

# African Bank Limited

Condensed Interim Financial Statements

31 March 2021



These financial statements were prepared under the supervision of G Raubenheimer CA (SA)

Registration number: 2014/176899/06. NCR Registration number NCRCP7638.

An Authorised Financial Services and Registered Credit Provider

# African Bank Limited

(Registration Number 2014/176899/06)  
Condensed Interim Financial Statements  
for the six months ended 31 March 2021

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## STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

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The directors are responsible for the preparation and fair presentation of the Bank's condensed interim financial statements, comprising the consolidated statement of financial position at 31 March 2021, the consolidated statement of total comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended, the notes to the consolidated condensed financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes:

- designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

## CHANGES IN DIRECTORS AND BOARD COMMITTEES

The following changes in directorate have taken place from 01 October 2020 to date:

### Appointments<sup>1</sup>:

Maureen Makole Manyama was appointed as an independent non-executive director on 23 March 2021.  
Kennedy Gcinumuzi Bungane was appointed as an executive director on 14 April 2021.

### Resignations<sup>2</sup>:

Basani Maluleke resigned as an executive director with effect from 25 January 2021.

<sup>1</sup> Maureen Manyama and Kennedy Bungane's appointments were to fill vacancies and add to the skill set of the board

<sup>2</sup> Basani Maluleke was also the Group Chief Executive Officer (CEO) of African Bank Limited (ABL) and African Bank Holdings Limited (ABH). The Board of ABH and ABL appointed Gustav Raubenheimer as the interim/acting CEO on 23 January 2021 to fill this vacancy, subject to Prudential Authority (PA) approval. PA approval was obtained on 22 February 2021.

The following changes in board committees have taken place from 01 October 2020 to date:

### Appointments:

Gustav Raubenheimer was appointed as a member of the SETCom on 26 February 2021

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## STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

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### APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The Bank's condensed interim financial statements found on pages 4 to 45 were approved by the board of directors on 21 May 2021 and are signed on its behalf by:

\_\_\_\_\_  
G Raubenheimer  
Director

\_\_\_\_\_  
Robert Hutchinson-Keip  
Director

Midrand

A signed copy of the condensed interim financial statements is available for inspection at the registered office as specified in Annexure B to these financial statements.

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## STATEMENT OF FINANCIAL POSITION

| Rmillion   | Notes | As at 31 March<br>2021<br>(unaudited) | As at 31 March<br>2020<br>(unaudited)<br>(Restated) | As at 30<br>September 2020<br>(audited) |
|--|-------|---------------------------------------|---|---|
| <b>Assets</b>  |       |                                       |   |   |
| Cash and cash equivalents                            | 2     | 3,179                                 | 4,224   | 2,029                                   |
| Financial Investments                                | 3     | 1,341                                 | 1,086   | 2,032                                   |
| Regulatory deposits and sovereign<br>debt securities | 4     | 2,159                                 | 1,210   | 1,725                                   |
| Derivatives  |       | 19                                    | 224   | -                                       |
| Net advances   | 5     | 16,698                                | 18,995  | 17,636                                  |
| Accounts receivable and other<br>assets              |       | 199                                   | 173   | 200                                     |
| Property and equipment and Right<br>of use asset     |       | 672                                   | 1,164   | 752                                     |
| Intangible assets                                    |       | 114                                   | 104   | 115                                     |
| Deferred tax assets                                  | 7     | 1,176                                 | 1,075   | 1,133                                   |
| <b>Total assets</b>                                  |       | <b>25,557</b>                         | <b>28,255</b>                                       | <b>25,622</b>                           |
| <b>Liabilities and equity</b>                        |       |                                       |   |   |
| <b>Liabilities</b>                                   |       |                                       |   |   |
| Current tax  | 7     | 83                                    | 78  | 83                                      |
| Creditors and other liabilities <sup>1</sup>         |       | 898                                   | 1,250   | 751                                     |
| Short-term funding <sup>2</sup>                      |       | 6,244                                 | 6,813   | 5,520                                   |
| Bonds and other long-term<br>funding <sup>2</sup>    |       | 9,142                                 | 10,578  | 9,830                                   |
| Subordinated bonds                                   |       | 1,523                                 | 1,532   | 1,523                                   |
| Derivatives  |       | -                                     | -   | 113                                     |
| <b>Total liabilities</b>                             |       | <b>17,890</b>                         | <b>20,251</b>                                       | <b>17,820</b>                           |
| <b>Equity</b>  |       |                                       |   |   |
| Ordinary share capital                               |       | 5                                     | 5   | 5                                       |
| Ordinary share premium                               |       | 9,995                                 | 9,995   | 9,995                                   |
| Accumulated loss                                     |       | (2,333)                               | (1,996)   | (2,198)                                 |
| <b>Total equity</b>                                  |       | <b>7,667</b>                          | <b>8,004</b>  | <b>7,802</b>                            |
| <b>Total equity and liabilities</b>                  |       | <b>25,557</b>                         | <b>28,255</b>                                       | <b>25,622</b>                           |

<sup>1</sup> The VAT apportionment rate ruling has expired and a new ruling pertaining to the current year has been applied for, however it is uncertain which method will be approved by the tax authority. This will affect the measurement of the indirect tax expense as well as the VAT recoverable or payable to the South African Revenue Service (SARS). The matter is currently being considered by SARS and the Bank expects a confirmed apportionment methodology ruling before the end of September 2021. The Bank has recognised a provision of R123 million in relation to this matter based on an industry average apportionment rate. The potential amount of the total payments that the Bank could be required to make if there was an adverse decision related to the apportionment ruling is estimated to be between approximately a favourable R29 million and an unfavourable range of R82 million to R185 million.

<sup>2</sup> Included in short-term funding and bonds and other long-term funding are retail deposits of R2830 million and R5792 million respectively, (30 September 2020: R2028 million and R3930 million).

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## STATEMENT OF TOTAL COMPREHENSIVE INCOME

| Rmillion   | Notes | For the six months ended<br>31 March 2021<br>(unaudited) | For the six months ended<br>31 March 2020<br>(unaudited)<br>(Restated) | For the year ended<br>30 September<br>2020<br>(Audited) |
|--|-------|--|--|---|
| Interest income on advances  | 8     | 2,609  | 3,167  | 6,121   |
| Credit impairment charge   | 9     | (850)  | (1,909)  | (3,408)   |
| <b>Interest on advances after impairment</b>                               |       | <b>1,759</b>   | <b>1,258</b>   | <b>2,713</b>  |
| Other interest income  | 8     | 74   | 97   | 189   |
| Interest expense and similar charges                                       | 10    | (665)  | (825)  | (1,595)   |
| Income from core income funds  |       | 23   | -  | 24  |
| Foreign exchange gain / (loss) recognised on translation                   |       | 154  | (177)  | (105)   |
| Fair value gains / (losses) losses from derivatives assets and liabilities |       | (170)  | 192  | 29  |
| <b>Net interest income</b>   |       | <b>1,175</b>   | <b>545</b>   | <b>1,255</b>  |
| Non-interest income  | 11    | 333  | 349  | 682   |
| Operating costs  | 12    | (1,546)  | (1,384)  | (2,664)   |
| Indirect taxation: VAT   |       | (140)  | 3  | (19)  |
| <b>Operating (loss)/profit</b>   |       | <b>(178)</b>   | <b>(487)</b>   | <b>(746)</b>  |
| <b>(Loss)/profit before taxation</b>                                       |       | <b>(178)</b>   | <b>(487)</b>   | <b>(746)</b>  |
| Taxation   |       | 43   | 129  | 186   |
| <b>(Loss)/profit for the year</b>  |       | <b>(135)</b>   | <b>(358)</b>   | <b>(560)</b>  |
| <b>Attributable to:</b>  |       |  |  |   |
| - Owner of African Bank Limited  |       | (135)  | (358)  | (560)   |
| <b>Total comprehensive profit for the year</b>                             |       | <b>(135)</b>   | <b>(358)</b>   | <b>(560)</b>  |

The Bank had no other comprehensive income for the periods under review.

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## STATEMENT OF CHANGES IN EQUITY

| Rmillion   | Ordinary share capital | Ordinary share premium | Accumulated loss | Total |
|--|------------------------|------------------------|------------------|-------|
| <b>Balance at 1 October 2019 (Restated)*</b>       | 5                      | 9,995                  | (1,638)          | 8,362 |
| Restated total comprehensive (loss) for the period | -                      | -                      | (358)            | (358) |
| <b>Balance at 31 March 2020 (Restated)</b>         | 5                      | 9,995                  | (1,996)          | 8,004 |
| Total comprehensive loss for the year              | -                      | -                      | (202)            | (202) |
| <b>Balance at 30 September 2020</b>                | 5                      | 9,995                  | (2,198)          | 7,802 |
| Total comprehensive (loss) for the year            | -                      | -                      | (135)            | (135) |
| <b>Balance at 31 March 2021</b>                    | 5                      | 9,995                  | (2,333)          | 7,667 |

\*Included in the restated balance at 1 October 2019 is the net change of prior period errors of R15 million.

# African Bank Limited

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## STATEMENT OF CASH FLOWS

| Rmillion   | For the six months ended<br>31 March 2021<br>(unaudited) | For the six months ended<br>31 March 2020<br>(unaudited) | For the year ended<br>30 September<br>2020<br>(Audited) |
|--|--|--|---|
| <b>Cash flows from operating activities</b>                                  |  |  |   |
| Cash generated from operations   | 1,836  | 2,251  | 4,553   |
| Cash received from lending activities <sup>1</sup>                           | 3,449  | 3,854  | 7,606   |
| Interest from cash and financial investments                                 | 42   | 64   | 120   |
| Recoveries on advances previously written off                                | 357  | 343  | 688   |
| Cash paid to funders   | (513)  | (630)  | (1,178)   |
| Cash paid to suppliers   | (757)  | (920)  | (1,159)   |
| Cash paid to employees and agents  | (742)  | (460)  | (1,523)   |
| Net increase in gross advances   | (686)  | (1,733)  | (2,254)   |
| Cash received from customers <sup>1</sup>                                    | 2,854  | 4,175  | 9,042   |
| Advances disbursed to customers  | (3,540)  | (5,908)  | (11,296)  |
| Net increase/(decrease) in regulatory deposits and sovereign debt securities | (390)  | 566  | 77  |
| Net increase in customer deposits  | 2,230  | 1,255  | 3,038   |
| Transactional banking deposits raised  | 278  | 98   | 333   |
| Indirect taxation received / (paid)  | 8  | 34   | 107   |
| <b>Net cash inflow/(outflow) from operating activities</b>                   | <b>3,276</b>   | <b>2,471</b>   | <b>5,854</b>  |
| <b>Cash flows from investing activities</b>                                  |  |  |   |
| Acquisition of property and equipment  | (3)  | (40)   | (57)  |
| Acquisition of intangible assets   | (16)   | (22)   | (46)  |
| Proceeds from disposal of property and equipment                             | 1  | -  | -   |
| Net Investments disposed / (made) during the period                          | 691  | -  | (1,937)   |
| Placements of financial investments  | (300)  | -  | (2,551)   |
| Withdrawals of financial investments   | 991  | -  | 614   |
| <b>Net cash (outflow)/inflow from investing activities</b>                   | <b>673</b>   | <b>(62)</b>  | <b>(2,040)</b>  |
| <b>Cash flows from financing activities</b>                                  |  |  |   |
| Net long term funding raised / (redeemed) <sup>2</sup>                       | (2,326)  | (3,415)  | (6,579)   |
| Long term funding raised   | 362  | 810  | 973   |
| Long term funding redeemed   | (2,688)  | (4,225)  | (7,552)   |
| Net short-term funding raised / (redeemed) <sup>2</sup>                      | (89)   | 845  | 25  |
| Short term funding raised  | 333  | 887  | 1,303   |
| Short term funding redeemed  | (422)  | (42)   | (1,278)   |
| Principal payment of IFRS 16 lease liabilities                               | (67)   | (76)   | (81)  |
| Redemption of derivative instruments   | (302)  | 4  | 178   |
| <b>Net cash outflow from financing activities</b>                            | <b>(2,784)</b>   | <b>(2,642)</b>   | <b>(6,457)</b>  |
| <b>Increase/(Decrease) in cash and cash equivalents</b>                      | <b>1,165</b>   | <b>(233)</b>   | <b>(2,643)</b>  |
| Cash and cash equivalents at the beginning of the year                       | 2,030  | 5,038  | 5,038   |
| Effect of exchange rate changes on cash and cash equivalents                 | (15)   | 505  | (365)   |
| <b>Cash and cash equivalents at the end of the year</b>                      | <b>3,180</b>   | <b>5,310</b>   | <b>2,030</b>  |

<sup>1</sup> Interest received from customers is disclosed separately under cash received from lending activities.

