some upward pressure on the Group's impairment charge. Although the macroeconomic outlook has weakened since December 2021, a portion of the macro-overlay was released 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 (refer to pages 38 to 52 for a detailed analysis of the macro impact and model parameter refresh).
- The Group's stage 3 ratio on gross loans and advances decreased to **5.3%** (30 June 2021: 5.6%) due to growth in advances and concerted efforts to manage the non-performing loan (NPL) book across the unsecured lending portfolios. This was partially offset by growth in NPLs in CIB ARO.
- Stage 3 coverage decreased to **45.4%** (30 June 2021: 47.1%) due to the sale of unsecured legal balances and write-off of NPLs with higher coverage. This was further supplemented by growth in well-collaterised NPLs across CIB ARO and Relationship Banking, partially offset by sustained pressure on the legal book across the Secured Lending portfolios and single name impairments raised in CIB SA.
- Performing coverage decreased to **1.4%** (30 June 2021: 1.6%) due to the partial release of the macro-overlay combined with a change in mix given growth in stage 1 advances and a reduction in stage 2 advances. Coverage levels remain significantly higher than 2019 levels notwithstanding the partial release of the macro-overlay and model enhancement changes made in 2021.
- Performing book weighted average probability of default decreased to **2.2%** (30 June 2021: 2.3%) as a large portion of loan book growth emanated from corporate clients with better credit ratings.
- Weighted average loss given default decreased to **29.1%** (30 June 2021: 30.7%) mainly attributable to model enhancements across the wholesale portfolio which enrich risk measurement at a customer level.
- Credit risk economic capital increased to **R66.4bn** (30 June 2021: R55.7bn) due to book growth and a marginal increase in EC risk intensity due to a slight deterioration in risk profiles of the retail secured lending portfolios.
- Primary credit risk RWA[3] increased to **R686.7bn** (30 June 2021: R646.2bn) due to growth in loans and advances and investment securities. This was further supplemented by exchange rate movements but partially offset by a decrease in RWA intensity due to a favourable change in balance sheet mix, model updates and RWA optimisation initiatives.
- Counterparty credit risk RWA decreased to **R26.5bn** (30 June 2021: R30.3bn) due to mark-to-market movements.
- Equity risk RWA increased to **R12.5bn** (30 June 2021: R12.0bn) due to an equity investment in a renewable energy platform.

[1] The percentages include only portfolios subject to the internal ratings-based (IRB) approaches.
[2] Includes equity risk, CCR, CVA and securitisation.
[3] Primary credit risk RWA includes credit risk (excluding CCR) and securitisation exposures in the banking book.
[4] CCR RWA includes credit valuation adjustment (CVA).

Risk management overview

for the reporting period ended

Credit risk (continued)

Priorities

- Monitor growth to ensure a well-diversified credit portfolio in line with the Group strategy and risk appetite.
- Monitor changes in the global macroeconomic, political and regulatory environments to identify and manage risks at an early stage. The potential impact of these and other events are modelled and considered in a comprehensive stress testing framework.
- Proactively manage legacy distressed names to maximise recovery rates.
- Enhance collections capabilities to effectively manage credit risk through the cycle.
- Focus on talent development and succession planning, ensuring a fully capacitated and well-skilled credit team.
- Keep abreast of regulatory changes, specifically Basel III finalisation for capital rules for credit risk.

Market risk

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

Trading book risk

The market risk resulting from trading activities booked in trading books across the Group in accordance with regulatory requirements.

	30 June		31 December
Key risk metrics	**2022**	2021	2021
Average traded market risk – 99% value at risk (VaR) (Rm)	**49.6**	49.0	51.9
Traded market risk EC (Rbn)	**4.7**	6.3	6.5
Traded market risk RWA (Rbn)	**36.6**	40.3	39.2

Review of current reporting period

- Average VaR reduced marginally, due to the portfolio remaining defensively positioned. The business remained cautious considering reduced market liquidity, increasing global inflation and reduced economic growth with the Russia/Ukraine war significantly impacting global markets. In addition, the market volatility experienced in March/April 2020 as a result of COVID-19, has exited the historical two year daily VaR period.
- EC reduced due to the model enhancements introduced at the beginning of the 2022 period, specifically relating to data improvements, default risk charge modelling assumptions and the introduction of diversification parameters, to align with the Absa Group EC standard.
- RWA reduced as a result of a reduction in the ARO portfolio risk, capitalised under the standardised approach, as the business reduced risk with the backdrop of high inflation placing pressure on central banks to raise interest rates.

Priorities

- Monitor and manage daily risk-taking and loss thresholds in volatile, and often illiquid, markets, which continue to face a number of events that could cause a significant economic impact in a short period.
- Manage capital demand within the Group's risk appetite through close engagement with business.
- Conduct business and product impact assessments and engagement with industry and regulatory forums to assess the impact of the Basel Standard: Minimum Capital Requirements for market risk (also known as the Fundamental Review of the Trading Book (FRTB)), issued in January 2019.
- Maintaining the momentum of the FRTB project to prepare the Group for meeting the regulatory implementation deadline of 1 January 2024 in South Africa.

Risk management overview

for the reporting period ended

Market risk (continued)

Banking book risk

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

Key risk metrics	30 June 2022	30 June 2021	31 December 2021
Banking book net interest income (NII) sensitivity for a 2% increase shock in interest rates (Rm)	**993**	1 170	1 216
South Africa	**431**	346	414
ARO	**562**	824	802
Banking book NII sensitivity for a 2% downward shock in interest rates (Rm)	**(1 493)**	(1 741)	(1 668)
South Africa	**(505)**	(896)	(700)
ARO	**(988)**	(845)	(968)
Banking book risk EC (Rbn)	**7.2**	8.4	7.7[1]

Review of current reporting period

- The Group remained appropriately positioned for the expected rise in policy rates and remains focused on proactively hedging its structural, fixed and margin risks to reduce NII volatility.
- The recent increases in interest rates is expected to continue to be the trend over the next year. Group NII is expected to continue to increase as a result of the increasing monetary policy rates environment.
- A 100pbs increase in interest rates is expected to increase Group earnings by R498m over a 12-month horizon.
- The reduced NII sensitivity is attributable to balance sheet composition changes and an increase in risk management in ARO.

