African Bank Holdings Limited

Consolidated Condensed Interim Financial Statements

31 March 2021

These financial statements were prepared under the supervision of G Raubenheimer CA (SA) Registration number: 2014/176855/06. NCR Registration number NCRCP7638.
An Authorised Financial Services and Registered Credit Provider

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated Condensed Interim Financial Statements

for the six months ended 31 March 2021

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The Interim 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 group of companies ("the Group").

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

The directors' responsibility includes:

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

The directors have made an assessment of the 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.

CHANGES IN DIRECTORS AND BOARD COMMITTEES

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

Appointments[1]:

Maureen Makole Manyama was appointed as an independent non-executive director on 23 March 2021.

Kennedy Gcinumuzi Bungane was appointed as an executive director on 14 April 2021.

Resignations[2]:

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

[1] Maureen Manyama and Kennedy Bungane's appointments were to fill vacancies and add to the skill set of the board

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

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

Appointments:

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

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

APPROVAL OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

The Group's condensed interim financial statements found on pages 4 to 42 were approved by the board of directors on 21 May 2021 and are signed on its behalf by:

G Raubenheimer
Director

Robert Hutchinson-Keip
Director

Midrand

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Notes	As at 31 March 2021 (unaudited)	As at 31 March 2020 unaudited (Restated)	As at 30 September 2020 (audited)
Assets				
Cash and cash equivalents	2	3,303	4,232	2,040
Financial Investments	3	3,671	1,086	4,323
Regulatory deposits and sovereign debt securities	4	2,159	1,210	1,725
Derivatives		19	224	-
Net advances	5	16,698	18,995	17,636
Accounts receivable and other assets		199	173	200
Investment in insurance contracts	7	651	240	514
Property and equipment and Right of use asset		672	1,164	752
Intangible assets		114	104	115
Deferred tax assets	8	1,176	1,075	1,133
Total assets		**28,662**	**28,503**	**28,438**
Liabilities and equity				
Liabilities				
Current tax	8	86	78	83
Creditors and other liabilities[1]		898	1,251	752
Short-term funding[2]		6,244	5,992	5,520
Bonds and other long-term funding[2]		9,142	9,164	9,830
Subordinated bonds		1,523	1,532	1,523
Derivatives		-	-	113
Total liabilities		**17,893**	**18,017**	**17,821**
Equity				
Ordinary share capital		5	5	5
Ordinary share premium		9,995	9,995	9,995
Retained income / (accumulated loss)		769	486	617
Total equity		**10,769**	**10,486**	**10,617**
Total equity and liabilities		**28,662**	**28,503**	**28,438**

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

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

African Bank Holdings Limited

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for the six months ended 31 March 2021

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Rmillion	Notes	For the six months ended 31 March 2021 (unaudited)	For the six months ended 31 March 2020 (unaudited) (Restated)	For the year ended 30 Septermber 2020 (Audited)
Interest income on advances	9	2,609	3,167	6,121
Credit impairment charge	10	(850)	(1,909)	(3,408)
Interest on advances after impairment		**1,759**	**1,258**	**2,713**
Other interest income	9	75	98	191
Interest expense and similar charges	11	(665)	(748)	(1,461)
Income from core income funds		75	-	40
Foreign exchange gain / (loss) recognised on translation		154	(177)	(106)
Fair value gains / (losses) losses from derivatives assets and liabilities		(170)	192	29
Net interest income		**1,228**	**623**	**1,406**
Non-interest income	12	333	349	682
Operating costs	13	(1,548)	(1,387)	(2,667)
Movement in remeasurement of insurance contracts		138	(296)	(16)
Dividends received		113	442	443
Indirect taxation: VAT		(140)	3	(19)
Operating (loss)/profit		**124**	**(266)**	**(171)**
(Loss)/profit before taxation		**124**	**(266)**	**(171)**
Taxation		28	108	144
(Loss)/profit for the year		**152**	**(158)**	**(27)**
Attributable to:				
- Shareholders of African Bank Holdings Limited		**152**	**(158)**	**(27)**
Total comprehensive profit for the year		**152**	**(158)**	**(27)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Ordinary share capital	Ordinary share premium	Retained income / (accumulated loss)	Total
Balance at 1 October 2019 (Restated)*	5	9,995	644	10,644
Restated total comprehensive (loss) for the period	-	-	(158)	(158)
Balance at 31 March 2020 (Restated)	5	9,995	486	10,486
Total comprehensive loss for the year	-	-	131	131
Balance at 30 September 2020	**5**	**9,995**	**617**	**10,617**
Total comprehensive (loss) for the year	-	-	152	152
Balance at 31 March 2021	**5**	**9,995**	**769**	**10,769**