<sup>2</sup> The net funding raised/ (redeemed) is based on the tenure of the debt. At the inception of the debt, the tenure of the debt is defined by its original term until final and full repayment, and is defined as long term if this term exceeds 12 months and short term if the term is less than 12 months. Long term debt with a tenure of more than 12 months is reclassified to short term when the remaining term until repayment is less than 12 months.



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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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### 1. General information

African Bank Limited (“ABL”, “the Bank”) is a public company incorporated in the Republic of South Africa, is registered as a bank under the Banks Act, Act 94 of 1990 and operates within the Republic of South Africa.

The Bank commenced business on 4 April 2016 after the final execution of the restructuring transaction of the entity formerly known as African Bank Limited (in curatorship). That entity has formally changed its name to “Residual Debt Services Limited” and remains under curatorship. The details of the restructuring transaction can be found in the Offer Information Memorandum published on 4 February 2016 as well as in the SENS announcements available on [www.africanbank.co.za](http://www.africanbank.co.za).

The Bank’s main business is providing unsecured personal loans to primarily formally employed South African residents, whilst concurrently serving as an agent to provide consummate credit and life insurance cover to customers of the Bank. The Bank also takes deposits from retail customers and has launched a transactional banking offering.

The Bank is a 100% owned subsidiary of African Bank Holdings Limited (“ABHL”). ABHL is an unlisted registered bank controlling company under the Banks Act. The shares in ABHL are privately held by the South African Reserve Bank (50.00%), the Government Employees Pension Fund (25.00%), FirstRand Bank Limited (6.55%), The Standard Bank of South Africa Limited (5.95%), ABSA Trading and Investment Solutions Proprietary Limited (4.95%), Nedbank Limited (4.10%), Investec Bank Limited (2.45%), and Capitec Bank Limited (1.00%). (Percentage indicates per cent holding).

The registered office and principal place of business of the Bank is disclosed in Annexure B.

### 1.1 Accounting Policies

#### 1.1.1 Basis of preparation

The Bank condensed interim financial statements are prepared in accordance with, and comply with, the International Financial Reporting Standards adopted by the International Accounting Standards Board (“IASB”), interpretations issued by the IFRS Interpretations Committee of the IASB, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Debt Listings Requirements and the requirements of the South African Companies Act.

The Bank’s condensed interim financial statements have been prepared in accordance with the going concern principle and use a historical cost basis, except where specifically indicated as otherwise in the accounting policies.

#### Application of the going concern principle considering the impact of COVID-19

The Board (and its sub-committees) continues to assess the Bank’s budgets and cash flow forecasts in considering the Bank’s going concern assumption with respect to the existing and expected future economic impact of the COVID-19 pandemic. The approach is consistent with that of 30 September 2020. Where appropriate, the factors considered then have been updated for any changes and developments observed in the last six months.

The going concern assumption basis continues to apply and is applicable for the preparation of the interim financial statements.

### 1.2 Changes in accounting policies and restatements

These Bank condensed interim financial statements should be read in conjunction with the 2020 annual financial statements, which were prepared in accordance with IFRS. The accounting policies are consistent with those reported in the previous year.

No new or amended IFRS and interpretations become effective for the six months ended 31 March 2021; which impacted the Bank’s financial statements or the accounting policies.

The Bank reports a single segment - unsecured lending within the South African economic environment. The business is widely distributed with no reliance on any major customers.

### 1.3 Restatements

The September 2020 annual financial statements were restated to take into account prior period errors, refer to the 2020 annual financial statements for the full impact of the restatements for the period then ended. The consequential impact of these restatements resulted in the restatements to the 31 March 2020 financial results. These restatements are discussed in detail in note 17.

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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### 1.4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Bank's accounting policies, management is required to make judgements, estimates and assumptions which relate to impairment provisions for loans and advances referred to as the Expected Credit Loss (ECL), that are not readily apparent from other sources as well as to fair value estimates. The estimates and associated assumptions are continually evaluated and management applies their knowledge of current events and actions that may be undertaken in the future but actual results may ultimately differ from estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Bank's accounting policies and key sources of estimation uncertainty were largely the same as those that applied to the annual financial statements for the year ended 30 September 2020.

Below is an overview of the estimates and assumptions that changed post 30 September 2020.

#### **Credit risk management in response to COVID-19**

With respect to the risk management in response to COVID-19, management noted that the base models are incorporating the impact to the ECL brought about by the COVID-19 pandemic. In the prior interim and year end periods, post model overlays were held as part of the ECL. This was in response to the potential impact that COVID-19 may have on the recoverability of the advances of the Bank. These post model overlays have been reassessed in the current period. In the prior periods, the COVID-19 post model overlays were calculated by stressing the probability of default (PD). The stressing of the PD was achieved by ascribing a higher weighting to the downturn forward looking macroeconomic scenario; which increased the loss given default (LGD) and consequently worsened the recovery rates. The post model overlay held in the ECL for the current period is calculated by estimating the impact that retrenchments, as a result of COVID-19, will have to the collections of the Bank. Retrenchments will result in claims receivable from the credit life arrangement; that in certain instances may not cover the entire amount outstanding, thus impacting the LGD.

In assessing the impact of the retrenchments of customers, it is expected that there will be a reduction in collections; emanating from the economic downturns brought about by the COVID-19 pandemic. To respond to the resultant unemployment of customers, management applied judgement in predicting and estimating the expected reduction in collections and hence recovery rates of the loans and advances book. Management made assumptions around the population of customers that will be impacted by the retrenchments as well as the economic impacts that will impact this population.

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### 2. Cash and cash equivalents

| Rmillion                               | 31 March<br>2021<br>(unaudited) | 31 March<br>2020<br>(unaudited) | 30 September<br>2020<br>(audited) |
|--|---------------------------------|---------------------------------|-----------------------------------|
| Call deposits                          | 3,109                           | 4,209                           | 1,969                             |
| Rand                                   | 1,967                           | 3,174                           | 1,875                             |
| Foreign denominated                    | 1,142                           | 1,035                           | 94                                |
| Current accounts                       | 71                              | 16                              | 61                                |
| <b>Gross cash and cash equivalents</b> | <b>3,180</b>                    | <b>4,225</b>                    | <b>2,030</b>                      |
| Non-cash adjustment: ECL <sup>1</sup>  | (1)                             | (1)                             | (1)                               |
| <b>Net cash and cash equivalents</b>   | <b>3,179</b>                    | <b>4,224</b>                    | <b>2,029</b>                      |
| <b>Maximum exposure to credit risk</b> | <b>3,179</b>                    | <b>4,224</b>                    | <b>2,029</b>                      |

<sup>1</sup> ECL is raised on credit risk arising from the counterparties with whom the deposits are held. All deposits are classified as stage 1. There were no movements between stages for these deposits during the reporting period.

### 3. Financial investments

| Rmillion  | 31 March<br>2021<br>(unaudited) | 31 March<br>2020<br>(unaudited)<br>(Restated)* | 30 September<br>2020<br>(audited) |
|---|---------------------------------|--|-----------------------------------|
| Investment in core income funds <sup>1</sup>    | 1,341                           | -  | 1,017                             |
| Investments held at amortised cost <sup>2</sup> | -                               | 1,086  | 1,015                             |
| <b>Total<sup>3</sup></b>                        | <b>1,341</b>                    | <b>1,086</b>                                   | <b>2,032</b>                      |

\* In the initial numbers presented at 30 March 2020, the financial investments were incorrectly included in the cash and cash equivalents line item. The presentation has been corrected in the current period by restating comparative numbers.

<sup>1</sup> Investment in core income funds are unitised and these investments are held at fair value.

<sup>2</sup> Investments held at amortised cost are foreign investments that are unlisted and bear interest with an average interest rate of 1.72%.

<sup>3</sup> The total amount is deemed to be the maximum exposure to credit risk as the ECL is deemed insignificant.

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### 4. Regulatory deposits and sovereign debt securities

| Rmillion   | 31 March<br>2021<br>(unaudited) | 31 March<br>2020<br>(unaudited) | 30 September<br>2020<br>(audited) |
|--|---------------------------------|---------------------------------|-----------------------------------|
| <b>Listed</b>  | <b>1,778</b>                    | <b>836</b>                      | <b>1,344</b>                      |
| Treasury bills   | 1,232                           | 299                             | 805                               |
| Bonds  | 546                             | 537                             | 539                               |
| <b>Unlisted</b>  |                                 |                                 |                                   |
| Deposits with South African Reserve Bank <sup>1</sup>          | 381                             | 375                             | 381                               |
| <b>Gross regulatory deposits and sovereign debt securities</b> | <b>2,159</b>                    | <b>1,211</b>                    | <b>1,725</b>                      |
| Adjustment: ECL <sup>2</sup>                                   | -                               | -                               | -                                 |
| <b>Net regulatory deposits and sovereign debt securities</b>   | <b>2,159</b>                    | <b>1,210</b>                    | <b>1,725</b>                      |
| <b>Maximum exposure to credit risk</b>                         | <b>2,159</b>                    | <b>1,210</b>                    | <b>1,725</b>                      |

Regulatory deposits and sovereign debt securities with a carrying value of R1 149 million (September 2020: R1 140 million) are held by the South African Reserve Bank in terms of the Banks Act and regulations thereto, and are not available for day-to-day operations.

<sup>1</sup> The Bank is required to deposit a minimum balance with the South African Reserve Bank. These deposits bear no interest and are not available for use in the Bank's day-to-day operations.

<sup>2</sup> ECL is raised on credit risk arising from the counter-parties with whom the deposits are held. The ECL amount is not being reflected due to its negligible amount; which is rounded down to nil as a result of the amounts being presented in R'000. All deposits are classified as stage 2.

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### 5. Net advances

| Rmillion   | 31 March<br>2021<br>(unaudited) | 31 March<br>2020<br>(Restated)*<br>(unaudited) | 30 September<br>2020<br>(audited) |
|--|---------------------------------|--|-----------------------------------|
| <b>Gross advances</b>  | <b>25,518</b>                   | <b>27,142</b>                                  | <b>26,383</b>                     |
| Originated book  | 24,460                          | 25,677   | 25,097                            |
| Acquired book <sup>1</sup>   | 1,058                           | 1,465  | 1,286                             |
| Deferred fees  | (93)                            | (146)  | (101)                             |
| <b>Gross advances after deferred origination and administration fees</b> | <b>25,425</b>                   | <b>26,996</b>                                  | <b>26,282</b>                     |
| <b>Balance of impairment provision at the end of the year</b>            | <b>8,727</b>                    | <b>8,001</b>                                   | <b>8,646</b>                      |
| Balance of impairment provision at the beginning of the year             | 8,646                           | 6,988  | 6,988                             |
| Impairment provisions raised   | 1,211                           | 2,107  | 4,008                             |
| Impairment provisions raised on interest from stage 3 advances           | 518                             | 381  | 785                               |
| Impairment provision released upon write-offs of underlying exposure     | (1,648)                         | (1,475)  | (3,135)                           |
| <b>Net advances</b>  | <b>16,698</b>                   | <b>18,995</b>                                  | <b>17,636</b>                     |
| Undrawn irrevocable credit card commitments                              | 631                             | 658  | 667                               |
| <b>Maximum exposure to credit risk</b>                                   | <b>17,329</b>                   | <b>19,653</b>                                  | <b>18,303</b>                     |

\*Restatement: Correction of prior period error(s) (refer to note 17)

| Rmillion   | 31-Mar-20                              |                                     |  |               |
|--|--|-------------------------------------|--|---------------|
|  | March 2020<br>(Previously<br>reported) | Modification<br>loss<br>restatement | Impairment<br>provisions held<br>on interest<br>from stage 3<br>advances | Restated      |
| <b>Gross advances</b>  | <b>27,685</b>                          | <b>(543)</b>                        | <b>-</b>   | <b>27,142</b> |
| Originated book  | 26,220                                 | (543)                               | -  | 25,677        |
| Acquired book <sup>1</sup>   | 1,465                                  | -                                   | -  | 1,465         |
| Deferred fees  | (146)                                  | -                                   | -  | (146)         |
| <b>Gross advances after deferred origination and administration fees</b> | <b>27,539</b>                          | <b>(543)</b>                        | <b>-</b>   | <b>26,996</b> |
| <b>Balance of impairment provision at the end of the year</b>            | <b>8,544</b>                           | <b>(543)</b>                        | <b>-</b>   | <b>8,001</b>  |
| Balance of impairment provision at the beginning of the year             | 7,451                                  | (463)                               | -  | 6,988         |
| Impairment provisions raised   | 2,568                                  | (80)                                | (381)  | 2,107         |
| Impairment provisions held on interest from stage 3 advances             | -                                      | -                                   | 381  | 381           |
| Impairment provision released upon write-offs of underlying exposure     | (1,475)                                | -                                   | -  | (1,475)       |
| <b>Net advances</b>  | <b>18,995</b>                          | <b>-</b>                            | <b>-</b>   | <b>18,995</b> |
| Undrawn irrevocable credit card commitments                              | 658                                    | -                                   | -  | 658           |
| <b>Maximum exposure to credit risk</b>                                   | <b>19,653</b>                          | <b>-</b>                            | <b>-</b>   | <b>19,653</b> |

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### Net advances continued...

