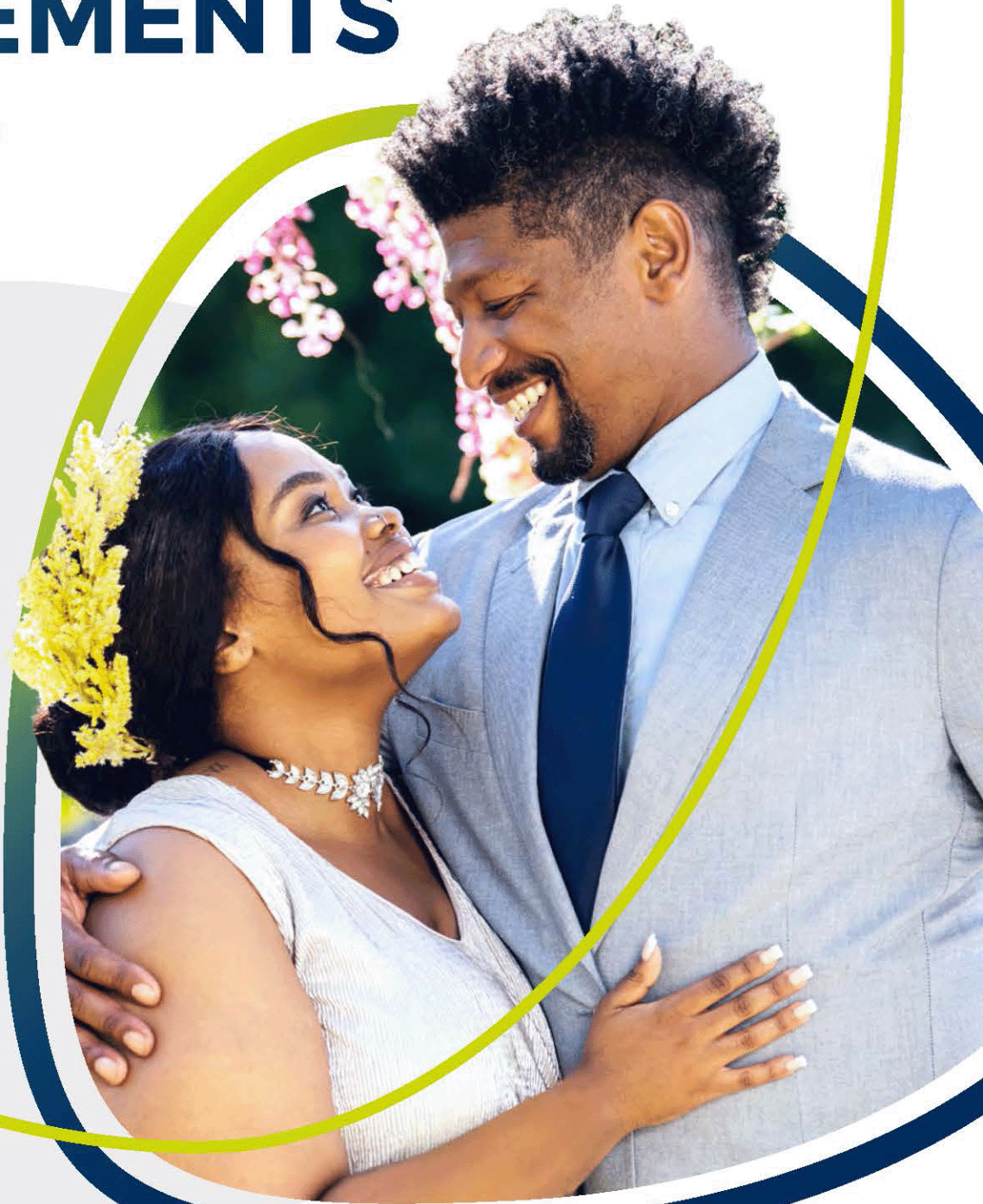


AFRICAN BANK GROUP CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

*for the year ended
30 September 2022*



African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated Annual Financial Statements

for the year ended 30 September 2022

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African Bank Holdings Limited

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Consolidated Annual Financial Statements

for the year ended 30 September 2022

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The Consolidated Annual Financial Statements represent the financial position and financial results of African Bank Holdings Limited. African Bank Holdings Limited and its 100% held subsidiaries, African Bank Limited and African Insurance Group Limited constitute the African Bank Holdings Limited Group ("the Group").

The Directors are responsible for the preparation and fair presentation of the Consolidated and Company's Annual Financial Statements, comprising of the Consolidated Statement of Financial Position as at 30 September 2022, the Consolidated Statement of Total Comprehensive Income, the Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year-end, and the 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 in the manner required by the Companies Act of South Africa No. 71 of 2008 ("the Companies Act") and the JSE Debt Listings Requirements.

The Directors' responsibilities include:

- 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.

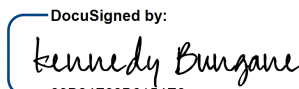
The Directors have made an assessment of the Group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.


The Board of Directors have executed their responsibilities in relation to the requirements of the Board Evaluation Policy. This policy allows for Board members to identify key development areas, improve competencies and improving the composition of the Board through identifying needed skills to inform the nomination and election processes of new Board members. The Annual Board, Board Committee and peer assessments were concluded internally in August 2022 and a report outlining the areas of improvement was tabled during the Board cycle in August 2022. The assessment results will be reported in the Environment, Social and Governance ("ESG") report annexed to the Annual Integrated Report ("AIR"). The Group also considers the independence of Directors in its annual Board evaluation process.

The Auditor is responsible for reporting on whether the Consolidated and Company Annual Financial Statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Consolidated and Company Annual Financial Statements found on pages 22 to 117 were approved by the Board of Directors on 29 November 2022 and are signed on its behalf by:

DocuSigned by:

83B24F68B6154E8...
K Bungane
Director

DocuSigned by:

124E3114598642F...
G Raubenheimer
Director

Midrand
29 November 2022

A signed copy of the Consolidated Annual Financial Statements is available for inspection at the registered office as specified in Annexure D to these Financial Statements.

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated and Separate Annual Financial Statements

for the year ended 30 September 2022

CERTIFICATE BY THE GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I certify that, in respect of the year ended 30 September 2022, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission, all returns and notices prescribed by the Companies Act and that all such returns and notices are true, correct and up to date.

DocuSigned by:



0B8658ED19DD42A...

Maliga Chetty

Group Company Secretary

Midrand

29 November 2022

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated and Separate Annual Financial Statements

for the year ended 30 September 2022

AUDIT AND COMPLIANCE COMMITTEE REPORT

PURPOSE OF THE AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee ("the Committee" or "the AuditCom") is constituted in terms of Section 94(7) of the Companies Act No. 71 of 2008 ("the Companies Act"), as amended, and in accordance with Section 64 of the Banks Act No. 94 of 1990 ("the Banks Act"). The main purpose of the Committee is to assist the Board in discharging its duties relating to the safeguarding of assets, information technology governance and control matters, accounting systems and practices, the integrity of internal financial control processes and the preparation of accurate financial reporting and Financial Statements in compliance with all legal requirements, accounting standards and the JSE Debt Listings Requirements.

MEMBERSHIP AND ATTENDANCE

The AuditCom consists of five members and one permanent invitee, who are all independent Non-Executive Directors. The Committee meets at least four times annually with additional meetings scheduled as deemed necessary to achieve its objective, or upon request from the Board or Committee members.

During the course of the financial year, Dhevendren Dharmalingam was appointed to the Board of African Bank Holdings Limited, with effect from 01 April 2022. Following this appointment, he became a member of the AuditCom, effective 01 April 2022. Hemmanth Singh was appointed to the Boards of African Bank Holdings Limited and African Bank Limited with effect from 21 December 2021. Following this appointment, he became a permanent invitee to the AuditCom effective 11 April 2022.

The names of the members and attendance at meetings are reflected below:

Name	21-Oct 2021 ¹	9-Nov 2021 ¹	16-Nov 2021	16-Feb 2022	11-May 2022	17-Aug 2022	14-Sep 2022 ¹
Members							
Robert Hutchinson-Keip (Chairman)	✓	✓	✓	✓	✓	✓	✓
Spyridon (Spiro) Georgopoulos	✓	✓	✓	✓	✓	✓	✓
Maureen Manyama	✓	✓	✓	✓	✓	✓	✓
Nonzukiso Siyotula	✓	✓	✓	✓	✓	✓	✓
Dhevendren Dharmalingam (Appointed on 01-April 2022)	-	-	-	-	✓	✓	✓
Sydney Mhlari (Resigned 24-Nov 2021)	✓	✓	✓	-	-	-	-
Hemmanth Singh (Appointed on 11-April 2022)	-	-	-	-	✓	✓	- ²
Total attendance	5/5	5/5	5/5	4/4	6/6	6/6	5/5

¹ Special meetings held

² No IT items on agenda

✓ Attended

X Not attended

- Not applicable

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated and Separate Annual Financial Statements
for the year ended 30 September 2022

AUDIT AND COMPLIANCE COMMITTEE REPORT

The Internal and External Auditors attended and reported at all the meetings of the AuditCom, as required. The Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Internal Auditor and Group Chief Compliance Officer attend all meetings by invitation. The Chairman of the Board, Thabo Dloti, has a standing invitation to all AuditCom meetings.

FUNCTIONS OF THE AUDIT AND COMPLIANCE COMMITTEE

Given the previous corporate governance failures and scandals within the South African business environment, the AuditCom continuously and critically assesses the adequacy of its terms of reference and the responsibilities included therein, with specific reference and consideration to the lessons that could be learnt from these events.

The AuditCom has approved the AuditCom terms of reference and has discharged the functions in terms thereof as set out below.

In respect of the External Auditors and the external audit:

- appointment of KPMG Incorporated (“KPMG”) as the External Auditor for the 2022 financial year. The voluntary audit rotation was recommended by the AuditCom in order to ensure independence and was approved by the shareholders of African Bank Holdings Limited at its extraordinary general meeting which took place on 12 August 2021 and by the Prudential Authority of the South African Reserve Bank on 15 February 2022, in accordance with all applicable legal requirements;
- approved the External Auditors’ terms of engagement, the audit plan and budgeted audit fees payable;
- reviewed the audit process and evaluated the effectiveness of the External Auditors;
- obtained assurance from the External Auditors that their independence was not impaired;
- considered the nature and extent of all non-audit services provided by the External Auditors;
- approved proposed contracts with the External Auditors for the provision of non-audit services; and
- confirmed that no reportable irregularities were identified and reported by the External Auditors in terms of the Auditing Profession Act 26 of 2005.

In respect of the Financial Statements:

- examined and reviewed the Annual Financial Statements prior to submission and approval by the Board;
- reviewed reports on the adequacy of the provisions for performing and non-performing loans and impairment of other assets;
- ensured that the Annual Financial Statements fairly presented the financial position of the Group as at the end of the financial year and the results of operations and cash flows for the financial year, and considered the basis upon which the Group was determined to be a going concern;
- ensured that the Annual Financial Statements comply with IFRS in all material respects;
- considered accounting treatments, significant unusual transactions and accounting judgements;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed and discussed the External Auditors’ audit report;
- noted that there were no material reports or complaints received concerning accounting practices, Internal Audit, internal controls, the content of the Consolidated Annual Financial Statements and related matters;
- considered the impact of inflation arising from the conflict between Russia and Ukraine on provisions, revenue recognition, the going concern assessment, financial and non-financial assets and current and future Group operations; and
- reviewed and considered the approach adopted in defining audit materiality.

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated and Separate Annual Financial Statements
for the year ended 30 September 2022

AUDIT AND COMPLIANCE COMMITTEE REPORT

In respect of internal control and Internal Audit:

- reviewed and approved the Internal Audit charter and annual audit plan;
- evaluated the independence, effectiveness and performance of the Internal Audit function and compliance with its charter;
- considered reports of the Internal and External Auditors on the Company's systems of internal control, including internal financial controls and the maintenance of effective internal control systems;
- reviewed significant issues raised by the Internal Audit processes and the adequacy of corrective action in response to such findings;
- noted that there were no significant differences of opinion between the Internal Audit function and management;
- assessed the adequacy of the performance of the Internal Audit function and the adequacy of the available Internal Audit resources and implemented changes under a restructuring programme to ensure adequate performance of the function;
- reviewed the representations from Internal Audit and the Combined Assurance Forum with no information indicating a material breakdown in internal controls, including internal financial controls, resulting in any material loss to the Group for the year under review;
- met with the Group Chief Internal Auditor, the Group Chief Compliance Officer, management and the External Auditors, over the course of the year; and
- considered the routine independent quality assurance review of audit execution, the results of which confirmed that Internal Audit had generally conformed with the International Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.

In respect of legal, regulatory and compliance requirements:

- reviewed, with management, legal, regulatory and compliance matters identified that could have a material impact on the Group;
- monitored compliance with the Companies Act, the Banks Act and all other applicable legislation including governance codes;
- reviewed reports from Internal Audit, External Auditors and Compliance detailing the extent of legal matters;
- noted that no complaints were received from the Group's Sustainability, Ethics and Transformation Committee concerning the ethics relating to accounting matters, Internal Audit, internal financial controls, the contents of Financial Statements, potential violations of the law and questionable accounting or auditing matters;
- reviewed and approved the compliance mandate and annual compliance plan;
- reviewed any significant legal and tax matters that could have had a material impact on the Financial Statements;
- reviewed and recommended that the Integrated Report to be adopted by the Board;
- satisfied itself that the Group has met the requirements emanating from the principles contained in the King IV Report on Corporate Governance ("King IV"), which appears on the Company's website (<https://www.africanbank.co.za/en/home/environmental-social-and-governance-reports/>).

In respect of risk management and IT:

- considered and reviewed reports from management on risk management, including fraud and IT risks as they pertained to financial reporting and the going concern assessment.

In respect of the coordination of assurance activities:

- reviewed the plans and work outputs of the External and Internal Auditors as well as Compliance, and concluded that these were adequate to address all significant financial risks facing the business;
- considered the expertise, resources and experience of the finance function and the members of senior management responsible for this function and concluded that these are appropriate; and
- considered the appropriateness of the experience and expertise of the Group Chief Financial Officer (and who serves as an Executive Director) and concluded that these are appropriate.

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated and Separate Annual Financial Statements
for the year ended 30 September 2022

AUDIT AND COMPLIANCE COMMITTEE REPORT

KEY FOCUS AREAS FOR THE AUDIT COMMITTEE

During the year under review, the AuditCom focused on the following key areas:

- the changes to the Group's assumptions post Covid-19;
- the impact of inflation due to the Russia and Ukraine conflict on the Group's reported results and operations;
- the ongoing review of the impairment calculations;
- introduction of a process to review IT operational, risk and compliance matters at the Committee;
- regulatory and Prudential Authority matters;
- reviewed the progress of the anti-money laundering programme;
- the assessment of the staffing and structure of the internal audit and compliance functions to ensure alignment with the 'Excelerate25' growth strategy;
- long-term and short-term liquidity of the Group;
- finance department efficiency and optimisation;
- the review and approval of the Combined Assurance Model and monitoring the adequacy of the processes around the model;
- the review of financial performance;
- consideration and approval of the appointment of the new External Auditor;
- considers IFRS compliance and the impact of new accounting standards;
- Income Tax and VAT matters; and
- mergers and acquisitions and accounting treatment thereof as well as the expected impact on the Group's performance.

INDEPENDENCE OF EXTERNAL AUDITORS

The AuditCom has satisfied itself that the Auditors are independent of the Group in accordance with section 94(8) of the Companies Act, which includes consideration of the Auditors' previous appointments, the extent of non-audit work undertaken and compliance with criteria relating to the independence or conflict of interest as prescribed by the Independent Regulatory Board for Auditors.

In the current financial year KPMG did not perform any non-audit work. However, prior to their appointment as auditors of the Group, KPMG assisted Internal Audit perform internal financial control audits. The total fees paid in this regard amounted to R841 945. During the 2021 financial year, the predecessor auditors (PwC) performed non-audit services amounting to R6 759 000.

Requisite assurance was sought from and provided by the External Auditors that the internal governance processes within the audit firm support and demonstrate its claim of independence.

The AuditCom has assessed and satisfied itself of Mr. Pierre Fourie's (audit partner) experience and knowledge in terms of section 22(15)(h) of the JSE Listings Requirements.

STATEMENT ON INTERNAL FINANCIAL CONTROLS, ACCOUNTING PRACTICES AND CONSOLIDATED AND COMPANY ANNUAL FINANCIAL STATEMENTS

Based on the work of the Group's assurance providers, nothing has come to the attention of the Committee that indicates that the Group's system of internal financial controls and accounting practices, in all material respects, do not provide a basis for reliable Annual Financial Statements.

The Committee is satisfied that the Consolidated and Company Annual Financial Statements are in compliance, in all material respects, with the requirements of the Companies Act and International Financial Reporting Standards, and it has recommended the Consolidated and Company Financial Statements for approval by the Board.

This report was approved by the AuditCom and signed on its behalf by the Chairman of the Committee, Mr. Robert Hutchinson-Keip, on 29 November 2022.

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated and Separate Annual Financial Statements
for the year ended 30 September 2022

AUDIT AND COMPLIANCE COMMITTEE REPORT

DocuSigned by:



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Robert Hutchinson-Keip

Chairman of the Audit and Compliance Committee

29 November 2022

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated and Separate Annual Financial Statements
for the year ended 30 September 2022

DIRECTORS' REPORT

The Directors present their report to the shareholders, together with the audited Separate Annual Financial Statements of African Bank Holdings Limited ("the Company" and/or "ABHL") and the audited Consolidated Annual Financial Statements of the Company and its subsidiaries ("the Group") for the financial year ended 30 September 2022.

NATURE OF THE BUSINESS

African Bank Holdings Limited is an unlisted public company registered as a bank controlling company under the Banks Act, 94 of 1990, as amended, which operates within the Republic of South Africa. The Company's main business is holding investments in its subsidiaries, namely African Bank Limited ("the Bank" and/or "ABL") and African Insurance Group Limited ("AIG"). The Group's business operations is primarily in retail banking with the core product offering consisting of unsecured lending (personal loans and credit cards), transactional banking (including overdrafts) and retail investments. In the current period the Group has extended its product offering to include corporate lending, whilst concurrently serving as an agent to provide consummate credit and life insurance cover to customers of the Bank.

SHARE CAPITAL

The authorised share capital of the Company is 2 000 000 000 ordinary par value shares of R0.01 each (2021: 2 000 000 000 shares, ordinary par value shares of R0.01 each).

No shares were issued during the current or previous financial years. At 30 September 2022, the issued ordinary share capital totalled 500 000 000 (2021: 500 000 000) shares at par value of R0.01 each representing R5 million (2021: R5 million). The Company has 1 500 000 000 unissued ordinary shares (2021: 1 500 000 000).

FINANCIAL RESULTS

The financial results for the year ended 30 September 2022 are set out on pages 22 to 117 of these Consolidated and separate Annual Financial Statements. The Group reported a net profit after tax of R736 million for the 2022 financial year (2021: net profit after tax of R534 million).

BORROWING POWERS

In terms of the Memorandum of Incorporation, the Group has unlimited borrowing powers.

The total borrowings of the Group at 30 September 2022 was R16.6 billion (2021: R16.9 billion). Full details of the borrowings are shown in notes 13, 14 and 15 to the Consolidated Annual Financial Statements.

EVENTS AFTER THE REPORTING DATE

The Directors are not aware of material events occurring between the reporting date and the date of authorisation of these Consolidated and Company Annual Financial Statements as defined in IAS 10 Events after the Reporting Period ("IAS 10") that have not been disclosed in note 37.

Acquisitions

In the 2023 financial year, ABL has acquired 100% ordinary share capital of Grindrod Financial Holdings Limited ("GFH") which represents 100% of the voting rights. ABL has also acquired 100% of the preference shares issued by Grindrod Bank Limited ("GBL"), a 100% subsidiary of GFH. This acquisition constitutes a business as defined in IFRS 3 and is a key part of the Bank's 'Excelerate25' strategy to expand its core as it enables ABL to accelerate its entry into the South African corporate banking sector by acquiring valuable sectoral expertise and an existing customer base. The acquisition was subject to regulatory approvals which were provided on 6 October 2022, with an effective date of 1 November 2022. Therefore ABL obtained control of GFH and GBL (in terms of IFRS 10 Consolidated Financial Statements ("IFRS 10")) in the 2023 financial year.

In the 2023 financial year, ABL has acquired certain assets and liabilities from Ubank Limited ("Ubank"), which constitutes a business as defined by IFRS 3. This acquisition fits into the Group's Excelerate25 strategy of building a scalable, diversified and sustainable banking business. The acquisition was subject to regulatory approvals which were provided on 31 October 2022, with an effective date of 1 November 2022. Therefore ABL obtained control of Ubank (in terms of IFRS 10 Consolidated Financial Statements ("IFRS 10")) in the 2023 financial year.

Refer to note 37 (Events after the reporting period note).

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated and Separate Annual Financial Statements
for the year ended 30 September 2022

DIRECTORS' REPORT

GOING CONCERN

The Directors have satisfied themselves that the Group is in a sound financial position and that sufficient cash reserves and borrowing facilities are accessible to enable the Group to meet its foreseeable cash requirements.

The core function of the Bank is to facilitate financial liquidity by matching the financial requirements of its customers with the funding provided by equity and debt investors. Invariably the maturity of the funding required and that of the funding provided is not equally matched, which gives rise to the required facilitation function performed by the Bank. The consequent mismatch is inherent to the business of the Group and the resultant liquidity risk to which the Group is exposed. The mitigating policies and controls applied by the Group, are disclosed in note 29 to these Financial Statements.

The Board took liquidity risk into account in its assessment that the Group is a going concern. In the Board's opinion there is no material uncertainty regarding the Group's ability to meet its obligations and to pay its debts as they become due in the ordinary course of business.

The Board's assessment is based on judgement applied to uncertain future events, which are significant and impacts the Group's ability to raise funding and generate cash and cash equivalents from assets held by the Group. The acquisition of Grindrod Financial Holdings Limited ("GFH") and the acquisition of certain assets and liabilities of Ubank Limited ("Ubank") are material transactions. In considering the Group's going concern assumption with respect to the existing and expected future economic conditions, the Board (through its subcommittees) assessed the Group's budgets and cash flow forecasts, including the impacts of GFH and Ubank. In the Board's opinion, the Group's ability to raise funding and generate cash and cash equivalents is expected to continue.

In the 2020 financial year the Group entered into a shareholders support and assistance arrangement ("Support Arrangement") with the shareholders of ABHL. The Group together with the ABHL shareholders, have agreed to cancel the Support Arrangement with effect from 1 October 2022. To ensure that the Group is able to meet its obligations and to pay its debts as they become due, the Group has a number of initiatives, which includes its significant retail funding portfolio, and its continued presence in the wholesale market to secure funding from the capital markets.

In addition, there have been no material change in the markets in which the Group operates, and it has the necessary skills to continue operations.

On this basis, the Directors consider that the Group has adequate resources to continue operating for the foreseeable future and, therefore, deem it appropriate to apply the going concern basis in preparing the Group's Annual Financial Statements for this financial year.

MAJOR CAPITAL EXPENDITURES

During the current financial year, the Group made additions to its capital assets to the value of R92 million (2021: R76 million), with R51 million being for property plant and equipment (2021: R30 million) and R41 million for intangible assets (2021: R46 million). The additions to leases in terms of IFRS 16 Leases are excluded from the capital assets values.

REGULATORY APPROVAL

As at the date of this Directors' Report, the Directors are not aware of any pending regulatory approval that impacts the financial position and performance as detailed in the Consolidated Annual Financial Statements as at 30 September 2022.

REVIEW OF PERFORMANCE OF BOARD, COMMITTEES AND DIRECTORS

Board processes provide for the "Review of the Performance of the Board, its Committees and Assessment of Performance of Directors". In the current year the Board undertook an annual assessment of the performance of the Board, its Committees and individual Directors, including a peer assessment and self-assessment on all Directors. This process was concluded during August 2022 and reported to the Directors' Affairs and Governance Committee and Board meeting held 26 August 2022.

CHANGES IN DIRECTORS AND BOARD COMMITTEES

The following changes in Directors have taken place during the 2022 financial year, and up to 29 November 2022.

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated and Separate Annual Financial Statements
for the year ended 30 September 2022

DIRECTORS' REPORT

Appointments

Hemmanth Singh was appointed as an independent Non-Executive Director on 21 December 2021. The appointment was made to fill a vacancy as well as add to the skill set on the Board.

Dhevendren Dharmalingam was appointed as an independent Non-Executive Director on 1 April 2022. The appointment was made to fill a vacancy as well as add to the skill set on the Board.

Zwelibanzi Manyathi was appointed as an Executive Director on 22 September 2022. The appointment was made to add to the skill set on the Board.

Chrisanthi Michaelides (current Head of Strategic Finance for ABL and ABHL) and Rakesh Garach (CFO for GBL), have been jointly appointed as ABL and ABHL's Acting CFOs effective from 3 December 2022 until the recruitment of a full-time permanent CFO is finalised. Chrisanthi and Rakesh have been appointed as ex officio Acting Executive Directors on the Boards of ABL and ABHL, in accordance with the ABL and ABHL's selection and nomination policy.

Resignations

Sydney Mhlari resigned from the Board with effect from 24 November 2021 due to an increase in workload associated with personal business interests.

Gustav Raubenheimer resigned from the positions of Group CFO, Acting Group Executive: Lending Decisions and Data Sciences, Executive Director on the Boards of ABL and ABHL and Debt Officer, effective 2 December 2022. The process to recruit and appoint a new CFO is at an advanced stage. In the interim, Chrisanthi Michaelides and Rakesh Garach, have been jointly appointed as ABL and ABHL's Acting CFOs until the recruitment of a full-time permanent CFO is finalised. Refer to appointment mentioned above.

Dhevendren Dharmalingam and Nonzukiso Siyotula resigned as independent non-executive directors from the Board of ABL with effect from 11 April 2022. The resignations were necessitated since the ABHL and ABL Board compositions were identical and resulted in unintended legal repercussions when certain shareholder resolutions were required to be passed by the ABL shareholder. The resignations of Dhevendren Dharmalingam and Nonzukiso Siyotula from the ABL Board would resolve this unintended legal issue. Dhevendren Dharmalingam and Nonzukiso Siyotula will remain as Directors on the ABHL Board.

The following changes in Board committees have taken place during the 2022 financial year end up to 29 November 2022:

Appointments

Hemmanth Singh was appointed as a member of the Risk and Capital Management Committee ("RCMC") with effect from 13 January 2022. The appointment was made to fill a vacancy as well as to add to the skill set. Hemmanth Singh was also appointed as a permanent invitee of the Audit and Compliance Committee ("AuditCom") from 11 April 2022. The reason for this change is to address a recommendation from the Prudential Authority relating to IT governance and controls. Hemmanth Singh will strengthen the AuditCom, specifically with his IT and digital skills and experience.

Lindiwe Dlamini, a member of the Sustainability, Ethics and Transformation Committee ("SETCom"), was appointed as the Chairperson of the Committee with effect from 1 April 2022 and was also appointed as a member of the Directors Affairs and Governance Committee with effect from 1 April 2022. The appointments were made to fill a vacancy as well as to add to the skills set.

Dhevendren Dharmalingam was appointed as a member of the AuditCom and a member of the SETCom with effect from 1 April 2022. The appointments were made to fill a vacancy as well as to add to the skills set.