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	For the six months ended 31 March 2021 (unaudited)	For the six months ended 31 March 2020 (unaudited)	For the year ended 30 September 2020 (Audited)
Cash flows from operating activities			
Cash generated from operations	1,834	2,251	4,693
Cash received from lending activities[1]	3,449	3,854	7,606
Interest from cash and financial investments	42	64	260
Recoveries on advances previously written off	357	343	688
Cash paid to funders	(513)	(630)	(1,178)
Cash paid to suppliers	(759)	(920)	(1,160)
Cash paid to employees and agents	(742)	(460)	(1,523)
Net increase in gross advances	(686)	(1,733)	(2,254)
Cash received from customers[1]	2,854	4,175	9,042
Advances disbursed to customers	(3,540)	(5,908)	(11,296)
Net increase/(decrease) in regulatory deposits and sovereign debt securities	(390)	566	77
Net increase in customer deposits	2,230	1,255	3,038
Transactional banking deposits raised	278	98	333
Direct taxation received / (paid)	(10)	(21)	(42)
Indirect taxation received / (paid)	8	34	107
Net cash inflow/(outflow) from operating activities	**3,264**	**2,450**	**5,952**
Cash flows from investing activities			
Acquisition of property and equipment	(3)	(40)	(57)
Acquisition of intangible assets	(16)	(22)	(46)
Proceeds from disposal of property and equipment	1	-	-
Dividends received	113	441	443
Net Investments disposed / (made) during the period	703	12	(4,212)
Notice deposits	-	12	-
Placements of financial investments	(300)	-	(4,843)
Withdrawals of financial investments	1,003	-	631
Net cash (outflow)/inflow from investing activities	**798**	**391**	**(3,872)**
Cash flows from financing activities			
Net long term funding raised / (redeemed)[2]	(2,326)	(3,415)	(5,223)
Long term funding raised	362	810	973
Long term funding redeemed	(2,688)	(4,225)	(6,196)
Net short-term funding raised / (redeemed)[2]	(89)	419	412
Short term funding raised	333	450	866
Short term funding redeemed	(422)	(31)	(454)
Principal payment of IFRS 16 lease liailities	(67)	(76)	(81)
Redemption of derivative instruments	(302)	4	178
Net cash outflow from financing activities	**(2,784)**	**(3,068)**	**(4,714)**
Increase/(Decrease) in cash and cash equivalents	1,278	(227)	(2,634)
Cash and cash equivalents at the beginning of the year	2,041	5,040	5,040
Effect of exchange rate changes on cash and cash equivalents	(15)	505	(365)
Cash and cash equivalents at the end of the year	**3,304**	**5,318**	**2,041**

[1] Interest received from customers is disclosed separately under cash received from lending activities.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. General information

African Bank Holdings Limited ("ABHL" 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 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%). (Percentage indicates per cent holding).

The company's 100% held subsidiary, African Bank Limited "the Bank", commenced business on 4 April 2016 after the final execution of the restructuring transaction of the entity formerly known as African Bank Limited (in curatorship). That entity has formally changed its name to "Residual Debt Services Limited" and remains under curatorship. The details of the restructuring transaction can be found in the Offer Information Memorandum published on 4 February 2016 as well as in the SENS announcements available on www.africanbank.co.za.