#### Modification of advances measured at amortised cost

|                         | 31-Mar-21                          |                              | 31-Mar-20 (Restated)               |   | 30-Sep-20                          |                              |
|-------------------------|------------------------------------|------------------------------|------------------------------------|---|------------------------------------|------------------------------|
|                         | Amortised cost before modification | Net modification (gain)/loss | Amortised cost before modification | Net modification (gain)/loss <sup>2</sup> | Amortised cost before modification | Net modification (gain)/loss |
| <b>Rmillion</b>         |                                    |                              |                                    |   |                                    |                              |
| <b>Debt Counselling</b> |                                    |                              |                                    |   |                                    |                              |
| Originated book         | 364                                | 279                          | 339                                | 217                                       | 673                                | 435                          |
| Acquired book           | 79                                 | (6)                          | 56                                 | (4)                                       | 74                                 | (6)                          |

<sup>1</sup> On acquisition, the Acquired Book's credit risk was included in measuring the fair value on acquisition, as the book was considered to be credit impaired at initial recognition. The Acquired Book is thus, under IFRS 9, classified as purchased credit impaired. The net carrying value is therefore included in the gross advances of the Bank, which is the net of the gross amount of the acquired balances, on a pre-acquisition basis, less the ECL anticipated upon initial recognition and the favourable adjustments from the revision of cash flows since acquisition.

<sup>2</sup> In the prior period, an amount of R187 million was disclosed as the net modification (gain)/loss in profit or loss. This amount represented the movement of the modification net balance per the statement of financial position. However, in the current period, as with the prior financial year end, the amount that is disclosed as the net modification (gain)/loss is the modification loss at the point of the advance's modification.

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### Net advances continued...

#### Reconciliation of ECL and gross advances of Originated advances 31 March 2021

The below ECL movements depict the differential movements when exposures transfer to or from the different stages

| Rmillion   | ECL        |              |              |                |                | Gross advances |                |              |                |              |
|--|------------|--------------|--------------|----------------|----------------|----------------|----------------|--------------|----------------|--------------|
|  | Stage 1    | Stage 2      |              | Stage 3        | Total          | Stage 1        | Stage 2        |              | Stage 3        | Total        |
|  |            | SICR         | Arrears      |                |                |                | SICR           | Arrears      |                |              |
| Opening balance 1 October 2020                                 | 432        | 872          | 1,572        | 5,770          | 8,646          | 8,444          | 4,359          | 3,733        | 8,460          | 24,996       |
| <b>Changes due to movements in arrears profile of advances</b> | <b>(7)</b> | <b>(265)</b> | <b>13</b>    | <b>1,785</b>   | <b>1,526</b>   | <b>(148)</b>   | <b>(1,351)</b> | <b>(240)</b> | <b>1,954</b>   | <b>215</b>   |
| Transfer from stage 1  | -          | 182          | 290          | 130            | 602            | -              | 903            | 686          | 191            | 1,780        |
| Transfer from stage 2: SICR                                    | 74         | -            | 279          | 214            | 567            | 1,440          | -              | 660          | 313            | 2,413        |
| Transfer from stage 2: Arrears                                 | 8          | 26           | -            | 954            | 988            | 164            | 130            | -            | 1,399          | 1,693        |
| Transfer from stage 3  | -          | 5            | 32           | -              | 37             | 8              | 24             | 76           | -              | 108          |
| Transfer to stage 1  | -          | (288)        | (69)         | (6)            | (363)          | -              | (1,440)        | (164)        | (8)            | (1,612)      |
| Transfer to stage 2: SICR                                      | (46)       | -            | (55)         | (16)           | (117)          | (903)          | -              | (130)        | (24)           | (1,057)      |
| Transfer to stage 2: Arrears                                   | (35)       | (132)        | -            | (52)           | (219)          | (686)          | (660)          | -            | (76)           | (1,422)      |
| Transfer to stage 3  | (10)       | (63)         | (591)        | -              | (664)          | (191)          | (313)          | (1,399)      | -              | (1,903)      |
| Transfer to write off/ balance growth up to write-off          | 2          | 5            | 127          | 561            | 695            | 20             | 5              | 31           | 159            | 215          |
| <b>Changes due to changes in balances of advances</b>          | <b>22</b>  | <b>155</b>   | <b>(238)</b> | <b>(1,375)</b> | <b>(1,436)</b> | <b>133</b>     | <b>694</b>     | <b>(296)</b> | <b>(1,375)</b> | <b>(844)</b> |
| Change due to movement in balances of existing advances        | (35)       | (44)         | (60)         | 164            | 25             | (683)          | (223)          | (142)        | 241            | (807)        |
| Modifications that did not give rise to de-recognition         | -          | -            | -            | -              | -              | -              | (3)            | (3)          | (35)           | (41)         |
| New advances <sup>1</sup>                                      | 100        | 268          | 72           | 12             | 452            | 1,616          | 1,235          | 180          | 16             | 3,047        |
| Change due to de-recognition (other than write-off)            | (41)       | (62)         | (61)         | (101)          | (265)          | (798)          | (308)          | (142)        | (147)          | (1,395)      |
| Change due to write-off <sup>2</sup>                           | (2)        | (7)          | (189)        | (1,450)        | (1,648)        | (2)            | (7)            | (189)        | (1,450)        | (1,648)      |

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### Net advances continued...

| Rmillion                                    | ECL        |            |              |              |              | Gross advances |              |              |              |               |
|---|------------|------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|---------------|
|   | Stage 1    | Stage 2    |              | Stage 3      | Total        | Stage 1        | Stage 2      |              | Stage 3      | Total         |
|   |            | SICR       | Arrears      |              |              |                | SICR         | Arrears      |              |               |
| Changes due to change in model assumptions  | 57         | 99         | (118)        | (47)         | (9)          | -              | -            | -            | -            | -             |
| Changes due to changes in model assumptions | 57         | 99         | (118)        | (47)         | (9)          | -              | -            | -            | -            | -             |
| <b>Closing balance 31 March 2021</b>        | <b>504</b> | <b>861</b> | <b>1,229</b> | <b>6,133</b> | <b>8,727</b> | <b>8,429</b>   | <b>3,702</b> | <b>3,197</b> | <b>9,039</b> | <b>24,367</b> |

<sup>1</sup> The ECL recognised on new advances originated during the reporting period (which are not included in opening balances) are raised based on the advances' ECL stage as at the end of the reporting period and are included within 'ECL on new advances'.

<sup>2</sup> The decrease in the advances as a result of the write-off is equal to the decrease in ECL, as advances are 100% provided for before being written off. The contractual amount outstanding on advances that were written off during the current reporting period that are still subject to enforcement activities is R1,648 million (refer credit impairment charges note 9).

### Factors impacting and contributing to significant changes in the ECL during the current period:

In the 31 March 2020 interim financial statements, the negative impact of COVID-19 on the ECL was included substantially via the post ECL model adjustments with limited data input and historic information to reliably calculate the ECL impact on available model data. Subsequently, the ECL models were calibrated with recent observed behavior between April 2020 and September 2020; which increased the model calculated ECL, whilst reducing the post model adjustment related to COVID-19. Other notable impacts on the ECL included revisions to the assumptions around the severity of the impact of both DebiCheck and the Credit Amendment Bill. Refer to note 6.



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### Net advances continued...

#### Reconciliation of ECL and gross advances of Originated advances 30 September 2020

The below ECL movements depict the differential movements when exposures transfer to or from the different stages

| Rmillion   | ECL          |              |              |                |                | Gross advances |                |              |                |              |
|--|--------------|--------------|--------------|----------------|----------------|----------------|----------------|--------------|----------------|--------------|
|  | Stage 1      | Stage 2      |              | Stage 3        | Total          | Stage 1        | Stage 2        |              | Stage 3        | Total        |
|  |              | SICR         | Arrears      |                |                |                | SICR           | Arrears      |                |              |
| Opening balance 1 October 2019<br>(Restated)                       | 584          | 1,124        | 1,326        | 3,954          | 6,988          | 9,778          | 5,618          | 3,332        | 6,013          | 24,741       |
| <b>Changes due to movements in<br/>arrears profile of advances</b> | <b>221</b>   | <b>(215)</b> | <b>548</b>   | <b>3,040</b>   | <b>3,594</b>   | <b>(1,229)</b> | <b>(2,506)</b> | <b>537</b>   | <b>3,682</b>   | <b>484</b>   |
| Transfer from stage 1  | -            | 218          | 468          | 632            | 1,318          | -              | 1,097          | 1,200        | 992            | 3,289        |
| Transfer from stage 2: SICR  | 103          | -            | 361          | 690            | 1,154          | 1,760          | -              | 925          | 1,083          | 3,768        |
| Transfer from stage 2: Arrears                                     | 10           | 16           | -            | 953            | 979            | 163            | 81             | -            | 1,496          | 1,740        |
| Transfer from stage 3  | -            | 3            | 20           | -              | 23             | 8              | 16             | 52           | -              | 76           |
| Transfer to stage 1  | -            | (349)        | (64)         | (5)            | (418)          | -              | (1,760)        | (163)        | (8)            | (1,931)      |
| Transfer to stage 2: SICR  | (64)         | -            | (32)         | (10)           | (106)          | (1,097)        | -              | (81)         | (16)           | (1,194)      |
| Transfer to stage 2: Arrears                                       | (71)         | (184)        | -            | (33)           | (288)          | (1,200)        | (925)          | -            | (52)           | (2,177)      |
| Transfer to stage 3  | (58)         | (215)        | (584)        | -              | (857)          | (992)          | (1,083)        | (1,496)      | -              | (3,571)      |
| Transfer to write off/ balance<br>growth up to write-off           | 301          | 296          | 379          | 813            | 1,789          | 129            | 68             | 100          | 187            | 484          |
| <b>Changes due to changes in<br/>balances of advances</b>          | <b>(323)</b> | <b>(38)</b>  | <b>(391)</b> | <b>(1,401)</b> | <b>(2,153)</b> | <b>(105)</b>   | <b>1,247</b>   | <b>(136)</b> | <b>(1,235)</b> | <b>(229)</b> |
| Change due to movement in<br>balances of existing advances         | (54)         | (46)         | (84)         | 292            | 108            | (869)          | (204)          | (189)        | 575            | (687)        |
| Modifications that did not give rise<br>to de-recognition          | -            | -            | -            | -              | -              | -              | (3)            | (5)          | (208)          | (216)        |
| New advances <sup>1</sup>  | 138          | 506          | 357          | 327            | 1,328          | 2,714          | 2,540          | 850          | 492            | 6,596        |
| Change due to de-recognition<br>(other than write-off)             | (96)         | (146)        | (82)         | (130)          | (454)          | (1,639)        | (734)          | (210)        | (204)          | (2,787)      |
| Change due to write-off <sup>2</sup>                               | (311)        | (352)        | (582)        | (1,890)        | (3,135)        | (311)          | (352)          | (582)        | (1,890)        | (3,135)      |

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### Net advances continued...

| Rmillion                                    | ECL     |         |         |         |       | Gross advances |         |         |         |        |
|---|---------|---------|---------|---------|-------|----------------|---------|---------|---------|--------|
|   | Stage 1 | Stage 2 |         | Stage 3 | Total | Stage 1        | Stage 2 |         | Stage 3 | Total  |
|   |         | SICR    | Arrears |         |       |                | SICR    | Arrears |         |        |
| Changes due to change in model assumptions  | (50)    | 1       | 89      | 177     | 217   | -              | -       | -       | -       | -      |
| Changes due to changes in model assumptions | (50)    | 1       | 89      | 177     | 217   | -              | -       | -       | -       | -      |
| Closing balance 30 September 2020           | 432     | 872     | 1,572   | 5,770   | 8,646 | 8,444          | 4,359   | 3,733   | 8,460   | 24,996 |

<sup>1</sup> The ECL recognised on new advances originated during the reporting period (which are not included in opening balances) are raised based on the advances' ECL stage as at the end of the reporting period and are included within 'ECL on new advances'.

<sup>2</sup> The decrease in the advances as a result of the write-off is equal to the decrease in ECL, as advances are 100% provided for before being written off. The contractual amount outstanding on advances that were written off during the current reporting period that are still subject to enforcement activities is R3,135 million (refer credit impairment charges note 9).

