

African Bank Holdings Limited

UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended
31 March 2023



African Bank Holdings Limited

(Registration Number 2014/176855/06)

Unaudited Consolidated Condensed Interim Financial Statements
for the six months ended 31 March 2023

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The Consolidated Condensed Interim Financial Statements represent the financial position and financial results of the African Bank Holdings Limited Group. The African Bank Holdings Limited Group consists of African Bank Holdings Limited, its subsidiaries (African Bank Limited ("ABL") and African Insurance Group Limited ("AIG")) as well as its indirectly held subsidiaries (including Grindrod Bank Limited) ("the Group").

The Directors are responsible for the preparation and fair presentation of the Group's Unaudited Consolidated Condensed Interim Financial Statements, comprising of the Consolidated Statement of Financial Position as at 31 March 2023, the Consolidated Statement of Total Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the six month period ended 31 March 2023, the notes to the Unaudited Consolidated Condensed Interim 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 71 of 2008, as amended, of South Africa. Only Consolidated Condensed Interim Financial Statements are published for the six months ended 31 March 2023.

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.

ABL acquired Grindrod Financial Holdings Limited and its subsidiaries ("GFH Group") on 1 November 2022. An application has been submitted to the Prudential Authority to transfer the business activities within the GFH Group into ABL and ultimately liquidate the legal entities within the GFH Group. The transaction is pending the outcome from the Prudential Authority and the Minister of Finance. Should the required approvals be granted, the business transfer and liquidation are expected to take place within 18 months from the date of the approvals.

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

CHANGES IN DIRECTORS AND BOARD COMMITTEES

The following changes in Directors have taken place during the six month period ended 31 March 2023 and up until 7 June 2023:

Appointments and resignations:

Following G Raubenheimer's resignation as the Group Chief Financial Officer, C Michaelides and R Garach were appointed as the Acting Joint Group Chief Financial Officers on 3 December 2022, and will continue to perform this role until recruitment of a full-time permanent Chief Financial Officer is finalised.

R Hutchinson-Keip resigned from the ABHL, ABL and AIG Board, effective from 31 March 2023. This resignation was made due to personal health reasons.

M Manyama was appointed as an Independent Non-Executive Director onto the AIG Board, effective from the 31 March 2023, following the resignation of R Hutchinson-Keip from the same board.

D Dharmalingam was appointed as an Independent Non-Executive Director onto the ABL Board, effective from 31 March 2023. This appointment was made to fill the vacancy due to R Hutchinson-Keip's resignation.

M Manyama resigned from the ABL Board, effective from 31 March 2023. Previously, the ABHL and ABL Board compositions were identical and resulted in unintended legal repercussions when certain shareholder resolutions were required to be passed by the ABL shareholder. The resignation of M Manyama from the ABL Board are to ensure that the unintended legal issue remains resolved by having a different composition of directorship at the ABL and ABHL Boards.

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

M Chetty resigned as Group Company Secretary effective from 01 March 2023. T Singh has been appointed as the new Group Company Secretary effective from 3 August 2023.

The following changes in Board committees have taken place during the six month period ended 31 March 2023 and up to 7 June 2023:

Appointments and resignations:

R Hutchinson-Keip resigned from the RCMC, DAGCom and SPLEC, effective from 31 March 2023. These resignations were made due to personal health reasons.

D Dharmalingam was appointed as the Chairman of the AuditCom and as a Member of RCMC, DAGCom and SPLEC, effective from 31 March 2023. These appointments were due to D Dharmalingam's nomination to fill the vacancy following from the resignation of R Hutchinson-Keip as the Auditcom Chairman and as a Member of the respective committees.

D Dharmalingam resigned from the Sustainability, Ethics and Transformation Committee of the ABHL and ABL Boards, effective 1 June 2023, due to his appointment as the Chairman of the Audit and Compliance Committee on the 19 May 2023. To fill this committee vacancy, N Siyotula was appointed as a member of the Sustainability, Ethics and Transformation Committee with effect from 1 June 2023.

New Committees:

There were no new committees constituted in the period.

APPROVAL OF THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

The Unaudited Consolidated Condensed Interim Financial Statements found on pages 4 to 42 were approved by the Board of Directors on 07 June 2023 and are signed on its behalf by:

DocuSigned by:

Kennedy Bungane

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K Bungane

Director

DocuSigned by:

Chrisanthi Michaelides

390E17363A42414

C Michaelides

Director

DocuSigned by:

Rakesh Garach

37143140698244E...

R Garach

Director

Midrand

07 June 2023

A signed copy of the Unaudited Consolidated Condensed Interim Financial Statements is available for inspection at the registered office as specified in Annexure B to these Financial Statements.

African Bank Holdings Limited

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Unaudited Consolidated Condensed Interim Financial Statements
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Notes	31 March 2023 (unaudited)	31 March 2022 (unaudited) (restated)	30 September 2022 (audited)
Assets				
Cash and cash equivalents ¹	4	2,578	3,396	1,544
Financial investments	5	16	156	160
Regulatory deposits and sovereign debt securities ¹	6	8,262	2,443	2,444
Net advances	2	32,380	19,628	22,647
Accounts receivable and other assets		439	436	202
Derivatives		98	63	85
Goodwill	18	115	-	-
Investment in insurance contracts	8	598	431	529
Property and equipment and right of use asset		673	536	562
Intangible assets		263	134	153
Deferred tax assets	7	1,405	1,030	1,064
Current tax assets	7	16	-	-
Total assets		46,843	28,253	29,390
Liabilities and equity				
Liabilities				
Current tax	7	-	5	12
Creditors and other liabilities		1,159	837	887
Short-term funding		22,991	5,700	5,756
Bonds and other long-term funding		10,950	10,188	10,848
Total liabilities		35,100	16,730	17,503
Equity				
Ordinary share capital		5	5	5
Ordinary share premium		9,995	9,995	9,995
Retained income		1,743	1,523	1,887
Total equity		11,743	11,523	11,887
Total equity and liabilities		46,843	28,253	29,390

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

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CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Rmillion	Notes	For the six months ended 31 March 2023 (unaudited)	For the six months ended 31 March 2022 (unaudited)	30 September 2022 (audited)
Interest income on advances	9	3,914	2,716	5,662
Credit impairment charge	10	(2,240)	(658)	(1,436)
Interest on advances after impairment		1,674	2,058	4,226
Other interest income	9	213	147	304
Interest expense and similar charges	11	(1,132)	(592)	(1,276)
Income from core income funds		2	32	36
Foreign exchange (loss)/gain recognised on translation		(2)	(4)	2
Fair value gains/(losses) from derivatives assets and liabilities		(7)	12	43
Net interest and other income		748	1,653	3,335
Non-interest income	12	668	320	670
Movement in remeasurement of insurance contracts	8	69	32	130
Dividends income	8	270	59	219
Operating costs	13	(2,319)	(1,517)	(3,262)
Gain on bargain purchase	18	276	-	-
Indirect taxation: VAT		(25)	(67)	(158)
Operating (loss)/profit		(313)	480	934
(Loss)/profit before taxation		(313)	480	934
Taxation		269	(108)	(198)
(Loss)/profit for the period		(44)	372	736
Attributable to:				
Shareholders of African Bank Holdings Limited		(44)	372	736
Total comprehensive (loss)/profit for the period		(44)	372	736

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Ordinary share capital	Ordinary share premium	Retained income	Total
Balance at 30 September 2021	5	9,995	1,151	11,151
Total comprehensive profit for the period	-	-	372	372
Balance at 31 March 2022	5	9,995	1,523	11,523
Total comprehensive profit for the period	-	-	364	364
Balance at 30 September 2022	5	9,995	1,887	11,887
Total comprehensive loss for the period	-	-	(44)	(44)
Dividends declared			(100)	(100)
Balance at 31 March 2023	5	9,995	1,743	11,743