Priorities

- Continue to proactively manage interest rate risk within risk appetite.
- Deliver margin stability through sound risk management processes, such as the structural hedge programme in South Africa, and through appropriate asset and liability management processes in ARO.
- Adopt the Basel Committee on Banking Supervision (BCBS) standard on interest rate risk in the banking book (IRRBB) due to be implemented in South Africa by January 2023, as well as ongoing modelling and process enhancements.
- Assess and prepare the Group for the changes in the interest rate risk profile due to JIBAR benchmark reforms.

Capital and liquidity risk

The risk and related constraints, which support the effective management of the Group's financial resources, among others, capital, liquidity and pension, critical to meeting the Group's strategic objectives. This includes pension risk as a risk in the event that a capital injection is required with respect to defined benefit plans.

Capital risk

The risk that the Group has an insufficient level or inappropriate composition of capital to support its normal business activities and to remain within its Board-approved capital target ranges under normal operating conditions or above regulatory capital requirements under stressed conditions.

Key risk metrics	30 June 2022	30 June 2021	31 December 2021
Total EC (Rbn)	**103.3**	94.2	104.6[1]
Total RWA (Rbn)	**948.7**	891.8	931.5
CET 1 capital adequacy ratio (%)[2]	**13.1**	12.4	12.8
EC coverage	**1.6**	1.6	1.5
Leverage ratio (%)[2]	**7.7**	7.7	7.9
Cost of equity (CoE) (%)[3]	**14.5**	14.25	14.5

[1] The December 2021 metric has been restated to correct an error identified in the previously reported number.
[2] Includes unappropriated profits.
[3] The CoE is based on the capital asset pricing model.

Risk management overview

for the reporting period ended

Capital and liquidity risk (continued)

Capital risk (continued)

Review of current reporting period

- As at 30 June 2022, the Group's capital position was well above minimum regulatory requirements (despite the reinstatement of the Pillar 2A requirement which added 100bps to the minimum capital requirement from 1 January 2022) and above the top end of the current Board target range of 11.0% to 12.5%.
- Capital ratios improved year-on-year due to strong earnings generation, coupled with regulatory model enhancements that were approved by the regulator. Capital buffers remained strong.
- The Group called Tier 2 bonds during the period amounting to R1.1bn.
- All ARO entities were adequately capitalised, above local minimum regulatory requirements, throughout the period. The sovereign downgrade in Ghana resulted in a deterioration in capital levels however the entity remained appropriately capitalised above internal targets and regulatory minimum requirements.
- The leverage ratio remained unchanged year-on-year as growth in leverage balance sheet exposure was supported by an increase in Tier 1 capital.
- Following an assessment of the financial market landscape, the Group's cost of equity remained unchanged at 14.5%.

Priorities

- Create sustainable value for shareholders while maintaining sufficient capital supply for growth, with capital ratios within the Board-approved target range and above minimum levels of regulatory capital.
- Monitor and assess upcoming regulatory developments that may affect the capital position. These include the Basel III finalisation, including FRTB; the proposed amendments to the regulations relating to banks; the resolution framework; and the financial conglomerate supervisory framework in South Africa.
- Following the publication of guidance notes relating to the Financial Sector Laws Amendment Bill (FSLAB), prioritise the issuance of first loss after capital (Flac) instruments.
- Appropriately deploy and repatriate capital to and from subsidiaries.

Liquidity risk

The risk that the Group is unable to meet its contractual or contingent liquidity obligations or that it does not have the appropriate amount, tenor and composition of funding to support its assets.

	30 June		31 December
Key risk metrics	**2022**	2021	2021
Sources of liquidity (Rbn)	**276.5**	283.7	301.2
NSFR (%)	**113.0**	118.3	116.1
LCR (%)[1]	**121.1**	124.0	116.8
Loan-to-deposit ratio (%)[2]	**84.1**	83.6	84.2
Loans and advances to customers and banks (Rbn)	**1 102.6**	1 039.2	1 060.6
South Africa	**957.3**	909.2	925.1
ARO	**145.3**	130.0	135.5
Deposits from customers and banks (including debt securities) (Rbn)	**1 310.3**	1 242.4	1 258.9
South Africa	**1 108.0**	1 069.9	1 076.7
ARO	**202.3**	172.5	182.2

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

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

Risk management overview

for the reporting period ended

Capital and liquidity risk (continued)

Liquidity risk (continued)

Review of current reporting period

- **Liquidity risk position:**
  - The Group's liquidity risk position remains healthy and key liquidity metrics are within risk appetite and above the minimum regulatory requirements.
  - The Group maintained a high-quality liquid asset (HQLA) buffer in excess of the minimum regulatory requirements.
  - Core deposit growth was subdued during the first half of 2022, following the strong growth observed in 2021.
  - The phase-in of the Monetary Policy Implementation Framework (MPIF) from June 2022 had a positive impact on Absa Bank's liquidity position, as the current monetary policy transitions from a shortage to a surplus position.
  - The foreign currency liquidity position of the Group remained robust with adequate diversified United States dollar (USD) funding available to support the USD asset base and planned asset growth.
  - All banking subsidiaries remained self-sufficient in terms of local currency liquidity, with limited reliance on Absa Bank for USD working capital support required from the Group.
- **Long-term balance sheet structure:**
  - The Group continued to strengthen and diversify its funding sources to maintain a sustainable funding structure.
  - Debt capital market issuances for 2022 comprised R2.6bn of Absa's inaugural Green Bond Issuance and R3.7bn senior debt, with overall reliance on wholesale funding managed appropriately to support asset growth.
  - The cost of wholesale funding increased over the first half of 2022 as increased demand for liquidity resulted in liquidity premiums normalising to pre-COVID-19 levels.
- **Short-term balance sheet structure and liquidity buffers:**
  - The Group's sources of liquidity of **R276.5bn** (June 2021: R283.7bn) amounted to 25.5% (June 2021: 28.1%) of deposits to customers. The Bank continued to maintain a diversified HQLA portfolio, thereby maintaining a 90-day average HQLA at R220.1bn (June 2021: R214.6bn).
  - Loan growth was funded by growth in customer deposits and supported by raising wholesale funding, of appropriate tenor, ensuring a sustainable and diverse funding base.
  - The Group consistently maintained an LCR buffer above 100%, despite the relief measures provided by the SARB through the reduction of the minimum LCR to 80% reverting back to 100% from 1 April 2022.
  - The Group used its internal liquidity stress metric framework to determine the amount of HQLA required to be held to meet internally defined stress requirements.
- **Diversification:**
  - The Group had a well-diversified deposit base and concentration risk was managed within appropriate internal and regulatory guidelines.
  - Sources of funding were managed to maintain a wide diversity of depositors, products, tenors and currencies.