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated and Separate Annual Financial Statements
for the year ended 30 September 2022

DIRECTORS' REPORT

New Committees:

The formation of the Special Projects and Large Exposures Committee ("SPLEC") was approved by the Board, as an official Committee of the Board on 9 February 2022. The objectives of the Committee are to approve special projects as identified from time to time, and large exposures outside of the management delegation of authority. The following individuals were appointed as members of the Committee or to fill a vacancy:

- Thabo Dloti (Chairperson)
- Happy Ralinala
- Peter Temple
- Robert Hutchinson-Keip
- Spyridon Georgopoulos
- Lindiwe Dlamini with effect from 1 April 2022
- Kennedy Bungane
- Gustav Raubenheimer (until 2 December 2022)
- Petrus Swanepoel
- Ben Motshoane - as Proxy for Head of Credit Risk

Resignations

Sydney Mhlari resigned as a member of the RCMC and AuditCom with effect from 24 November 2021. Membership has been filled by a new appointment due to his resignation.

Happy Ralinala resigned as Chairperson of the SETCom on 31 March 2022 however, will continue to serve as a member.

Thabo Dloti resigned as a member of the SETCom on 31 March 2022. Mr Dloti was appointed as a member as an interim measure until further non-executive directors were appointed to the Board and Board Committees.

Gustav Raubenheimer resigned as a member of the SPLEC with effect from 2 December 2022 due to his resignation as Executive Director from the Boards of ABL and ABHL.

African Bank Holdings Limited Board of Directors

Independent Non-Executive Directors

Thabo Dloti (Chairperson)
Sydney Mhlari (resigned 24 November 2021)
Peter Temple
Happy Ralinala
Robert Hutchinson-Keip
Spyridon Georgopoulos
Maureen Manyama
Lindiwe Dlamini
Nonzukiso Siyotula
Dhevendren Dharmalingam (appointed 01 April 2022)
Hemmanth Singh (appointed 21 December 2021)

Executive Directors

Kennedy Bungane
Gustav Raubenheimer (until 2 December 2022)
Zwelibanzi Manyathi (appointed 22 September 2022)
Chrisanthi Michaelides (from 3 December 2022)
Rakesh Garach (from 3 December 2022)

Details regarding the experience and qualifications of Directors can be found on the African Bank website (<https://www.africanbank.co.za/en/home/about-us-our-company/>).

DIVIDENDS TO ORDINARY SHAREHOLDERS

No dividends were declared or paid by the Board of Directors during the current or previous financial year.

COMPANY SECRETARY AND REGISTERED OFFICE

Maliga Chetty is the Group Company Secretary. Her business and postal address is disclosed in Annexure D to these Financial Statements.

REMUNERATION AND EMPLOYEE INCENTIVE PARTICIPATION SCHEMES

Details in respect of Directors' remuneration and the Group's incentive scheme are disclosed in the long-term incentive note and the remuneration note (refer to note 35 and 39).

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated and Separate Annual Financial Statements
for the year ended 30 September 2022

DIRECTORS' REPORT

DIRECTORS INTEREST IN SHARES

The Directors have no direct or indirect interest in the issued share capital of the Company.

DEBT OFFICER

Pursuant to paragraphs 6.39(a) and 7.3(g) of the JSE Debt Listings Requirements ("the Requirements"), Gustav Raubenheimer has been the Debt Officer for the Group for this financial year. The Board has considered and is satisfied with the competence, qualifications and experience of the Debt Officer. Gustav Raubenheimer resigned as Debt Officer with effect from 2 December 2022 due to his resignation as Executive Director from the Boards of ABL and ABHL.

Chrisanthi Michaelides has been appointed as the Debt Officer, effective 3 December 2022. The Board has considered and is satisfied with the competence, qualifications and experience of the Debt Officer.

AUDITORS

The appointment of KPMG Incorporated ("KPMG") as the External Auditor for FY2022 was approved by the shareholders of African Bank Holdings Limited at the AGM held on 12 August 2021 and by the Prudential Authority of the South African Reserve Bank on 15 February 2022.

The Audit and Compliance Committee has assessed and satisfied itself of Pierre Fourie's experience and knowledge in terms of section 7.3(e) and section 22 of the Listing Requirements.

SPECIAL RESOLUTIONS BY AFRICAN BANK HOLDINGS LIMITED

The following special resolutions were passed during the current financial year:

- Approval of fees for Non-Executive Directors
- ABHL, as the sole shareholder of ABL approved the acquisition of certain assets and liabilities of Ubank Limited by ABL in accordance with the terms and conditions as contained in the Sale and Business Agreement.

INTEREST OF DIRECTORS AND OFFICERS IN TRANSACTIONS

The Directors confirm that no material contracts were entered into in that Directors and Officers of the Group had an interest and that significantly affected the business of the Group. The Directors had no interest in any third party or company responsible for managing any of the business activities of the Group.



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Independent Auditor's Report

To the shareholders of African Bank Holdings Limited

Opinion

We have audited the consolidated and separate financial statements of African Bank Holdings Limited (the Group and Company) set out on pages 22 to 117, which comprise the consolidated and company statements of financial position at 30 September 2022, the consolidated and company statements of total comprehensive income, the consolidated and company statements of changes in equity year then ended and the consolidated and company statements of cash flows year then ended, notes to the consolidated and company annual financial statements, including a summary of significant accounting policies and Annexure A: adoption of new standards and Interpretation.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of African Bank Holdings Limited at 30 September 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and



in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report on the separate financial statements.

Expected credit losses on loans and advances (retail advances) (Group)	
Refer to note 1.5.6 for financial assets at amortised cost, note 1.5.8 for impairment on advances, note 2 net advances, note 18 credit impairment charge, note 27 credit risk and note 38.2 change in estimate	
Key audit matter	How the matter was addressed in our audit
<p>The main business operations of the Group is to provide unsecured retail loans, and accordingly we considered the credit risk associated with these retail advances and the related expected credit losses. Gross retail advances at 30 September 2022 amounted to R29,932 billion with an impairment provision of R9,584 billion raised on these retail advances.</p> <p>Retail advances are measured at amortised cost and the Group recognises an expected credit loss ("ECL") at each reporting date which includes assessing whether there has been any significant increase in credit risk ("SICR") and considers forward-looking information. The Group makes use of probability weighted scenarios when estimating the ECL where 50% is assigned to the base scenario, 30% to the downturn scenario and 20% to the upturn scenario.</p> <p>The ECL in respect of retail advances is an area of significance in the current year due to the degree of judgement and estimation that is applied by management in determining the ECL, and the magnitude of the impairment provision recognised.</p> <p>The key areas of significant judgement and estimation include:</p> <ul style="list-style-type: none"> • Cash flows, and the timing thereof, which are estimated on a collective basis by using portfolio statistics from past performance of similar assets and incorporating changes to collection procedures. • The following key assumptions when determining 	<p>We performed the following procedures with the assistance of our valuation specialists:</p> <ul style="list-style-type: none"> • We evaluated the Group's credit impairment provision by performing a methodology assessment of the IFRS 9, Financial instruments (IFRS 9) ECL model as well as a quantitative assessment of the reasonability of the impairment estimate in accordance with IFRS 9. • Performed a review of the Group's ECL model including SICR, PD, LGD and write-off point models in accordance with the Group's rules and industry practice • We obtained an understanding of the Group's processes, tested the design and implementation and the operating effectiveness of controls relating to the governance, approval and implementation of the ECL model process and model changes. • Assessed the completeness, accuracy and validity of data and inputs used during the development and application of the ECL model • Evaluated the integrity of the data used within the ECL model to 30 September 2022. This provided insight on the underlying data and highlights key data anomalies in input modelling data which were investigated for validity.



Expected credit losses on loans and advances (retail advances) (Group)	
Refer to note 1.5.6 for financial assets at amortised cost, note 1.5.8 for impairment on advances, note 2 net advances, note 18 credit impairment charge, note 27 credit risk and note 38.2 change in estimate	
Key audit matter	How the matter was addressed in our audit
<p>the ECL; probability of default (“PD”) and loss given default (“LGD”).</p> <ul style="list-style-type: none"> • Forward looking macro-economic information is a significant judgement. • Determination of the point of curing for accounts in debt review to align with SARB Directive 7 and industry practice. • Determination of the write-off point and the impact of the extension of the insurance benefit. • Change to the SICR indicators to align with industry. • The credit risk disclosures which incorporate multiple data inputs and management judgement impacting the completeness and accuracy of the disclosures. <p>As a result of significant judgement, complexity and estimates applied in determining the ECL for retail advances and the significance of the impairment provision to the financial statements, it was considered a key audit matter for the current year.</p>	<ul style="list-style-type: none"> • Assessed the appropriateness of the macroeconomics scenario forecasts and probability weightings by benchmarking these against external data and supporting evidence • Reperformed and independently reviewed the reasonability of the Group’s forward-looking adjustments • Assessed the modifications accounting policy and the debt curing of accounts in accordance with IFRS 9 and the SARB Directive 7 respectively • On a sample basis we tested controls over the write-off process to determine whether it was in accordance with the Group’s write-off rules. • Assessed the appropriateness of disclosures included in the financial statements in accordance with the requirements of IFRS 9.

Expected credit losses on loans and advances (corporate advances) (Group)	
Refer to note 1.5.6 for financial assets at amortised cost, note 1.5.8 for impairment on advances, note 2 net advances, note 18 credit impairment charge, note 27 credit risk and note 38.2 change in estimate	
Key audit matter	How the matter was addressed in our audit
<p>The Group issued a corporate loan in the form of a revolving facility. The balance of the corporate advances at 30 September 2022 which is included in the net advances financial statement item is R1,760 million with an associated expected credit loss of R48 million.</p>	<p>We performed the following procedures with the assistance of our valuation specialist:</p> <ul style="list-style-type: none"> • Evaluated the Group’s credit impairment provision by performing a methodology review of



Expected credit losses on loans and advances (corporate advances) (Group)	
Refer to note 1.5.6 for financial assets at amortised cost, note 1.5.8 for impairment on advances, note 2 net advances, note 18 credit impairment charge, note 27 credit risk and note 38.2 change in estimate	
Key audit matter	How the matter was addressed in our audit
<p>The corporate advances are recognised at amortised cost. The credit risk of the undrawn component is managed and monitored with the drawn component and therefore the ECL on the entire facility is included in the impairment provision.</p> <p>This is an area of significance in the current year due to:</p> <ul style="list-style-type: none"> • This being the first time a corporate loan has been issued by the Group • The degree of judgement and estimation that is applied by management in determining the expected credit loss. • Cash flows being estimated based on the expected performance of the advance by considering changes to collection procedures and projected future market conditions. • Weightings applied to the scenarios to determine the ECL, which is subjective in nature. • The credit risk disclosures which incorporates multiple data inputs and management judgement impacting the completeness and accuracy of the disclosures. <p>As a result of significant judgement, complexity and estimates applied in determining the ECL for corporate advances and the significance of the balance to the financial statements, it was considered a key audit matter for the current year.</p>	<p>the IFRS 9 corporate loan as well as a quantitative assessment of the reasonability of the impairment estimate in accordance with IFRS 9.</p> <ul style="list-style-type: none"> • Obtained an understanding of the Group's processes and tested the design and implementation and operating effectiveness of controls relating to the governance of the recognition of the impairment provision • Assessed the counterparty's ability to service their debt and whether any indicators of significant risk or credit impairment existed at 30 September 2022. • Independently calculated the corporate loan ECL value over a range of assumptions to establish whether the Group's estimate falls within our independent estimate range at 30 September 2022 • Assessed the link between the cash shortfall rates of the underlying counterparty and LGD as provided in the value at risk model • Performed a sensitivity analysis on the PD by factoring in a distribution of the counterparty not making payment.

Other matter

The consolidated and separate financial statements of the Group and Company as at and for the year ended 30 September 2021, were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 29 November 2021.



Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "African Bank Group Consolidated Annual Financial Statements" for the year ended 30 September 2022", which includes the Directors' Report, the Audit and Compliance Committee Report and the Company Secretary's Certificate as required by the Companies Act of South Africa and in the documents titled "African Bank Group Integrated Report for the year ended 30 September 2022" and "African Bank Group Environmental, Social and Governance Report for the year ended 30 September 2022". The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation



precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Inc.

DocuSigned by:

A handwritten signature in black ink, appearing to read 'Pierre Fourie', enclosed within a blue DocuSign signature box.

69A07B04822E49C...

Per Pierre Fourie

Chartered Accountant (SA)

Registered Auditor

Director

29 November 2022

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated Annual Financial Statements

for the year ended 30 September 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Notes	2022	2021
Assets			
Cash and cash equivalents ¹	4	1,544	3,622
Financial investments	5	160	3,538
Regulatory deposits and sovereign debt securities ¹	6	2,444	3,005
Net advances	2	22,647	16,462
Accounts receivable and other assets	10	202	182
Derivatives	12	85	42
Investment in insurance contracts	11	529	399
Property and equipment and right of use asset	8	562	602
Intangible assets	9	153	138
Deferred tax assets	7	1,064	1,134
Total assets		29,390	29,124
Liabilities and equity			
Liabilities			
Current tax	7	12	83
Creditors and other liabilities	15	887	974
Short-term funding	14	5,756	7,777
Bonds and other long-term funding	13	10,848	9,139
Total liabilities		17,503	17,973
Equity			
Ordinary share capital	16	5	5
Ordinary share premium	16	9,995	9,995
Retained income		1,887	1,151
Total equity		11,887	11,151
Total equity and liabilities		29,390	29,124

¹ The deposit with the SARB was previously included in Regulatory deposits and sovereign debt securities and has been reclassified to cash and cash equivalents based on the guidance provided in the relevant IFRIC Agenda decision.

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated Annual Financial Statements

for the year ended 30 September 2022

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Rmillion	Notes	2022	2021
Interest income on advances	17	5,662	4,958
Credit impairment charge	18	(1,436)	(1,341)
Interest on advances after impairment		4,226	3,617
Other interest income	17	304	230
Interest expense and similar charges	19	(1,276)	(1,329)
Income from core income funds		36	146
Foreign exchange (loss)/gain recognised on translation		2	154
Fair value gains/(losses) from derivatives assets and liabilities		43	(157)
Net interest and other income		3,335	2,661
Non-interest income	20	670	618
Movement in remeasurement of insurance contracts	11	130	(115)
Dividends income	11	219	589
Operating costs	21	(3,262)	(3,065)
Indirect taxation: VAT	22	(158)	(132)
Operating profit/(loss)		934	556
Profit /(loss) before taxation		934	556
Taxation	22	(198)	(22)
Profit/(loss) for the year		736	534
Attributable to:			
Shareholders of African Bank Holdings Limited		736	534
Total comprehensive profit for the year		736	534

African Bank Holdings Limited

(Registration Number 2014/176855/06)

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for the year ended 30 September 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Ordinary share capital	Ordinary share premium	Retained income	Total
Balance at 30 September 2020	5	9,995	617	10,617
Total comprehensive profit for the period	-	-	534	534
Balance at 30 September 2021	5	9,995	1,151	11,151
Total comprehensive profit for the period	-	-	736	736
Balance at 30 September 2022	5	9,995	1,887	11,887

African Bank Holdings Limited

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for the year ended 30 September 2022

CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	Notes	2022	2021 (restated)
Cash flows from operating activities¹			
Cash (utilised) in operations	23	(1,914)	(1,957)
Interest received ²		6,064	4,984
Interest (paid)		(801)	(968)
Direct taxation (paid)	24	(200)	(22)
Indirect taxation (paid)/received		(241)	72
Movement in assets and liabilities			
(Increase)/decrease in gross advances ¹		(8,104)	(647)
Decrease/(increase) in regulatory deposits and sovereign debt securities ³		569	(1,635)
Increase/(decrease) in retail funding		1,034	3,469
Increase/(decrease) in transactional banking deposits raised		526	544
(Increase)/decrease in other assets		(20)	19
Increase/(decrease) other liabilities		36	139
Increase/(decrease) in deferred fees and other items related to advances		31	149
Net cash (outflow) / inflow from operating activities		(3,020)	4,147
Cash flows from investing activities			
Acquisition of property and equipment	8	(51)	(30)
Acquisition of intangible assets	9	(41)	(46)
Proceeds from disposal of property and equipment	8	-	1
Dividends received	11	219	589
Placements of financial investments	5	-	(1,591)
Withdrawals of financial investments	5	3,266	2,510
Net cash inflow from investing activities		3,393	1,433
Cash flows from financing activities			
Net long-term tenure funding (redeemed)		(2,886)	(3,955)
Bonds and long-term wholesale funding raised	25	610	984
Bonds and long-term wholesale funding redeemed	25	(3,496)	(3,454)
Subordinated funding redeemed	25	-	(1,485)
Net short-term tenure funding raised/(redeemed)		609	(133)
Short-term wholesale funding raised	25	1,536	423
Short-term wholesale funding redeemed	25	(927)	(556)
Principal payment of lease liabilities		(149)	(122)
Redemption of derivative instruments		(22)	(129)
Net cash outflow from financing activities		(2,448)	(4,339)
(Decrease)/increase in cash and cash equivalents		(2,075)	1,241
Cash and cash equivalents at the beginning of the year ³		3,624	2,422
Effect of exchange rate changes on cash and cash equivalents		(5)	(39)
Cash and cash equivalents at the end of the year		1,544	3,624

¹ The presentation of the cash flow from operations has been revised in the current year. The prior year comparatives, for 30 September 2021, have been restated to align with the revised layout of this note. Refer to note 38.1.1.

² Interest received comprises of interest received from cash and cash equivalents, financial investments and customers.

³ The deposit with the SARB were previously included in Regulatory deposits and sovereign debt securities and have been reclassified to cash and cash equivalents based on the guidance provided in the relevant IFRIC Agenda decision.

African Bank Holdings Limited

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Consolidated Annual Financial Statements

for the year ended 30 September 2022

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1. General information

African Bank Holdings Limited ("ABHL" and/or "the Company") 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 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 Investments Solutions Proprietary Limited (4.95%), Nedbank Limited (4.10%), Investec Bank Limited (2.45%) and Capitec Bank Limited (1.00%). Percentages indicate percent holding.

The Company held 100% of the issued share capital of African Bank Limited, 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 legally changed its name to "Residual Debt Services" ("RDS") and remains under curatorship. The details of the restructuring transaction can be found in the Offer Information Memorandum published on 4 February 2016 available at the African Bank website (<https://www.africanbank.co.za/media/51502/african-bank-restructuring-offer-information-memorandum-incl-annexures.pdf>).

The Company also holds 100% of the issued share capital of African Insurance Group Limited ("AIG"), its main business is holding an investment in a cell captive structure provided by Guardrisk Insurance Company Limited ("Guardrisk"). As noted above the Company also holds 100% of the issued share capital of African Bank Limited ("the Bank" and/or "ABL"), a registered bank in terms of the Banks Act, and operates within the Republic of South Africa.

The Group's business operations is primarily in retail banking with the core product offering consisting of unsecured lending (personal loans and credit cards), transactional banking (including overdrafts) and retail investments. In the current period the Group has extended its product offering to include corporate lending, whilst concurrently serving as an agent to provide consummate credit and life insurance cover to customers of the Bank.

The registered office and principal place of business of the Group is disclosed in Annexure D. The Consolidated Annual Financial Statements found on pages 22 to 117 were approved by the Board of Directors on 29 November 2022.

1.1 Accounting policies

1.1.1 Statement of compliance

The Group's Consolidated Financial Statements are prepared in accordance with, and comply with, the International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board ("IASB"), interpretations issued by the IFRS Interpretations Committee of the IASB ("IFRIC"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the JSE Debt Listings Requirements.

1.1.2 Basis of preparation

The Group's Annual Financial Statements have been prepared in accordance with the going concern principle and a historical cost basis is applied, except where specifically indicated otherwise in the accounting policies.

The Annual Financial Statements are presented in South African Rand, which is the Group's functional currency. All monetary information and figures have been rounded to the nearest million rand (Rmillion), unless otherwise stated.

1.1.3 Application of the going concern principle

The Board (and its sub-committees) have assessed the Group's budgets and cash flow forecasts in considering the Group's going concern assumption with respect to the existing and expected future economic impact of significant events. This included the impact the projected cash flows will have on the Group's liquidity risk, funding risk, interest rate risk, regulatory and economic capital and market risks, as well as other related risks; all of which have remained within the risk parameters as per the Group's risk appetite framework.

The assessment entailed the consideration of the adequacy of the Group's capital and liquidity to meet its operations and strategies in the foreseeable future. This was done by analysing the impact of the macroeconomic outlook on the Group's forecast growth in earnings and balance sheet management to determine the impact to the Group's financial outlook and operations. Expected outcomes or scenarios were established and tested for sensitivity. The assessment undertaken by the Group noted above and the funding raised from retail and wholesale markets, despite the cancellation of the Support Arrangement (refer to note 32), demonstrates a positive future outlook for the Group.

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated Annual Financial Statements

for the year ended 30 September 2022

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

General information continued...

The following significant events or conditions were identified in management's assessment of the going concern assumption:

- Negative operating cash flows - This resulted from increased disbursements of retail and corporate advances in the current year however, a gradual increase in collections of retail advances is expected over the next 12 months. Growth in both retail and corporate advances are expected due to the recent acquisition of GBL and Ubank's advances.
- Loss of key management personnel - With the resignation of the Group CFO (effective 2 December 2022), Chrisanthi Michaelides and Rakesh Garach, have been jointly appointed as ABL and ABHL's Acting CFOs effective from 3 December 2022 until the recruitment of a full-time permanent CFO is finalised.
- Assessed tax loss - After a period of loss-making, the Group has made a profit in the current and previous financial years. The Group's latest budget projects profits into the future as well as synergies realised through the acquisitions of GBL and certain assets and liabilities of Ubank.

The above events are determined to be sufficiently mitigated and no additional facts or information has become available since the date of management's assessment.

The Group's Financial Statements have been prepared in accordance with the going concern principle and using a historical cost basis, except where specifically indicated otherwise in the accounting policies.

1.2 Adoption of new standards and interpretations effective for the current and future financial periods

The new and revised standards, amendments to standards and interpretations are disclosed in Annexure A to the Annual Financial Statements. There are no amendments to standards and interpretations that have a material impact on the Group for the year ended 30 September 2022.

1.3 Significant accounting policies

The significant accounting policies set out in this document have been applied in the preparation and presentation of the Consolidated Annual Financial Statements of the Group in dealing with items that are considered material by the Group during the current and prior financial year.

1.4 Consolidation

Subsidiaries are all companies and structured entities over which the Group has control. The Group has control over an investee when the Group is exposed to, or has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. When assessing whether control exists, the Group considers all existing substantive rights that result in the current ability to direct relevant activities. Subsidiaries are consolidated from the date upon which the Group acquires effective control. Consolidation is discontinued from the date that control over the subsidiary is lost.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

1.5 Financial instruments

The Group recognises financial assets and liabilities when it becomes a party to the contractual provisions of the instrument on the trade date.

Financial liabilities are classified into the following categories:

- financial liabilities at amortised cost; and
- financial liabilities at fair value through profit or loss.

The classification of financial assets is based on both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

African Bank Holdings Limited

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Consolidated Annual Financial Statements

for the year ended 30 September 2022

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

General information continued...

The financial assets are classified into the following categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income; and
- financial assets at fair value through profit or loss.

1.5.1 Initial measurement

All financial instruments are measured at fair value and adjusted for transaction costs at initial recognition, except those carried at fair value through profit or loss where transaction costs are recognised immediately through profit or loss.

1.5.2 Subsequent measurement

After initial recognition, the Group shall measure financial instruments at either amortised cost or fair value through profit or loss. No financial instruments are classified at fair value through other comprehensive income.

1.5.3 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit and loss are financial liabilities that are mandatorily required to be measured at fair value. Currently this category only includes derivatives.

1.5.4 Financial liabilities at amortised cost

All financial liabilities, other than those described above as measured at fair value through profit or loss, are measured at amortised cost using the effective interest method.

1.5.5 Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss when it does not meet the requirements to be measured at amortised cost or fair value through other comprehensive income. This category includes instruments that are held for trading or instruments that are used to eliminate accounting mismatch. Currently, only derivatives and core income funds (included in the financial investments line) are classified as financial assets measured at fair value through profit or loss.

1.5.6 Financial assets at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group currently measures advances, regulatory deposits, sovereign debt securities, cash and cash equivalents, accounts receivable and other assets (excluding prepayments) and certain financial investments at amortised cost.

Advances

Advances arise when the Group provides money or services directly to a corporate or retail customer with no intention to sell the financial asset. Advances originated by the Group include unsecured fixed term loans, credit cards and overdraft facilities to retail customers and secured loans and revolving credit facilities to corporate customers. Net advances are considered to be gross advances net of the impairment allowance.

The cash flow characteristics of retail advances are standardised, and therefore the cash flows are assessed to be solely payment of principal and interest on a portfolio basis. Interest rates offered to retail customers are benchmarked to market rates prevalent in South Africa and the Bank considers the customers employment history, bureau data etc when setting the rate. Interest charged to customers compensates the Bank for time value of money, credit risk and administrative costs (including a profit margin) and therefore are consistent with those of a basic lending agreement.

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Corporate advances are bespoke in nature as they are designed specific to the customer's circumstances, taking into account the financial position, performance, collateral offered etc. and therefore the cash flows are assessed to be solely payment of principal and interest on an individual basis. The terms and conditions are structured to compensate the Bank for the time value of money, credit risk and administrative costs (including a profit margin) and therefore consistent with those of a basic lending agreement. Interest rates are generally variable rates benchmarked to market rates prevalent in South Africa. Advances are classified as measured at amortised cost using the effective interest method, less any impairment losses where the losses are recognised in profit or loss. Fees that are considered to be integral to the effective interest rate are capitalised to the value of the loan when material and amortised to profit or loss over the expected life of the loan, using the effective interest method.

Regulatory deposits and sovereign debt securities

Financial assets held in terms of the South African Reserve Bank ("SARB") requirements and any excess liquid assets held over and above the minimum requirements are disclosed as regulatory deposits and sovereign debt securities.

These financial assets include treasury bills and government bonds which are measured at amortised cost. The Group's business model is to hold these financial assets to collect contractual cash flows and these cash flows are solely payments of principal and interest.

Financial investments

These assets are primarily held to collect contractual cash flows over the life of the asset, the cash flows of which are solely payments of principal and interest.

Cash and cash equivalents

Cash and cash equivalents comprises of short-term deposits as well as call and current accounts held with financial institutions.

Cash and cash equivalents are initially measured at cost, which approximates fair value due to the short-term nature of these instruments. Cash and cash equivalents are classified as measured at amortised cost as they are held to collect contractual cash flows that are solely payments of principal and interest.

1.5.7 Effective interest method

The effective interest method is the method that is used in the calculation of the amortised cost of a financial asset or financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (including all fees that form an integral part of the effective interest rate) over the expected life of the financial asset/liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

1.5.8 Impairment of advances

For financial assets classified and measured at amortised cost, the Group measures and recognises an impairment loss at each reporting date as the expected credit loss (ECL) relating to an asset or group of assets, which includes assessing whether there has been a significant increase in credit risk since initial recognition and considers forward-looking information. This assessment extends to potential further drawdowns on revolving facilities for retail and corporate advances, such as credit cards and overdrafts (undrawn commitments).

In recognising the impairment loss on advances, the Group accounts for ECL, and changes in the ECL. The amount of the ECL is updated at each reporting period to reflect any changes in credit risk of advances since initial recognition and to reflect any updates to expectations about timing of expected cash flows and the macroeconomic environment.

