African Bank Limited

CONDENSED

INTERIM FINANCIAL STATEMENTS

for the half-year ended ***31 March 2022***

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

African Bank
Audacity to believe

African Bank Limited

(Registration Number 2014/176899/06)
Condensed Interim Financial Statements
for the six months ended 31 March 2022

Index

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The Directors are responsible for the preparation and fair presentation of the Bank's Condensed Interim Financial Statements, comprising the Consolidated Statement of Financial Position as at 31 March 2022, the Statement of total Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the six month period ended 31 March 2022, the notes to the 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.

The Directors' responsibilities include:

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

The Directors have made an assessment of the Bank'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 2022 interim financial period and up to 20 May 2022:

Appointments:

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

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

Resignations:

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

G Raubenheimer will be appointed as Acting Group Executive - Lending Decisions and Data Sciences, pending approval from the Prudential Authority. The process to appoint the new Group Chief Financial Officer ("CFO") is currently underway and will not be finalised by 30 April 2022. The Board has requested Mr Raubenheimer to continue to serve in the role of the CFO and Executive Director until a suitable replacement has commenced employment with African Bank Holdings Limited ("ABHL"), African Bank Limited ("ABL") and its subsidiaries.

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

The following changes in Board committees have taken place during the 2022 interim financial period and up to 20 May 2022:

Appointments:

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

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

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

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

New Committees:

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

- T Dloti (Chairperson)
- H Ralinala
- P Temple
- R Hutchinson-Keip
- S Georgopoulos
- L Dlamini with effect from 1 April 2022
- K Bungane - CEO
- G Raubenheimer - CFO
- P Swanepoel - CRO
- B Motshoane – as Proxy for Head of Credit Risk

Resignations

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

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

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

APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The Condensed Interim Financial Statements found on pages 4 to 39 were approved by the Board of Directors on 20 May 2022 and are signed on its behalf by:

DocuSigned by:
Kennedy Bungane
83B24F68B6154E8...

K Bungane
Director

DocuSigned by:
124E3114598642F...

G Raubenheimer
Director

Midrand
20 May 2022

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

African Bank Limited

(Registration Number 2014/176899/06)

Condensed Interim Financial Statements

for the six months ended 31 March 2022

STATEMENT OF FINANCIAL POSITION

Rmillion	Notes	31 March 2022 (unaudited)	31 March 2021 (unaudited) (restated)	30 September 2021 (audited)
Assets				
Cash and cash equivalents	2	3,006	3,179	3,234
Financial investments	3	156	1,341	2,081
Regulatory deposits and sovereign debt securities	4	2,828	2,159	3,387
Derivatives		63	19	42
Net advances	5	19,628	16,698	16,462
Accounts receivable and other assets		435	199	182
Property and equipment and right of use asset		536	672	602
Intangible assets		134	114	138
Deferred tax assets	7	1,030	1,176	1,134
Total assets		**27,816**	**25,557**	**27,262**
Liabilities and equity				
Liabilities				
Current tax	7	-	83	83
Creditors and other liabilities		836	898	974
Short-term funding[1, 2]		7,246	6,489	7,777
Bonds and other long-term funding[1, 2]		10,188	8,897	9,139
Subordinated bonds		-	1,523	-
Total liabilities		**18,270**	**17,890**	**17,973**
Equity				
Ordinary share capital		5	5	5
Ordinary share premium		11,480	9,995	11,480
Retained income		(1,939)	(2,333)	(2,196)
Total equity		**9,546**	**7,667**	**9,289**
Total equity and liabilities		**27,816**	**25,557**	**27,262**

[1] *Prior period comparative restated, refer to restatement note 18.1.1.*

[2] *Included in short-term funding and bonds and other long-term funding are retail deposits of R4372 million and R6585 million respectively, (31 March 2021: R3321 million and R5301 million, 30 September 2021: R4189 million and R6126 million).*

African Bank Limited

(Registration Number 2014/176899/06)
Condensed Interim Financial Statements
for the six months ended 31 March 2022

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Rmillion	Notes	For the six months ended 31 March 2022 (unaudited)	For the six months ended 31 March 2021 (unaudited) (restated)	30 September 2021 (audited)
Interest income on advances	8	2,716	2,609	4,958
Credit impairment charge	9	(658)	(850)	(1,341)
Interest on advances after impairment		**2,058**	**1,759**	**3,617**
Other interest income	8	147	74	228
Interest expense and similar charges	10	(609)	(665)	(1,329)
Income from core income funds		16	23	64
Foreign exchange (loss)/gain recognised on translation		(5)	154	154
Fair value gains/(losses) from derivatives assets and liabilities		12	(170)	(157)
Net interest income		**1,619**	**1,175**	**2,577**
Non-interest income[1]	11	320	308	618
Operating costs[1]	12	(1,516)	(1,521)	(3,062)
Indirect taxation: VAT		(67)	(140)	(132)
Operating profit/(loss)		**356**	**(178)**	**1**
Profit /(loss) before taxation		**356**	**(178)**	**1**
Taxation		(99)	43	1
Profit/(loss) for the year		**257**	**(135)**	**2**
Attributable to:				
Owner of African Bank Limited		**257**	**(135)**	**2**
Total comprehensive profit for the year		**257**	**(135)**	**2**

[1] *Prior period comparative restated, refer to restatement note 18.1.2.*

The Bank had no other comprehensive income for the period under review.

African Bank Limited

(Registration Number 2014/176899/06)
Condensed Interim Financial Statements
for the six months ended 31 March 2022

STATEMENT OF CHANGES IN EQUITY

Rmillion	Ordinary share capital	Ordinary share premium	Retained income	Total
Balance at 30 September 2020	5	9,995	(2,198)	7,802
Total comprehensive (loss) for the period	-	-	(135)	(135)
Balance at 31 March 2021	**5**	**9,995**	**(2,333)**	**7,667**
Total comprehensive profit for the period	-	-	137	137
Issue of equity[1]	-	1,485	-	1,485
Balance at 30 September 2021	5	**11,480**	**(2,196)**	**9,289**
Total comprehensive profit for the period	-	-	257	257
Balance at 31 March 2022	**5**	**11,480**	**(1,939)**	**9,546**

[1] The Bank issued 1 share to the value of R1 485 million which was fully paid up in the 2021 financial period