Priorities

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

Risk management overview

for the reporting period ended

Insurance risk

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

Key risk metrics[1]	30 June 2022	30 June 2021	31 December 2021
Profit before tax (Rm)	**1 252**	(301)	23
Capital adequacy cover (regulatory basis) (times)	**1.25**[2]	1.32	1.23[3]
Insurance risk EC (Rbn)	**5.5**	4.7	5.4[4]

Review of current reporting period

- Earnings have been favourable in 2022, compared to the prior year where the impact of COVID-19 had a significant impact on claims experience, particularly for life insurance entities. This was partly offset by adverse claims experience associated with flooding in KwaZulu Natal in South Africa.
- Absa Financial Services (AFS) remained adequately capitalised, along with the licensed insurance entities (Absa Life capital adequacy cover at 30 June 2022 is 1.40[2] and Absa Insurance Company capital adequacy cover at 30 June 2022 is 1.42[2]). The AFS solvency position remains resilient due to adequate capital buffers, and the mitigating impact of a reduction in dividends where required in response to the stress conditions. The AFS position is shown net of adjustments and intragroup adjustments.
- The Insurance Principal Risk Management Framework was revised in line with the Board approved refreshed ERMF. Further, reporting processes were refined where required to meet Financial Conglomerate Supervision requirements.
- The International Financial Reporting Standards (IFRS) 17 project progressed further, with a focus on organisation structures and processes required to support reporting. A combined assurance plan was finalised which will provide sufficient independent review and challenge of progress made prior to the accounting standard's effective date.
- Continued response to the COVID-19 pandemic through risk sensitive premium loadings for unvaccinated lives, adjusted downwards as the impact of the pandemic continued to evolve. Insights were taken on responding to similar future pandemics in a sustainable and permanent manner.
- Successfully completed an Out-of-Cycle Own Risk and Solvency Assessment (ORSA) in response to the relevant Insurance ORSA Policy triggers.

Priorities

- Perform a data deep dive into the actuarial data processes for insurance entities within the Insurance Group.
- Effectively implement the new non-life policyholder administration system.
- Continue to investigate the impact of climate change on the Group's insurance businesses, both in the short to medium term, but also considering the systemic and long-term changes to the operating environment.
- Drive the successful migration and integration of key policyholder administration systems.
- Ensure final delivery of the IFRS 17[5] programme and the completion of the parallel run.
- Confirm that governance and oversight remain suitable, in light of operating model changes.
- Effect continued improvements to the ORSA process in line with recommended market practice, considering independent review findings.
- Proactively identify, quantify and manage emerging risks through a structured process and frequent horizon scanning.
- Ensure that risk appetite statements and processes remain aligned to market best practice, and meet the requirements of the Absa Group, as specified in the Risk Appetite Framework.
- Continued response to COVID-19, both in terms of observed claims fluctuations, new variants, and more permanent responses to pandemics.

[1] Figures are shown for Absa Financial Services (AFS), the approved regulated insurance group.
[2] Unaudited capital position, post foreseeable dividends. The pre-dividend capital adequacy cover for AFS is 1.29.
[3] Unaudited capital position, post foreseeable dividends.
[4] The December 2021 metric has been restated to correct an error identified in the previously reported number.
[5] IFRS 17 for insurance contracts replacing IFRS 4, effective from 1 January 2023.

Risk management overview

for the reporting period ended

Strategic and sustainability risk

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

Strategic risk

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

	30 June		31 December
Key risk metrics	**2022**	2021	2021
Strategic risk EC (Rbn)	**6.9**	6.1	6.0

Review of current reporting period

- The Group concluded a review of its enterprise risk management framework (ERMF) in March 2022. The changes resulted in the renaming of business risk to strategic risk, enabling enhanced focus on managing risks associated with strategic choices and related execution activities.
- The strategic risk framework began its refinement journey to optimise risk management integration into key strategic processes, including the annual integrated planning process, strategy execution monitoring and review processes. The framework also clearly addresses risks related to key enablers, including people and technology, to optimise strategy execution outcomes while responding timely to undesired risks.
- The business landscape continued to be characterised by downside risks over the reporting period, including disrupted supply chains, higher fuel costs, inflation, and interest rates, electricity supply challenges, social instability. These remain key focus areas in scenario analysis and stress testing activities to manage the impact of both current and emerging risks on the Group's risk profile.
- Strategic priorities remained a key focus area in the context of the shifting landscape, considering business delivery models, market trends and changing customer preferences.

Priorities

- Refine the Group's strategic risk management framework and its integration into key strategic processes.
- Evaluate the Group's strategic positioning, the continued relevance of its business model, strategic choices and associated risks.
- Monitor strategy execution and performance through the outcomes of the integrated planning process and the update to the Group's medium-term plans.
- Accelerate investment in advanced data analytics and digital capabilities.
- Assess and respond to strategic progress and the impact of external and internal factors to the business model and customer value propositions using agile approaches.
- Prioritise the development of skills and capabilities required to ensure ongoing competitive positioning, safety and wellness of the Group's employees and customers, as well as new engagement models in the context of the changing environment.
- Enhance the Group's competitiveness across key markets, segments and products.

Sustainability risk

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

Review of current reporting period

- Published the Principles for Responsible Banking Report, the Task Force for Climate Related Disclosures (TCFD) and the Environmental, Social and Governance (ESG) Report as part of our public disclosure in the management of sustainability risk.
- Published the indirect greenhouse gas (GHG) emissions from our agriculture and real estate lending, using the Partnership for Carbon Accounting Financials (PCAF) methodology for calculation.
- Sustainability targets, as a percentage of the Group's total loans, were set on the exposure to the oil, coal and gas sectors over the short-, medium- and long-term.
- Published Coal Financing, Oil and Gas as well as Mining standards.

Priorities

- Automate sustainability risk tools and the sustainability data collation process.
- Continue with the in-depth climate change risks and opportunity analysis for additional climate-sensitive sectors and ARO.
- Develop climate action guidelines or standards to guide the Group's approach to climate change-related risks and opportunities. Standards relating to the manufacturing, agriculture, real estate and transport sectors are planned to be published within the next year.
- Include climate vulnerability assessment as part of deal screening.
- Conduct climate stress testing focusing on acute physical risk events. Continue investing in capabilities to conduct climate risk stress tests on the portfolio over a longer time horizon.
- Ongoing development and roll out of the deal screening tool to incorporate environmental and social management in the ERMF.
- Align approach to address biodiversity impacts (risks and opportunities) with the Taskforce on Nature-related Financial Disclosures.
- Automate the estimation calculation of the financed GHG emissions in the Group's lending portfolio using PCAF score 5 methodology.