The company also holds 100% of the issued share capital of African Insurance Group Limited. Its main business is holding an investment in a cell captive structure provided by Guardrisk Insurance Company Limited ("Guardrisk"). ABHL and its subsidiaries constitute the African Bank Holdings group of companies ("the Group").

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

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

1.1 Accounting Policies

1.1.1 Statement of compliance

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

1.1.2 Basis of preparation

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

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

The Board (and its sub-committees) continues to assess the 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 the COVID-19 pandemic. The approach is consistent with that of 30 September 2020. Where appropriate, the factors considered then have been updated for any changes and developments observed in the last six months.

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

1.2 Changes in accounting policies and restatements

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.3 Restatements

The September 2020 annual financial statements were restated to take into account prior period errors, refer to the 2020 annual financial statements for the full impact of the restatements for the period then ended. The consequential impact of these restatements resulted in the restatements to the 31 March 2020 financial results. These restatements are discussed in detail in note 18.

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

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

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

Credit risk management in response to COVID-19

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

2. Cash and cash equivalents

Rmillion	31 March 2021 (unaudited)	31 March 2020 (unaudited)	30 September 2020 (audited)
Call deposits	**3,110**	**4,209**	**1,969**
Rand	1,967	3,174	1,875
Foreign denominated	1,143	1,035	94
Current accounts	**194**	**24**	**72**
Gross cash and cash equivalents	**3,304**	**4,233**	**2,041**
Non-cash adjustment: ECL [1]	(1)	(1)	(1)
Net cash and cash equivalents	**3,303**	**4,232**	**2,040**
Maximum exposure to credit risk	**3,303**	**4,232**	**2,040**

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

3. Financial investments

Rmillion	31 March 2021 (unaudited)	31 March 2020 (unaudited) (Restated)*	30 September 2020 (audited)
Investment in core income funds[1]	**3,671**	**-**	**3,308**
Investments held at amortised cost[2]	**-**	**1,086**	**1,015**
Total[3]	**3,671**	**1,086**	**4,323**

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

[1] Investment in core income funds are unitised and these investments are held at fair value.

[2] Investments held at amortised cost are foreign investments that are unlisted and bear interest with an average interest rate of 1.72%.

[3] The total amount is deemed to be the maximum exposure to credit risk as the ECL is deemed insignificant.

4. Regulatory deposits and sovereign debt securities

Rmillion	31 March 2021 (unaudited)	31 March 2020 (unaudited)	30 September 2020 (audited)
Listed	**1,778**	**835**	**1,344**
Treasury bills	1,232	299	805
Bonds	546	536	539
Unlisted			
Deposits with South African Reserve Bank [1]	381	375	381
Gross regulatory deposits and sovereign debt securities	**2,159**	**1,210**	**1,725**
Adjustment: ECL [2]	-	-	-
Net regulatory deposits and sovereign debt securities	2,159	1,210	1,725
Maximum exposure to credit risk	**2,159**	**1,210**	**1,725**

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

5. Net advances

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

***Restatement: Correction of prior period error(s) (refer to note 18)**

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

Modification of advances measured at amortised cost

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

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

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

[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 reporting period that are still subject to enforcement activities is R1,648 million (refer credit impairment charges note 10).

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

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

African Bank Holdings Limited

(Registration Number 2014/176855/06)

Consolidated Condensed Interim Financial Statements

for the six months ended 31 March 2021

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

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

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

[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 reporting period that are still subject to enforcement activities is R3,135 million (refer credit impairment charges note 10).

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

5.1.2 Reconciliation of ECL of Originated advances 31 March 2020 (As previously presented)*

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

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

[1] The ECL recognised on new advances originated during the reporting period (which are not included in opening balances) are raised based on the advances' ECL stage as at the end of the reporting period and are included within 'ECL on new advances'.
[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 reporting period that are still subject to enforcement activities is R1,475 million (refer credit impairment charges note 10).