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### Net advances continued...

#### Reconciliation of ECL and gross advances of Originated advances 31 March 2020 (Restated)

| Rmillion  | ECL     |         |         |         |         | Gross advances |         |         |         |         |
|---|---------|---------|---------|---------|---------|----------------|---------|---------|---------|---------|
|   | Stage 1 | Stage 2 |         | Stage 3 | Total   | Stage 1        | Stage 2 |         | Stage 3 | Total   |
|   |         | SICR    | Arrears |         |         |                | SICR    | Arrears |         |         |
| Opening balance 1 October 2019 (Restated)               | 584     | 1,124   | 1,326   | 3,954   | 6,988   | 9,780          | 5,618   | 3,331   | 6,012   | 24,741  |
| Changes due to movements in arrears profile of advances | (68)    | (257)   | 323     | 1,817   | 1,815   | (1,914)        | (638)   | 489     | 2,321   | 258     |
| Transfer from stage 1                                   | -       | 342     | 400     | 198     | 940     | -              | 2,308   | 1,030   | 298     | 3,636   |
| Transfer from stage 2: SICR                             | 110     | -       | 392     | 338     | 840     | 1,557          | -       | 1,011   | 510     | 3,078   |
| Transfer from stage 2: Arrears                          | 8       | 18      | -       | 935     | 961     | 121            | 111     | -       | 1,409   | 1,641   |
| Transfer from stage 3                                   | -       | 2       | 17      | -       | 19      | 4              | 9       | 44      | -       | 57      |
| Transfer to stage 1                                     | -       | (346)   | (53)    | (6)     | (405)   | -              | (1,557) | (121)   | (4)     | (1,682) |
| Transfer to stage 2: SICR                               | (109)   | -       | (38)    | (3)     | (150)   | (2,308)        | -       | (111)   | (9)     | (2,428) |
| Transfer to stage 2: Arrears                            | (61)    | (189)   | -       | (29)    | (279)   | (1,030)        | (1,011) | -       | (44)    | (2,085) |
| Transfer to stage 3                                     | (18)    | (95)    | (547)   | -       | (660)   | (298)          | (510)   | (1,409) | -       | (2,217) |
| Transfer to write off/ balance growth up to write-off   | 2       | 11      | 152     | 384     | 549     | 40             | 12      | 45      | 161     | 258     |
| Changes due to changes in balances of advances          | 46      | 163     | (169)   | (1,046) | (1,006) | 380            | 1,247   | (53)    | (1,042) | 532     |
| Change due to movement in balances of existing advances | (34)    | (56)    | (23)    | 214     | 101     | (532)          | (346)   | (59)    | 323     | (614)   |
| Modifications that did not give rise to de-recognition  | -       | -       | -       | -       | -       | -              | -       | (2)     | (78)    | (80)    |
| New advances <sup>1</sup>                               | 146     | 317     | 155     | 19      | 637     | 1,991          | 2,055   | 390     | 28      | 4,464   |
| Change due to de-recognition (other than write-off)     | (64)    | (84)    | (52)    | (69)    | (269)   | (1,077)        | (448)   | (133)   | (105)   | (1,763) |
| Change due to write-off <sup>2</sup>                    | (2)     | (14)    | (249)   | (1,210) | (1,475) | (2)            | (14)    | (249)   | (1,210) | (1,475) |

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### Net advances continued...

| Rmillion                                    | ECL     |         |         |         |       | Gross advances |         |         |         |        |
|---|---------|---------|---------|---------|-------|----------------|---------|---------|---------|--------|
|   | Stage 1 | Stage 2 |         | Stage 3 | Total | Stage 1        | Stage 2 |         | Stage 3 | Total  |
|   |         | SICR    | Arrears |         |       |                | SICR    | Arrears |         |        |
| Changes due to change in model assumptions  | (123)   | 136     | (27)    | 218     | 204   | -              | -       | -       | -       | -      |
| Changes due to changes in model assumptions | (123)   | 136     | (27)    | 218     | 204   | -              | -       | -       | -       | -      |
| Closing balance 31 March 2020               | 439     | 1,166   | 1,453   | 4,943   | 8,001 | 8,246          | 6,227   | 3,767   | 7,291   | 25,531 |

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### Net advances continued...

#### 5.2.1 Reconciliation of ECL of Originated advances 31 March 2020 (As previously presented)\*

| Rmillion  | Stage 1      | Stage 2      |              | Stage 3        | Total          |
|---|--------------|--------------|--------------|----------------|----------------|
|   |              | SICR         | Arrears      |                |                |
| Opening balance 1 October 2019  | 585          | 1,127        | 1,379        | 4,360          | 7,451          |
| <b>Changes in ECL due to movements in arrears profile of advances</b> | <b>(68)</b>  | <b>(257)</b> | <b>323</b>   | <b>1,230</b>   | <b>1,228</b>   |
| Transfer from stage 1   | -            | 342          | 400          | 198            | 940            |
| Transfer from stage 2: CD0  | 110          | -            | 392          | 338            | 840            |
| Transfer from stage 2: Arrears  | 8            | 18           | -            | 935            | 961            |
| Transfer from stage 3   | -            | 2            | 17           | -              | 19             |
| Transfer to stage 1   | -            | (346)        | (53)         | (3)            | (402)          |
| Transfer to stage 2: CD0  | (109)        | -            | (38)         | (5)            | (152)          |
| Transfer to stage 2: Arrears  | (61)         | (189)        | -            | (29)           | (279)          |
| Transfer to stage 3   | (18)         | (95)         | (547)        | -              | (660)          |
| Transfer to write off/ balance growth up to write-off                 | 2            | 11           | 152          | (204)          | (39)           |
| <b>Changes due to changes in balances of advances</b>                 | <b>46</b>    | <b>163</b>   | <b>(169)</b> | <b>(1,047)</b> | <b>(1,007)</b> |
| Change due to movement in balances of existing advances               | (34)         | (56)         | (23)         | 214            | 101            |
| New advances <sup>1</sup>   | 146          | 317          | 154          | 19             | 636            |
| Change due to de-recognition (other than write-off)                   | (64)         | (84)         | (52)         | (69)           | (269)          |
| Change due to write-off <sup>2</sup>                                  | (2)          | (14)         | (248)        | (1,211)        | (1,475)        |
| <b>Changes due to change in model assumptions</b>                     | <b>(124)</b> | <b>136</b>   | <b>(24)</b>  | <b>884</b>     | <b>872</b>     |
| Changes due to changes in model assumptions                           | (124)        | 136          | (24)         | 884            | 872            |
| <b>Closing balance 31 March 2020</b>                                  | <b>439</b>   | <b>1,169</b> | <b>1,509</b> | <b>5,427</b>   | <b>8,544</b>   |

\* In the prior period, the gross advances reconciliation was not disclosed. As the application of IFRS 9 is improved, this disclosure is provided in the current period and for the restated note for the prior period for comparability.

<sup>1</sup> The ECL recognised on new advances originated during the reporting period (which are not included in opening balances) are raised based on the advances' ECL stage as at the end of the reporting period and are included within 'ECL on new advances'.

<sup>2</sup> The decrease in the advances as a result of the write-off is equal to the decrease in ECL, as advances are 100% provided for before being written off. The contractual amount outstanding on advances that were written off during the current reporting period that are still subject to enforcement activities is R1,475 million (refer credit impairment charges note 9).

Net ECL raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer credit impairment charges note 9).

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### 6. Credit risk

#### 6.1 Credit quality of advances per IFRS requirements

##### 6.1.1 Advances analysis

| Rmillion                     | 31-Mar-21      | 31-Mar-20<br>(Restated) -<br>Refer to note 5 | 31-Mar-20 (As<br>previously<br>presented) | 30-Sep-20      |
|------------------------------|----------------|--|---|----------------|
| Stage 1                      | 8,494          | 8,384  | 8,384                                     | 8,532          |
| Stage 2                      | 6,966          | 10,156                                       | 10,216                                    | 8,185          |
| Stage 3                      | 10,058         | 8,602  | 9,085                                     | 9,666          |
| <b>Total credit exposure</b> | <b>25,518</b>  | <b>27,142</b>                                | <b>27,685</b>                             | <b>26,383</b>  |
| <b>Total ECL</b>             | <b>(8,727)</b> | <b>(8,001)</b>                               | <b>(8,544)</b>                            | <b>(8,646)</b> |
| Stage 1                      | (504)          | (439)  | (439)                                     | (433)          |
| Stage 2                      | (2,090)        | (2,620)                                      | (2,679)                                   | (2,446)        |
| Stage 3                      | (6,133)        | (4,942)                                      | (5,426)                                   | (5,767)        |
| <b>Deferred fees</b>         | <b>(93)</b>    | <b>(146)</b>                                 | <b>(146)</b>                              | <b>(101)</b>   |
| <b>Net advances</b>          | <b>16,698</b>  | <b>18,995</b>                                | <b>18,995</b>                             | <b>17,636</b>  |

##### 6.1.2 Impairment as % of gross advances

| Rmillion   | 31-Mar-21    | 31-Mar-20<br>(Restated) -<br>Refer to note 5 | 31-Mar-20 (As<br>previously<br>presented) | 30-Sep-20    |
|--|--------------|--|---|--------------|
| Stage 1  | 5.9%         | 5.2%   | 5.2%                                      | 5.1%         |
| Stage 2  | 30.0%        | 25.8%  | 26.2%                                     | 29.9%        |
| Stage 3  | 61.0%        | 57.5%  | 59.7%                                     | 59.7%        |
| <b>Total impairment as a % of total gross advances</b> | <b>34.2%</b> | <b>29.5%</b>                                 | <b>30.9%</b>                              | <b>32.8%</b> |

#### Reconciliation of ECL

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Balance at the beginning of the year  | 8,646        | 6,988        | 7,451        | 6,988        |
| Impairment provision raised for suspended revenue from advances in stage 3 <sup>1</sup> | 518          | 381          | 353          | 785          |
| Impairment provision raised (note 9) <sup>1</sup>                                       | 1,211        | 2,107        | 2,215        | 4,008        |
| Impairment provision released in respect of bad debt write-offs (note 5)                | (1,648)      | (1,475)      | (1,475)      | (3,135)      |
| <b>Balance at the end of the year</b>   | <b>8,727</b> | <b>8,001</b> | <b>8,544</b> | <b>8,646</b> |

<sup>1</sup> In the prior period, the impairment provision for stage 3 advances was included in the impairment provision raised. This amount has been separately disclosed to achieve comparability.

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### Credit risk continued...

#### 6.2 Credit quality of advances based on the pre- acquisition gross value of advances

These disclosures are based on the pre-acquisition gross value of advances and related expected credit loss provisions. These disclosures do not comply with the current IFRS requirements which required the purchased or originated credit impaired book to be disclosed at the fair value on acquisition date and thereafter at amortised cost. This disclosure has been included for informational purposes only.

##### 6.2.1 Advances analysis

| Rmillion   | 31 March<br>2021 | 31 March<br>2020<br>(Restated) | 30 September<br>2020<br>(audited) |
|--|------------------|--------------------------------|-----------------------------------|
| <b>Gross advances</b>  | <b>27,115</b>    | <b>29,550</b>                  | <b>28,328</b>                     |
| Acquired   | 2,655            | 3,873                          | 3,231                             |
| Originated portfolios  | 24,460           | 25,677                         | 25,097                            |
| Deferred fees  | (93)             | (146)                          | (101)                             |
| <b>Gross advances after deferred origination and administration fees</b>   | <b>27,022</b>    | <b>29,404</b>                  | <b>28,227</b>                     |
| <b>Balance of impairment provisions at the end of the year</b>             | <b>10,324</b>    | <b>10,409</b>                  | <b>10,591</b>                     |
| Balance of impairment provisions at the beginning of the year              | 10,591           | 9,715                          | 9,715                             |
| Impairment provisions raised   | 1,081            | 2,014                          | 3,604                             |
| Impairment provision raised for suspended revenue from advances in stage 3 | 513              | 381                            | 785                               |
| Impairment provision released upon write-off of underlying exposure        | (1,861)          | (1,701)                        | (3,513)                           |
| <b>Net advances</b>  | <b>16,698</b>    | <b>18,995</b>                  | <b>17,636</b>                     |
| Conditionally irrevocable credit card commitments                          | 631              | 658                            | 667                               |
| <b>Maximum exposure to credit risk</b>                                     | <b>17,329</b>    | <b>19,653</b>                  | <b>18,303</b>                     |

\* Restatement: Correction of prior period presentation error

| Rmillion   | 31-Mar-20                           |                               |  |               |
|--|-------------------------------------|-------------------------------|--|---------------|
|  | March 2020<br>(Previously reported) | Modification loss restatement | Impairment provisions held on interest from stage 3 advances | Restated      |
| <b>Gross advances</b>  | <b>30,093</b>                       | <b>(543)</b>                  | -  | <b>29,550</b> |
| Acquired   | 3,873                               | -                             | -  | 3,873         |
| Originated portfolios  | 26,220                              | (543)                         | -  | 25,677        |
| Deferred fees  | (146)                               | -                             | -  | (146)         |
| <b>Gross advances after deferred origination and administration fees</b>   | <b>29,947</b>                       | <b>(543)</b>                  | -  | <b>29,404</b> |
| <b>Balance of impairment provisions at the end of the year</b>             | <b>10,952</b>                       | <b>(543)</b>                  | -  | <b>10,409</b> |
| Balance of impairment provisions at the beginning of the year              | 10,178                              | (463)                         | -  | 9,715         |
| Impairment provisions raised   | 2,475                               | (80)                          | (381)  | 2,014         |
| Impairment provision raised for suspended revenue from advances in stage 3 | -                                   | -                             | 381  | 381           |
| Impairment provision released upon write-off of underlying exposure        | (1,701)                             | -                             | -  | (1,701)       |
| <b>Net advances</b>  | <b>18,995</b>                       | -                             | -  | <b>18,995</b> |
| Conditionally revocable credit card commitments                            | 658                                 | -                             | -  | 658           |
| <b>Maximum exposure to credit risk</b>                                     | <b>19,653</b>                       | -                             | -  | <b>19,653</b> |

The recoveries on the entire written off book amounted to R 224 million (2020: R 442 million).