Risk management overview

for the reporting period ended

Strategic and sustainability risk (continued)

Reputational risk

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

Review of current reporting period

- Continued to strengthen and maintain constructive key external relationships, including those with the media, journalists, industry bodies, business associations and societal groups.
- Reputation risks managed during the period include the departure of an Absa Board member, Absa's commitment to transformation, Absa's view and actions on ESG, the Zondo Commission's State Capture of Inquiry and potential Grey Listing of South Africa by the Financial Action Task Force (FATF).

Priorities

- Embed changes to reputation risk governance, including a newly established Transaction Review Committee, to review transactions with significant reputation risk, initially focusing on the managing the balance between the Environmental and Social responsibilities.
- Invest further in the brand management and corporate affairs units within Absa.
- Continue managing risks related to transformation, the environment (sustainability) and South Africa's potential grey listing by FATF.

Model risk

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

	30 June		31 December
Key risk metrics	**2022**	2021	2021
Model risk EC (Rbn)	**1.6**	2.7	3.3

Review of current reporting period

- Continued to improve the accuracy and robustness of the models that support business decision making, impairment and regulatory credit capital calculations. These improvements resulted in more accurate quantification of default risk, impairments and regulatory credit capital demand, and led to the reduction in the model risk EC.
- Received approval from the Prudential Authority (PA) to implement three new wholesale regulatory credit capital models and implemented three models, with a further two PA approved models in the process of being implemented.
- Progressed the redevelopment of retail regulatory credit capital models.
- Continued to enhance the model risk control environment by refining the model risk appetite assessment, model risk economic capital quantification, refreshing the relevant framework, policy and standards, updated the quantitative tests and methodologies and enhanced the model risk management workflow system.

Priorities

- Implement the newly redeveloped retail and wholesale credit risk models which have been approved by the PA.
- Continue the redevelopment of models to improve their accuracy and robustness.
- Enhance and automate model performance monitoring, leading to an increase in frequency and consistency of model performance assessments and earlier detection of non-performance.
- Strengthen the Group's capabilities to manage the increasing quantity and complexity of models.
- Embed technological solutions, including the use of machine learning techniques and cloud-based computing, for independent validation and the general management of model risk.
- Reduce critical staff dependencies through pipeline development, succession planning, training and automation.
- Optimise the architecture and capabilities of the model development, validation and implementation technology platforms.

Risk management overview

for the reporting period ended

Operational and resilience risk

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

Key risk metrics	30 June 2022	30 June 2021	31 December 2021
Total operational risk losses as a percentage of gross income (%)	**0.52**	0.65	1.04
Total operational risk losses (Rm)	**245**	266	893[1]
Operational risk EC (Rbn)[2]	**11.1**	10.3	10.7
Total operational risk RWA (Rbn)	**157.4**	141.8	149.4
Operational risk (Rbn)	**126.5**	115.8	122.7
Non-customer assets (Rbn)	**30.9**	26.0	26.7

Review of current reporting period

- Operational risk losses decreased to **R245m** (June 2021: R266m) due to improved recoveries.
- RWA increased to **R157.4bn** (June 2021: 141.8bn) due to growth in revenue, changes in the forex rates of the ARO countries and increases in the valuation of fixed assets.
- EC increased to **R11.1bn** (June 2021: R10.3bn) reflective of the combined effect of an improved risk profile and the growth in revenue.
- Progressed the implementation of the New Standardised Approach (Basel III finalisation).
- Transitioned to the digitised operational risk processes deployed during 2021.
- Artificial intelligence capabilities were piloted to enhance risk management.
- Improved the control capabilities and processes in relation to the following risks:
  - Fraud risk: enhanced fraud detection and prevention capabilities.
  - Transaction processing and management risk: progress was made on the digitisation and automation of manual processes.
  - Information security and cyber risk: continued strengthening controls over information security and cyber capabilities.
  - Technology risk: reduced reliance on legacy network infrastructure and applications.
  - Data and records management risk: established a data council to oversee progress on embedding data governance and processing beyond the scope of BCBS239.
- The Group continued to manage the impacts of loadshedding, COVID-19 and the floods in KwaZulu Natal in South Africa and maintained its operational resilience delivering substantially uninterrupted service to customers.

Priorities

- Implement the New Standardised Approach requirements (Basel III finalisation).
- Embed the digitised operational and resilience risk processes.
- Implement artificial intelligence solutions to enhance risk management capabilities.
- Continued improvement in the control capabilities and processes in relation to the following risks:
  - Fraud risk: embedment of enhanced fraud detection and prevention capabilities.
  - Transaction processing and management risk: complete digitisation and automation of manual processes.
  - Information security and cyber risk: maintain advance information security and cyber capabilities to address threat evolution.
  - Technology risk: further reduce reliance on legacy network infrastructure and applications.
  - Data and records management risk: enhance data governance including on data retention and destruction.
- Integrate and digitalise combined assurance activities including planning, execution and the management of resultant issue.

[1] Includes post period recoveries relating to a payment and fraud-related risk event.

[2] Includes fixed asset risk, non-customer assets and compliance risk.

Risk management overview

for the reporting period ended

Compliance risk

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

Conduct risk

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

Review of current reporting period

- Principles of good conduct and Treating Customers Fairly (TCF) were embedded consistently across Absa, which aligns to the Financial Sector Conduct Authority (FSCA) strategic objective to improve industry practices to achieve fair outcomes for financial customers.
- Introduced an enhanced ethics behavioural assessment in the employee hiring process to assist Absa in hiring employees aligned to the Group's Code of Ethics, which supports the FSCA objective of acting against misconduct to support confidence and integrity in the financial sector.
- Successfully launched Whistleblowing using WhatsApp, as a digital add-on to our current whistleblowing channels, a first in the South African banking sector. This functionality forms part of our long-term strategy to ensure our whistleblowing channels evolve in line with market trends and remain relevant to users.
- Management of complaints continued to significantly improve across the Group, resulting in a substantial reduction in case lead time and those referred to ombud bodies.
- Maintained acceptable levels of availability of services during the period, to ensure that customers are not compromised
- From a health and safety perspective, phased out most COVID-19 protocols, however retained certain practices to maintain enhanced hygiene levels, such as sanitisers and more effective office cleaning methods.