The impairment loss represents management's best estimate of expected credit losses in the advances portfolios at the reporting date. When calculating ECL on advances, the Group exercises judgement in making assumptions and estimations on both individually and collectively assessed advances.

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In determining the ECL, the timing and amount of the expected cash flows, as well as forward-looking macroeconomic information are the most significant judgements applied by the Group. The assumptions underlying these judgements are highly subjective. The methodology and the assumptions used in calculating ECL are reviewed regularly to monitor and manage differences between expected credit loss estimates and the actual loss experience.

For purposes of measuring the ECL for the advances, the Group's advances are separated into the originated book and the acquired book. The acquired book is classified as a purchased credit-impaired asset.

1.5.8.1 Advances

Advances in the originated book comprises of retail advances and corporate advances. Retail advances are unsecured fixed term loans, credit cards and overdrafts. The corporate advance is a secured loan and revolving facility.

The Group applies the general impairment approach to retail advances and corporate advances. The credit risk of the undrawn component is managed and monitored with the drawn component and therefore the expected credit loss on the entire facility is included in the loss allowance.

The impairment provisioning is divided into the following categories:

Stage 1:

At initial recognition, the advance is classified as stage 1 and a 12-month expected credit loss is recognised. If the advance has not experienced a significant increase in credit risk since initial recognition, it remains classified as stage 1. The credit loss recognised is a credit loss related to default events expected to occur within the next 12 months. Interest income is calculated by applying the original effective interest rate to the gross carrying amount.

Stage 2:

If the advance has experienced a significant increase in credit risk ("SICR") since initial recognition but is not credit-impaired, it is classified as stage 2, and a lifetime expected credit loss is recognised. Interest income is calculated by applying the original effective interest rate to the gross carrying amount.

Stage 3:

If the advance has become credit-impaired since initial recognition or was purchased/originated credit-impaired, it is classified as stage 3, with an expected credit loss measured and recognised on a lifetime basis. Interest income is calculated by applying the effective interest rate to the net carrying value.

Retail advances

This portfolio comprises of advances issued to retail customers such as loans, credit cards and overdrafts. At initial recognition, the expected credit loss is in stage 1 unless it is purchase originated credit impaired.

The Group estimates the cash flows it expects to receive on a collective basis using portfolio statistics derived from past performance of similar financial assets, taking into account any changes to the collection procedures and projected future market conditions. For the portfolio (collective) assessment of impairment, financial assets are grouped on the basis of similar credit risks characteristics, which indicate the borrower's ability to pay in accordance with the contractually agreed terms.

The Group uses the Contractual Delinquency ("CD") classifications for the purpose of identifying whether a 12-month or lifetime ECL is to be calculated and for the grouping of assets into stages under IFRS 9, in conjunction with other SICR requirements. CD measure is a notable driver in the distribution of the advances between the various stage distributions. The number and sequence of recent payments ("Recency") is also applied in estimating the expected credit loss and the point of write-off.

The table below indicates the CD definitions and how classification into groups was determined and how CD is utilised.

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Contractual delinquency	Explanation of categorisation	Time buckets	IFRS 9 stage
CD 0-1	Performing advances that are not past due and are within the contractual term.	<=30 days	Stage 1
CD 0-1 SICR	Performing advances that are not past due and are within the contractual term, but for which a SICR indicator has been identified.	<=30 days	Stage 2 (SICR)
CD 2 - 3	Advances where between two and three instalments have been missed, or where instalments have been received after their contractual date of repayment.	31 - 90 days	Stage 2 (arrears)
>=CD 4	Non-performing advances where four or more instalments have been missed but that have not met write-off requirements.	>=91 days	Stage 3
>CD 4 recency 12	Four or more instalments have been missed and no payments have been received over the past twelve consecutive months.		Written off

Significant increase in credit risk

At each reporting date ("monthly"), advances are assessed to determine whether there has been a significant increase in credit risk from initial recognition.

The Group offers voluntary customer support payment deferrals (referred to and known as Choose Your Break ("CYB")) to customers that are in good standing. The offering of CYB to customers does not in itself result in a significant increase in credit risk, and, therefore, will not trigger an automatic migration from stage 1 to stage 2 in the ECL models i.e a move from a 12-month ECL to a lifetime ECL.

The Group has set certain behaviour and advance granting score thresholds that are used to identify a significant increase in credit risk. These thresholds are dependent on the credit risk expectation at the point of origination, time on book, and an updated view of credit risk which includes forward-looking information.

The purpose of the behaviour score in the ECL model is to provide a measure of an existing customer's propensity to default on an advance within 12 months. The behaviour score is calculated on an individual account level, taking into consideration the credit exposure and repayment behaviour of the customer at other credit providers. The behaviour score is updated for all advances at each reporting date.

Indicators of a significant increase in the credit risk of a retail advance are:

- where there is a significant deterioration of an account's internal and external risk profile;
- more than one instalment has been missed; or
- any other product linked to the account is flagged as SICR, or has a contractual CD > 1, or has been written off.

In addition, the rebuttable presumption that SICR occurs when payments are more than 30 days past due is applied.

The Group has set certain behaviour and advance granting score thresholds that are used to identify a significant increase in credit risk. These thresholds are dependent on the credit risk expectation at the point of origination, time on book, and an updated view of credit risk which includes forward-looking information.

The purpose of the behaviour score in the ECL model is to provide a measure of an existing customer's propensity to default on a loan within 12 months. The behaviour score is calculated on an individual account level, taking into consideration the credit exposure and repayment behaviour of the customer at other credit providers. The behaviour score is updated for all advances at each reporting period.

The SICR thresholds and indicators are reviewed at least on a bi-annual basis to ensure that the models are able to identify SICR throughout the lifetime of the loan.

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Refer to note 27.8.3 for the impact on ECL of SICR sensitivity.

Credit impaired

The Group's definition of default is aligned with its existing internal credit risk management definitions and approaches. This is defined as the point at which an account has a CD of four or more, which is greater than 90 days past due.

When one or more loss event has occurred, an account becomes credit-impaired and a lifetime expected credit loss is raised. Loss events include where:

- the account is in default as defined;
- breach of contract has occurred, for example where payment of interest or principal has been missed for four or more instalments;
- an account enters into debt review;
- indication exists that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be associated with the individual financial assets in the Group; or
- the origination of a financial asset takes place at a deep discount that reflects the incurred credit losses.

When the criteria for credit-impaired no longer applies, a retail account can move out of stage 3 back to stage 2. This occurs when a retail account cures, in the following circumstances:

- an account becomes performing as it is no longer in arrears and is at a point of being able to be classified as CD3 or less; or
- an account that is in debt review has made six consecutive payments and the total payments is equivalent to six full modified instalments.

Upon curing, an account is monitored, for delinquency purposes, using the agreed modified instalment.

Refer to note 38.2 for the changes made to the policy above.

Corporate advances

This portfolio comprises of advances issued to corporate customers. Corporate advances are assessed on an individual basis due to significant balances within the portfolio. The credit risk of the undrawn component is managed and monitored with the drawn component and therefore the expected credit loss on the entire facility is included in the loss allowance.

The Group estimates the cash flows it expects based on expected performance of the advance, taking into account any changes to the collection procedures and projected future market conditions. At initial recognition, the ECL is measured at an amount equal to the expected credit losses over the subsequent 12 month period. For advances for which credit risk has significantly increased since initial recognition, the loss allowance is measured at an amount equal to lifetime expected credit losses.

An indicator of a significant increase in credit risk is where an account has missed a payment but it has been remedied within the agreed upon time. From a qualitative perspective, the decision that an account has significantly increased in credit risk is made on a case by case basis, due to the bespoke nature of the terms and conditions. The account will be considered to be in default and therefore credit-impaired if a payment has been missed and has not been remedied within the agreed upon timeframe.

1.5.8.2 Forward-looking information

IFRS 9 requires that forward-looking macroeconomic information be included in the determination of SICR and ECL. This forward-looking macroeconomic information is included in calculating the origination PD and all subsequent period PDs. The impact of historic macroeconomic conditions on the observed default rates per customer income group and product was used to calibrate and model effects on the PD. The modelled relationships are used to incorporate the forward-looking information into the current risk expectations. This results in the forward-looking information impacting both the SICR evaluation applied in determining the stage allocation and the actual ECL calculation. The most influential macroeconomic factors include the inflationary pressure on food, fuel and the cost of public transport.

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The forward-looking information is based on the Group's economic expectations and industry expectations, as well as expert management judgement, over a planning horizon of at least three years. Economic scenarios utilised by the Group are provided by an independent specialist on a quarterly basis or more frequently if the current economic environment has experienced notable changes.

These scenarios are considered and approved by the Credit and Models Committee, Model Risk Committee, the Audit and Compliance Committee and, ultimately, ratified by the Board.

The Group utilises three forward-looking economic scenarios in the ECL model for retail advances and corporate advances:

- a base scenario;
- an upturn scenario indicating improved economic conditions; and
- a downturn scenario indicating a worsening economic environment.

These scenarios include predictions for both the economic variables that statistically show an impact on the advances portfolio at present and additional economic variables that may have an impact going forward. These scenarios are probability-weighted based on the likelihood of each coming to fruition and these probability weightings are also provided by the independent specialist and ratified by the Board. The ECL is ultimately a result of the weighted average of the ECL from each scenario as weighted by each scenario's probability of occurrence.

For retail advances, management has assigned a probability of 50% to the base scenario, 30% to the downturn scenario and 20% to the upturn scenario for the 12-month forecast and for corporate advances a probability of 30% is assigned to the base scenario, 50% to the downturn scenario and 20% to the upturn scenario for the 12-month forecast.

Refer to note 27.8.3 for the impact on ECL for forward-looking information based on the above described scenarios and ascribed probability weightings.

1.5.9 Impairments for financial assets other than advances

Financial assets other than advances are made up of cash and cash equivalents, financial investments, regulatory deposits and sovereign debt securities and trade receivables. All financial assets other than advances, excluding trade receivables, are placed with counterparties who have a formal local currency credit rating of no less than investment grade.

Financial assets such as cash and cash equivalents, financial investments and sovereign debt securities are considered to have low credit risk at the end of the reporting period for purposes of determining whether there has been a significant increase in credit risk (SICR) since initial recognition for purposes of calculating expected credit losses in terms of IFRS 9. The counterparties have been assessed to have a strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and/or business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil their contractual cash flow obligations. Where financial assets are considered to have low credit risk, the Group has applied the low credit risk exemption, these financial assets are, therefore, considered to be stage 1.

For investment in the regulatory deposits and sovereign debt securities, the Group uses the South African National Rating Scale as the basis to determine whether there has been a significant increase in credit risk. An investment will be considered to have SICR (i.e. a transfer from stage 1 to stage 2) if there has been a downgrade of two notches or more by the rating agency since inception of the investment. A move back to stage 1 would only be considered once the rating is similar/the same as at the rating at inception.

Cash deposits are placed only with counterparties that have an approved credit limit, which are reviewed annually by the Asset and Liability Committee ("ALCO") and recommended for approval by the RCMC. The Group uses International Swaps and Derivatives Association ("ISDA") documentation for the purposes of netting derivatives. These master agreements and associated credit support annexes ("CSA") set out accepted valuation and default covenants, which are evaluated and applied daily, including daily margin calls based on the approved CSA thresholds. CSAs are used as a credit risk mitigation mechanism for the Group's derivative asset positions. See note 31 for further details. Trade receivables are not rated and are evaluated on an entity by entity basis. The Group limits the tenure and size of trade receivables to ensure that it does not pose a material risk to the Group. For further information, refer to note 10.

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1.5.10 Written off portfolio

A write-off directly reduces the gross carrying amount, constituting a derecognition event of the advances when the Group has no reasonable expectation of recovery of the financial asset in its entirety. Advances written off may still be subject to enforcement activity.

The Group's assessment of reasonable expectation of recovery is either at a single account level or at a collective portfolio level post the write-off point. The point of write-off for retail advances is when advances are in arrears for more than four instalments and no payment has been received in the preceding twelve months. Refer to change in estimate note 38.2. The point of write-off for corporate advances is where the undrawn commitment is cancelled and there has been non-payment for six months.

The modelling impact of applying the write-off criteria at a portfolio level is that no post write-off recoveries are included in the determination of the LGD. Any cash received after an advance has been written off is treated as a recovery and recognised in the credit impairment charge line in profit or loss.

1.5.11 Acquired book

The acquired book is a purchased credit-impaired book comprising of advances acquired from the entity formerly known as African Bank Limited (in curatorship) and that had subsequently changed its name to RDS. The retail and corporate advances discussed above exclude the acquired book.

These advances are accounted for on a portfolio basis as a single asset and have been classified as credit-impaired on the purchase date and therefore are in stage 3.

The acquired book was recorded upon initial recognition at the fair value of the estimated future cash receipts, discounted at the credit-adjusted effective interest rate. The fair value was calculated by including the anticipated ECLs and the asset was recognised net of the anticipated ECLs. The credit-adjusted effective interest rate is determined based on the amortised cost, not the gross carrying amount of the acquired book and incorporates the impact of expected credit losses in the estimated future cash flows.

Where estimates of cash receipts are revised based on actual or anticipated cash collections, the carrying amount of the acquired book is adjusted by recalculating the present value of the revised estimated future cash flows using the credit-adjusted effective interest rate initially applied in determining the fair value at acquisition. To the extent that the revised estimated future cash receipts are more or less than anticipated upon initial recognition, such favourable or unfavourable changes are recognised as a direct adjustment to the carrying amount of the assets and a corresponding gain or loss is recognised as an impairment gain or loss in the Statement of Comprehensive Income.

Expected credit loss measurement

The same model methodology as applied to retail advances is used to determine the level of credit impairment required.

The amount of the loss is measured as the difference between the financial asset's carrying amount and the cash flows that the Bank expects to receive, discounted at the credit-adjusted effective interest rate for purchased credit-impaired financial assets. In estimating the amount of the ECL, the following inputs are used:

- probability of default ("PD");
- exposure at default ("EAD"); and
- loss given default ("LGD").

PD is an estimate of the likelihood of default over a given time horizon.

LGD is an estimate of the loss arising in case a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of EAD.

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EAD is an estimate of the account balance at a future default date, taking into account expected changes in the account after the reporting date, including repayments of principal and interest, whether scheduled by the contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

In the process of determining the lifetime ECL for advances, EAD and LGD models are combined and losses are extrapolated to the point where incremental increases of the modelled lifetime no longer increase the total ECL calculated.

1.5.12 Derecognition of financial instruments

Financial instruments are derecognised when:

- the contractual rights or obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;
- they are transferred and the derecognition criteria of IFRS 9 are met; or
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

1.5.13 Modification

Retail advances

If the Group renegotiates or modifies the terms of the advance to customers, the Group considers whether this is a substantial modification to the original terms or whether it's a non-substantial modification, which is an attempt to recover the original contractual amounts outstanding as part of a distressed modification and hence the terms are not substantially different to the original terms.

Substantial modifications

A modification of an advance is substantial when the modified contractual terms are priced to reflect current conditions on the date of modification and are not merely an attempt to recover outstanding amounts. Such modifications will result in the derecognition of the original advance and recognition of a new advance.

Instances where the terms of an advance will be considered to be substantially different from the original terms and therefore, result in a substantial modification, are for retail advances that consolidate existing African Bank advances, also referred to as settlement readvances ("SRAs").

For SRAs, the Group derecognises the original advance and recognises a new advance by using the disbursed cash of the new advance to effectively settle the original advance. A new effective interest rate will be calculated for the new advance and the difference between the original advance and new advance is included in modification gain or loss included in the credit impairment charge line item in profit or loss.

The date of disbursement of the SRAs is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. These advances will be aged through the contractual CD buckets based on their new contractual instalments and obligations.

Non-substantial modifications

If the modified contractual terms are not substantially different to the original terms it would be considered a non-substantial modification and does not result in derecognition. Therefore, the original advance continues to be recognised. The Group recalculates the gross carrying amount of the advance as the present value of the modified estimated cash flows, discounted at the advance's original effective interest rate. The original advance is not derecognised and the difference between the recalculated gross carrying amount and the gross carrying amount before the modification is recognised as a modification gain or loss included in the credit impairment charge line item in profit or loss.

The Group considers instances where the modified terms of the retail advance are not substantially different to the original terms when:

- advances have been rescheduled (ie where there is an amendment to the original terms of the advance, formally agreed with the customer, who is in arrears and has been engaged successfully through the collections channels); and
- legal restructures of advances, such as advances that are undergoing debt review, administration orders or court orders.

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The origination date in the original contractual agreement remains the date of initial recognition for impairment calculation purposes and for retail advances, a non-substantial modification is an indicator of a significant increase in credit risk, with the exception of advances in debt review which is considered to be an indicator of credit-impaired. These advances are still aged through the contractual CD buckets based on their original contractual instalments and obligations.

Refer to note 2 and note 18 for the disclosures of the modification gain or loss.

1.5.14 Derivative financial instruments

The Group uses derivative financial instruments only for the purpose of economically hedging its exposures to known market risks that will affect the current or future profit or loss of the Group, and as a policy will not enter into derivatives for speculative reasons.

All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles.

All derivatives are classified as subsequently measured at fair value through profit or loss.

1.5.15 Hedge accounting

Currently, the Group does not apply hedge accounting per IFRS 9 or IAS 39, but does apply economic hedging principles.

1.6 Investment in insurance contracts

Insurance contracts are defined as those contracts or agreements containing significant insurance risk. Significant insurance risk arises if an insured event could cause the holder of the insurance contract to pay significant additional benefits than envisaged at the inception of the contract. Such contracts remain designated as insurance contracts until all rights and obligations are extinguished or expire.

Judgement is required in determining the actuarial movements in the investment in the insurance assets. There is uncertainty with regards to the claims that will be made by customers, which is dependent on a number of unpredictable factors including unemployment, morbidity and mortality amongst others. The Group makes this judgement based on the best estimate and in accordance with Standards of Actuarial Practice ("SAP") 104 principles.

AIG has entered into a cell captive agreement arranged by Guardrisk, a licensed insurance company. The cell captive is a ring-fenced insurance business established to serve not only the insurance needs of the customers of the Bank, such as credit life policies and funeral policies, but to provide insurance products to individuals who are not customers of the Bank. The cell captive agreement effectively represents an investment in a separate class of shares in Guardrisk, which entitles the Group to participate in the insurance cover offered in terms of the cell captive agreement. The participation is restricted to the results of the insurance business that is placed with Guardrisk as the licensed cell captive insurer.

The cell captive arrangement transfers significant insurance risk (of the policies issued to customers by the cell captive insurer) from the cell captive insurer to the Group by requiring the Group to maintain the solvency of the cell captive structure. The cell captive arrangement, therefore, meets the definition of an insurance contract contained in IFRS 4 Insurance Contracts ("IFRS 4"). The transfer of the insured risk from the cell captive structure to the Group also exposes the Group to credit losses arising from defaults on the advances to customers.

The cell captive is disclosed as a non-current asset in the Statement of Financial Position as 'Investments in Insurance Contracts'. The cell captive provides the Group with the ability to underwrite the insurance risks of the customer to their loans and funeral policies via the long-term insurer. The customer is responsible for paying the premium.

For credit life cover, the customer cedes the credit risk policy underwritten by the insurer as security on their loans to the Bank.

The results of the insurance business are determined in accordance with the shareholders agreement. In accordance with IFRS 4, these underwriting activities are determined on an annual basis whereby the earned premiums are recognised as income and the incurred cost of claims, commission and related expenses are recognised as expenses.

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The results of the cell captive arrangement are presented on a net basis in the Statement of Financial Position as either a net receivable from or net payable to the insurance company as an 'Investment in Insurance Contracts'.

Movements during the year, which are included in the net returns of the investment in insurance contracts, comprise the following:

- premiums written relate to business written during the period on the credit life risk of unsecured loans with the purpose of covering any credit life claims on these advances as well as premiums written for funeral cover;
- claims incurred comprise claims and related expenses paid in the period and changes in the provisions for claims incurred but not reported and related expenses, together with any adjustments to claims from prior years;
- movements in unearned premiums represent the portion of premiums written during the period that relate to unexpired terms of the insurance policies in force at the reporting date, generally calculated on a time apportionment basis; and
- movements in claims outstanding relate to the costs of settling all claims arising from events that have occurred up to the reporting date.

Commissions and other costs that vary with, and are related to, securing new and renewing existing insurance contracts are expensed to the Consolidated Statement of Total Comprehensive Income at the point they are incurred. The Group additionally earns a binder fee and an outsourcing fee for providing underwriting services to the cell captive. Claims incurred comprise claims that are paid in the year and changes in the accruals for outstanding claims, including accruals for claims incurred but not reported and any other adjustments to claims from the previous year.

1.7 Intangible assets

1.7.1 Software

Software consists of purchased software. Software acquired is capitalised initially at its acquisition cost or fair value (if acquired through business combination). These are subsequently measured at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis to profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software is between three and ten years. Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

1.7.2 Derecognition of intangible assets

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. Upon derecognition, a gain or loss is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.8 Property, plant and equipment

Owner-occupied property, buildings, leasehold improvements, furniture, information technology equipment, office equipment and motor vehicles are stated at cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

Depreciation is charged to profit or loss on a straight-line basis and is calculated to reduce the original costs to the expected residual values over the estimated useful lives. Any adjustments to useful lives that may be necessary are accounted for prospectively, with useful life changing from the time of estimation (refer to note 8.1.1 and 9.1).

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General information continued...

Useful lives have been determined to be as follows:

Information technology equipment	Between 3 and 8 years
Office furniture and equipment	Between 6 and 8 years
Motor vehicles	4 years
Leasehold improvements	Over the shorter of the lease term or its useful life
Buildings (owner-occupied)	Useful life (limited to 50 years)
Land is not depreciated	

All gains or losses arising on the disposal or scrapping of property and equipment are recognised in profit or loss in the period of disposal or scrapping. Repairs and maintenance are charged to profit or loss when the expenditure is incurred.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1.9 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indicator of impairment. If any such indication exists, then the asset's recoverable amount is re-estimated.

In addition non-financial assets (property and equipment, intangible assets and right of use assets) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that had previously been impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

1.10 Leases

Rental agreements where the Group is the lessee typically include fixed periods of not more than five years, over which the premises are leased. The lease agreements are individually negotiated and contain largely standardised terms and conditions. All other leases (such as laptops, office equipment etc) are considered to be of a low value and/or short-term in nature. The Group assesses whether a contract is or contains a lease at inception of a contract.

Qualifying leases are recognised as a right of use asset ("ROU asset") and a corresponding liability at the date at which the leased asset is made available for use by the Bank.

All leases are accounted for by recognising a ROU asset and a lease liability except for:

- leases of low value assets; and
- leases with a term (duration) of twelve months or less.

1.10.1 Extension and termination options

Extension options (or periods after termination options), if applicable, are only included in the lease term if the lease is reasonably certain to be extended (or terminated) and the Group has an explicit right to renew and extend the term of the lease (or explicit right to terminate the lease).

1.10.2 Leases: Statement of Financial Position

The Group initially measures the lease liability at the present value of the remaining contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease. The rate implicit in the lease is not readily determinable, therefore, the Group's incremental borrowing rate on commencement of the lease is used. The Group's funding rate and management judgement (based on market expectations, the specified asset and contractual lease terms), is the basis upon which the incremental borrowing rate is calculated. The carrying value of the lease liability also includes any penalties payable for terminating the lease should the Group be reasonably certain to exercise the option to terminate.

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The Group initially measures the right of use assets at cost, which comprises of the amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and plus an estimate of costs that the Group is contractually required to incur to dismantle, remove or restore the leased asset.

Subsequently, the Group applies the cost model to the measurement of the right-of-use assets and applies the non-financial assets impairment policy.

Derecognition

The Group derecognises the right-of-use asset and lease liability when the Group or lessor terminates or cancels a lease.

1.10.3 Leases: Statement of Comprehensive Income

The lease finance cost is determined using the effective interest method and is recognised as interest expense over the lease period.

Subsequent to the initial measurement, the ROU assets are depreciated on a straight-line basis over the shorter of the remaining term of the lease or over the remaining economic life of the asset. This depreciation is included as part of operating costs.

Derecognition

On derecognition of the right-of-use asset and lease liability, any difference is recognised as a de-recognition gain or loss in profit or loss.

Leases of a low value or of a short-term are accounted for on a straight-line basis over the lease term

Leases of a short term and/or low value nature are expensed through profit or loss. The low value leases are generally leases where the underlying asset is of a value and short term leases have a lease term of less than 12 months.

Payments made for these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When the leases are terminated before the lease term has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place and the remaining asset or liability balance is released to profit or loss.

1.10.4 Reassessment and modification of leases

The carrying amount of the lease liability is adjusted if the Group:

- reassesses the terms of the lease contract by reassessing the probability of exercising an extension or termination option, or
- modifies the terms of a lease without increasing the term of the lease, or
- where the increased scope is not commensurate with the stand-alone price.

The carrying amount of the lease liability is adjusted to reflect the payments to be made over the revised term, which are discounted at the revised or original rate depending on the facts and circumstances.

For reassessed lease terms, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. If the carrying amount of the right-of-use asset is reduced to zero, however, any further reduction in the measurement of the lease liability is recognised in profit or loss.

For lease modifications that increase the term of the lease, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. For lease modifications that decrease the term of the lease, the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.

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If the Group modifies the terms of a lease resulting in an increase in term and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in term, the Group accounts for these modifications as a separate new lease contract.

1.11 Equity

Equity is the residual interest in the assets of the Group after deducting all liabilities of the Group.

All transactions relating to the acquisition, sale or issue of shares in the Group, together with their associated costs, are accounted for in equity.

1.11.1 Share capital and share premium

Shares issued by the Group are recorded at the value of the proceeds received less the external costs directly attributable to the issue of the shares. In line with the requirements of the Companies Act, only par value shares are issued by the Group.

1.12 Revenue

Revenue comprises income from interest income and non-interest income.

1.12.1 Interest income

Interest income includes interest on financial instruments measured at amortised cost. The Group calculates interest revenue using the effective interest method. In applying the effective interest method, the Group considers the origination fees and service fees as an integral part of the effective interest rate of the exposure for advances when it is assessed to be material.

Origination fees are primarily based on the cost of granting the advance to the individual and are accounted for over the expected life of the advance using the original effective interest rate.

Monthly service fees are charged to the customers on a monthly basis and are considered to be an integral part of the effective interest rate of the advance. These fees are charged to compensate the Group for the credit risk of the advance and are recognised over the advances expected life. The fee forms part of the decision to grant the advance prior to the advance being generated, including, for example, the assessment of affordability of the advance by the customer as well as the anticipated margin in relation to the anticipated credit risk. Beyond the original contractual term of the advance, the fee is recognised in profit or loss as it is charged to the customer on a monthly basis.

Interest income on financial assets that are not credit-impaired on initial recognition, is calculated by applying the original effective interest rate to the gross carrying amount of such assets. Should the financial asset become credit-impaired, interest income is calculated by applying the effective interest rate to the net carrying value (being the gross carrying value after deducting the impairment provision for expected credit losses).

Should the financial assets no longer be credit-impaired, interest income is again recognised by applying the original effective interest rate to the gross carrying amount of such assets from the date at which the impairment status changed. No retrospective adjustment is made for the period during which the financial assets were deemed to be credit-impaired.