STATEMENT OF CASH FLOWS

Rmillion	Notes	For the six months ended 31 March 2022 (unaudited)	For the six months ended 31 March 2021 (unaudited) (restated)	30 September 2021 (audited) (restated)
Cash flows from operating activities[1]				
Cash utilised in operations	13	(364)	(869)	(1,954)
Interest received[1,2]		2,891	3,157	4,983
Interest (paid)		(397)	(513)	(968)
Direct taxation (paid)		(78)	-	-
Indirect taxation (paid) / received		(45)	8	72
Movement in assets and liabilities				
(Increase)/decrease in gross advances[1]		(4,529)	(607)	(647)
Decrease/(increase) in regulatory deposits and sovereign debt securities		566	(390)	(1,636)
Increase in customer deposits		319	2,230	3,469
Increase in transactional banking deposits raised		138	278	544
(Increase)/decrease in other assets		(253)	1	19
(Decrease)/increase in other liabilities		(155)	(11)	139
Increase/(decrease) in deferred fees and other items related to advances		5	(8)	149
Net cash (outflow) / inflow from operating activities		**(1,902)**	**3,276**	**4,170**
Cash flows from investing activities				
Acquisition of property and equipment		(25)	(3)	(30)
Acquisition of intangible assets		(12)	(16)	(46)
Proceeds from disposal of property and equipment		-	1	1
Net financial investments disposed/(made) during the period		1,907	691	3
Net cash (outflow)/inflow from investing activities		**1,870**	**673**	**(72)**
Cash flows from financing activities				
Net long-term tenure funding raised/(redeemed)		(1,810)	(2,326)	(3,955)
Long-term funding raised		605	362	984
Long-term funding redeemed		(2,415)	(2,688)	(3,454)
Subordinated funding redeemed		-	-	(1,485)
Net short-term tenure funding raised/(redeemed)		1,706	(89)	(133)
Short-term funding raised		2,464	333	423
Short-term funding redeemed		(758)	(422)	(556)
Principal payment of lease liabilities		(72)	(67)	(122)
Share issue				1,485
Redemption of derivative instruments		(12)	(302)	(129)
Net cash outflow from financing activities		**(188)**	**(2,784)**	**(2,854)**
Increase/(decrease) in cash and cash equivalents		(220)	1,165	1,244
Cash and cash equivalents at the beginning of the year		3,235	2,030	2,030
Effect of exchange rate changes on cash and cash equivalents		(9)	(15)	(39)
Cash and cash equivalents at the end of the year		**3,006**	**3,180**	**3,235**

[1] The presentation of the cash flow from operations has been revised in the current year. The prior year comparatives, for interim as at 31 March 2021 as well as final as at 30 September 2021, have been restated to align with the revised layout of this note. Refer to note 18.1.3.

[2] Interest received comprises of interest received from cash and cash equivalent, financial investments and customers.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. General information

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

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

The Bank conducts the business of retail banking with the core product offering consisting of unsecured lending (personal loans and credit cards), transactional banking (including overdrafts) and retail investments. In the current period the Bank has extended it's product offering to include corporate lending.

The Bank is a 100% owned subsidiary of African Bank Holdings Limited ("ABHL"). ABHL is an unlisted registered bank-controlling company under the Banks Act and the Bank has debt listed on the JSE. 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 Investment Solutions Proprietary Limited (4.95%), Nedbank Limited (4.10%), Investec Bank Limited (2.45%), and Capitec Bank Limited (1.00%). The percentages in brackets indicate percentage holding.

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

1.1 Accounting policies

1.1.1 Statement of compliance

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

1.1.2 Basis of preparation

The Bank's 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.

1.1.3 Application of the going concern principle

The Board (and its sub-committees) continues to assess the Bank's budgets and cash flow forecasts in considering the Bank's going concern assumption with respect to current and future economic conditions. The approach is consistent with that of 30 September 2021. Where appropriate, the factors considered then have been updated for any changes and developments observed in the last six months.

The assessment entailed the consideration of the adequacy of the Bank's capital and liquidity to meet its operations and strategies during the current and foreseeable economic conditions. This was done by analysing the impact of the macroeconomic outlook on the Bank's forecast growth in earnings and balance sheet management to determine the impact to the Bank's financial outlook and operations. Expected outcomes or scenarios were established and tested for sensitivity. The assessment undertaken by the Bank noted above, funding raised from the retail and wholesale markets as well as the shareholder-backed funding demonstrates a positive future outlook for the Bank. The going concern assumption basis continues to apply.

1.2 Significant accounting policies

These Bank Condensed Interim Financial Statements should be read in conjunction with the 2021 annual financial statements, which were prepared in accordance with IFRS. The accounting policies are consistent with those reported in the previous period.

No new or amended IFRS and interpretations become effective for the six months ended 31 March 2022 which would impact the Bank's financial statements or the accounting policies.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

General information continued...

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

1.3 Restatements

The September 2021 Annual Financial Statements were restated to take into account prior period errors, as well as changes in the presentation of the Statement of Cash Flows, refer to the 2021 Annual Financial Statements for the full impact of the restatements for the period then ended. The consequential impact of these restatements resulted in the restatements to the 31 March 2021 financial results. These restatements are discussed in detail in note 18.1.1 to note 18.1.2. For the changes in presentation of the Statement of Cash Flows, refer to note 18.1.3.

1.4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Bank's accounting policies, management is required to make judgements, estimates and assumptions that relate to impairment provisions for loans and 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 principal considerations applied by management in making judgements, estimates and assumptions relate to expected credit loss ("ECL") provisions for loans and advances and the fair value estimates of financial assets.

In preparing these Condensed Interim Financial Statements, the significant judgments made by management in applying the Bank's accounting policies and key sources of estimation uncertainty were largely the same as those that applied to the annual financial statements for the period ended 30 September 2021.

Below is an overview of the estimates and assumptions that changed post 30 September 2021.

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

In the prior period, the Bank held an overlay on the ECL model to take into account their risk associated with the collection of advances as a result of retrenchments. The payment of the extended insurance benefits mitigate this risk and as a result, management has approved the release of this overlay amounting to R115 million. The extention benefits to the insurance policy resulted in a decrease in the loss given default (LGD) and improved the recovery rate. Refer to note 18.2.1.

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

DebiCheck has been active for 5 months in the current financial period, therefore, the Bank does not have a sufficient amount of data to assess the performance of DebiCheck to recalibrate the LGD models. However, the overlay on the ECL models raised in the prior financial period of R260 million was deemed to be adequate and has not been readjusted in the current period.