Net ECL raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer credit impairment charges note 10).

6. Credit risk

6.1 Credit quality of advances per IFRS requirements

6.1.1 Advances analysis

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

6.1.2 Impairment as % of gross advances

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

Reconciliation of ECL

Balance at the beginning of the year	8,646	6,988	7,451	6,988
Impairment provision raised for suspended revenue from advances in stage 3[1]	518	381	353	785
Impairment provision raised (note 10)[1]	1,211	2,107	2,215	4,008
Impairment provision released in respect of bad debt write-offs (note 5)	(1,648)	(1,475)	(1,475)	(3,135)
Balance at the end of the year	**8,727**	**8,001**	**8,544**	**8,646**

[1] In the prior period, the impairment provision for stage 3 advances was included in the impairment provision raised. This amount has been sepately disclosed to achieve comparability.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Credit risk continued...

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

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

6.2.1 Advances analysis

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

*** Restatement: Correction of prior period presentation error**

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Credit risk continued...

6.2.2 Advances analysis

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

7. Investment in insurance contracts

Rmillion	31 March 2021 (unaudited)	31 March 2020 (unaudited)	30 September 2020 (audited)
Initial Investment	281	292	281
Re-measurement of investment in insurance contracts	370	(52)	233
Carrying value as at reporting period	**651**	**240**	**514**
Re-measurement of investment in insurance contracts			
Opening balance	**233**	**242**	**249**
Net insurance revenue	137	(294)	(16)
Premium earned	739	810	**1,579**
Claims costs	(431)	(247)	(638)
Investment income	20	27	48
Fees and commission paid	(75)	(82)	(157)
Actuarial movements	103	(294)	(227)
Taxation	(106)	(66)	(183)
Distributions paid to cell shareholders	(113)	(442)	(438)
Closing balance	**370**	**(52)**	**233**

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

<u>Insurance risk</u>

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 such event, the Group would be contractually required to provide additional capital to maintain the solvency of the investment in the cell captive arrangement.

Insured events are largely random but can be specific, evidenced by the novel COVID-19 pandemic. The actual number and amount of claims and benefits will vary from year to year. Statistically, the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcomes will be. Relevant and available quantitative and qualitative information was considered in assessing the impact of COVID-19 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 sells credit and life insurance products, but also funeral policies which introduces diversification into the portfolio.

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Investment in insurance contracts continued...

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 assumptions are informed 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.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

8. Current and deferred tax

Rmillion	31 March 2021 (unaudited)	31 March 2020 (unaudited)	30 September 2020 (audited)
Current tax asset/(liability)	(86)	(78)	(83)
Deferred tax asset	1,176	1,075	1,133
Total	**1,090**	**997**	**1,050**

8.1 Deferred tax asset

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Current and deferred tax continued...

Deferred tax asset

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

[1] The recoverability of the deferred tax asset is assessed by the Group on a regular basis. The deferred tax asset recognized by the Bank will be recovered through allowable tax deductions against taxable income in future financial periods.
In applying judgement in recognising deferred tax assets and the recoverability thereof, management has critically assessed all available information, including future business profit projections and past achievement thereof.

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

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

9. Interest Income

9.1 Interest income on advances

Rmillion	31 March 2021 (unaudited)	31 March 2020 (unaudited) (Restated)	30 September 2020 (audited)
Interest on advances	2,348	2,841	5,506
Loan origination fees[1]	90	137	218
Service fee[1]	171	189	397
Total	**2,609**	**3,167**	**6,121**

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

9.2 Other interest income

Rmillion	31 March 2021 (unaudited)	31 March 2020 (unaudited)	30 September 2020 (audited)
Interest received on cash and cash equivalents	32	65	133
Sundry interest income [1]	43	33	58
Total	**75**	**98**	**191**

