

African Bank Holdings Limited

Consolidated Unaudited Condensed Interim Financial Statements

for the six months ended 31 March 2017

These financial statements were prepared under the supervision of the
Chief Financial Officer, G Raubenheimer CA (SA)

Registration number: 2014/176855/06



AFRICAN BANK HOLDINGS LIMITED
CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
for the six months ended 31 March 2017

Contents	Page
Director's responsibility statement	2
Condensed statement of financial position	3
Condensed statement of comprehensive income	4
Condensed statement of changes in equity	5
Condensed statement of cash flows	6
Annexures to the consolidated condensed interim financial statements	
Notes to the condensed interim financial statements	7

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the preparation and fair presentation of the interim financial statements, comprising the statement of financial position at 31 March 2017, the statement of total comprehensive income, the statement of changes in equity, and the statement of cash flows for the six months ended 31 March 2017, and the selected notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of 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 company'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.

These financial statements are not audited.

Approval of the financial statements

The financial statements set out on pages 3 to 15 were approved by the board of directors and signed on its behalf on 19 May 2017 by:

B Riley
Director

G Raubenheimer
Director

Midrand

A signed copy of the interim financial statements is available for inspection at the registered office.

AFRICAN BANK HOLDINGS LIMITED
CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

CONDENSED STATEMENT OF FINANCIAL POSITION
as at 31 March 2017

R million	% change	Unaudited As at 31 March 2017	Audited As at 30 Sept 2016
Assets			
Cash and cash equivalents	(23)	9 950	12 864
Statutory assets	>100	3 009	1 237
Derivatives	(77)	518	2 230
Net advances	(2)	19 701	20 111
Accounts receivable and other assets	3	238	232
Investment in insurance contracts	89	594	314
Property and equipment	(14)	478	553
Intangible assets	78	87	49
Deferred tax	>100	320	121
Total assets	(7)	34 895	37 711
Liabilities and equity			
Short-term funding	(82)	393	2 159
Derivatives	-	4	4
Creditors and other liabilities	(62)	488	1 286
Current tax	41	140	99
Bonds and other long-term funding	(2)	23 706	24 313
Subordinated bonds, debentures and loans	-	1 527	1 528
Total liabilities	(11)	26 258	29 389
Ordinary share capital	-	5	5
Ordinary share premium	-	9 995	9 995
Reserves and accumulated losses	(19)	(1 363)	(1 678)
Total equity (capital and accumulated losses)	4	8 637	8 322
Total liabilities and equity	(7)	34 895	37 711

AFRICAN BANK HOLDINGS LIMITED
CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 March 2017

R million	% change	Unaudited 6 months ended 31 March 2017	Unaudited 6 months ended 31 March 2016
Interest income on advances		2 610	-
Credit impairment charge		(1 058)	-
Interest after impairment		1 552	-
Other interest income	>100	439	6
Interest expense and similar charges	>100	(1 466)	(2)
Net interest income after impairment		525	4
Non- interest income		785	-
Remeasurement of insurance contracts		280	-
Operating costs		(1 217)	-
Gains on bond buy backs		11	-
Indirect taxation: VAT		(39)	-
Operating profit	>100	345	4
Goodwill impairment		-	-
Profit before taxation	>100	345	4
Taxation	>100	(30)	(1)
Profit for the period	>100	315	3
Attributable to:			
Owners of African Bank Holdings Limited			
Total comprehensive income for the six months		315	3

*The Group has no other comprehensive income for the reporting period.

AFRICAN BANK HOLDINGS LIMITED
CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 March 2017

R million	Ordinary share capital	Ordinary share premium	Accumulated Profit/ (loss)	Total
Balance at 30 September 2015 (audited)	-	-	-	-
Ordinary shares issued	5	9 995	-	10 000
Total comprehensive profit for the period	-	-	3	3
Balance at 31 March 2016 (unaudited)	5	9 995	3	10 003
Total comprehensive (loss) for the period	-	-	(1 681)	(1 681)
Balance at 30 September 2016 (audited)	5	9 995	(1 678)	8 322
Total comprehensive profit for the period	-	-	315	315
Balance at 31 March 2017 (unaudited)	5	9 995	(1 363)	8 637