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CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	Notes	For the six months ended 31 March 2023 (unaudited)	For the six months ended 31 March 2022 (unaudited) (restated)	30 September 2022 (audited)
Cash flows from operating activities				
Cash (utilised) in operations	14	(1,601)	(363)	(1,914)
Interest received ²		3,720	3,017	6,064
Interest (paid)		(917)	(397)	(801)
Direct taxation (paid)		(26)	(82)	(200)
Indirect taxation (paid)/received		25	(45)	(241)
Movement in assets and liabilities				
(Increase)/decrease in gross advances		(3,024)	(4,529)	(8,104)
Decrease/(increase) in regulatory deposits and sovereign debt securities ¹		2,950	569	569
Increase/(decrease) in retail funding		(287)	319	1,034
Increase/(decrease) in transactional banking deposits raised		(50)	138	526
(Increase)/decrease in other assets		(64)	(253)	(20)
Increase/(decrease) other liabilities		(187)	(155)	36
Increase/(decrease) in deferred fees and other items related to advances		(18)	5	31
Net cash (outflow) / inflow from operating activities		521	(1,776)	(3,020)
Cash flows from investing activities				
Acquisition of property and equipment		(47)	(25)	(51)
Acquisition of intangible assets		(30)	(12)	(41)
Dividends received		270	59	219
Withdrawals of financial investments		162	3,252	3,266
Net cash flow on acquisition of Ubank	18	441	-	-
Net cash flow on acquisition of GFH Group	18	(150)	-	-
Net cash inflow from investing activities		646	3,274	3,393
Cash flows from financing activities				
Net long-term tenure funding (redeemed)		(263)	(1,810)	(2,886)
Bonds and long-term wholesale funding raised		100	605	610
Bonds and long-term wholesale funding redeemed		(363)	(2,415)	(3,496)
Net short-term tenure funding raised/(redeemed)		321	177	609
Short-term wholesale funding raised		3,882	931	1,536
Short-term wholesale funding redeemed		(3,561)	(754)	(927)
Principal payment of lease liabilities		(74)	(72)	(149)
Dividends paid		(100)	-	-
Redemption of derivative instruments		(17)	(12)	(22)
Net cash outflow from financing activities		(133)	(1,717)	(2,448)
(Decrease)/increase in cash and cash equivalents		1,034	(219)	(2,075)
Cash and cash equivalents at the beginning of the year ¹		1,544	3,624	3,624
Effect of exchange rate changes on cash and cash equivalents		-	(9)	(5)
Cash and cash equivalents at the end of the year¹		2,578	3,396	1,544

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

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

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

1. General information

African Bank Holdings Limited ("ABHL" and/or "the Company") is a public company incorporated in the Republic of South Africa. ABHL is an unlisted registered bank controlling company under the Banks Act, Act 94 of 1990 ("the Banks Act").

The shares in ABHL are privately held by the South African Reserve Bank (50.00%), the Government Employees Pension Fund (25.00%), FirstRand Bank Limited (6.55%), The Standard Bank of South Africa Limited (5.95%), Absa Trading and Investments Solutions Proprietary Limited (4.95%), Nedbank Limited (4.10%), Investec Bank Limited (2.45%) and Capitec Bank Limited (1.00%). Percentages indicate percent holding.

ABHL holds 100% of the issued share capital of African Bank Limited ("the Bank" and/or "ABL"), since 4 April 2016, after the final execution of the restructuring transaction of the entity formerly known as African Bank Limited (in curatorship). That entity has legally changed its name to "Residual Debt Services" ("RDS") and remains under curatorship. The details of the restructuring transaction can be found in the Offer Information Memorandum published on 4 February 2016 available at the African Bank website (<https://www.africanbank.co.za/media/jesdhrkv/african-bank-restructuring-offer-information-memorandum-incl-annexures.pdf>).

ABHL also holds 100% of the issued share capital of African Insurance Group Limited ("AIG"), its main business is holding an investment in a cell captive structure provided by Guardrisk Insurance Company Limited ("Guardrisk").

ABL holds 100% of the ordinary share capital of Grindrod Financial Holdings Limited ("GFH") and 100% of the preference shares of Grindrod Bank Limited ("GBL"), which is a 100% held 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 18). As a result of the acquisition, ABHL indirectly holds 100% of GFH and its subsidiaries ("GFH Group").

During the current financial period, ABL also acquired certain assets and liabilities from Ubank Limited ("Ubank") and this has been accounted for as a business combination (refer to note 18).

The Group'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 Group 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 Group is disclosed in Annexure B. The Consolidated Condensed Interim Financial Statements found on pages 4 to 42 were approved by the Board of Directors on 07 June 2023.

African Bank Holdings Limited

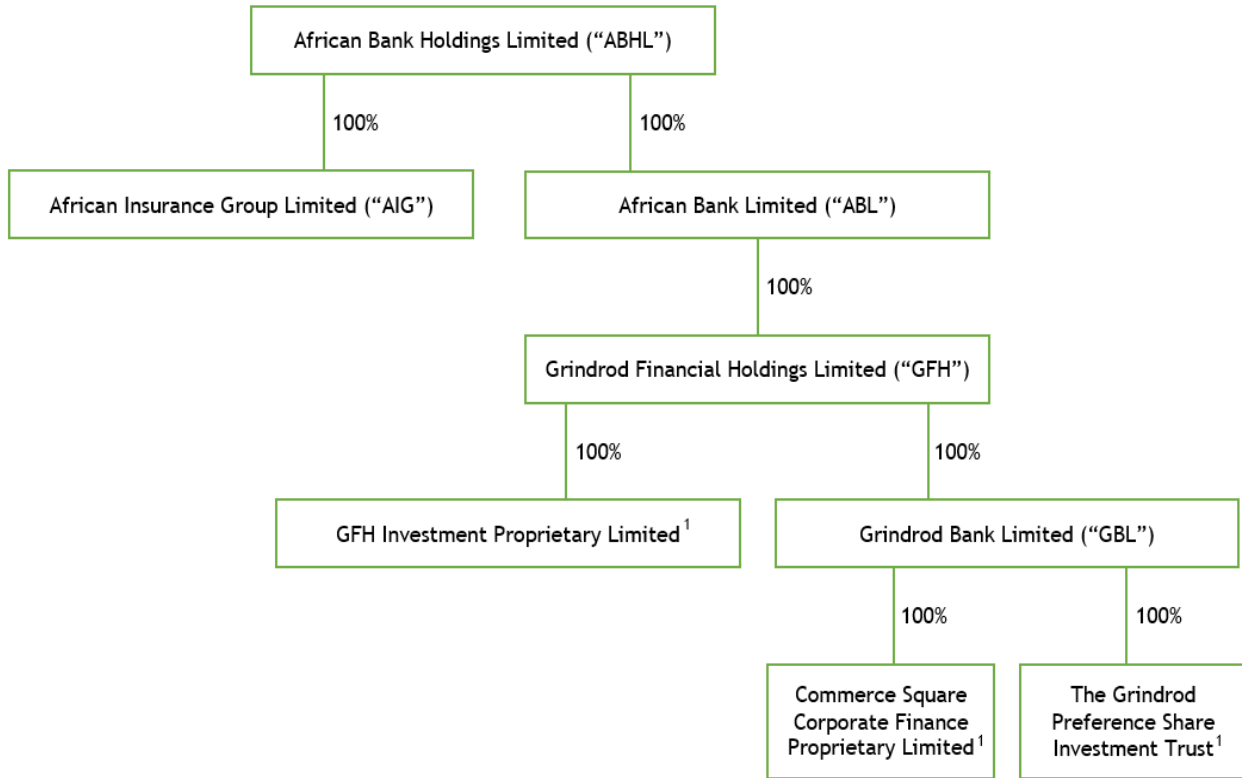
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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

General information continued...

1.1 Group Structure



¹Dormant entity.

1.2 Accounting policies

1.2.1 Statement of compliance

The Group's Consolidated Condensed Interim Financial Statements are prepared in accordance with, and comply with, the International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"), adopted by the International Accounting Standards Board ("IASB"), interpretations issued by the IFRS Interpretations Committee of the IASB ("IFRIC"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the JSE Debt Listings Requirements.

1.2.2 Basis of preparation

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

1.2.3 Application of the going concern principle

The Board's assessment regarding the going concern assumption is based on judgement applied to uncertain future events, which are significant and impacts the Group's ability to raise funding and generate cash and cash equivalents from assets held by the Group. In considering the Group's going concern assumption with respect to the existing and expected future economic conditions, the Board (through its subcommittees) assessed the Group's budgets and cash flow forecasts, including the impacts of GFH and Ubank (the acquisition of both was effective on 1 November 2022).