Management have considered the inflationary impact on customers and the collection risk stemming from the on-going Russia and the Ukraine conflict. Specific consideration was given to the potential inflationary impact on food and public transportation pricing relevant to African Bank customers. Given the current level of information to model the expected impact, management took a prudent view to hold a model overlay until such time that the information on this impact is more readily available to incorporate into the models. Therefore, instead of adjusting the downturn scenario or adjusting the weighting of the scenarios, management has elected to hold an overlay on the ECL models amounting to R289 million. Management made assumptions around the population of customers that will be impacted by the inflationary impact on food and public transport price as well as the economic impacts that will impact this population.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

2. Cash and cash equivalents

Rmillion	31 March 2022 (unaudited)	31 March 2021 (unaudited)	30 September 2021 (audited)
Call deposits	**2,923**	**3,109**	**3,189**
ZAR	2,354	1,967	2,611
Foreign denominated	569	1,142	578
Current accounts	**83**	**71**	**46**
Gross cash and cash equivalents	**3,006**	**3,180**	**3,235**
Non-cash adjustment: ECL[1]	-	(1)	(1)
Net cash and cash equivalents	**3,006**	**3,179**	**3,234**
Maximum exposure to credit risk	**3,006**	**3,179**	**3,234**

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

3. Financial investments

Rmillion	31 March 2022 (unaudited)	31 March 2021 (unaudited)	30 September 2021 (audited)
Investment in core income funds[1]	**156**	**1,341**	**2,081**
Total	**156**	**1,341**	**2,081**

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

4. Regulatory deposits and sovereign debt securities

Rmillion	31 March 2022 (unaudited)	31 March 2021 (unaudited)	30 September 2021 (audited)
Listed	**2,450**	**1,778**	**3,005**
Treasury bills	-	1,232	-
Bonds	2,450	546	3,005
Unlisted			
Deposits with the South African Reserve Bank[1]	385	381	382
Gross regulatory deposits and sovereign debt securities	**2,835**	**2,159**	**3,387**
Adjustment: ECL[2]	(7)	-	-
Net regulatory deposits and sovereign debt securities	2,828	2,159	3,387
Maximum exposure to credit risk	**2,828**	**2,159**	**3,387**

Regulatory deposits and sovereign debt securities with a carrying value of R1,183 million (September 2021: R1,146 million) are held by the South African Reserve Bank in terms of the Banks Act and regulations thereto, and are not available for day-to-day operations.

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

5. Net advances

Rmillion	31 March 2022 (unaudited)	31 March 2021 (unaudited)	30 September 2021 (audited)
Gross advances	**28,743**	**25,518**	**25,372**
Originated book[1]	28,032	24,460	24,454
Acquired book[2]	711	1,058	918
Deferred fees	(255)	(93)	(250)
Gross advances after deferred origination and administration fees	28,488	25,425	25,122
Retail advances	26,954	25,425	25,122
Corporate advances	1,534	-	
Balance of impairment provision at the end of the year	**(8,860)**	**(8,727)**	**(8,660)**
Balance of impairment provision at the beginning of the year	(8,660)	(8,646)	(8,646)
Impairment provisions raised on retail advances	(1,097)	(1,211)	(2,166)
Impairment provisions raised on corporate advances	(38)	-	-
Impairment provisions raised on interest from stage 3 advances	(329)	(518)	(972)
Impairment provision released upon write-offs of underlying exposure	1,264	1,648	3,124
Net advances	**19,628**	**16,698**	**16,462**
Undrawn irrevocable retail advances commitments	681	631	645
Undrawn irrevocable corpoarate advances commitments	366	-	-
Maximum exposure to credit risk	**20,675**	**17,329**	**17,107**

[1] *The advances balance includes modification losses amounting to R793 million (31 March 2021: R719 million, 30 September 2021: R781 million). This includes advances with an amortised cost of R418 million (31 March 2021: R364 million, 30 September 2021: R805 million) modified during the current period. Refer below.*

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

Modification of advances in the current period measured at amortised cost

	31 March 2022 (unaudited)		31 March 2021 (unaudited)		30 September 2021 (audited)	
Rmillion	Amortised cost before modification	Net modification (gain)/loss	Amortised cost before modification	Net modification (gain)/loss	Amortised cost before modification	Net modification (gain)/loss
Debt-Counselling						
Originated book	418	301	364	279	805	605
Acquired book	72	(2)	79	(6)	33	(7)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

Reconciliation of ECL and retail and corporate gross advances of originated and acquired advances as at 31 March 2022
The below ECL movements depict the differential movements when exposures transfer to or from the different stages

Rmillion	ECL					Gross advances[4]					
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total originated book	Acquired book
		SICR	Arrears				SICR	Arrears			
Retail advances											
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

Net advances continued...

Rmillion	ECL					Gross advances[4]					
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total originated book	Acquired book
		SICR	Arrears				SICR	Arrears			
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 retail advances[1]	205	187	184	39	615	4,211	961	550	57	5,779	-
Issuance of corporate 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 retail advances originating during the reporting period (which are not included in opening balances) are raised based on the advances' ECL stage as at the end of the reporting period and are included within 'ECL on new retail advances'.*

[2] *The decrease in the advances as a result of the write-off is equal to the decrease in ECL, as advances are 100% provided for before being written off. The contractual amount outstanding on advances that were written off during the current reporting period that are still subject to enforcement activities is R1,264 million (refer to credit impairment charges, note 9.).*

[3] *The were no changes due to arrears profile or changes in balances of corporate advances.*

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

Net advances continued...

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

In the 31 March 2021 condensed interim financial statements, the negative impact of Covid-19 and retrenchments on the ECL was substantially included via the event driven management impairment overlays with limited data input and historic information to reliably calculate the ECL impact on available model data. Subsequently, the ECL models were recalibrated with recent observed behaviour between April 2021 and September 2021 which increased the model calculated ECL, whilst releasing the event driven management impairment overlays related to Covid-19 and retrenchments. Impairment overlays of the Credit amendment Bill that was held on ECL has been released due to uncentainty on the implementation date of the Credit Amendment Act. Included for 2022 is an event driven management impairment overlay for DebiCheck and recent Russia-Ukraine war and its effect on inflation, refer to note 1.4.

