African Bank Limited

GROUP CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the financial year ended **30 September 2023**

These financial statements were prepared under the supervision of A. Chetti CA (SA)
Registration number: 2014/176899/06. NCR Registration number NCRCP7638
An Authorised Financial Services and Registered Credit Provider.

African Bank
Audacity to **believe**

African Bank Limited

(Registration Number 2014/176899/06)

Consolidated Annual Financial Statements

for the year ended 30 September 2023

These Financial Statements have been audited in compliance with any applicable requirements of the Companies Act.

Index

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Index

African Bank Limited

(Registration Number 2014/176899/06)

Consolidated Annual Financial Statements

for the year ended 30 September 2023

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The Consolidated Annual Financial Statements represent the financial position and financial results of the African Bank Limited Group. The African Bank Limited Group consists of African Bank Limited ("ABL"), its 100% directly held subsidiary (Grindrod Financial Holdings Limited) and its 100% indirectly held subsidiaries (including Grindrod Bank Limited) ("the Bank").

The Directors are responsible for the preparation and fair presentation of the Consolidated Annual Financial Statements, comprising of the Consolidated Statement of Financial Position as at 30 September 2023, the Consolidated Statement of Total Comprehensive Income, the Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended 30 September 2023, 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”).

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 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 2023 and a report outlining the areas of improvement was tabled during the Board cycle in August 2023. 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 Annual Financial Statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The Consolidated Annual Financial Statements found on pages 27 to 118 were approved by the Board of Directors on 21 November 2023 and are signed on its behalf by:

DocuSigned by: Kennedy Bungane 83B24F68B6454E8...	DocuSigned by: Anbann Chetti AA1DCE3CF64148F...
K Bungane	**A Chetti**
Director	Director

Midrand

21 November 2023

A signed copy of the Consolidated Annual Financial Statements is available for inspection through a secure electronic manner at the election of the person requesting inspection.

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 2023, 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.

T Singh

Group Company Secretary

Midrand

21 November 2023

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 of South Africa No. 71 of 2008 ("the Companies Act"), 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, regulatory and compliance 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 four 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, R Hutchinson-Keip resigned as an Independent Non-executive Director from the ABL Board (including all board committees and subcommittees), and as Chairman of the AuditCom effective from 31 March 2023, due to medical reasons. Dhevendren Dharmalingam was appointed as the Chairman of the AuditCom, effective from 31 March 2023.

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

Name	16-Nov 2022	18-Nov 2022	9-Feb 2023	7-Mar 2023[1]	21-Apr 2023[1]	23-May 2023	3-Aug 2023	24-Aug 2023[1]	19-Sep 2023[1]
Members									
Robert Hutchinson-Keip (Chairman) (Resigned 31 March 2023)	√	√	√	√	-	-	-	-	-
Dhevendren Dharmalingam (Chairman) (Appointed as Chairman on 31 March 2023)	√	√	√	√	√	√	√	√	√
Spyridon Georgopoulos	√	√	√	√	√	√	√	√	√
Maureen Manyama	√	√	√	√	√	√	√	√	√
Nonzukiso Siyotula	√	√	√	√	√	√	√	√	√
Hemmanth Singh (Permanent invitee)	-	√	√	√	-	√	√	-	-
Total attendance	5/5	6/6	6/6	6/6	4/4	5/5	5/5	4/4	4/4

[1] Special meetings held
√ Attended
X Not attended
- Not applicable

AUDIT AND COMPLIANCE COMMITTEE REPORT

The Internal and External Auditors attended and reported at all the meetings of the AuditCom, as required. The Bank Chief Executive Officer, Bank Chief Financial Officer, Bank Chief Risk Officer, Group Chief Internal Auditor and Bank 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 discharged its terms of reference as detailed below-

In respect of the External Auditors and the external audit:

- tabled the appointment of KPMG Incorporated ("KPMG") as the External Auditor for the 2023 financial year as a resolution at the next annual general meeting;
- approval of the External Auditors' terms of engagement, the audit plan and budgeted audit fees payable;
- reviewing the audit process and evaluated the effectiveness of the External Auditors;
- obtaining assurance from the External Auditors that their independence was not impaired;
- considering the nature and extent of all non-audit services provided by the External Auditors;
- approving proposed contracts with the External Auditors for the provision of non-audit services; and
- confirming 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:

- examining and reviewing the Annual Financial Statements prior to submission and approval by the Board;
- reviewing reports on the adequacy of the provisions for performing and non-performing advances and impairment of other assets;
- ensuring that the Annual Financial Statements fairly presented the financial position of the Bank 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 Bank was determined to be a going concern;
- ensuring that the Annual Financial Statements comply with IFRS in all material respects;
- considering accounting treatments, significant unusual transactions and accounting judgements;
- considering the appropriateness of the accounting policies adopted and changes thereto;
- ensured that the Bank has established appropriate financial reporting procedures and that those procedures are operating;
- reviewing and discussing the External Auditors' audit report;
- noting that there were no material reports or complaints received concerning accounting practices, Internal Audit, internal controls, the content of the Annual Financial Statements and related matters;
- considering the impact of inflation and other relevant macroeconomic factors on provisions, revenue recognition, the going concern assessment, financial and non-financial assets and current and future Bank operations; and
- reviewing and considering the approach adopted by External Auditors in defining audit materiality.

AUDIT AND COMPLIANCE COMMITTEE REPORT

In respect of internal control and Internal Audit:

- reviewing and approving the Internal Audit charter and annual audit plan;
- evaluating the independence, effectiveness and performance of the Internal Audit function and compliance with its charter;
- considering reports of the Internal and External Auditors on the Bank's systems of internal control, including internal financial controls and the maintenance of effective internal control systems;
- reviewing significant issues raised by the Internal Audit processes and the adequacy of corrective action in response to such findings;
- noting that there were no significant differences of opinion between the Internal Audit function and management;
- assessing 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;
- reviewing 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 Bank for the year under review;
- meeting with the Bank Chief Internal Auditor, the Bank Chief Compliance Officer, management and the External Auditors, over the course of the year; and
- considering 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:

- reviewing, with management, legal, regulatory and compliance matters identified that could have a material impact on the Bank;
- monitoring compliance with the Companies Act, the Banks Act and all other applicable legislation including governance codes;
- reviewing reports from Internal Audit, External Auditors and Compliance detailing the extent of legal matters;
- noting that no complaints were received from the Bank'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;
- reviewing and approving the compliance mandate and annual compliance plan;
- reviewing any significant legal and tax matters that could have had a material impact on the Financial Statements;
- reviewing and recommended that the Integrated Report to be adopted by the Board; and
- satisfying itself that the Bank has met the requirements emanating from the principles contained in the King IV Report on Corporate Governance ("King IV"), which appears on the Bank's website (https://www.africanbank.co.za/en/home/environmental- social- and-governance-reports/).

In respect of risk management and IT:

- reviewing regular reports and/or the minutes from the TechInfo Committee, for consideration of matters which fall under the purview of, or require further attention, by the AuditCom; and
- considering and reviewing reports from management on risk management, including fraud and IT risks as they pertain to financial reporting.

In respect of the coordination of assurance activities:

- reviewing 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;
- considering 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
- considering the appropriateness of the experience and expertise of the Bank Chief Financial Officer (and who serves as an Executive Director) and concluded that these are appropriate.

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, post the Russia and Ukraine conflict and considering the business acquisitions which occurred in November 2022 and the merger and integration;
- the impact of inflation and other relevant macroeconomic factors on the Bank'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;
- reviewing 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 Bank;
- 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 against budget;
- ensuring IFRS compliance and the impact of new accounting standards;
- the organisational structure of the finance team;
- segmental reporting and cost allocation;
- Income Tax and VAT matters; and
- mergers and acquisitions, and accounting treatment thereof, as well as the expected impact on the Bank's performance.

INDEPENDENCE OF EXTERNAL AUDITORS

The AuditCom has satisfied itself that the Auditors are independent of the Bank 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 provided non-audit services to GBL, amounting to R400 000, relating to model validation for market risk. 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 the audit partner, Mr Pierre Fourie's, experience and knowledge in terms of sections 22(15)(h) and 7.3(e) of the JSE Debt Listings Requirements.

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

Based on the work of the Bank's assurance providers, nothing has come to the attention of the Committee that indicates that the Bank'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 Annual Financial Statements are in compliance, in all material respects, with the requirements of the Companies Act and IFRS, and it has recommended the Consolidated Financial Statements for approval by the Board.

This report was approved by:

DocuSigned by:
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D Dharmalingam
Chairman of the Audit and Compliance Committee
Midrand
21 November 2023

DIRECTORS' REPORT

The Directors present their report to the shareholders, together with the audited Consolidated Annual Financial Statements of ABL and its subsidiaries (both direct and indirect subsidiaries) ("the Bank") for the financial year ended 30 September 2023.

NATURE OF THE BUSINESS

ABL is registered as a bank under the Banks Act, which operates within the Republic of South Africa. The Bank's business operations consist of Consumer Banking and Business Banking. The core product offering for Consumer Banking consists of unsecured lending (personal loans and credit cards), transactional banking (including overdrafts) and retail investments. The Bank concurrently also serves as an agent to provide consummate credit and life insurance cover to Consumer Banking customers of the Bank. Business Banking offers a range of products, including mortgage bonds, secured lending (term loans and revolving facilities) and transactional banking (including overdrafts).

SHARE CAPITAL

The authorised share capital of the Company is 2 000 000 000 ordinary par value shares of R0.01 each (2022: 2 000 000 000, ordinary par value shares of R0.01 each).

During the current year, 2 share at a par value of R0.01 (2022: 1 share at a par value of R0.01) was issued, with a share premium of R727 million (2022: R1,450 million). At 30 September 2023, the issued ordinary share capital totaled 500 000 004 (2022: 500 000 002) shares at a par value of R0.01 each representing R5 million (2022: R5 million). The Bank has 1 499 999 996 unissued ordinary shares (2022: 1 499 999 998).

FINANCIAL RESULTS

The financial results for the year ended 30 September 2023 are set out on pages 27 to 122 of these Consolidated Annual Financial Statements. The Bank reported a net loss after tax of R164 million for the 2023 financial year (2022: net profit after tax of R341 million).

BORROWING POWERS

In terms of the Memorandum of Incorporation, the Bank has unlimited borrowing powers. The total borrowings of the Bank at 30 September 2023 was R36.1 billion (2022: R16.6 billion). Full details of the borrowings are shown in notes 12 and 13 to the Consolidated Annual Financial Statements.

ACQUISITIONS

ABL acquired 100% of the 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 GBL, a 100% subsidiary of GFH. This acquisition constitutes a business combination as defined in IFRS 3 Business Combinations ("IFRS 3") and is a key part of the Bank's Excelerate25 strategy to expand its core. The acquisition was subject to regulatory approvals which were provided on 6 October 2022, with an effective date of 1 November 2022. ABL obtained control of GFH and GBL (in terms of IFRS 10 Consolidated Financial Statements ("IFRS 10")) in the current financial year.

An application has been submitted to the Prudential Authority in terms of section 54 of the Banks Act to transfer the business activities within the GFH Group into ABL, which will operate as a division within ABL. The application is pending review by the Prudential Authority and the Minister of Finance. The activities required to effect the divisionalisation of the GFH Group is expected to take place within 18 months from the date that the application is approved.

ABL acquired certain assets and liabilities from Ubank Limited ("Ubank"), which constitutes a business combination 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. ABL obtained control of the assets and liabilities acquired from Ubank (in terms of IFRS 10) in the current financial year.

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 36.

DIRECTORS' REPORT

Acquisitions

On 12 October 2023, ABL entered into a binding agreement with Sasfin Bank Limited ("Sasfin Bank" or "SBL") and Sasfin Private Equity Investment Holdings Proprietary Limited ("SPEIH"), subsidiaries of the listed entity Sasfin Holdings Limited ("Sasfin Holdings"), to acquire its Capital Equipment Finance ("CEF") and its Commercial Property Finance ("CPF") businesses, as going concerns in one indivisible transaction. This transaction is subject to various conditions precedent which include requiring the favourable outcome of a due diligence review, Board of Director approvals, Prudential Authority and other regulatory approvals. This acquisition is a key part of the Bank's 'Excelerate25' strategy to expand its core as it diversifies ABL's income streams, balance sheet and customer base as well as diversifying the risk profile to more secured lending.

Refer to note 36 (Events after the reporting date).

GOING CONCERN

The Board (and its subcommittees) continues to assess the Bank's budgets and cash flow forecasts in considering the Bank's going concern assumption with respect to current and future economic conditions. The approach is consistent with that of 30 September 2022. Where appropriate, the factors considered then have been updated for any changes and developments observed in the current financial year.

The Board's assessment regarding the going concern assumption is based on judgement applied to uncertain future events, that could potentially impact the Bank's liquidity, funding and sustainability. In considering the Bank's going concern assumption with respect to the existing and expected future economic conditions, the Board (through its subcommittees) assessed the Bank's budgets and cash flow forecasts, including the impacts of GFH and Ubank (the acquisition of both was effective on 1 November 2022).

In the Board's opinion, the Bank's ability to raise funding and generate cash and cash equivalents is expected to continue. The Board is satisfied with the Bank's capital position as the capital ratios currently, and over the forecasted period, remain above the Regulatory Minimum and Board approved internal targets. The Bank is forecasted to return to profitability in the 2024 financial year and profitability is forecasted to continue into the future.

The Board took liquidity risk into account in its assessment that the Bank is a going concern. In the Board's opinion there is no material uncertainty regarding the Bank's ability to meet its obligations and to pay its debts as they become due in the ordinary course of business. To ensure that the Bank is able to meet its obligations and to pay its debts as they become due, the Bank 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, the acquisition of GFH and certain assets and liabilities of Ubank significantly increased the Bank's funding base, has accelerated the Bank's entry into the business banking market and increased the Bank's market share in the consumer market.

From a business continuity perspective, the prolonged and excessive loadshedding currently experienced has been identified as a significant risk to operations, however it is currently being mitigated through the use of inverters, generators and solar installations and expected impacts will continue being monitored. The Bank is satisfied that it has the necessary skills to continue operations and is continuously ensuring that plans are in place to retain current staff and attract new hires where necessary.

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

The Bank's Consolidated Annual 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.

MAJOR CAPITAL EXPENDITURES

During the current financial year, the Bank made additions to its capital assets to the value of R692 million (2022: R92 million), with R422 million being for property and equipment (2022: R51 million) and R270 million for intangible assets (2022: R41 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 2023.

DIRECTORS' REPORT

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 2023 and reported to the Directors' Affairs and Governance Committee and Board meeting held 04 August 2023.

DIRECTORS' REPORT

CHANGES IN DIRECTORS AND BOARD COMMITTEES

The following changes in Board of Directors have taken place during the 2023 financial year, and up to 21 November 2023:

Resignations	Appointments
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, following his acceptance of another appointment outside of the Group.	Chrisanthi Michaelides and Rakesh Garach were appointed as Executive Directors on the ABL and ABHL Boards, effective from 3 December 2022, in an acting capacity, and jointly as Acting CFOs, due to the resignation of Gustav Raubenheimer, until the recruitment of a full-time permanent CFO is finalised. Chrisanthi Michaelides was also appointed as Executive Director on the AIG Board in an acting capacity, effective from 13 January 2023.
Maureen Manyama resigned from the ABL Board effective 31 March 2023, to ensure that the unintended legal issue remains resolved by having a different composition of directorship at the ABL and ABH Boards.	Dhevendren Dharmalingam was appointed to the ABL Board effective 31 March 2023, to ensure that the unintended legal issue remains resolved by having a different composition of directorship at the ABL and ABH Boards.
Chrisanthi Michaelides and Rakesh Garach resigned as Acting Executive Directors on the ABL and ABHL Boards, on 31 July 2023 due to the appointment of Anbann Chetti. Chrisanthi Michaelides also resigned as Acting Executive Directors on the AIG Board on 05 October 2023.	Anbann Chetti was appointed as an Executive Director on the ABL and ABHL Boards and as Group CFO with effect from 1 August 2023 to fill a vacancy. Approval from the Prudential Authority for this appointment was provided during June 2023. Anbann Chetti was appointed as Executive Director on the AIG Board with effect from 06 October 2023.
Robert Hutchinson-Keip resigned as an Independent Non-executive Director of the ABL and ABHL Boards effeective 31 March 2023. This resignation was made due to medical reasons.	David O'Brien was appointed as an Independent Non-Executive Director, effective from 16 August 2023, in order to fill a vacancy and add to the skill set of the Board.

The following changes in Board Committees have taken place during the 2023 financial year end up to 21 November 2023:

Resignations	Appointments
Robert Hutchinson-Keip resigned from the AuditCom, RCMC, DAGCom and SPLEC as a consequence of his resignation as a Non-executive Directors, with effect from 31 March 2023. See resignation above.	Dhevendren Dharmalingam served as Acting Chairperson of AuditCom from 31 March 2023 and was appointed as the Chairperson of AuditCom with effect from 19 May 2023. Consequential to his appointment as Chairperson of the AuditCom, he was appointed as a member of RCMC, DAGCom and SPLEC. These appointments were due to his nomination to fill the vacancy following from the resignation of Robert Hutchinson-Keip as the AuditCom Chairperson and as a member of the respective committees.
Dhevendren Dharmalingam resigned from the Sustainability, Ethics and Transformation Committee ("SETCom") of the ABHL and ABL Boards, effective 1 June 2023, due to his appointment as the Chairperson of the AuditCom on the 31 March 2023.	Nonzukiso Siyotula was appointed as a member of the SETCom with effect from 1 June 2023 following the resignation of Dhevendren Dharmalingam effective 1 June 2023.
	Anbann Chetti was appointed as a member of SPLEC, MRC and ALCO with effect from 1 August 2023 to fill a vacancy and to add to the skillset of the Board.

New Committees:

There were no new committees constituted in the period.

African Bank Limited

(Registration Number 2014/176899/06)
Consolidated Annual Financial Statements
for the year ended 30 September 2023

DIRECTORS' REPORT

African Bank Holdings Limited Board of Directors

Independent Non-Executive Directors
Thabo Dloti (Chairman)
Peter Temple
Happy Ralinala
Spyridon Georgopoulos
Maureen Manyama (resigned 31 March 2023)
Lindiwe Dlamini
Dhevendren Dharmalingam (appointed 1 April 2023)
Hemmanth Singh
David O'Brien (appointed on 16 August 2023)
Robert Hutchinson-Keip (resigned 31 March 2023)

Executive Directors
Kennedy Bungane
Gustav Raubenheimer (resigned 2 December 2022)
Zwelibanzi Manyathi
Chrisanthi Michaelides (from 3 December 2022 until 31 July 2023)
Rakesh Garach (from 3 December 2022 until 31 July 2023)
Anbann Chetti (appointed on 1 August 2023)

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 resigned as Group Company Secretary, effective 14 March 2023, to pursue endeavours outside of the Bank. Tshepiso Sethole was appointed as Acting Company Secretary from 12 May 2023, until 2 August 2023.