When financial assets are identified as credit-impaired, at the purchase or origination date, interest income is calculated by applying the credit-adjusted effective interest rate to the net carrying value (being the gross carrying value after deducting the impairment provision for expected credit losses).

1.12.2 Non-interest income

Non-interest income consists of commission charged, collection fees, as well as any other sundry income such as transaction fees and credit card fees. The Group additionally earns a binder fee and an outsourcing fee for providing underwriting services to the cell captive. Fees and commissions that form an integral part of the effective interest rate are excluded from non-interest income. The non-interest income is recognised as the performance obligation of the related service performed at a point in time or over time.

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<i>Non-interest income type</i>	<i>Recognition of the income</i>
Commission income, outsourcing and binder fees	At the point in time when the premium is collected by the Group or new business is generated by the Group.
Collection fees	At a point in time when collections are made by the Group on behalf of the customer.
Transactional fees and credit card fees	Over time when the service is provided by the Group over a period of time and at a point in time when the service is provided by the Group each time a customer transacts.
Early withdrawal fees (included in other income)	At a point in time when the withdrawal takes place.
Commission on value-added services	At a point in time when the service is provided and commission is earned.

1.13 Taxation

1.13.1 Indirect taxation

Indirect taxation in the form of non-claimable value-added tax ("VAT") on expenses is disclosed as indirect taxation in profit or loss and not as part of the taxation charge. The non-claimable VAT on the cost of acquisition of fixed assets is amortised over the useful lives of the fixed assets and is included in depreciation in profit or loss. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the Statement of Financial Position.

1.13.2 Direct taxation

Direct taxation in profit or loss consists of South African jurisdiction corporate income tax, inclusive of capital gains tax and is made up of current taxation and deferred taxation.

1.13.3 Current taxation

Current taxation is the expected taxation payable based on the taxable income, inclusive of capital gains tax for the year, using taxation rates enacted or substantially enacted at the reporting date, and any adjustment to taxation payable in respect of previous years. Taxable income is determined by adjusting the profit before taxation for items that are non-taxable or disallowed in terms of tax legislation.

Current tax is charged or credited to profit or loss, except to the extent that it relates to items charged or credited directly to the statement of changes in equity, in which case the tax is also recognised in equity. The net amount of tax recoverable from or payable to the taxation authority is included as part of the receivables or payables in the Statement of Financial Position.

1.13.4 Deferred taxation

Deferred taxation is provided on temporary differences using the balance sheet liability method. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting and their tax base that result in a timing difference in recognition.

Deferred tax is recognised for all temporary differences. Deferred tax is provided for on the fair value adjustments of assets based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability or asset. The rate used to measure the deferred tax liability or asset will be based on enacted or substantively enacted rates at the reporting date.

1.13.5 Offsetting

Deferred income tax assets, deferred income tax liabilities, current tax assets and current tax liabilities are offset, if a legally enforceable right exists to offset, and if they relate to the same taxable entity and the same taxation authority.

1.13.6 Judgement and uncertainty

Judgement is required in determining the provision for income taxes due to the complexity of legislation governing the environment in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Uncertain tax positions are provided for, in accordance with the criteria defined within IAS 12 Income Taxes ("IAS 12") and IFRIC 23 Uncertainty Over Income Tax Treatments ("IFRIC 23").

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Judgement is also required in the treatment of penalties and interest imposed in terms of any tax legislation. IAS 12 does not consider the treatment for penalties and interest, and tax is explained as being based on taxable profits. In terms of Section 223 of the Tax Administration Act ("TAA"), the term 'tax' is defined as: 'for the purposes of administration under this Act, includes a tax, duty, levy, royalty, fee, contribution, penalty, interest and any other moneys imposed under a Tax Act'. This definition for tax encompasses penalties and interest whereas IAS 12 explains that income taxes are based on taxable profits. As at the reporting date, the Group has accordingly applied the definition per TAA in its definition of tax.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by entities within the Group in order to utilise the deferred tax assets. As at the year end, the Group is of the view that there is no material uncertainty in relation to the recoverability of the deferred tax asset.

1.14 Foreign currency transactions and balances

At each reporting date, foreign currency monetary items are translated using the closing rate. Foreign exchange gains and losses arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the reporting period or in previous Annual Financial Statements are recognised in profit or loss in the period in which they arise.

1.15 Employee benefits

1.15.1 Post-employment benefits

Defined contribution plans have been established for eligible employees of the Group, with the assets held in separate trustee-administered funds. The Group pays contributions on a contractual basis as determined in terms of the rules of each benefit fund. The Group has no further legal or constructive obligations to pay any further contributions or benefits once the fixed contributions have been paid to the funds.

Contributions in respect of defined contribution plans are recognised as an expense in profit or loss as they are incurred.

1.15.2 Short-term benefits

Short-term benefits consist of salaries, compensated absences (such as paid annual and sick leave), bonuses and medical aid contributions.

Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.15.3 Long-term benefits

Long-term benefits consist of long-term incentive scheme bonuses. The cost of long-term benefits are recognised over time as the employees provide the related services. All remeasurements are accounted for in profit or loss.

1.16 Current and non-current assets and liabilities

Current assets and liabilities are what is expected to be recovered or settled no more than 12 months after the reporting period and non-current assets and liabilities are those that are expected to be recovered or settled more than twelve months after the reporting period.

1.17 Segment reporting

An operating segment is defined as a component of the Group whose operating results are regularly reviewed by the Chief Operating Decision Maker in allocating resources, assessing its performance and for which discrete financial information is available.

The Chief Operating Decision Maker has been identified as the Group CEO, who is responsible for assessing the performance and allocation of resources of the Group.

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Due to the nature of its operations, the Group has a single operating segment within South Africa, which is consistent with the internal reporting provided to the Group CEO. The business is widely distributed with no reliance on any major customer and no customer account represents more than 10% of revenue.

1.18 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions that relate to impairment provisions for advances that are not readily apparent from other sources. 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. The critical judgements that management have made in the process of applying the Group's accounting policies and key estimation uncertainties are disclosed as part of the relevant accounting policies.

The principal considerations applied by management in making judgements, estimates and assumptions relate to the following:

- Expected credit loss ("ECL") provisions for advances (refer to note 1.5.8 and 27.7).
- Fair value estimates (refer to note 30).
- Taxation- Judgement and uncertainty (refer to note 1.13.6 and 7).
- Estimated useful life of PPE and intangibles (refer to note 1.7, 1.8, 8 and 9).
- Long term incentives (refer to note 1.15.3 and 35).
- Investment in insurance contracts (refer to note 1.6 and 11).

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**2. Net advances**

Rmillion	2022	2021
Gross advances	32,561	25,372
Retail and corporate advances ¹	31,974	24,454
Acquired book	587	918
Deferred fees	(282)	(250)
Gross advances after deferred origination and administration fees	32,279	25,122
Retail advances	29,932	24,204
Corporate advances	1,760	-
Acquired book	587	918
Balance of impairment provision at the end of the year	(9,632)	(8,660)
Balance of impairment provision at the beginning of the year	(8,660)	(8,646)
Impairment provisions raised on retail advances	(2,178)	(2,166)
Impairment provisions raised on corporate advances	(48)	-
Impairment provisions raised on interest from stage 3 advances	(665)	(972)
Impairment provision released upon write-offs of underlying exposure	1,919	3,124
Net advances	22,647	16,462
Undrawn irrevocable retail advances commitments	843	645
Undrawn irrevocable corporate advances commitments	140	-
Maximum exposure to credit risk	23,630	17,107

¹ The advances balance includes modification losses amounting to R877 million (2021: R781 million). This includes advances with an amortised cost of R892 million (2021: R805 million) (originated book) and R63 million (2021: R33 million) (acquired book) modified during the current financial year.

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Reconciliation of ECL and retail and corporate gross advances of originated and acquired advances as at 30 September 2022

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

Rmillion	ECL					Gross advances ⁴						
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total originated book	Acquired book	
		SICR	Arrears				SICR	Arrears				
Opening balance 1 October 2021	544	-	858	1,083	6,175	8,660	8,529	3,596	2,867	9,212	24,204	918
Changes due to movements in arrears profile of advances	(31)	(210)	90	2,178	2,027	(1,128)	(1,215)	(98)	2,630	189	3	
Transfer from stage 1	-	151	268	480	899	-	714	744	715	2,173	-	
Transfer from stage 2: SICR	44	-	171	478	693	844	-	475	713	2,032	-	
Transfer from stage 2: arrears	9	14	-	794	817	177	65	-	1,184	1,426	-	
Transfer from stage 3	1	5	24	-	30	15	24	66	-	105	-	
Transfer to stage 1	-	(178)	(64)	(10)	(252)	-	(844)	(177)	(15)	(1,036)	-	
Transfer to stage 2: SICR	(38)	-	(23)	(16)	(77)	(714)	-	(65)	(24)	(803)	-	
Transfer to stage 2: arrears	(39)	(100)	-	(44)	(183)	(744)	(475)	-	(66)	(1,285)	-	
Transfer to stage 3	(38)	(151)	(427)	-	(616)	(715)	(713)	(1,184)	-	(2,612)	-	
Transfer to write off/ balance growth up to write-off	30	49	141	496	716	9	14	43	123	189	3	
Changes due to changes in balances of advances	505	38	280	(1,150)	(327)	7,024	261	783	(846)	7,222	(529)	
Change due to movement in balances of existing advances	(42)	(50)	(66)	69	(89)	(788)	(237)	(184)	102	(1,107)	(225)	
Modifications that did not give rise to de-recognition	-	-	-	-	-	-	(306)	37	173	(96)	-	
Issuance of retail advances ¹	633	299	689	661	2,282	8,029	1,592	1,481	894	11,996	-	

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Rmillion	ECL					Gross advances ⁴					
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total originated book	Acquired book
		SICR	Arrears				SICR	Arrears			
Issuance of corporate advances ³	48	-	-	-	48	1,760	-	-	-	1,760	-
Change due to de-recognition (other than write-off)	(103)	(154)	(117)	(275)	(649)	(1,946)	(731)	(325)	(410)	(3,412)	(165)
Change due to write-off ²	(31)	(57)	(226)	(1,605)	(1,919)	(31)	(57)	(226)	(1,605)	(1,919)	(139)
Changes due to change in model assumptions	224	(382)	(721)	151	(728)	2,527	275	(1,940)	(785)	77	195
Changes due to changes in model assumptions	224	(382)	(721)	151	(728)	2,527	275	(1,940)	(785)	77	195
Closing balance 30 September 2022	1,242	304	732	7,354	9,632	16,952	2,917	1,612	10,211	31,692	587

¹ The ECL recognised on new retail advances originating during the financial year (which are not included in opening balances) are raised based on the advances' ECL stage as at the end of the financial year and are included within 'ECL on new retail advances'.

² The decrease in the advances as a result of the write-off is equal to the decrease in ECL and relates only to retail advances, as advances are 100% provided for before being written off. The contractual amount outstanding on advances that were written off during the current financial year that are still subject to enforcement activities is R1919 million (refer to credit impairment charges, note 27.8.2).

³ There were no changes due to the arrears profile or changes in balances of corporate advances.

⁴ The gross advances balances are net of deferred fees

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

As at the beginning of the financial year multiple overlays were held relating to Covid-19, DebiCheck, the Credit Amendment Bill and retrenchments. In the March 2022 Interim Financial Statements, management held an overlay on the ECL models for the effect of inflation on the prices of food and public transportation (due to the Russia and Ukraine conflict). Subsequently, the ECL models were recalibrated with recent observed behaviour between April 2022 and September 2022 which increased the model calculated ECL, whilst releasing all event driven management impairment overlays. Refer to note 27.7.1

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Net advances continued...****Reconciliation of ECL and retail gross advances of originated advances as at 30 September 2021***The below ECL movements depict the differential movements when advances 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 originated book	Acquired book
		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	1,286
Changes due to movements in arrears profile of advances	134	(266)	112	2,626	2,606	(362)	(2,053)	(431)	2,739	(107)	(195)
Transfer from stage 1	-	117	301	394	812	-	590	716	593	1,899	-
Transfer from stage 2: SICR	70	-	262	477	809	1,379	-	624	718	2,721	-
Transfer from stage 2: arrears	10	20	-	1,006	1,036	202	103	-	1,515	1,820	-
Transfer from stage 3	1	4	31	-	36	13	22	74	-	109	-
Transfer to stage 1	-	(275)	(85)	(8)	(368)	-	(1,379)	(202)	(13)	(1,594)	-
Transfer to stage 2: SICR	(30)	-	(43)	(15)	(88)	(590)	-	(103)	(22)	(715)	-
Transfer to stage 2: arrears	(37)	(124)	-	(49)	(210)	(716)	(624)	-	(74)	(1,414)	-
Transfer to stage 3	(30)	(143)	(636)	-	(809)	(593)	(718)	(1,515)	-	(2,826)	-
Transfer to write-off/ balance growth up to write-off	150	135	282	821	1,388	(57)	(47)	(25)	22	(107)	(195)

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Net advances continued...**

Rmillion	ECL					Gross advances					
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total originated book	Acquired book
		SICR	Arrears				SICR	Arrears			
Changes due to changes in balances of advances	(89)	202	(460)	(2,057)	(2,404)	447	1,290	(435)	(1,987)	(685)	(173)
Change due to movement in balances of existing advances	(49)	(54)	(113)	153	(63)	(1,029)	(295)	(297)	264	(1,357)	(117)
Modifications that did not give rise to de-recognition	-	-	-	-	-	-	(2)	(12)	(91)	(105)	-
New advances ¹	202	565	205	167	1,139	3,168	2,364	542	256	6,330	-
Change due to de-recognition (other than write-off)	(78)	(117)	(84)	(77)	(356)	(1,528)	(585)	(200)	(116)	(2,429)	(56)
Change due to write-off ²	(164)	(192)	(468)	(2,300)	(3,124)	(164)	(192)	(468)	(2,300)	(3,124)	-
Changes due to change in model assumptions	67	50	(141)	(164)	(188)	-	-	-	-	-	-
Changes due to changes in model assumptions	67	50	(141)	(164)	(188)	-	-	-	-	-	-
Closing balance 30 September 2021	544	858	1,083	6,175	8,660	8,529	3,596	2,867	9,212	24,204	918

¹ The ECL recognised on new advances originating during the financial year (which are not included in opening balances) are raised based on the advances' ECL stage as at the end of the financial year and are included within 'ECL on new advances'.

² 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 financial year that are still subject to enforcement activities is R3124 million (refer to credit impairment charges, note 27.8.2).

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**3. Guarantees and commitments****3.1 Guarantee*****RDS indemnity***

In terms of the restructuring transaction, RDS has provided a guarantee in favour of African Bank Limited in respect of the advances book transferred to the value of R3 billion until April 2024. To support RDS, the SARB has provided an indemnity guarantee in respect of the guarantee provided by RDS to African Bank Limited. As at year-end, RDS had built up the cash reserves equal to the indemnity of R3 billion. The indemnity guarantee provided by the SARB is in place for eight years, having commenced on 4 April 2016 and expiring on 4 April 2024.

Refer to note 37.4 regarding changes to the indemnity, agreed to after 30 September 2022.

3.2 Commitments***Unutilised card facilities***

The total unsecured unutilised credit facilities granted to the Group's credit card holders is R828 million (2021: R645 million), the repricing profile of which is expected not to be more than one month.

Unutilised overdraft facilities

The total unsecured unutilised overdraft facilities granted to the Group's overdraft holders is R15 million (2021: R1 million), the repricing profile of which is expected not to be more than one month.

Unutilised corporate facilities

The total utilised facility granted to the Group's corporate customers is R140 million in the current financial year, the repricing profile for corporate facilities is dependent on the credit risk associated with the relevant customer.

4. Cash and cash equivalents

Rmillion	2022	2021 (restated)
Call deposits¹	538	3,194
ZAR	536	2,616
Foreign denominated	2	578
Deposits with the SARB ²	445	382
Current accounts ³	561	48
Gross cash and cash equivalents	1,544	3,624
Non-cash adjustment: ECL ⁴	-	(2)
Net cash and cash equivalents	1,544	3,622
Maximum exposure to credit risk	1,544	3,622

See note 27.12 for credit risk ratings of counterparties.

The Group uses foreign currency denominated deposits to mitigate against risks arising from changes in foreign currency exchange rates where the Group's debt is denominated in a currency other than the functional currency. Refer to note 28.3 for foreign exchange risk management. Refer to note 14 and 15 for debt denominated in a currency other than the functional currency.

¹ Rand call deposits are held with SA banks and can be withdrawn on demand. Rand-denominated call deposits bear interest at rates varying from 2.45% to 5.95% NACM (2021: from 2.45% to 3.50%). Foreign-denominated call deposits consist of foreign currency that the Group uses to mitigate against the changes in cash flows arising from changes in foreign currency rates, where the debt is denominated in a currency other than the functional currency and can be withdrawn on demand.

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² The Group is required to deposit a minimum balance of R445 million (2021: R382 million and 2020: R381 million) with the South African Reserve Bank and these deposits bear no interest. Deposits with the SARB were previously included in note 6, Regulatory deposits and sovereign debt securities and have been reclassified to cash and cash equivalents based on the guidance provided in the relevant IFRIC Agenda decision. These deposits are not available for day-to-day operations. The impact on the 1 October 2020 opening balance is a reclassification of R381 million.

³ Current accounts are floating interest rate assets with interest rates generally linked to Prime.

⁴ 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 financial year. The ECL charge for the current financial year is immaterial.

5. Financial investments

Rmillion	2022	2021
Investment in core income funds ¹	160	3,538
Total	160	3,538

¹ Investment in core income funds are unitised and are held with SA banks. These investments are held at fair value.

Reconciliation of financial investments

Rmillion	2022	2021
Investments in core income funds		
Opening balance	3,538	3,308
Placement	-	1,591
Withdrawal: Capital	(3,266)	(1,507)
Withdrawal: Interest received	(148)	-
Income from investments	36	146
Closing balance	160	3,538

6. Regulatory deposits and sovereign debt securities

Rmillion	2022	2021 (restated)
Listed	2,451	3,005
Bonds ¹	2,451	3,005
Gross regulatory deposits and sovereign debt securities	2,451	3,005
Adjustment: ECL ²	(7)	-
Net regulatory deposits and sovereign debt securities	2,444	3,005
Maximum exposure to credit risk	2,444	3,005

See note 27.12 for credit risk ratings of counterparties

Regulatory deposits and sovereign debt securities with a carrying value of R915 million (2021: R765 million) are held by the SARB Bank in terms of the Banks Act and regulations thereto, and are not available for day-to-day operations. Deposits with the SARB were previously included in this note, however have been reclassified to cash and cash equivalents based on guidance provided in the relevant IFRIC Agenda decision, refer to note 4.

¹ R707 million of the bonds has been pledged as security.

² ECL is raised on credit risk arising from the counterparties with whom the deposits and sovereign debt are held. There has not been any changes or downgrades in all deposits and sovereign debt, therefore these are classified as stage 1. There were no movements between stages for these deposits during the financial year. In the prior year the ECL was R419, 000 and during the current year management revised the approach for calculating ECL.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**7. Current and deferred tax**

Rmillion	2022	2021
Current tax asset/(liability)	(12)	(83)
Deferred tax asset	1,064	1,134
Total	1,052	1,051

7.1 Deferred tax asset

Rmillion	Opening balance	Deferred tax impact of items recognised in profit or loss	Closing balance
2022			
Temporary differences			
Right of use asset	3	-	3
Accounts receivable and other assets - Sundry and payroll provisions	149	(32)	117
Impairment provision	923	35	958
Accounts receivable and other assets - Prepayments	(11)	(1)	(12)
Tax impact from the buy-back of liabilities	(2)	-	(2)
Estimated tax loss	72	(72)	-
Total¹	1,134	(70)	1,064

Rmillion	Opening balance	Deferred tax impact of items recognised in profit or loss	Closing balance
2021			
Temporary differences			
Right of use asset	-	3	3
Provisions	59	90	149
Impairment for expected credit losses	938	(15)	923
Prepayments	(4)	(7)	(11)
Tax impact from the buy-back of liabilities	(1)	(1)	(2)
Estimated tax loss	141	(69)	72
Total¹	1,133	1	1,134

The calculation of the deferred tax balances as at 30 September 2022 takes into account the change in the tax rate to 27%, which was substantively enacted on 23 February 2022. Refer to note 22 for further disclosure of the impact of the change in tax rate.

¹ The estimated current tax loss has been fully utilised in the current financial year (2021: R72 million). The recoverability of the deferred tax asset is assessed by the Group on a regular basis. The deferred tax asset recognised by the Group will be recovered through allowable tax deductions and 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 the past achievement thereof. This was done by considering taxable profits forecasted over a four-year period using the approved Board budget.

8. Property, equipment and right of use assets

Rmillion	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fittings	37	(21)	16	34	(17)	17
Information technology equipment	321	(217)	104	301	(179)	122
Motor vehicles	7	(4)	3	7	(2)	5
Leasehold improvements	69	(47)	22	56	(42)	14
Land and buildings (owner-occupied)	301	(38)	263	301	(32)	269
Right of use assets	339	(185)	154	299	(124)	175
Total	1,074	(512)	562	998	(396)	602

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Property, equipment and right of use assets continued...****8.1 Reconciliation of the carrying amounts of property and equipment 2022**

Rmillion	Carrying value at beginning of year	Additions	Depreciation	Disposals / write-offs	Carrying value at end of year
Furniture and fittings	17	4	(5)	-	16
Information technology equipment	122	34	(51)	(1)	104
Motor vehicles	5	-	(2)	-	3
Leasehold improvements	14	13	(5)	-	22
Land and buildings (owner-occupied)	269	-	(6)	-	263
Total	427	51	(69)	(1)	408

Reconciliation of the carrying amounts of property and equipment 2021

Rmillion	Carrying value at beginning of year	Additions	Depreciation	Disposals / write-offs	Carrying value at end of year
Furniture and fittings	21	1	(4)	(1)	17
Information technology equipment	150	24	(48)	(4)	122
Motor vehicles	1	5	(1)	-	5
Leasehold improvements	25	-	(11)	-	14
Land and buildings (owner-occupied)	275	-	(6)	-	269
Total	472	30	(70)	(5)	427

8.1.1 Change in estimate

During the 2022 financial year, the Group assessed the useful lives of all property, plant and equipment items noted above. In this assessment the Group identified the need to re-estimate the useful lives of information technology equipment. The revised useful lives more accurately reflects the period over which expected future benefits of use can be realised. The net effect of the estimation was a decrease of R18 million in the depreciation expense in the current financial year, which will be included in the depreciation charge in future financial periods. This change will be applied prospectively.

8.2 Reconciliation of the carrying amounts of right of use asset

Rmillion	2022	2021
Carrying value at beginning of year	175	280
Additions	128	77
Depreciation	(148)	(133)
Terminations and modifications	(1)	(49)
Carrying value at end of year	154	175

9. Intangible assets

Rmillion	2022			2021		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Software	258	(105)	153	223	(85)	138

Reconciliation of the carrying amounts of intangible assets 2022

Rmillion	Carrying value at beginning of year	Additions	Amortisation	Disposals / write-offs	Carrying value at end of year
Software	138	41	(26)	-	153

Reconciliation of the carrying amounts of intangible assets 2021

Rmillion	Carrying value at beginning of year	Additions	Amortisation	Disposals / write-offs	Carrying value at end of year
Software	115	46	(22)	(1)	138

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During the 2022 financial year, the Group assessed the useful lives of all intangible assets. In this assessment the Group re-estimated the useful lives to reflect more accurately the period over which expected future benefits of use can be realised. The net effect of the re-estimation was a decrease of R6 million in the amortisation expense in the current financial year, which will be included in the amortisation charge in future financial periods. This change will be applied prospectively.

10. Accounts receivable and other assets

Rmillion	2022	2021
Financial assets		
Sundry receivables ¹	88	94
Management fees	60	40
Insurance commissions	14	39
Other	14	15
Non-financial assets		
Prepayments ²	114	88
Total	202	182
Maximum exposure to credit risk	88	94

¹ Due to the short-term nature of the receivables, the carrying amount approximates its fair value. The ECL of the total amount is negligible as the majority of the exposure is within 30 days and/or carries immaterial credit risk.

² Information technology licenses and services and prepaid rentals balance at the reporting date.

11. Investment in insurance contracts

Rmillion	2022	2021
Initial investment	281	281
Re-measurement of initial investment	248	118
Carrying value at closing balance	529	399
Re-measurement of investment in insurance contracts		
Opening balance	118	233
Movement in re-measurement of insurance assets	130	(115)
Premium earned	1,489	1,454
Claims costs	(860)	(869)
Investment income	40	41
Fees and commission paid	(154)	(148)
Actuarial movements	(9)	204
Taxation	(157)	(208)
Distributions paid to cell shareholders	(219)	(589)
Carrying value at closing balance	248	118

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 principal 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, statistical analyses, investment and accounting services.

11.1 Insurance risk

Insurance risk is the possibility that the insured event occurs and that benefit payments and expenses exceed the carrying amount of the insurance liabilities. In the event that the insurance liabilities increased to the extent that it depletes the capital in the cell captive, the Group would be contractually required to provide additional capital to maintain the solvency of the investment in the cell captive arrangement.

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Investment in insurance contracts continued...

Insured events are largely random but can be specific. The actual number of claims, benefits and the amount thereof will vary from year to year. Statistically, the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcomes. Relevant and available quantitative and qualitative information was considered in assessing the Covid-19 impact on short claim (temporary unemployed) and retrenchments. 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 specifically applicable to the Group 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 does not only sell credit and life insurance products, but also funeral policies which introduces diversification into the portfolio. These products are also sold to geographically spread policyholders, further mitigating concentration risk.

The following summarises the insurance risks to which the Group is exposed and the methods by which the Group and Guardrisk seek to mitigate these risks:

- mortality and morbidity risk - estimates are based on standard industry tables and experience studies that reflect recent historical experience, adjusted where appropriate to reflect experience. Estimates are closely monitored and reviewed by management. Furthermore, assured limits are in place to further mitigate these risks;
- contract persistency risk - experience is closely monitored and pricing incorporates consideration for persistency risk in order to mitigate this risk. The cell also holds sufficient capital to guard against this risk;
- expenses risk - expenses are monitored monthly and managed through the budgeting process. Majority of the expenses are linked to the underlying performance of the cell or to the premiums underwritten, and the fixed expenses in the cell are considered immaterial;
- retrenchment risk - the cell's contracts are classified as "short-tailed", meaning most claims are settled within a year after the loss date. The cell takes all reasonable steps to ensure it has appropriate information regarding its claims exposure and practices sound reserving. Furthermore, there are specific margins added to mitigate the risk of inadequate reserves; and
- business volume risk - business volume is highly correlated to the business volume of ABL and this is closely monitored. Pricing assumptions may be updated to allow appropriately for the expenses incurred in the cell. The majority of the expenses are related to the performance of the cell, while the fixed expenses are considered immaterial.

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 investment in insurance assets is more sensitive to the rates of mortality and termination applied in the valuation of the underlying insurance liabilities. The assumptions are informed by past claims experience and by Guardrisk's broad and extensive industry level insight and experience and are assessed annually.

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.