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

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

	ECL					Gross advances				
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total
Rmillion		SICR	Arrears				SICR	Arrears		
Opening balance 1 October 2020	432	872	1,572	5,770	8,646	8,444	4,359	3,733	8,460	24,996
Changes due to movements in arrears profile of advances	**(7)**	**(265)**	**13**	**1,785**	**1,526**	**(148)**	**(1,351)**	**(240)**	**1,954**	**215**
Transfer from stage 1	-	182	290	130	602	-	903	686	191	1,780
Transfer from stage 2: SICR	74	-	279	214	567	1,440	-	660	313	2,413
Transfer from stage 2: Arrears	8	26	-	954	988	164	130	-	1,399	1,693
Transfer from stage 3	-	5	32	-	37	8	24	76	-	108
Transfer to stage 1	-	(288)	(69)	(6)	(363)	-	(1,440)	(164)	(8)	(1,612)
Transfer to stage 2: SICR	(46)	-	(55)	(16)	(117)	(903)	-	(130)	(24)	(1,057)
Transfer to stage 2: Arrears	(35)	(132)	-	(52)	(219)	(686)	(660)	-	(76)	(1,422)
Transfer to stage 3	(10)	(63)	(591)	-	(664)	(191)	(313)	(1,399)	-	(1,903)
Transfer to write off/ balance growth up to write-off	2	5	127	561	695	20	5	31	159	215

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

Rmillion	ECL					Gross advances				
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total
		SICR	Arrears				SICR	Arrears		
Changes due to changes in balances of advances	**22**	**155**	**(238)**	**(1,375)**	**(1,436)**	**133**	**694**	**(296)**	**(1,375)**	**(844)**
Change due to movement in balances of existing advances	(35)	(44)	(60)	164	25	(683)	(223)	(142)	241	(807)
Modifications that did not give rise to de-recognition	-	-	-	-	-	-	(3)	(3)	(35)	(41)
New advances [1]	100	268	72	12	452	1,616	1,235	180	16	3,047
Change due to de-recognition (other than write-off)	(41)	(62)	(61)	(101)	(265)	(798)	(308)	(142)	(147)	(1,395)
Change due to write-off [2]	(2)	(7)	(189)	(1,450)	(1,648)	(2)	(7)	(189)	(1,450)	(1,648)
Changes due to change in model assumptions	**57**	**99**	**(118)**	**(47)**	**(9)**	**-**	**-**	**-**	**-**	**-**
Change in ECL due to write-off policy change	-	-	-	-	-	-	-	-	-	-
Changes due to changes in model assumptions	57	99	(118)	(47)	(9)	-	-	-	-	-
Closing balance 31 March 2021	**504**	**861**	**1,229**	**6,133**	**8,727**	**8,429**	**3,702**	**3,197**	**9,039**	**24,367**

African Bank Limited

(Registration Number 2014/176899/06)
Condensed Interim Financial Statements
for the six months ended 31 March 2022

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

Reconciliation of ECL and retail gross advances of originated advances as at 30 September 2021

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

Rmillion	ECL					Gross advances					
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total originated book	Acquired book
		SICR	Arrears				SICR	Arrears			
Opening balance 1 October 2020	432	872	1,572	5,770	8,646	8,444	4,359	3,733	8,460	24,996	1,286
Changes due to movements in arrears profile of advances	**134**	**(266)**	**112**	**2,626**	**2,606**	**(362)**	**(2,053)**	**(431)**	**2,739**	**(107)**	**(195)**
Transfer from stage 1	-	117	301	394	812	-	590	716	593	1,899	-
Transfer from stage 2: SICR	70	-	262	477	809	1,379	-	624	718	2,721	-
Transfer from stage 2: arrears	10	20	-	1,006	1,036	202	103	-	1,515	1,820	-
Transfer from stage 3	1	4	31	-	36	13	22	74	-	109	-
Transfer to stage 1	-	(275)	(85)	(8)	(368)	-	(1,379)	(202)	(13)	(1,594)	-
Transfer to stage 2: SICR	(30)	-	(43)	(15)	(88)	(590)	-	(103)	(22)	(715)	-
Transfer to stage 2: arrears	(37)	(124)	-	(49)	(210)	(716)	(624)	-	(74)	(1,414)	-
Transfer to stage 3	(30)	(143)	(636)	-	(809)	(593)	(718)	(1,515)	-	(2,826)	-
Transfer to write-off/ balance growth up to write-off	150	135	282	821	1,388	(57)	(47)	(25)	22	(107)	(195)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

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

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

[2] *The decrease in the advances as a result of the write-off is equal to the decrease in ECL as advances are 100% provided for before being written off. The contractual amount outstanding on advances that were written off during the current reporting period that are still subject to enforcement activities is R3,124 million (refer to credit impairment charges, note 9).*

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

6. Credit risk

6.1 Credit quality of advances per IFRS requirements

6.1.1 Advances analysis

	31 March 2022 (unaudited)			31 March 2021 (unaudited)	30 September 2021 (audited)
Rmillion	Retail advances	Corporate advances	Total	Retail advances	Retail advances
Stage 1	10,905	1,534	12,439	8,494	8,664
Stage 2	6,034	-	6,034	6,966	6,578
Stage 3	10,270	-	10,270	10,058	10,130
Originated book	9,559	-	9,559	9,000	9,212
Acquired book	711	-	711	1,058	918
Total credit exposure	**27,209**	**1,534**	**28,743**	**25,518**	**25,372**
Total ECL	**(8,822)**	**(38)**	**(8,860)**	**(8,727)**	**(8,660)**
Stage 1	(717)	(38)	(755)	(504)	(544)
Stage 2	(1,654)	-	(1,654)	(2,090)	(1,941)
Stage 3	(6,451)	-	(6,451)	(6,133)	(6,175)
Deferred fees	**(255)**	**-**	**(255)**	**(93)**	**(250)**
Net advances	**18,132**	**1,496**	**19,628**	**16,698**	**16,462**

6.1.2 Impairment as % of gross advances

	31 March 2022 (unaudited)			31 March 2021 (unaudited)	30 September 2021 (audited)
Percentage	Retail advances	Corporate advances	Total	Retail advances[1]	Retail advances
Stage 1	6.6%	2.5%	6.1%	5.9%	6.3%
Stage 2	27.4%	0.0%	27.4%	30.0%	29.5%
Stage 3	62.8%	0.0%	62.8%	61.0%	61.0%
Total impairment as a % of total gross advances	**32.4%**	**2.5%**	**30.8%**	**34.2%**	**34.1%**
Reconciliation of ECL (note 5)					
Balance at the beginning of the period	(8,660)	-	(8,660)	(8,646)	(8,646)
Impairment provision raised for suspended revenue from advances in stage 3	(329)	-	(329)	(518)	(972)
Net movement in impairment provisions (note 9.)	167	(38)	129	437	958
Impairment provision raised	(1,097)	(38)	(1,135)	(1,211)	(2,166)
Impairment provision released in respect of bad debt write-offs	1,264	-	1,264	1,648	3,124
Balance at the end of the period	**(8,822)**	**(38)**	**(8,860)**	**(8,727)**	**(8,660)**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Credit risk continued...