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

General information continued...

In the Board's opinion, the Group's ability to raise funding and generate cash and cash equivalents is expected to continue. The Board is satisfied with the Group's capital position as the capital ratios currently, and over the forecasted period, remain above the Regulatory Minimum and Board approved internal targets. Although the Group has incurred a loss for the six months ended 31 March 2023, the Group has forecasted a full year profit for the year ended 30 September 2023.

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 alternative energy supply and expected impacts will continue being monitored. The Group 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 Group has adequate resources to continue operating for the foreseeable future and, therefore, deem it appropriate to apply the going concern basis in preparing the Group's Interim Financial Statements for this financial period.

1.3 Significant accounting policies

The Group's Consolidated Condensed Interim Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 30 September 2022, which were prepared in accordance with IFRS. The accounting policies are consistent with those reported in the most recent Annual Financial Statements, except for:

- Advances measured at fair value through profit or loss ("FVTPL") (refer to note 2);
- Business combinations (refer to note 18); and
- Operating segments (refer to note 19).

No new or amended IFRS and interpretations became effective for the six months ended 31 March 2023 which would impact the Group's Condensed Consolidated Interim Financial Statements or the accounting policies.

1.4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions that relate to impairment provisions for advances that are not readily apparent from other sources. The estimates and associated assumptions are continually evaluated and management applies their knowledge of current events and actions that may be undertaken in the future but actual results may ultimately differ from estimates. The critical judgements that management have made in the process of applying the Group's accounting policies and key estimation uncertainties are disclosed as part of the relevant accounting policies.

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

- Expected credit loss ("ECL") provisions for advances (refer to note 2 and 3);
- Fair value estimates (refer to note 15);
- Taxation (refer to note 7);
- Estimated useful life of PPE and intangibles;
- Long term incentives; and
- Investment in insurance contracts (refer to note 8).

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**2. Net advances****Accounting policy**

The accounting policy for net advances is consistent with the policy reported in the most recent Annual Financial Statements. However, the Group now also holds advances measured at FVTPL due to the acquisition of Grindrod Financial Holdings Limited, resulting in the Group indirectly holding 100% of the ordinary shares in Grindrod Bank Limited.

The Group enters into agreements for advances that have special arrangements attached to them. In terms of these arrangements, the Group 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 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 Group 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 Group enters into interest rate swap agreements to economically hedge its fixed rate loans and, therefore, since these instruments are used as hedging tools, the Group has elected to recognise these fixed rate loans as measured at FVTPL. The Group, however, does not apply hedge accounting.

Portfolios

Net advances measured at amortised cost comprise of the following portfolios:

- The 2016 acquired book is a purchased credit-impaired book comprising of advances acquired from the entity formerly known as African Bank Limited (in curatorship) and that had subsequently changed its name to RDS. This has been included in Consumer Banking.
- The Business Banking portfolio consists of Business Banking advances that are originated by the Bank and since the GFH Group acquisition as well as Business Banking advances acquired from Ubank Limited and the GFH Group (refer to note 18).
- The Consumer Banking portfolio consists of consumer advances that are originated by the Bank and those acquired from Ubank Limited (refer to note 18).

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited)	30 September 2022 (audited)
Advances measured at FVTPL	1,887	-	-
Mandatorily measured at FVTPL	1,473	-	-
Designated at FVTPL	414	-	-
Net advances measured at amortised cost	30,493	19,628	22,647
Total net advances	32,380	19,628	22,647
Undrawn irrevocable consumer banking commitments	780	681	843
Undrawn irrevocable business banking commitments	-	366	140
Maximum exposure to credit risk	33,160	20,675	23,630

2.1 Net advances measured at amortised cost

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited)	30 September 2022 (audited)
Gross advances	41,702	28,743	32,561
Deferred fees	(372)	(255)	(282)
Gross advances after deferred origination and administration fees	41,330	28,488	32,279
Consumer Banking ¹	32,481	26,954	30,519
Business Banking	8,849	1,534	1,760
Balance of impairment provision at the end of the period	(10,837)	(8,860)	(9,632)
Balance of impairment provision at the beginning of the year	(9,633)	(8,660)	(8,660)
Impairment provisions raised on advances ²	(2,461)	(1,135)	(2,226)
Impairment provisions raised on interest from stage 3	(382)	(329)	(665)
Impairment provision released upon write-offs of underlying exposure	1,639	1,264	1,919
Net advances	30,493	19,628	22,647

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Net advances continued..

The Consumer Banking advances balance includes modification losses amounting to R988 million (31 March 2022: R793 million, 30 September 2022: R877 million) with an amortised cost of R525 million (31 March 2022: R418 million, 30 September 2022: R892 million). In addition, R90 million (31 March 2022: R72 million, 30 September 2022: R63 million) of the 2016 acquired book was modified during the current financial year.

The Business Banking advances balance includes modification losses amounting to R1 million (31 March 2022: R0 million, 30 September 2022: R0 million) with an amortised cost of R2902 million (31 March 2022: R0 million, 30 September 2022: R0 million).

¹ *The presentation of this note has changed to include the 2016 acquired book within Consumer Banking. The 2016 acquired book has a balance of R481 million on the 31 March 2023 (31 March 2022: R711 million; 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 3.1.2 for the split between Consumer Banking and Business Banking.*

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**Net advances continued...**

Reconciliation of ECL of gross advances for Consumer Banking (including the 2016 acquired book) as at 31 March 2023

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

Rmillion	ECL					Gross advances ⁴					2016 acquired book
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total	
		SICR	Arrears				SICR	Arrears			
Opening balance 1 October 2022	1,194	304	732	7,354	9,584	15,189	2,917	1,612	10,211	29,929	587
Changes due to movements in arrears profile of advances	(98)	(67)	118	2,145	2,098	(1,815)	(552)	151	2,317	101	5
Transfer from stage 1	-	349	412	1,150	1,911	-	1,858	924	1,554	4,336	-
Transfer from stage 2: SICR	159	-	124	281	564	2,014	-	266	380	2,660	-
Transfer from stage 2: arrears	14	3	-	711	728	160	18	-	960	1,138	-
Transfer from stage 3	28	44	43	-	115	347	232	97	-	676	-
Transfer to stage 1	-	(379)	(65)	(257)	(701)	-	(2,014)	(160)	(347)	(2,521)	-
Transfer to stage 2: SICR	(146)	-	(8)	(171)	(325)	(1,858)	-	(18)	(232)	(2,108)	-
Transfer to stage 2: arrears	(75)	(50)	-	(72)	(197)	(924)	(266)	-	(97)	(1,287)	-
Transfer to stage 3	(123)	(71)	(438)	-	(632)	(1,554)	(380)	(960)	-	(2,894)	-
Transfer to write off/ balance growth up to write-off	45	37	50	503	635	-	-	2	99	101	5
Changes due to changes in balances of advances	309	(107)	38	(1,105)	(865)	2,900	(162)	112	(797)	2,053	(196)
Change due to movement in balances of existing advances	(62)	(30)	(16)	257	149	(779)	(159)	(43)	348	(633)	(93)
Modifications that did not give rise to de-recognition	-	-	-	-	-	(265)	207	(6)	(47)	(111)	-
Purchase of Consumer Banking advances ¹	-	-	-	-	-	321	-	-	222	543	-

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**Net advances continued...**

	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total	2016 acquired book
		SICR	Arrears				SICR	Arrears			
Issuance of Consumer Banking advances	544	-	98	176	818	5,217	-	230	235	5,682	-
Change due to de-recognition (other than write-off)	(123)	(31)	(19)	(45)	(218)	(1,544)	(164)	(44)	(62)	(1,814)	(17)
Change due to write-off ²	(50)	(46)	(25)	(1,493)	(1,614)	(50)	(46)	(25)	(1,493)	(1,614)	(86)
Changes due to change in model assumptions	19	209	(94)	(158)	(24)	144	(23)	145	(349)	(83)	85
Changes due to changes in model assumptions	19	209	(94)	(158)	(24)	144	(23)	145	(349)	(83)	85
Closing balance 31 March 2023	1,424	339	794	8,236	10,793	16,418	2,180	2,020	11,382	32,000	481

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 R1614 million (refer to credit impairment charges, note 3.1.2).