Priorities

- Further improve the protection and responsible use of customer and employee data, particularly those held by suppliers and other third parties.
- Maintain treating customers fairly principles in the face of ongoing digitisation of customer processes and propositions.
- Continue focusing on assisting customers in distress during a prolonged difficult economic environment, this supports the FSCA strategic objective of promoting the development of an innovative, inclusive, and sustainable financial system.
- Empower households and small businesses to be financially resilient by ensuring financial customers are able to make better and more informed financial decisions.

Financial crime risk

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

Review of current reporting period

- Completed the assessment and embedment of practices to meet the requirements of International Organisation of Standardisation (ISO) 37001:2016 (Anti-Bribery Management Systems), for which the Group is now formally certified and accredited for ISO 37001.
- Participated in a global initiative involving several international banks to develop a proof of concept solution for a global sanctions screening service which was delivered successfully.
- Collaborated with international financial institutions to develop new global standards for cross border remittances.
- Continued to expand data driven tools, intelligence and surveillance capabilities to enhance risk and threat identification, mitigation and disruption.
- Initiated and led a number of Tactical Operation Groups (TOG) under the South African Anti-Money Laundering Integrated Task Force (SAMLIT) which has led to the arrest and prosecution of perpetrators. The key TOGs, amongst others, include the KwaZulu Natal Relief Fund, COVID-19, Income Tax and Value-Added Tax (VAT) Refund Fraud, Kidnapping and State Capture.
- Chaired the Corruption SAMLIT Expert Working Group (EWG) which aims to deliver trend analysis, develop typologies, and indicators for financial flows which may be associated with corruption.
- Continued to be a thought leader in the Banking Association of South Africa (BASA) forums and other industry engagements and forums.
- Contributed, as an industry leader, to publications by the regulators on amendments to the Financial Intelligence Centre (FIC) Act.
- Participated and lobbied for change and presented at various external and regulatory workshops regarding the FATF Mutual Evaluation Report (MER) on South Africa.

Priorities

- Deliver the global sanctions screening service in collaboration with the international banks post the delivery of the proof of concept solution.
- Build on established partnerships with external organisations and industry bodies such as the Royal United Services Institute (RUSI) and the FATF private sector forums to further the Group's and the broader community's effectiveness for fighting financial crime.
- As the chair for the Corruption SAMLIT EWG, deliver the Corruption EWG Program which aims to disrupt and combat the corruption threat in South Africa and across other African jurisdictions including those that Absa operates in.
- Continue playing a prominent role in providing input and advocating changes in legislation to address the recommendations in the FATF MER for South Africa and actively participate in industry-wide and regulator-driven initiatives to collectively support National Treasury's efforts to address the FATF MER findings.

Capital management and RWA

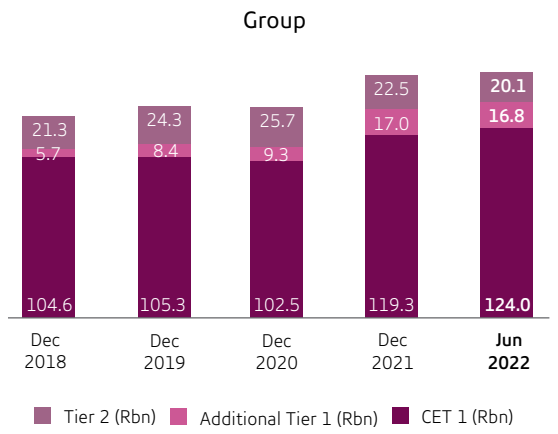
for the reporting period ended

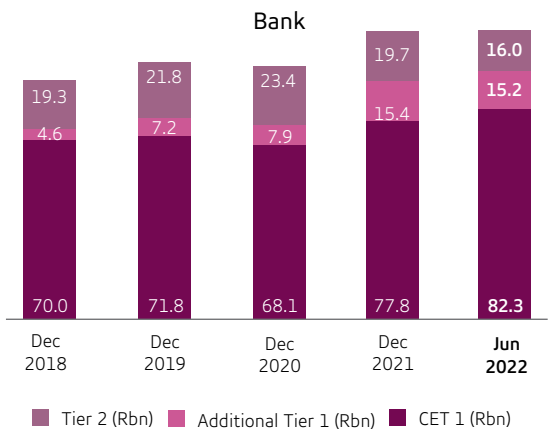
Capital adequacy

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

	Board target ranges[1]	Minimum RC requirements[2]	Group performance			Bank performance		
			30 June		31 December	30 June		31 December
	%	%	2022	2021	2021	2022	2021	2021
Statutory capital ratios (include unappropriated profits) (%)								
CET 1	11.0 – 12.5		**13.1**	12.4	12.8	**13.1**	11.8	12.4
Tier 1	>12.0		**14.8**	14.2	14.6	**15.5**	14.2	14.8
Total capital adequacy requirement (CAR)	>14.5		**17.0**	16.9	17.0	**18.1**	17.7	17.9
Leverage	5.5 – 7.5		**7.7**	7.7	7.9	**6.3**	6.3	6.5
Regulatory capital ratios (exclude unappropriated profits) (%)								
CET 1		8.5	**11.9**	12.1	12.2	**12.0**	11.7	11.9
Tier 1		10.3	**13.6**	13.9	14.1	**14.5**	14.1	14.3
Total CAR		12.5	**15.8**	16.6	16.5	**17.0**	17.6	17.5
Leverage		4.0	**7.1**	7.5	7.6	**5.9**	6.3	6.3

Qualifying capital (including unappropriated profits)





Group[3]						Bank				
31 December				30 June		31 December				30 June
2018	2019	2020	2021	2022		2018	2019	2020	2021	2022
12.8	12.1	11.2	12.8	**13.1**	CET 1 ratio (%)	12.3	11.9	10.6	12.4	**13.1**
16.1	15.8	15.0	17.0	**17.0**	Total CAR (%)	16.5	16.7	15.6	17.9	**18.1**

[1] Capital ratios (including unappropriated profits) are managed against Board capital target ranges. The Absa Bank Limited CET 1 Board target range is 10.5% to 12.5%.
[2] The 2022 minimum total regulatory capital adequacy requirement of 12.5% includes the capital conservation buffer, Pillar 2A and the D-SIB add-on but excludes the bank specific individual capital requirement (Pillar 2B add-on) as required by regulatory guidance.
[3] The historical normalised Group CET 1 ratios were 11.8% in December 2019, 12% in December 2018, and the historical normalised Bank CET 1 ratios were 11.4% in December 2019, 11.2% in December 2018.