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

10. Credit impairment charge

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

11. Interest expense and similar charges

Rmillion	31 March 2021 (unaudited)	31 March 2020 (unaudited)	30 September 2020 (audited)
Wholesale funding	**353**	**572**	**1,034**
Subordinated debt	81	106	197
Unsecured listed bonds	216	373	665
Call deposits	-	1	2
Fixed deposits	41	111	74
Negotiable certificates of deposit	8	2	5
Interest on promissory notes	7	(21)	91
Retail and other	**312**	**176**	**427**
IFRS 16 finance cost [1]	9	35	71
Retail funding [1]	301	135	344
Other interest [1]	2	6	12
Total	**665**	**748**	**1,461**

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

12. Non-interest income

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

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

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

[3] Transactional fees and sale of value-added sevices were disclosed as other income in the prior period. This has been disclosed separately in the current year and comparatives have been amended.

13. Operating costs

Rmillion	31 March 2021 (unaudited)	31 March 2020 (unaudited) (restated)	30 September 2020 (audited)
Advertising and marketing costs	97	121	203
Amortisation of intangible assets	17	(2)	12
Audit fees	10	7	19
Bank charges and strike costs[1]	63	67	136
Card transaction costs	58	32	83
Collection costs[2]	18	16	30
Depreciation on property and equipment	118	132	210
Direct selling and commissions	19	19	46
Information technology costs	93	71	158
Travel cost	3	10	12
Rental and maintenance costs	57	65	71
Costs related to property rentals[3]	40	42	26
Other rental and maintenance costs	17	23	45
Printing, stationery and courier costs	8	12	22
Professional fees	75	71	178
Staff costs	815	651	1,288
Basic remuneration	654	576	1,139
Employee benefits expense/(release)	80	(12)	(27)
Contribution to provident fund	64	66	137
Commission paid to sales agents	1	3	4
Executive directors' and prescribed officers' remuneration	16	18	35
Non-executive directors' fees	4	4	8
Telephone, fax and other communication costs	47	39	86
Other expenses	45	52	85
Write off of property plant and equipment	1	20	20
Total	**1,548**	**1,387**	**2,667**

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

[2] In the prior year, collection costs directly attributable to the originated book and all collection costs related to the acquired book were not reallocated to the credit impairment line. This has been corrected in the current year and comparatives have been restated. Refer to note 18.

[3] Included in the costs related to property rentals is rentals from leases considered to be short term leases of R6 million.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

14.1 Valuation models

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

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

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

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

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

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

Recurring fair values

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

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

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

Fair value for disclosure

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

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

General

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

Level 3 fair value disclosure – Advances

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

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

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

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

14.2 Valuation framework

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

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

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

14.3 COVID-19 impact to fair value measurement

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

14.4 Fair value measurements recognised in the statement of financial position

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

Rmillion	Level 1	Level 2	Level 3	Total
31 March 2021				
Financial assets				
Recurring fair value measurement				
Financial Investments		3,367		**3,367**
Derivative instruments	-	19	-	**19**
Total	**-**	**19**	**-**	**19**
Financial liabilities				
Recurring fair value measurement				
Derivative instruments	-	-	-	-
Total	**-**	**-**	**-**	**-**
31 March 2020				
Financial assets				
Recurring fair value measurement				
Derivative instruments	-	224	-	224
Total	**-**	**224**	**-**	**224**
30 September 2020				
Financial assets				
Recurring fair value measurement				
Financial Investments		3,330		**3,330**
Derivative instruments	-	-	-	-
Total	**-**	**-**	**-**	**-**
Financial liabilities				
Recurring fair value measurement				
Derivative instruments	-	113	-	113
Total	**-**	**113**	**-**	**113**

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

14.5 Valuation techniques, significant observable inputs and sensitivity of level 2 financial instruments measured at fair value