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*Credit risk continued...*

### 6.2.2 Advances analysis

| Rmillion   | 31-Mar-21       | 31- Mar-20 (Restated) - Refer to note 5 | 31-Mar-20 (As previously presented) | 30-Sep-20       |
|--|-----------------|---|-------------------------------------|-----------------|
| Stage 1  | 8,494           | 8,384                                   | 8,384                               | 8,532           |
| Stage 2  | 6,971           | 10,162                                  | 10,221                              | 8,187           |
| Stage 3  | 11,650          | 11,004                                  | 11,488                              | 11,609          |
| <b>Total credit exposure</b>                           | <b>27,115</b>   | <b>29,550</b>                           | <b>30,093</b>                       | <b>28,328</b>   |
| <b>Total ECL</b>                                       | <b>(10,324)</b> | <b>(10,409)</b>                         | <b>(10,952)</b>                     | <b>(10,591)</b> |
| Stage 1  | (505)           | (440)                                   | (440)                               | (433)           |
| Stage 2  | (2,097)         | (2,624)                                 | (2,685)                             | (2,449)         |
| Stage 3  | (7,722)         | (7,345)                                 | (7,827)                             | (7,709)         |
| <b>Deferred fees</b>                                   | <b>(93)</b>     | <b>(146)</b>                            | <b>(146)</b>                        | <b>(101)</b>    |
| <b>Net advances</b>                                    | <b>16,698</b>   | <b>18,995</b>                           | <b>18,995</b>                       | <b>17,636</b>   |
| <b>Impairment as % of gross advances</b>               |                 |   |                                     |                 |
| Stage 1  | 5.9%            | 5.2%                                    | 5.2%                                | 5.1%            |
| Stage 2  | 30.1%           | 25.8%                                   | 26.3%                               | 29.9%           |
| Stage 3  | 66.3%           | 66.7%                                   | 68.1%                               | 66.4%           |
| <b>Total impairment as a % of total gross advances</b> | <b>38.1%</b>    | <b>35.2%</b>                            | <b>36.4%</b>                        | <b>37.4%</b>    |

### 7. Current and deferred tax

| Rmillion                      | 31 March 2021 (unaudited) | 31 March 2020 (unaudited) (Restated) | 30 September 2020 (audited) |
|-------------------------------|---------------------------|--------------------------------------|-----------------------------|
| Current tax asset/(liability) | (83)                      | (78)                                 | (83)                        |
| Deferred tax asset            | 1,176                     | 1,075                                | 1,133                       |
| <b>Total</b>                  | <b>1,093</b>              | <b>997</b>                           | <b>1,050</b>                |

### 7.1 Deferred tax asset

| Rmillion                                    | Opening balance | Deferred tax impact of items recognised in profit or loss | Closing balance |
|---|-----------------|---|-----------------|
| <b>31 March 2021</b>                        |                 |   |                 |
| <b>Temporary differences</b>                |                 |   |                 |
| IFRS 9 transition adjustment                | 324             | -   | 324             |
| IFRS 16 Right of use asset                  | -               | 1   | 1               |
| Provisions                                  | 59              | 44  | 103             |
| Provision for Expected Credit Losses        | 614             | (18)  | 596             |
| Prepayments                                 | (4)             | (7)   | (11)            |
| Tax impact from the buy-back of liabilities | (1)             | (1)   | (2)             |
| Estimated tax loss                          | 141             | 24  | 165             |
| <b>Total<sup>1</sup></b>                    | <b>1,133</b>    | <b>43</b>   | <b>1,176</b>    |



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### Current and deferred tax continued...

| Rmillion   | Opening balance | Deferred tax impact of items recognised in profit or loss | Closing balance |
|--|-----------------|---|-----------------|
| <b>31 March 2020 (Restated)</b>                          |                 |   |                 |
| <b>Temporary differences</b>                             |                 |   |                 |
| IFRS 9 transition adjustment                             | 324             | -   | 324             |
| Deferred origination and administration fees on advances | -               | 9   | 9               |
| Provisions   | 116             | (60)  | 56              |
| Provision for Expected Credit Losses                     | 512             | 63  | 575             |
| Prepayments  | (12)            | 5   | (7)             |
| Tax impact from the buy-back of liabilities              | 7               | (8)   | (1)             |
| Estimated tax loss                                       | -               | 119   | 119             |
| <b>Total<sup>1</sup></b>                                 | <b>947</b>      | <b>128</b>  | <b>1,075</b>    |

### Deferred tax asset

| Rmillion                                    | Opening balance | Deferred tax impact of items recognised in profit or loss | Closing balance |
|---|-----------------|---|-----------------|
| <b>30 September 2020</b>                    |                 |   |                 |
| <b>Temporary differences</b>                |                 |   |                 |
| IFRS 9 transition adjustment                | 324             | -   | 324             |
| IFRS 16 Right of use asset                  | -               | -   | -               |
| Provisions                                  | 116             | (57)  | 59              |
| Provision for Expected Credit Losses        | 512             | 102   | 614             |
| Prepayments                                 | (12)            | 8   | (4)             |
| Tax impact from the buy-back of liabilities | 7               | (8)   | (1)             |
| Estimated tax loss                          | -               | 141   | 141             |
| <b>Total<sup>1</sup></b>                    | <b>947</b>      | <b>186</b>  | <b>1,133</b>    |

<sup>1</sup> The recoverability of the deferred tax asset is assessed by the Bank on a regular basis. The deferred tax asset recognized by the Bank will be recovered through allowable tax deductions against taxable income in future financial periods.

In applying judgement in recognising deferred tax assets and the recoverability thereof, management has critically assessed all available information, including future business profit projections and past achievement thereof.

The net deferred tax asset of R1176 million (30 September 2020: R1133 million) relates mainly to credit impairment provisions and tax losses brought forward from the prior year. Management expects the tax loss to be utilised within the next two years. The growth in the deferred tax reported in prior year was mainly due to the adoption of IFRS 9; which was accompanied by legislative changes as a result of IFRS 9 in the Income Tax Act. Excluding the reporting and legislative changes the Bank would have reported taxable income for the prior period.

The restatement in modification resulted in the deferred tax ECL being restated. The estimated tax loss restatement is a result in the growth of the change in the 2019 restated profit.

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### 8. Interest Income

#### 8.1 Interest income on advances

| Rmillion                           | 31 March<br>2021<br>(unaudited) | 31 March<br>2020<br>(unaudited)<br>(Restated) | 30 September<br>2020<br>(audited) |
|------------------------------------|---------------------------------|---|-----------------------------------|
| Interest on advances               | 2,348                           | 2,841   | 5,506                             |
| Loan origination fees <sup>1</sup> | 90                              | 137   | 218                               |
| Service fee <sup>1</sup>           | 171                             | 189   | 397                               |
| <b>Total</b>                       | <b>2,609</b>                    | <b>3,167</b>                                  | <b>6,121</b>                      |

<sup>1</sup> A reallocation between the loan origination fees and service fees was done at 30 September 2020. The 31 March 2020 comparatives have been restated for comparability.

#### 8.2 Other interest income

| Rmillion                                       | 31 March<br>2021<br>(unaudited) | 31 March<br>2020<br>(unaudited) | 30 September<br>2020<br>(audited) |
|--|---------------------------------|---------------------------------|-----------------------------------|
| Interest received on cash and cash equivalents | 31                              | 64                              | 131                               |
| Sundry interest income <sup>1</sup>            | 43                              | 33                              | 58                                |
| <b>Total</b>                                   | <b>74</b>                       | <b>97</b>                       | <b>189</b>                        |

<sup>1</sup> Sundry interest income consists largely of interest on regulatory deposits and sovereign debt securities.

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### 9. Credit impairment charge

| Rmillion  | 31 March<br>2021<br>(unaudited) | 31 March<br>2020<br>(unaudited)<br>(Restated) | 30 September<br>2020<br>(audited) |
|---|---------------------------------|---|-----------------------------------|
| <i>Originated book</i>  |                                 |   |                                   |
| Net movement in impairment provisions <sup>1</sup>                  | (437)                           | 632   | 873                               |
| Gross advances written off <sup>2</sup>                             | 1,648                           | 1,475   | 3,135                             |
| Modification that does not give rise to de-recognition <sup>3</sup> | 41                              | 80  | 216                               |
| Acquired Book card cash allocation methodology change               | -                               | -   | -                                 |
| <b>Net impairment charge</b>  | <b>1,252</b>                    | <b>2,187</b>                                  | <b>4,224</b>                      |
| Post Write Off Recoveries <sup>3</sup>                              | (115)                           | (91)  | (199)                             |
| <b>Sub-total: Originated Book</b>                                   | <b>1,137</b>                    | <b>2,096</b>                                  | <b>4,025</b>                      |
| <i>Acquired Book</i>  |                                 |   |                                   |
| Post Write Off Recoveries <sup>3</sup>                              | (204)                           | (224)   | (442)                             |
| (Favourable)/unfavourable changes in ECL                            | (83)                            | 37  | (175)                             |
| <b>Sub-total: Acquired Book</b>                                     | <b>(287)</b>                    | <b>(187)</b>                                  | <b>(617)</b>                      |
| <b>Total</b>  | <b>850</b>                      | <b>1,909</b>                                  | <b>3,408</b>                      |

<sup>1</sup> Net movement in impairment provisions represent the net movement in impairment provisions from the beginning of the financial year to the end (refer ECL recon under note 5). The prior year amount has been restated as it incorrectly included the modification loss. The modification loss is disclosed separately.

In the prior period, collection costs relating to the advances that are on book, against which an impairment provision is held were incorrectly included in the operating expenses line on the statement of comprehensive income. For the year ended 30 September 2020, these costs were correctly included in the net movement in impairment provisions line under the credit impairment charge line item. The 31 March 2020 comparatives have been restated as a result.

Included in the net movement in impairment provisions line is the adjustment of interest that should not be recognised, applied to the interest income recognised on credit impaired advances that are not purchased credit impaired; for which an impairment provision is held. In the prior period, the adjustment was separately disclosed. Comparatives have been restated.

<sup>2</sup> Advances with this gross carrying value were written off during the financial year, resulting in a release of an equal amount of impairment provisions held being included in the above net movement in impairment provisions (refer ECL recon under note 5).

<sup>3</sup> The Bank corrected a prior period error at the previous financial year end, where collection costs were incorrectly not included in the credit impairment charge line, by adjusting the impairment charge to reflect these costs and reducing operating costs. The prior period comparatives have been restated for comparative purposes. Refer to note 17 for the details on the restatement. The post write of recoveries before the collection costs reallocation was R354 million (Mar 2020: R 342 million).