Capital management and RWA

for the reporting period ended

Overview of risk weighted assets

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

Group	30 June 2022 RWA Rm	30 June 2021 RWA Rm	31 December 2021 RWA Rm	30 June 2022 Minimum capital requirement[1] Rm
Credit risk[2]	**725 746**	688 527	719 520	**90 719**
Market risk	**36 562**	40 280	39 183	**4 570**
Operational risk[3]	**157 393**	141 834	149 379	**19 674**
Threshold items	**28 969**	21 128	23 442	**3 621**
Total	**948 670**	891 769	931 524	**118 584**

Absa Bank[4]	30 June 2022 RWA Rm	30 June 2021 RWA Rm	31 December 2021 RWA Rm	30 June 2022 Minimum capital requirement[1] Rm
Credit risk[2]	**487 019**	486 834	495 154	**60 877**
Market risk	**26 194**	27 118	25 838	**3 274**
Operational risk[3]	**101 137**	95 950	97 718	**12 642**
Threshold items	**13 878**	9 877	11 270	**1 735**
Total	**628 228**	619 779	629 980	**78 528**

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

Capital management and RWA

for the reporting period ended

Capital supply

Breakdown of qualifying capital

Group	30 June 2022 Rm	30 June 2022 %[1]	30 June 2021 Rm	30 June 2021 %[1]	31 December 2021 Rm	31 December 2021 %[1]
CET 1	**112 630**	**11.9**	107 437	12.1	114 080	12.2
Additional Tier 1 capital	**16 830**	**1.7**	16 071	1.8	16 979	1.8
Tier 1 capital	**129 460**	**13.6**	123 508	13.9	131 059	14.1
Tier 2 capital	**20 116**	**2.2**	24 273	2.7	22 475	2.4
Total qualifying capital (excluding unappropriated profits)	**149 576**	**15.8**	147 781	16.6	153 534	16.5
Qualifying capital (including unappropriated profits)						
CET 1 including unappropriated profits	**124 010**	**13.1**	110 599	12.4	119 263	12.8
CET 1	**112 630**	**11.9**	107 437	12.1	114 080	12.2
Unappropriated profits	**11 380**	**1.2**	3 162	0.3	5 183	0.6
Additional Tier 1 capital	**16 830**	**1.7**	16 071	1.8	16 979	1.8
Tier 1 capital	**140 839**	**14.8**	126 670	14.2	136 242	14.6
Tier 2 capital	**20 116**	**2.2**	24 273	2.7	22 475	2.4
Total qualifying capital (including unappropriated profits)	**160 955**	**17.0**	150 943	16.9	158 717	17.0

Absa Bank[2]	30 June 2022 Rm	30 June 2022 %[1]	30 June 2021 Rm	30 June 2021 %[1]	31 December 2021 Rm	31 December 2021 %[1]
CET 1	**75 582**	**12.0**	72 774	11.7	74 851	11.9
Additional Tier 1 capital	**15 215**	**2.5**	14 600	2.4	15 428	2.4
Tier 1 capital	**90 797**	**14.5**	87 374	14.1	90 279	14.3
Tier 2 capital	**16 009**	**2.5**	21 983	3.5	19 719	3.1
Total qualifying capital (excluding unappropriated profits)	**106 806**	**17.0**	109 357	17.6	109 998	17.5
Qualifying capital (including unappropriated profits)						
CET 1 including unappropriated profits	**82 312**	**13.1**	73 375	11.8	77 834	12.4
CET 1	**75 582**	**12.0**	72 774	11.7	74 851	11.9
Unappropriated profits	**6 730**	**1.1**	601	0.1	2 983	0.5
Additional Tier 1 capital	**15 215**	**2.4**	14 600	2.4	15 428	2.4
Tier 1 capital	**97 527**	**15.5**	87 975	14.2	93 262	14.8
Tier 2 capital	**16 009**	**2.5**	21 983	3.5	19 719	3.1
Total qualifying capital (including unappropriated profits)	**113 536**	**18.1**	109 958	17.7	112 981	17.9

[1] Percentage of capital to RWAs.
[2] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

Capital management and RWA

for the reporting period ended

Economic capital

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

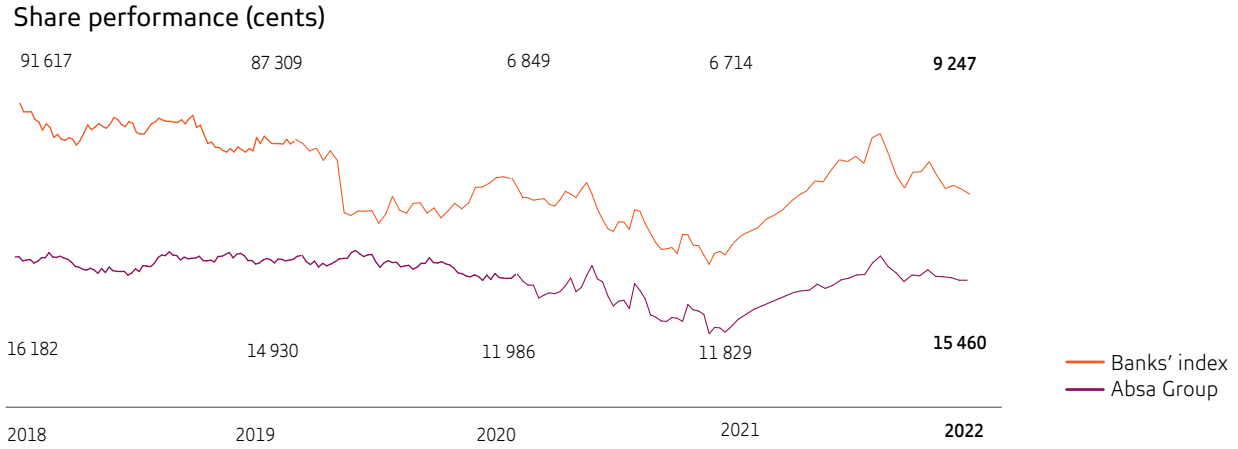
In the table below, EC demand is presented at a 99.9% confidence level, aligned with the ERMF principal risks. EC demand is compared with the available financial resources (AFR) – also referred to as EC supply – to evaluate the total EC surplus. The Group ensures there is sufficient AFR to meet this minimum demand requirement under severe yet plausible stress conditions.