³ The gross advances balances are net of deferred fees.

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

The ECL models were recalibrated with recent observed behaviour between October 2022 and March 2023 which increased the model calculated ECL.

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**Net advances continued...****Reconciliation of ECL of gross advances for Business Banking as at 31 March 2023***The below ECL movements depict the differential movements when advances transfer to or from the different stages*

Rmillion	ECL					Gross advances ⁴				
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total
		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	(1)	1	-	(409)	133	217	59	-
Transfer from stage 1	-	-	-	1	1	-	569	519	59	1,147
Transfer from stage 2: SICR	-	-	-	-	-	517	-	-	-	517
Transfer from stage 2: arrears	-	1	-	-	1	221	81	-	-	302
Transfer from stage 3	-	-	-	-	-	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-	-	(517)	(221)	-	(738)
Transfer to stage 2: SICR	-	-	(1)	-	(1)	(569)	-	(81)	-	(650)
Transfer to stage 2: arrears	-	-	-	-	-	(519)	-	-	-	(519)
Transfer to stage 3	(1)	-	-	-	(1)	(59)	-	-	-	(59)
Transfer to write off/ balance growth up to write-off	-	-	-	-	-	-	-	-	-	-
Changes due to changes in balances of advances	(1)	(1)	-	(2)	(4)	5,997	(6)	6	1,092	7,089
Change due to movement in balances of existing advances	(1)	(1)	-	22	20	(186)	(6)	26	31	(135)

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**Net advances continued...**

	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total
		SICR	Arrears				SICR	Arrears		
Modifications that did not give rise to de-recognition	-	-	-	-	-	-	-	-	-	-
Purchase of Business Banking advances ¹	-	-	-	-	-	5,307	-	-	1,094	6,401
Issuance of Business Banking advances	1	-	-	-	1	957	-	18	-	975
Change due to de-recognition (other than write-off)	(1)	-	-	-	(1)	(81)	-	(38)	(9)	(128)
Change due to write-off ²	-	-	-	(24)	(24)	-	-	-	(24)	(24)
Changes due to change in model assumptions	-	-	-	-	-	-	-	-	-	-
Changes due to changes in model assumptions	-	-	-	-	-	-	-	-	-	-
Closing balance 31 March 2023	46	-	(1)	(1)	44	7,348	127	223	1,151	8,849

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 R25 million (refer to credit impairment charges, note 10).

³ The gross advances balances are net of deferred fees.

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

The ECL model assumptions related to forward-looking information (FLI) for the Probability of Default (PD) and Loss Given Default (LGD) were reassessed during March 2023. The FLI adjustments for PDs and LGDs were amended based on this assessment, which resulted in a movement in general provisions.

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**Net advances continued...**Reconciliation of ECL of gross advances for Consumer Banking, Business Banking and the 2016 acquired book as at 31 March 2022⁵

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

Rmillion	ECL					Gross advances					2016 acquired book
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total	
		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	(15)	(261)	94	1,385	1,203	(308)	(1,222)	100	1,564	134	33
Transfer from stage 1	-	133	258	128	519	-	628	717	190	1,535	-
Transfer from stage 2: SICR	58	-	204	190	452	1,100	-	567	283	1,950	-
Transfer from stage 2: Arrears	6	13	-	712	731	120	62	-	1,061	1,243	-
Transfer from stage 3	-	3	15	-	18	7	16	42	-	65	-
Transfer to stage 1	-	(232)	(43)	(5)	(280)	-	(1,100)	(120)	(7)	(1,227)	-
Transfer to stage 2: SICR	(33)	-	(22)	(11)	(66)	(628)	-	(62)	(16)	(706)	-
Transfer to stage 2: Arrears	(38)	(120)	-	(28)	(186)	(717)	(567)	-	(42)	(1,326)	-
Transfer to stage 3	(9)	(60)	(383)	-	(452)	(190)	(282)	(1,061)	-	(1,533)	-
Transfer to write off/ balance growth up to write-off	1	2	65	399	467	-	21	17	95	133	33
Changes due to changes in balances of advances	152	70	(7)	(1,202)	(987)	4,049	412	180	(1,202)	3,439	(321)
Change due to movement in balances of existing advances	(34)	(35)	(36)	54	(51)	(636)	(168)	(101)	81	(824)	(174)
Modifications that did not give rise to de-recognition	-	-	-	-	-	-	(1)	(3)	16	12	-
New Consumer Banking advances ¹	205	187	184	39	615	4,211	961	550	57	5,779	-

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**Net advances continued...**

Rmillion	ECL					Gross advances					2016 acquired book
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total	
		SICR	Arrears				SICR	Arrears			
Issuance of Business Banking advances ³	38	-	-	-	38	1,534	-	-	-	1,534	-
Change due to de-recognition (other than write-off)	(56)	(80)	(63)	(126)	(325)	(1,059)	(378)	(174)	(187)	(1,798)	(23)
Change due to write-off ²	(1)	(2)	(92)	(1,169)	(1,264)	(1)	(2)	(92)	(1,169)	(1,264)	(124)
Changes due to change in model assumptions	74	(79)	(104)	93	(16)	-	-	-	-	-	81
Changes due to changes in model assumptions	74	(79)	(104)	93	(16)	-	-	-	-	-	81
Closing balance 31 March 2022	755	588	1,066	6,451	8,860	12,270	2,786	3,147	9,574	27,777	711

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 R1,264 million.

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 and Business Banking was presented as one reconciliation for the period ending 31 March 2022. This has been presented in two separate reconciliations in the current period.

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**Net advances continued...**Reconciliation of ECL of gross advances for Consumer Banking, Business Banking and the 2016 acquired book as at 30 September 2022⁵

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

Rmillion	ECL					Gross advances					2016 acquired book
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total	
		SICR	Arrears				SICR	Arrears			
Opening balance 1 October 2021	544	858	1,083	6,175	8,660	8,529	3,596	2,867	9,212	24,204	918
Changes due to movements in arrears profile of advances	(31)	(210)	90	2,178	2,027	(1,128)	(1,215)	(98)	2,630	189	3
Transfer from stage 1	-	151	268	480	899	-	714	744	715	2,173	-
Transfer from stage 2: SICR	44	-	171	478	693	844	-	475	713	2,032	-
Transfer from stage 2: arrears	9	14	-	794	817	177	65	-	1,184	1,426	-
Transfer from stage 3	1	5	24	-	30	15	24	66	-	105	-
Transfer to stage 1	-	(178)	(64)	(10)	(252)	-	(844)	(177)	(15)	(1,036)	-
Transfer to stage 2: SICR	(38)	-	(23)	(16)	(77)	(714)	-	(65)	(24)	(803)	-
Transfer to stage 2: arrears	(39)	(100)	-	(44)	(183)	(744)	(475)	-	(66)	(1,285)	-
Transfer to stage 3	(38)	(151)	(427)	-	(616)	(715)	(713)	(1,184)	-	(2,612)	-
Transfer to write-off/balance growth up to write-off	30	49	141	496	716	9	14	43	123	189	3
Changes due to changes in balances of advances	505	38	280	(1,150)	(327)	7,024	261	783	(846)	7,222	(529)
Change due to movement in balances of existing advances	(42)	(50)	(66)	69	(89)	(788)	(237)	(184)	102	(1,107)	(225)
Modifications that did not give rise to de-recognition	-	-	-	-	-	-	(306)	37	173	(96)	-
Issuance of Consumer Banking advances ¹	633	299	689	661	2,282	8,029	1,592	1,481	894	11,996	-

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**Net advances continued...**

Rmillion	ECL					Gross advances					2016 acquired book
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total	
		SICR	Arrears				SICR	Arrears			
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

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 3.1.2).

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 and Business Banking was presented as one reconciliation for the period ending 31 March 2022. This has been presented in two separate reconciliations in the current period.

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.

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**3. 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.