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

Rmillion	Valuation basis / techniques	Main assumptions	Variance in fair value measurement	Effect on profit / (loss) (after tax)
31 March 2021				
Assets				
Cross-currency interest rate swaps	Discounted cash flow Forward rate	Discount rates Forward rate	10% in spot rate	-
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	(2)
Investments measured at fair value	Discounted cash flows	Expected cash flows	1% reduction in expected cash flows	37
Liabilities				
Cross-currency interest rate swaps	Discounted cash flow Forward rate	Discount rates Forward rate	10% in spot rate	-
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	-
31 March 2020				
Assets				
Cross-currency interest rate swaps	Discounted cash flow Forward rate	Discount rates Forward rate	10% in spot rate	-
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	-
Investments measured at fair value	Discounted cash flows	Expected cash flows	1% reduction in expected cash flows	-
Liabilities				
Cross-currency interest rate swaps	Discounted cash flow Forward rate	Discount rates Forward rate	10% in spot rate	-
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	-

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

Rmillion	Valuation basis / techniques	Main assumptions	Variance in fair value measurement	Effect on profit / (loss) (after tax)
30 September 2020				
Assets				
Cross-currency interest rate swaps	Discounted cash flow Forward rate	Discount rates Forward rate	10% in spot rate	-
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	-
Investments measured at fair value	Discounted cash flows	Expected cash flows	1% reduction in expected cash flows	33
Liabilities				
Cross-currency interest rate swaps	Discounted cash flow Forward rate	Discount rates Forward rate	10% in spot rate	205
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	(21)

14.6 Assets and liabilities for which fair value is disclosed

Rmillion	Level 1	Level 2	Level 3	Total	Carrying value
31 March 2021					
Financial assets					
Government bonds	548	-	-	548	547
Treasury bills and debentures	1,231	-	-	1,231	1,231
Deposits with South African Reserve Bank	381	-	-	381	381
Net advances	-	-	17,889	17,889	16,698
Accounts receivable and other assets	-	199	-	199	199
Financial investments	-	-	-	-	-
Total	**2,160**	**199**	**17,889**	**20,248**	**19,056**
Financial liabilities					
Short term funding	-	3,338	2,851	6,189	6,244
Unsecured bonds (listed on JSE) *	-	2,248	-	2,248	2,171
Unsecured bonds (listed on foreign stock exchange) *	-	563	-	563	563
Unsecured long- term loans	-	874	5,792	6,666	6,408
Subordinated bonds*	-	1,523	-	1,523	1,523
Total	**-**	**8,546**	**8,643**	**17,189**	**16,909**

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

Rmillion	Level 1	Level 2	Level 3	Total	Carrying value
31 March 2020 (Restated)					
Financial assets					
Government bonds	525	-	-	525	537
Treasury bills and debentures[1]	299	-	-	299	299
Deposits with South African Reserve Bank[1]	375	-	-	375	375
Net advances **	-	-	17,215	17,215	18,995
Accounts receivable and other assets	-	173	-	173	173
Financial investments	-	-	1,086	1,086	1,086
Total	**1,199**	**173**	**18,301**	**19,673**	**21,465**
Financial liabilities					
Short term funding	-	4,026	1,361	5,387	5,520
Unsecured bonds (listed on JSE) *	-	4,148	-	4,148	4,298
Unsecured bonds (listed on foreign stock exchange) *	-	1,249	-	1,249	1,319
Unsecured long- term loans	-	2,355	2,545	4,900	3,548
Subordinated bonds*	-	1,509	-	1,509	1,523
Total	**-**	**13,287**	**3,906**	**17,193**	**16,208**
30 September 2020					
Financial assets					
Government bonds	541	-	-	541	539
Treasury bills and debentures[1]	-	808	-	808	805
Deposits with South African Reserve Bank[1]	-	381	-	381	381
Accounts receivable and other assets	-	200	-	200	200
Net advances	-	-	19,155	19,155	17,636
Financial investments	-	-	1,015	1,015	1,015
Total	**541**	**1,389**	**20,170**	**22,100**	**20,576**
Financial liabilities					
Short term funding	-	3,473	2,056	5,529	5,520
Unsecured bonds (listed on JSE) *	-	4,041	-	4,041	4,192
Unsecured bonds (listed on foreign stock exchange) *	-	3,090	-	3,090	638
Unsecured long- term loans	-	1,004	3,930	4,934	5,000
Subordinated bonds*	-	1,473	-	1,473	1,523
Total	**-**	**13,081**	**5,986**	**19,067**	**16,873**