	30 June		31 December
Economic capital	**2022 Rm**	2021 Rm	2021 Rm
Credit risk[1]	**66 374**	55 746	64 391
Market risk	**11 880**	14 649	14 166
Trading book risk	**4 676**	6 259	6 510
Banking book risk	**7 204**	8 390	7 656[2]
Insurance risk	**5 532**	4 698	5 381[2]
Strategic and sustainability risk	**6 868**	6 115	5 999
Model risk	**1 567**	2 706	3 289
Operational and resilience risk[3]	**11 058**	10 278	10 701
Total EC requirement	**103 279**	94 192	103 927[2]
IFRS total EC AFR	**161 844**	145 948	158 877
IFRS total EC surplus	**58 565**	51 755	54 950[2]
IFRS EC coverage ratio	**1.6**	1.6	1.5

[1] Credit risk includes equity risk, CCR, CVA and securitisation.
[2] The December 2021 metric has been restated to correct an error identified in the previously reported number.
[3] Total operational risk includes fixed asset risk, non-customer assets and compliance risk.

Appendices

Share performance



Share performance on the JSE	30 June 2022	30 June 2021	Change %	31 December 2021
Number of shares in issue, which includes 17 771 580 (2021: 1 791 425) treasury shares	**847 750 679**	847 750 679	—	847 750 679
Market prices (cents per share):				
closing	**15 460**	13 572	14	15 255
high	**19 236**	14 803	30	16 000
low	**15 460**	11 280	37	11 001
average	**17 114**	12 690	35	13 535
Closing price/Normalised NAV per share (excluding preference shares) (%)	**1.04**	0.98	6	1.03
Normalised price-to-earnings ratio (closing price/HEPS) (%)[1]	**6.30**	7.6	(17)	7.0
Volumes of shares traded (million)	**482.0**	358.0	35	683.3
Value of shares traded (million)	**81 800.0**	45 411.0	80	93 981.1
Market capitalisation (Rm)	**131 062.0**	115 063.0	14	129 324.0
Annual total return (%)	**19.7**	59.1	(67)	29.9

[1] These numbers have been restated, to align with updated glossary.

Shareholder information and diary

Major ordinary shareholders (%)

June 2022	June 2021	
7.44	(14.88)	Barclays Africa Group Holdings (UK)
5.83	(5.65)	Ninety One (SA)
5.44	(5.43)	Old Mutual (SA, NA)
5.39	(6.24)	Public Investment Corporation (SA)
5.17	(4.90)	M&G (SA, UK)
4.02	(4.01)	Citigroup Global Markets (SA)

June 2022	June 2021	
4.26	(3.52)	Black Rock Incorporated (US, UK, JP, AU, CA)
3.21	(3.21)	Investec Securities (SA)
3.51	(2.99)	The Vanguard Group (US, AU)
3.83	(1.46)	GIC Asset Management (SG)
52.17	(47.77)	Other

Major shareholding by geography (%)

June 2022	June 2021	
12.77	(19.70)	United Kingdom
53.08	(56.17)	South Africa
14.79	(14.84)	United States and Canada
19.36	(9.29)	Other countries

Shareholder diary

Financial year-end	31 December 2022
Annual general meeting[1]	02 June 2023

Dividend	Declaration date	Last day to trade	Ex-dividend date	Record date	Payment date
Interim[1]	15 August 2022	13 September 2022	14 September 2022	16 September 2022	19 September 2022

[1] Subject to change.

Glossary

Amounts written off

Once an advance has been identified as impaired and an impairment allowance has been raised, circumstances may change and indicate that the prospect of further recovery does not exist. Write-offs will occur when, and to the extent that, the debt is considered irrecoverable. A write-off policy based on an age-driven concept drives the timing and extent of write-offs. A write-off can also be triggered by a specific event, such as the conclusion of insolvency proceedings or other formal recovery actions, making it possible to quantify the extent of the advance that is beyond a realistic prospect of recovery. Assets are only written off once all necessary procedures have been completed and the amount of loss has been determined. Recoveries of amounts previously written off, are reversed and accordingly decrease the amount of the reported impairment charge in the statement of comprehensive income.

Approaches (FIRB, AIRB, AMA and IMA)

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

Average interest-bearing assets

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

Average loans to deposits and debt securities ratio

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

Balance sheet

The term "balance sheet" is used in the same context as the "statement of financial position".

Bank

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

Banking average assets

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

Banking book annual earnings at risk

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

Banking income yield

Income as a proportion of banking average assets.

Banking interest yield

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

Banking non-interest yield

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

Banks Act

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

Barclays

Barclays PLC, registered in England under registration number 1026167.

Basel Capital Accord (II, II.5 and III)

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

Borrowed funds

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

Capital adequacy ratio

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

Glossary

Capital – Common Equity Tier 1

Common Equity Tier 1 capital consists of the sum of the following elements:

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

Capital – Additional Tier 1 capital

Additional Tier 1 capital consists of the sum of the following elements:

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

Capital – Common Equity Tier 1 capital adequacy ratio

A measurement of a bank's core equity capital compared with its total 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.

Capital – Tier 2 capital

Tier 2 capital consists of the sum of the following elements:

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

Capital – Tier 2 ratio

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

Claims ratio

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

Combined ratio

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

Conduct risk

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

Constant currency

The selected line items from the Condensed consolidated statement of comprehensive income and Condensed consolidated statement of financial position for the Africa regions market segment disclosed on pages 20 and 72 are derived by translating the Statement of comprehensive income and statement of financial position from the respective individual entities' local currencies to Rand.

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

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

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

Cost-efficiency ratio

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

Glossary

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

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

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

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

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

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

Distribution force
Number of active advisers.

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

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

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

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

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

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

Embedded value
The embedded value of the covered business is the discounted value of the future after-tax shareholder profits (net of the opportunity cost of the required capital) arising from covered business in force at the valuation date, together with the adjusted net worth of the covered business. Covered business is taken to be all long-term insurance business written under the Group's licence.

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

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

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

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

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

Glossary

Gains and losses from banking and trading activities

Banking and trading portfolios include:

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

Gains and losses from investment activities

Insurance and strategic investment portfolios including:

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

Gross credit extended

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

Group

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

Headline earnings

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

Headline earnings per share

Headline earnings per share

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

Diluted headline earnings per share

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

Income statement

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

Indirect taxation

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

JAWS

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

Leverage

Average assets as a proportion of average equity.