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

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

6.2.1 Advances analysis

Rmillion	31 March 2022 (unaudited)	31 March 2021 (unaudited)	30 September 2021 (audited)
Gross advances	**30,000**	**27,115**	**26,725**
Acquired	1,968	2,655	2,271
Originated portfolios	28,032	24,460	24,454
Deferred fees	(255)	(93)	(250)
Gross advances after deferred origination and administration fees	**29,745**	**27,022**	**26,475**
Retail advance	28,211	27,022	26,475
Corporate advances	1,534	-	-
Balance of impairment provisions at the end of the year	**(10,117)**	**(10,324)**	**(10,013)**
Balance of impairment provisions at the beginning of the year	(10,013)	(10,591)	(10,591)
Impairment provisions raised	(1,153)	(1,081)	(1,951)
Impairment provision raised for suspended revenue from advances in stage 3	(306)	(513)	(936)
Impairment provision released upon write-off of underlying exposure	1,355	1,861	3,465
Net advances	**19,628**	**16,698**	**16,462**
Undrawn irrevocable retail advances commitments	681	631	645
Undrawn irrevocable corporate advances commitments	366	-	-
Maximum exposure to credit risk	**20,675**	**17,329**	**17,107**

6.2.2 Advances analysis

	31 March 2022 (unaudited)			31 March 2021 (unaudited)	30 September 2021 (audited)
Rmillion	Retail advances	Corporate advances	Total	Retail advances	Retail advances
Stage 1	10,905	1,534	12,439	8,494	8,676
Stage 2	6,033	-	6,033	6,971	6,591
Stage 3	11,528	-	11,528	11,650	11,458
Total credit exposure	**28,466**	**1,534**	**30,000**	**27,115**	**26,725**
Total ECL	**(10,079)**	**(38)**	**(10,117)**	**(10,324)**	**(10,013)**
Stage 1	(717)	(38)	(755)	(505)	(545)
Stage 2	(1,654)	-	(1,654)	(2,097)	(1,945)
Stage 3	(7,708)	-	(7,708)	(7,722)	(7,523)
Deferred fees	**(255)**	**-**	**(255)**	**(93)**	**(250)**
Net advances	**18,132**	**1,496**	**19,628**	**16,698**	**16,462**
Impairment as % of gross advances					
Stage 1	6.6%	2.5%	6.1%	5.9%	6.3%
Stage 2	27.4%	0.0%	27.4%	30.1%	29.5%
Stage 3	66.9%	0.0%	66.9%	66.3%	65.7%
Total impairment as a % of total gross advances	**35.4%**	**2.5%**	**33.7%**	**38.1%**	**37.5%**

7. Current and deferred tax

Rmillion	31 March 2022 (unaudited)	31 March 2021 (unaudited)	30 September 2021 (audited)
Current tax asset/(liability)	-	(83)	(83)
Deferred tax asset	1,030	1,176	1,134
Total	**1,030**	**1,093**	**1,051**

7.1 Deferred tax asset

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	(74)	75
Impairment for expected credit losses	923	16	939
Prepayments	(11)	(3)	(14)
Tax impact from the buy-back of liabilities	(2)	(2)	(4)
Estimated tax loss	72	(41)	31
Total[1]	**1,134**	**(104)**	**1,030**

Rmillion	Opening balance	Deferred tax impact of items recognised in profit or loss	Closing balance
31 March 2021 (unaudited)			
Temporary differences			
Right of use asset	-	1	1
Provisions	59	44	103
Impairment for expected credit losses	938	(18)	920
Prepayments	(4)	(7)	(11)
Tax impact from the buy-back of liabilities	(1)	(1)	(2)
Estimated tax loss	141	24	165
Total[1]	**1,133**	**43**	**1,176**

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Current and deferred tax continued...

[1] *The estimated current tax loss of R31 million (31 March 2021: R165 million, 30 September 2021: R72 million) included in the deferred tax asset is largely due to the operational losses in prior years. The recoverability of the deferred tax asset is assessed by the Bank on a regular basis. The deferred tax asset recognised by the Bank will be recovered through allowable tax deductions against taxable income in future financial periods. In applying judgement in recognising deferred tax assets and the recoverability thereof, management has critically assessed all available information, including future business profit projections and the past achievement thereof. This was done by considering taxable profits forecasted over a four-year period using the approved Board budget.*

The net deferred tax asset of R1,130 million (31 March 2021: R1,176 million, 30 September 2021:R1,134 million) relates mainly to provisions, credit impairment provisions and tax losses brought forward from the prior year. Management expects the tax loss to be utilised within the current year.

8. Interest income

8.1 Interest income on advances

Rmillion	31 March 2022 (unaudited)	31 March 2021 (unaudited)	30 September 2021 (audited)
Interest on advances	2,401	2,348	4,597
Loan origination fees	160	90	30
Service fee	155	171	331
Total	**2,716**	**2,609**	**4,958**

8.2 Other interest income

Rmillion	31 March 2022 (unaudited)	31 March 2021 (unaudited)	30 September 2021 (audited)
Interest received on cash and cash equivalents	21	31	56
Sundry interest income[1]	126	43	172
Total	**147**	**74**	**228**

[1] *Sundry interest income consists of interest on regulatory deposits and sovereign debt securities. The significant increase is due to the increase in the investment in bonds.*

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

9. Credit impairment charge

Rmillion	31 March 2022 (unaudited)	31 March 2021 (unaudited)	30 September 2021 (audited)
Originated book			
Net movement in impairment provisions[1]	(129)	(437)	(958)
Gross advances written off[2]	1,264	1,648	3,124
Modification that does not give rise to de-recognition	12	41	105
Net impairment charge	**1,147**	**1,252**	**2,271**
Post write-off recoveries[3]	(305)	(115)	(286)
Sub-total: Originated book	**842**	**1,137**	**1,985**
Acquired book			
Post write-off recoveries[3]	(207)	(204)	(458)
(Favourable)/unfavourable changes in ECL	23	(83)	(186)
Sub-total: Acquired book	**(184)**	**(287)**	**(644)**
Total	**658**	**850**	**1,341**

[1] *Net movement in impairment provisions represents the impairments on retail and corporate advances (refer to the ECL reconciliation under note 6.1.2).*