Trisha Singh has been appointed as the Group Company Secretary, effective 3 August 2023, to fill a vacancy following the resignation of the previous 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 Bank's incentive scheme are disclosed in the long-term incentive note and the remuneration note (refer to note 33 and 37).

DIRECTORS INTEREST IN SHARES

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

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. Pursuant to paragraphs 6.39(a) and 7.3(g) of the JSE Debt Listings Requirements, Chrisanthi Michaelides has been appointed as the Debt Officer, effective 3 December 2022 and resigned on 17 November 2023 due to the new appointment of CFO. Anbann Chetti has been appointed as the Debt Officer, effective 17 November 2023. The Board has considered and is satisfied with the competence, qualifications and experience of the Debt Officer.

AUDITORS

The appointment of KPMG as the External Auditor for the 2023 financial year was approved by the shareholders of African Bank Holdings Limited at the AGM held on 02 March 2023. The Audit and Compliance Committee has assessed and satisfied itself of Pierre Fourie's experience and knowledge in terms of sections 7.3(e) and 22 of the JSE Debt Listing Requirements.

SPECIAL RESOLUTIONS BY AFRICAN BANK HOLDINGS LIMITED

The following special resolution was passed during the current financial year:

- Approval of fees for Non-Executive Directors.

DIRECTORS' REPORT

INTEREST OF DIRECTORS AND OFFICERS IN TRANSACTIONS

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

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Independent Auditor's Report

To the shareholder of African Bank Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of African Bank Limited (the Group) set out on pages 27 to 118, which comprise the consolidated statement of financial position at 30 September 2023, and the consolidated statement of total comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and annexure A: standards and interpretation.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of African Bank Limited and its subsidiary at 30 September 2023, and its consolidated financial performance and consolidated cash flows for the year then ended then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) 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 financial statements section of our report. We are independent of the Group 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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit loss on Consumer Banking advances

Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8.1 Consumer Banking advances, note 2 net advances, note 16 credit impairment charge, and note 24 credit risk.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
The group's operations are to provide retail unsecured advances to individuals. Thus, the related credit risk and expected credit loss was considered. As of 30 September 2023, gross advances related to the consumer banking portfolio amounted to R31 503 million with an associated expected credit loss R10 929 million.
Retail advances are measured at amortised cost and the Group recognizes 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 62% is assigned to the base scenario, 20,8% to the downturn scenario and 17,2% to the upturn scenario (refer to note 1.6.8.3).
The key areas of significant judgement and estimation include:

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 the ECL; probability of default ("PD") and loss given default ("LGD").
Forward looking macro-economic information.
The credit risk disclosures incorporate multiple data inputs and management judgement impacting the completeness and accuracy of the disclosures.

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.
</td><td>
We performed the following procedures with the assistance of our valuation specialists:

We obtained an understanding of the Group's processes, systems and controls implemented.
We performed control testing on the key controls in the lending process. These included:

Contract initiation and credit approval
Impairment assessment and approval
Repayment arrangements and other contract modifications
Write-off policy application
Review of the validation/monitoring reports and calibration approvals to assess the level of management oversight and expert judgement applied to the ECL models.

Evaluated the appropriateness of the accounting policies and disclosures based on IFRS requirements, our business understanding and industry practice.
Involved Information Risk Management (IRM) specialists to test IT systems and relevant controls.
Conceptual review of any methodology updates of the Group's ECL estimate including significant increase in credit risk (SICR), probability of default (PD), loss given default (LGD) and effective interest rate (EIR).

</td></tr>
</table>

Expected credit loss on Consumer Banking advances

Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8.1 Consumer Banking advances, note 2 net advances, note 16 credit impairment charge, and note 24 credit risk.

Key audit matter	How the matter was addressed in our audit
	• 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. • 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 2023. This provided insight on the underlying data and highlights key data anomalies in input modelling data which were investigated and queried with the Group for validity. • Reperformance of Group's impairment models for the Personal Loans, and Credit Card portfolios as of 30 September 2023 after incorporation of model changes made during the year. • Reperformance and reasonability assessment of the bank's forward-looking adjustments. • Data quality and portfolio analysis on ECL data for the Retail portfolios on data up until 30 September 2023. • Assessed the appropriateness of the macroeconomic scenario forecasts and probability weightings by benchmarking these against external data and supporting evidence.

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Expected credit loss on Consumer Banking advances

Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8.1 Consumer Banking advances, note 2 net advances, note 16 credit impairment charge, and note 24 credit risk.

Key audit matter	How the matter was addressed in our audit
	• Performed sensitivity analyses for significant assumptions (based on audit procedures) in order to assess the potential financial impact on the entity's ECL and the reasonableness of these assumptions. • Assessed the models applied by management in calculating the EIR and fair valuation (FV) to determine its accuracy.

Expected credit loss on Business Banking advances:

Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8.2 Business Banking Advances, note 2 net advances, note 16 credit impairment charge, and note 24 credit risk

Key audit matter	How the matter was addressed in our audit
The balance of the banking advances of 30 September 2023 which is included in the net advances financial statement item is R9 623 million with an associated expected credit loss of R101 million (refer to note 2.3.2) The business banking advances are recognized at amortised cost. The Group recognizes an expected credit loss ("ECL") at each reporting date which includes assessing whether there has been any significant increase in credit risk ("SICR"). The credit risk of business advances with an undrawn component is managed and monitored with the drawn component and therefore the ECL on the entire facility is included in the impairment assessment. This is an area of significance in the current year	We performed the following procedures with the assistance of our valuation specialist: • Evaluated the Group's credit impairment provision by performing a methodology review of the IFRS 9 business loan as well as a quantitative assessment of the reasonability of the impairment estimate in accordance with IFRS 9. • 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.

Expected credit loss on Business Banking advances:

Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8.2 Business Banking Advances, note 2 net advances, note 16 credit impairment charge, and note 24 credit risk

Key audit matter	How the matter was addressed in our audit
due to: • 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 incorporate multiple data inputs and management judgement impacting the completeness and accuracy of the disclosures. As a result of significant judgement, complexity and estimates applied in determining the ECL for business advances and the significance of the balance to the financial statements, it was considered a key audit matter for the current year.	• Assessed the appropriateness of the macroeconomic scenario forecasts and probability weightings by benchmarking these against external data and supporting evidence. • Assessed the counterparty's ability to service their debt and whether any indicators of significant risk or credit impairment existed of 30 September 2023. • Independently calculated the business loan ECL value over a range of assumptions to establish whether the Group's estimate falls within our independent estimated range of 30 September 2023 using an independent challenger model which includes the assessment of the probability of default (PD), loss given defaults (LGD) and the exposure at default (EAD) incorporating forward-looking information. • 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. • For stage 3 impairments, we tested the legal right to and valuation of collateral and assess the estimated future cash flows of the borrower used by management in calculating the level of impairment provided.

Advances at fair value through profit and loss

Refer to notes 1.6.5 financial assets at fair value through profit or loss (FVTPL), note 2 net advances measured at FVTPL, note 24 credit risk and note 27.3 fair value measurements recognised in the Statement of Financial Position.

Key audit matter	How the matter was addressed in our audit
The Group has business advances measured at fair value through profit and loss in accordance with IFRS 9: Financial Instruments. Business advances at 30 September 2023 amounted to R1.9 billion. The Group has irrevocably designated fixed rate loans and advances linked to interest rate swaps at FVTPL. The Group enters into fixed rate loans and advances from time to time, when requested by its clients. The Group then enters into interest rate swap agreements to economically hedge these fixed rate loans and advances and, since these instruments are used as hedging tools, the Group has elected to recognise these fixed rate loans and advances at fair value. The Group further enters into special revenue arrangements whereby certain loans and advances have additional revenue arrangements attached to them in terms of which the Group is entitled to a fee or special dividend derived from specified asset values upon facility expiry or upon early settlement due to realisation of the specified asset which are not only compensations for credit risk. This is an area of significance judgement and estimation due to: • The fluctuations in the interest rate since inception in respect to the fix interest rate loans. • The movements in the credit risk of the counterparty and the general market spreads for a certain credit rating. • The effect of the changes in the performance of the underlying asset being financed that would drive the current and projected cash flows. • Exit values for the property portfolio. As a result of significant judgement, complexity and	We performed the following procedures with the assistance of our valuation specialist: • Evaluated the Group's loan valuations by performing a methodology review of the IFRS 9 business advances. • 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 valuation. • The evaluation of the independence, competence, capabilities, and experience of management's valuation specialists where applicable. • Critically assessed and tested the appropriateness and adequacy of the fair value model by performing procedures which include the following: o Reviewed key assumptions which drive the parameters feeding into the fair value model, including inputs used particularly the credit spreads. o Assessing the appropriateness and reasonableness of both observable and unobservable inputs applied by management in deriving the fair value of loans and advances. o Where management used specialists to perform the valuations, we have evaluated their competence, capabilities, and

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<table>
<tr><td colspan="2">Advances at fair value through profit and loss

Refer to notes 1.6.5 financial assets at fair value through profit or loss (FVTPL), note 2 net advances measured at FVTPL, note 24 credit risk and note 27.3 fair value measurements recognised in the Statement of Financial Position.</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>estimates applied in determining the fair value of loans and advances and the significance of the balance to the financial statements, it was considered a key audit matter for the current year.</td><td>objectivity in performing these valuations.

• We have further evaluated whether management has appropriately considered the impact of economic events on the loan book in determining fair value of the various portfolios.

• We have assessed the reasonability of the valuation assumptions of the exit values of the property portfolio under the fair value loans and advances with additional revenue arrangement, based on our experience with, and knowledge of the property market.

• We performed an assessment of the disclosure of the instruments to ensure consistency with the required international financial reporting standards (IFRS).</td></tr>
</table>

<table>
<tr><td colspan="2">Business combinations – IFRS 3

Refer to note 1.5.1 for business combinations, note 34.1 Acquisition of Grindrod Financial Holdings Limited Group, and note 34.2 Acquisition of certain assets and liabilities of Ubank Limited.</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group acquired 100% of the ordinary share capital of Grindrod Financial Holdings Limited and 100% of the preference shares issued by Grindrod Financial Holdings Limited for a cash consideration of R 1,557 million.

The Group also acquired certain assets and liabilities from Ubank Limited for a cash consideration of R80 million.

The effective date of both transactions was 1 November 2022.</td><td>We performed the following procedures with the assistance of our valuation specialists:

• We evaluated the work of management’ experts including the competence with respect to the purchase price allocation assessment.

• We performed an assessment to assess whether the acquisitions meet the criteria of a business combination in accordance with IFRS 3.</td></tr>
</table>

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Business combinations – IFRS 3

Refer to note 1.5.1 for business combinations, note 34.1 Acquisition of Grindrod Financial Holdings Limited Group, and note 34.2 Acquisition of certain assets and liabilities of Ubank Limited.

Key audit matter	How the matter was addressed in our audit
The Group accounts for the business combination using the acquisition method. The group has opted not to apply the optional concentration test. The business combinations are an area of significance in the current year due to the degree of judgement that is applied by management in determining the fair value of the assets and liabilities at acquisition. The key areas of significant judgment include: • The appropriate classification of the financial assets and liabilities in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. • Measurement of the identifiable assets acquired, and liabilities assumed at fair value at the acquisition date. As a result of significant judgement applied in determining the Fair value for the business combinations and the significance of the consolidation for the financial statements, it was considered a key audit matter for the current year.	Our valuation specialists performed the following procedures to assess the overall reasonableness of management's expert assertions as to the fair value estimates: • Assessed the appropriateness of the valuation methodologies adopted to value the intangible assets. • Performed benchmarking analyses and mathematical checks related to assumptions, data and models used in management's expert report. • Re-performed the valuations of the intangible assets based on the information provided and KPMG specialist's assumptions. • We tested that the intra-group balances, transactions, and unrealized income and expenses (excluding foreign currency transaction gains or losses) arising from intra-group transactions, to ensure that they are eliminated on consolidation. • We evaluated whether the disclosure is in accordance with IFRS 3 Business combinations.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "African Bank Limited Consolidated Annual Financial Statements 30 September 2023", which includes the Directors' Report, the Audit and Compliance Committee Report and the Certificate by the Group Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 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 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 financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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.

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- 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 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’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 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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.

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Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of African Bank Limited for two years.

KPMG Inc.

DocuSigned by:

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Per Pierre Fourie
Chartered Accountant (SA)
Registered Auditor
Director
21 November 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Note	2023	2022
Assets			
Cash and cash equivalents	4	4,328	1,378
Financial investments	5	14	160
Sovereign debt securities	6	8,234	2,444
Net advances	2	31,984	22,647
Accounts receivable and other assets	10	522	202
Derivatives	11	124	85
Goodwill	34	115	-
Property, equipment and right-of-use asset	8	710	562
Intangible assets	9	353	153
Deferred tax assets	7	1,366	1,064
Current tax assets	7	32	-
Total assets		**47,782**	**28,695**
Liabilities and equity			
Liabilities			
Current tax	7	-	12
Creditors and other liabilities	13	1,284	885
Short-term funding	12	26,259	5,869
Long-term funding	12	8,605	10,849
Total liabilities		**36,148**	**17,615**
Equity			
Ordinary share capital	14	5	5
Ordinary share premium	14	13,657	12,930
Accumulated loss		(2,028)	(1,855)
Total equity		**11,634**	**11,080**
Total equity and liabilities		**47,782**	**28,695**

The acquisition of the GFH Group and certain assets and liabilities of Ubank Limited was effective on 1 November 2022, therefore the financial impact of these acquisitions is presented above for only 11 months of the 2023 financial year.

African Bank Limited

(Registration Number 2014/176899/06)

Consolidated Annual Financial Statements

for the year ended 30 September 2023

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Rmillion	Note	2023	2022
Interest income on advances	15	7,343	5,662
Other interest income [1]	15	897	303
Interest expense and similar charges [1]	17	(2,497)	(1,328)
Net Interest Income		**5,743**	**4,637**
Income from core income funds		2	20
Foreign exchange (losses)/gains recognised on translation		(4)	2
Non-interest income [1]	18	1,635	670
Fair value gains from derivatives, assets and liabilities		35	43
Total income from operations		**7,411**	**5,372**
Credit impairment charge [1]	16	(3,262)	(1,436)
Income after credit impairment charge		**4,149**	**3,936**
Operating costs	19	(4,748)	(3,258)
Gain on bargain purchase	34	276	-
Indirect taxation: VAT	20	(93)	(158)
Operating (loss)/profit		**(416)**	**520**
(Loss)/profit before taxation		**(416)**	**520**
Taxation	20	243	(179)
(Loss)/profit for the period		**(173)**	**341**
Attributable to:			
Owner of African Bank Limited		**(173)**	**341**
Total comprehensive (loss)/profit for the period		**(173)**	**341**

[1] *The presentation has changed to better present the results for the year in terms of IAS 1.41 and the totals may have changed but the individual lines have not changed.*

The acquisition of the GFH Group and certain assets and liabilities of Ubank Limited was effective on 1 November 2022, therefore the financial impact of these acquisitions is presented above for only 11 months of the 2023 financial year.

African Bank Limited

(Registration Number 2014/176899/06)
Consolidated Annual Financial Statements
for the year ended 30 September 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Ordinary share capital	Ordinary share premium	Accumulated loss	Total
Balance at 30 September 2021	5	11,480	(2,196)	9,289
Total comprehensive profit for the period	-	-	341	341
Issue of equity	-	1,450	-	1,450
Balance at 30 September 2022	**5**	**12,930**	**(1,855)**	**11,080**
Issue of equity [1]	-	727	-	727
Total comprehensive loss for the period	-	-	(173)	(173)
Balance at 30 September 2023	**5**	**13,657**	**(2,028)**	**11,634**

[1] ABL issued 2 shares to the value of R727 million which was fully paid up in the 2023 financial year.

African Bank Limited

(Registration Number 2014/176899/06)
Consolidated Annual Financial Statements
for the year ended 30 September 2023

CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	Note	2023	2022
Cash flows from operating activities			
Cash utilised in operations	21	(2,172)	(1,571)
Interest received[1]		7,390	5,950
Interest paid		(1,944)	(851)
Direct taxation paid	20.3	(44)	(180)
Indirect taxation received/(paid)		34	(241)
Movement in assets and liabilities			
Increase in gross advances		(3,194)	(8,307)
Decrease in sovereign debt securities		2,586	580
Decrease in customer deposits		(192)	934
Decrease/(increase) in transactional banking deposits raised		(393)	526
Increase in other assets		(212)	(20)
(Decrease)/Increase in other liabilities		(111)	36
Increase in deferred fees and other items related to advances		-	31
Proceeds from sale of negotiable securities		278	-
Net cash inflow/(outflow) from operating activities		**2,026**	**(3,113)**
Cash flows from investing activities			
Acquisition of property, equipment and right-of-use assets	8	(194)	(51)
Acquisition of intangible assets	9	(108)	(41)
Withdrawals of financial investments	5	160	1,907
Net cash flow on acquisition of Ubank	34	440	-
Net cash flow on acquisition of GFH Group	34	(161)	-
Net cash inflow from investing activities		**137**	**1,815**
Cash flows from financing activities			
Net long-term tenure funding (redeemed)/raised		240	(2,215)
Funding raised	22	4,701	3,679
Funding redeemed	22	(4,461)	(5,894)
Principal payment of lease liabilities		(137)	(149)
Share issue	14	727	1,450
Redemption of derivative instruments		(39)	(22)
Net cash inflow from financing activities		**791**	**(936)**
Increase/(decrease) in cash and cash equivalents		2,954	(2,234)
Cash and cash equivalents at the beginning of the year		1,378	3,617
Effect of exchange rate changes on cash and cash equivalents		(4)	(5)
Cash and cash equivalents at the end of the year		**4,328**	**1,378**

[1] Interest received comprises of interest on advances, origination fees and service fees.

[2] In the prior period, the movements relating to wholesale funding were split in the Statement of Cash Flows, into short-term funding and long-term funding. To simplify the disclosure, the funding has been presented in the manner in which it is managed.

In the prior period, interest expense and interest income was presented on an accrual basis in the "cash utilised in operations" note. In the 2023 AFS, the disclosure has been updated to present the cash element of interest expense and interest income directly in the Statement of Cash Flows in the "cash generated from operations" section and the accrual portion of interest expense and interest income is presented with the related financial instruments in the "cash generated from operating activities" section. The comparative figures have moved to the respective sections of the Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

ABL is a public company incorporated in the Republic of South Africa and is registered as a bank under the Banks Act No. 94 of 1990 ("the Banks Act") operating within the Republic of South Africa.