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### 10. Interest expense and similar charges

| Rmillion                           | 31 March<br>2021<br>(unaudited) | 31 March<br>2020<br>(unaudited) | 30 September<br>2020<br>(audited) |
|------------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| <b>Wholesale funding</b>           | <b>353</b>                      | <b>649</b>                      | <b>1,168</b>                      |
| Subordinated debt                  | 81                              | 106                             | 197                               |
| Unsecured listed bonds             | 216                             | 373                             | 665                               |
| Call deposits                      | -                               | 1                               | 2                                 |
| Fixed deposits                     | 41                              | 111                             | 208                               |
| Negotiable certificates of deposit | 8                               | 2                               | 5                                 |
| Interest on promissory notes       | 7                               | 56                              | 91                                |
| <b>Retail and other</b>            | <b>312</b>                      | <b>176</b>                      | <b>427</b>                        |
| IFRS 16 finance cost <sup>1</sup>  | 9                               | 35                              | 71                                |
| Retail funding <sup>1</sup>        | 301                             | 135                             | 344                               |
| Other interest <sup>1</sup>        | 2                               | 6                               | 12                                |
| <b>Total</b>                       | <b>666</b>                      | <b>825</b>                      | <b>1,595</b>                      |

<sup>1</sup> In the prior period, interest paid on retail funding was disclosed in other interest. For the prior financial year and for the current period, this has been reclassified into a separate line. The prior period comparatives have been reclassified for comparative purposes.

### 11. Non-interest income

| Rmillion  | 31 March<br>2021<br>(unaudited) | 31 March<br>2020<br>(unaudited) | 30 September<br>2020<br>(audited) |
|---|---------------------------------|---------------------------------|-----------------------------------|
| Credit card fees                                      | 78                              | 94                              | 175                               |
| Binder and outsourcing arrangements fees <sup>1</sup> | 70                              | 76                              | 149                               |
| Collection fees <sup>2</sup>                          | 125                             | 157                             | 295                               |
| Transactional fees <sup>3</sup>                       | 22                              | 7                               | 21                                |
| Sale of value-added services <sup>3</sup>             | 25                              | 10                              | 31                                |
| Other income <sup>3</sup>                             | 13                              | 5                               | 11                                |
| <b>Total</b>  | <b>333</b>                      | <b>349</b>                      | <b>682</b>                        |

<sup>1</sup> These fees are earned through the intermediary agreement held with Guardrisk for the premiums collected and new business generated by the Bank.

<sup>2</sup> Fees relates to fees charged to Residual Debt Services Limited (under curatorship) (RDS) of R125 million (2020: R157 million). Fees charged are determined on an arm's length basis and managed independently under supervision of the curator of that company. The fees charged to RDS are expected to decline as the book that is being collected upon runs down.

<sup>3</sup> Transactional fees and sale of value-added services were disclosed as other income in the prior period. This has been disclosed separately in the current year and comparatives have been amended.

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### 12. Operating costs

| Rmillion   | 31 March<br>2021<br>(unaudited) | 31 March<br>2020<br>(unaudited)<br>(restated) | 30 September<br>2020<br>(audited) |
|--|---------------------------------|---|-----------------------------------|
| Advertising and marketing costs                            | 97                              | 121   | 203                               |
| Amortisation of intangible assets                          | 17                              | (2)   | 12                                |
| Audit fees   | 10                              | 7   | 18                                |
| Bank charges and strike costs <sup>1</sup>                 | 63                              | 67  | 136                               |
| Card transaction costs                                     | 58                              | 32  | 83                                |
| Collection costs <sup>2</sup>                              | 18                              | 16  | 30                                |
| Depreciation on property and equipment                     | 118                             | 132   | 210                               |
| Direct selling and commissions                             | 19                              | 19  | 46                                |
| Information technology costs                               | 93                              | 71  | 158                               |
| Travel cost  | 3                               | 10  | 12                                |
| Rental and maintenance costs                               | 57                              | 65  | 71                                |
| Costs related to property rentals <sup>3</sup>             | 40                              | 42  | 26                                |
| Other rental and maintenance costs                         | 17                              | 23  | 45                                |
| Printing, stationery and courier costs                     | 8                               | 12  | 22                                |
| Professional fees  | 74                              | 71  | 178                               |
| Staff costs  | 815                             | 651   | 1,288                             |
| Basic remuneration   | 654                             | 576   | 1,139                             |
| Employee benefits expense/(release)                        | 80                              | (12)  | (27)                              |
| Contribution to provident fund                             | 64                              | 66  | 137                               |
| Commission paid to sales agents                            | 1                               | 3   | 4                                 |
| Executive directors' and prescribed officers' remuneration | 16                              | 18  | 35                                |
| Non-executive directors' fees                              | 3                               | 3   | 6                                 |
| Telephone, fax and other communication costs               | 47                              | 39  | 86                                |
| Other expenses   | 45                              | 50  | 85                                |
| Write off of property plant and equipment                  | 1                               | 20  | 20                                |
| <b>Total</b>   | <b>1,546</b>                    | <b>1,384</b>                                  | <b>2,664</b>                      |

<sup>1</sup> Included in the bank charges and strike costs line are costs paid for the platform on which advances are disbursed and collected.

<sup>2</sup> In the prior year, collection costs directly attributable to the originated book and all collection costs related to the acquired book were not reallocated to the credit impairment line. This has been corrected in the current year and comparatives have been restated. Refer to note 17.

<sup>3</sup> Included in the costs related to property rentals is rentals from leases considered to be short term leases of R6 million.

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### 13. Assets and liabilities measured at fair value or for which fair values are disclosed

#### 13.1 Valuation models

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS requires an entity to classify fair values measured and/or disclosed according to a hierarchy that reflects the significance of observable market inputs.

The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

The Bank measures fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other factors used in estimating discounting rates, foreign currency exchange rates, bond and equity prices, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

#### *Recurring fair values*

The Bank currently measures and presents financial investments, derivative assets and derivative liabilities at fair value, whilst all other financial instruments are measured and presented at amortised cost. The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only market data and require little management judgement and estimation.

Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter derivatives such as swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Fair value estimates obtained from models reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate.

#### *Fair value for disclosure*

In determining the fair value for disclosure purposes of instruments measured and presented at amortised cost, the Bank uses its own valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include advances and certain funding loans for which there is no active market.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and selection of appropriate discount rate. Fair value estimates obtained from models include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate.

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### *Assets and liabilities measured at fair value or for which fair values are disclosed continued...*

#### *General*

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions and experiences. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair values, and management judgement is required to select the most appropriate point in the range.

#### *Level 3 fair value disclosure - Advances*

The fair value of the advances book has been derived using a discounted cash flow technique. The Bank has modelled the expected future cash flows by extrapolating the most recent observed cash flows on the advances book.

Amortised cost and fair value are both based upon present value of future cash flow techniques, however the following significant differences exist between the amortised cost (ECL) and fair value methodologies:

- Fair value includes all expected cash flows, whereas impairments under IFRS 9 only consider ECL for the subsequent 12 month period for advances classified as stage 1;
- The impairment cash flows are not reduced by expected cost of collection unless if it is directly attributable; and
- The discount rate used for purposes of estimating the fair value of advances is based on current market circumstances, whereas the discount rate used for ECL is based on the original effective interest rate, which is also adjusted for credit risk in the case of the Acquired Book, being classified as credit impaired at acquisition .

Amortised cost requires the future cash flows to be discounted at the advance's original effective interest rate whereas the fair value methodology discounts the expected cash flows at a required rate of return.

### **13.2 Valuation framework**

The Bank has an established control framework with respect to the measurement of fair values. This framework includes formalised policies and the approval and review process.

When third party information is used to measure fair value, the following procedures are performed in order to ensure that valuations meet the requirements of IFRS:

- Verifying that the third party is approved for use in pricing the relevant type of financial instrument; and
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions.

### **13.3 COVID-19 impact to fair value measurement**

The RCMC and its subcommittees has assessed the valuation techniques for fair value measurement of financial instruments in response to the market volatility that has resulted from COVID-19 on the fair value measurements of financial instruments.

When assessing the fair value measurement of financial instruments in the current reporting period, changes in valuation inputs were considered in terms of the impact they have on classification in the fair value hierarchy, and any transfers within the fair value hierarchy.

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### *Assets and liabilities measured at fair value or for which fair values are disclosed continued...*

#### 13.4 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

| Rmillion                                | Level 1 | Level 2      | Level 3 | Total        |
|---|---------|--------------|---------|--------------|
| <b>31 March 2021</b>                    |         |              |         |              |
| <b>Financial assets</b>                 |         |              |         |              |
| <i>Recurring fair value measurement</i> |         |              |         |              |
| Financial Investments                   |         | 1,341        |         | 1,341        |
| Derivative instruments                  | -       | 19           | -       | 19           |
| <b>Total</b>                            | -       | <b>1,360</b> | -       | <b>1,360</b> |
| <b>Financial liabilities</b>            |         |              |         |              |
| <i>Recurring fair value measurement</i> |         |              |         |              |
| Derivative instruments                  | -       | -            | -       | -            |
| <b>Total</b>                            | -       | -            | -       | -            |
| <b>31 March 2020</b>                    |         |              |         |              |
| <b>Financial assets</b>                 |         |              |         |              |
| <i>Recurring fair value measurement</i> |         |              |         |              |
| Financial Investments                   |         | -            |         |              |
| Derivative instruments                  | -       | 224          | -       | 224          |
| <b>Total</b>                            | -       | <b>224</b>   | -       | <b>224</b>   |
| <b>Financial liabilities</b>            |         |              |         |              |
| <i>Recurring fair value measurement</i> |         |              |         |              |
| Derivative instruments                  | -       | -            | -       | -            |
| <b>Total</b>                            | -       | -            | -       | -            |
| <b>30 September 2020</b>                |         |              |         |              |
| <b>Financial assets</b>                 |         |              |         |              |
| <i>Recurring fair value measurement</i> |         |              |         |              |
| Financial Investments                   |         | 1017         |         | 1017         |
| Derivative instruments                  | -       | -            | -       | -            |
| <b>Total</b>                            | -       | <b>1,017</b> | -       | <b>1,017</b> |
| <b>Financial liabilities</b>            |         |              |         |              |
| <i>Recurring fair value measurement</i> |         |              |         |              |
| Derivative instruments                  | -       | 113          | -       | 113          |
| <b>Total</b>                            | -       | <b>113</b>   | -       | <b>113</b>   |



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*Assets and liabilities measured at fair value or for which fair values are disclosed continued...*

- 13.5 Valuation techniques, significant observable inputs and sensitivity of level 2 financial instruments measured at fair value  
The table below indicates the valuation techniques and main assumptions used in the determination of the fair value at which the derivative instruments and core income funds are measured, which fair value is derived from observable inputs (level 2):

| Rmillion                           | Valuation basis / techniques         | Main assumptions               | Variance in fair value measurement  | Effect on profit / (loss) (after tax) |
|------------------------------------|--------------------------------------|--------------------------------|-------------------------------------|---------------------------------------|
| <b>31 March 2021</b>               |                                      |                                |                                     |                                       |
| <b>Assets</b>                      |                                      |                                |                                     |                                       |
| Cross-currency interest rate swaps | Discounted cash flow<br>Forward rate | Discount rates<br>Forward rate | 10% in spot rate                    | -                                     |
| Interest rate swaps                | Discounted cash flow                 | Discount and risk free rates   | 100 bps                             | (2)                                   |
| Investments measured at fair value | Discounted cash flows                | Expected cash flows            | 1% reduction in expected cash flows | 13                                    |
| <b>Liabilities</b>                 |                                      |                                |                                     |                                       |
| Cross-currency interest rate swaps | Discounted cash flow<br>Forward rate | Discount rates<br>Forward rate | 10% in spot rate                    | -                                     |
| Interest rate swaps                | Discounted cash flow                 | Discount and risk free rates   | 100 bps                             | -                                     |
| <b>31 March 2020</b>               |                                      |                                |                                     |                                       |
| <b>Assets</b>                      |                                      |                                |                                     |                                       |
| Cross-currency interest rate swaps | Discounted cash flow<br>Forward rate | Discount rates<br>Forward rate | 10% in spot rate                    | 214                                   |
| Interest rate swaps                | Discounted cash flow                 | Discount and risk free rates   | 100 bps                             | -                                     |
| Investments measured at fair value | Discounted cash flows                | Expected cash flows            | 1% reduction in expected cash flows | -                                     |
| <b>Liabilities</b>                 |                                      |                                |                                     |                                       |
| Cross-currency interest rate swaps | Discounted cash flow<br>Forward rate | Discount rates<br>Forward rate | 10% in spot rate                    | -                                     |
| Interest rate swaps                | Discounted cash flow                 | Discount and risk free rates   | 100 bps                             | -                                     |