Discretionary margins are applied where the prescribed compulsory margins are deemed insufficient in a particular case in relation to prevailing uncertainty, specifically where there is evidence of moderate to extreme variation in experience or a lack of performance history does not present sufficient claims data to accurately determine the insurance liabilities. The risks arising from the sensitivity of these assumptions are mitigated further through the governance and oversight applied by the Board of Directors of the African Insurance Group Limited, as well as the Board of African Bank Holdings Limited.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**12. Derivatives**

Rmillion	Assets over the counter		Liabilities over the counter	
	Notional	Carrying amount at fair value	Notional ¹	Carrying amount at fair value
2022				
Inflation linked derivatives				
Swaps	667	85	-	-
Total	667	85	-	-
2021				
Inflation linked derivatives				
Swaps	667	42	-	-
Total	667	42	-	-

¹ The notional amount is the sum of the absolute value for both derivative assets and liabilities. The amount cannot be used to assess the risk associated with the positions held and should be used only as a means of assessing participation in derivative contracts.

The Group uses inflation linked swaps to economically hedge against the changes in the fair value of inflation linked bonds, arising from changes in interest rates. The change of which impacts the cash outflow from the payment of interest.

For accounting purposes, the derivatives have not been formally designated as hedging instruments as defined by IFRS 9 and, therefore, all derivatives were classified as and measured at fair value through profit or loss as per IFRS 9.

For more information on the management of market risk, refer to note 28.

12.1 Derivatives settled on a net basis and gross basis

The tables below analyse the Group's derivative assets and liabilities, which will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Some of the Group's derivatives are subject to collateral requirements (see note 31), such as margin calls. Cash flows from those derivatives could occur earlier than the contractual maturity. Contractual maturities are assessed to be essential for an understanding of the timing of cash flows of all derivatives.

Derivatives settled on a net basis	6 - 12 months	1 - 2 years	2 - 5 years	Total
2022				
Financial assets				
Inflation linked swaps	-	85	-	85
2021				
Financial assets				
Inflation linked swaps	-	-	42	42

13. Bonds and other long-term funding

Rmillion	2022	2021
Wholesale funding (refer to note 25)	3,539	3,013
Unsecured bonds (listed on JSE, refer to note 13.1)	2,930	2,364
Unsecured long-term loans (refer to note 13.2)	609	649
Retail long-term funding (refer to note 13.3)	7,309	6,126
Total	10,848	9,139

All long-term funding represents funding with a maturity of more than 12 months after year end.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Bonds and other long-term funding continued...****13.1 Unsecured bonds listed on JSE**

Rmillion	Face value	Interest accrued ¹	Unamortised discount ²	Reclassified to short-term funding	Net liability 2022	Net liability 2021 ³
Fixed rate bonds	235	6	(1)	-	240	240
JIBAR linked bonds	1,935	5	-	-	1,940	1,414
Inflation linked bonds	749	1	-	-	750	710
Total	2,919	12	(1)	-	2,930	2,364

The bonds' maturities range from the earliest maturity on 13 March 2024 to the latest maturity on 30 March 2027. The following bonds are listed on JSE:

- The 10.93% fixed rate bond has a maturity date of the 10 July 2024.
- The 3 month JIBAR + 3.8% floating rate bond has a maturity date of the 3 December 2024.
- The 3 month JIBAR + 2.94% floating rate bond has a maturity date of the 31 March 2024.
- The 3 month JIBAR + 2.7% floating rate bond has a maturity date of the 14 September 2024.
- The 3 month JIBAR + 2.59% floating rate bond has a maturity date of the 30 March 2025.
- The 3 month JIBAR + 3% floating rate bond has a maturity date of the 30 March 2027.
- The inflation linked bond with a fixed rate of 5.75% with CPI adjustment has a maturity date of the 13 March 2024.

¹ Interest accrued represents interest due to the funders, as at the reporting date, based on the individual bond's legal terms and conditions.

² Unamortised discount represents the fair value adjustment at initial recognition of the funding liability.

³ Net liability for 2021 includes accrued interest of R51 million and an unamortised discount of R6 million.

13.2 Unsecured long-term loans

Rmillion	Face value	Interest accrued ¹	Unamortised premium / (discount) ²	Net liability 2022	Net liability 2021 ³
Fixed deposits	560	49	-	609	649
Total	560	49	-	609	649

Fixed Deposits, interest rates between 3.75% and 15.6% (2021: 4.24% to 10.83%). These deposits have various maturities from 01 September 2022 to 20 October 2026.

¹ Interest accrued represents interest due to the funders, as at the reporting date, based on the individual bond's legal terms and conditions.

² Unamortised premium/(discount) represents the fair value adjustment at initial recognition of the funding liability.

³ Net liability for 2021 includes accrued interest of R41 million and an unamortised premium/(discount) of nil.

13.3 Retail long-term funding

Rmillion	Face value	Interest accrued	Net liability 2022	Net liability 2021 ⁴
Maturing in 12 to 24 months ¹	374	-	374	502
Maturing in 25 to 36 months ²	311	(1)	310	166
Maturing in 37 to 60 months ³	6,615	10	6,625	5,458
Total	7,300	9	7,309	6,126

Retail funding consists of fixed deposits that have zero, quarterly and semi-annual coupon payment instruments.

¹ Retail long-term funding for this maturity profile bear interest ranging from 7.25% to 8.00% NACM, (2021: 5.61% to 6.51% NACM).

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² Retail long-term funding for this maturity profile bear interest ranging from 8.00% to 8.50% NACM (2021: 5.61% to 6.93% NACM).

³ Retail long-term funding for this maturity profile bear interest ranging from 8.50% to 10.19% NACM (2021: 6.93% to 8.8% NACM).

⁴ Net liability for 2021 includes accrued interest of R14 million.

14. Short-term funding

Rmillion	2022	2021
Wholesale funding (refer to note 25)	754	3,540
Call deposits ¹	78	38
Notice deposits ²	1	-
Negotiable certificates of deposits ²	48	5
Fixed deposits ³	627	59
Promissory notes ⁴	-	51
Listed bonds ⁵	-	3,387
Retail funding	5,002	4,237
Retail short-term funding ⁶	4,936	4,189
Other short-term funding	66	48
Total	5,756	7,777

Short-term funding represents funding with a maturity of less than 12 months after year end.

¹ Call deposits have interest rates linked to SAFEX

² Negotiable certificates of deposit interest rates varying from 3m JIBAR + 0.2% to 3m JIBAR + 2.2% (2021: 3m JIBAR + 0.2% to 3m JIBAR + 1.85%).

³ Fixed deposits interest rates (NACA) varying from 2.0% to 15.06% (2021: 1.51% to 10.75%).

⁴ Promissory notes interest rates (NACA) varying from 3m JIBAR + 4% (2021: 3m JIBAR +2.25% to 3m JIBAR + 5%).

⁵ All listed bonds matured in the current financial year. During the 2021 financial year all listed bonds to the value of R3 387 million repayable within 12 months were reclassified from long-term funding to short-term funding based on the remaining contractual term.

⁶ Retail short-term funding consists of transactional deposits with an interest rates (NACA) ranging from 2.75% to 5.5% (2021: 2.75% to 4%) and retail investment deposits with interest rates (NACA) varying from 4.17% to 7.87% (2021: 3.93% to 5.85%).

15. Creditors and other liabilities

Rmillion	2022	2021
Financial liabilities¹		
Gross advances with credit balances	17	12
Cash payable to Residual Debt Services Limited (in curatorship)	12	9
Sundry payables and accruals ²	185	140
Amounts payable to Guardrisk	99	106
Lease liability (refer note 15.1)	163	186
Non financial liabilities		
Accruals related to payroll ³	322	292
VAT provision	-	148
Leave pay accrual	89	81
Total	887	974

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Rmillion	2022	2021
Opening balance	186	280
Additions	127	77
Terminations and modifications	(1)	(49)
Interest expense	14	15
Payments	(163)	(137)
Balance at end of period	163	186

Undiscounted lease commitments

Rmillion	2022	2021
Payable between 1 and 12 months	138	163
Payable between 13 and 24 months	77	138
Payable between 25 and 60 months	17	95
Total	232	396

16. Share capital

	Number of shares 2022	Number of shares 2021	Rmillion 2022	Rmillion 2021
<u>Authorised</u>				
Ordinary shares of R0.01 each	2 000 000 000	2 000 000 000	-	-
<u>Issued</u>				
Ordinary shares at par value of R0.01 each	500 000 000	500 000 000	5	5
Ordinary share premium			9,995	9,995
Total			10,000	10,000

There were no shares repurchased or issued during the current or previous financial period.

The Group has 1 500 000 000 (2021: 1 500 000 000) unissued ordinary shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Group. All ordinary shares rank equally with regard to the Group's residual assets.

17. Interest income**17.1 Interest income on advances**

Rmillion	2022	2021
Interest on advances	5,032	4,597
Loan origination fees	292	30
Service fee	338	331
Total	5,662	4,958

Interest income on advances is calculated using the effective interest method.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Interest income continued...****17.2 Other interest income**

Rmillion	2022	2021
Interest received on cash and cash equivalents	64	58
Sundry interest income ¹	240	172
Total	304	230

Other interest income is calculated using the effective interest method.

¹ Sundry interest income consists of interest on regulatory deposits and sovereign debt securities.

18. Credit impairment charge

Rmillion	2022	2021
<i>Originated book</i>		
Net movement in impairment provisions ¹	2,226	2,166
Modification that does not give rise to derecognition	96	105
Net impairment charge	2,322	2,271
Post write-off recoveries ²	(491)	(286)
Sub-total: Originated book	1,831	1,985
<i>Acquired book</i>		
Post write-off recoveries ³	(393)	(458)
(Favourable)/unfavourable changes in ECL	(2)	(186)
Sub-total: Acquired book	(395)	(644)
Total	1,436	1,341

¹ Net movement in impairment provisions represents the impairments on retail and corporate advances (refer to the ECL reconciliation under note 27.8.2). The presentation of the comparative information has changed to show net movement in the impairments provision within a single line.

² Post write-off recoveries are recognised less the directly attributable costs of collection of R47 million (2021: R44 million) for the originated book and R26 million (2021: R30 million) for the acquired book. The increased amounts of recoveries in the previous financial year was largely driven by insurance benefits, as well as an improvement in the economic impact which Covid-19 had on collections. The increased amount of recoveries in this period is driven primarily by the payments of the extended insurance benefits to provide customers with extended cover, resulting in an increased expectation of the Group recovering amounts. This resulted in management reassessing the definition of write-off. Refer to the note 38.2.1.

19. Interest expense and similar charges

Rmillion	2022	2021
Wholesale funding	399	640
Subordinated debt	-	94
Unsecured listed bonds	320	454
Call deposits	6	1
Fixed deposits	49	65
Negotiable certificates of deposit	21	17
Interest on promissory notes	3	9
Retail and other	877	689
Right of use asset - finance cost	14	15
Retail funding	816	651
Other interest ¹	47	23
Total	1,276	1,329

¹ Other interest includes interest from transactional banking.

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Rmillion	2022	2021
Credit card fees	184	157
Binder and outsourcing arrangements fees ¹	144	139
Collection fees ²	175	237
Transactional fees	115	53
Commission on value-added services	4	2
Other income ³	48	30
Total	670	618

¹ These fees are earned through the intermediary agreement held with Guardrisk for the premiums collected and new business generated by the Group.

² Fees relate to fees charged to RDS of R175 million (2021: R237 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.

³ Other income comprise largely of early withdrawals fees on investments.

21. Operating costs

Rmillion	2022	2021
Advertising and marketing costs	259	220
Amortisation of intangible assets (refer to note 9)	26	22
Audit fees	20	32
Bank charges and strike costs ¹	108	148
Card transaction costs	198	129
Collection costs	14	22
Depreciation on property and equipment (refer to note 8)	217	203
Direct selling and commissions	46	37
Information technology costs	175	173
Travel cost	11	6
Rental and maintenance costs	146	138
Costs related to property rentals ²	97	104
Other rental and maintenance costs	49	34
Printing, stationery and courier costs	16	16
Professional fees	217	170
Staff costs	1,612	1,578
Basic remuneration	1,111	1,185
Employee benefits expense	268	219
Contribution to provident fund	132	127
Commission paid to sales agents	5	1
Executive Directors' and Prescribed Officers' remuneration (refer to note 39)	96	46
Non-Executive Directors' fees (refer to note 39)	9	9
Telephone, fax and other communication costs	95	101
Other expenses	92	55
Write-off of property, plant and equipment	1	6
Total	3,262	3,065

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

² Included in the costs related to property rentals is the value of the short-term and low value leases of R10 million (2021: R30 million).

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**22. Indirect and direct taxation**

Rmillion	2022	2021
Indirect charge per the Statement of Total Comprehensive Income	(158)	(132)
Direct charge per the Statement of Total Comprehensive Income: SA normal taxation	(198)	(22)
Total taxation charge	(356)	(154)

22.1 Direct taxation

Rmillion	2022	2021
Current taxation	(128)	(21)
Current year	(132)	(21)
Prior year	4	-
Deferred taxation	(70)	(1)
Current year	(37)	13
Change in tax rate	(39)	-
Prior year	6	(14)
Direct taxation charge per the Statement of Total Comprehensive Income	(198)	(22)

22.2 Direct tax rate reconciliation

%	2022	2021
Effective rate of taxation	21.2	4.0
Non-deductible expenses and special allowances	9.8	21.5
Donations	(0.2)	(0.6)
Fines and penalties	-	-
Dividend received non taxable	6.6	29.6
Insurance contract gains not realised	3.8	(5.8)
Learnerships	0.8	0.3
ECL for financial assets	(0.2)	-
Tax impact on property and equipment	(0.2)	(0.2)
Tax impact on buy-back of liabilities	(0.1)	(1.8)
Other ¹	(0.7)	-
Prior year under/(over) provision	1.2	2.5
Change in tax rate	(4.2)	-
Standard rate of South African taxation	28.0	28.0

¹ Other mainly arose from legal fees and professional fees.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**23. Cash utilised in operations**

Rmillion	2022	2021 (restated)
Profit/(loss) before tax	934	556
Adjustment for:	(2,848)	(2,513)
Indirect taxation: VAT	158	132
Dividends income	(219)	(589)
Remeasurement of insurance assets (refer to note 11)	(130)	115
Increase in impairment of advances	2,123	2,985
Amortisation of intangible assets (refer to note 9)	26	22
Depreciation of property and equipment (refer to note 8)	217	203
Write-off of PPE and intangible assets	1	6
Unrealised foreign exchange differences	9	(74)
Loss on the bond buy-backs	-	-
Fair value movements on derivative instruments	(21)	10
Profit on disposal of PPE	-	(1)
Movement in other interest income accrual	(359)	(330)
Movement in interest expense accrual	1,179	1,085
Interest on advances ¹	(5,865)	(6,058)
Other adjustments on funding instruments	19	(35)
Finance cost from lease liability	14	15
Lease modification	-	1
Total	(1,914)	(1,957)

¹ The presentation of the cash flow from operations has been revised in the current year. The prior year comparatives have been restated to align with the revised layout of this note. Refer to note 38.1.1

24. Direct taxation (paid)/received

Rmillion	2022	2021
Movement in current tax asset	(71)	-
Direct taxation charged to Statement of Total Comprehensive Income (refer to note 22)	(198)	22
Deferred tax portion of amount charged to Statement of Total Comprehensive Income	69	(13)
Total	(200)	9

25. Reconciliation of long-term and short-term wholesale funding

Rmillion	Long-term duration debt: refer to note 13	Short-term duration debt: refer to note 14	Subordinated debt	Total
2022				
Balance at the beginning of the year	3,017	3,540	-	6,557
Long-term tenure funding	522	(3,354)	-	(2,832)
Funding raised	610	-	-	610
Funding redeemed	(51)	(3,445)	-	(3,496)
Net movement in accruals and unamortised fair value adjustments	313	44	-	357
Reclassified to short-term	(47)	47	-	-
Interest paid	(307)	-	-	(307)
Foreign exchange movement	4	-	-	4
Short-term tenure funding	-	568	-	568
Funding raised	-	1,536	-	1,536
Funding redeemed	-	(927)	-	(927)
Reclassified to Long term maturity	-	-	-	-
Interest paid	-	(41)	-	(41)

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Reconciliation of long-term and short-term wholesale funding continued...**

Total	3,539	754	-	4,293
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Rmillion	Long-term duration debt: refer to note 13	Short-term duration debt: refer to note 14	Subordinated debt	Total
2021				
Balance at the beginning of the year	5,900	3,460	1,523	10,883
Long-term tenure funding	(2,883)	239	(1,523)	(4,167)
Funding raised	984	-	-	984
Funding redeemed	(329)	(3,125)	(1,485)	(4,939)
Net movement in accruals and unamortised fair value adjustments	430	28	94	552
Reclassified to short-term	(3,336)	3,336	-	-
Interest paid	(422)	-	(132)	(554)
Foreign exchange movement	(210)	-	-	(210)
Short-term tenure funding	-	(159)	-	(159)
Funding raised	-	423	-	423
Funding redeemed	-	(556)	-	(556)
Interest paid	-	(26)	-	(26)
Other movements	-	-	-	-
Total	3,017	3,540	-	6,557

Long-term tenure debt with a repayment date within 12 months from the reporting date is classified as short-term.

The tenure of the debt is defined by the term until final and full repayment of the debt at inception and, thereof, is defined as long-term if this term exceeds 12 months. Long-term debt with a tenure of more than 12 months is reclassified as short-term when the duration of the term until repayment is less than 12 months.

26. Risk management

The nature of the Group's business activities exposes it to a number of financial risks. The objective of risk management is to balance the risk versus reward relationship with specific controls to mitigate such risks.

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The Risk and Capital Management Committee (“RCMC”) is constituted as a committee of the Board, is accountable to the Board and reports directly to the Board. The primary objective and mandate of the RCMC and its subcommittees is to assist the Board in discharging responsibilities in terms of the management of risk and capital across the Group.

The RCMC is responsible for the execution of the relevant business performance and risk management frameworks, regulatory risk management frameworks, internal capital adequacy assessment process (“ICAAP”) and treasury and funding risks including asset liability mismatch, interest rate risk and foreign currency risk.

The RCMC is also responsible for the evaluation of the adequacy and efficiency of all material risk models in use in all of the businesses within the Group. The RCMC is, furthermore, responsible for the approval of all risk and capital-related frameworks within the Group.

The RCMC has delegated specific responsibilities relating to credit risk to the Model Risk Committee (“MRC”) and market risk management to the Asset and Liability Committee (“ALCO”). The RCMC approved the terms of reference of each and any changes thereto of these subcommittees during the current financial period.

The MRC is responsible for managing the risk and profitability strategies of the Group. The role includes setting of credit policy, pricing strategies, affordability policy and risk control. The MRC monitors these risks and reports on a quarterly basis to the RCMC. The MRC is supported by the Credit Management Structure and is chaired by a Non-Executive Director. (Refer to note 27).

The role of the ALCO is to manage the Group’s liquidity and funding position, interest rate risk in the banking book, asset/liability mismatch, foreign exchange exposure risk, regulatory and economic capital and market risks, as well as other related risks (“ALCO Risks”) in such a way as to maximise shareholder return within the risk parameters as defined by the Group’s risk appetite framework set by the RCMC. (Refer to note 29).

The ALCO also has a further strategic function to recommend the strategy and appetite related to the ALCO Risks within the Group’s overall risk appetite to the RCMC.

The RCMC mandates the MRC and the ALCO to monitor and manage the Statement of Financial Position within the context of the identified risks. These are defined as:

- credit risk (note 27)
- market risk
 - interest rate risk (note 28.1)
 - foreign exchange risk (note 28.3)
- liquidity and funding risk (note 29)
- regulatory (and legal) risks in the ALCO context (note 32)

27. Credit risk

Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial and contractual obligations when due. The Group’s primary focus is the underwriting of unsecured loans and accordingly, credit risk features as the dominant financial risk within the Group.

27.1 Credit risk management

One of the principal objectives and mandate of the MRC is to approve all material credit-related models including impairments, credit scoring, profitability and affordability, as well as all collection scorecards, the advanced Internal Rating Based (“IRB”) model for Economic Capital, the ICAAP models and any other models designated as material models that are utilised in the Group. The MRC oversees the recommendations for the changes identified as necessary to the credit and other risk policies in terms of its oversight process.

The MRC meets on a quarterly basis and reports to RCMC.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS***Credit risk continued...***

The duties and responsibilities of the MRC include:

- the establishment of an inventory of the material models in use in the Group and the management thereof;
- the validation of models as it deems necessary;
- the review of the models at least annually; and
- ensuring that an appropriate governance process is in place to ensure that the necessary documentation/information is in place to facilitate the effective validation of the models.

The Credit and Models Committee (CMC) is a sub-Committee of the Executive Committee (Exco). The purpose of the CMC is to assist Exco to fulfil its mandate and oversight responsibilities in relation to credit risk and model risk. The CMC puts forward recommendations to the MRC relating to changes identified in the model risk framework / policy and other risk-related policies.

The Group's exposure to credit risk can be divided into two categories, which are considered to be its classes:

- financial assets other than advances (refer to note 1.5.9 and 27.12); and
- advances (refer to note 1.5.8 and 27.2).

27.2 Nature and composition of the advances portfolio**27.2.1 Retail advances:**

The Group's main business is to provide unsecured loans, credit cards and overdrafts to retail customers, primarily to individuals with formal employment. The Group primarily relies on collecting loan instalments directly from the customer's bank account via an electronic debit order or alternatively, accepts electronic funds transfer and cash deposits from customers. Customers are assessed in full every time they apply for credit to determine if their credit profile remains acceptable in terms of the credit policies of the Group. All of the Group's business is conducted in the Republic of South Africa. The demographic credit characteristics of the customer base exposes the Group to systemic credit risk.

The Group mitigates this risk by applying the Group's application scorecard, a set of business rules, affordability assessments and verification of items on a sample basis as a fraud mitigation tool. The Group's credit risk assessment process adheres to the requirements set out by the National Credit Act ("NCA") and the Financial Sector Conduct Authority.

The nature of the loan book is such that it is made up of smaller sized loans across a spectrum of economic sectors and provinces. Loans granted range from a minimum of R1 000 to a maximum of R350 000 at origination and repayment periods range from a minimum of 7 months to maximum of 72 months. For credit cards, the revolving credit facility ranges from R4 000 to R250 000 for new credit cards and limit increases. The minimum contractual repayment on credit card facilities is calculated using the outstanding balance of the facility and the percentages used ranges from 3.5% to 12.5%. These repayment percentages are dependent on the credit limit of the customer. By its nature, the sum of the carrying amount at year end for unsecured loans, credit cards and any unutilised credit facilities represents the Group's maximum exposure to credit risk for advances. The Group has insurance cover against credit events arising from death, permanent or temporary disability and retrenchment of customers through a cell captive arrangement held indirectly by the Group's holding company.

27.2.2 Corporate advances:

The Group has expanded their business to include advances to corporate customers which is considered secured lending as financial guarantees and collateral are received. The Group designed a value at risk model to quantify the level of risk exposure.

The types of collateral held include:

- cessions over revenue streams;
- rights to financial assets; and
- financial guarantees.

27.3 Credit risk assessment**27.3.1 Retail advances**

The assessment of customer affordability is done in two parts, the first ensuring compliance with the NCA affordability guidelines, and, second, the Group employs its own credit risk model affordability calculation based on a repayment to income ratio model. The Group calculates the customer's NCA affordability as being an amount equal to the net income less financial obligations less monthly living expenses. The lower of the NCA affordability assessment and the internal credit risk affordability calculation is used to determine the maximum instalment the customer can be offered, limited to the product maximum limits.

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Credit risk continued...

The Group calculates credit scores for applicants and further Groups these scores into risk Groups, which have similar risk expectations. The credit scoring engine is configured with the credit policy parameters and is systematically embedded, preventing human intervention, which could result in a breach of policy.

The verification and inputs into the credit scoring system include:

- physical identification of the customer via their South African identification document, proof of address and fingerprint biometrics which is used to validate the customer against their details held at the Department of Home Affairs;
- the customer's three months income, monthly living expenses, declaration of financial obligations, wage frequency, employer and bank details;
- electronic credit bureau data; and
- the customer's historical performance on existing and previous accounts.

To mitigate against fraud, compliance and credit risk, the customer's completed application could flow to the vetting queues.

A queue is a process whereby an application is systematically flagged for further vetting between when a customer applies for a product and the final approval or decline of an offer to the customer. It is a precautionary step taken to identify underlying risk by flagging certain triggers known to indicate potential risk. An application is flagged to go into a queue when one or more of these triggers are detected in the application details of the customer. The Group evaluates more than 100 possible triggers that could flag an application to go into a queue for vetting.

27.3.2 Corporate advances

The assessment of customers affordability considers the following:

- external ratings (if available);
- financial performance and key financial indicators;
- funding mix and breach of covenants;
- quality of collateral provided; and
- performance of the industry in which the customer operates.

27.4 Credit monitoring

The Group utilises various reporting and monitoring tools to engage in and control credit risk within the credit life-cycle.

For retail advances, this includes the following:

- real-time monitoring on application volumes, approval rates and processing quality;
- vintage collection reports to establish the initial recovery process efficiency;
- credit aging reports to identify, manage and control CD and ECL estimation; and
- active payment, collection and integrity trend analysis to control and manage underlying risks and movement within the day to day operational procedures.

For corporate advances, this includes:

- monthly review of the credit risk and covenants dashboard by the CMC;
- monthly monitoring of the underlying collateral; and
- additional review of covenants before each new drawdown application is approved.

27.5 Collections and recovery

27.5.1 Retail advances:

Core to the collections function is the monitoring of the payment patterns of customers and to encourage customers to pay their accounts timeously and pay their arrears in the shortest timeframe possible. The recovery of arrears and instalments are collected from customers through the regulated authenticated debit order platform (i.e. DebiCheck as the preferred method) and alternatively via the Electronic Funds Transfer Debit Orders ("EFTDBT") platform. Mandates are obtained from customers in their contracts with the Bank and deductions are made from their nominated bank accounts.

Where debit order collection is unsuccessful, arrears follow-up is performed initially through call centres within the Group. The Group operates payment arrangements to promote collection of repayments due such as rescheduling payments and debt review.

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Credit risk continued...

The transfer policy prescribes when an account will be moved into the legal collections division. Once an account has been transferred into legal collections, the account will be allocated to a department either in in-house or to outsourced collection agencies based on current internal business rules.

27.5.2 Corporate advances:

Corporate customers are individually monitored, which includes:

- monthly monitoring of payments. If a payment is missed, these customers are contacted by the relationship manager to remedy the missed payment prior to guarantees or collateral being called upon;
- monthly review of the credit risk and covenants dashboard by the CMC;
- monthly monitoring of the underlying collateral; and
- additional review of covenants before each new drawdown application is approved.

27.6 Other credit risk disclosures

For comparative purposes management also considers and discloses a non-IFRS view of the gross advances and ECL of the acquired book before application of the acquisition related adjustments.

In order to provide sufficient information about the way the credit risk is managed by the Group, the information in this section is presented on two bases:

- a non-IFRS basis that discloses the gross advances and impairment before the acquisition-related adjustments linked to the acquired portfolio (refer to note 27.9); as well as
- the IFRS compliant information (refer to note 27.8).

27.7 Judgements**27.7.1 Event-driven management credit estimates**

Certain events/risks arise from time to time that may not be incorporated into the statistical forward-looking model. In such instances, the additional inclusions into the ECL are reviewed and approved by the MRC.

27.7.1.1 Covid-19 and social unrest

In response to credit risk relating to Covid-19 and the social unrest experienced in the prior financial year, management held overlays on the ECL models, amounting to R27 million and R38 million respectively. During the current financial year, management has approved the full release of these overlays, and incorporated the expected impacts in the base model.