3.1 Credit quality of advances per IFRS requirements**3.1.1 Advances analysis**

Rmillion	31 March 2023 (unaudited)			31 March 2022 (unaudited) ¹			30 September 2022 (audited) ¹		
	Consumer Banking	Business Banking	Total	Consumer Banking	Business Banking	Total	Consumer Banking	Business Banking	Total
Gross advances	32,754	8,948	41,702	27,209	1,534	28,743	30,801	1,760	32,561
Stage 1	16,616	7,441	24,057	10,905	1,534	12,439	15,421	1,760	17,181
Stage 2	4,383	354	4,737	6,034	-	6,034	4,582	-	4,582
Stage 3 ²	11,755	1,153	12,908	10,270	-	10,270	10,798	-	10,798
Total ECL	(10,793)	(44)	(10,837)	(8,822)	(38)	(8,860)	(9,584)	(48)	(9,632)
Stage 1	(1,424)	(46)	(1,470)	(717)	(38)	(755)	(1,194)	(48)	(1,242)
Stage 2	(1,133)	1	(1,132)	(1,654)	-	(1,654)	(1,036)	-	(1,036)
Stage 3	(8,236)	1	(8,235)	(6,451)	-	(6,451)	(7,354)	-	(7,354)
Deferred fees	(273)	(99)	(372)	(255)	-	(255)	(282)	-	(282)
Net advances	21,688	8,805	30,493	18,132	1,496	19,628	20,935	1,712	22,647

¹ The presentation of the comparative information has changed as stage 3 gross advances is no longer split to show the 2016 acquired book separately.² The 2016 acquired book with a balance of R481 million on the 31 March 2023 (31 March 2022: R711 million; 30 September 2022: R587 million) is included in the stage 3 Consumer Banking advances balance.

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**Credit risk continued...****3.1.2 Impairment as % of gross advances**

Percentage	31 March 2023 (unaudited)			31 March 2022 (unaudited)			30 September 2022 (audited)		
	Consumer Banking	Business Banking	Total	Consumer Banking	Business Banking	Total	Consumer banking	Business banking	Total
Stage 1	8.6%	0.6%	6.1%	6.6%	2.5%	6.1%	7.7%	2.7%	7.2%
Stage 2	25.8%	-0.4%	23.9%	27.4%	-	27.4%	22.6%	-	22.6%
Stage 3	70.1%	-0.1%	63.8%	62.8%	-	62.8%	68.1%	-	68.1%
Total impairment as a % of total gross advances	33.0%	0.5%	26.0%	32.4%	2.5%	30.8%	31.1%	2.7%	29.6%

Reconciliation of ECL (note 2)¹

Balance at the beginning of the period	(9,585)	(48)	(9,633)	(8,660)	-	(8,660)	(8,660)	-	(8,660)
Impairment provisions raised on interest from stage 3 advances	(367)	(15)	(382)	(329)	-	(329)	(665)	-	(665)
Net movement in impairment provisions (note 10)	(2,455)	(6)	(2,461)	(1,097)	(38)	(1,135)	(2,178)	(48)	(2,226)
Impairment provision released in respect of bad debt write-offs	1,614	25	1,639	1,264	-	1,264	1,919	-	1,919
Balance at the end of the year	(10,793)	(44)	(10,837)	(8,822)	(38)	(8,860)	(9,584)	(48)	(9,632)

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

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**4. Cash and cash equivalents**

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited) (restated)	30 September 2022 (audited)
Call deposits	544	2,923	538
ZAR	542	2,354	536
Foreign denominated	2	569	2
Deposits with the SARB¹	831	385	445
Current accounts²	1,203	88	561
Gross cash and cash equivalents	2,578	3,396	1,544
Non-cash adjustment: ECL ³	-	-	-
Net cash and cash equivalents	2,578	3,396	1,544
Maximum exposure to credit risk	2,578	3,396	1,544

The Group uses foreign currency denominated deposits to mitigate against risks arising from changes in foreign currency exchange rates where the Group's debt is denominated in a currency other than the functional currency.

¹ The Group is required to deposit a minimum balance of R831 million (31 March 2022: R385 million, 30 September 2022: R445 million) with the South African Reserve Bank and these deposits bear no interest. Deposits with the SARB were previously included in note 6, Regulatory deposits and sovereign debt securities and have been reclassified to Cash and cash equivalents based on the guidance provided in the relevant IFRIC Agenda decision. These deposits are not available for day-to-day operations. The impact on the 1 October 2021 opening balance is a reclassification of R382 million.

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

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.

5. Financial investments

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited)	30 September 2022 (audited)
Investment in core income funds ¹	-	156	160
Private equity investments	3	-	-
Unit trust investments	3	-	-
Other investments	10	-	-
Total	16	156	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.

6. Regulatory deposits and sovereign debt securities

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited) (restated)	30 September 2022 (audited)
Listed	8,270	2,450	2,451
Treasury bills	5,709	-	-
Government bonds ¹	2,561	2,450	2,451
Gross regulatory deposits and sovereign debt securities	8,270	2,450	2,451
Adjustment: ECL ²	(8)	(7)	(7)
Net regulatory deposits and sovereign debt securities	8,262	2,443	2,444
Maximum exposure to credit risk	8,262	2,443	2,444

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**Regulatory deposits and sovereign debt securities continued...**

Deposits with the SARB were previously included this note, however have been reclassified to cash and cash equivalents based on guidance provided in the relevant IFRIC Agenda decision, refer to note 4.

¹ R745 million of the bonds has been pledged as security.

² ECL is raised on credit risk arising from the counterparties with whom the deposits and sovereign debt are held. There has not been any changes or downgrades in all deposits and sovereign debt, therefore these are classified as stage 1. There were no movements between stages for these deposits during the financial period. Management revised the approach for calculating ECL in the 2022 financial period.

7. Current and deferred tax

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited)	30 September 2022 (audited)
Current tax asset/(liability)	16	(5)	(12)
Deferred tax asset	1,405	1,030	1,064
Total	1,421	1,025	1,052

7.1 Deferred tax asset

Rmillion	Opening balance	Deferred tax impact of items recognised in profit or loss	Deferred tax impact of business combination ¹	Closing balance
31 March 2023 (unaudited)				
Temporary differences				
Right of use asset	3	1	-	4
Property, plant and equipment and intangible assets	-	1	6	7
Advances measured at amortised cost	-	1	(8)	(7)
Advances measured at FVTPL	-	16	(16)	-
Impairment provision	958	129	13	1,100
Creditors and other liabilities	117	(13)	47	151
Accounts receivable and other assets - Prepayments	(12)	(21)	(1)	(34)
Tax impact from the buy-back of liabilities	(2)	-	-	(2)
Capital loss	-	(1)	7	6
Estimated tax loss	-	180	-	180
Total	1,064	293	48	1,405

¹ Refer to note 18 for the business combinations that the deferred tax arose from.

Rmillion	Opening balance	Deferred tax impact of items recognised in profit or loss	Closing balance
31 March 2022 (unaudited)			
Temporary differences			
Right of use asset	3	-	3
Provisions	149	(73)	76
Impairment for expected credit losses	923	11	934
Prepayments	(11)	-	(11)
Tax impact from the buy-back of liabilities	(2)	(1)	(3)
Estimated tax loss	72	(41)	31
Total¹	1,134	(104)	1,030

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**Current and deferred tax continued...**

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

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

¹ The estimated current tax loss that arose in the current financial period is R180 million (31 March 2022: R31 million, 30 September 2022: R0 million) and the capital loss is R6 million (31 March 2022: R0 million, 30 September 2022: R0 million). The recoverability of the deferred tax asset is assessed by the Group on a regular basis. The deferred tax asset recognised by the Group will be recovered through allowable tax deductions and taxable income in future financial periods. In applying judgement in recognising deferred tax assets and the recoverability thereof, management has critically assessed all available information, including future business profit projections and the past achievement thereof. This was done by considering taxable profits forecasted over a four-year period using the approved Board budget.

8. Investment in insurance contracts

Rmil	31 March 2023 (unaudited)	31 March 2022 (unaudited)	30 September 2022 (audited)
Initial investment	281	281	281
Re-measurement of initial investment	317	150	248
Carrying value at closing balance	598	431	529
Re-measurement of investment in insurance contracts			
Opening balance	248	118	118
Movement in re-measurement of insurance assets	69	32	130
Premium earned	831	723	1,489
Claims costs	(320)	(501)	(860)
Investment income	32	16	40
Fees and commission paid	(93)	(75)	(154)
Actuarial movements	26	(25)	(9)
Taxation	(137)	(47)	(157)
Distributions paid to cell shareholders	(270)	(59)	(219)
Carrying value at closing balance	317	150	248

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

8.1 Insurance risk

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

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Insured events are largely random but can be specific. The actual number of claims, benefits and the amount thereof will vary from year to year. Statistically, the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcomes. Diversification of the portfolio with respect to risk factors reduces insurance risk.