Life new business margin

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

Gross loans-to-deposits and debt securities ratio

Gross loans and advances as a percentage of deposits and debt securities in issue.

Long-term funding ratio

Funding with a term in excess of six months.

Market capitalisation

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

Merchant income

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

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

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

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

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

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

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

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

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

Pre-provision profit
Total income less operating expenses.

Price-to-earnings ratio
The closing price of ordinary shares, divided by twelve months trailing diluted normalised headline earnings per ordinary share for the reporting period.

Probability of default
The probability that a debtor will default within a one-year time horizon.

Regulatory capital
The capital that the Group holds, determined in accordance with the requirements of the Banks Act and regulations relating to banks.

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

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

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

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

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

Risk-weighted assets
Calculated by assigning a degree of risk, expressed as a percentage (risk weight) to an exposure, in accordance with the applicable standardised or internal ratings-based approaches rules. RWA are determined by applying the:

- AIRB approach for wholesale and retail credit; AMA for operational risk;
- Internal ratings-based market-based simple risk-weight approach for equity investment risk in the banking book; and
- Standardised approach for all African entities (both credit and operational risk).

Solvency margin
The amount by which assets, at fair value, exceed liabilities and other comparable commitments.

Stage 1
Assets comprise exposures that are performing in line with expectations at origination. Financial assets that are not purchased or originated with a credit impaired status are required to be classified on initial recognition within stage 1.

Glossary

Stage 2

Exposures are required to be classified within stage 2 when a significant increase in credit risk has been observed. The factors which trigger a reclassification from stage 1 to stage 2 have been defined so as to meet the specific requirements of IFRS 9, and in order to align with the Group's credit risk management practices.

Stage 3

Credit exposures are classified within stage 3, when they are regarded as being credit impaired, which aligns to the bank's regulatory definition of default.

Stage 3 loans ratio on gross loans and advances

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

Tangible net asset value per share

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

Underwriting margin

Net insurance premium income remaining after losses have been paid and administrative expenses have been deducted.

Value-at-risk model

A technique that measures the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

Value of new business

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

Weighted average number of shares

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

Abbreviations and acronyms

A

AEaR	Annual earnings at risk
AFR	Available financial resources
AFS	Annual financial statements
AGL	Absa Group Limited
AIRB	advanced internal ratings-based approach
AMA	advanced measurement approach
ATC	Africa Treasury Committee
ATM	automated teller machine

B

Basel	Basel Capital Accord
BERC	Group Executive Risk Committee
BBBEE	Broad-based black economic empowerment
BIA	Basic Indicator Approach
Bps	basis points
BU	business unit

C

CAR	capital adequacy requirement
CAGR	Compound annual growth rate
CCF	credit conversion factor
CCP	central counterparty
CCR	counterparty credit risk
CEM	current exposure method
CET 1	Common Equity Tier 1
CFP	contingency funding plan
CIB	Corporate and Investment Bank
CLF	committed liquidity facility
CLGD	country loss given default
CMRA	conduct material risk assessments
CoRC	Concentration Risk Committee
CPF	Commercial Property Finance
CPRF	Conduct Principal Risk Framework
CR	credit risk
CRC	Control Review Committee
CRCC	Country Risk and Control Review Committee
CRM	credit risk mitigation
CRRC	Conduct and Reputational Risk Committee
CSA(s)	collateral support annexure(s)
CVA	credit valuation adjustment

D

DGS	Deposit Guarantee Scheme
D-SIBs	domestic-systemically important banks
DVaR	daily value at risk

E

EAD	exposure at default
EC	economic capital
ECA	economic capital adequacy
Edcon	Edcon Store Card portfolio
EL	expected loss
ERMF	Enterprise Risk Management Framework
EVE	economic value of equity
EWIs	early warning indicators

F

FRTB	Fundamental Review of the Trading Book
FX	Forex

G

GAC	Group Actuarial Committee
GACC	Group Audit and Compliance Committee
GCC	Group Credit Committee
GCCO	Group Chief Credit Officer
GCE	Group Chief Executive
GCRO	Group Chief Risk Officer
GMRA	Global Master Repurchase Agreement
GMRC	Group Market Risk Committee
GMRP	Group Model Risk Policy
GMSLA	Global Master Securities Lending
GRCMC	Group Risk and Capital Management Committee
Group	Absa Group Limited
GWWR	general wrong way risk

H

HQLA	high-quality liquid assets
HR	high risk

I

IAA	internal assessment approach
IAS	International Accounting Standard(s)
IAS 28	IAS 28 Investments in Associates
IAS 39	IAS 39 Financial Instruments: Recognition and Measurement
ICAAP	internal capital adequacy assessment process
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standard(s)
IFRS 9	Financial Instruments
IFRS 11	Joint Arrangements
IMA	internal models approach
IMM	interest models method
IRB	interest ratings-based
IRRBB	interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISLA	International Securities Lending Association
IT	information technology
IVC	Independent Valuation Committee

Abbreviations and acronyms

J

JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange

K

KCI	key control indicator
KI	key indicator
KPI	key performance indicator
KRI	key risk indicator
KRO	Key Risk Officer
KRS	Key Risk Scenarios

M

MC	Group Model Committee
MR	market risk

N

NCWO	No-credit-worse-off
NII	net interest income
NPL(s)	Non-performing loan(s)
NSFR	Net stable funding ratio

O

OR&CC	Operational Risk and Control Committee
ORMF	Operational Risk Management Framework
ORSA	Own Risk and Solvency Assessment
ORX	Operational risk data exchange
OTC	over-the-counter

R

RBA	ratings-based approach
RBB	Retail and Business Banking
RC	regulatory capital
RDARR	Risk data aggregation and risk reporting
RoE	return on average equity
RoRWA	Return on average risk-weighted assets
RRP	recovery and resolution plan
RSU	Risk Sanctioning Unit
RW	risk-weight
RWA	risk-weighted assets
RWR	right way risk

S

SA	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SAM	Solvency Assessment and Management
SARB	South African Reserve Bank
SEC	securitisations
SFA	supervisory formula approach
SL	specialised lending
SME	small and medium-sized enterprises
SSFA	simplified supervisory formula approach
sVAR	stressed value at risk
SWWR	specific wrong way risk

T

TLAC	total loss absorbing capacity
TRC	Trading Risk Committee
TSA	the standard approach
TTC	through-the-cycle

V

VAF	Vehicle and Asset Finance
VaR	value at risk

W

WIMI	Wealth, Investment Management and Insurance
WL	watch list

Administration and contact details

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