27.7.1.2 Retrenchments

In the prior financial year, the Group held an overlay on the ECL model to take into account their risk associated with the collection of advances as a result of retrenchments. The payment of the extended insurance benefits mitigate this risk and as a result, management has approved the release of this overlay amounting to R115 million. The extended benefits to the insurance policy resulted in a decrease in the loss given default (LGD) and improved the recovery rate.

27.7.1.3 Credit Amendment Bill

The uncertainty on the implementation of the Credit Amendment Bill has resulted in management approving the release of the Credit Amendment Bill overlay, amounting to R64 million and taking a decision to implement a monitoring framework designed to monitor when the Bill will come to effect and identifying any associated risks.

27.7.1.4 DebiCheck

At the end of the previous financial year, management held an overlay amounting to R278 million relating to DebiCheck. DebiCheck has been active for 11 months in the current financial year, and the observed collections performance has been incorporated into the base model. Therefore, during the current financial year, management has approved the full release of this overlay.

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Credit risk continued...

27.7.1.5 Inflation

In the March 2022 Interim Financial Statements, management considered the inflationary impact on customers and the collection risk stemming from Russia and Ukraine conflict. Specific consideration was given to the potential inflationary impact on food and public transportation pricing relevant to African Bank customers. Given the level of information at that point in time, management took a prudent view to hold a model overlay amounting to R289 million. Subsequently, management has obtained updated macro-economic forecasts that factor in the observed and expected price increases in food and transport costs. These revised forecasts have been incorporated into the base models, and therefore, management has approved the release of this overlay.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Credit risk continued...****27.8 Credit quality of advances per IFRS requirements**

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 net carrying value of the acquired book, as included in the gross advances of the Group, is the sum of the gross amount of the acquired advances, less the estimated ECL at initial recognition, plus the subsequent favourable adjustments from the revision of cash flows since acquisition. (Information using the gross advances and impairment before the acquisition-related adjustments linked with the acquired portfolio is presented in note 27.9).

27.8.1 Arrears analysis

Rmillion	2022			2021		
	Retail advances	Corporate advances	Total	Retail advances	Corporate advances	Total
Gross advances						
Stage 1	15,421	1,760	17,181	8,664	-	8,664
Stage 2	4,582	-	4,582	6,578	-	6,578
Stage 3	10,798	-	10,798	10,130	-	10,130
Originated book	10,211	-	10,211	9,212	-	9,212
Acquired book	587	-	587	918	-	918
Total credit exposure	30,801	1,760	32,561	25,372	-	25,372
Total ECL	(9,584)	(48)	(9,632)	(8,660)	-	(8,660)
Stage 1	(1,194)	(48)	(1,242)	(544)	-	(544)
Stage 2	(1,036)	-	(1,036)	(1,941)	-	(1,941)
Stage 3	(7,354)	-	(7,354)	(6,175)	-	(6,175)
Deferred fees	(282)	-	(282)	(250)	-	(250)
Net advances	20,935	1,712	22,647	16,462	-	16,462

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Credit risk continued...****27.8.2 Impairment as % of gross advances**

Rmillion	2022			2021		
	Retail advances	Corporate advances	Total	Retail advances	Corporate advances	Total
Stage 1	7.7%	2.7%	7.2%	6.3%	-	6.3%
Stage 2	22.6%	-	22.6%	29.5%	-	29.5%
Stage 3	68.1%	-	68.1%	61.0%	-	61.0%
Total impairment as a % of total gross advances	31.1%	2.7%	29.6%	34.1%	-	34.1%

Reconciliation of ECL (note 2)¹

Balance at the beginning of the year	(8,660)	-	(8,660)	(8,646)	-	(8,646)
Impairment provisions raised on interest from stage 3 advances	(665)	-	(665)	(972)	-	(972)
Net movement in impairment provisions (note 18)	(2,178)	(48)	(2,226)	(2,166)	-	(2,166)
Impairment provision released in respect of bad debt write-offs	1,919	-	1,919	3,124	-	3,124
Balance at the end of the year	(9,584)	(48)	(9,632)	(8,660)	-	(8,660)

¹ The presentation of the comparative information has changed as the subtotal for net movement in impairment provisions has been removed.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Credit risk continued...****27.8.3 Credit risk sensitivity for retail advances**

The tables below illustrate the impact on ECL from changes in SICR and forward-looking information.

The impact on the full stage 2 ECL if the behavioural or initiation scores threshold is stressed by 5%.

Impact on ECL of SICR sensitivity	Upwards (decrease)	Base	Downwards (increase)
2022			
Shifting of SICR threshold by 5% (Rmillion)	(435)	-	92
% change on total SICR ECL (%)	(30.8%)	-	6.5 %
2021			
Shifting of SICR threshold by 5% (Rmillion)	(261)	-	315
% change on total SICR ECL (%)	(13.4%)	-	16.2 %

By shifting the SICR threshold up, fewer advances will be expected to move into stage 2 and, thus, a decrease in ECL is expected. The opposite will hold true if the SICR threshold is shifted down.

The impact on ECL of forward-looking information based on the probability-weighted impact of all three scenarios.

The Group derived three macroeconomic scenarios and their predicted impacts on the South African economy as well as a weighted average combination of the three scenarios. In determining the Group's probability weighted scenario used in the measurement of ECL, the Group took into account the impact of inflation on prices of food and public transportation as these best aligned with the Group's customer profile.

Impact on ECL of forward-looking information sensitivity	Rmillion	% change in ECL
2022		
100% downturn scenario	15	0.14%
100% base/benign scenario	(57)	(0.54%)
100% upturn scenario	(148)	(1.39%)
2021		
100% downturn scenario	25	0.24%
100% base/benign scenario	(9)	(0.09%)
100% upturn scenario	(33)	(0.33%)

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Credit risk continued...****27.9 Credit quality of advances based on the pre-acquisition gross value of advances (unaudited)**

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.

27.9.1 Advances analysis

Rmillion	2022	2021
Gross advances	33,568	26,725
Acquired	1,594	2,271
Originated portfolios	31,974	24,454
Deferred fees	(282)	(250)
Gross advances after deferred origination and administration fees	33,286	26,475
Retail advances	29,932	24,204
Corporate advances	1,760	-
Acquired book	1,594	2,271
Balance of impairment provisions at the end of the year	(10,639)	(10,013)
Balance of impairment provisions at the beginning of the year	(10,013)	(10,591)
Impairment provisions raised	(2,008)	(1,951)
Impairment provisions raised on corporate advances	(48)	-
Impairment provision raised for suspended revenue from advances in stage 3	(627)	(936)
Impairment provision released upon write-off of underlying exposure	2,057	3,465
Net advances	22,647	16,462
Undrawn irrevocable retail advances commitments	843	645
Undrawn irrevocable corporate advances commitments	140	-
Maximum exposure to credit risk	23,630	17,107

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Credit risk continued...****27.9.2 Arrears analysis**

Rmillion	2022			2021		
	Retail advances	Corporate advances	Total	Retail advances	Corporate advances	Total
Gross advances						
Stage 1	15,421	1,760	17,181	8,676	-	8,676
Stage 2	4,582	-	4,582	6,591	-	6,591
Stage 3	11,805	-	11,805	11,458	-	11,458
Total credit exposure	31,808	1,760	33,568	26,725	-	26,725
Total ECL	(10,591)	(48)	(10,639)	(10,013)	-	(10,013)
Stage 1	(1,194)	(48)	(1,242)	(545)	-	(545)
Stage 2	(1,036)	-	(1,036)	(1,945)	-	(1,945)
Stage 3	(8,361)	-	(8,361)	(7,523)	-	(7,523)
Deferred fees	(282)	-	(282)	(250)	-	(250)
Net advances	20,935	1,712	22,647	16,462	-	16,462
Impairment as % of gross advances						
Stage 1	7.7%	2.7%	7.2%	6.3%	-	6.3%
Stage 2	22.6%	-	22.6%	29.5%	-	29.5%
Stage 3	70.8%	-	70.8%	65.7%	-	65.7%
Total impairment as a % of total gross advances	33.3%	2.7%	31.7%	37.5%	-	37.5%

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Credit risk continued...****27.10 Credit concentration risk of advances**

Credit concentration risk is the risk of loss to the Group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, region or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

Although the Group is currently exposed to only limited types of products, the Group's credit risk portfolio is well-diversified across industries and provinces. The Group's exposure to corporate advances is concentrated to one customer within the telecommunications industry, which contributes to approximately to 5% of total gross advances. However, corporate advances is a new product offering and the expected future growth in the portfolio will reduce the concentration risk.

The following tables break down the Group's credit exposure at carrying amount as categorised by the size of the loan, credit card or overdraft and original term of repayment of the amount advanced.

Retail and corporate advances

Average value (at inception) R'000	Number of loans	% of total number of loans	Carrying value Rmillion	% of total carrying value
2022				
<5	33,997	5.1%	47	0.2%
5 - 10	149,292	22.4%	446	2.4%
10 - 20	165,519	24.8%	1,338	7.1%
20 - 50	115,399	17.3%	2,095	11.1%
50 - 100	102,602	15.4%	3,848	20.3%
100 - 200	78,779	11.8%	6,101	32.2%
> 200 ¹	20,917	3.1%	5,053	26.7%
Total	666,505	100%	18,928	100%
2021				
<5	32,618	5.6%	48	0.3%
5 - 10	132,346	22.7%	359	2.6%
10 - 20	121,978	21.0%	865	6.3%
20 - 50	109,393	18.8%	1,680	12.2%
50 - 100	96,972	16.7%	3,175	23.1%
100 - 200	74,149	12.7%	5,371	39.0%
> 200	14,698	2.5%	2,276	16.5%
Total	582,154	100%	13,774	100%

¹ Included in balance is one corporate advance

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Average value (at inception) R'000	Number of credit cards and overdrafts	% of total number of credit cards and	Carrying value Rmillion	% of total carrying value
2022				
<5	216,921	25.8%	57	1.5%
5 - 10	300,316	35.8%	394	10.6%
10 - 20	191,468	22.8%	738	19.8%
20 - 50	106,812	12.7%	1,242	33.4%
50 - 100	18,368	2.2%	738	19.8%
> 100	4,721	0.6%	434	11.7%
> 200	728	0.1%	116	3.1%
Total	839,334	100%	3,719	100%
2021				
<5	206,698	26.6%	46	1.7%
5 - 10	276,103	35.6%	274	10.2%
10 - 20	177,573	22.9%	604	22.5%
20 - 50	99,441	12.8%	1,076	40.0%
50 - 100	14,507	1.9%	536	19.9%
> 100	1,878	0.2%	152	5.7%
Total	776,200	100%	2,688	100%

27.12 Financial assets other than advances

The Group maintains cash and cash equivalents and short-term investments with various financial institutions and, in this regard, it is the Group's policy to limit its exposure to any one financial institution.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS***Credit risk continued...***

At the reporting date, the international long-term credit rating using Moody's Rating Scale was as follows for cash and cash equivalents, regulatory deposits and sovereign debt securities, derivative assets and financial investments:

Assets Rmillion	Notes	Total carrying amount	Largest exposure to a single counter- party	Aaa to A3	Baa1 to Baa3	Below Baa3	Not rated
2022							
Cash and cash equivalents							
Cash deposits - ZAR	4	1,542	532	-	-	1,542	-
Cash deposits - foreign-denominated	4	2	-	-	-	-	-
Financial investments							
Investment in core income funds	5	160		-	-	160	-
Regulatory deposits and sovereign debt securities							
Bonds	6	2,444	2,444	-	-	2,451	-
Derivatives							
Derivative assets	12	85	84	-	-	84	-
Total		4,233	3,060	-	-	4,237	-

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Credit risk continued...**

Assets Rmillion	Notes	Total carrying amount	Largest exposure to a single counter- party	Aaa to A3	Baa1 to Baa3	Below Baa3	Not rated
2021 restated							
Cash and cash equivalents							
Cash deposits - ZAR	4	3,046	1,390	-	-	3,046	-
Cash deposits - foreign-denominated	4	578	578	-	-	578	-
Financial investments							
Investment in core income funds		3,538	2,162	-	-	3,538	
Regulatory deposits and sovereign debt securities							
Bonds	6	3,005	3,005	-	-	3,005	-
Derivative assets	12	42	42	-	-	42	-
Total		10,209	7,177	-	-	10,209	-

¹ The deposit with the SARB were previously included in Regulatory deposits and sovereign debt securities and have been reclassified to cash and cash equivalents based on guidance provided in the relevant IFRIC Agenda decision.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**28. Market risk**

Market risk is the risk that changes in the market prices, such as interest rates and foreign exchange rates, will affect the fair value and future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group has a low market risk appetite. Foreign exchange risk appetite is zero, but with the current position, the Group has a small unmatched exposure as a result of some operational accounts that require the foreign-denominated cash placements to be held as collateral, therefore, the risk appetite is limited. Foreign exchange risk is actively managed.

28.1 Interest rate risk management

Interest rate risk for the purposes of IFRS 9 is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest rate risk arising from several of its financial assets and liabilities. Assets giving rise to interest rate risk include cash and cash equivalents, financial investments, regulatory deposits and sovereign debt securities, as well as revolving facilities, which earn interest at a variable rate. However, the Group's most significant financial asset is its fixed rate advances portfolio which is not exposed to interest rate risk, therefore the Group's exposure to interest rate risk from financial assets is not considered to be significant.

It is not always feasible to raise fixed rate funding and, therefore, the Group has a mix of fixed and variable rate funding instruments which expose the Group to interest rate risk. The Group also makes use of derivative instruments, primarily floating to fixed interest rate swaps, in order to reduce cash flow risk arising from changes in interest rates.

The Group considers its overall portfolio in managing its net interest rate risk exposure.

The ALCO view interest rate risk measurement and management in the banking book to comprise of the following:

- re-pricing risk (mismatch risk), being the timing difference in the maturity (for fixed) and re-pricing (for floating rate) of the Group's assets and liabilities; and
- yield curve risk, which includes the changes in the shape and slope of the yield curve.

The ALCO is mandated to monitor and manage these risks in adherence to the Group's risk appetite and meets on a quarterly basis to analyse the impact of interest rate risk on the Group reporting directly to the RCMC on a quarterly basis. The techniques used to measure and control interest rate risk by the ALCO includes re-pricing profiles, sensitivity and stress-testing.

28.2 Re-pricing profile

The table below summarises the re-pricing exposure to interest rate risk through grouping assets and liabilities into re-pricing categories, determined to be the earlier of the contractual re-pricing or maturity date, using the carrying amount of such assets and liabilities at the reporting date.

In the context of re-pricing profiles, instruments are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date. Instruments that have no explicit contractual re-pricing or maturity dates are placed in time buckets based on the most likely re-pricing behaviour.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Market risk continued...****28.2.1 Re-pricing profile****2022**

Rmillion	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Non-interest sensitive	Non-financial instruments	Total
2022								
Assets								
Cash and cash equivalents	1,099	-	-	-	-	445	-	1,544
Regulatory deposits and sovereign debt securities	-	-	-	-	2,411	33	-	2,444
Derivative assets	-	-	-	-	-	85	-	85
Net advances	4,240	1,106	4,165	4,041	8,878	217	-	22,647
Accounts receivable and other assets	-	-	-	-	-	202	-	202
Financial investments	104	-	-	-	-	56	-	160
Investment in insurance contracts	-	-	-	-	-	-	529	529
Property and equipment	-	-	-	-	-	-	562	562
Intangible assets	-	-	-	-	-	-	153	153
Deferred tax asset	-	-	-	-	-	-	1,064	1,064
Total assets	5,443	1,106	4,165	4,041	11,289	1,038	2,308	29,390
Liabilities and equity								
Short-term funding	3,161	770	1,740	-	-	85	-	5,756
Derivative liabilities	-	-	-	-	-	-	-	-
Creditors and accruals	17	-	-	-	-	-	870	887
Current tax	-	-	-	-	-	12	-	12
Bonds and other long-term funding	841	2,139	-	1,517	6,278	73	-	10,848
Ordinary shareholder's equity	-	-	-	-	-	-	11,887	11,887
Total liabilities and equity	4,019	2,909	1,740	1,517	6,278	170	12,757	29,390
On balance sheet interest sensitivity	1,424	(1,803)	2,425	2,524	5,011	-	-	-

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2021

Rmillion	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Non-interest sensitive	Non-financial instruments	Total
2021 restated								
Assets								
Cash and cash equivalents ¹	3,237	-	-	-	-	385	-	3,622
Regulatory deposits and sovereign debt securities ¹	553	-	-	-	2,411	41	-	3,005
Derivative assets	-	-	-	-	-	42	-	42
Net advances	3,068	657	2,522	2,908	7,113	194	-	16,462
Accounts receivable and other assets	-	-	-	-	-	94	88	182
Financial investments	3,370	-	-	-	-	168	-	3,538
Investment in insurance contracts	-	-	-	-	-	-	399	399
Property and equipment	-	-	-	-	-	-	602	602
Intangible assets	-	-	-	-	-	-	138	138
Deferred tax asset	-	-	-	-	-	-	1,134	1,134
Total assets	10,228	657	2,522	2,908	9,524	924	2,361	29,124
Liabilities and equity								
Short-term funding	4,411	1,166	2,092	-	-	108	-	7,777
Creditors and accruals	13	-	-	-	-	440	521	974
Current tax	-	-	-	-	-	83	-	83
Bonds and other long-term funding	757	1,623	-	852	5,840	67	-	9,139
Ordinary shareholder's equity	-	-	-	-	-	-	11,151	11,151
Total liabilities and equity	5,181	2,789	2,092	852	5,840	698	11,672	29,124
On balance sheet interest sensitivity	5,047	(2,132)	430	2,056	3,684	-	-	-

¹ The deposit with the SARB were previously included in Regulatory deposits and sovereign debt securities and have been reclassified to cash and cash equivalents based on guidance provided in the relevant IFRIC Agenda decision.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Market risk continued...****28.2.3 Interest rate sensitivity analysis**

An interest rate sensitivity analysis for the Group setting out the potential effect of changes in the market interest rate on earnings for floating rate instruments is presented in the table below.

Sensitivity and stress-testing consist of a combination of stress scenarios and historical stress movements.

The sensitivity analysis have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at reporting date was outstanding for the whole year. A 200 basis point movement for ZAR exposures and a 50 basis point movement for CHF and USD exposures are used when reporting interest rate risk internally and this represents management's assessment of the reasonably possible change in interest rates.

The sensitivity analysis below is based on an increase in rates. Given the linear structure of the Group's portfolio, an increase in interest rates as described above would result in a corresponding net increase of R89 million (2021: increase of R126 million) in net income (before tax).

Rmillion	Carrying value at end of year	Amount exposed to market risk	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) increase/ (decrease)
2022				
Financial assets				
Net credit card advances	3,719	4,734	REPO	137
Cash and cash equivalents	1,544	934	REPO	22
Financial investment	160	104	REPO	3
Regulatory deposits and sovereign debt securities	-	-	CPI	-
Derivatives	85	82	CPI/JIBAR	4
Total assets	5,508	5,854		166
Financial liabilities				
Bonds and other long-term funding	10,848	2,684	CPI/JIBAR	(49)
Short-term funding	5,756	1,596	JIBAR	(28)
Total liabilities	16,604	4,280		(77)
Net effect on the Statement of Total Comprehensive Income				89
2021 restated				
Financial assets				
Net credit card advances	2,688	3,600	REPO	104
Cash and cash equivalents ¹	3,622	3,236	REPO	55
Financial investment	3,538	3,370	REPO	67
Regulatory deposits and sovereign debt securities ¹	3,005	553	CPI	11
Derivatives	42	667	CPI/JIBAR	3
Total assets	12,895	11,426		240
Financial liabilities				
Bonds and other long-term funding	9,139	2,383	CPI/JIBAR	(41)
Short-term funding	7,777	3,787	JIBAR	(73)
Total liabilities	16,916	6,170		(114)
Net effect on the Statement of Total Comprehensive Income				126

¹ The deposit with the SARB was previously included in Regulatory deposits and sovereign debt securities and has been reclassified to cash and cash equivalents based on guidance provided in the relevant IFRIC Agenda decision.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Market risk continued...****28.3 Foreign exchange risk management**

Foreign exchange risk is the risk of financial loss resulting from adverse movements in foreign currency exchange rates. Foreign exchange risk in the Group previously arose as a result of the mismatch between foreign currency denominated borrowings and foreign currency cash and other assets. As at reporting dated, the Group has no foreign currency denominated borrowings.

The Group's primary risk objective is to protect the net earnings against the impact of adverse exchange rate movements. The ALCO is mandated to manage this risk by application of appropriate foreign currency derivatives or other appropriate strategies to ensure adherence to the Group's risk appetite.

28.3.1 Financial instruments denominated in foreign currency

Details of financial instruments denominated in foreign currency are presented below.

Rmillion	Foreign currency USD/CHF 2022	ZAR carrying amount 2022	Foreign currency USD/CHF 2021	ZAR carrying amount 2021
Financial liabilities				
Foreign-denominated bonds (CHF)	-	-	(35)	(563)
Total liabilities		-		(563)
Financial assets				
Short-term deposits and cash (USD)	0.02	2	-	2
Short-term deposits and cash (CHF)	0.01	-	36	576
Total assets		2		578
Net open position - USD	0.02	2	-	2
Net open position - CHF	0.01	-	1	13

Currently, the Group has minimal foreign denominated exposure in the form of operational bank placements due to collateral requirements.

28.3.2 Sensitivity analysis based on 10% increase in exchange rates

A 10% sensitivity adjustment was applied and the analysis was prepared assuming the amount at the reporting date was outstanding for the whole year.

Given the linear structure of the Group's portfolio, a 10% increase in exchange rates, and its related impact on the forward discount curve, would result in a net increase of R0 million (2021: net increase of R2 million) in net income (before tax).

Sensitivity analysis

Rmillion	Carrying value at end of year	Amount exposed to market risk	Currency	Profit or loss impact (pre-tax)
2022				
Financial assets				
Short-term deposits and cash (USD)	2	2	USD	-
Short-term deposits and cash (CHF)	-	-	CHF	-
Total	2	2		-
Financial liabilities				
Foreign-denominated bonds (CHF)	-	-	CHF	-
Total	-	-		-
Net effect on the Statement of Total Comprehensive Income				
				-

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Short-term deposits and cash (USD)	2	2	USD	-
Short-term deposits and cash (CHF)	576	576	CHF	58
Total	578	578		58

Financial liabilities

Foreign-denominated bonds (CHF)	(563)	(564)	CHF	(56)
Total	(563)	(564)		(56)

Net effect on the Statement of Total Comprehensive Income				2
--	--	--	--	----------

The spot exchange rates used to convert the carrying value (outstanding capital, capitalised interest and unamortised discount) of the foreign currency liabilities were R18.07/USD (2021: R15.05/USD) and R18.36/CHF (2021: R16.11/CHF).

28.4 Other price risk management

The Group has a low market risk appetite. For this reason, the Group does not typically trade in any marketable securities or hold any sovereign debt marketable securities (see note 6) to maturity and is, therefore, not exposed to price risk associated with these marketable securities.

29. Liquidity risk

Liquidity risk is defined as the risk that the Group is unable to meet its payment obligations as they fall due. These payment obligations could result from depositor withdrawals, lower than expected receipts from customers, higher than expected pay-outs to customers, higher than expected operational, tax or dividend flows, or the inability to roll over maturing debt. Another form of liquidity risk is that in a stressed liquidity event, the Group would be unable to sell assets without incurring an unacceptable loss in order to generate cash required to meet payment obligations.

ALCO is specifically mandated by RCMC to ensure appropriate liquid asset and cash reserves in relation to short-term funding and stress events are available. ALCO monitors and controls adherence to the risk appetite and regulatory requirements using internal liquidity risk appetite metrics, the liquidity coverage ratio ("LCR") and net stable funding Ratio ("NSFR") as monitoring indicators.

The following tables analyse the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The total ties back to the Statement of Financial Position.

The matching and controlled mismatching of the maturities and interest rates of financial assets and liabilities are fundamental to the management of risk within the Group. The maturity mismatches arise from differences in the repricing and maturity characteristics of the assets and liabilities of the Group.

An unmatched position potentially enhances profitability, but can also increase the risk of loss. The maturities of financial assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates.

In order to address the refinancing requirements in the subsequent periods, management had successfully engaged with shareholders of ABHL and finalised a shareholder-backed liquidity Support Arrangement ("Support Arrangement") in the financial year ended 30 September 2020 for a period of three years and four months (the "support period"), up to a maximum of R8 billion over the support period. Over the course of the last two years, the Group has demonstrated that it could successfully raise funding in the wholesale funding market without calling on assistance from the shareholders in terms of the Support Arrangement. The Group has been successful in growing a significant retail funding portfolio that now represents the biggest source of funding and the Group has successfully managed two bond issuance during the current financial year without the need to access the Support Arrangement. It is the Group's view that the Support Arrangement has, therefore, served its intended purpose as an enabler to give the capital markets confidence to support the Group in its fund-raising activities. The Group, together with the ABHL shareholders, have agreed to cancel the Support Arrangement with effect from 1 October 2022.

To ensure that the Group is able to meet its obligations and to pay its debts as they become due, the Group, furthermore, implemented a number of initiatives, including the establishment of a significant retail funding portfolio and improving the visibility of the Group in the wholesale markets.

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Rmillion	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Non-financial assets / liabilities	Total
2022							
Assets							
Cash and cash equivalents	1,544	-	-	-	-	-	1,544
Regulatory deposits and sovereign debt securities	709	20	19	-	1,696	-	2,444
Derivative assets	-	-	-	85	-	-	85
Net advances ¹	1,463	1,699	6,833	4,041	8,611	-	22,647
Accounts receivable and other assets	202	-	-	-	-	-	202
Financial investments	160	-	-	-	-	-	160
Investment in insurance contracts	-	-	-	-	-	529	529
Property and equipment	-	-	-	-	-	562	562
Intangible assets	-	-	-	-	-	153	153
Deferred tax asset	-	-	-	-	-	1,064	1,064
Total assets	4,078	1,719	6,852	4,126	10,307	2,308	29,390
Liabilities and equity							
Short-term funding	3,567	434	1,755	-	-	-	5,756
Derivative liabilities	-	-	-	-	-	-	-
Creditors and accruals	527	16	225	7	24	88	887
Current tax	-	-	12	-	-	-	12
Bonds and other long-term funding	15	7	10	3,404	7,412	-	10,848
Subordinated bonds	-	-	-	-	-	-	-
Ordinary shareholder's equity	-	-	-	-	-	11,887	11,887
Total liabilities and equity	4,109	457	2,002	3,411	7,436	11,975	29,390
Net liquidity gap	(31)	1,262	4,850	715	2,871		

¹ Included in these amounts are advances which have become immediately payable by the customer due to breach of the terms of the agreement.