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

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

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

15. Analysis of classification of financial assets and liabilities

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

Rmillion	Notes	Amortised cost	Financial instruments at fair value through profit and loss	Non-financial instruments	Total	Current	Non-current
31 March 2021							
Cash and cash equivalents	2	3,303	-	-	3,303	3,303	-
Financial investments	3	-	3,671	-	3,671	3,671	-
Regulatory deposits and sovereign debt securities	4	2,159	-	-	2,159	2,159	-
Net advances	5	16,698	-	-	16,698	6,636	10,062
Deferred tax asset	8	-	-	1,176	1,176	-	1,176
Property and equipment and Right of use asset		-	-	672	672	-	672
investment in insurance contract		-	-	651	651	-	651
Accounts receivable and other assets		199	-	-	199	199	-
Intangible assets		-	-	114	114	-	114
Derivatives		-	19	-	19	-	19
Total assets		**22,359**	**3,690**	**2,613**	**28,662**	**15,968**	**12,694**

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

Rmillion	Notes	Amortised cost	Financial instruments at fair value through profit and loss	Non-financial instruments	Total	Current	Non-current
31 March 2020 (Restated)							
Cash and cash equivalents	2	4,232	-	-	4,232	4,232	-
Regulatory deposits and sovereign debt securities	4	1,210	-	-	1,210	1,198	12
Net advances	5	18,995	-	-	18,995	7,563	11,432
Deferred tax asset	8	-	-	1,075	1,075	-	1,075
Property and equipment		-	-	1,164	1,164	-	1,164
investment in insurance contract		-	-	240	240	-	240
Accounts receivable and other assets		55	-	118	173	173	-
Intangible assets		-	-	104	104	-	104
Derivatives		-	224	-	224	224	-
Investments	3	1,086	-	-	1,086	1,086	-
Total assets		**25,578**	**224**	**2,701**	**28,503**	**14,476**	**14,027**

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

Rmillion	Notes	Amortised cost	Financial instruments at fair value through profit and loss	Non-financial instruments	Total	Current	Non-current
30 September 2020							
Cash and cash equivalents	2	2,040	-	-	2,040	2,040	-
Regulatory deposits and sovereign debt securities	4	1,725	-	-	1,725	1,188	537
Net advances	5	17,636	-	-	17,636	6,864	10,772
Current tax	8	-	-	-	-	-	-
Deferred tax asset		-	-	1,133	1,133	-	1,133
Property and equipment		-	-	752	752	-	752
investment in insurance contract				514	514	-	514
Accounts receivable and other assets		98	-	102	200	98	102
Intangible assets		-	-	115	115	-	115
Derivatives		-	-	-	-	-	-
Financial investments	3	1,015	3,308	-	4,323	4,323	-
Total assets		**22,514**	**3,308**	**2,616**	**28,438**	**14,513**	**13,925**