[2] *Advances with this gross carrying value were written off during the financial year, resulting in a release of an equal amount of impairment provisions held being included in the above net movement in impairment provisions (refer to the ECL reconciliation under note 6.1.2).*

[3] *Post write-off recoveries are recognised less the directly attributable costs of collection of R23 million (31 March 2021: R22 million, 30 September 2021: R44 million) for the originated book and R28 million (31 March 2021: R36 million, 30 September 2021: R30 million) for the acquired book. The increased amounts of recoveries in the previous period was largely driven by insurance benefits, as well as an improvement in the economic impact which Covid-19 had on collections. The increased amount of recoveries in this period is driven primarily by the payments of the extended insurance benefits to provide customers with extended cover, resulting in an increased expectation of the Bank recovering amounts. This resulted in management reassessing the definition of write-off. Refer to the note 18.2.1.*

10. Interest expense and similar charges

Rmillion	31 March 2022 (unaudited)	31 March 2021 (unaudited)	30 September 2021 (audited)
Wholesale funding[1]	**199**	**353**	**640**
Subordinated debt	-	81	94
Unsecured listed bonds	147	216	454
Call deposits	1	-	1
Fixed deposits	39	41	65
Negotiable certificates of deposit	10	8	17
Interest on promissory notes	2	7	9
Retail and other	**410**	**312**	**689**
IFRS 16 finance cost	6	9	15
Retail funding	389	301	651
Other interest[2]	15	2	23
Total	**609**	**665**	**1,329**

[1] *The decrease in interest from wholesale funding is aligned with the Bank's strategy to reduce wholesale funding and increase retail funding.*

[2] *Other interest includes interest from transactional banking.*

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

11. Non-interest income

Rmillion	31 March 2022 (unaudited)	31 March 2021 (unaudited) (restated)	30 September 2021 (audited)
Credit card fees	84	78	157
Binder and outsourcing arrangements fees[1]	70	70	139
Collection fees[2]	95	125	237
Transactional fees	48	22	53
Commission on value-added services[3]	2	1	2
Other income[4]	21	12	30
Total	**320**	**308**	**618**

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

[2] *Fees relate to fees charged to Residual Debt Services Limited (under curatorship) (RDS) of R95 million (31 March 2021: R125 million, 30 September 2021: R237 million). Fees charged are determined on an arm's length basis and managed independently under supervision of the curator of that company. The fees charged to RDS are expected to decline as the book that is being collected upon runs down.*

[3] *Prior period comparative restated, refer to note 18.*

[4] *Other income compromise largely of early withdrawals fees on investments.*

African Bank Limited

(Registration Number 2014/176899/06)
Condensed Interim Financial Statements
for the six months ended 31 March 2022

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

12. Operating costs

Rmillion	31 March 2022 (unaudited)	31 March 2021 (unaudited) (restated)	30 September 2021 (audited)
Advertising and marketing costs[4]	110	106	220
Amortisation of intangible assets	16	17	22
Audit fees	9	10	31
Bank charges and strike costs[1]	55	63	148
Card transaction costs	92	58	129
Collection costs[4]	6	9	22
Depreciation on property and equipment	113	118	203
Direct selling and commissions	18	19	37
Information technology costs	86	93	173
Travel cost	4	3	6
Rental and maintenance costs	66	57	138
Costs related to property rentals[2]	50	40	104
Other rental and maintenance costs	16	17	34
Printing, stationery and courier costs	6	8	16
Professional fees	76	74	170
Staff costs	778	815	1,578
Basic remuneration	584	654	1,185
Employee benefits expense	110	80	219
Contribution to provident fund	68	64	127
Commission paid to sales agents	-	1	1
Executive Directors' and Prescribed Officers' remuneration	16	16	46
Non-Executive Directors' fees	3	3	7
Telephone, fax and other communication costs	42	47	101
Other expenses[3]	36	20	55
Write-off of property, plant and equipment	-	1	6
Total	**1,516**	**1,521**	**3,062**

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

[2] *Included in the costs related to property rentals is the value of the short-term and low value leases of R8 million (31 March 2021: R6 million, 30 September 2021: R30 million).*

[3] *Restated, refer to note 18.1.2*

[4] *Client rewards is reallocated from collection cost to advertising and marketing, no impact on the net operating costs.*

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

13. Cash utilised in operations

Rmillion	31 March 2022 (unaudited)	31 March 2021 (unaudited) (restated)	30 September 2021 (audited) (restated)
Profit/(loss) before tax	356	(178)	1
Adjustment for:	**(720)**	**(691)**	**(1,955)**
Indirect taxation: VAT	67	140	132
Increase in impairment of advances	1,472	1,160	2,985
Amortisation of intangible assets	16	17	22
Depreciation of property and equipment	113	118	203
Write-off of PPE and intangible assets	-	1	6
Unrealised foreign exchange differences	(1)	(154)	(74)
Loss on the bond buy-backs	-	2	-
Fair value movements on derivative instruments	(10)	170	10
Fair value adjustments on assets	-	-	-
Profit on disposal of PPE	-	(1)	(1)
Movement in other interest income accrual	(163)	(111)	(246)
Movement in interest expense accrual	579	599	1,085
Income received from lending activities[1]	(2,811)	(2,680)	(6,058)
Other adjustments on funding instruments	12	45	(35)
Finance cost from lease liability	6	9	15
Lease modification	-	(6)	1
Total	**(364)**	**(869)**	**(1,954)**

[1] *The presentation of the cash flow from operations has been revised in the current year. The prior year comparatives, for interim as at 31 March 2021 as well as final as at 30 September 2021, have been restated to align with the revised layout of this note. Refer to note 18.1.3.*

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

14.1 Valuation models

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

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

Recurring fair values

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

Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter derivatives such as swaps. Availability of observable market prices and model inputs 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 Bank and the counterparty, where appropriate.