The Bank is a 100%-owned subsidiary of ABHL. ABHL is an unlisted registered bank-controlling company under the Banks Act and the Bank has debt instruments listed on the JSE.

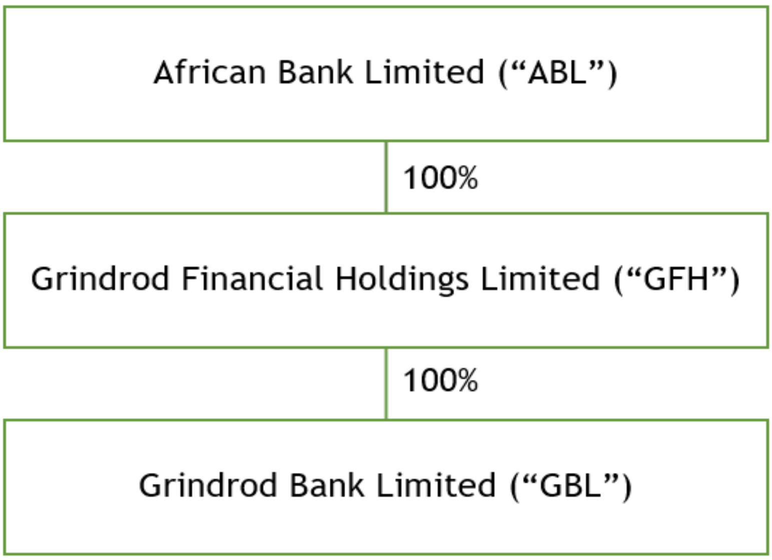
ABL holds 100% of the ordinary share capital of GFH and 100% of the preference shares of GBL, which is a 100% subsidiary of GFH. ABL acquired its ordinary shareholding and its preference shareholding in the current financial period. This has been accounted for as a business combination (refer to note 34). As a result of the acquisition, ABL controls GFH Group as it directly holds 100% of the ordinary shares in GFH and indirectly holds 100% in GFH's subsidiaries.

During the current financial period, ABL also acquired certain assets and liabilities from Ubank and this has been accounted for as a business combination (refer to note 34).

The Bank's business operations consist of Consumer Banking and Business Banking. The core product offering for Consumer Banking consists of unsecured lending (personal loans and credit cards), transactional banking overdrafts) and retail investments. The Bank concurrently also serves as an agent to provide consummate credit and life insurance cover to Consumer Banking customers of the Bank. Business Banking offers a range of products, including mortgage bonds, secured lending (term loans and revolving facilities) and transactional banking (including overdrafts).

The registered office and principal place of business of the Bank is disclosed in Annexure D. The Consolidated Annual Financial Statements found on pages 27 to 122 were approved by the Board of Directors on 21 November 2023.

1.1 Group Structure



1.2 Accounting policies

1.2.1 Statement of compliance

The Bank's Consolidated Annual 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 No. 71 of 2008 (the Companies Act) and the JSE Debt Listings Requirements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information continued...

1.2.2 Basis of preparation

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

1.2.3 Application of the going concern principle

The Board (and its subcommittees) continues to assess the Bank's budgets and cash flow forecasts in considering the Bank's going concern assumption with respect to current and future economic conditions. The approach is consistent with that of 30 September 2022. Where appropriate, the factors considered then have been updated for any changes and developments observed in the current financial year.

The Board’s assessment regarding the going concern assumption is based on judgement applied to uncertain future events, that could potentially impact the Bank's liquidity, funding and sustainability. In considering the Bank's going concern assumption with respect to the existing and expected future economic conditions, the Board (through its subcommittees) assessed the Bank's budgets and cash flow forecasts, including the impacts of GFH and Ubank (the acquisition of both was effective on 1 November 2022).

In the Board’s opinion, the Bank’s ability to raise funding and generate cash and cash equivalents is expected to continue. The Board is satisfied with the Bank’s capital position as the capital ratios currently, and over the forecasted period, remain above the Regulatory Minimum and Board approved internal targets. The Bank is forecasted to return to profitability in the 2024 financial year and profitability is forecasted to continue into the future.

The Board took liquidity risk into account in its assessment that the Bank is a going concern. In the Board’s opinion there is no material uncertainty regarding the Bank's ability to meet its obligations and to pay its debts as they become due in the ordinary course of business. To ensure that the Bank is able to meet its obligations and to pay its debts as they become due, the Bank 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, the acquisition of GFH and certain assets and liabilities of Ubank significantly increased the Bank’s funding base, has accelerated the Bank’s entry into the business banking market and increased the Bank’s market share in the consumer market.

From a business continuity perspective, the prolonged and excessive loadshedding currently experienced has been identified as a significant risk to operations, however it is currently being mitigated through the use of inverters, generators and solar installations and expected impacts will continue being monitored. The Bank is satisfied that it has the necessary skills to continue operations and is continuously ensuring that plans are in place to retain current staff and attract new hires where necessary.

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

The Bank's Consolidated Annual 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.

1.3 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 Consolidated Annual Financial Statements. There are no amendments to standards and interpretations that have a material impact on the Bank for the year ended 30 September 2023.

1.4 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 Bank in dealing with items that are considered material by the Bank during the current and prior financial year.

NOTES TO THE FINANCIAL STATEMENTS

1. General information continued...

1.5 Consolidation

Subsidiaries are entities controlled by ABL. ABL controls an entity if it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether control exists, the Bank considers all existing substantive rights that result in the current ability to direct relevant activities. The Bank reassesses whether it has control if there are changes to one or more of the elements of control. Subsidiaries are included in the Consolidated Financial Statements from the date on which control commences and until the date that control ceases. Intra-Bank balances and transactions, and unrealised income and expenses (excluding foreign currency transaction gains or losses) arising from intra-Bank transactions, are eliminated on consolidation.

Accounting policies of subsidiaries are consistent with the policies adopted by the Bank.

1.5.1 Business combinations

The Bank accounts for a business combination using the acquisition method. The definition of a business is met when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The Bank has not applied the optional "concentration test".

When ABL acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition.

The consideration transferred in the acquisition is measured at fair value and does not include amounts related to the settlement of pre-existing relationships. The identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date and are subsequently measured in terms of the respective standards. All transactions costs are expensed as incurred, except when related to the issue of debt or equity securities.

Goodwill is initially measured at cost, which is the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interest (if any) and any previously held interest over the fair value of the net identifiable assets. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then any gain on bargain purchase is recognised immediately through profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually and when there is an indication of impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

1.6 Financial instruments

The Bank 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 Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

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.

1.6 Financial instruments continued...

Financial assets comprise of the following: cash and cash equivalents (note 4), financial investments (note 5), net advances (note 2), regulatory deposits (note 6) and sovereign debt securities (note 6), accounts receivable and other assets (note 10) and derivatives (note 11).

Financial liabilities comprise of the following: creditors and other liabilities (note 13), retail deposits, business deposits and wholesale funding disclosed in short-term and long-term funding (note 12).

1.6.1 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.

1.6.2 Subsequent measurement

After initial recognition, the Bank measures 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.

1.6.3 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 the Bank does not have any financial assets in this category.

1.6.4 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.

1.6.5 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, advances at fair value through profit or loss ("FVTPL") (note 2), derivatives (note 11) and financial investments (note 5) are classified as financial assets measured at fair value through profit or loss.

Advances at fair value through profit or loss

The Bank enters into agreements for advances that have special arrangements attached to them. In terms of these arrangements, the Bank is entitled to a fee or dividend derived from specified asset values upon facility expiry or upon early settlement due to realisation of the specified asset. Where these special arrangements are for compensation of credit risk, they meet the solely payments of principal and interest ("SPPI") requirements and are classified at amortised cost and where the special arrangements are not only for compensation of credit risk, they do not meet the SPPI requirements and are classified as measured at FVTPL.

The Bank has irrevocably designated fixed rate loans linked to interest rate swaps at FVTPL. These advances are designated at FVTPL to eliminate or significantly reduce accounting mismatch that would otherwise arise. The Bank enters into interest rate swap agreements to economically hedge its fixed rate loans and, therefore, since these instruments are used as hedging tools, the Bank has elected to recognise these fixed rate loans as measured at FVTPL. The Bank, however, does not apply hedge accounting.

1.6.6 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.

1.6.6 *Financial assets at amortised cost continued...*

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and how information is provided, to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time, for other basic lending risks and costs (such as liquidity risk and administrative costs) and profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The information considered includes:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodic reset of interest rates).

The Bank currently measures advances, sovereign debt securities, cash and cash equivalents, accounts receivable and other assets (excluding prepayments) at amortised cost.

Consumer Banking advances

Consumer Banking advances arise when the Bank provides money or services directly to a customer with no intention to sell the financial asset. Consumer Banking advances include unsecured fixed-term loans, credit cards and overdraft facilities. Net advances are considered to be gross advances net of the impairment allowance.

Interest rates offered to customers are benchmarked to market rates prevalent in South Africa and the Bank considers the customers employment history, credit rating and other bureau data 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 is consistent with that of a basic lending agreement.

All Consumer Banking advances are classified as measured at amortised cost using the effective interest method. Impairment 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.

Business Banking advances

Business Banking advances arise when the Bank provides money or services directly to a corporate customer with no intention to sell the financial asset. Business Banking advances include mortgage bonds, secured lending and overdraft facilities.

NOTES TO THE FINANCIAL STATEMENTS

1.6.6 *Financial assets at amortised cost continued...*

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. 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 that of a basic lending agreement. Interest rates are generally variable rates benchmarked to market rates prevalent in South Africa.

Business Banking advances that are held in a business model, to collect cash flows and those cash flows are solely payment of principal and interest, are classified as measured at amortised cost using the effective interest method. Any impairment losses are recognised in profit or loss (refer to 1.6.5 above for Business Banking advances measured at FVTPL). Fees that are considered to be integral to the effective interest rate are capitalised to the value of the advances when material and amortised to profit or loss over the expected life of the advances, using the effective interest method.

Sovereign debt securities

These financial assets include treasury bills and government bonds which are measured at amortised cost. The Bank'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.

Cash and cash equivalents

Cash and cash equivalents comprise of short-term deposits, call or current accounts held with financial institutions, financial assets held in terms of the South African Reserve Bank ("SARB") requirements and any excess liquid assets held over and above these minimum requirements.

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.

1.6.7 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.

1.6.8 Impairment of advances

For financial assets classified and measured at amortised cost, the Bank 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 Consumer Banking and Business Banking advances, such as credit cards and overdrafts (undrawn commitments).

In recognising the impairment loss on advances, the Bank 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 Bank exercises judgement in making assumptions and estimations on both individually and collectively assessed advances.

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 Bank. 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.

1.6.8 Impairment of advances continued...

For purposes of measuring the ECL for the advances, the Bank's advances are separated into the Consumer Banking portfolio and the Business Banking portfolio. The Bank applies the general impairment approach to Consumer Banking advances and Business Banking advances.

The amount of the loss is measured as the difference between the carrying amount and the cash flows that the Bank expects to receive, discounted at the effective interest rate. In estimating the amount of the ECL, the following inputs are used:
•probability of default (“PD”);
• loss given default (“LGD"); and
• exposure at default (“EAD”).

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 Bank would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of EAD.

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.

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. Advances that have previously displayed a significant increase in credit risk or have been considered credit-impaired and have since been cured may also be classified as stage 1. Refer to the credit impaired section for further explanation.

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 it is classified as stage 3, with an ECL measured and recognised on a lifetime basis. Interest income is calculated by applying the effective interest rate to the net carrying amount.

Purchased or originated credit-impaired (“POCI”):
If advances are credit-impaired on the date of purchase or origination, those advances are referred to as purchased or originated credit-impaired advances. Such advances are accounted for on a portfolio basis as a single asset.

At initial recognition, POCI advances are recognised at the fair value of the estimated future cash receipts, discounted at the credit-adjusted effective interest rate. The present value is calculated by including the anticipated ECLs and the advance is 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 POCI advances and incorporates the impact of expected credit losses in the estimated future cash flows.

1.6.8 Impairment of advances continued...

Where estimates of cash receipts are revised based on actual or anticipated cash collections, the carrying amount of POCI advances 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 the purchase/origination date. 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 POCI advances and a corresponding gain or loss is recognised as an impairment gain or loss in the Statement of Total Comprehensive Income.

The amount of the loss recognised at each reporting date is measured as the difference between the POCI advances' carrying amount and the cash flows that the Bank expects to receive, discounted at the credit-adjusted effective interest rate.

Consumer Banking advances

This portfolio comprises of advances issued to retail customers such as loans, credit cards and overdrafts. At initial recognition, the advance is in stage 1 unless it is credit-impaired on the date of purchase or origination.

The Bank 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, specifically repayment behaviour, which indicate the borrower's ability to pay in accordance with the contractually agreed terms. Where the Bank is exposed to the credit risk of undrawn components, that risk 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 Bank 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 advances between the various stages. 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, how classification into groups was determined and how CD is utilised.

Contractual delinquency[1]	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
N/A	Advances that meet the definition of credit-impaired on the date of purchase or origination.		POCI

[1] When an advance cures, its CD resets and tracking commences based on its new modified installment.

Significant increase in credit risk

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

The Bank 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.

NOTES TO THE FINANCIAL STATEMENTS

Consumer Banking advances continued...

The Bank 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 Consumer Banking 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 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.

Refer to note 24.6 for the impact on ECL of SICR sensitivity.

Credit-impaired
The Bank's definition of default for Consumer Banking 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 events 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.

Curing
When the criteria for credit-impaired no longer applies, a Consumer Banking advance can move out of stage 3 to stage 1 or stage 2, depending on the account's PD on the date that the credit-impaired criteria no longer applies as compared to its PD on the date of origination/acquisition.

This occurs when an 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.

Purchased or originated credit-impaired ("POCI") advances
Consumer Banking advances that meet the Bank's definition of credit-impaired on the date that it is purchased or originated, are classified as POCI advances on the purchase/origination date. These advances are amortised using a credit-adjusted effective interest rate and interest in recognised by applying this rate to the advance's net carrying amount. Lifetime expected credit losses will be determined from the date of purchase/origination until the advance is derecognised.

1. *General information continued...*

Business Banking advances

This portfolio comprises of advances issued to corporate customers and businesses. Business Banking advances are assessed on an individual basis due to significant balances within the portfolio, considering the specific counterparty's financial information and transaction characteristics.

The Bank 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, except for purchased or originated credit-impaired advances. For advances for which credit risk has significantly increased since initial recognition and for purchased or originated credit-impaired advances, the loss allowance is measured at an amount equal to lifetime expected credit losses.

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

Contractual delinquency[1]	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 contractual terms, but for which a SICR indicator has been identified.	<=30 days	Stage 2 (SICR)
CD 1 – 3	Advances where instalments have not been received 30 to 89 days after their contractual date of repayment.	31 – 89 days	Stage 2 (arrears)
CD 0 - 3 Objective evidence of impairment	Advances which demonstrate qualitative evidence of impairment but do not have a contractual delinquency of 90 Days or more.	<90 days in Arrears	Stage 3
>CD 3	Advances where instalments have not been received within 90 days after their contractual date of repayment.	>= 90 Days	Stage 3
CD>3 & qualitative recovery assessment	Advances are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Advances that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.		Written-off

[1] *When an advance cures, its CD resets and tracking commences based on its new modified installment.*

Significant increase in credit risk

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

Indicators of a significant increase in the credit risk of a Business Banking advance are:
- facility is in arrears for greater than 30 days;
- classification and appearance on a watch list;
- significant decrease in value of collateral; or
- an account has missed a payment but it has been remedied within the agreed upon time.

Business Banking advances are placed under managed accounts once the advance is considered as non-performing and meets the Bank's internal grading criteria (stage 2 and 3), which may affect the recovery of the advance. When an advance is considered as performing, the loan is assessed for reclassification out of managed accounts. If a redefault occurs, the aforementioned process is once again followed.

Business Banking advances continued...

Credit-impaired

The Bank's definition of default for Business Banking is aligned with its existing internal credit risk management definitions and approaches. This is defined as the point at which an account is greater than 90 days past due.

When one or more loss events has occurred, an advance becomes credit-impaired and a lifetime expected credit loss is raised.

Loss events include where:
- the account is in default as defined;
- a payment has been missed and has not been remedied within the agreed upon timeframe;
- conditions are not met (such as covenants or a minimum NAV). This is subject to an internal assessment of the breach; or
- acts of Insolvency (liquidation/business rescue proceedings).

Purchased or originated credit-impaired ("POCI") advances

Business Banking advances that meet the Bank's definition of credit-impaired on the date that it is purchased or originated, are classified as POCI advances on the purchase/origination date. These advances are amortised using a credit-adjusted effective interest rate and interest is recognised by applying this rate to the advance's net carrying amount. Lifetime expected credit losses will be determined from the date of purchase/origination until the advance is derecognised.

1.6.8.3 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.

The forward-looking information is based on the Bank'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 Bank are provided by an independent specialist on a quarterly basis or more frequently if the current economic environment has experienced notable changes.

Effects of climate related risks are included in the Bank's expectations regarding the macroecononic outlook.

These scenarios are considered and approved by the Credit and Models Committee ("CMC"), MRC, the AuditCom and, ultimately, ratified by the Board.

The Bank utilises three forward-looking economic scenarios in the ECL model for Consumer Banking advances and Business Banking 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 Consumer Banking advances, management has assigned a probability of 62% (2022: 50%) to the base scenario, 20.8% (2022: 30%) to the downturn scenario and 17.2% (2022: 20%) to the upturn scenario for the 12-month forecast and for Business Banking advances a probability of 29.9% (2022: 30%) is assigned to the base scenario, 44.23% (2022: 50%) to the downturn scenario and 25.87% (2022: 20%) to the upturn scenario for the 12-month forecast.

NOTES TO THE FINANCIAL STATEMENTS

Business Banking advances continued...

Refer to note 24.6 for the impact on ECL for forward-looking information based on the above-described scenarios and ascribed probability weightings.

1.6.8.4 Collateral

Collateral is measured at fair value at inception of a financial instrument and the valuation is reviewed periodically depending on the collateral type.

1.6.9 Impairments for financial assets other than advances

Financial assets other than advances are made up of cash and cash equivalents, financial investments, 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 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 Bank has applied the low credit risk exemption, these financial assets are, therefore, considered to be stage 1.

For investment in sovereign debt securities, the Bank 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 significantly increased credit risk (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 Bank 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 Bank’s derivative asset positions. See note 24 for further details. Trade receivables are not rated and are evaluated on an entity-by-entity basis. The Bank limits the tenure and size of trade receivables to ensure that it does not pose a material risk to the Bank. For further information, refer to note 10.

1.6.10 Written off portfolio

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

Consumer Banking

The Bank'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 Consumer Banking advances has been determined by analysing the materiality of post write-off recoveries. Advances are written-off when in arrears for more than four instalments and no payment has been received in the preceding twelve months as at this point, further material recoveries are unlikely.