Guardrisk is responsible for evaluating all retention of risks in terms of statistical and underwriting disciplines, under the mandate set for the cell arrangement. Factors specifically applicable to the Group that aggravate insurance risk include those arising from a lack of risk diversification in terms of type and amount of risk, geographical area and specific industries covered. The Group sells credit and life insurance products and funeral policies, which introduces diversification into the portfolio. These products are also sold to geographically spread policyholders, further mitigating concentration risk.

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

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

In determining the value of insurance liabilities, assumptions need to be made regarding future rates of mortality and morbidity, termination rates, expenses and investment performance. The investment in insurance assets is more sensitive to the rates of mortality and termination applied in the valuation of the underlying insurance liabilities. The assumptions are informed by past claims experience and by Guardrisk's broad and extensive industry level insight and experience and are assessed annually.

The uncertainty of these rates may result in actual experience being different from that assumed and, hence, actual cash flows being different from those projected. In the extreme, actual claims and benefits may exceed the liabilities.

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

9. Interest income**9.1 Interest income on advances**

	31 March 2023 (unaudited)	31 March 2022 (unaudited)	30 September 2022 (audited)
Rmillion			
Interest on advances	3,317	2,401	5,032
Loan origination fees	134	160	292
Service fee	463	155	338
Total	3,914	2,716	5,662

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

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Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited)	30 September 2022 (audited)
Interest on cash and cash equivalents	21	21	64
Sundry interest income ¹	192	126	240
Total	213	147	304

Other interest income is calculated using the effective interest method.

¹ Sundry interest income consists of interest on regulatory deposits and sovereign debt securities.**10. Credit impairment charge**

Rmillion	31 March 2023 (unaudited)			
	Consumer Banking	Business Banking	2016 acquired book	Total
Net movement in impairment provisions	2,455	6	2	2,463
Modification that does not give rise to derecognition	111	(1)	-	110
Net impairment charge	2,566	5	2	2,573
Post write-off recoveries	(177)	7	(163)	(333)
Total	2,389	12	(161)	2,240

Rmillion	31 March 2022 (unaudited) ¹			
	Consumer Banking	Business Banking	2016 acquired book	Total
Net movement in impairment provisions	1,097	38	23	1,158
Modification that does not give rise to derecognition	12	-	-	12
Net impairment charge	1,109	38	23	1,170
Post write-off recoveries	(305)	-	(207)	(512)
Total	804	38	(184)	658

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 period.

Rmillion	30 September 2022 (audited) ¹			
	Consumer Banking	Business Banking	2016 acquired book	Total
Net movement in impairment provisions	2,178	48	(2)	2,224
Modification that does not give rise to derecognition	96	-	-	96
Net impairment charge	2,274	48	(2)	2,320
Post write-off recoveries	(491)	-	(393)	(884)
Total	1,783	48	(395)	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 period.

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**11. Interest expense and similar charges**

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited)	30 September 2022 (audited)
Unsecured listed bonds	148	147	320
Call deposits	212	1	6
Fixed deposits	147	21	49
Negotiable certificates of deposit	98	10	21
Interest on promissory notes	-	2	3
Right of use asset - finance cost	10	6	14
Retail funding	489	389	816
Transactional banking ¹	28	16	41
Other interest	-	-	6
Total	1,132	592	1,276

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.

12. Non-interest income

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited) (restated)	30 September 2022 (audited)
Credit card fees	208	84	184
Transactional fees	92	48	115
Subtotal: Non-interest income from lending	300	132	299
Binder and outsourcing arrangements fees ¹	102	70	144
Collection fees ²	67	95	175
Commission on value-added services ³	62	2	4
Fair value gains and losses on advances ⁴	75	-	-
Other income	62	21	48
Total	668	320	670

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

² Fees relate to fees charged to RDS of R67 million (31 March 2022: R95 million, 30 September 2022: R175 million). Fees charged are determined on an arm's length basis and managed independently under supervision of the curator of that company. The fees charged to RDS are expected to decline as the book that is being collected upon runs down.

³ This relates to commission earned on the issue of prepaid vouchers for airtime, data and utilities.

⁴ Fair value gains and losses on advances are derived from the Group's fair value loan portfolio.

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for the six months ended 31 March 2023**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****13. Operating costs**

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited)	30 September 2022 (audited)
Advertising and marketing costs	109	110	259
Amortisation of intangible assets	23	16	26
Audit fees	12	9	20
Bank charges and strike costs	63	55	108
Card transaction costs	156	92	198
Collection costs	32	6	14
Depreciation on property and equipment	131	113	217
Direct selling and commissions	28	18	46
Information technology costs	168	86	175
Integration costs ²	88	-	-
Non-Executive Directors' fees	10	4	9
Other expenses	144	36	92
Printing, stationery and courier costs	7	6	16
Professional fees	85	76	217
Rental and maintenance costs	121	66	146
Costs related to property rentals ¹	90	50	97
Other rental and maintenance costs	31	16	49
Staff costs	1,065	778	1,612
Basic remuneration	781	584	1,111
Contribution to provident fund	68	68	132
Commission paid to sales agents	2	-	5
Employee benefits expense	182	110	268
Executive Directors' and Prescribed Officers' remuneration	32	16	96
Telephone, fax and other communication costs	62	42	95
Travel cost	15	4	11
Write-off of property, plant and equipment	-	-	1
Total	2,319	1,517	3,262

¹ Included in the costs related to property rentals is the value of the short-term and low value leases of R26 million (31 March 2022: R8 million, 30 September 2022: R10 million).

² The integration costs arise from the acquisitions of GFH and Ubank. Refer to note 18.

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**14. Cash utilised in operations**

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited)	30 September 2022 (audited)
Profit/(loss) before tax	(313)	480	934
Adjustment for:	(1,288)	(843)	(2,848)
Indirect taxation: VAT	25	67	158
Dividends income	(270)	(59)	(219)
Remeasurement of insurance assets (refer to note 8)	(69)	(32)	(130)
Increase in impairment of advances	2,483	1,472	2,123
Amortisation of intangible assets	23	16	26
Depreciation of property and equipment	131	113	217
Write-off of PPE and intangible assets	-	-	1
Unrealised foreign exchange differences	-	(1)	9
Loss on the bond buy-backs	-	-	-
Fair value movements on derivative instruments	7	(10)	(21)
Fair value adjustments on assets	(6)	-	-
Profit on disposal of financial asset (other income)	(7)	-	-
Movement in other interest income accrual	(139)	(179)	(359)
Movement in interest expense accrual	748	563	1,179
Interest on advances	(3,820)	(2,811)	(5,865)
Other adjustments on funding instruments	(128)	12	19
Finance cost from lease liability	10	6	14
Bargain purchase gain	(276)	-	-
Total	(1,601)	(363)	(1,914)

15. Assets and liabilities measured at fair value or for which fair values are disclosed**15.1 Valuation models**

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

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

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

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

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

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

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

The Group 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 Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only market data and require little management judgement and estimation.

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

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

Fair value for disclosure

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

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

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.

15.2 Valuation framework

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

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

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

15.3 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.