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| Rmillion                           | Valuation basis / techniques         | Main assumptions               | Variance in fair value measurement  | Effect on profit / (loss) (after tax) |
|------------------------------------|--------------------------------------|--------------------------------|-------------------------------------|---------------------------------------|
| <b>30 September 2020</b>           |                                      |                                |                                     |                                       |
| <b>Assets</b>                      |                                      |                                |                                     |                                       |
| Cross-currency interest rate swaps | Discounted cash flow<br>Forward rate | Discount rates<br>Forward rate | 10% in spot rate                    | -                                     |
| Interest rate swaps                | Discounted cash flow                 | Discount and risk free rates   | 100 bps                             | -                                     |
| Investments measured at fair value | Discounted cash flows                | Expected cash flows            | 1% reduction in expected cash flows | 10                                    |
| <b>Liabilities</b>                 |                                      |                                |                                     |                                       |
| Cross-currency interest rate swaps | Discounted cash flow<br>Forward rate | Discount rates<br>Forward rate | 10% in spot rate                    | 205                                   |
| Interest rate swaps                | Discounted cash flow                 | Discount and risk free rates   | 100 bps                             | (21)                                  |

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*Assets and liabilities measured at fair value or for which fair values are disclosed continued...*

### 13.6 Assets and liabilities for which fair value is disclosed

| Rmillion  | Level 1      | Level 2       | Level 3       | Total         | Carrying value |
|---|--------------|---------------|---------------|---------------|----------------|
| <b>31 March 2021</b>                                  |              |               |               |               |                |
| <b>Financial assets</b>                               |              |               |               |               |                |
| Government bonds                                      | 548          | -             | -             | 548           | 547            |
| Treasury bills and debentures                         | 1,231        | -             | -             | 1,231         | 1,231          |
| Deposits with South African Reserve Bank              | 381          | -             | -             | 381           | 381            |
| Net advances  | -            | -             | 17,889        | 17,889        | 16,698         |
| Accounts receivable and other assets                  | -            | 199           | -             | 199           | 199            |
| Financial investments                                 | -            | -             | -             | -             | -              |
| <b>Total</b>  | <b>2,160</b> | <b>199</b>    | <b>17,889</b> | <b>20,248</b> | <b>19,056</b>  |
| <b>Financial liabilities</b>                          |              |               |               |               |                |
| Short term funding                                    | -            | 3,338         | 2,851         | 6,189         | 6,244          |
| Unsecured bonds (listed on JSE) *                     | -            | 2,248         | -             | 2,248         | 2,171          |
| Unsecured bonds (listed on foreign stock exchange) *  | -            | 563           | -             | 563           | 563            |
| Unsecured long- term loans                            | -            | 874           | 5,792         | 6,666         | 6,408          |
| Subordinated bonds*                                   | -            | 1,523         | -             | 1,523         | 1,523          |
| <b>Total</b>  | <b>-</b>     | <b>8,546</b>  | <b>8,643</b>  | <b>17,189</b> | <b>16,909</b>  |
| <b>31 March 2020 (Restated)</b>                       |              |               |               |               |                |
| <b>Financial assets</b>                               |              |               |               |               |                |
| Government bonds                                      | 525          | -             | -             | 525           | 537            |
| Treasury bills and debentures <sup>1</sup>            | 299          | -             | -             | 299           | 299            |
| Deposits with South African Reserve Bank <sup>1</sup> | 375          | -             | -             | 375           | 375            |
| Net advances **                                       | -            | -             | 17,215        | 17,215        | 18,995         |
| Accounts receivable and other assets                  | -            | 173           | -             | 173           | 173            |
| Financial investments                                 | -            | -             | 1,086         | 1,086         | 1,086          |
| <b>Total</b>  | <b>1,199</b> | <b>173</b>    | <b>18,301</b> | <b>19,673</b> | <b>21,465</b>  |
| <b>Financial liabilities</b>                          |              |               |               |               |                |
| Short term funding                                    | -            | 4,026         | 1,361         | 5,387         | 6,813          |
| Unsecured bonds (listed on JSE) *                     | -            | 4,148         | -             | 4,148         | 4,298          |
| Unsecured bonds (listed on foreign stock exchange) *  | -            | 1,249         | -             | 1,249         | 1,319          |
| Unsecured long- term loans                            | -            | 2,355         | 2,545         | 4,900         | 4,961          |
| Subordinated bonds*                                   | -            | 1,509         | -             | 1,509         | 1,532          |
| <b>Total</b>  | <b>-</b>     | <b>13,287</b> | <b>3,906</b>  | <b>17,193</b> | <b>18,923</b>  |
| <b>30 September 2020</b>                              |              |               |               |               |                |
| <b>Financial assets</b>                               |              |               |               |               |                |
| Government bonds                                      | 541          | -             | -             | 541           | 539            |
| Treasury bills and debentures <sup>1</sup>            | -            | 808           | -             | 808           | 805            |
| Deposits with South African Reserve Bank <sup>1</sup> | -            | 381           | -             | 381           | 381            |
| Net advances  | -            | -             | 19,155        | 19,155        | 17,636         |
| Accounts receivable and other assets                  | -            | 200           | -             | 200           | 200            |
| Financial investments                                 | -            | -             | 1,015         | 1,015         | 1,015          |
| <b>Total</b>  | <b>541</b>   | <b>1,389</b>  | <b>20,170</b> | <b>22,100</b> | <b>20,576</b>  |

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### *Assets and liabilities measured at fair value or for which fair values are disclosed continued...*

| <b>Financial liabilities</b>                         |          |               |              |               |               |
|--|----------|---------------|--------------|---------------|---------------|
| Short term funding                                   | -        | 3,469         | 2,060        | 5,529         | 5,520         |
| Unsecured bonds (listed on JSE) *                    | -        | 4,041         | -            | 4,041         | 4,192         |
| Unsecured bonds (listed on foreign stock exchange) * | -        | 3,090         | -            | 3,090         | 638           |
| Unsecured long- term loans                           | -        | 1,004         | 3,930        | 4,934         | 5,000         |
| Subordinated bonds*                                  | -        | 1,473         | -            | 1,473         | 1,523         |
| <b>Total</b>   | <b>-</b> | <b>13,077</b> | <b>5,990</b> | <b>19,067</b> | <b>16,873</b> |

The fair values of the following items are not disclosed as these assets and liabilities closely approximate their carrying amount due to their short term or on demand repayment terms:

- Cash and cash equivalents;
- Accounts receivables and other assets; and
- Creditors and accruals

\*The fair value of listed bonds reflects the current listed price at year end, but is categorised level 2 due to the lack of market liquidity for the listed bonds.

\*\* In the prior year, the fair value of the net advances was incorrectly disclosed as R19,846 million. This value has been restated.

<sup>1</sup> The fair values of these instruments were disclosed as level 1 on 31 March 2020 and subsequently as level 2 on 30 September 2020, as there were revisions to their market risk at the year end from the interim period.

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### 14. Analysis of classification of financial assets and liabilities

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies describe how the class of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

| Rmillion  | Notes | Amortised cost | Financial instruments at fair value through profit and loss | Non-financial instruments | Total         | Current       | Non-current   |
|---|-------|----------------|---|---------------------------|---------------|---------------|---------------|
| <b>31 March 2021</b>                              |       |                |   |                           |               |               |               |
| Cash and cash equivalents                         | 2     | 3,179          | -   | -                         | 3,179         | 3,179         | -             |
| Financial investments                             | 3     | -              | 1,341   | -                         | 1,341         | 1,341         | -             |
| Regulatory deposits and sovereign debt securities | 4     | 2,159          | -   | -                         | 2,159         | 2,159         | -             |
| Net advances                                      | 5     | 16,698         | -   | -                         | 16,698        | 6,636         | 10,062        |
| Deferred tax asset                                | 7     | -              | -   | 1,176                     | 1,176         | -             | 1,176         |
| Property and equipment and Right of use asset     |       | -              | -   | 672                       | 672           | -             | 672           |
| Accounts receivable and other assets              |       | 199            | -   | -                         | 199           | 199           | -             |
| Intangible assets                                 |       | -              | -   | 114                       | 114           | -             | 114           |
| Derivatives                                       |       | -              | 19  | -                         | 19            | -             | 19            |
| <b>Total assets</b>                               |       | <b>22,235</b>  | <b>1,360</b>  | <b>1,962</b>              | <b>25,557</b> | <b>13,514</b> | <b>12,043</b> |

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### Analysis of classification of financial assets and liabilities continued...

| Rmillion  | Notes | Amortised cost | Financial instruments at fair value through profit and loss | Non-financial instruments | Total         | Current      | Non-current  |
|---|-------|----------------|---|---------------------------|---------------|--------------|--------------|
| <b>31 March 2020 (Restated)</b>                   |       |                |   |                           |               |              |              |
| Cash and cash equivalents                         | 2     | 4,224          | -   | -                         | 4,224         | 4,224        | -            |
| Regulatory deposits and sovereign debt securities | 4     | 1,210          | -   | -                         | 1,210         | 1,198        | 12           |
| Net advances                                      | 5     | 18,995         | -   | -                         | 18,995        | -            | -            |
| Deferred tax asset                                | 7     | -              | -   | 1,075                     | 1,075         | -            | 1,075        |
| Property and equipment                            |       | -              | -   | 1,164                     | 1,164         | -            | 1,164        |
| Accounts receivable and other assets              |       | 55             | -   | 118                       | 173           | 173          | -            |
| Intangible assets                                 |       | -              | -   | 104                       | 104           | -            | 104          |
| Derivatives                                       |       | -              | 224   | -                         | 224           | 224          | -            |
| Financial investments                             | 3     | 1,086          | -   | -                         | 1,086         | 1,086        | -            |
| <b>Total assets</b>                               |       | <b>25,570</b>  | <b>224</b>  | <b>2,461</b>              | <b>28,255</b> | <b>6,905</b> | <b>2,355</b> |

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### Analysis of classification of financial assets and liabilities continued...

| Rmillion  | Notes | Amortised cost | Financial instruments at fair value through profit and loss | Non-financial instruments | Total         | Current       | Non-current   |
|---|-------|----------------|---|---------------------------|---------------|---------------|---------------|
| <b>30 September 2020</b>                          |       |                |   |                           |               |               |               |
| Cash and cash equivalents                         | 2     | 2,029          | -   | -                         | 2,029         | 2,029         | -             |
| Regulatory deposits and sovereign debt securities | 4     | 1,725          | -   | -                         | 1,725         | 1,188         | 537           |
| Net advances                                      | 5     | 17,636         | -   | -                         | 17,636        | 6,864         | 10,772        |
| Deferred tax asset                                | 7     | -              | -   | 1,133                     | 1,133         | -             | 1,133         |
| Property and equipment                            |       | -              | -   | 752                       | 752           | -             | 752           |
| Accounts receivable and other assets              |       | 98             | -   | 102                       | 200           | 98            | 102           |
| Intangible assets                                 |       | -              | -   | 115                       | 115           | -             | 115           |
| Derivatives                                       |       | -              | -   | -                         | -             | -             | -             |
| Financial investments                             | 3     | 1,015          | 1,017   | -                         | 2,032         | 2,032         | -             |
| <b>Total assets</b>                               |       | <b>22,503</b>  | <b>1,017</b>  | <b>2,102</b>              | <b>25,622</b> | <b>12,211</b> | <b>13,411</b> |

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### Analysis of classification of financial assets and liabilities continued...

| Rmillion                          | Notes | Amortised cost | Fair value | Non-financial liabilities | Total         | Current      | Non-current   |
|-----------------------------------|-------|----------------|------------|---------------------------|---------------|--------------|---------------|
| <b>31 March 2021</b>              |       |                |            |                           |               |              |               |
| Short-term funding                |       | 6,244          | -          | -                         | 6,244         | 6,244        | -             |
| Derivatives                       |       | -              | 113        | -                         | -             | -            | -             |
| Creditors and accruals            |       | 832            | -          | 66                        | 898           | 655          | 243           |
| Current tax liability             | 7     | -              | -          | 83                        | 83            | 83           | -             |
| Bonds and other long-term funding |       | 9,142          | -          | -                         | 9,142         | 608          | 8,534         |
| Subordinated bonds                |       | 1,523          | -          | -                         | 1,523         | 1,523        | -             |
| <b>Total liabilities</b>          |       | <b>17,741</b>  | <b>113</b> | <b>149</b>                | <b>17,890</b> | <b>9,113</b> | <b>8,777</b>  |
| <b>31 March 2020 (Restated)</b>   |       |                |            |                           |               |              |               |
| Short-term funding                |       | 6,813          | -          | -                         | 6,813         | 6,813        | -             |
| Creditors and accruals            |       | 443            | -          | 807                       | 1,250         | 1,114        | 136           |
| Current tax liability             | 7     | -              | -          | 78                        | 78            | 78           | -             |
| Bonds and other long-term funding |       | 10,578         | -          | -                         | 10,578        | 112          | 10,466        |
| Subordinated bonds                |       | 1,532          | -          | -                         | 1,532         | 50           | 1,482         |
| <b>Total liabilities</b>          |       | <b>19,366</b>  | <b>-</b>   | <b>885</b>                | <b>20,251</b> | <b>8,167</b> | <b>12,084</b> |
| <b>30 September 2020</b>          |       |                |            |                           |               |              |               |
| Short-term funding                |       | 5,520          | -          | -                         | 5,520         | 5,520        | -             |
| Derivatives                       |       | -              | 113        | -                         | 113           | 100          | 13            |
| Creditors and accruals            |       | 662            | -          | 89                        | 751           | 440          | 311           |
| Current tax liability             | 7     | -              | -          | 83                        | 83            | 83           | -             |
| Bonds and other long-term funding |       | 9,830          | -          | -                         | 9,830         | 423          | 9,407         |
| Subordinated bonds                |       | 1,523          | -          | -                         | 1,523         | 39           | 1,484         |
| <b>Total liabilities</b>          |       | <b>17,535</b>  | <b>113</b> | <b>172</b>                | <b>17,820</b> | <b>6,605</b> | <b>11,215</b> |



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### 15. Related party information

Members of the Bank's Executive committee are considered to be key management personnel of the Bank.