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.

Business Banking

The point of write-off for Business Banking advances is when the Bank determines that the customer does not have assets or sources of income that could generate sufficient cash flows to fulfil its repayment requirements. This assessment is carried out at the individual advance level.

NOTES TO THE FINANCIAL STATEMENTS

1. General information continued...

1.6.11 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.

1.6.12 Modification

If the Bank renegotiates or modifies the terms of the advance to customers, the Bank 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.

1.6.12.1 Consumer Banking advances

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 advances that consolidate existing African Bank advances, also referred to as settlement re-advances ("SRAs").

For SRAs, the Bank 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 Bank 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 Bank considers instances where the modified terms of the advance are not substantially different to the original terms when:

- advances have been rescheduled (i.e. 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); or
- legal restructures of advances, such as advances that are undergoing debt review, administration orders or court orders.

The origination date in the original contractual agreement remains the date of initial recognition for impairment calculation purposes. 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 16 for the disclosures of the modification gain or loss.

1.6.12 Modification continued...

1.6.12.2 Business Banking advances

Substantial modifications

If the modified cash flows are substantially different, then the contractual rights to cash flows from the original advance are deemed to have expired. Such modifications will result in the derecognition of the original advance and recognition of a new advance at fair value with any fees received as part of the modification being included in profit or loss as part of the gain or loss on derecognition.

Non-substantial modifications

If cash flows are modified when the customer is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written-off before the modification takes place (refer above 1.6.10 for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of an advance measured at amortised cost does not result in a derecognition of the financial asset, then the Bank first recalculates the gross carrying amount using the original effective interest rate of the advance and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate advances, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified advance and are amortised over the remaining term of the modified advance by recomputing the effective interest rate on the instrument.

1.6.13 Derivative financial instruments

The Bank 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 Bank, 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.

1.6.14 Hedge accounting

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

1.7 Intangible assets

1.7.1 Software

Software consists of purchased software (note 9). 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 accumulated 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.

NOTES TO THE FINANCIAL STATEMENTS

1. General information continued...

1.8 Property and equipment

Furniture and fittings, information technology equipment, motor vehicles, leasehold improvements and owner-occupied land and buildings are measured at cost less accumulated depreciation and accumulated 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 Bank 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.

Useful lives have been determined to be as follows:

ATMs	Between 5 and 10 years
Furniture and fittings	Between 6 and 8 years
Information technology equipment	Between 3 and 8 years
Motor vehicles	4 years
Leasehold improvements	Over the shorter of the lease term or its useful life
Buildings (owner-occupied)	Maximum of 50 years
Land is not depreciated	

Any adjustments to useful lives that may be necessary are accounted for prospectively, with the useful life changing from the date of estimation.

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.

1.8.2 Derecognition of property and equipment

Property, equipment assets 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.

1.9 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets (other than goodwill) 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. Goodwill is tested for impairment at each reporting date irrespective of whether or not an indicator of impairment exists.

In addition non-financial 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 Bank 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 Bank assesses whether a contract is or contains a lease at inception of a contract.

NOTES TO THE FINANCIAL STATEMENTS

1.10 Leases continued...

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 (note 8) and a lease liability (note 13) except for:
- leases of low value assets; and
- leases with a short-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 Bank 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 Bank 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 Bank's incremental borrowing rate on commencement of the lease is used. The Bank'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 Bank be reasonably certain to exercise the option to terminate.

The Bank 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 Bank is contractually required to incur to dismantle, remove or restore the leased asset.

Subsequently, the Bank applies the cost model to the measurement of the ROU assets' and applies the non-financial assets impairment policy.

Derecognition

The Bank derecognises the ROU asset and lease liability when the Bank 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 useful life of the asset. This depreciation is included as part of operating costs.

Derecognition

On derecognition of the ROU asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

Low value and short-term leases

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 low value and short-term leases are leases that 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 an operating expense in the period in which termination takes place and the remaining asset or liability balance is released to profit or loss.

1. General information continued...

1.10.4 Reassessment and modification of leases

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

- 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.

If the Bank 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 Bank accounts for these modifications as a separate new lease contract.

1.11 Equity

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

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

1.11.1 Share capital and share premium

Shares issued by the Bank 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 Bank. Refer to note 14.

1.12 Revenue

Revenue comprises income from interest income (note 15) and non-interest income (note 18).

1.12.1 Interest income

Interest income includes interest on financial instruments measured at amortised cost. The Bank calculates interest revenue using the effective interest method. In applying the effective interest method, the Bank 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 Bank for the credit risk of the advance and are recognised over the expected life of the advance. 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.

NOTES TO THE FINANCIAL STATEMENTS

1.12 Revenue continued...

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 charge, collection fees, as well as any other sundry income such as transactional fees and credit card fees. The Bank additionally earns a binder 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.

Contractual delinquency[1]	Explanation of categorisation
Credit card and transactional fees	Over time when the service is provided by the Bank over a period of time and at a point in time when the service is provided by the Bank each time a customer transacts.
Commission income, binder and outsourcing fees	At the point in time when the premium is collected by the Bank or new business is generated by the Bank.
Collection fees	At a point in time when collections are made by the Bank on behalf of the customer.
Commission on value-added services	At a point in time when the service is provided and commission is earned.
Early withdrawal fees (included in other income)	At a point in time when the withdrawal takes place.
Unclaimed deposits	At a point in time when the criteria for realising to profit or loss is met.

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.

NOTES TO THE FINANCIAL STATEMENTS

1. General information continued...

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 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 Bank operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank 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").

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 Bank 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 Bank in order to utilise the deferred tax assets. As at the year end, the Bank 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 Bank, with the assets held in separate trustee-administered funds. The Bank pays contributions on a contractual basis as determined in terms of the rules of benefit fund. The Bank 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 Bank 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.

NOTES TO THE FINANCIAL STATEMENTS

1. *General information continued...*

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 end of the financial year and non-current assets and liabilities are those that are expected to be recovered or settled more than twelve months after end of the financial year.

1.17 Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it earns revenues and incurs expenses. This includes revenues and expenses relating to transactions with other segments in the business, which are at arm's length. The Group CEO, reviews the operating results of each segment to assist with allocating resources and assessing performance. The Group CEO has been identified as the chief operating decision maker ("CODM"). The operating segments identified are "Consumer Banking" and "Business Banking" and have been organised around the different products and services. This differs to the prior year, where the Bank had only one operating segment. The main reason for the change is due to the acquisition of the assets and liabilities of Ubank Limited and the acquisition of 100% of the shareholding in Grindrod Financial Holdings Limited, expanding the Bank's overall operations. In response to this change, the manner in which the operating results are disaggregated and managed has changed as well.

The operating results are reported to the CODM on a monthly basis. The information provided for each segment includes directly attributable items and allocated items, which are allocated on a reasonable basis. "Consolidation adjustments" comprises of items not specifically allocated to a segment.

The Bank has the following reportable segments, which offer different products and services. Each segment is managed separately based on the Bank's management structure and internal reporting structure.

1.18 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Bank's accounting policies, management is required to make judgements, estimates and assumptions 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 Bank'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:

- ECL on advances (refer to note 2 and 24);
- Fair value estimates (refer to note 27);
- Taxation - Judgement and uncertainty (refer to note 1.13.5 and 7);
- Estimated useful life of PPE and intangibles (refer to note 1.7, 1.8, 8 and 9); and
- Long-term incentives (refer to note 1.15.3 and 33).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Net advances

Net advances measured at amortised cost comprise of the following portfolios:
- The Business Banking portfolio consists of Business Banking advances that are originated by the Bank and the GFH Group since acquisition thereof, as well as Business Banking advances acquired from Ubank and the GFH Group (refer to note 34).
- The Consumer Banking portfolio consists of Consumer Banking advances that are originated by the Bank and those acquired from Ubank Limited (refer to note 34), as well as those advances acquired in the 2016 financial year.

2.1 Total Advances

Rmillion	2023	2022
Advances at FVTPL	1,888	-
Advances at amortised cost	30,096	22,647
Total	**31,984**	**22,647**
Undrawn irrevocable Consumer Banking commitments	853	843
Undrawn irrevocable Business Banking commitments	4,368	140
Maximum exposure to credit risk	**37,205**	**23,630**

2.2 Net advances measured at FVTPL

Rmillion [1]	2023	2022
Mandatorily measured at FVTPL	1,572	-
Designated at FVTPL	316	-
Total advances at FVTPL	**1,888**	**-**

[1] *Net advances measured at FVTPL consists of only Business Banking.*

2.3 Net advances measured at amortised cost

Rmillion	2023	2022
Gross advances	41,446	33,568
Deferred fees	(320)	(282)
Gross advances after deferred origination and administration fees	**41,126**	**33,286**
Consumer Banking[1]	31,503	31,526
Business Banking	9,623	1,760
Balance of impairment provision at the end of the period	**(11,030)**	**(10,640)**
Balance of impairment provision at the beginning of the year	(10,640)	(8,660)
Impairment provisions raised on advances[2]	(3,889)	(2,226)
Impairment provisions raised on interest from stage 3	(464)	(1,673)
Impairment provision released upon write-offs of underlying exposure	3,963	1,919
Net advances	**30,096**	**22,646**
Consumer Banking	20,574	20,934
Business Banking	9,522	1,712

The Consumer Banking advances balance includes modification losses amounting to R1 127 million (30 September 2022: R877 million) with an amortised cost of R1 264 million (30 September 2022: R892 million).

The Business Banking advances balance includes modification losses amounting to R2 million (30 September 2022: R0 million) with an amortised cost of R2902 million (30 September 2022: R0 million).

[1] *The presentation of this note has changed to include advances acquired in 2016 within Consumer Banking. These advances were previously shown separately and has a balance of R396 million on the 30 September 2023 (30 September 2022: R587 million).*

[2] *The presentation of this note has changed to present the ''impairment provisions raised on advance'' as one line in the table above. Previously, the impairment provisions raised on advances for Consumer Banking were shown in a separate line to Business Banking. Refer to note 16 for the split between Consumer Banking and Business Banking.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Net advances continued...

2.3.1 Advances at amortised cost - Consumer Banking

Reconciliation of ECL of gross advances of originated and acquired advances for Consumer Banking as at 30 September 2023

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

Rmillion	ECL						Gross Advances[3]					
	Stage 1	Stage 2		Stage 3	POCI	Total	Stage 1	Stage 2		Stage 3	POCI [4]	Total
		SICR	Arrears					SICR	Arrears			
Opening balance 1 October 2022	1,194	304	732	7,354	1,007	10,592	15,189	2,917	1,612	10,211	1,594	31,523
Changes due to movements in arrears profile of advances	**224**	**209**	**319**	**3,434**	**80**	**4,266**	**(3,273)**	**135**	**79**	**3,527**	**20**	**488**
Transfer from stage 1	-	323	302	2,042	-	2,667	-	1,715	733	2,755	-	5,203
Transfer from stage 2: SICR	107	-	98	480	-	685	1,363	-	210	650	-	2,223
Transfer from stage 2: arrears	14	15	-	564	-	593	175	84	-	762	-	1,021
Transfer from stage 3	23	100	35	-	-	158	291	534	75	-	-	900
Transfer to stage 1	-	(256)	(81)	(215)	-	(552)	-	(1,364)	(175)	(291)	-	(1,830)
Transfer to stage 2: SICR	(135)	-	(39)	(395)	-	(569)	(1,715)	-	(84)	(534)	-	(2,333)
Transfer to stage 2: arrears	(51)	(39)	-	(56)	-	(146)	(733)	(210)	-	(75)	-	(1,018)
Transfer to stage 3	(218)	(122)	(354)	-	-	(694)	(2,755)	(649)	(762)	-	-	(4,166)
Transfer to write off/ balance growth up to write-off	484	188	358	1,014	80	2,124	101	25	82	260	20	488

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Net advances continued...

Rmillion	ECL						Gross Advances[3]					
	Stage 1	Stage 2		Stage 3	POCI	Total	Stage 1	Stage 2		Stage 3	POCI	Total
		SICR	Arrears					SICR	Arrears			
Changes due to changes in balances of advances	**(283)**	**(202)**	**(443)**	**(1,400)**	**(436)**	**(2,764)**	**1,323**	**(50)**	**(222)**	**(1,036)**	**(640)**	**(625)**
Change due to movement in balances of existing advances	(88)	(64)	(21)	392	(138)	81	(1,119)	(342)	(42)	504	(339)	(1,338)
Issuance of Consumer Banking advances	535	144	40	809	-	1,528	5,406	687	320	1,239	-	7,652
Modifications that did not give rise to de-recognition	-	-	-	-	-	-	(215)	104	(3)	(136)	-	(250)
Purchase of Consumer Banking advances[1]	-	-	-	-	-	-	381	-	-	-	41	422
Change due to de-recognition (other than write-off)	(205)	(50)	(30)	(118)	(31)	(434)	(2,605)	(267)	(65)	(160)	(75)	(3,172)
Change due to write-off[2]	(525)	(232)	(432)	(2,483)	(267)	(3,939)	(525)	(232)	(432)	(2,483)	(267)	(3,939)
Changes due to change in model assumptions	**(7)**	**152**	**(367)**	**(1,007)**	**64**	**(1,165)**	**461**	**26**	**-**	**(508)**	**138**	**117**
Changes due to changes in model assumptions	(7)	152	(367)	(1,007)	64	(1,165)	461	26	-	(508)	138	117
Closing balance 30 September 2023	**1,128**	**463**	**241**	**8,381**	**715**	**10,929**	**13,700**	**3,028**	**1,469**	**12,194**	**1,112**	**31,503**

2. Net advances continued...

[1] The purchase of Consumer Banking advances arose from the acquisition of certain assets and liabilities from Ubank Limited.

[2] The decrease in the advances as a result of the write-off is equal to the decrease in ECL and relates only to Consumer Banking, 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 R3939.2 million (refer to credit impairment charges, note 16.). Where these advances are in stage 1 or 2 these advances did not meet the criteria for being classified as credit-impaired prior to been written off.

[3] The gross advances balances are net of deferred fees.

[4] This table has been redesigned to include the advances acquired in 2016 under "POCI" and disclosed on a gross basis. In the 2022 financial year, these advances were disclosed on a net basis. The opening carrying amount as at 1 October 2022 amounted to R587 million; this amount can be reconciled by considering the opening balances disclosed in the table above for gross advances and ECL of R1,594 million and R1,007 million respectively. The movements in this category relates to advances acquired in 2016, as well as advances acquired during the current financial year which qualified for this categorisation.

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

ECL models were recalibrated during the current financial year to reflect more up-to-date data, as well as considering the appropriateness of applying the remaining term rather than contractual term. The impact of this amounted to R997 million.

African Bank Limited

(Registration Number 2014/176899/06)

Consolidated Annual Financial Statements

for the year ended 30 September 2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. *Net advances continued...*

2.3.2 Advances at amortised cost - Business Banking

Reconciliation of ECL of gross advances of originated and acquired advances for Business Banking as at 30 September 2023

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

Rmillion	ECL						Gross Advances[3]					
	Stage 1	Stage 2		Stage 3	POCI	Total	Stage 1	Stage 2		Stage 3	POCI [4]	Total
		SICR	Arrears					SICR	Arrears			
Opening balance 1 October 2022	48	-	-	-	-	48	1,760	-	-	-	-	1,760
Changes due to movements in arrears profile of advances	**(1)**	**-**	**-**	**1**	**-**	**-**	**(576)**	**148**	**58**	**370**	**-**	**-**
Transfer from stage 1	-	-	-	1	-	1	-	148	58	370	-	576
Transfer from stage 2: SICR	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from stage 2: arrears	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to stage 2: SICR	-	-	-	-	-	-	(148)	-	-	-	-	(148)
Transfer to stage 2: arrears	-	-	-	-	-	-	(58)	-	-	-	-	(58)
Transfer to stage 3	(1)	-	-	-	-	(1)	(370)	-	-	-	-	(370)
Transfer to write off/ balance growth up to write-off	-	-	-	-	-	-	-	-	-	-	-	-

2. *Net advances continued...*

Rmillion	ECL						Gross Advances[3]					
	Stage 1	Stage 2		Stage 3	POCI	Total	Stage 1	Stage 2		Stage 3	POCI	Total
		SICR	Arrears					SICR	Arrears			
Changes due to changes in balances of advances	**(5)**	**-**	**-**	**(1)**	**57**	**51**	**6,738**	**4**	**5**	**(10)**	**1,126**	**7,863**
Change due to movement in balances of existing advances	(12)	-	-	(1)	81	68	(67)	4	5	(15)	84	11
Modifications that did not give rise to de-recognition	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Business Banking advances[1]	-	-	-	-	-	-	5,305	-	-	-	1,089	6,394
Issuance of Business Banking advances[3]	8	-	-	-	-	8	2,130	-	-	5	-	2,135
Change due to de-recognition (other than write-off)	(1)	-	-	-	-	(1)	(630)	-	-	-	(23)	(653)
Change due to write-off[2]	-	-	-	-	(24)	(24)	-	-	-	-	(24)	(24)
Changes due to change in model assumptions	**2**	**-**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**-**		
Changes due to changes in model assumptions	2	-	-	-	-	2	-	-	-	-	-	-
Closing balance 30 September 2023	**44**	**-**	**-**	**-**	**57**	**101**	**7,922**	**152**	**63**	**360**	**1,126**	**9,623**

2. Net advances continued...

[1] The purchase of Business Banking advances arose from the GFH Group acquisition.

[2] The decrease in the advances as a result of the write-off is equal to the decrease in ECL and relates only to Business Banking 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 R24 million (refer to credit impairment charges, note 16.).

[3] The gross advances balances are net of deferred fees.

[4] This category relates to advances acquired during the current financial year which qualified for this categorisation.

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

ECL models were recalibrated during the current financial year to reflect more up-to-date data.

2.3.3 Advances at amortised cost - 2022 Comparatives.

2. *Net advances continued...*

Reconciliation of ECL of gross advances for Consumer Banking, Business Banking and advances acquired in 2016 as at 30 September 2022[5]

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	POCI
		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)

2.1.2 Reconciliation of ECL of gross advances for Consumer Banking, Business Banking and advances acquired in 2016 as at 30 September 2022[5] continued...

Rmillion	ECL					Gross advances					
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total	2016 acquired book
		SICR	Arrears				SICR	Arrears			
Modifications that did not give rise to de-recognition	-	-	-	-	-	-	(306)	37	173	(96)	-
Issuance of Consumer Banking advances[1]	633	299	689	661	2,282	8,029	1,592	1,481	894	11,996	-
Issuance of Business Banking advances	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**

2.1.2 Reconciliation of ECL of gross advances for Consumer Banking, Business Banking and advances acquired in 2016 as at 30 September 2022[5] continued...