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Rmillion	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Non-financial assets / liabilities	Total
2021 restated							
Assets							
Cash and cash equivalents ¹	3,622	-	-	-	-	-	3,622
Regulatory deposits and sovereign debt securities ¹	-	19	576	-	2,410	-	3,005
Derivative assets	-	-	-	-	42	-	42
Net advances ²	1,002	1,084	4,442	2,858	7,076	-	16,462
Accounts receivable and other assets	94	-	-	-	-	88	182
Financial investments	3,538	-	-	-	-	-	3,538
Investment in insurance contracts	-	-	-	-	-	399	399
Property and equipment	-	-	-	-	-	602	602
Intangible assets	-	-	-	-	-	138	138
Deferred tax asset	-	-	-	-	-	1,134	1,134
Total assets	8,256	1,103	5,018	2,858	9,528	2,361	29,124
Liabilities and equity							
Short-term funding	4,748	481	2,548	-	-	-	7,777
Derivative liabilities	-	-	-	-	-	-	-
Creditors and accruals	255	47	88	51	12	521	974
Current tax	-	83	-	-	-	-	83
Bonds and other long-term funding	19	7	10	876	8,227	-	9,139
Subordinated bonds	-	-	-	-	-	-	-
Ordinary shareholder's equity	-	-	-	-	-	11,151	11,151
Total liabilities and equity	5,022	618	2,646	927	8,239	11,672	29,124
Net liquidity gap	3,234	485	2,372	1,931	1,289		

¹ The deposit with the SARB were previously included in Regulatory deposits and sovereign debt securities and have been reclassified to cash and cash equivalents based on guidance provided in the relevant IFRIC Agenda decision.

² Included in these amounts are advances which have become immediately payable due to breach of the terms of the agreement.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Liquidity risk continued...****29.2 Maturity profile of undiscounted liabilities**

The following table represents the Group's undiscounted cash flows of liabilities per remaining maturity and includes all cash flows related to the principal amounts as well as future payments. The analysis is based on the earliest date upon which the Group can be required to pay and is not necessarily the date at which the Group is expected to pay. The analysis of cash flows will not necessarily agree with the balances on the Statement of Financial Position and, therefore, an analysis of carrying values has been provided.

Liabilities maturities (undiscounted)

Rmillion	Carrying amount	Up to 1 month	Greater than 1 month up to 6 months	Greater than 6 months up to 12 months	Greater than 1 year up to 2 years	Greater than 2 years up to 5 years	Greater than 5 years	Total
2022								
Financial liabilities								
Short-term funding	5,756	2,840	1,768	1,079	-	-	-	5,687
Creditors and accruals	887	527	16	225	7	24	88	887
Current tax	12	-	-	12	-	-	-	12
Promissory notes and NCDs - Long-term		1	11	14	215	56	-	297
Fixed deposits and other long-term funding	7,660	32	152	188	1,952	8,016	-	10,340
Bonds listed	2,930	-	135	140	2,195	1,215	-	3,685
Total	17,245	3,400	2,082	1,658	4,369	9,311	88	20,908

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Liquidity risk continued...**

Rmillion	Carrying amount	Up to 1 month	Greater than 1 month up to 6 months	Greater than 6 months up to 12 months	Greater than 1 year up to 2 years	Greater than 2 years up to 5 years	Greater than 5 years	Total
2021								
Financial liabilities								
Short-term funding	7,777	4,468	1,541	1,989	-	-	-	7,998
Creditors and accruals	974	256	47	88	51	12	521	975
Current tax	83	-	83	-	-	-	-	83
Promissory notes and NCDs - Long-term	271	1	9	10	35	269	-	324
Fixed deposits and other long-term funding	6,504	28	132	167	1,292	7,302	-	8,921
Bonds listed	2,364	-	86	89	188	2,605	-	2,968
Subordinated bonds	-	-	-	-	-	-	-	-
Total	17,973	4,753	1,898	2,343	1,566	10,188	521	21,269

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**30. Assets and liabilities measured at fair value or for which fair values are disclosed****30.1 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 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).

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 financial investments, derivative assets and derivative liabilities at fair value, whilst 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 reduce the need for management judgement and estimation and also reduce 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.

Fair value for disclosure

In determining the fair value for disclosure purposes of instruments measured and presented at amortised cost, 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 an 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.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**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 recently 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 advances was derived using a discounted cash flow technique. The Group modelled the expected future cash flows by extrapolating the most recent observed cash flows on advances.

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 which includes 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 the expected cost of collection unless 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.

30.2 Valuation framework

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

30.3 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
2022				
Financial assets				
<i>Recurring fair value measurement</i>				
Financial investments	-	160	-	160
Derivative instruments	-	85	-	85
Total	-	245	-	245
2021				
Financial assets				
<i>Recurring fair value measurement</i>				
Financial investments	-	3,538	-	3,538
Derivative instruments	-	42	-	42
Total	-	3,580	-	3,580

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Assets and liabilities measured at fair value or for which fair values are disclosed continued...****30.4 Valuation techniques, significant observable inputs and sensitivity of level 2 financial instruments measured at fair value**

The table below indicates the valuation techniques and significant observable inputs used in the determination of the fair value at which the derivative instruments and core income funds are measured, with fair value derived from observable inputs (level 2).

Rmillion	Valuation basis / techniques	Significant observable inputs	Variance in fair value measurement	Effect on profit / (loss) (after tax)
2022				
Assets				
Inflation-linked interest rate swaps	Discounted cash flow	Risk-free rates	100 bps	-
Financial investments measured at fair value	Discounted cash flows	Expected cash flows	1% reduction in expected cash flows	2
Rmillion	Valuation basis / techniques	Significant observable inputs	Variance in fair value measurement	Effect on profit / (loss) (after tax)
2021				
Assets				
Inflation-linked interest rate swaps	Discounted cash flow	Risk-free rates	100 bps	(2)
Financial investments measured at fair value	Discounted cash flows	Expected cash flows	1% reduction in expected cash flows	35

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS*Assets and liabilities measured at fair value or for which fair values are disclosed continued...***30.5 Assets and liabilities for which fair value is disclosed**

Rmillion	Level 1	Level 2	Level 3	Total	Carrying value
2022					
Financial assets					
Government bonds	2,240	-	-	2,240	2,444
Deposits with SARB	-	445	-	445	445
Net advances ²	-	-	26,113	26,113	22,647
Total	2,240	445	26,113	28,798	25,536
Financial liabilities					
Short-term funding	-	752	5,002	5,754	5,756
Unsecured bonds (listed on JSE) ¹	-	3,006	-	3,006	2,930
Unsecured bonds (listed on foreign stock exchange)	-	-	-	-	-
Unsecured long-term loans	-	609	7,309	7,918	7,918
Subordinated bonds	-	-	-	-	-
Total	-	4,367	12,311	16,678	16,604
2021					
Financial assets					
Government bonds	2,987	-	-	2,987	3,005
Deposits with SARB	-	382	-	382	382
Net advances	-	-	18,054	18,054	16,462
Total	2,987	382	18,054	21,423	19,849
Financial liabilities					
Short term funding	-	3,507	4,237	7,744	7,777
Unsecured bonds (listed on JSE) ¹	-	2,363	-	2,363	2,364
Unsecured bonds (listed on foreign stock exchange)	-	-	-	-	-
Unsecured long-term loans	-	625	6,126	6,751	6,775
Subordinated bonds	-	-	-	-	-
Total	-	6,495	10,363	16,858	16,916

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

- cash and cash equivalents;
- deposits with SARB;
- accounts receivables and other assets; and
- creditors and accruals.

¹ The fair value of listed bonds reflects the current listed price as at the end of the financial year, but is categorised as level 2 due to the lack of market liquidity for the listed bonds.

² The fair value of retail advance is R24,516 million (2021: R18,054 million) and corporate advances is R1,597 million.

31. Financial instruments subject to offsetting or similar agreements

Certain master netting arrangements entered into by the Group may not meet the criteria for offsetting in the Statement of Financial Position because:

- these agreements create a right of set-off enforceable only following an event of default, insolvency or bankruptcy; and
- the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Accordingly, the following table sets out the impact of off-set, as well as financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they have been offset in accordance with IFRS. It should be noted that the information below is not intended to represent the Group's actual credit exposure, nor will it reconcile with that presented in the Statement of Financial Position.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Financial instruments subject to offsetting or similar agreements continued...**

	Gross amount of recognised financial assets ¹	Gross amount of recognised financial liabilities offset in the Statement of Financial Position ²	Net amount of financial assets presented in the Statement of Financial Position	Amounts not offset in the Statement of Financial Position but subject to enforceable master netting arrangements ³	Gross amount of collateral subject to netting arrangements ⁴	Net amount
Rmillion						
2022						
Assets						
Derivative financial instruments	85	-	85	-	(77)	8
2021						
Assets						
Derivative financial instruments	42	-	42	-	(38)	4

¹ Gross amounts are disclosed for recognised assets and liabilities that are subject to a master netting arrangement or a similar agreement, irrespective of whether the offsetting criteria is met.

² These amounts qualify for offset in accordance with the criteria per IFRS.

³ The amounts that do not qualify for offset in accordance with the criteria per IFRS.

⁴ Cash collateral not offset in the Statement of Financial Position subject to a master netting arrangement or similar agreement.

The amounts that are subject to netting arrangements generally arise in terms of ISDA Master Agreements and Credit Support Annexures between the Bank and various counterparties.

32. Capital management

Capital adequacy risk is the risk that the Group will not have sufficient capital reserves to meet materially adverse market conditions beyond that which have already been assumed within the ECL provisions and reserves.

External regulatory capital management

Regulatory capital adequacy is measured by expressing available qualifying capital as a percentage of risk-weighted assets. The Banks Act and supporting regulations, read together with specific requirements for the Group, specify the minimum capital required to be held in relation to risk-weighted assets. Ancillary regulatory requirements include the Basel III leverage ratio, which is included in the scope of regulatory capital adequacy.

Available qualifying capital includes ordinary share capital, equity reserves and qualifying debt instruments less mandatory deductions. The Group's strategic focus is to maintain an optimal mix of available financial resources, while continuing to generate sufficient capital to support the growth of the Group's operations within the parameters of the risk appetite set by the RCMC.

Refer to the table in the unaudited Annexure B for the Group's capital adequacy requirements and position as at 30 September 2022.

Internal capital management

Internal capital adequacy is defined as the Group's internal measurement of risk and related available financial resources. Available financial resources include ordinary share capital, equity reserves and qualifying additional tier 1 debt instruments less any deduction for the shortfall between provisions and expected loss.

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Capital management continued...

The Group's strategic focus is to maintain an optimal mix of available financial resources for regulatory and internal capital adequacy, while continuing to generate sufficient capital to support the growth of the Group's operations within the parameters of the risk appetite set by the RCMC.

ALCO is mandated to monitor and manage capital, which includes:

- meeting minimum Basel III regulatory requirements and any additional capital requirements as specified by the South African Reserve Bank ("SARB");
- ensuring adequate capital buffers, above the aforementioned criteria, to ensure sustainability in both a systemic and idiosyncratic stress event as set out by the Group's risk appetite;
- testing the Group's strategy against risk appetite and required capital levels; and
- ensuring compliance with other prudential regulatory requirements in respect of non-banking entities within the Group, most notably the capital requirements of these non-banking entities.

RCMC is mandated to review and sign-off the Group's annual internal capital adequacy assessment process ("ICAAP") prior to submission to the Board and the SARB.

Shareholder-backed funding

In order to facilitate the Group's successful re-entry into the domestic wholesale funding market, the Group has entered into shareholder support and assistance arrangements with the shareholders (the "Support Arrangements"). In terms of the Support Arrangements, the shareholders have undertaken to provide certain support facilities to the Group over a period of three years and four months, commencing 1 December 2020 and concluding on 31 March 2024 (the "Support Period"), in proportion to their shareholdings, up to a maximum cumulative amount of R8 billion over the Support Period. Over the course of the last two years, the Group has demonstrated that it could successfully raise funding in the wholesale funding market without calling on assistance from the shareholders in terms of the Support Arrangement. It is the Group's view that the Support Arrangement has, therefore, served its intended purpose as an enabler to give the capital markets confidence to support the Bank in its fund-raising activities. The Group together with the ABHL shareholders, have agreed to cancel the Support Arrangement with effect from 1 October 2022.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**33. Analysis of classification of financial assets and liabilities****33.1 Analysis of classification of financial assets**

Financial assets 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 including fair value gains and losses, are recognised.

Rmillion	Notes	Amortised cost	Financial instruments mandatorily at fair value through profit or loss	Non-financial instruments	Total	Current	Non-current
2022							
Cash and cash equivalents	4	1,544	-	-	1,544	1,544	-
Financial investments	5	-	160	-	160	160	-
Regulatory deposits and sovereign debt securities	6	2,444	-	-	2,444	748	1,696
Net advances	2	22,647	-	-	22,647	9,995	12,652
Deferred tax assets	7	-	-	1,064	1,064	-	1,064
Property and equipment and right of use asset	8	-	-	562	562	-	562
Accounts receivable and other assets	10	88	-	114	202	88	114
Intangible assets	9	-	-	153	153	-	153
Investment in insurance contracts	11	-	-	529	529	-	529
Derivatives	12	-	85	-	85	-	85
Total assets		26,723	245	2,422	29,390	12,535	16,855

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

Rmillion	Notes	Amortised cost	Financial instruments mandatorily at fair value through profit or loss	Non-financial instruments	Total	Current	Non-current
2021 restated							
Cash and cash equivalents ¹	4	3,622	-	-	3,622	3,622	-
Financial investments	5	-	3,538	-	3,538	3,538	-
Regulatory deposits and sovereign debt securities ¹	6	3,005	-	-	3,005	595	2,410
Net advances	2	16,462	-	-	16,462	6,528	9,934
Deferred tax assets	7	-	-	1,134	1,134	-	1,134
Property and equipment	8	-	-	602	602	-	602
Accounts receivable and other assets	10	94	-	88	182	94	88
Investment in insurance contracts	11	-	-	399	399	-	399
Intangible assets	9	-	-	138	138	-	138
Derivatives	12	-	42	-	42	-	42
Total assets		23,183	3,580	2,361	29,124	14,377	14,747

Rmillion	2022	2021
Statement of Total Comprehensive Income effect of financial instruments by category		
Interest income recognised - financial assets at amortised cost	5,963	5,188
Interest income recognised - financial assets at fair value	36	146
Total	5,999	5,334
Included above is interest income earned on impaired assets (advances)	1,019	924

¹ The deposit with the SARB were previously included in Regulatory deposits and sovereign debt securities and have been reclassified to cash and cash equivalents based on guidance provided in the relevant IFRIC Agenda decision.

33.2 Analysis of classification of financial liabilities

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 expenses, including fair value gains and losses, are recognised.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS*Analysis of classification of financial assets and liabilities continued...*

Rmillion	Notes	Amortised cost	Fair value	Non-financial liabilities	Total	Current	Non-current
2022							
Short-term funding	14	5,756	-	-	5,756	5,756	-
Creditors and other liabilities	15	476	-	411	887	768	119
Current tax	7	-	-	12	12	12	-
Bonds and other long-term funding	13	10,848	-	-	10,848	32	10,816
Total liabilities		17,080	-	423	17,503	6,568	10,935
2021							
Short-term funding		7,777	-	-	7,777	7,777	-
Creditors and other liabilities	15	453	-	521	974	390	584
Current tax	7	-	-	83	83	83	-
Bonds and other long-term funding	13	9,139	-	-	9,139	36	9,103
Total liabilities		17,369	-	604	17,973	8,286	9,687
Rmillion					2022	2021	
Statement of Total Comprehensive Income effect of financial instruments by category							
Interest expense recognised for financial liabilities at amortised cost					1,276	1,329	
Total					1,276	1,329	

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**34. Retirement and post-retirement benefits**

The Group contributes to a provident fund, which is governed by the Pension Funds Act No. 24 of 1956, and is a defined contribution plan. This fund is managed by employer and employee-elected trustees. Separate administrators are contracted to run the fund on a day-to-day basis. An independent consultant has also been appointed to the fund to provide professional advice to the trustees. The scheme is funded by Group contributions, which are charged to the Statement of Comprehensive Income as they are incurred.

The defined contribution scheme is exempt from regular actuarial valuations as no actuarial shortfall is anticipated. It is compulsory for all permanent staff to belong to the Bank's provident fund. The contributions made during the year amounted to R132 million (2021: R127 million).

35. Long-term incentive scheme

In the 2019 financial year, the Group made awards in accordance with the long-term incentive scheme introduced in 2018 that will vest and be paid out after a three-year period. Full payout will be based on a compounded annual growth rate (CAR) of at least 10% over the three years in net profit before tax and foreign exchange losses.

In the 2022 financial year, the Group awarded management and the executive committee a long term incentive that will vests after a three-year period, and will be paid out after a three year period to management and in three tranches at the end of the third, fourth and fifth year for the executive committee. The payout will be based on the performance of the Bank over the three-year period ended 30 September 2024. The amount paid out will be determined after applying multiple financial and non-financial performance measures.

All payouts are subject to the Remuneration Committee ("the RemCom") approval.

Rmillion	2022	2021
Opening balance	70	83
Long-term incentive liability recognised during the current financial year	(6)	(4)
Long-term incentive liability settled during the current financial year (relates to prior year's deferrals)	(24)	(9)
Closing balance	40	70

36. Related party information

Members of the Group's Executive Committee are considered to be Key Management Personnel of the Group.

36.1 Balances with related parties

R'000	2022	2021
Gross advances		
Key Management Personnel ¹	722	192
Deposits		
Key Management Personnel ²	72,055	2,036

Refer to note 4 for deposits held with the SARB.

¹ The amounts advanced to key management personnel are at arms length and consist of credit cards and other loans.

² 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.

36.2 Transactions with related parties are disclosed below

R'000	2022	2021
Interest income		
Key Management Personnel	81	12
Interest paid		
Key Management Personnel	172	49
Facility commitment fee - Shareholder backed facility	16,666	16,000

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS***Related party information continued...***

In the current financial year, no contracts were entered into in which Directors or Key Management Personnel had an interest and which significantly affected the business of the Group.

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

37. Events after the reporting date

There were no matters or circumstances arising since the reporting date, not otherwise dealt with in the Consolidated Annual Financial Statements, which significantly affected the financial position as at 30 September 2022 or the results of its operations or cash flows for the period then ended.

37.1 Acquisition of Grindrod Financial Holdings Limited:

In the 2023 financial year, ABL has acquired 100% ordinary share capital of Grindrod Financial Holdings Limited ("GFH") which represents 100% of the voting rights and 100% of the preference shares issued by Grindrod Bank Limited ("GBL"), a 100% subsidiary of GFH, for cash consideration of R1.6 billion. GFH is the holding company of Grindrod Bank Limited ("GBL"). All regulatory, legislative and contractually required approvals were obtained on 6 October 2022, with an effective date of 1 November 2022. The acquisition date (as defined in IFRS 3), and the date that ABL obtained control of GFH and GBL (in terms of IFRS 10 Consolidated Financial Statements ("IFRS 10")), is 1 November 2022. This acquisition was carried out to enable ABL to accelerate its entry into the South African corporate banking sector by acquiring valuable sectoral expertise and an existing customer base.

As at the date of the approval of the Group's Consolidated Annual Financial Statements, the initial accounting for this business combination is incomplete and therefore the additional disclosures required by IFRS 3 cannot be provided.

37.2 Acquisition of certain assets and liabilities of Ubank Limited:

In the 2023 financial year, ABL has acquired certain assets and liabilities from Ubank, which constitutes a business as defined by IFRS 3, for cash consideration of R80 million. ABL has not acquired the Ubank legal entity, and any residual assets and liabilities remain with that legal entity. The acquisition was subject to regulatory approvals which were provided on 31 October 2022, with an effective date of 1 November 2022. Therefore, ABL obtained control of Ubank (in terms of IFRS 10 Consolidated Financial Statements ("IFRS 10")) in the 2023 financial year. This acquisition fits into the Group's Excelerate25 strategy of building a scalable, diversified and sustainable banking business.

As at the date of the approval of the Group's Consolidated Annual Financial Statements, the initial accounting for this business combination is incomplete and therefore the additional disclosures required by IFRS 3 cannot be provided.

37.3 Dividend declaration:

During November 2022, the Board of Directors of ABHL declared a dividend on ordinary shares amounting to R100 million, after considering ABHL's solvency, liquidity and profitability levels.

37.4 RDS indemnity:

On the 21 November 2022, RDS and the Bank entered into an agreement whereby the indemnity reserve was reduced from R3 billion to R500 million. This is with immediate effect.

38. Restatements and change in estimates**38.1 Correction of prior period errors and reclassifications****38.1.1 Change in presentation: Statement of Cash Flow**

These changes were not made to correct errors, but rather as management were of the view that it would better reflect information that is used for decision making by investors and stakeholders and is more aligned to the requirements of IFRS.

In the current financial year, management redesigned the cash from operating activities section of the Statement of Cash Flows, which was prepared using the indirect approach and included additional detail generally disclosed in the direct approach. The revised design removes any additional disclosure not required in the indirect approach. Management is of the view that the revised design provides information that is more easily understandable and is aligned to industry practice.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Restatements and change in estimates continued...**

As part of the redesign:

- Income earned from lending activities and other adjustments, previously disclosed as a line item in the "cash generated from operations" note called "income received from lending activities" has now been included in the "interest received" line item on the face of the Statement of Cash Flows.
- Income earned from non-lending activities, previously disclosed as a separate line item on the face of the Statement of Cash Flows, is now no longer separately disclosed, because as required by the indirect method, it is already included in Profit/(loss) before tax in the "cash generated from operations" note.
- Certain items that were disclosed in the cash generated from operations note are now disclosed on the face of the Statement of Cash Flows.

Statement of Cash Flows (extract) Rmillion	30 September 2021	Increase/ (Decrease)	30 September 2021 (Restated)
Net increase in gross advances ¹	4,167	(4,814)	(647)
Cash utilised in operations ²	(2,448)	491	(1,957)
Disclose separately on the face of the SOCF ²		4,323	4,323
Interest received		4,984	4,984
Interest paid		(968)	(968)
Other assets		19	19
Other liabilities		139	139
Deferred fees and other items related to advances		149	149
Total	1,719	-	1,719

¹ Net movement in gross advances was previously presented as the difference between cash received from customers amounting to R10,874 million and advances disbursed to customers of R6,707 million on the face of the Statement of Cash Flows resulting in a net increase in gross advances of R4,167 million. Interest from lending activities of R4,814 was previously included in the net increase in gross advances line and is now presented in interest received.

² Line items previously disclosed in the cash generated from operations note are now disclosed on the face of the Statement of Cash Flows.

38.2 Change in estimate**38.2.1 Change in write-off definition**

The Bank previously determined that it does not have a reasonable expectation of recovering outstanding amounts when more than three instalments have been missed and no payments have been received for eight months (contractual delinquency ("CD") 4 and recency 8). The gross carrying amount of a loan or advance was therefore written off at this point.

All customers, upon entering into a credit facility, are required to obtain insurance. Previously the insurance cover in terms of death and retrenchment was limited, and therefore in the previous financial period African Insurance Group Limited made the decision to make additional payments to the Bank on a once-off basis. This resulted in the Bank's post write-off recoveries exceeding an internal threshold of the amount written off. In the current financial period, the insurance benefits relating to death and retrenchment have been extended, resulting in an increased likelihood of the Bank receiving claims.

The payment of the extended benefits will therefore result in an increase to the Bank's expectation of recovering contractual cash inflows. The Bank will now have a reasonable expectation of recovering contractual cash flows until month 12. Therefore, the point at which amounts are written off has been changed from CD4 and recency 8 to CD4 and recency 12. This change in the write-off definition resulted in a decrease in ECL of R81 million.

38.2.2 Change in definition of credit impaired for advances under debt review

The Group previously determined that accounts in stage 3 would only cure to stage 2 once the account has moved back to CD3 or less based on the original contractual payment terms. Consequently, all accounts in debt review remained in stage 3 indefinitely due to original contractual terms being modified. Furthermore, accounts commencing the debt review process were deemed to be an indicator of SICR.

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Restatements and change in estimates continued...

During the current financial year, the Group applied the following changes for accounts in debt review in order to align with industry practice and in accordance with SARB Directive 7:

- The Group reviewed its historical data to assess the repayment behaviour of advances in debt review which deemed it appropriate to rehabilitate (cure) advances. The rehabilitation process for debt review accounts utilises the modified contractual terms for curing and only the restructured instalment and terms are considered. The Group considers an account to have cured when it has made six consecutive payments equivalent to six full restructured instalments as this is an indicator of a reduction in credit risk.
- Accounts commencing the debt review process would be considered to be credit-impaired since these accounts are viewed as being in distress.
- Both changes above impacts the definition of credit-impaired and has been accounted for as a change in estimate. This change has resulted in a decrease in the ECL of R106 million.

38.2.3 Change to the SICR indicators

The Group previously considered an advance to have significantly increased credit risk when it is 1 to 90 days overdue (referred to as stage 2 arrears). Based on historical repayment behaviour and industry practice, management has approved to redefine this SICR indicator from 1 to 90 days to 31 to 90 days.

Management views this change to be more aligned with industry practice and will ensure conformity and comparability with the Banking industry. This change has resulted in a decrease in ECL of R288 million and has been accounted for as a change in estimate.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**39. Directors' and Prescribed Officers' remuneration****39.1.1 Basic remuneration, benefits and incentives paid to Executive Directors**

All amounts in R	Date appointed	Date resigned	Salary	Retirement, medical contributions and other	Total cost to company package	Deferred incentive ¹	Settlement award	Long term incentives	Short term incentives	Retention award	Total
2022											
Kennedy Bungane	14/04/2021	-	6,714,609	1,223,130	7,937,739	-	-	-	5,125,000	-	13,062,739
Gustav Raubenheimer	03/07/2015	-	4,563,883	599,753	5,163,636	719,390	-	3,272,790	3,000,000	1,669,475	13,825,291
Zwelibanzi Manyathi*	22/09/2022	-	3,900,000	445,333	4,345,333	-	-	-	-	-	4,345,333
Basani Maluleke	03/07/2017	25/01/2021	-	-	-	223,944	-	3,591,621	-	1,817,888	5,633,453
Total			15,178,492	2,268,216	17,446,708	943,334	-	6,864,411	8,125,000	3,487,363	36,866,816

*Zwelibanzi Manyathi joined the Group as a prescribed officer on 15 November 2021 and was appointed as an Executive Director on 22 September 2022.