AFRICAN BANK HOLDINGS LIMITED
CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

CONDENSED STATEMENT OF CASH FLOWS
for the six months ended 31 March 2017

R million	Unaudited 6 months to March 2017	Unaudited 6 months to March 2016
Cash flows from operating activities		
Cash generated from operations	1 713	7
Cash received from lending activities and cash reserves	3 824	7
Recoveries on advances previously written off	247	-
Cash paid to clients, funders, employees and agents	(2 358)	-
Increase in gross advances	(865)	-
Increase in statutory assets	(1 676)	-
Increase in customer deposits	62	-
Direct taxation paid	(189)	-
Indirect taxation paid	(39)	-
Net cash (outflow) / inflow from operating activities	(994)	7
Cash outflow from investing activities	(33)	(110)
Acquisition of property and equipment	(23)	-
Acquisition of intangible assets	(10)	-
Investment in insurance contracts	-	(110)
Cash (outflow) / inflow from financing activities	(1 875)	10 110
Long term funding raised / (redeemed)	(664)	110
Net short- term funding redeemed	(1 211)	-
Share capital issued for cash	-	10 000
(Decrease) / Increase in cash and cash equivalents	(2 902)	10 007
Cash and cash equivalents at the beginning of the year	12 864	-
Effect of exchange rate changes on cash and cash equivalents	(12)	-
Cash and cash equivalents at the end of the period	9 950	10 007

AFRICAN BANK HOLDINGS LIMITED

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

1. General information

African Bank Holdings Limited (“ABHL”) is a public company incorporated in the Republic of South Africa. ABHL is an unlisted registered bank controlling company under the Banks Act, Act 94 of 1990. The shares in ABHL are privately held by the South African Reserve Bank, the Government Employees Pension Fund, Absa Trading and Investments Solutions (Proprietary) Limited, Nedbank Limited, FirstRand Bank Limited, Investec Bank Limited, The Standard Bank of South Africa Limited and Capitec Bank Limited.

The company’s 100% held subsidiary African Bank Limited on 4 April 2016 entered into a 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 (in 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.

The company also holds 100% of the issued share capital of African Insurance Group Limited. Its main business is holding an investment in a cell captive structure provided by Guardrisk Insurance Company Limited (“Guardrisk”).

ABHL and its subsidiaries constitute the African Bank Holdings group of companies (“the Group”). The Group’s main business is providing unsecured personal loans.

2. Basis of preparation

The condensed interim financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, IAS 34 - Interim Financial Reporting, the South African Institute of Chartered Accountants (SAICA), Financial Reporting Guides as issued by the Accounting Practices Committee (APC) and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa (Act 71 of 2008).

The condensed interim financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The Group is using the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

3. Accounting policies

These condensed interim financial statements should be read in conjunction with the 2016 annual financial statements, which were prepared in accordance with IFRS. The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following amendments effective for the current period:

- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 – Financial Instruments: Disclosures
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 14 – Regulatory Deferral Accounts
- IAS 1 – Presentation of Financial Statements
- IAS 16 – Property, Plant and Equipment
- IAS 19 – Employee Benefits
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures
- IAS 34 – Interim Financial Statements
- IAS 38 – Intangible Assets
- IAS 41 – Agriculture

AFRICAN BANK HOLDINGS LIMITED

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

3. Accounting policies (continued)

The abovementioned amendments to the IFRS standards did not have any effect on the Group's financial results or disclosures and had no impact on the Group's accounting policies with exception for the following amendments:

- The amendments to IAS 1 clarified rather than significantly changed the existing IAS 1 requirements around materiality, order of presentation and disaggregation of the specific line items in the statement of profit or loss and other comprehensive income and the statement of financial position.
- The amendments to IAS 34, clarifying the meaning and the requirements for the disclosure of information "elsewhere in the interim financial report" were applied by the Group for the current financial period.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies management are required to make judgements, estimates and assumptions about income, expenses and the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates, judgements and assumptions.