[1] The ECL recognised on new advances originated 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 R1919 million (refer to credit impairment charges, note 16.).

[3] There was only one Business Banking advance issued during the period and there were no changes due to the arrears profile or changes due to changes in the balance of Business Banking advances.

[4] The gross advances balances are net of deferred fees.

[5] The ECL reconciliation of gross advances for Consumer Banking, Business Banking and advances acquired in previous years was presented as one reconciliation for the period ending 30 September 2022. Consumer Banking advances and Business Banking advances has been presented in two separate reconciliations in the current period. Advances acquired in 2016 have been combined into the Consumer Banking portfolio and disclosed as POCI advances. The closing balance in the table above amounted to R587 million and reflected the net carrying amount. This amount can be reconciled to the opening balances of the current financial year by considering the opening balances disclosed in 2.3.1 above for gross advances and ECL of R1,594 million and R1,007 million respectively.

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

As at the beginning of the 2022 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.

2. Net advances continued...

2.4 Credit quality of advances

2.4.1 Advances analysis

Rmillion	2023			2022[1]		
	Consumer Banking	Business Banking	Total	Consumer Banking	Business Banking	Total
Gross advances	31,726	9,720	41,366	31,808	1,760	33,568
Deferred fee	(223)	(97)	(320)	(282)	-	(282)
Gross advances after deferred fee	31,503	9,623	41,126	31,526	1,760	33,286
Stage 1	13,700	7,922	21,622	15,192	1,760	16,952
Stage 2	4,497	215	4,712	4,529	-	4,529
Stage 3[1]	12,194	360	12,554	10,211	-	10,211
POCI	1,112	1,126	2,238	1,594	-	1,594
Total credit exposure	**31,503**	**9,623**	**41,126**	**31,526**	**1,760**	**31,692**
Total ECL	**(10,929)**	**(101)**	**(11,030)**	**(10,592)**	**(48)**	**(10,640)**
Stage 1	(1,128)	(44)	(1,172)	(1,194)	(48)	(1,242)
Stage 2	(704)	-	(704)	(1,037)	-	(1,037)
Stage 3	(8,381)	-	(8,381)	(7,354)	-	(7,354)
POCI	(715)	(57)	(772)	(1,007)	-	(1,007)
Net advances	**20,574**	**9,522**	**30,096**	**20,934**	**1,712**	**22,646**

[1] *The presentation of the comparative information has changed as the advances acquired during previous financial years are now presented gross in the POCI category along with other advances that qualify for that categorisation.*

2.4.2 Impairment as % of gross advances

Percentage	2023			2022		
	Consumer Banking	Business Banking	Total	Consumer Banking	Business Banking	Total
Stage 1	8.2%	0.6%	5.4%	7.9%	2.7%	7.3%
Stage 2	15.7%	0.0%	14.9%	22.9%	0.0%	22.9%
Stage 3	68.7%	0.0%	66.8%	72.0%	0.0%	72.0%
POCI	64.3%	5.1%	34.5%	63.2%	0.0%	-63.2%
Total impairment as a % of total gross advances	**34.7%**	**1.0%**	**26.8%**	**33.6%**	**2.7%**	**33.6%**
Reconciliation of ECL (note 16.)						
Balance at the beginning of the period	(10,592)	(48)	(10,640)	(8,660)	-	(8,660)
Impairment provisions raised on interest from stage 3 advances	(431)	(33)	(464)	(1,673)	-	(1,673)
Net movement in impairment provisions (note 16.)	(3,845)	(44)	(3,889)	(2,178)	(48)	(2,226)
Impairment provision released in respect of bad debt write-offs	3,939	24	3,963	1,919	-	1,919
Balance at the end of the year	**(10,929)**	**(101)**	**(11,030)**	**(10,592)**	**(48)**	**(10,640)**

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

3. Guarantees and commitments

3.1 Guarantee

3.1.1 RDS indemnity

In terms of the restructuring transaction which occurred in 2016, Residual Debt Services Limited ("RDS") has provided a guarantee in favour of ABL 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 ABL. As at the end of the 2022 financial year, RDS had built up the cash reserves equal to the indemnity of R3 billion. 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, effective immediately.

Grindrod Limited guarantee

As part of the acquisition of the GFH Group which became effective on 1 November 2022, the previous owner of the GFH Group, Grindrod Limited, has provided ABL with a financial guarantee over the non-performance of certain specified loans to the value of R300 million. This guarantee is valid for a 36-month period and will expire on 31 October 2025.

3.2 Commitments

3.2.1 Consumer Banking

Unutilised card facilities

The total unsecured unutilised credit facilities granted to the Bank's credit card holders is R838 million (2022: R828 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 Bank's overdraft holders is R14 million (2022: R15 million), the repricing profile of which is expected not to be more than one month.

3.2.2 Business Banking

Unutilised Business Banking facilities

The total unutilised facility granted to the Bank's Business Banking customers is R4 368 million (2022: R140 million) in the current financial year, the re-pricing profile for Business Banking facilities is dependent on the credit risk associated with the relevant customer.

4. Cash and cash equivalents

Rmillion	2023	2022
Call deposits[1]	**646**	**534**
ZAR	644	532
Foreign denominated	2	2
Deposits with the SARB	**874**	**445**
Current accounts[2]	**2,808**	**399**
Gross cash and cash equivalents	**4,328**	**1,378**
Non-cash adjustment: ECL[3]	-	-
Net cash and cash equivalents	**4,328**	**1,378**
Maximum exposure to credit risk	**4,328**	**1,378**

The Bank uses foreign currency denominated deposits to mitigate against risks arising from changes in foreign currency exchange rates where the Bank's debt is denominated in a currency other than the functional currency. Refer to note 25.3 for foreign exchange risk management.

[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 5.95% to 8.25% NACM (2022: from 2.45% to 5.95%). Foreign-denominated call deposits consist of foreign currency that the Bank 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.*

[2] *Current accounts are floating interest rate assets with interest rates generally linked to Prime rate.*

[3] *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. Refer to note 24 for further detail.*

5. Financial investments

Rmillion	2023	2022
Investment in core income funds[1]		**160**
Private equity investments	**3**	**-**
Other investments	**11**	**-**
Total	**14**	**160**

[1] *Investment in core income funds are unitised and are held with SA banks. These investments are held at fair value and in the current period, the balance was withdrawn.*

Reconciliation of financial investments

Rmillion	2023	2022
Investments in core income funds		
Opening balance	**160**	**3,538**
Placement	**-**	**-**
Acquisition of investments	**14**	
Withdrawal: Capital	**(160)**	**(3,266)**
Withdrawal: Interest received	**-**	**(148)**
Income from investments	**-**	**36**
Closing balance	**14**	**160**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6. Sovereign debt securities

Rmillion	2023	2022
Listed	**8,245**	**2,451**
Treasury bills	5,685	-
Government bonds	2,560	2,451
Unlisted		
Preference shares	-	-
Gross regulatory deposits and sovereign debt securities	**8,245**	**2,451**
Adjustment: ECL[1]	(11)	(7)
Net regulatory deposits and sovereign debt securities	8,234	2,444
Maximum exposure to credit risk	**8,234**	**2,444**

See note 24.8 for credit risk ratings of counterparties

[1] *ECL is raised on credit risk arising from the counterparties with whom sovereign debt securities are held. There has not been any changes or downgrades in all debt securities, therefore these are classified as stage 1. There were no movements between stages for these securities during the financial year.*

7. Current and deferred tax

Rmillion	2023	2022
Current tax asset/(liability)	32	(12)
Deferred tax asset	1,366	1,064
Total	**1,398**	**1,052**

7. *Current and deferred tax continued...*

Deferred tax asset

Rmillion	Opening balance	Acquired (Ubank)	Acquired (GBL)	Deferred tax impact of items recognised in profit or loss	Closing balance
2023					
Temporary differences					
Right of use asset	3		(4)	2	1
Accounts payable and other liabilities - Sundry and payroll provisions	117			22	139
Credit impairment	958		9	89	1,056
Accounts receivable and other assets - Prepayments	(12)			(26)	(38)
Creditors and other liabilities - Tax impact from the buy-back of liabilities	(2)			-	(2)
Estimated tax loss	-			188	188
Loans and advances to customers		3	(11)	2	(6)
Property, plant and equipment		5			5
Intangible assets		19	(18)	(21)	(20)
Lease liability			4	(1)	3
Creditors and other liabilities - Provisions			12		12
Share- based payments			3	(1)	2
Fair value adjustments			-	-	-
Deferred revenue			22	4	26
Capital loss			5	(5)	-
Total[1]	**1,064**	**27**	**22**	**253**	**1,366**

Rmillion	Opening balance	Deferred tax impact of items recognised in profit or loss	Closing balance
2022			
Temporary differences			
ROU 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)	-
Total[1]	**1,134**	**(70)**	**1,064**

[1] *The estimated current tax loss that arose in the current financial period is R180 million (30 September 2022: R0 million) and the capital loss is R6 million (30 September 2022: R0 million). The recoverability of the deferred tax asset is assessed by the Bank on a regular basis. The deferred tax asset recognised by the Bank 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.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Property, equipment and right-of-use assets

Rmillion	2023			2022		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fittings	58	(39)	19	37	(21)	16
Information technology equipment	471	(281)	190	321	(217)	104
Motor vehicles	16	(7)	9	7	(4)	3
Leasehold improvements	78	(55)	23	69	(47)	22
Land and buildings (owner-occupied)	320	(44)	276	301	(38)	263
ATM's	22	(1)	21	-	-	-
Right-of-use assets	413	(241)	172	339	(185)	154
Total	**1,378**	**(668)**	**710**	**1,074**	**(512)**	**562**

Reconciliation of the carrying amounts of property and equipment 2023

Rmillion	Carrying value at beginning of year	Additions	Depreciation	Disposals / write-offs	Carrying value at end of year
Furniture and fittings	16	11	(7)	(1)	19
Information technology equipment	104	159	(61)	(12)	190
Motor vehicles	3	9	(3)	-	9
Leasehold improvements	22	24	(8)	(15)	23
Land and buildings (owner-occupied)	263	19	(6)	-	276
Right-of-use assets	154	174	(141)	(15)	172
ATM's	-	26	(1)	(4)	21
Total	**562**	**422**	**(227)**	**(47)**	**710**

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
Right-of-use assets	175	128	(148)	(1)	154
Total	**602**	**179**	**(217)**	**(2)**	**562**

The opening balance for cost and accumulated depreciation for the 2022 financial year amounted to R998 million and R396 million respectively.

9. Intangible assets

	2023			2022		
Rmillion	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Purchased software	520	(167)	353	258	(105)	153

Reconciliation of the carrying amounts of intangible assets 2023

Rmillion	Carrying value at beginning of year	Additions	Amortisation	Disposals / write-offs	Carrying value at end of year
Purchased software	153	270	(62)	(8)	353

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
Purchased software	138	41	(26)	-	153

The opening balance for cost and accumulated depreciation for the 2022 financial year amounted to R223 million and R85 million respectively.

10. Accounts receivable and other assets

Rmillion	2023	2022
Financial assets		
Sundry receivables[1]	267	88
Management fees	34	60
Insurance commissions	15	14
Fees receivables	14	
Other	204	14
Non-financial assets		
Prepayments[2]	250	114
Inventory	5	
Total	**522**	**202**
Maximum exposure to credit risk	**267**	**88**

All accounts receivable and other assets represent balances with a maturity of less than 12 months after year-end.

[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] *Included in other is VAT receivable and staff advances.*

[3] *Information technology licenses and services and prepaid rentals balance at the reporting date.*

[4] *Inventory relates to stock of debit and credit cards at branches.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

11. Derivatives

Rmillion	Assets over the counter		Liabilities over the counter	
	Notional[1]	Carrying amount at fair value	Notional[1]	Carrying amount at fair value
2023				
Interest rate derivatives				
Swaps	225	4	-	-
Inflation linked derivatives				
Swaps	667	120	-	-
Total	**892**	**124**	**-**	**-**
2022				
Inflation linked derivatives				
Swaps	667	85	-	-
Total	**667**	**85**	**-**	**-**

[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 Bank 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. The Bank uses interest linked swaps to economically hedge the fixed rate advances offered to customers through Business Banking.

For more information on the management of market risk, refer to note 25.

Derivatives settled on a net basis and gross basis

Some of the Bank's derivatives are subject to collateral requirements (see note 28), 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.

Maturity of derivatives	6 - 12 months	1 - 2 years	2 - 5 years	Total
2023				
Financial assets				
Inflation linked swaps	**120**	**-**	**-**	**120**
Inflation linked interest rate swaps	**4**			**4**
2022				
Financial assets				
Inflation linked swaps	**-**	**85**	**-**	**85**

12. Short-term and long-term funding

Rmillion [1]	2023	2022 [1]
Retail deposits	18,000	12,310
Business deposits	12,534	517
Wholesale funding	4,330	3,891
Total	**34,864**	**16,718**

[1] The manner in which funding is categorised has been changed to reflect the manner in which funding is managed internally. The comparatives figures have been restated, however the total has not changed.

12. Short-term and long-term funding continued...

Funding by product type

Rmillion	2023 Short-term funding[1]	2023 Long-term funding	2023 Total funding	2022 Total funding [6]
Current accounts[2]	4,688	-	4,688	963
Savings Deposits[2]	1,386	-	1,386	556
Call Deposits[3]	7,528	-	7,528	-
Fixed deposits[4]	9,242	7,690	16,932	11,308
Wholesale funding[5]	3,415	915	4,330	3,891
Total	**26,259**	**8,605**	**34,864**	**16,718**

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

[2] Current accounts and savings accounts have average interest rates of 1.31% NACA (2022: 3.37%).

[3] Call deposits have average interest rates of 8.02% NACA.

[4] Fixed deposits have average interest rates of 10.44% NACA (2022: 11.35%).

[5] Wholesale funding includes NCDs, SARB repos, bonds and other DMTN funding.

The carrying amount of NCDs at 30 September 2023 was R1 226 million and have average interest rates of 10.29% (NACA) (2022: 8.58%).
The carrying amount of the bonds at 30 September 2023 was R2 940 million.
The bonds' maturities range from the earliest maturity on 13 March 2024 to the latest maturity on 30 March 2027:

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

[6] *The manner in which funding is categorised has been changed to reflect the manner in which funding is managed internally. The comparatives figures have been restated, however the total has not changed. The instruments contained within wholesale funding in the prior year is different to those contained in this category in the current year, therefore the reconciliation of wholesale funding for the prior year (note 22) will not agree to the prior year figure above.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

13. Creditors and other liabilities

Rmillion	2023	2022
Financial liabilities[1]		
Gross advances with credit balances	58	17
Sundry payables and accruals[2]	451	195
Amounts payable to Guardrisk	153	99
Share appreciation rights		
Forfeitable share plan		
Lease liability (refer note 13.1)	185	163
Non-financial liabilities		
Accruals related to payroll[3]	318	322
Leave pay accrual	119	89
Total	**1,284**	**885**

[1] *Financial liabilities are to be settled in 12 months, unless otherwise disclosed.*

[2] *Sundry payables and accruals consist largely of trade payables.*

[3] *Included in 'Accruals related to payroll' is a provision for the long-term incentive scheme amounting to R75 million (2022: R40 million). Refer to note 33 for additional disclosure. This amount also includes a short-term incentive of R223 million (2022: R245 million), and other payroll liabilities (such as PAYE, medical aid) of R20 million (2022: R30 million).*

Lease liability

Reconciliation of lease liability

Rmillion	2023	2022
Opening balance	163	186
Additions	160	127
Terminations and modifications	-	(1)
Interest expense	17	14
Payments	(155)	(163)
Balance at end of period	185	*163*

Undiscounted lease commitments

Rmillion	2023	2022
Payable between 1 and 12 months	136	138
Payable between 13 and 24 months	56	77
Payable between 25 and 60 months	8	17
Total	200	232

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

14. Share capital

	Number of shares 2023	Number of shares 2022	Rmillion 2023	Rmillion 2022
Authorised				
Ordinary shares of R0.01 each	2 000 000 000	2 000 000 000	-	-
Issued and fully paid				
Ordinary shares at par value of R0.01 each	500 000 004	500 000 002	5	5
Ordinary share premium			13,657	12,930
Total			**13,662**	**12,935**

During the current year, 2 share at a par value of R0.01 (2022: 1 share at a par value of R0.01) was issued, with a share premium of R727 million (2022: R1,450 million). At 30 September 2023, the issued ordinary share capital totaled 500 000 004 (2022: 500 000 002) shares at a par value of R0.01 each representing R5 million (2022: R5 million). The Bank has 1 499 999 996 unissued ordinary shares (2022: 1 499 999 998).

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 Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

15. Interest income

15.1 Interest income on advances

Rmillion	2023	2022
Interest on advances	6,736	5,032
Origination fees	225	292
Service fee	382	338
Total	**7,343**	**5,662**

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

15.2 Other interest income

Rmillion	2023	2022
Cash and cash equivalents	92	63
Sundry interest income[1]	805	240
Total	**897**	**303**

Other interest income is calculated using the effective interest method.

[1] *Sundry interest income consists of interest on sovereign debt securities.*

16. Credit impairment charge

Rmillion	30 September 2023 [3]		
	Consumer Banking	Business Banking	Total
Net movement in impairment provisions[1] (Refer to 2.2.2)	3,845	44	3,889
Modification that does not give rise to derecognition	250	2	252
Net impairment charge	**4,095**	**46**	**4,141**
Post write-off recoveries[2]	(879)	-	(879)
Total	**3,216**	**46**	**3,262**
Total	**3,216**	**46**	**3,262**

[1] Net movement in impairment provisions represents the impairments on Consumer Banking and Business Banking advances (refer to the ECL reconciliation under note 2.4).

[2] Post write-off recoveries are recognised less the directly attributable costs of collection of R67 million (30 September 2022: R73 million) for the Consumer Banking and Business Banking advances.

[3] The presentation of this note has changed to separately show the credit impairment charge for Business Banking and Consumer Banking. There is no impact on the total credit impairment charge for the financial year.

Rmillion	30 September 2022[1]		
	Consumer Banking	Business Banking	Total
Net movement in impairment provisions	2,176	48	2,224
Modification that does not give rise to derecognition	96	-	96
Net impairment charge	**2,272**	**48**	**2,320**
Post write-off recoveries	(884)	-	(884)
Total	**1,388**	**48**	**1,436**

[1] The presentation of this note has changed to separately show the credit impairment charge for Business Banking and Consumer Banking. There is no impact on the total credit impairment charge for the financial year.