All amounts in R	Date appointed	Date resigned	Salary	Retirement, medical contributions and other	Total cost to company package	Deferred incentives ²	Settlement award	Long term incentives	Short term incentives	Retention award	Total
2021											
Kennedy Bungane	14/04/2021	-	3,187,500	572,100	3,759,600	-	-	-	-	-	3,759,600
Gustav Raubenheimer	03/07/2015	-	4,221,236	621,038	4,842,274	1,319,344	-	-	-	-	6,161,618
Basani Maluleke	03/07/2017	25/01/2021	2,726,848	731,775	3,458,623	260,087	3,895,497	-	-	-	7,614,207
Brian Riley	24/06/2015	31/03/2018	-	-	-	2,012,500	-	-	-	-	2,012,500
Total			10,135,584	1,924,913	12,060,497	3,591,931	3,895,497	-	-	-	19,547,925

39.1.2 Basic remuneration, benefits and incentives paid to Prescribed Officers

All amounts in R	Date appointed	Date resigned	Salary	Retirement, medical contributions and other	Total cost to company package	Deferred incentive ¹	Settlement award	Long term incentives	Short term incentives	Retention award	Total
2022											
Unathi Mtya	07/09/2021	-	3,057,469	357,719	3,415,188	-	-	-	136,878	-	3,552,066
Vere Millican	04/04/2016	30/04/2022	2,133,332	525,102	2,658,434	537,528	-	2,466,821	2,750,000	1,910,454	10,323,237
Lindiwe Miyambu	04/04/2016	-	3,290,145	723,783	4,013,928	588,169	-	675,815	1,829,916	1,324,655	8,432,483
Sibongiseni Ngundze	01/08/2021	-	3,570,000	648,636	4,218,636	-	-	-	338,450	-	4,557,086
Edna Montse	01/07/2022	-	646,652	76,350	723,002	-	-	-	-	-	723,002
Darryl Adriaanzen	15/11/2021	-	2,401,567	267,205	2,668,772	-	-	-	-	-	2,668,772
George Roussos	04/04/2016	31/07/2022	3,348,206	847,199	4,195,405	578,554	4,232,677	2,058,321	2,375,000	1,528,451	14,968,408
Sbusiso Kumalo	01/08/2021	-	2,564,015	470,473	3,034,488	-	-	-	1,043,078	-	4,077,566
Petrus Swanepoel	04/04/2016	-	3,587,240	498,860	4,086,100	564,903	-	1,758,138	2,125,000	1,354,807	9,888,948
Total			24,598,626	4,415,327	29,013,953	2,269,154	4,232,677	6,959,095	10,598,322	6,118,367	59,191,568

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Directors' and Prescribed Officers' remuneration continued...**

All amounts in R	Date appointed	Date resigned	Salary	Retirement, medical contributions and other	Total cost to company package	Deferred incentive ²	Settlement award	Long term incentives	Short term incentives	Retention award	Total
2021											
Penny Futter	01/09/2018	31/08/2021	3,305,610	810,271	4,115,881	-	-	-	-	-	4,115,881
Unathi Mtya	07/09/2021	-	206,843	29,556	236,399	-	-	-	-	-	236,399
Vere Millican	04/04/2016	30/04/2022	3,438,817	496,144	3,934,961	976,188	-	-	-	-	4,911,149
Lindiwe Miyambu	04/04/2016	-	3,118,255	754,190	3,872,445	1,078,684	-	-	-	-	4,951,129
Sibongiseni Ngundze	01/08/2021	-	595,000	108,000	703,000	-	-	-	-	-	703,000
George Roussos	04/04/2016	31/07/2022	3,819,107	560,443	4,379,550	1,244,637	-	-	-	-	5,624,187
Sbusiso Kumalo	01/08/2021	-	427,336	78,412	505,748	-	-	-	-	-	505,748
Petrus Swanepoel	04/04/2016	-	3,406,371	477,051	3,883,422	1,063,121	-	-	-	-	4,946,543
Total			18,317,339	3,314,067	21,631,406	4,362,630	-	-	-	-	25,994,036

¹ These amounts represent payments to Executive Directors and Prescribed Officers paid during the 2022 financial year, for the deferral of the past service awards.

² These amounts represent payments to Executive Directors and Prescribed Officers paid during the 2021 financial year, for the deferral of the past service awards.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Directors' and Prescribed Officers' remuneration continued...****39.2 Retention awards****39.2.1 Executive Directors' retention awards**

All amounts in R	Retention award to be paid in January 2023
Gustav Raubenheimer	1,669,475.00
Total	1,669,475

39.2.2 Prescribed Officers' retention awards

All amounts in R	Retention award to be paid in January 2023
Lindiwe Miyambu	1,324,655
George Roussos	1,528,451
Petrus Swanepoel	1,354,807
Total	4,207,913

39.3 Long-term deferred incentives**39.3.1 Executive Directors' long-term deferred incentives**

All amounts in R	2019			Value payable in 2023 ²
	Vesting in 2020 ¹	Vesting in 2021 ¹	Vesting in 2022 ¹	
Gustav Raubenheimer	-	-	542,362	130,811
Total	-	-	542,362	130,811

¹ The vesting amounts are indicative of the amounts expected to be paid and have been adjusted from the prior year in line with vesting conditions.

² The vesting amounts are indicative of the amounts expected to be paid and have been adjusted from the prior year in line with vesting conditions. The value payable in the 2023 financial year is to be determined.

39.3.2 Prescribed Officers' long-term deferred incentives

All amounts in R	2019			Value payable in 2023 ¹
	Vesting in 2020 ¹	Vesting in 2021 ¹	Vesting in 2022 ¹	
Lindiwe Miyambu	-	-	518,754	125,117
Petrus Swanepoel	-	-	518,754	116,944
Total	-	-	1,037,508	242,061

¹ The vesting amounts are indicative of the amounts expected to be paid and have been adjusted from the prior year in line with vesting conditions.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS*Directors' and Prescribed Officers' remuneration continued...***39.4 Long-term incentives****39.4.1 Executive Directors' long-term incentive awards**

	2019		2021			
	Nominal award	Vested in the current year and payable in the 2023	Nominal award	To vest in 2024	To vest in 2025	To vest in 2026
All amounts in R						
Kennedy Bungane	-	-	26,250,000	8,750,000	8,750,000	8,750,000
Gustav Raubenheimer	3,200,000	785,608	-	-	-	-
Total	3,200,000	785,608	26,250,000	8,750,000	8,750,000	8,750,000

	2022			
	Nominal award	To vest in 2025	To vest in 2026	To vest in 2027
All amounts in R				
Kennedy Bungane	8,000,000	2,666,667	2,666,667	2,666,666
Total	8,000,000	2,666,667	2,666,667	2,666,666

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Directors' and Prescribed Officers' remuneration continued...****39.4.2 Prescribed Officers' long-term incentives awards**

All amounts in R	2021			
	Nominal award	To vest in 2024	To vest in 2025	To vest in 2026
Sibongiseni Ngundze	700,000	233,333	233,333	233,334
Sbusiso Kumalo	502,748	167,583	167,583	167,582
Total	1,202,748	400,916	400,916	400,916

All amounts in R	2022			
	Nominal award	To vest in 2025	To vest in 2026	To vest in 2027
Penny Futter				
Unathi Mtya	2,378,031	792,677	792,677	792,677
Lindiwe Miyambu	2,649,309	883,103	883,103	883,103
Sibongiseni Ngundze	2,940,000	980,000	980,000	980,000
Edna Montse	1,150,000	1,150,000		
Darryl Adriaanzen	2,111,542	703,848	703,847	703,847
Sbusiso Kumalo	2,111,542	703,847	703,847	703,848
Petrus Swanepoel	2,709,613	903,204	903,204	903,205
Total	16,050,037	6,116,679	4,966,678	4,966,680

39.5 Short-term incentives**39.5.1 Executive Directors' short-term incentive awards**

All amounts in R	2021		
	To vest in 2022	To vest in 2023	To vest in 2024
Kennedy Bungane	1,708,333	1,708,333	1,708,333
Gustav Raubenheimer	1,000,000	-	-
Total	2,708,333	1,708,333	1,708,333

39.5.2 Prescribed Officers' short-term incentive awards

All amounts in R	2021		
	To vest in 2022	To vest in 2023	To vest in 2024
Unathi Mtya	45,626	45,626	45,626
Lindiwe Miyambu	609,972	609,972	609,972
Sibongiseni Ngundze	112,817	112,817	112,816
George Roussos	791,667	-	-
Sbusiso Kumalo	81,026	81,026	81,026
Petrus Swanepoel	708,333	708,333	708,334
Edna Montse	15,673	15,673	15,673
Total	2,365,114	1,573,447	1,573,447

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**Directors' and Prescribed Officers' remuneration continued...****39.6 Non-Executive Directors' remuneration**

All amounts in R	Date appointed	Date resigned	2022	2021
Thabo Dloti (Chairman)	07/03/2019	-	2,286,970	2,122,573
Hemmanth Singh	21/12/2021	-	613,717	-
Mike Field	11/03/2020	31/07/2021	-	421,342
Spyridon Georgopoulos	18/08/2020	-	1,022,908	1,038,140
Maureen Manyama	23/03/2021	-	692,444	289,967
Nonzukiso Siyotula	13/08/2021	-	646,499	64,846
Peter Temple	29/04/2016	-	972,023	1,258,434
Robert Hutchinson-Keip	11/03/2020	-	1,078,000	1,303,470
Sydney Mhlarhi	06/07/2016	24/11/2021	135,944	1,142,732
Happy Ralinala	23/05/2018	-	930,699	1,203,626
Lindiwe Dlamini	30/07/2021	-	729,335	66,785
Dhevendren Dharmalingam	01/04/2022	-	410,713	-
Total¹			9,519,252	8,911,915

The Non-Executive Directors are paid fees based on a fixed retainer for their responsibilities and duties as Board members as well as additional fees for participation in the various subcommittees of the Board. They do not participate in any of the Group's incentive schemes and neither do they receive any other benefits from the Group.

¹ All Non-Executive Directors fees are disclosed excluding VAT.

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STATEMENT OF FINANCIAL POSITION

for the year ended 30 September 2022

Rmillion	Notes	2022	2021
Assets			
Cash and cash equivalents	3	4	5
Financial investments	4	-	377
Current tax asset	6	-	1
Notice deposit	5	57	-
Investment in subsidiary companies	2	1,450	-
Total assets		1,511	383
Liabilities and equity			
Creditors and other liabilities		1	-
Total liabilities		1	-
Ordinary share capital	7	5	5
Ordinary share premium	7	9,995	9,995
Accumulated losses		(8,490)	(9,617)
Total equity		1,510	383
Total liabilities and equity		1,511	383

STATEMENT OF TOTAL COMPREHENSIVE INCOME

for the year ended 30 September 2022

Rmillion	Notes	2022	2021
Interest income	8	44	54
Interest expense		-	-
Net interest expense		44	54
Operating costs		(4)	(2)
Impairment of investment in subsidiary		-	(2,165)
Dividends received		1,100	-
Profit/(Loss) before taxation		1,140	(2,113)
Taxation	9	(13)	(14)
Profit/(Loss) for the period		1,127	(2,127)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year		1,127	(2,127)
Attributable to:			
Owners of African Bank Holdings Limited		1,127	(2,127)
Total comprehensive profit/(loss) for the year*		1,127	(2,127)

*The Company had no other comprehensive income for the year under review.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2022

Rmillion	Ordinary share capital	Ordinary share premium	Accumulated loss	Total
Balance at 30 September 2020	5	9,995	(7,490)	2,510
Total comprehensive profit for the period	-	-	(2,127)	(2,127)
Balance at 30 September 2021	5	9,995	(9,617)	383
Total comprehensive profit for the period	-	-	1,127	1,127
Balance at 30 September 2022	5	9,995	(8,490)	1,510

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STATEMENT OF CASH FLOWS

for the year ended 30 September 2022

Rmillion	Notes	2022	2021
Cash flows from operating activities			
Cash generated from operations	10	(3)	(3)
Cash paid to clients, funders, employees and agents		(3)	(3)
Direct taxation paid	9	(13)	(14)
Net cash inflow/(outflow) from operating activities		(16)	(17)
Cash flows from investing activities			
Investments made during the period		(1,195)	22
Investment in notice deposits		(55)	-
Financial investments	4	310	1,507
Investment in subsidiary companies	2	(1,450)	(1,485)
Dividends received		1,100	-
Interest received from investments		109	-
Net cash (outflow)/inflow from investing activities		14	22
Increase/(decrease) in cash and cash equivalents		(2)	5
Cash and cash equivalents at the beginning of the year		6	1
Cash and cash equivalents at the end of the year	3	4	6

1. Summary of significant accounting policies

The Annual Financial Statements of African Bank Holdings Limited are prepared according to the same accounting policies used in preparing the Consolidated Financial Statements of the Group other than note 1.4, which deals with Consolidated Financial Statements. Investment in subsidiary companies are measured at cost less accumulated impairment.

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions that relate to impairment provisions for advances that are not readily apparent from other sources. 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. The critical judgements that management have made in the process of applying the Company's accounting policies and key estimation uncertainties are disclosed in the relevant note.

The principal considerations applied by management in making judgements, estimates and assumptions relate to the following:

- Investment in subsidiary companies (refer to note 2).

2. Investment in subsidiary companies

The subsidiary companies' principal places of business are in the Republic of South Africa.

Subsidiary	African Bank Limited	African Insurance Group Limited *
Nature of business	Banking services	Insurance holding entity currently the shareholder in a cell captive arrangement
% ownership of ordinary shares held	100%	100%
% voting rights	100%	100%
As at 30 September 2020	680	
Investment in African Bank	1,485	
Impairment of Investments ¹	(2,165)	
As at 30 September 2021	-	
Investment in African Bank	1,450	
Impairment of Investments ¹	-	
As at 30 September 2022	1,450	

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¹ The investments in subsidiaries are tested for impairment annually, or as and when an indication of impairment is evident. Should subsequent impairment tests present evidence that previous impairments are not evident in part or in full anymore and the decrease in impairment can be related objectively to an event occurring after the initial impairment was recognised, the amount of the impairment decrease will be reversed and recognised in profit or loss.

The impairment test was conducted on 30 September 2022 and the carrying value of the investment in African Bank Limited was not impaired (2021: R2165 million). The Company holds 100% of the issued share capital of its subsidiaries and, therefore, exercises full control over the companies and their operations, the impairment is an intra-group entry, which eliminates on consolidation of the Group to reflect the combined, inherent financial position and economic results of its consolidated operations.

* African Bank Holdings Limited holds 100% of the shares issued by African Insurance Group Limited, which amounts to contributed capital of R1,000.

African Insurance Group Limited satisfies the solvency and liquidity requirements as set out by The Companies Act.

3. Cash and cash equivalents

Rmillion	2022	2021
Current account and money at call and short notice ¹	4	5
Non-cash adjustment: ECL ²	-	-
Total	4	5

¹ Current accounts are floating interest rate assets with interest rates generally linked to prime and deposits are held with SA Banks and can be withdrawn on demand. Call deposits bear interest at rates varying from 2.45% to 5.95% NACM (2021: from 2.45% to 3.50%). The carrying value for cash and cash equivalents approximates the fair value.

² 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 with no movements between stages for these deposits during the reporting period.

4. Financial investments

Rmillion	2022	2021
Investment in core income funds ¹	-	377

¹ Investment in core income funds are with SA Banks and are unitised to reflect their market value. These investments are held at fair value.

Reconciliation of financial investments

Rmillion	2022	2021
Investments in core income funds		
Opening balance	377	1,830
Placement	-	-
Withdrawal: Capital	(310)	(1,507)
Withdrawal: Interest received	(70)	-
Income from investments	3	54
Closing balance	-	377

5. Notice deposit

Rmillion	2022	2021
Notice deposit	57	-

The notice deposit is held with ABL. It is a call notice deposit and bears interest at the South African Reserve Bank repurchase

6. Current tax

Rmillion	2022	2021
Current tax asset	0	1

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7. Share capital

	Number of shares 2022	Rmillion 2022	Number of shares 2021	Rmillion 2021
Ordinary shares of R0.01 each	2,000,000,000		2,000,000,000	
Issued				
Ordinary shares at par value of R0.01 each	500,000,000	5	500,000,000	5
Ordinary share premium		9,995		9,995
Total		10,000		10,000

8. Interest income

Rmillion	2022	2021
Interest earned on 32 day notice deposits	41	-
Investment income - core income fund	3	54
Total	44	54

9. Taxation

Rmillion	2022	2021
Current taxation	13	14
Deferred taxation	-	-
Total taxation charge	13	14

Rmillion	2022	2021
Tax rate reconciliation (%)		
Effective rate of taxation	1.1	(0.7)
Non deductible expenses	(0.1)	-
Impairment of subsidiary		28.7
Dividends received	27.0	-
Standard rate of South African taxation	28.0	28.0

10. Cash generated by operations

Rmillion	2022	2021
Profit / (loss) before tax	1,140	(2,113)
Adjusted for:		
Dividends received	(1,100)	-
Movement in interest income	(44)	(54)
Impairment of subsidiary	-	2,165
Movements in working capital		
Movement in accruals	1	(1)
	(3)	(3)

11. Market risk

Market risk is the risk that changes in the market prices, such as interest rates will affect the fair value and future cash flows of a financial instrument. Other than the Investment in Core Income Funds which are unitised to reflect their market value, the Company does not hold any other significant financial assets which are sensitive to market risks.

11.1 Interest rate risk management

Interest rate risk for the purposes of IFRS is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Assets giving rise to interest rate risk include cash and cash equivalents and financial investments which earn interest at a variable rate.

11.2 Re-pricing profile

In the context of re-pricing profiles, instruments are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date. Instruments that have no explicit contractual re-pricing or maturity dates are placed in time buckets based on the most likely re-pricing behaviour.

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The Investment in the core income fund has a nil balance as at the reporting date (2021: R311 million would mature upon demand and the portion of accrued interest of R66 million related to the core income fund is regarded as non-interest rate sensitive).

11.3 Interest rate sensitivity analysis

A 200 basis point movement for the ZAR exposures is used when reporting interest rate risk internally and this represents management's assessment of the reasonably possible change in interest rates.

An increase in interest rates would result in a corresponding increase in profit before tax. In the prior year an increase in interest rates on the investment in core income fund of 2% would have resulted in an increase in profit before tax of R6 million).

12. Related parties

The Company defines related parties as:

- subsidiaries;
- entities that have significant influence over the Group. If an investor has significant influence over the Group, that investor and its subsidiaries are related parties of the Group.
- Key Management Personnel, being the African Bank Holdings Limited Board of Directors and the African Bank Holdings Executive Committee, including any entities that provide key management personnel services to the Group; and
- close family members of Key Management Personnel (individual's spouse/domestic partner and children; domestic partner's children and dependants of individual or domestic partner);

Detailed remuneration disclosures for the Directors, as well as Key Management Personnel, are provided in the notes of these separate Financial Statements.

Balances with related parties

Rmillion	2022	2021
Deposits		
Company's subsidiaries	57	-

Transactions with related parties are disclosed below

Rmillion	2022	2021
Interest income		
Company's subsidiaries	41	-

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 Company.

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

13. Events after the reporting date

There were no matters or circumstances arising since the reporting date, not otherwise dealt with in the Group Annual Financial Statements, which significantly affected the financial position at 30 September 2022 or the results of its operations or cash flows for the reporting date.

14. Directors' and Prescribed Officers' remuneration

The Non-Executive Directors are paid fees based on a fixed retainer for their responsibilities and duties as board members, as well as additional fees for participation in the various subcommittees of the board. They do not participate in any of the Group's bonus and incentive schemes and neither do they receive any other benefits from the Company.

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Directors' and Prescribed Officers' Remuneration

All amounts in R	Date appointed to board	Date resigned from board	2022		2021	
			Paid by ABHL	Paid by other companies within the Group	Paid by ABHL	Paid by other companies within the Group
Basic remuneration, benefits and bonuses paid to Executive Directors						
B Maluleke	03/07/2017	25/01/2021	-	5,633,453	-	7,614,207
G Raubenheimer ¹	03/07/2015		-	13,825,291	-	6,161,618
K Bungane ¹	14/04/2021		-	13,062,739	-	3,759,600
B Riley	24/06/2015	31/03/2018	-	-	-	2,012,500
Total			-	32,521,483	-	19,547,925
Fees for services as Non-Executive Directors						
Thabo Dloti (Chairman)	07/03/2019	-	495,982	1,983,929	424,515	1,698,058
Hemmanth Singh	21/12/2021	-	141,155	564,620	-	-
M Field	11/03/2020	-	-	-	84,268	337,074
Spyridon Georgopoulos	18/08/2020	-	213,263	853,051	207,628	830,512
Robert Hutchinson-Keip	11/03/2020	-	241,935	975,823	257,670	1,045,801
Sydney Mhlarhi	06/07/2016	-	31,267	125,068	228,546	914,186
Happy Ralinala	23/05/2018	-	214,061	856,243	240,725	962,901
Maureen Manyama	23/03/2021	-	138,489	553,955	57,993	231,974
Lindiwe Dlamini	30/07/2021	-	145,867	583,468	13,357	53,428
Nonzukiso Siyotula	13/08/2021	-	482,788	260,685	12,969	51,877
Peter Temple	29/04/2016	-	217,560	878,323	246,026	1,012,408
Dhevendren Dharmalingam	01/04/2022	-	472,320	-	-	-
Total			2,794,687	7,635,165	1,773,697	7,138,219

The Non-Executive Directors are paid fees based on a fixed retainer for their responsibilities and duties as board members, as well as additional fees for participation in the various subcommittees of the Board. They do not participate in any of the Group's incentive schemes and neither do they receive any other benefits from the Group.

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for the year ended 30 September 2022

ANNEXURE A: ADOPTION OF NEW STANDARDS AND INTERPRETATION

1. Standards and amendments with an effect on the Consolidated Financial Statements

The following amendments to standards and interpretations have an impact on the Group for the year ended 30 September 2022:

Title	Impact assessment
<i>IFRIC Agenda decision on Demand Deposits with Restrictions on Use arising from a Contract with a Third Party</i>	Refer to note 4 Cash and cash equivalents and note 6 Regulatory deposits and sovereign debt securities for disclosure of the impact.
<i>Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16</i>	The SARB has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. The current proposals are to designate the South African Rand Overnight Index Average ("ZARONIA") as the official successor rate to the JIBAR. The Group is monitoring the progress of the transition to ZARONIA.

All other standards and amendments effective in the current year have no material impact on the Group.

2. Standards and amendments in issue but not yet effective

The Group has not early adopted or applied any of the standards or amendments not yet effective. All other amendments not listed below are assessed to have no material impact on the Group.

IFRS reference	Title and details	Impact assessment	Effective date
IFRS 17	<p><i>IFRS 17 - insurance contract</i></p> <p>The IASB issued IFRS 17, which states a new approach of accounting for insurers. IFRS 17 has a general model that requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.</p> <p>The standard also provides a simplification in the form of the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less.</p>	<p>This Standard will be effective for the financial year beginning 1 October 2023. The Group has commenced assessing the potential impact and has been working with Guardrisk when performing this assessment. Currently, it is expected that the Standard will significantly impact the disclosure of the Cell Captive.</p>	<p>This standard is effective for annual periods beginning on or after 1 January 2023.</p>

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ANNEXURE A: ADOPTION OF NEW STANDARDS AND INTERPRETATION

IFRS reference	Title and details	Impact assessment	Effective date
IAS 37 (amendment)	<i>IAS 37 - Onerous contracts - costs of fulfilling a contract (amendment)</i> The amendment specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'direct related cost approach', which includes costs that relate directly to a contract and an allocation of costs directly related to contract activities. General and administrative costs are excluded unless they are explicitly chargeable to the counterparty to the contract.	The amendment is not expected to have a material impact on the Group's Annual Financial Statements.	The amendment is effective for annual periods beginning on or after 1 January 2022.
IAS 16 (amendment)	<i>IAS 16 - 'Property, Plant and Equipment' on Proceeds before Intended Use</i> The amendment prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.	The amendment is not expected to have a material impact on the Group's Annual Financial Statements.	The amendment is effective for annual periods beginning on or after 1 January 2022.
IFRS 3 (amendment)	<i>IFRS 3 - Reference to the Conceptual Framework</i> The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use.	The amendment is not expected to have a material impact on the Group's Annual Financial Statements. of the Group.	The amendment is effective for annual periods beginning on or after 1 January 2022.

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ANNEXURE A: ADOPTION OF NEW STANDARDS AND INTERPRETATION

IFRS reference	Title and details	Impact assessment	Effective date
IAS 1 (amendment)	<p><i>IAS 1 - Disclosure of accounting policies - amendments to IAS 1 and IFRS Practice Statement 2</i></p> <p>The IASB issued amendments to IAS 1 and an update to IFRS Practice Statement 2 Making Materiality Judgements to help preparers provide useful accounting policy disclosures. The key amendments to IAS 1 include: requiring companies to disclose their material accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.</p>	The amendment is not expected to have a material impact on the Group's Annual Financial Statements.	The amendment is effective for annual periods beginning on or after 1 January 2023.
IAS 8 (amendment)	<p><i>IAS 8 - Definition of accounting estimates</i></p> <p>The amendments to IAS 8 introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.</p> <p>The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.</p>	The amendment is not expected to have a material impact on the Group's Annual Financial Statements.	The amendment is effective for annual periods beginning on or after 1 January 2023.
IAS 1 (amendment)	<p><i>IAS 1 - Classification of Liabilities as Current or Non-current</i></p> <p>The proposed amendment is that if a right to defer settlement for at least twelve months is subject to an entity complying with conditions after the reporting date, those conditions do not affect whether the right to defer settlement exists at the reporting date for the purpose of classifying a liability as current or non-current. Additional presentation and disclosure requirements would be applicable in such circumstances, including presenting non-current liabilities that are subject to covenants to be complied with within twelve months after the reporting period, separately in the statement of financial position.</p>	The amendment is not expected to have a material impact on the Group's Annual Financial Statements.	The amendment is effective for annual periods beginning on or after 1 January 2023.

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ANNEXURE A: ADOPTION OF NEW STANDARDS AND INTERPRETATION

IFRS reference	Title and details	Impact assessment	Effective date
IAS 12 (amendment)	<p><i>IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i></p> <p>The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.</p> <p>Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.</p> <p>In cases where the resulting deferred tax assets and liabilities are not equal, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss."</p>	<p>The amendment is not expected to have a material impact on the Group's Annual Financial Statements.</p>	<p>The amendment is effective for annual periods beginning on or after 1 January 2023.</p>

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ANNEXURE A: ADOPTION OF NEW STANDARDS AND INTERPRETATION

IFRS reference	Title and details	Impact assessment	Effective date
Annual Improvements (amendment)	<p><i>Annual Improvements to IFRS Standards 2018 - 2020</i></p> <p><i>IFRS 9 Financial Instruments.</i> The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.</p> <p><i>Lease incentives</i> The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.</p>	The amendment is not expected to have a material impact on the Group's Annual Financial Statements.	The amendment is effective for annual periods beginning on or after 1 January 2022.

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ANNEXURE B: CAPITAL ADEQUACY (UNAUDITED)

Capital adequacy requirements:

Rmillion	2022	2021
On-balance sheet assets	29,390	29,124
Off-balance sheet items	983	645
Total risk exposure	30,374	29,770
Total risk-weighted exposure	25,383	21,999
<i>Primary (Tier I)</i>		
Share capital	10,000	10,000
Primary reserves (less statutory deductions)	782	(649)
Total	10,782	9,351
<i>Secondary (Tier II)</i>		
Subordinated debt instruments	-	-
General allowance for credit impairments	232	179
Total	232	179
Total qualifying capital and unimpaired reserve funds	11,014	9,530
Total capital to risk-weighted assets	%	%
Primary	42.5	42.5
Secondary	0.9	0.8
Total	43.4	43.3

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ANNEXURE C: ACRONYMS AND ABBREVIATIONS (UNAUDITED)

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
Bank	African Bank Limited
CAR	Capital Adequacy Ratio
CHF	Swiss Franc
CEO	Group Chief Executive Officer
CFO	Group Chief Financial Officer
CMC	Credit and Models Committee
CRO	Group Chief Risk Officer
COVID-19	Coronavirus
CPI	Consumer Price Index
DMTN	Domestic medium-term note programme
ECL	Expected credit losses
EMTN	Euro medium-term note programme
Exco	Executive Committee
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	JSE Limited
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 No 34 of 2005
Rm / Rmillion	Millions of rand
RSA	Republic of South Africa
PSI	Portfolio Specific Impairment
SAFEX	South Africa Future Exchange
SARB	South African Reserve Bank
SI	Specific Impairment
SICR	Significant increase in credit risk
SPLEC	Special Projects and Large Exposures Committee

RO	Thousands of rand
RCMC	Risk and Capital Management Committee
RDS	Residual Debt Services Limited (under curatorship)
TAA	Tax Administration Act
The Bank Act	The Banks Act No. 94 of 1990
The Companies Act	The Companies Act No. 71 of 2008
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 D: CORPORATE INFORMATION (UNAUDITED)

Group Company Secretary

Maliga Chetty

African Bank Holdings 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

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