In preparing these condensed interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 30 September 2016.

5. Advances and credit risk disclosures

The impairment provisions for gross advances are classified into three categories, namely specific impairment, portfolio specific impairment and incurred but not reported (IBNR) provisions.

Rmillion	31 March 2017		
	Loan	Credit card	Total
Financial assets that are neither past due nor specifically impaired			
CD 0	12 006	2 467	14 473
Financial assets that are past due and specifically impaired			
CD 1 to CD 3	1 573	1 603	3 176
CD 4 and higher	2 751	854	3 605
Total credit exposure	16 330	4 924	21 254
Total impairments	(971)	(485)	(1 456)
Incurring but not reported (IBNR)	(323)	(74)	(398)
Portfolio specific impairment	(392)	(241)	(632)
Specific impairment	(256)	(170)	(426)
Deferred administration fees	(97)		(97)
Net advances	15 262	4 439	19 701
Fair value			19 767

Conditional revocable retail loan commitments as at 31 March 2017 amounted to R788 million (30 September 2016: R822 million).

AFRICAN BANK HOLDINGS LIMITED
CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

5. Advances and credit risk disclosures (continued)

Rmillion	30 September 2016		
	Loan	Credit card	Total
Financial assets that are neither past due nor specifically impaired			
CD 0	11 197	2 478	13 675
Financial assets that are past due and specifically impaired			
CD 1 to CD 3	1 391	1 477	2 868
CD 4 and higher	3 026	989	4015
Total credit exposure	15 614	4 944	20 558
Total impairments	(321)	(41)	(362)
Incurring but not reported (IBNR)	(173)	(16)	(189)
Portfolio specific impairment	(124)	(22)	(146)
Specific impairment	(24)	(3)	(27)
Deferred administration fees	(85)	-	(85)
Net advances	15 208	4 903	20 111
Fair value			20 056

6. Interest income

Rmillion	6 months ended	6 months ended
	31 March 2017	31 March 2016
Interest income on advances	2 610	-
Interest on advances	2 436	-
Loan origination fees	48	-
Service fee	126	-
Other interest income	439	6
Interest received on cash reserves	439	6
	3 049	6

7. Non- interest income

Rmillion	6 months ended	6 months ended
	31 March 2017	31 March 2016
Credit card fees	190	-
Binder and outsourcing arrangements fees	215	-
Collection fees	378	-
Other income	2	-
	785	-

8. Interest expense and similar charges

Rmillion	6 months ended	6 months ended
	31 March 2017	31 March 2016
Subordinated debt	109	-
Unsecured listed bonds	667	-
Call deposits	51	-
Fixed deposits	183	-
Negotiable certificates of deposit	14	-
Interest on short-term facilities	225	-
Interest expense and similar charges from financial instruments measured at fair value through profit or loss	209	-
Other interest	8	2
	1 466	2

AFRICAN BANK HOLDINGS LIMITED

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

9. Cash received from lending activities and cash reserves

	6 months ended 31 March 2017	6 months ended 31 March 2016
Interest income (adjusted for non-cash items)	3 033	-
Non-interest income (adjusted for non-cash items)	791	-
	3 824	-

10. Fair value disclosures

10.1. Valuation models

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 Group determines fair values using other valuation techniques.

The Group 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).

10.2. Valuation techniques

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 Group currently measures and presents derivative assets and derivative liabilities at fair value, all other financial instruments are measured and presented at amortised cost. The Group 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 Group and the counterparty where appropriate.

AFRICAN BANK HOLDINGS LIMITED

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

10. Fair value disclosures (continued)

10.2. Valuation techniques (continued)

Fair value for disclosure

For instruments measured and presented at amortised cost, in determining the fair value for disclosure purposes, the Group 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 Group and the counterparty where appropriate.

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.

10.3. Valuation framework

The Group 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.

10.4. 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
31 March 2017				
Financial assets				
Derivative instruments	-	518	-	518
Total	-	518	-	518
Financial liabilities				
Derivative instruments	-	4	-	4
Total	-	4	-	4
30 September 2016				
Financial assets				
Derivative instruments	-	2 230	-	2 230
Total	-	2 230	-	2 230
Financial liabilities				
Derivative instruments	-	4	-	4
Total	-	4	-	4

There were no transfers between levels of the fair value hierarchy.