17. Interest expense and similar charges

Rmillion	2023	2022
Retail deposits	**1,391**	**451**
Subordinated debt	-	-
Unsecured listed bonds	341	320
Call deposits	515	6
Fixed deposits	256	101
Negotiable certificates of deposit	279	21
Interest on promissory notes	-	3
Funding under repurchase agreement		-
SARB guaranteed loans		-
Domestic medium-term note (DMTN)		-
Other	**1,106**	**877**
Right-of-use asset - finance cost	17	14
Retail deposits	1,003	816
Transactional banking[1]	47	41
Other interest	39	6
Total	**2,497**	**1,328**

[1] Transactional banking interest has been shown separately in the current period and the comparative information restated to separately show transactional banking interest from other interest.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

18. Non-interest income

Rmillion	2023	2022
Card and transactional fees	860	299
Binder and outsourcing arrangements fees[1]	196	144
Collection fees	126	175
Commission on value-added services [2]	132	4
Fair value gains and losses on advances [3]	14	-
Other income [4]	307	48
Total	**1,635**	**670**

[1] *These fees are earned through the intermediary agreement held with Guardrisk for the premiums collected and new business generated by the Bank relating to the Group cell captive. In addition, the Bank has earned income as an agent for the relationship with Hollard (UBank business combination).*

[2] *This relates to commission earned on the issue of prepaid vouchers for airtime, data and utilities.*

[3] *Fair value gains and losses on advances are derived from the Bank's fair value advances portfolio.*

[4] *Included in other income is unclaimed deposits that were realised to profit or loss after the Bank's efforts to identify the relevant customers proved unsuccessful.*

19. Operating costs

Rmillion	2023	2022
Advertising and marketing costs	232	259
Amortisation of intangible assets	62	26
Audit fees	23	19
Bank charges and strike costs[1]	122	108
Card transaction costs	295	198
Collection costs	69	14
Depreciation on property, equipment and right-of-use assets	227	217
Direct selling and commissions	17	46
Information technology costs	378	175
Other expenses[2]	294	92
Printing, stationery and courier costs	21	16
Professional fees	365	217
Rental and maintenance costs	278	146
Costs related to property rentals[3]	200	97
Other rental and maintenance costs	78	49
Staff costs	2,145	1,612
Basic remuneration	1,548	1,111
Contribution to provident fund	153	132
Commission paid to sales agents	3	5
Share based payments expense		-
Employee benefits expense	356	268
Executive Directors' and Prescribed Officers' remuneration (refer to note 38)	85	96
Telephone, fax and other communication costs	125	95
Non-Executive Directors' fees (refer to note 38)	14	6
Travel cost	26	11
Write-off of property, equipment and right-of-use assets	55	1
Total	**4,747**	**3,258**

[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 other expenses is expenses incurred relating to the integration amounting to R233 million.*

[3] *Included in the costs related to property rentals is the value of the short-term and low value leases of R26 million (30 September 2022: R10 million).*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

20. Indirect and direct taxation

Rmillion	2023	2022
Indirect charge per the Statement of Total Comprehensive Income	(93)	(158)
Direct charge per the Statement of Total Comprehensive Income: SA normal taxation	243	(179)
Total taxation charge	**150**	**(337)**

20.1 Direct taxation

Rmillion	2023	2022
Current taxation	**(12)**	**(109)**
Current year	(24)	(113)
Prior year	12	4
Deferred taxation	**255**	**(70)**
Current year	67	(37)
Utilisation of tax loss	188	(39)
Prior year	-	6
Direct taxation charge per the Statement of Total Comprehensive Income	**243**	**(179)**

20.2 Direct tax rate reconciliation

%	2023	2022
Effective rate of taxation	**58.5**	**34.4**
Non-deductible expenses and special allowances	**(28.7)**	**(1.0)**
Donations	0.2	(0.5)
Fines and penalties	0.0	(0.3)
Dividend received non-taxable	(8.7)	-
Gain on bargain purchase	(17.9)	
Insurance contract gains not realised	-	-
Learnerships	(2.2)	1.4
ECL for financial assets		(0.3)
Tax impact on property and equipment	0.3	(0.3)
Tax impact on buy-back of liabilities	-	(0.1)
Other[1]	(0.4)	(0.9)
Prior year under/(over) provision	(2.8)	2.1
Change in tax rate[2]	-	(7.6)
Standard rate of South African taxation	**27.0**	**28.0**

[1] *Other mainly arose from legal fees and professional fees.*

20.3 Direct taxation (paid)/received

Rmillion	2023	2022
Movement in current tax asset	(32)	(71)
Direct taxation charged to Statement of Total Comprehensive Income (refer to note 20)	243	(179)
Deferred tax portion of amount charged to Statement of Total Comprehensive Income	(255)	70
Total	**(44)**	**(180)**

21. Cash utilised in operations

Rmillion	2023	2022
(Loss)/profit before tax	(416)	520
Adjustment for:	**(1,756)**	**(2,091)**
Indirect taxation: VAT	93	158
Dividends income	-	-
Increase in impairment of advances	3,868	2,123
Amortisation of intangible assets (refer to note 9)	62	26
Depreciation of property, equipment and ROU assets (refer to note 8)	227	217
Write-off of property, equipment and intangible assets	55	1
Unrealised foreign exchange differences	-	9
Other interest income	(897)	(303)
Interest expense	2,497	1,328
Fair value movements on derivative instruments	(35)	(21)
Fair value adjustments on assets	-	-
Profit on disposal of financial asset (other income)	(7)	-
Interest on advances	(7,343)	(5,662)
Other adjustments on funding instruments	-	19
Finance cost from lease liability	-	14
Bargain purchase gain	(276)	-
Total	**(2,172)**	**(1,571)**

[1] *This amount is the movement relating to non-cash items.*

22. Reconciliation of wholesale funding

Rmillion	2023	2022
Balance at the beginning of the year [1]	**4,004**	**6,557**
Tenure debt	**336**	**(2,150)**
Funding raised	4,702	3,679
Funding redeemed	(4,461)	(5,894)
Net movement in accruals and unamortised fair value adjustments	491	409
Reclassified to short-term	-	-
Interest paid	(396)	(348)
Foreign exchange movement	-	4
Total	**4,340**	**4,407**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23. Risk management

The nature of the Bank'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.

The RCMC 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 Bank.

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 Bank. The RCMC is, furthermore, responsible for the approval of all risk and capital-related frameworks within the Bank.

The RCMC has delegated specific responsibilities relating to credit risk to the 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 Bank. 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 25).

The role of the ALCO is to manage the Bank'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 Bank's risk appetite framework set by the RCMC. (Refer to note 26).

The ALCO also has a further strategic function to recommend the strategy and appetite related to the ALCO Risks within the Bank'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 24);
- market risk;
  - interest rate risk (note 25.2);
  - re-pricing risk (note 26.2);
  - foreign exchange risk (note 25.3);
- liquidity and funding risk (note 26) and
- regulatory (and legal) risks in the ALCO context (note 29).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

24. 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 Bank's primary focus is the underwriting of loans (secured loans in Business Banking and unsecured loans in Consumer Banking) and accordingly, credit risk features as the dominant financial risk within the Bank.

24.1 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 Bank. 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.

The duties and responsibilities of the MRC include:
- the establishment of an inventory of the material models in use in the Bank 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 subcommittee 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 Bank exposure to credit risk can be divided into two categories, which are considered to be its classes:
- advances (refer to note 1.6.5, 1.6.8); and
- financial assets other than advances (refer to note 1.6.9 and 24.7).

24.2 Nature and composition of the advances portfolio

24.2.1 Consumer Banking advances

Within Consumer Banking, the Bank's main business is to offer unsecured loans, credit cards and overdrafts to Consumer Banking customers, primarily individuals with formal employment. The Bank 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 each time they apply for credit to determine if their credit profile remains acceptable in terms of the credit policies of the Bank.

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

The nature of Consumer Banking advances 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 1 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% 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 Bank's maximum exposure to credit risk for advances. The Bank 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 Bank's holding company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

24. Credit risk continued...

24.2.2 Business Banking advances

Within Business Banking the Bank's primary focus is to offer advances to Business Banking customers which includes mortgage bonds, secured lending and overdraft facilities. The Bank's target market typically includes SME businesses with a focused client-centric approach. New deal approval is subject to specified limits of authority which are aggregated at a client or total Bank exposure level, i.e. credit department (R25 million), Business Banking credit committee (R50 million), CMC (R150 million), SPLEC (R300 million) and the Board (above R400 million).

The Bank has tasked the Business Banking management team to be diligent in commencing early interventions with clients in arrears. This has shown positive benefits in managing arrear accounts. Post-implementation credit risk is managed in line with the Bank's credit policies and Board risk appetite. In addition the Bank established a dedicated loan recovery unit to manage stage 2 and stage 3 advances to maximise the amount of recoveries from distressed loans.

Maximum exposure to credit risk at the reporting date is stated before taking into account any collateral or other credit enhancements and after taking into account impairments and netting where applicable. For financial assets recognised in the Statement of Financial Position, the maximum exposure to credit risk equals the carrying amount. For financial commitments and guarantees, the maximum exposure to credit risk is the maximum amount the Bank would have to pay to perform in terms of the contract.

The types of collateral held include:

- property;
- listed shares;
- unlisted shares;
- debtors;
- rights to financial assets; and
- financial guarantees/letters of undertaking.

24.3 Credit risk assessment

24.3.1 Consumer Banking advances

The assessment of customer affordability is done in two parts, the first ensuring compliance with the NCA affordability guidelines, and, second, the Bank employs its own credit risk model affordability calculation based on a repayment to income ratio model. The Bank 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.

The Bank 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 Bank evaluates more than 100 possible triggers that could flag an application to go into a queue for vetting.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

24. Credit risk continued...

24.3.2 Business Banking 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.

24.4 Credit monitoring

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

24.4.1 Consumer Banking advances

For Consumer Banking 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.

24.4.2 Business Banking advances

For Business Banking 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.

The Bank values property collateral on a periodical basis using a desktop approach and independent valuations are performed where appropriate or necessary in terms of the Bank's credit valuation policy. The value of listed financial instruments are tracked on an ongoing basis and unlisted investments and other security assets are valued periodically where significant reliance is placed on the security.

24.5 Collections and recovery

24.5.1 Consumer Banking 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 Bank. The Bank operates payment arrangements to promote collection of repayments due such as CYB and debt review.

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-house or to outsourced collection agencies based on current internal business rules.

24.5.2 Business Banking advances

Business Banking 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.

24. Credit risk continued...

24.6 Credit risk sensitivity

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

Consumer Banking

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)
2023			
Shifting of SICR threshold by 5% (Rmillion)	(146)	-	239
% change on total SICR ECL (%)	(14.5 %)	-	23.7 %
2022			
Shifting of SICR threshold by 5% (Rmillion)	(435)	-	92
% change on total SICR ECL (%)	(30.8%)	-	6.5 %

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

The Bank 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 Bank's probability weighted scenario used in the measurement of ECL, the Bank took into account the impact of inflation on prices of food and public transportation as these best aligned with the Bank's customer profile.

Impact on ECL of forward-looking information sensitivity	Rmillion	% change in ECL
2023		
100% downturn scenario	73	(0.20)
100% base/benign scenario	(34)	(0.27)
100% upturn scenario	(24)	0.59
2022		
100% downturn scenario	15	0.14%
100% base/benign scenario	(57)	(0.54%)
100% upturn scenario	(148)	(1.39%)

Business Banking

The table below reflects the impact on ECLs by stress testing the loans and advances portfolio, specifically loans and advances moving from 12-month ECLs to lifetime ECLs.

IFRS 9 Stage Transfers	Stage 1	Stage 2	Stage 3
Base Staging	19	0	273
5% transfer from Stage 1 to Stage 2	9	33	273
10% transfer from Stage 1 to Stage 2	9	34	273

The LGD is adjusted for forward-looking economic scenarios according to the type of security held as collateral. Three economic scenarios are utilised, i.e., poor, stable and good, and the applicable adjustment is based on judgement using freely available forecast economic indicators applicable to the nature of security.

The following is considered as guidance for each economic scenario:

Poor	Stable	Good
The projected security values based on the forecasted data are expected to decrease relative to the current market performance.	The projected security values based on the forecasted data are expected to remain stable relative to the current market performance.	The projected security values based on the forecasted data are expected to improve relative to the current market performance.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

24.6 *Credit risk sensitivity continued...*

Utilising the factors above, the overall probabilities and LGD adjustments are assigned to the applicable industries. Both the impact on exposure and collateral are considered.

The most significant macro-economic variables have been stressed against the final ECL allowance balance in order to determine the sensitivity of the model to changes in FLI.

The table below reflects stress scenarios based on FLI:

Impact on ECL of forward-looking information sensitivity 2023	Total Stage 1 and Stage 2 ECL	Stress Impact (Value)	Stress Impact (%)
Base FLI	20	-	30%
Positive FLI	15	(5)	26%
Negative FLI	28	9	44%

The table below reflects the impairment impact of a change in the PD% and LGDs on exposures:

IFRS 9 Stage Transfers 2023	+20% PD	-20% PD	+20% LGD	-20% LGD
Stage 1	4	(4)	4	(4)
Stage 2	-	-	-	-
Stage 3	-	-	-	-
10% transfer from Stage 1 to Stage 2				

24. Credit risk continued...

24.7 Credit concentration risk of advances

Credit concentration risk is the risk of loss to the Bank 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 Bank is currently exposed to only limited types of products, the Bank's credit risk portfolio is well-diversified across industries and provinces.

24. *Credit risk continued...*

24.7.1 Consumer Banking advances

The following tables break down the Bank'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.

Advances

Average value (at inception) R'000	Number of loans	% of total number of loans	Carrying value Rmillion	% of total carrying value
2023				
<5	27,070	4.6%	52	0.3%
5 - 10	122,759	20.9%	481	3.1%
10 – 20	145,412	24.7%	1,102	7.0%
20 – 50	102,620	17.4%	1,820	11.5%
50 - 100	94,549	16.1%	3,417	21.7%
100 - 200	72,663	12.3%	5,358	34.0%
> 200	23,303	4.0%	3,536	22.4%
Total	**588,376**	**100%**	**15,766**	**100%**
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	20,917	3.1%	5,053	26.7%
Total	**666,505**	**100%**	**18,928**	**100%**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

24.7.1 Consumer Banking advances continued...

24.7.1.2 Credit cards and overdrafts

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
2023				
<5	39,682	12.3%	68	1.4%
5 - 10	95,151	29.5%	338	7.0%
10 – 20	86,881	26.9%	705	14.7%
20 – 50	67,712	21.0%	1,271	26.4%
50 - 100	20,107	6.2%	923	19.2%
> 100	10,729	3.3%	1,098	22.8%
> 200	2,387	0.7%	405	8.4%
Total	**322,649**	**100%**	**4,808**	**100%**
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%**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

24. *Credit risk continued...*

24.7.2 Business Banking advances

The following table breaks down the Bank's credit exposure at a Business Banking level, by industry/sector.

Rmillion	2023	2022
Agriculture, hunting, forestry and fishing	35	-
Mining and quarrying	77	-
Manufacturing	240	-
Electricity, gas and water supply	42	-
Construction	134	-
Wholesale and retail trade, repair of specified items, hotels and restaurants	729	-
Transport, storage and communication	1,978	1,760
Financial intermediation and insurance	613	-
Real estate	5,593	-
Business service	509	-
Community, social and personal services	48	-
Households	27	-
Other[1]	1,414	
Fair value adjustment on consolidation	30	
ECL allowance against advances (ECLs Stages 1 and 2)	(59)	(48)
	11,410	**1,712**

[1] *Other consists of advances to investment holding entities with diverse investment portfolios therefore these advances cannot be categorised into a specific industry.*

Business Banking collateral

Rmillion	2023	2022
Collateral type		-
Property	5,031	-
Listed shares	389	-
Unlisted shares	450	-
Debtors	508	-
Guarantee/Letter of undertaking	2,298	-
Other	434	-
Carrying amount of secured advances	9,110	-
Unsecured	2,515	1,760
Remeasurement of advances at FVTPL	87	-
Fair value adjustment on consolidation	30	-
ECL on advances (Stage 1 and 2)	(59)	(48)
ECL on advances (Stage 3)	(273)	-
Total	**11,410**	**1,712**

24. Credit risk continued...

24.8 Financial assets other than advances

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

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

Assets Rmillion	Not	Total carrying amount	Largest exposure to a single counter-party	Aaa to A3	Baa1 to Baa3	Below Baa3	Not rated
2023							
Cash and cash equivalents							
Cash deposits – ZAR	4	4326	-	-	-	4,326	-
Cash deposits – foreign-denominated	4	2	-	-	-	2	-
Financial investments							
Private equity investments		3				3	
Other investments		11				11	
Sovereign debt securities							
Treasury bills		5,685	-	-	-	-	5,685
Bonds		2,560		-	-	-	2,560
Derivatives							
Derivative assets	11	124	-	-	-	-	124
Total		**12,711**	**-**	**-**	**-**	**4,342**	**8,369**

Assets Rmillion	Not	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		160	-	-	-	160	
Bonds	6	2,444	2,444	-	-	2,451	-
Derivative assets	11	85	84	-	-	84	-
Total		**4,233**	**3,060**	**-**	**-**	**4,237**	**-**

25. 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 Bank has a low market risk appetite. Foreign exchange risk appetite is zero, but with the current position, the Bank 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.

25. Market risk continued...

25.1 Interest rate risk management

Interest rate risk for the purposes of IFRS 7 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 Bank 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, sovereign debt securities, as well as revolving facilities, which earn interest at a variable rate. However, the Bank's most significant financial asset is its fixed rate advances portfolio which is not exposed to interest rate risk, therefore the Bank'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 Bank has a mix of fixed and variable rate funding instruments which expose the Bank to interest rate risk. The Bank's 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 Bank 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 Bank’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 Bank's risk appetite and meets on a quarterly basis to analyse the impact of interest rate risk on the Bank 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.

25.2 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.