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

Rmillion	Notes	Amortised cost	Fair value	Non-financial liabilities	Total	Current	Non-current
31 March 2021							
Short-term funding		6,244	-	-	6,244	6,244	-
Derivatives		-	113	-	-	-	-
Creditors and accruals		832	-	66	898	655	243
Current tax liability	8	-	-	86	86	86	-
Bonds and other long-term funding		9,142	-	-	9,142	608	8,534
Subordinated bonds		1,523	-	-	1,523	1,523	-
Total liabilities		**17,741**	**113**	**152**	**17,893**	**9,116**	**8,777**
31 March 2020 (Restated)							
Short-term funding		5,992	-	-	5,992	5,992	-
Creditors and accruals		444	-	807	1,251	1,115	136
Current tax liability	8	-	-	78	78	-	78
Bonds and other long-term funding		9,164	-	-	9,164	(1,302)	10,466
Subordinated bonds		1,532	-	-	1,532	50	1,482
Total liabilities		**17,132**	**-**	**885**	**18,017**	**5,855**	**12,162**
30 September 2020							
Short-term funding		5,520	-	-	5,520	5520	-
Derivatives		-	113	-	113	100	13
Creditors and accruals		663	-	89	752	441	311
Current tax liability	8	-	-	83	83	83	-
Bonds and other long-term funding		9,830	-	-	9,830	423	9,407
Subordinated bonds		1,523	-	-	1,523	39	1,484
Total liabilities		**17,536**	**113**	**172**	**17,821**	**6,606**	**11,215**

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

16. Related party information

Members of the Group's Executive committee are considered to be key management personnel of the Group.
There were no material transactions with directors other than emoluments as disclosed below.

16.1 Balances with related parties

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

[1] The amounts advanced to key management personnel consists 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.

16.2 Transactions with related parties are disclosed below

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

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

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

17. Events after the reporting date

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

18. Restatements

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

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

18.2 Monthly fee behavioural EIR prior period error

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

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

18.3 Modification gain or loss correction of prior period accounting policy application and presentation error

In the prior period, in applying the IFRS 9 requirements for non-substantial modified contractual cash flows to advances, the Group miclassified the modification gain or loss on the statement of financial position. The Group incorrectly reflected the modification gain and loss of R463 million within its impairment provision in the statements of financial position as opposed to reflecting this modification gain/loss as a reduction to the gross carrying amount as required by IFRS.

IFRS 9 requires that management disclose the amortised cost before modification for the year, this was incorrectly disclosed in the prior year and corrected in the current year.

This correction has no impact to the Group's net assets (including the Net advances) and profit for the year.
Refer to the restated Statement of financial position and statement of comprehensive income below, as well as the following notes:

Note 5 - Net advances

Note 6.1 - Credit quality of advances per IFRS requirements

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

18.4 Acquired and Originated book collection cost correction of prior period reclassification error

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Restatements continued...

18.5 Property, plant and equipment correction of prior period error

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

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

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

Restatement of Statement of Financial Position and applicable notes

Rmillion	Notes	31-Mar-20 As previously presented	Restatement	Restated
Assets				
Net Advances	5	**18,995**	**-**	**18,995**
Gross advances		27,685	(543)	27,142
ECL		(8,544)	543	(8,001)
Deferred administration fee		(146)	-	(146)
Property, plant and equipment		**1,238**	**(74)**	**1,164**
Cost		1,635	(177)	1,458
Accumulated depreciation		(397)	103	(294)
Prior period error		**(117)**	**(35)**	**(152)**
Equity				
Accumulated loss		**548**	**(62)**	**486**

Restatement of Statement of Comprehensive Income and applicable notes

Rmillion	Notes	31-Mar-20 As previously presented	Restatement	Restated
Interest income on advances	9	3,226	(59)	3,167
Credit impairment charge	10	(1,884)	(25)	(1,909)
Operating expenses	13			
Reallocation of costs included in the ECL related to collections		(69)	53	(16)
Depreciation		(117)	(15)	(132)
Write off of property, plant and equipment		-	(20)	(20)

ANNEXURE A: ACRONYMS AND ABBREVIATIONS

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

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

ANNEXURE B: CORPORATE INFORMATION

Company Secretary
Maliga Chetty

African Bank Limited
Incorporated in the Republic of South Africa
Registered Bank
Registration number 2014/176899/06
NCR Registration number: NCRCP7638
African Bank Limited is an Authorised Financial Services and Registered Credit Provider
Holding company: African Bank Holdings Limited

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