AFRICAN BANK HOLDINGS LIMITED
CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

10.5.Valuation techniques, significant unobservable 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 of the level 2 assets and liabilities for which fair value is measured:

31 March 2017 (unaudited)	Valuation basis / techniques	Main assumptions	Variance in fair value measurement	Effect on profit / (loss) (after tax) Rmillion
Assets				
Cross-currency interest rate swaps	Discounted cash flow	Discount rates	10% in spot rate	239
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	(27)
Liabilities				
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	4
30 September 2016 (audited)				
Assets				
Cross-currency interest rate swaps	Discounted cash flow	Discount rates	10% in spot rate	632
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	(39)
Liabilities				
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	6

10.6.Assets and liabilities for which fair value is disclosed*

Rmillion	Level 1	Level 2	Level 3	Total	Carrying value
31 March 2017					
Financial assets					
Government bonds	-	1 489	-	1 489	1 504
Treasury bills and debentures	-	1 128	-	1 128	1 128
Deposits with South African Reserve Bank	-	377	-	377	377
Net advances	-	-	19 767	19 767	19 701
Total	-	2 994	19 767	22 761	22 710
Liabilities					
Financial liabilities					
Short term funding	-	244	149	393	393
Unsecured bonds (listed on JSE)	-	9 569	-	9 569	9 588
Unsecured bonds (listed on foreign stock exchange)	-	5 484	-	5 484	5 525
Unsecured long- term loans	-	8 281	-	8 281	8 106
Unlisted bonds	-	325	-	325	347
Subordinated bonds, debentures and loans	-	1 534	-	1 534	1 527
Other long term funding	-	-	140	140	140
Total	-	25 437	289	25 726	25 626

AFRICAN BANK HOLDINGS LIMITED
CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

10.6.Assets and liabilities for which fair value is disclosed* (continued)

Rmillion	Level 1	Level 2	Level 3	Total	Carrying value
30 September 2016					
Financial assets					
Government bonds	-	470	-	470	466
Treasury bills and debentures	-	397	-	397	397
Deposits with South African Reserve Bank	-	374	-	374	374
Net advances	-	-	20 056	20 056	20 111
Total	-	1 241	20 352	21 593	21 644
Liabilities					
Financial liabilities					
Short term funding	-	2 159	-	2 159	2 159
Unsecured bonds (listed on JSE)	-	9 556	-	9 556	9 444
Unsecured bonds (listed on foreign stock exchange)	-	5 781	-	5 781	5 754
Unsecured long- term loans	-	8 783	-	8 783	8 786
Unlisted bonds	-	330	-	330	329
Subordinated bonds, debentures and loans	-	1 535	-	1 535	1 528
Total	-	28 144	-	28 144	28 000

*The following items fair value is 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;
- 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.

AFRICAN BANK HOLDINGS LIMITED

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

11. Investment in insurance contracts

Rmillion	Unaudited March 2017	Audited September 2016
African Insurance Group Limited Cell No. 00124		
Initial investment	281	281
Re-measurement of investment in insurance contracts	313	33
Carrying value as at	594	314
Re-measurement of investment in insurance contracts		
Opening balance	33	-
Net premiums earned	280	33
Premium earned	911	1 104
Claims costs	(327)	(385)
Investment income	34	24
Fees and commission paid	(194)	(226)
Actuarial movements	(9)	(440)
Taxation	(135)	(44)
Distributions paid to cell shareholders	-	-
Closing balance	313	33

The group has entered into a cell captive arrangement whereby the group as cell shareholder is able to sell insurance products under its own brand. Guardrisk is the principle to the insurance contract, although the business is underwritten on behalf of the group as cell shareholder. Under this arrangement Guardrisk undertakes the professional insurance and financial management of the cell, including functions related to underwriting, reinsurance, management of claims, actuarial and statistical analyses and investment and accounting services.