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Rmillion	Level 1	Level 2	Level 3	Total
31 March 2023 (unaudited)				
Financial assets				
<i>Recurring fair value measurement</i>				
Financial investments	10	-	6	16
Derivative instruments	-	98	-	98
Advances measured at FVTPL	-	414	1,450	1,864
Total	10	512	1,456	1,978

31 March 2022 (unaudited)**Financial assets***Recurring fair value measurement*

Financial Investments	-	156	-	156
Derivative instruments	-	63	-	63
Total	-	219	-	219

30 September 2022 (audited)**Financial assets***Recurring fair value measurement*

Financial investments	-	160	-	160
Derivative instruments	-	85	-	85
Total	-	245	-	245

15.4 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
31 March 2023 (unaudited)		
Assets		
JIBAR-linked interest rate swaps	Discounted cash flow swaption methodology	Yield curves, credit default spreads and JIBAR curves
Inflation-linked interest rate swaps	Discounted cash flow	Risk-free rates
Financial investments measured at fair value	Discounted cash flows	Expected cash flows
Advances measured at FVTPL	Discounted cash flows	Credit spreads, swap and prime curve

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Cross-currency interest rate swaps	Discounted cash flow Forward rate	Discount rates Forward rate
Inflation-linked interest rate swaps	Discounted cash flow	Discount and risk-free rates
Financial investments measured at fair value	Discounted cash flows	Discount rate Expected cash flows
Rmillion	Valuation basis / techniques	Significant observable inputs

30 September 2022 (audited)**Assets**

Inflation-linked interest rate swaps	Discounted cash flow	Risk-free rates
Financial investments measured at fair value	Discounted cash flows	Expected cash flows

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)
31 March 2023 (unaudited)					
Financial investments in private equity investments and unit trust	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)

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for the six months ended 31 March 2023**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS***Assets and liabilities measured at fair value or for which fair values are disclosed continued...***15.5 Assets and liabilities for which fair value is disclosed**

Rmillion	Level 1	Level 2	Level 3	Total	Carrying value
31 March 2023 (unaudited)					
Financial assets					
Government bonds	2,442	-	-	2,442	2,561
Treasury bills and debentures ¹	5,707	-	-	5,707	5,709
Deposits with SARB	-	831	-	831	831
Net advances at amortised cost ²	-	-	33,283	33,283	30,493
Total	8,149	831	33,283	42,263	39,594
Financial liabilities					
Short-term funding	-	12,602	7727	20,329	22,991
Unsecured bonds (listed on JSE) ¹	-	2,128	-	2,128	1,841
Unsecured bonds (listed on foreign stock exchange)	-	-	-	-	-
Unsecured long-term loans	-	492	8593	9,085	9,109
Total	-	15,222	16,320	31,542	33,941
31 March 2022 (unaudited)					
Financial assets					
Government bonds	2,418	-	-	2,418	2,450
Deposits with South African Reserve Bank	-	385	-	385	385
Net advances at amortised cost ²	-	-	21,260	21,260	19,628
Total	2,418	385	21,260	24,063	22,463
Financial liabilities					
Short-term funding ³	-	1,293	4,382	5,675	5,700
Unsecured bonds (listed on JSE) ¹	-	3,179	-	3,179	2,982
Unsecured long-term loans ³	-	654	6,585	7,239	7,206
Total	-	5,126	10,967	16,093	15,888
30 September 2022 (audited)					
Financial assets					
Government bonds	2,240	-	-	2,240	2,444
Deposits with SARB	-	445	-	445	445
Net advances at amortised cost ²	-	-	26,113	26,113	22,647
Total	2,240	445	26,113	28,798	25,536
Financial liabilities					
Short term funding	-	752	5,002	5,754	5,756
Unsecured bonds (listed on JSE) ¹	-	3,006	-	3,006	2,930
Unsecured long- term loans	-	609	7,309	7,918	7,918
Total	-	4,367	12,311	16,678	16,604

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;
- accounts receivables and other assets; and
- creditors and accruals.

¹ The fair value of listed bonds reflects the current listed price as at the end of the 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 R24,773 million (31 March 2022: R19,671 million, 30 September 2022: R24,516 million) and Business Banking advances measured at amortised cost is R8,510 million (31 March 2022: R1,533 million, 30 September 2022: R1,597 million).

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**16. Analysis of classification of financial assets and liabilities****16.1 Analysis of classification of financial assets**

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

Rmillion	Notes	Amortised cost	Financial instruments mandatorily at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Non-financial instruments	Total	Current	Non-current
31 March 2023 (unaudited)								
Cash and cash equivalents	4	2,578	-	-	-	2,578	2,578	-
Financial investments	5	-	16	-	-	16	16	-
Regulatory deposits and sovereign debt securities	6	8,262	-	-	-	8,262	8,262	-
Net advances	2	30,493	1,473	414	-	32,380	-	32,380
Deferred tax assets	7	-	-	-	1,405	1,405	-	1,405
Current tax assets		-	-	-	16	16	16	-
Property and equipment and right of use asset		-	-	-	673	673	-	673
Accounts receivable and other assets		203	-	-	236	439	203	236
Intangible assets		-	-	-	263	263	-	263
Investment in insurance contracts	8	-	-	-	598	598	-	598
Derivatives		-	98	-	-	98	-	98
Goodwill	18	-	-	-	115	115	-	115
Total assets		41,536	1,587	414	3,306	46,843	11,075	35,768
31 March 2022 (unaudited) (restated)								
Cash and cash equivalents ¹	4	3,396	-	-	-	3,396	3,396	-
Financial investments	5	-	156	-	-	156	156	-
Regulatory deposits and sovereign debt securities ¹	6	2,443	-	-	-	2,443	2,443	-
Net advances	2	19,628	-	-	-	19,628	-	19,628
Deferred tax asset	7	-	-	-	1,030	1,030	-	1,030
Property and equipment		-	-	-	536	536	-	536
Accounts receivable and other assets		308	-	-	128	436	436	-
Investment in insurance contracts	8	-	-	-	431	431	-	431
Intangible assets		-	-	-	134	134	-	134
Derivatives		-	63	-	-	63	-	63
Total assets		25,775	219	-	2,259	28,253	6,431	21,822

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

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

	Notes	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
Rmillion								
30 September 2022 (audited)								
Cash and cash equivalents ¹	4	1,544	-	-	-	1,544	1,544	-
Financial investments	5	-	160	-	-	160	160	-
Regulatory deposits and sovereign debt securities ¹	6	2,444	-	-	-	2,444	748	1,696
Net advances	2	22,647	-	-	-	22,647	9,995	12,652
Deferred tax assets	7	-	-	-	1,064	1,064	-	1,064
Property and equipment	8	-	-	-	562	562	-	562
Accounts receivable and other assets	8	88	-	-	114	202	88	114
Investment in insurance contracts	8	-	-	-	529	529	-	529
Intangible assets	8	-	-	-	153	153	-	153
Derivatives		-	85	-	-	85	-	85
Total assets		26,723	245	-	2,422	29,390	12,535	16,855

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**Analysis of classification of financial assets and liabilities continued...****16.1 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
31 March 2023 (unaudited)							
Short-term funding		22,991	-	-	22,991	22,991	-
Creditors and other liabilities		810	-	349	1,159	-	1,159
Bonds and other long-term funding		10,950	-	-	10,950	-	10,950
Total liabilities		34,751	-	349	35,100	22,991	12,109
31 March 2022 (unaudited)							
Short-term funding		5,700	-	-	5,700	5,700	-
Creditors and accruals		568	-	269	837	-	837
Current tax liability	7	-	-	5	5	5	-
Bonds and other long-term funding		10,188	-	-	10,188	-	10,188
Subordinated bonds		-	-	-	-	-	-
Total liabilities		16,456	-	274	16,730	5,705	11,025
30 September 2022 (audited)							
Short-term funding		5,756	-	-	5,756	5,756	-
Creditors and other liabilities		476	-	411	887	768	119
Current tax	7	-	-	12	12	12	-
Bonds and other long-term funding		10,848	-	-	10,848	32	10,816
Total liabilities		17,080	-	423	17,503	6,568	10,935

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for the six months ended 31 March 2023**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****17. Related party information**

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

17.1 Balances with related parties

R'000	As at 31 March 2023 (unaudited)	As at 31 March 2022 (unaudited)	30 September 2022 (audited)
Gross advances			
Key Management Personnel ¹	7,219	302	722
Deposits			
Key Management Personnel ²	28,819	47,610	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.**17.2 Transactions with related parties are disclosed below**

R'000	As at 31 March 2023 (unaudited)	As at 31 March 2022 (unaudited)	30 September 2022 (audited)
Interest income			
Key Management Personnel	175	18	81
Interest paid			
Key Management Personnel	205	87	172
Facility commitment fee - Shareholder backed facility¹	-	8,975	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 Group.

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

¹ Over the course of the last three years, the Group 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 Group is of the view that it has served its intended purpose of providing the capital markets the confidence needed to support the Group's fund-raising activities.**18. Business combinations****18.1 Accounting policy****Business combinations**

The Group 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 Group has not applied the optional 'concentration test'.