25. *Market risk continued...*

25.2.1 Re-pricing profile 2023

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
2023								
Assets								
Cash and cash equivalents	3,450	4	-	-	-	874	-	4,328
Sovereign debt securities	113	2,142	3,430	-	2,521	28	-	8,234
Derivative assets	-	-	-	-	-	124	-	124
Net advances	15,407	1,133	3,985	3,688	7,620	151	-	31,984
Accounts receivable and other assets	57	-	-	-	-	465	-	522
Financial investments	-	-	-	-	-	14		14
Goodwill	-	-	-	-	-		115	115
Current tax	-	-	-	-	-	-	32	32
Property, equipment and right-of-use asset	-	-	-	-	-	-	710	710
Intangible assets	-	-	-	-	-	-	353	353
Deferred tax asset	-	-	-	-	-	-	1,366	1,366
Total assets	**19,027**	**3,279**	**7,415**	**3,688**	**10,141**	**1,656**	**2,576**	**47,782**
Liabilities and equity								
Funding	17,665	3,724	4,626	2,643	4,944	1,262	-	34,864
Derivative liabilities	-	-	-	-	-	-	-	-
Creditors and accruals	26	-	-	-	-	1,258	-	1,284
Current tax	-	-	-	-	-	-	-	-
Ordinary shareholder’s equity	-	-	-	-	-	-	11,634	11,634
Total liabilities and equity	**17,691**	**3,724**	**4,626**	**2,643**	**4,944**	**2,520**	**11,634**	**47,782**
On balance sheet interest sensitivity	**1,336**	**(445)**	**2,789**	**1,045**	**5,197**	**(864)**	**(9,058)**	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

25. Market risk continued...

25.2.2 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	933	-	-	-	-	445	-	1,378
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	-	-	-	-	-	-	-	-
Property, equipment and right-of-use asset	-	-	-	-	-	-	562	562
Intangible assets	-	-	-	-	-	-	153	153
Deferred tax asset	-	-	-	-	-	-	1,064	1,064
Total assets	**5,277**	**1,106**	**4,165**	**4,041**	**11,289**	**1,038**	**1,779**	**28,695**
Liabilities and equity								
Funding	4,022	3,001	1,740	1,517	6,278	160	-	16,718
Creditors and accruals	17	-	-	-	-	-	868	885
Current tax	-	-	-	-	-	12	-	12
Ordinary shareholder's equity	-	-	-	-	-	-	11,080	11,080
Total liabilities and equity	**4,039**	**3,001**	**1,740**	**1,517**	**6,278**	**172**	**11,948**	**28,695**
On balance sheet interest sensitivity	**1,238**	**(1,895)**	**2,425**	**2,524**	**5,011**	**866**	**(10,169)**	**-**

25. *Market risk continued...*

25.2.3 Interest rate sensitivity analysis

An interest rate sensitivity analysis for the Bank 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 has 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 Bank's portfolio, an increase in interest rates as described above would result in a corresponding net increase of R154 million (2022: increase of R86 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)
2023				
Financial assets				
Net credit card advances	14,019	16,213	REPO	766
Cash and cash equivalents	4,328	3,459	REPO	138
Financial investment	14	-	REPO	-
Sovereign debt securities	8,234	-	CPI	-
Derivatives	124	383	CPI/JIBAR	15
Total assets	**26,719**	**20,055**		**919**
Financial liabilities				
Long-term funding	8,605	835	CPI/JIBAR	(29)
Short-term funding	26,259	18,893	JIBAR	(736)
Total liabilities	**34,864**	**19,728**		**(765)**
Net effect on the Statement of Total Comprehensive Income				**154**
2022				
Financial assets				
Net credit card advances	3,719	4,734	REPO	137
Cash and cash equivalents	1,378	934	REPO	19
Financial investment	160	160	REPO	3
Sovereign debt securities	-	-	CPI	-
Derivatives	85	82	CPI/JIBAR	4
Total assets	**5,342**	**5,910**		**163**
Financial liabilities				
Long-term funding	10,849	2,684	CPI/JIBAR	(49)
Short-term funding	5,869	1,596	JIBAR	(28)
Total liabilities	**16,718**	**4,280**		**(77)**
Net effect on the Statement of Total Comprehensive Income				**86**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

25. Market risk continued...

25.3 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 Bank 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 Bank has no foreign currency denominated borrowings and foreign currency cash balances are not considered to be significant.

The Bank'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 Bank's risk appetite.

25.3.1 Financial instruments denominated in foreign currency

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

Rmillion	Foreign currency USD 2023	ZAR carrying amount 2023	Foreign currency USD 2022	ZAR carrying amount 2022
Financial assets				
Short-term deposits and cash (USD)	0.11	2	0.02	2
Total assets	**0.11**	**2**		**2**
Net open position - USD	**0.11**	**2**	**0.02**	**2**

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

25.3.2 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 Bank's portfolio, a 10% increase in exchange rates, and its related impact on the forward discount curve, would result in a net increase of R11 168 million (2022: net increase of R0 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)
2023				
Financial assets				
Short-term deposits and cash (USD)	2	2	USD	-
Total	**2**	**2**		**-**
Net effect on the Statement of Total Comprehensive Income				**-**
2022				
Financial assets				
Short-term deposits and cash (USD)	2	-	USD	-
Total	**2**	**-**		**-**
Net effect on the Statement of Total Comprehensive Income				**-**

The spot exchange rates used to convert the carrying value (outstanding capital, capitalised interest and amortised discount) of the foreign currency liabilities were R18.92/USD (2022: R18.07/USD).

25.4 Other price risk management

The Bank has a low market risk appetite. For this reason, the Bank 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.

26. Liquidity risk

Liquidity risk is defined as the risk that the Bank 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 Bank 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 Bank'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 Bank. The maturity mismatches arise from differences in the repricing and maturity characteristics of the assets and liabilities of the Bank.

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 Bank and its exposure to changes in interest rates.

During the 2020 financial year, 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") 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 prior two years, the Bank 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 Bank has been successful in growing a significant retail deposits portfolio that now represents the biggest source of funding. It is the Bank'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 Bank, together with the ABHL shareholders, have agreed to cancel the Support Arrangement with effect from 1 October 2022.

To ensure that the Bank is able to meet its obligations and to pay its debts as they become due, the Bank, furthermore, implemented a number of initiatives, including the establishment of a significant retail funding portfolio and improving the visibility of the Bank in the wholesale markets. The Bank's funding has also been further enhanced through the business combinations that took place in the current financial year

26. Liquidity risk continued...

26.1 Maturities profile of discounted assets and liabilities

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	Greater than 72 months	Non-financial assets / liabilities	Total
2023								
Assets								
Cash and cash equivalents	4,324	4	-	-	-	-	-	4,328
Sovereign debt securities	113	2,162	3,447	-	838	1,675	(1)	8,234
Derivative assets	-	-	120	1	3	-		124
Net advances[1]	4,112	2,060	8,871	4,975	10,844	1,415	(293)	31,984
Accounts receivable and other assets	466	5	-	-	-	-	51	522
Current tax	-	-	-	-	-	-	32	32
Goodwill							115	115
Financial investments	-	-	-	-	-	-	14	14
Property, equipment and right-of-use asset	-	-	-	-	-	-	710	710
Intangible assets	-	-	-	-	-	-	353	353
Deferred tax asset	-	-	-	-	-	-	1,366	1,366
Total assets	**9,015**	**4,231**	**12,438**	**4,976**	**11,685**	**3,090**	**2,347**	**47,782**
Liabilities and equity								
Funding	16,126	2,540	7,665	3,350	5,183	-	-	34,864
Creditors and accruals	774	344	19	29	12	-	106	1,284
Ordinary shareholder's equity	-	-	-	-	-	-	11,634	11,634
Total liabilities and equity	**16,900**	**2,884**	**7,684**	**3,379**	**5,195**	**-**	**11,740**	**47,782**
Net liquidity gap	**(7,885)**	**1,347**	**4,754**	**1,597**	**6,490**	**3,090**	**(9,393)**	**-**

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

26.1 Maturities profile of discounted assets and liabilities continued...

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
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, equipment and right-of-use asset	-	-	-	-	-	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							
Funding	3,582	441	1,765	3,404	7,412	-	16,604
Creditors and accruals	527	16	225	7	24	88	887
Current tax	-	-	12	-	-	-	12
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**	**(9,667)**	**-**

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

26. Liquidity risk continued...

26.2 Maturity profile of undiscounted liabilities

The following table represents the Bank'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 Bank can be required to pay and is not necessarily the date at which the Bank 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
2023								
Financial liabilities								
Funding	34,864	13,332	6,341	4,382	7,651	6,475	-	38,181
Creditors and accruals	1,284	745	310	8	26	12	106	1,207
Total	**36,148**	**14,077**	**6,651**	**4,390**	**7,677**	**6,487**	**106**	**39,388**

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								
Funding	16,346	2,873	2,066	1,421	4,362	9,287	-	20,009
Creditors and accruals	887	527	16	225	7	24	88	887
Current tax	12	-	-	12	- -	-	-	12
Total	**17,245**	**3,400**	**2,082**	**1,658**	**4,369**	**9,311**	**88**	**20,908**

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

27.1 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 advances measured at FVTPL, 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 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 vary 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 an 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

27.1 *Valuation models 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 Bank 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/origination.

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.

27.2 Valuation framework

The Bank 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.

27.3 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
30 September 2023				
Financial assets				
Recurring fair value measurement				
Financial investments	-	14	-	**14**
Derivative instruments	-	124	-	**124**
Advances measured at FVTPL	-	1,888	-	**1,888**
Total	**-**	**2,026**	**-**	**2,026**
30 September 2022				
Financial assets				
Recurring fair value measurement				
Financial investments	-	160	-	**160**
Derivative instruments	-	85	-	**85**
Total	**-**	**245**	**-**	**245**

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

27.4 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 financial instruments 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)
30 September 2023				
Assets				
JIBAR-linked interest rate swaps	Discounted cash flow swaption methodology	Yield curves, credit default spreads and JIBAR curves	10% in spot rate	-
Inflation-linked interest rate swaps	Discounted cash flow	Risk-free rates	100 bps	-
Financial investments measured at FVTPL	Discounted cash flows	Expected cash flows	1% reduction in expected cash flows	-
Advances measured at FVTPL	Discounted cash flows	Credit spreads, swap and prime curve	1% reduction in expected cash flows	
30 September 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

Valuation techniques, significant observable inputs and sensitivity of level 3 financial instruments measured at fair value

The table below indicates the valuation techniques and significant observable and unobservable inputs used in the determination of the fair value at which the financial instruments are measured, with fair value derived from observable inputs (level 3).

Rmillion	Valuation basis / techniques	Significant observable inputs	Significant unobservable inputs	Variance in fair value measurement	Effect on profit / (loss) (after tax)
30 September 2023					
Financial investments in private equity investments and unit trust investments	Dividend yield method	Risk-free rate	Dividend growth rate	100bps/ (100bps)	17/ (16)
Advances measured at FVTPL	Discounted cash flow	Swap and prime curves	Credit spreads	100bps/ (100bps)	<1/ (<1)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

27.5 Assets and liabilities for which fair value is disclosed

Rmillion	Level 1	Level 2	Level 3	Total	Carrying value
30 September 2023					
Financial assets					
Sovereign debt securities	8,031	-	-	8,031	8,234
Net advances at amortised cost	-	-	31,678	31,678	30,096
Total	**8,031**	**-**	**31,678**	**39,709**	**38,330**
Financial liabilities					
Wholesale funding	-	5,055	-	5,055	4,330
Total	**-**	**5,055**	**-**	**5,055**	**4,330**
30 September 2022					
Financial assets					
Government bonds	2,240	-	-	2,240	2,444
Net advances at amortised cost[2]	-	-	26,113	26,113	22,647
Total	**2,240**	**-**	**26,113**	**28,353**	**25,091**
Financial liabilities					
Short-term funding	-	867	5,001	5,868	5,868
Long-term funding	-	3,615	7,311	10,926	10,849
Total	**-**	**4,482**	**12,312**	**16,794**	**16,717**

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;
- creditors and accruals; and
- retail and business deposit.

[1] *The fair value of listed bonds reflects the current listed price as at the end of the reporting period, but is categorised as level 2 due to the lack of market liquidity for the listed bonds.*

[2] *The fair value of Consumer Banking advances measured at amortised cost is R22,217 million (30 September 2022: R24,516 million) and Business Banking advances measured at amortised cost is R9,461 million (30 September 2022: R1,597 million).*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

28. Financial instruments subject to offsetting or similar agreements

Certain master netting arrangements entered into by the Bank 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 Bank 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 Bank's actual credit exposure, nor will it reconcile with that presented in the Statement of Financial Position.

Rmillion	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
2023						
Assets						
Derivative financial instruments	124	-	124	-	-	124
2022						
Assets						
Derivative financial instruments	85	-	85	-	(77)	8

[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.

29. Capital management

Capital adequacy risk is the risk that the Bank 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 Bank, 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 Bank'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 Bank's operations within the parameters of the risk appetite set by the RCMC.

Refer to the table in the unaudited Annexure B for the Bank's capital adequacy requirements and position as at 30 September 2023.

Internal capital management

Internal capital adequacy is defined as the Bank'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.

The Bank'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 Bank'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 Bank's risk appetite;
- testing the Bank'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 Bank, most notably the capital requirements of these non-banking entities.

RCMC is mandated to review and sign-off the Bank'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 Bank's successful re-entry into the domestic wholesale funding market, in the 2020 financial year, the Bank 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 Bank 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 prior two years, the Bank 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 Bank'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 Bank together with the ABHL shareholders, have agreed to cancel the Support Arrangement with effect from 1 October 2022.

30. Analysis of classification of financial assets and liabilities

30.1 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	Note	Amortised cost	Financial instruments mandatorily at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Non-financial instruments	Total	Current	Non-current
30 September 2023								
Cash and cash equivalents	4	4,328	-	-	-	4,328	4,328	-
Financial investments	5	-	14	-	-	14	14	-
Sovereign debt securities	6	8,234	-	-	-	8,234	8,234	-
Net advances	2	30,096	1,572	316	-	31,984	15,049	16,935
Accounts receivable and other assets	10	346	-	-	176	522	346	176
Derivatives	11	-	124	-	-	124	-	124
Goodwill		-	-	-	115	115	-	115
Property, equipment and right-of-use asset	8	-	-	-	710	710	-	710
Intangible assets	9	-	-	-	353	353	-	353
Deferred tax assets	7	-	-	-	1,366	1,366	-	1,366
Current tax assets		-	-	-	32	32	32	-
Total assets		**43,004**	**1,710**	**316**	**2,752**	**47,782**	**28,003**	**19,779**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30.1 Analysis of classification of financial assets continued...

Rmillion	Note	Amortised cost	Financial instruments mandatorily at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Non-financial instruments	Total	Current	Non-current
30 September 2022								
Cash and cash equivalents[1]	4	1,378	-	-	-	1,378	1,544	-
Financial investments	5	-	160	-	-	160	160	-
Sovereign debt securities[1]	6	2,444	-	-	-	2,444	748	1,696
Net advances	2	22,647	-	-	-	22,647	9,995	12,652
Accounts receivable and other assets	10	88	-	-	114	202	88	114
Derivatives		-	85	-	-	85	-	85
Property, equipment and right-of-use asset	8	-	-	-	562	562	-	562
Intangible assets	9	-	-	-	153	153	-	153
Total assets		**26,557**	**245**	**-**	**829**	**27,631**	**12,535**	**15,262**

Rmillion	2023	2022
Statement of Total Comprehensive Income effect of financial instruments by category		
Interest income recognised – financial assets at amortised cost	**8,240**	**5,965**
Interest income recognised – financial assets at fair value	**2**	**20**
Total	**8,242**	**5,985**
Included above is interest income earned on impaired assets (advances)	**1,230**	**1,019**

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

30.2 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.

Rmillion	Notes	Amortised cost	Fair value	Non-financial liabilities	Total	Current	Non-current
30 September 2023							
Short-term funding		24,652	-	-	24,652	24,652	-
Creditors and other liabilities	13	847	-	437	1,284	1,284	-
Current tax	7	-	-	-	-	-	-
Long-term funding		10,213	-	-	10,213	15	10,198
Total liabilities		**35,712**	**-**	**437**	**36,149**	**25,951**	**10,198**
30 September 2022							
Short-term funding		5,868	-	-	5,868	5,868	-
Creditors and other liabilities	13	540	-	411	951	768	183
Current tax	7	-	-	12	12	12	-
Total liabilities		**6,408**	**-**	**423**	**6,831**	**6,648**	**183**

Rmillion	2023	2022
Statement of Total Comprehensive Income effect of financial instruments by category		
Interest expense recognised for financial liabilities at amortised cost	**2,497**	**1,328**
Total	**2,497**	**1,328**

31. Related party information

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

31.1 Balances with related parties

R'000	2023	2022
Gross advances		
Key Management Personnel[1]	276	722
Deposits		
Entities that have control over the Group and its subsidiaries	240,612	114,100
Key Management Personnel[2]	5,694	72,055

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.

31.2 Transactions with related parties are disclosed below

R'000	2023	2022
Interest income		
Key Management Personnel	81	81
Interest paid		
Entities within the same Group of companies	107,746	52,250
Key Management Personnel	166	172
Facility commitment fee - Shareholder backed facility[1]	-	16,666

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 Bank.

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

[1] *Over the course of the last three years, the Bank has demonstrated that it is able to successfully raise funding in the wholesale funding market, has grown a significant retail funding portfolio and has successfully managed two bond issuances without the need to access the Support Arrangement. The Support Arrangement was cancelled, effective from 1 October 2022, as the Bank is of the view that it has served its intended purpose of providing the capital markets the confidence needed to support the Bank's fund-raising activities.*

32. Retirement and post-retirement benefits

The Bank 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 Bank 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 R153 million (2022: R132 million).

33. Long-term incentive scheme

The Bank, on an annual basis subject to approval by the Remuneration Committee ("RemCom"), awards management and the Executive Committee ("Exco") with long term incentives that vests after a three-year period, and will be paid out as follows:

- for Exco member - payment will be made in three equal tranches on the third, fourth and fifth anniversary of the incentive award date; and
- for non-Exco members - on the third anniversary of the incentive award date.

Payment will be based on the performance of the Group and Bank over the relevant three-year vesting period. The amount paid will be determined after applying multiple financial and non-financial performance measures. All payments are subject to RemCom approval.

Rmillion	2023	2022
Opening balance	40	70
Long-term incentive liability raised during the current financial year	45	(6)
Long-term incentive liability settled during the current financial year (relates to prior year's deferrals)	(10)	(24)
Closing balance	**75**	**40**

34. Business combinations

34.1 Acquisition of Grindrod Financial Holdings Limited Group

ABL acquired 100% of the ordinary share capital of GFH which represents 100% of GFH's voting rights and ABL also acquired 100% of the preference shares issued by GBL, a 100% owned subsidiary of GFH, for cash consideration of R1,557 million. 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 the GFH Group (in terms of IFRS 10), is 1 November 2022. This acquisition was carried out to enable ABL to accelerate its entry into the South African business banking sector by acquiring valuable sectoral expertise and an existing customer base.

As a result of the business combination, ABHL has an indirect shareholding in GFH and its subsidiaries (refer to note 1.1). The table below shows the fair value of the assets and liabilities on 1 November 2022 of the GFH Group (consisting of GFH and its subsidiaries).

Rmillion	Fair value recognised on acquisition on 1 November 2022
Assets	
Cash and cash equivalents	1,407
Financial investments	6
Sovereign debt securities	5,250
Net advances	8,296
Accounts receivable and other assets	78
Derivatives	5
Property, equipment and ROU asset	24
Intangible assets	64
Deferred tax assets	22
Current tax assets	13
Total assets	**15,165**
Liabilities	
Short-term funding and long-term funding	(13,210)
Creditors and other liabilities	(122)
Total liabilities	**(13,332)**
Total identifiable net assets at fair value	**1,833**
Gain on bargain purchase	(276)
Purchase consideration transferred	**1,557**

From the date of acquisition up until 30 September 2023, GFH contributed R950 million to interest income and R146 million to profit before tax of the Bank.