Fair value for disclosure

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

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

General

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

Level 3 fair value disclosure – advances

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

14.2 Valuation framework

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

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

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

14.3 Fair value measurements recognised in the statement of financial position

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

Rmillion	Level 1	Level 2	Level 3	Total
31 March 2022 (unaudited)				
Financial assets				
Recurring fair value measurement				
Financial Investments		156		**156**
Derivative instruments	-	63	-	**63**
Total	-	**219**	-	**219**
31 March 2021 (unaudited)				
Financial assets				
Recurring fair value measurement				
Financial Investments		1,341		1,341
Derivative instruments	-	19	-	19
Total	-	**1,360**	-	**1,360**
30 September 2021 (audited)				
Financial assets				
Recurring fair value measurement				
Financial investments	-	2,081	-	2,081
Derivative instruments	-	42	-	42
Total	-	**2,123**	-	**2,123**

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

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

Rmillion	Valuation basis / techniques	Main assumptions	Variance in fair value measurement	Effect on profit / (loss) (after tax)
31 March 2022 (unaudited)				
Assets				
Cross-currency interest rate swaps	Discounted cash flow Forward rate	Discount rates Forward rate	10% in spot rate	-
Inflation-linked interest rate swaps	Discounted cash flow	Discount and risk-free rates	100 bps	(14)
Financial Investments measured at fair value	Discounted cash flows	Discount rate Expected cash flows	1% reduction in expected cash flows	2

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

Rmillion	Valuation basis / techniques	Main assumptions	Variance in fair value measurement	Effect on profit / (loss) (after tax)
31 March 2021 (unaudited)				
Assets				
Cross-currency interest rate swaps	Discounted cash flow Forward rate	Discount rates Forward rate	10% in spot rate	-
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	(2)
Financial Investments measured at fair value	Discounted cash flows	Expected cash flows	1% reduction in expected cash flows	13

Rmillion	Valuation basis / techniques	Main assumptions	Variance in fair value measurement	Effect on profit / (loss) (after tax)
30 September 2021 (audited)				
Assets				
Cross-currency interest rate swaps	Discounted cash flow Forward rate	Discount rates Forward rate	10% in spot rate	-
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	(2)
Financial Investments measured at fair value	Discounted cash flows	Expected cash flows	1% reduction in expected cash flows	21

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

14.5 Assets and liabilities for which fair value is disclosed

Rmillion	Level 1	Level 2	Level 3	Total	Carrying value
31 March 2022 (unaudited)					
Financial assets					
Government bonds	2,418	-	-	2,418	2,450
Treasury bills and debentures[1]	-	-	-	-	-
Deposits with South African Reserve Bank	-	385	-	385	385
Net advances[2]	-	-	21,260	21,260	19,628
Total	**2,418**	**385**	**21,260**	**24,063**	**22,463**
Financial liabilities					
Short-term funding	-	2,811	4,382	7,193	7,246
Unsecured bonds (listed on JSE)[1]	-	3,179	-	3,179	2,982
Unsecured bonds (listed on foreign stock exchange)	-	-	-	-	-
Unsecured long-term loans	-	654	6,585	7,239	7,206
Subordinated bonds	-	-	-	-	-
Total	**-**	**6,644**	**10,967**	**17,611**	**17,434**
31 March 2021 (unaudited) (restated)					
Financial assets					
Government bonds	548	-	-	548	547
Treasury bills and debentures	1,231	-	-	1,231	1,231
Deposits with South African Reserve Bank[3]	-	381	-	381	381
Net advances	-	-	17,889	17,889	16,698
Total	**1,779**	**381**	**17,889**	**20,049**	**18,857**
Financial liabilities					
Short-term funding[3]	-	3,338	3,097	6,435	6,489
Unsecured bonds (listed on JSE)[1]	-	2,248	-	2,248	2,171
Unsecured bonds (listed on foreign stock exchange)[1]	-	563	-	563	563
Unsecured long-term loans[3]	-	874	5,546	6,420	6,163
Subordinated bonds[1]	-	1,523	-	1,523	1,523
Total	**-**	**8,546**	**8,643**	**17,189**	**16,909**
30 September 2021 (audited)					
Financial assets					
Government bonds	2,987	-	-	2,987	3,005
Treasury bills and debentures	-	-	-	-	-
Deposits with South African Reserve Bank	-	382	-	382	382
Net advances	-	-	18,054	18,054	16,462
Total	**2,987**	**382**	**18,054**	**21,423**	**19,849**
Financial liabilities					
Short term funding	-	3,507	4,237	7,744	7,777
Unsecured bonds (listed on JSE)[1]	-	2,363	-	2,363	2,364
Unsecured bonds (listed on foreign stock exchange)	-	-	-	-	-
Unsecured long- term loans	-	625	6,126	6,751	6,775
Subordinated bonds	-	-	-	-	-
Total	**-**	**6,495**	**10,363**	**16,858**	**16,916**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

- cash and cash equivalents;
- deposits with South African Reserve Bank;
- financial Investments;
- 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 level 2 due to the lack of market liquidity for the listed bonds.*

[2] *The fair value of retail advance is R19,671 million and corporate advances is R1,589 million.*

[3] *The 31 March 2021 amounts have been restated.*

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

15. Analysis of classification of financial assets and liabilities

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

Rmillion	Notes	Amortised cost	Financial instruments at fair value through profit or loss	Non-financial instruments	Total	Current	Non-current
31 March 2022 (unaudited)							
Cash and cash equivalents	2	3,006	-	-	3,006	3,006	-
Financial investments	3	-	156	-	156	156	-
Regulatory deposits and sovereign debt securities	4	2,828	-	-	2,828	424	2,404
Net advances	5	19,628	-	-	19,628	8,518	11,110
Deferred tax asset	7	-	-	1,030	1,030	-	1,030
Property and equipment and right of use asset		-	-	536	536	-	536
Accounts receivable and other assets		307	-	128	435	307	128
Intangible assets		-	-	134	134	-	134
Derivatives		-	63	-	63	-	63
Total assets		**25,769**	**219**	**1,828**	**27,816**	**12,411**	**15,405**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

Rmillion	Notes	Amortised cost	Financial instruments at fair value through profit and loss	Non-financial instruments	Total	Current	Non-current
31 March 2021 (unaudited) (restated)							
Cash and cash equivalents	2	3,179	-	-	3,179	3,179	-
Financial investments	3	-	1,341	-	1,341	1,341	-
Regulatory deposits and sovereign debt securities	4	2,159	-	-	2,159	2,159	-
Net advances	5	16,698	-	-	16,698	6,636	10,062
Deferred tax asset	7	-	-	1,176	1,176	-	1,176
Property and equipment		-	-	672	672	-	672
Accounts receivable and other assets[1]		83	-	116	199	199	-
Intangible assets		-	-	114	114	-	114
Derivatives		-	19	-	19	-	19
Current tax	-	-	-	-	-	-	-
Total assets		**22,119**	**1,360**	**2,078**	**25,557**	**13,514**	**12,043**