When the Group 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 date.

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.

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**Business combinations continued...**

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 Group'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.

Subsidiaries:

Subsidiaries are entities controlled by the Group. The Group 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. The Group reassesses whether it has control if there are changes to one or more of the elements of control.

The Financial Statements of the subsidiaries are included in the Consolidated Financial Statements from the date on which control commences and until the date that control ceases. Intra-group balances and transactions, and unrealised income and expenses (excluding foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated on consolidation.

18.2 Acquisition of Grindrod Financial Holdings Limited Group

ABL acquired 100% of the ordinary share capital of Grindrod Financial Holdings Limited ("GFH") which represents 100% of GFH's voting rights and ABL also acquired 100% of the preference shares issued by Grindrod Bank Limited ("GBL"), a 100% 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 Consolidated Financial Statements ("IFRS 10")), is 1 November 2022. This acquisition was carried out to enable ABL to accelerate its entry into the South African 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).

R'million	Fair value recognised on acquisition on 1 November 2022
Assets	
Property and equipment and right of use asset	24
Net advances	8,296
Financial investments	6
Deferred tax assets	22
Accounts receivable and other assets	78
Current tax assets	13
Cash and cash equivalents	1,407
Intangible assets	64
Regulatory deposits and sovereign debt securities	5,250
Derivatives	5
Total assets	15,165
Liabilities	
Short-term funding and long term funding	(13,210)
Creditors and other liabilities	(122)
Total liabilities	(13,332)

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**Business combinations continued...**

Total identifiable net assets at fair value	1,833
Gain on bargain purchase (SOCl)	(276)
Purchase consideration transferred	1,557

From the date of acquisition up until 31 March 2023, GFH contributed R489 million to interest income and R91 million to profit before tax of the Group.

The acquisition gave rise to a gain on bargain purchase of R276 million, which has been included in the Statement of Comprehensive Income. The fair value of identifiable net assets exceeding the purchase consideration has resulted in a gain on bargain purchase. An external valuation was performed by valuation experts, who identified that the fair value of loans and 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 acquisition.

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

18.3 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 Consolidated Financial Statements ("IFRS 10")) on 1 November 2022. This acquisition fits into the Group'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 and equipment and right of use 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 31 March 2023, the assets and liabilities acquired from Ubank Limited contributed R82 million to interest income and R11 million to profit before tax of the Group.

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.

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Unaudited Consolidated Condensed Interim Financial Statements
for the six months ended 31 March 2023**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****19. Operating segments****19.1 Accounting policy**

An operating segment is a component of the Group 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 Group 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 Group'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 Group has the following reportable segments, which offer different products and services in South Africa. Each segment is managed separately based on the Group's management structure and internal reporting structure. Operating results are reviewed by the CODM on a monthly basis.

19.2 Segment information

Reportable segment	Operations
Consumer Banking	Loans, overdrafts, cards, deposits, insurance and other transactions with retail customers.
Business Banking	Loans, revolving facilities, deposits and other transactions with corporate customers and SMEs.

"Consolidation adjustments" does not meet the requirements of an operating segment, but is shown to reconcile segmental disclosure to Group disclosure.

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

Rmillion	31 March 2023 (unaudited)				
	Consumer Banking	Business Banking	Subtotal	Consolidation adjustments	Total
Statement of Comprehensive Income					
Interest income on advances	3,325	592	3,917	(3)	3,914
Credit impairment charge	(2,228)	(12)	(2,240)	-	(2,240)
Interest on advances after impairment	1,097	580	1,677	(3)	1,674
				-	
Other interest income	211	-	211	2	213
Interest expense and similar charges ²	(749)	(404)	(1,153)	14	(1,139)
Net interest income	559	176	735	13	748

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Unaudited Consolidated Condensed Interim Financial Statements
for the six months ended 31 March 2023**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****Operating segments continued...**

Rmillion	31 March 2023 (unaudited)				
	Consumer Banking	Business Banking	Subtotal	Consolidation adjustments	Total
Non-interest income	558	110	668	-	668
Movement in remeasurement of insurance contracts	339	-	339	(270)	69
Dividends income	-	-	-	270	270
Gain on bargain purchase	-	-	-	276	276
Operating costs ¹	(2,155)	(164)	(2,319)	-	(2,319)
Indirect taxation: VAT	(20)	(5)	(25)	-	(25)
Profit /(loss) before taxation	(719)	117	(602)	289	(313)
Taxation	268	(5)	263	6	269
Profit /(loss) for the year	(451)	112	(339)	295	(44)

Statement of Financial Position

Cash and cash equivalents	1,745	1,179	2,924	(346)	2,578
Financial investments	10	6	16	-	16
Regulatory deposits and sovereign debt securities	3,946	4,316	8,262	-	8,262
Derivatives	95	3	98	-	98
Net advances	21,688	10,657	32,345	35	32,380
Accounts receivable and other assets	354	86	440	(1)	439
Investment in insurance contracts	-	-	-	598	598
Property and equipment and right of use asset	654	19	673	-	673
Intangible assets	207	-	207	56	263
Deferred tax assets	1,388	66	1,454	(49)	1,405
Current tax	25	(9)	16	-	16
Goodwill	-	-	-	115	115
Investments	1,557	-	1,557	(1,557)	-
Total assets	31,669	16,323	47,992	(1,149)	46,843
Creditors and other liabilities	1,080	66	1,146	13	1,159
Short-term and long term funding	21,827	12,521	34,348	(407)	33,941
Total liabilities	22,907	12,587	35,494	(394)	35,100

¹ 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.

² "Interest expense and similar charges" includes "Foreign exchange (loss)/gain recognised on translation", "Income from core income funds" and "Fair value gains/(losses) from derivatives assets and liabilities" for segmental reporting purposes.

20. Events after the reporting date

There were no matters or circumstances arising since the reporting date, not otherwise dealt with in the Unaudited Consolidated Condensed Interim Financial Statements, which significantly affected the financial position as at 31 March 2023, or the results of its operations or cash flows for the period then ended.

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Unaudited Consolidated Condensed Interim Financial Statements

for the six months ended 31 March 2023

ANNEXURE A: ACRONYMS AND ABBREVIATIONS

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

ABHL	African Bank Holdings Limited
ABL	African Bank Limited
AIG	African Insurance Group Limited
ALCO	Asset and Liability Committee
Bank	African Bank Limited
CAR	Capital Adequacy Ratio
CHF	Swiss Franc
CEO	Group Chief Executive Officer
CFO	Group Chief Financial Officer
CMC	Credit and Models Committee
CRO	Group Chief Risk Officer
COVID-19	Coronavirus
CPI	Consumer Price Index
DMTN	Domestic medium-term note programme
ECL	Expected credit losses
EMTN	Euro medium-term note programme
Exco	Executive Committee
FSB	Financial Services Board
FVTPL	Fair value through profit or loss
GBL	Grindrod Bank Limited
GFH	Grindrod Financial Holdings Limited
GFH Group	Grindrod Financial Holdings Limited Group
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
ICAAP	Internal Capital Adequacy and Assessment Process
IFRIC	IFRS Interpretations Committee of IASB
IFRS	International Financial Reporting Standards
IT	Information Technology
JIBAR	Three months Johannesburg interbank agreed rate
JSE	JSE Limited
LTIP	Long-term incentive plan
MMIJV	MMI Joint Venture
MRC	Model Risk Committee
NACA	Nominal annual compounded annually
NACM	Nominal annual compounded monthly
NACQ	Nominal annual compounded quarterly
NACS	Nominal annual compounded semi-annually
NCA	National Credit Act No 34 of 2005
Rm / Rmillion	Millions of rand
RSA	Republic of South Africa
PSI	Portfolio Specific Impairment
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

RO	Thousands of rand
RCMC	Risk and Capital Management Committee
RDS	Residual Debt Services Limited (under curatorship)
TAA	Tax Administration Act
The Bank Act	The Banks Act No. 94 of 1990
The Companies Act	The Companies Act No. 71 of 2008
Tier I	Primary capital
Tier II	Secondary capital
UB	Ubank Limited
USD	United States Dollar
VAT	Value Added Tax
ZAR	South African Rand

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ANNEXURE B: CORPORATE INFORMATION

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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