The acquisition gave rise to a gain on bargain purchase of R276 million, which has been included in the Statement of Total Comprehensive Income, due to the fair value of identifiable net assets exceeding the purchase consideration. An external valuation was performed by valuation experts, who identified that the fair value of advances was greater than the carrying amount and that there are identifiable intangible assets for core deposits, customer relationships and software that are recognised on the acquisition date.

The identifiable intangible assets recognised at acquisition reduced the deferred tax asset recognised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. Business combinations continued...

34.2 Acquisition of certain assets and liabilities of Ubank Limited

ABL acquired certain assets and liabilities from Ubank Limited, which constitutes a business as defined by IFRS 3, for cash consideration of R80 million. ABL has not acquired the Ubank Limited 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 the assets and liabilities acquired from Ubank (in terms of IFRS 10) on 1 November 2022. This acquisition aligns with the Bank's Excelerate25 strategy of building a scalable, diversified and sustainable banking business.

Rmillion	Fair value recognised on acquisition on 1 November 2022
Assets	
Cash and cash equivalents	521
Financial investments	3,697
Accounts receivable and other assets	38
Net advances	543
Property, equipment and ROU asset	76
Intangible assets	42
Deferred tax assets	26
Total assets	**4,943**
Liabilities	
Creditors and other liabilities	(118)
Short-term funding and long-term funding	(4,860)
Total liabilities	**(4,978)**
Total identifiable net assets at fair value	**(35)**
Goodwill on acquisition	115
Purchase consideration transferred	**80**

From the date of acquisition up until 30 September 2023, the assets and liabilities acquired from Ubank Limited contributed R133 million to interest income and R199 million to profit before tax of the Bank.

The goodwill recognised of R115 million comprises the value of expected synergies arising from the acquisition and the workforce, which are intangible assets that are not separately identifiable.

35. Operating segments

Segment information

The financial information for each reportable segment is set out below. Comparative information has not been provided because the Bank only had one operating segment in the prior year.

	30 September 2023				
Rmillion	Consumer Banking	Business Banking	Subtotal	Consolidation adjustments[1]	Total
Statement of Comprehensive Income					
Interest income on advances	6,430	938	7,368	(25)	7,343
Other interest income[1]	477	457	934	-	934
Interest expense and similar charges[2]	(1,538)	(979)	(2,517)	16	(2,501)
Net interest income	**5,369**	**416**	**5,785**	**(9)**	**5,776**
Non-interest income	1,369	266	1,635	-	1,635
Total income from operations	**6,738**	**682**	**7,420**	**(9)**	**7,411**
Credit impairment charge	(3,216)	(46)	(3,262)	-	(3,262)
Dividend income	-	-	-	-	-
Gain on bargain purchase	-		-	276	276
Operating costs[3]	(4,340)	(391)	(4,731)	(17)	(4,748)
Indirect taxation: VAT	(86)	(7)	(93)	-	(93)
Profit /(loss) before taxation	**(904)**	**238**	**(666)**	**250**	**(416)**
Taxation	255	(19)	236	7	243
Profit /(loss) for the year	**(649)**	**219**	**(430)**	**257**	**(173)**
Statement of Financial Position		-			
Cash and cash equivalents	2,851	1,477	4,328	-	4,328
Financial investments	1,568	3	1,571	(1,557)	14
Sovereign debt securities	4,540	3,694	8,234	-	8,234
Derivatives	120	4	124	-	124
Net advances	20,574	11,380	31,954	30	31,984
Accounts receivable and other assets	436	87	523	(1)	522
Property, equipment and right-of-use asset	691	19	710	-	710
Intangible assets	353	-	353	-	353
Deferred tax assets	1,343	44	1,387	(21)	1,366
Current tax	26	6	32	-	32
Goodwill	-	-	-	115	115
Total assets	**32,502**	**16,714**	**49,216**	**(1,434)**	**47,782**
Creditors and other liabilities	979	306	1,285	(1)	1,284
Short-term and long-term funding	21,945	13,160	35,105	(241)	34,864
Total liabilities	**22,924**	**13,466**	**36,390**	**(242)**	**36,148**

[1] *"Other interest income" includes "Income from core income funds" and "Fair value gains/(losses) from derivatives assets and liabilities" for segmental reporting purposes.*

[2] *"Interest expense and similar charges" includes "Foreign exchange (loss)/gain recognised on translation", for segmental reporting purposes.*

[3] *The Consumer Banking operating costs consist of all costs arising in African Bank Limited. An appropriate cost allocation framework is currently under development. The costs allocated to the Consumer Banking and Business Banking segments will change once the framework is finalised.*

36. Events after the reporting date

There were no matters or circumstances arising since the reporting date, not otherwise dealt with in the Annual Financial Statements, which significantly affected the financial position as at 30 September 2023, or the results of its operations or cash flows for the period then ended.

36.1 Acquisition of businesses within the Sasfin Group:

In October 2023, ABL entered into a binding agreement with Sasfin Bank Limited ("Sasfin Bank" or "SBL") and Sasfin Private Equity Investment Holdings Proprietary Limited ("SPEIH"), subsidiaries of the listed entity Sasfin Holdings Limited ("Sasfin Holdings"), to acquire its Capital Equipment Finance ("CEF") and its Commercial Property Finance ("CPF") businesses, as going concerns in one indivisible transaction. This transaction is subject to various conditions precedent, such as a favourable outcome of a due diligence review, board of director approvals, Prudential Authority and other regulatory approvals, which is expected to be concluded during the 2024 financial year. This transaction is a non-adjusting event after the reporting date.

36.2 Legal proceedings

GBL has been a defendant in legal proceedings against the liquidators of Nat Industries Proprietary Limited. The summons was served in the 2022 financial year and on 30 October 2023, a judgement was granted in favour of GBL. As at 30 September 2023, GBL had not raised a provision relating to this legal proceeding as the outcome being unfavourable was not considered probable. This is a non-adjusting event after the reporting date.

37. Directors' and Prescribed Officers' remuneration

37.1 Basic remuneration, benefits and incentives paid to Executive Directors and Prescribed Officers

The disclosure of directors emoluments for Prescribed Officers has been revised due to aligning the Bank's application of the definition of "Prescribed Officers" to the manner in which it is applied by the Bank's industry peers.

			Short-term employee benefits				Long-term employee benefits			Other Long-term employee benefits		
All amounts in R	Date appointed	Date resigned	Salary	Retirement, medical contributions and other	Total cost to company package	Short-term incentives	Deferred incentive	Long-term incentives	Share based payement expense	Retention and other awards	Settlement award	Total
2023												
Kennedy Bungane	14/04/2021	-	7,480,000	1,020,000	8,500,000	5,000,000	1,708,333	8,000,000	-	4,620,000	-	27,828,333
Gustav Raubenheimer	03/07/2015	02/12/2022	1,140,099	147,651	1,287,750	-	-	-	-		8,166,419	9,454,169
Zwelibanzi Manyathi	22/09/2022	-	6,750,000	749,700	7,499,700	3,500,000	-	5,000,000	-	3,217,500		19,217,200
Anbann Chetti	01/08/2023		779,166	137,501	916,667					7,516,400		8,433,067
Chrisanthi Michaelides[1]	03/12/2022	31/07/2023	1,991,544	351,456	2,343,000							2,343,000
Rakesh Garach[1]	03/12/2022	31/07/2023	2,764,544	577,636	3,342,180							3,342,180
Sibongiseni Ngundze	01/08/2021	-	4,250,000	750,100	5,000,100	3,250,000	112,817	3,000,000	1,324,655	1,732,500	-	14,420,072
Total			**25,155,353**	**3,734,044**	**28,889,397**	**11,750,000**	**1,821,150**	**16,000,000**	**1,324,655**	**17,086,400**	**8,166,419**	**85,038,021**

[1] *The remuneration disclosed in the table above is for the period served as Acting Executive Directors.*

			Short-term employee benefits				Long-term employee benefits			Other Long-term employee benefits		
All amounts in R	Date appointed	Date resigned	Salary	Retirement, medical contributions and other	Total cost to company package	Short-term incentives	Deferred incentives	Long-term incentives	Share based payement expense	Retention and other awards	Settlement 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	3,000,000	719,390	3,272,790	-	1,669,475	-	13,825,291
Zwelibanzi Manyathi[1]	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
Sibongiseni Ngundze	01/08/2021	-	3,570,000	648,636	4,218,636	338,450	-		-	-	-	4,557,086
Total			**18,748,492**	**2,916,853**	**21,665,345**	**8,463,450**	**943,334**	**6,864,411**	**-**	**3,487,363**	**-**	**41,423,903**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

37. *Directors' and Prescribed Officers' remuneration continued...*

37.2 Retention awards

37.2.1 Executive Directors' and Prescribed Officers' retention awards and other awards

All amounts in R	Award paid in FY 2023	Award payable in FY 2024
Kennedy Bungane	4,620,000	9,380,000
Zwelibanzi Manyathi	3,217,500	6,532,500
Sibongiseni Ngundze	1,732,500	3,517,500
Anbann Chetti [1]	7,516,400	2,177,591
Total	**17,086,400**	**21,607,591**

[1] Anbann Chetti was awarded R10 639 538 during the current financial year. R7.5 million was paid during September 2023, and the remainder will be paid in the 2024 and 2025 financial year.

37.2.2 Executive Directors' and Prescribed Officers' listing/IPO awards

All amounts in R	Listing IPO awarded in FY 2023
Kennedy Bungane	22,500,000
Zwelibanzi Manyathi	19,500,000
Total	**42,000,000**

This award is payable upon successful listing of the Group

37.3 Long-term incentives

37.3.1 Executive Directors' and Prescribed Officers' long-term incentive awards

All amounts in R	Awarded in November 2021 (FY 2022)			
	Nominal award	To vest in 2024	To vest in 2025	To vest in 2026
Kennedy Bungane	26,250,000	8,750,000	8,750,000	8,750,000
Sibongiseni Ngundze	2,940,000	980,000	980,000	980,000
Total	**29,190,000**	**9,730,000**	**9,730,000**	**9,730,000**

All amounts in R	Awarded in November 2022 (FY 2023)			
	Nominal award	To vest in 2025	To vest in 2026	To vest in 2027
Kennedy Bungane	8,000,000	2,666,667	2,666,667	2,666,667
Sibongiseni Ngundze	3,000,000	1,000,000	1,000,000	1,000,000
Zwelibanzi Manyathi	5,000,000	1,666,667	1,666,667	1,666,667
Total	**16,000,000**	**5,333,334**	**5,333,334**	**5,333,334**

All amounts in R	Awarded in August 2023 (FY 2023)			
	Nominal award	To vest in 2026	To vest in 2027	To vest in 2028
Anbann Chetti	16,500,000	5,500,000	5,500,000	5,500,000
Total	**16,500,000**	**5,500,000**	**5,500,000**	**5,500,000**

37. Directors' and Prescribed Officers' remuneration continued...

37.4 Short-term incentives

37.4.1 Executive Directors' and Prescribed Officers short-term incentive awards

	Awarded in November 2022 (FY 2023)		
All amounts in R	Payable in November 2023	Payable in November 2024	Payable in November 2025
Kennedy Bungane	1,666,667	1,666,667	1,666,667
Sibongiseni Ngundze	1,083,333	1,083,333	1,083,333
Zwelibanzi Manyathi	1,166,667	1,166,667	1,166,667
Total	**3,916,667**	**3,916,667**	**3,916,667**

37. *Directors' and Prescribed Officers' remuneration continued...*

37.5 Non-Executive Directors' remuneration

			2023			2022		
All amounts in R	Date appointed	Date resigned	Paid by the Bank	Paid by other entities within The Group	Total	Paid by the Bank	Paid by other entities within The Group	Total
Thabo Dloti (Chairman)	07/03/2019	-	2,381,136	610,284	2,991,420	1,829,576	457,394	2,286,970
Hemmanth Singh	21/12/2021	-	771,638	217,867	1,122,681	490,974	122,743	613,717
David O'Brien	16/08/2023	-	83,892	20,973	104,865			-
Spyridon Georgopoulos	18/08/2020	-	1,155,263	288,816	1,643,176	818,326	204,582	1,022,908
Maureen Manyama	23/03/2021	31/03/2023	297,295	513,697	930,817	553,955	138,489	692,444
Peter Temple	29/04/2016	-	867,481	247,777	1,469,436	756,732	215,291	972,023
Robert Hutchinson-Keip	11/03/2020	31/03/2023	532,213	146,059	770,660	841,514	236,486	1,078,000
Sydney Mhlarhi	06/07/2016	24/11/2021	-	-		108,755	27,189	135,944
Happy Ralinala	23/05/2018	-	939,588	234,897	1,346,436	744,559	186,140	930,699
Lindiwe Dlamini	30/07/2021	-	884,131	219,863	1,112,962	583,468	145,867	729,335
Dhevendren Dharmalingam	31/03/2023	-	609,257	602,717	1,440,291		410,713	410,713
Total[1]			**8,521,894**	**3,102,950**	**13,904,888**	**6,954,542**	**2,564,710**	**9,519,252**

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 Bank's incentive schemes and neither do they receive any other benefits from the Bank.

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

ANNEXURE A: STANDARDS AND INTERPRETATIONS

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

1. **New and revised IFRSs with an effect on the Annual Financial Statements**

   There are no amendments to Standards and Interpretations that have a material impact on the Company for the year ended 30 September 2023.

2. **New and revised IFRSs in issue but not yet effective**

   The Company has not early adopted the following new and revised IFRS standards and amendments that have been issued but with a future effective date. All other amendments not listed below are assessed to have no material impact on the Company.

African Bank Limited

(Registration Number 2014/176899/06)
Consolidated Annual Financial Statements
for the year ended 30 September 2023

ANNEXURE A: STANDARDS AND INTERPRETATIONS

IFRS	Title and Details	Impact assessment	Effective date
IFRS 17	IFRS 17 - insurance contract 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. 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.	The standard is not expected to have a material impact on the Bank's Annual Financial Statements.	This standard is effective for annual periods beginning on or after 1 January 2023.
IAS 12 (amendment)	IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction 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 be: "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. 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. 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.	The amendment is not expected to have a material impact on the Company's Annual Financial Statements.	The amendment is effective for annual periods beginning on or after 1 January 2023.

ANNEXURE A: STANDARDS AND INTERPRETATIONS

IAS 1 (amendments)	IAS 1 - Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice Statement 2 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.	The amendment is not expected to have a material impact on the Company's Annual Financial Statements.	The amendment is effective for annual periods beginning on or after 1 January 2023.
IAS 8 (amendment)	IAS 8 - Definition of accounting estimates 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. 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.	The amendment is not expected to have a material impact on the Company's Annual Financial Statements.	The amendment is effective for annual periods beginning on or after 1 January 2023.
IAS 1 (amendment)	IAS 1 - Classification of Liabilities as Current or Non-current 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.	The amendment is not expected to have a material impact on the Company's Annual Financial Statements.	The amendment is effective for annual periods beginning on or after 1 January 2024.
IAS 1 (amendment)	IAS 1 Presentation of Financial Statements (Amendment – Non-current liabilities with Covenants) If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.	The amendment is not expected to have a material impact on the Company's Annual Financial Statements.	The amendment is effective for annual periods beginning on or after 1 January 2024.

ANNEXURE A: STANDARDS AND INTERPRETATIONS

IFRS 16 (amendment)	IFRS 16 Leases (Amendment - Lease Liability in a Sale and Leaseback) The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.	The amendment is not expected to have a material impact on the Company's Annual Financial Statements.	The amendment is effective for annual periods beginning on or after 1 January 2024.
IAS 1 2 (amendment)	IAS 12 Income Taxes (Amendment - International Tax Reform – Pillar Two Model Rules) The amendments introduce a temporary mandatory exception to the accounting for deferred taxes arising from jurisdictional implementation of the Pillar Two model rules. The amendments also provide targeted disclosure requirements to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect. The amendments are effective immediately and retrospectively.	The amendment is not expected to have a material impact on the Company's Annual Financial Statements.	Immediately and retrospectively effective.
IAS 7 and IFRS 7 (amendment)	IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments – Disclosures: Amendment to Supplier Finance Arrangements The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.	The amendment is not expected to have a material impact on the Company's Annual Financial Statements.	The amendment is effective for annual periods beginning on or after 1 January 2024.

ANNEXURE B: CAPITAL ADEQUACY (UNAUDITED)

Capital adequacy requirements:

Rmillion	2023	2022
On-balance sheet assets	47,783	29,390
Off-balance sheet items	2,641	984
Total risk exposure	50,424	30,374
Total risk-weighted exposure	**37,157**	**25,383**
Primary (Tier I)		
Share capital	13,662	10,000
Primary reserves (less statutory deductions)	(2,760)	782
Total	**10,902**	**10,782**
Secondary (Tier II)		
Subordinated debt instruments	-	-
General allowance for credit impairments	348	232
Total	348	232
Total qualifying capital and unimpaired reserve funds	**11,250**	**11,014**
Total capital to risk-weighted assets	%	%
Primary	29.4	42.5
Secondary	0.9	0.9
Total	**30.3**	**43.4**

ANNEXURE C: ACRONYMS AND ABBREVIATIONS

The following acronyms and abbreviations have been used in these Financial Statements.

ABHL	African Bank Holdings Limited
ABL/the company	African Bank Limited
AIG	African Insurance Group Limited
ALCO	Asset and Liability Committee
Bank	African Bank Limited
Banks Act	Banks Act No. 94 of 1990
CAR	Capital Adequacy Ratio
CHF	Swiss Franc
CEO	Group Chief Executive Officer
CFO	Group Chief Financial Officer
CMC	Credit and Models Committee
Committee or AuditCom	Audit and Compliance Committee
Companies Act	Companies Act of South Africa No. 71 of 2008
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
FVTPL	Fair value through profit or loss
GBL	Grindrod Bank Limited
GFH	Grindrod Financial Holdings Limited
GFH Group	Grindrod Financial Holdings Limited Group and its subsidiaries
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
King IV	King IV Report on Corporate Governance
KPMG	KPMG Incorporated
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

Prime	Prime interest rate in South Africa
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
R0	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	Companies Act of South Africa No. 71 of 2008
the RemCom	Remuneration Committee
Tier I	Primary capital
Tier II	Secondary capital
UBank	UBank Limited
USD	United States Dollar
VAT	Value Added Tax
ZAR	South African Rand

ANNEXURE D: CORPORATE INFORMATION

Group Company Secretary
T Singh

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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