Insurance risk is the possibility that the insured event occurs and that benefit payments and expenses exceed the carrying amount of the insurance liabilities. Insured events are random and the actual number and amount of claims and benefits will vary from year to year. Statistically, the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. Similarly, diversification of the portfolio with respect to risk factors reduces insurance risk. Guardrisk is responsible for evaluating all retention of risks in terms of statistical and underwriting disciplines, under the mandate set for the cell arrangement.

Factors that aggravate insurance risk include those arising from a lack of risk diversification in terms of type and amount of risk, geographical area and specific industries covered. The group sells not only credit and life insurance products, but also funeral policies which introduces diversification into the portfolio.

The group manages these risks through its agreement with Guardrisk. The main risks to which the group is exposed include:

- Mortality, and morbidity risks (the risk that actual experience in respect of the rates of mortality and morbidity may be higher than that assumed in pricing and valuation varies, depending on the terms of different products);
- Contract persistency risk (the risk that policyholders may cease or reduce their contributions or withdraw their benefits and terminate their contracts prior to the contractual maturity date of a contract);
- Expense risk (there is a risk that the group may experience a loss due to actual expenses being higher than that assumed when pricing and valuing policies); and
- Business volume risk (the risk that the group may not sell sufficient volumes of new business to meet the expenses associated with distribution and administration).

These risks are mitigated through the cell captive arrangement with Guardrisk, which is experienced in the professional insurance and financial management of insurance contracts, and has a proven track record that the group has determined can be relied upon.

In determining the value of insurance liabilities, assumptions need to be made regarding future rates of mortality and morbidity, termination rates, expenses and investment performance. The uncertainty of these rates may result in actual experience being different from that assumed and hence actual cash flows being different from those projected. In the extreme, actual claims and benefits may exceed the liabilities. The risk is mitigated to an extent through the addition of compulsory and discretionary margins, specifically where there is evidence of moderate or extreme variation in experience and the extensive use of reinsurance.

AFRICAN BANK HOLDINGS LIMITED

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

12. Related parties balances and transactions

African Bank Limited has granted a revolving loan facility to its holding company, African Bank Holdings Limited. The highest balance during the period was R312 million (2016: R296 million). The loan is unsecured, repayable on 20 business days' notice and subject to interest at JIBAR plus 320 basis points. The outstanding loan balance as at 31 March 2017 is R312 million (2016: R296 million).

13. Contingent liabilities and commitments

The outstanding conditionally revocable loan commitments are disclosed as part of the credit risk disclosure. There were no significant changes in other contingent liabilities and commitments compared to those disclosed in 2016 annual financial statements.

14. Events after the reporting period

There were no material matters or circumstances arising since the reporting period end, not otherwise dealt with in these condensed interim financial statements, which significantly affects the financial position as at 31 March 2017 or the results of its operations or cash flows for the six months then ended.

15. Reclassification of certain amounts in the statement of cash flows

African Bank Limited, a wholly owned subsidiary of African Bank Holdings Limited, commenced its business on 4 April 2016 by acquiring an impaired advances portfolio in terms of the restructuring of the entity currently known as Residual Debt Services Limited (in Curatorship) - the entity previously known as African Bank Limited. The IFRS requirements around accounting for an impaired advance portfolio are complex and management is continuously striving to improve the disclosures for this portfolio.

In the current financial period African Bank Limited has reconsidered the way in which certain cash flows attributable to the acquired portfolio are classified within the statement of cash flows. Instead of being classified as part of the cash flows from lending activities, such cash flows will be classified within cash flows attributable to the movement in gross advances. The revised classification has been applied in these interim financial statements and could result in a restatement to the statement of cash flows for September 2016 being restated on the above mentioned basis.

16. Other matters

During the reporting period, funding with the face value R664 million was bought back by African Bank Limited. There were no other material debt instruments issued or settled during the period.

There were no material acquisitions or disposals of property and equipment or intangible assets during the reporting period. No impairment losses were recognised in connection with items of property and equipment, intangible assets or financial assets other than advances.

There were also no changes in authorised or issued share capital of ABHL during the first six months of the 2017 financial year.