#### 15.1 Balances with related parties

| R'000  | 31 March<br>2021<br>(unaudited) | 31 March<br>2020<br>(unaudited) | 30 September<br>2020<br>(audited) |
|--|---------------------------------|---------------------------------|-----------------------------------|
| <b>Advances</b>  |                                 |                                 |                                   |
| Key management personnel <sup>1</sup>                          | 192                             | 238                             | 202                               |
| <b>Deposits</b>  |                                 |                                 |                                   |
| Entities that have control over the Group and its subsidiaries | -                               | 2,230                           | -                                 |
| Key management personnel <sup>2</sup>                          | 7,950                           | 8,211                           | 1,619                             |

<sup>1</sup> The amounts advanced to key management personnel consists of credit cards and other loans.

<sup>2</sup> The amounts deposited by key management personnel are held in transactional accounts and retail savings accounts and are at market-related rates, terms and conditions.

#### 15.2 Transactions with related parties are disclosed below

| R'000  | 31 March<br>2021<br>(unaudited) | 31 March<br>2020<br>(unaudited) | 30 September<br>2020<br>(audited) |
|--|---------------------------------|---------------------------------|-----------------------------------|
| <b>Interest income</b>   |                                 |                                 |                                   |
| Key management personnel                                       | 12                              | 7                               | 16                                |
| <b>Interest paid</b>   |                                 |                                 |                                   |
| Entities that have control over the Group and its subsidiaries | -                               | 78                              | 135,000                           |
| Key management personnel                                       | 49                              | 45                              | 94                                |

In the current reporting period, no contracts were entered into in which directors or key management personnel had an interest and which significantly affected the business of the Bank.

The directors had no interest in any third-party or company responsible for managing any of the business activities of the Bank.

### 16. Events after the reporting date

On 22 April 2021, the Holding company concluded a recapitalisation transaction for the Bank, that resulted in a cash injection of R1,485 million in the Bank.

Other than the above, there were no matters or circumstances arising since the end of the financial period, not otherwise dealt with in the Bank annual financial statements, which significantly affects the financial position at 30 September 2020 or the results of its operations or cash flows for the year then ended.

### 17. Restatements

#### 17.1 Interest charge on advances that have been written off incorrectly included in the interest income line item

In the prior period, interest income relating to advances that had already been written off was incorrectly recognized in the interest income line as opposed to the credit impairment charge line on the income statement from the beginning of the financial period to the interim reporting period of 31 March 2020. This error was corrected in the financial statements of 30 September 2020 by reclassifying the amounts out of interest income and into the credit impairment charge. This error had no impact to the net assets and the profit or loss of the Group. The reclassified amount is included in the restated value below; which reduces both the interest income on advances and the credit impairment charge by R28 million.

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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### *Restatements continued...*

#### **17.2 Monthly fee behavioural EIR prior period error**

A prior period correction was made in the 30 September 2020 financial statements to reflect the correct interest income on advances line in relation to the method that was used to amortise the service fees that are integral to the loan as required by IFRS9. Please refer to the 30 September 2020 annual financial statements for the detailed explanation of the error and consequential restatement. When the 31 March 2020 financial statements were initially prepared, the movement of the deferred fee liability did not include the effect of the restatement that was done in the September 2020 financial statements; even though it related to prior periods. Thus the opening balance deferred fee liability used initially to prepare the 30 March 2020 financial statements was incorrect. To correct for this restated opening balance deferred fee liability at 1 October 2019, an amount of R31 million decreasing the interest income on advances is included in the restatements below.

The restatement was as a result of an investigation by the JSE where the JSE found the bank to be in breach of the Debt Listings Requirements with respect to the annual financial statements for the year ended 30 September 2019 on the basis that the JSE is of the opinion that the prior period error was in fact material. The finding is based on the JSE's view that African Bank Limited transgressed paragraph 7.4 read with 5.2 of the Debt Listings Requirements in that the Issuer's previously published annual financial statements did not comply with IFRS. The JSE noted that the manner in which the Bank corrected the prior period amounts by adjusting income of the 2019 financial period instead of restating the comparative amounts for the prior period or restating the opening balances of assets, liabilities or equity of the earliest prior period means that the 2019 financial statements did not fairly present the financial performance of the Bank.

#### **17.3 Modification gain or loss correction of prior period accounting policy application and presentation error**

In the prior period, in applying the IFRS 9 requirements for non-substantial modified contractual cash flows to advances, the Bank misclassified the modification gain or loss on the statement of financial position. The error was corrected in the 30 September 2020 financial statements in accordance with IAS 8. Consequently for the comparative period of 31 March 2020, the Bank incorrectly reflected the modification gain and loss of R80 million within its impairment provision in the statements of financial position as opposed to reflecting this modification gain/loss as a reduction to the gross carrying amount as required by IFRS. The 31 March 2020 comparative figures have been restated for comparability.

IFRS 9 requires that management disclose the amortised cost before modification for the period, this was incorrectly disclosed in the prior period and corrected in the 30 September 2020 financial statements. The 31 March 2020 comparative figures have been restated for comparability.

This correction has no impact to the Bank's net assets (including the Net advances) and profit for the year.

Refer to the restated Statement of financial position and statement of comprehensive income below, as well as the following notes:

**Note 5 - Net advances**

**Note 6.1 - Credit quality of advances per IFRS requirements**

**Note 6.2 - Credit quality of advances based on the pre-acquisition gross value of advances**

#### **17.4 Acquired and Originated book collection cost correction of prior period reclassification error**

IFRS 9 requires that the impairment charge be shown net of costs that are deemed integral to the loan for recoveries and post write off recoveries. In addition, IFRS 9 requires that in calculating the amortised cost of the acquired book at acquisition, and in subsequent periods that the ECL includes the expected costs of collection that are considered in the recovery of cash flows in the event of a default.

In the prior periods, these costs were classified in the statement of comprehensive income as operating expenses instead of part of the impairment charge. This classification error has been corrected in the prior periods as per the requirements of IAS 8, and has no impact on the Bank's net assets and profit for the prior years and the current period. A total amount of R147 million was reallocated from operating costs to the credit impairment charge reducing the lines respectively at 30 September 2020. This amount included an amount of R53 million for the period ended 31 March 2020.

Refer to the restated Statement of financial position and statement of comprehensive income below.

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### Restatements continued...

#### 17.5 Property, plant and equipment correction of prior period error

In the prior year, the Bank was unable to verify the existence of certain items of property, plant and equipment but incorrectly did not derecognise the carrying value of these items. In the current year, the Bank has performed a detailed exercise of identifying assets and updating its fixed asset register and accounting records. This exercise has resulted in the identification of assets that cannot be verified which have subsequently been de-recognised in the current year and prior periods impacted. This error has been corrected in the prior periods impacted as per the requirements of IAS 8. The 31 March 2020 comparative figures have been restated for comparability.

#### 17.6 Refer to the restated Statement of financial position and statement of comprehensive income below.

#### Restatement of Statement of Financial Position and applicable notes

| Rmillion                             | Notes | 31-Mar-20               |             |                |
|--------------------------------------|-------|-------------------------|-------------|----------------|
|                                      |       | As previously presented | Restatement | Restated       |
| <b>Assets</b>                        |       |                         |             |                |
| <b>Net Advances</b>                  | 5     | <b>18,995</b>           | -           | <b>18,995</b>  |
| Gross advances                       |       | 27,685                  | (543)       | 27,142         |
| ECL                                  |       | (8,544)                 | 543         | (8,001)        |
| Deferred administration fee          |       | (146)                   | -           | (146)          |
| <b>Property, plant and equipment</b> |       | <b>1,238</b>            | <b>(74)</b> | <b>1,164</b>   |
| Cost                                 |       | 1,635                   | (177)       | 1,458          |
| Accumulated depreciation             |       | (397)                   | 103         | (294)          |
| Prior period error                   |       | (117)                   | (35)        | (152)          |
| <b>Equity</b>                        |       |                         |             |                |
| <b>Accumulated loss</b>              |       | <b>(1,934)</b>          | <b>(62)</b> | <b>(1,996)</b> |

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### *Restatements continued...*

#### Restatement of Statement of Comprehensive Income and applicable notes

| Rmillion   | Notes | 31-Mar-20               |             |          |
|--|-------|-------------------------|-------------|----------|
|  |       | As previously presented | Restatement | Restated |
| <i>Interest income on advances</i>                               | 8     | 3,226                   | (59)        | 3,167    |
| <i>Credit impairment charge</i>                                  | 9     | (1,884)                 | (25)        | (1,909)  |
| <i>Operating expenses</i>  | 12    |                         |             |          |
| Reallocation of costs included in the ECL related to collections |       | (69)                    | 53          | (16)     |
| Depreciation   |       | (117)                   | (15)        | (132)    |
| Write off of property, plant and equipment                       |       | -                       | (20)        | (20)     |

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## ANNEXURE A: ACRONYMS AND ABBREVIATIONS

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The following acronyms and abbreviations have been used in these financial statements.

|                               |  |
|-------------------------------|--|
| ABHL                          | African Bank Holdings Limited                      |
| ABL                           | African Bank Limited                               |
| AIG                           | African Insurance Group Limited                    |
| ALCO                          | Asset and liability committee                      |
| CAR                           | Capital Adequacy Ratio                             |
| CHF                           | Swiss Franc  |
| CFO                           | Chief Financial Officer                            |
| Companies Act of South Africa | Companies Act of South Africa, Act No 71 of 2008   |
| COVID-19                      | Coronavirus  |
| CPI                           | Consumer Price Index                               |
| DMTN                          | Domestic medium term note programme                |
| EMTN                          | Euro medium term note programme                    |
| FSB                           | Financial Services Board                           |
| IAS                           | International Accounting Standards                 |
| IASB                          | International Accounting Standards Board           |
| IBNR                          | Incurred but not reported                          |
| ICAAP                         | Internal Capital Adequacy and Assessment Process   |
| IFRIC                         | IFRS Interpretations Committee of IASB             |
| IFRS                          | International Financial Reporting Standards        |
| IT                            | Information Technology                             |
| JIBAR                         | Three months Johannesburg interbank agreed rate    |
| JSE                           | Johannesburg stock exchange                        |
| LTIP                          | Long-term incentive plan                           |
| MMIJV                         | MMI Joint Venture                                  |
| MRC                           | Model Risk Committee                               |
| NACA                          | Nominal annual compounded annually                 |
| NACM                          | Nominal annual compounded monthly                  |
| NACQ                          | Nominal annual compounded quarterly                |
| NACS                          | Nominal annual compounded semi-annually            |
| NCA                           | National Credit Act                                |
| Rm / Rmillion                 | Millions of rand                                   |
| RSA                           | Republic of South Africa                           |
| PSI                           | Portfolio Specific Impairment                      |
| SI                            | Specific Impairment                                |
| R000                          | Thousands of rand                                  |
| RCMC                          | Risk and Capital Management Committee              |
| RDS                           | Residual Debt Services Limited (under curatorship) |
| Tier I                        | Primary capital                                    |
| Tier II                       | Secondary capital                                  |
| USD                           | United States Dollar                               |
| VAT                           | Value Added Tax                                    |
| ZAR                           | South African Rand                                 |

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## ANNEXURE B: CORPORATE INFORMATION

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### Company Secretary

Maliga Chetty

### African Bank Limited

Incorporated in the Republic of South Africa

Registered Bank

Registration number 2014/176899/06

NCR Registration number: NCRCP7638

African Bank Limited is an Authorised Financial Services and Registered Credit Provider

Holding company: African Bank Holdings Limited

### Registered office

59 16th Road

Midrand, 1685

South Africa

Private Bag X170

Midrand, 1685

South Africa

Tel: +27 11 256 9000

### Website

[www.africanbank.co.za](http://www.africanbank.co.za)

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