[1] *The 31 March 2021 amounts have been restated.*

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

Rmillion	Notes	Amortised cost	Financial instruments at fair value through profit or loss	Non-financial instruments	Total	Current	Non-current
30 September 2021 (audited)							
Cash and cash equivalents	2	3,234	-	-	3,234	3,234	-
Financial investments	3	-	2,081	-	2,081	2,081	-
Regulatory deposits and sovereign debt securities	4	3,387	-	-	3,387	977	2,410
Net advances	5	16,462	-	-	16,462	6,528	9,934
Deferred tax asset	7	-	-	1,134	1,134	-	1,134
Property and equipment		-	-	602	602	-	602
Accounts receivable and other assets		94	-	88	182	94	88
Intangible assets		-	-	138	138	-	138
Derivatives		-	42	-	42	-	42
Total assets		**23,177**	**2,123**	**1,962**	**27,262**	**12,914**	**14,348**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

Rmillion	Notes	Amortised cost	Fair value	Non-financial liabilities	Total	Current	Non-current
31 March 2022 (unaudited)							
Short-term funding		7,246	-	-	7,246	7,246	-
Creditors and accruals		567	-	269	836	585	251
Current tax liability	7	-	-	-	-	-	-
Bonds and other long-term funding		10,188	-	-	10,188	-	10,188
Subordinated bonds		-	-	-	-	-	-
Total liabilities		**18,001**	**-**	**269**	**18,270**	**7,831**	**10,439**
31 March 2021 (unaudited) (restated)							
Short-term funding[1]		6,489	-	-	6,489	6,489	-
Creditors and accruals[1]		523	-	375	898	655	243
Current tax liability	7	-	-	83	83	83	-
Bonds and other long-term funding[1]		8,897	-	-	8,897	608	8,289
Subordinated bonds		1,523	-	-	1,523	1,523	-
Total liabilities		**17,432**	**-**	**458**	**17,890**	**9,358**	**8,532**
30 September 2021 (audited)							
Short-term funding[1]		7,777	-	-	7,777	7,777	-
Creditors and accruals		453	-	521	974	390	584
Current tax liability	7	-	-	83	83	83	-
Bonds and other long-term funding		9,139	-	-	9,139	34	9,105
Subordinated bonds		-	-	-	-	-	-
Total liabilities		**17,369**	**-**	**604**	**17,973**	**8,284**	**9,689**

[1] *The 31 March 2021 amounts have been restated.*

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

16. Related party information

Members of the Bank's Executive Committee are considered to be key management personnel of the Bank.

16.1 Balances with related parties

R'000	As at 31 March 2022 (unaudited)	As at 31 March 2021 (unaudited)	30 September 2021 (audited)
Advances			
Key management personnel[1]	302	192	192
Deposits			
Entities that have control over the Group and its subsidiaries	1,546,584	-	-
Key management personnel[2]	47,610	7,950	2,036

[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.

16.2 Transactions with related parties are disclosed below

R'000	As at 31 March 2022 (unaudited)	As at 31 March 2021 (unaudited)	30 September 2021 (audited)
Interest income			
Key management personnel	18	12	12
Interest paid			
Entities that have control over the Group and its subsidiaries	17,611	-	-
Key management personnel	87	49	49
Facility commitment fee - Shareholder backed facility	8,975	-	16,000

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

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

17. Events after the reporting date

There were no matters or circumstances arising since the end of the financial period, not otherwise dealt with in the condensed interim financial statements, which significantly affected the financial position as at 31 March 2022 or the results of its operations or cash flows for the period then ended.

The recent flooding in the KwaZulu-Natal ("KZN") region occurred after the interim financial reporting period. Any potential impacts relating to leases of African Bank branches as well as the ability of the Bank's customers in the KZN region to continue making repayments will be assessed and disclosed at year-end.

18. Restatements and change in estimates

18.1 Correction of prior period errors and reclassifications

18.1.1 Correction of error: Retail investments incorrectly classified as other long-term funding

In the prior year, retail investments with a 24 month maturity term were incorrectly classified as other long-term funding even though customers can withdraw the investment on demand which therefore classifies these as short-term in nature. R245 million has been reclassified from other long-term funding to short-term funding in the 31 March 2021 statement of financial position. This had no impact on the net assets.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Restatements and change in estimates continued...

Balance Sheet (extract) Rmillion	31 March 2021	Increase/ (Decrease)	31 March 2021 (Restated)
Short-term funding	6,244	245	6,489
Bonds and other long-term funding	9,142	(245)	8,897
Total Liabilities	**15,386**	-	**15,386**

18.1.2 Correction of error: Correction of grossing up of non-interest income and operating costs

The Bank earns non-interest income for value added services it provides to customers. In the prior year the Bank recognised this arrangement as if it acted as principal rather than as agent. Therefore, in the prior year, the non-interest income and operating expenses line items were grossed up by R25 million to reflect sales made and the cost of these sales. In the 31 March 2021 statement of comprehensive income the Bank reduced the non-interest income and operating expenses line items by R25 million and now only shows the net commission income earned (R1 million) from this arrangement in non-interest value-added services.

Statement of Comprehensive Income (extract) Rmillion	31 March 2021	Increase/ (Decrease)	31 March 2021 (Restated)
Non-interest income	333	(25)	308
Operating costs	(1,546)	25	(1,521)
Impact on Statement of Total Comprehensive Income	**(1,213)**	-	**(1,213)**

18.1.3 Change in presentation: Statement of Cash Flow

The Bank had previously presented the net movement in gross advances with additional information disclosing cash received from customers and advances disbursed to customers as separate line items on the face of the Statement of Cash Flows. However, in the previous financial year 30 September 2021, management presented the net movement in gross advances as a single line item only.

Management previously disclosed a separate line item on the face of the Statement of Cash Flows called "cash received from lending activities" which included both the interest received from customers, as well as non-interest income received from customers. However, in the previous financial year 30 September 2021, management disclosed interest received from customers as a line item in the "cash generated from operations" note called "income received from lending activities", and non-interest income as a line item on the face of the Statement of Cash Flows called "income earned from non-lending activities".

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

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

As part of the redesign:

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Restatements and change in estimates continued...

The following line items are impacted on the face of the Statement of Cash Flows ("SOCF") and cash generated from operations note:

Statement of Cash Flows (extract) Rmillion	31 March 2021	Increase/ (Decrease)	31 March 2021 (Restated)
Cash received from lending activities[1]	3,449	(255)	3,194
Non-interest income included in profit before tax[1]	(255)	255	-
Net increase in gross advances[2]	(686)	79	(607)
Cash utilised in operations[2]	1,836	(2,705)	(869)
Disclose separately on the face of the SOCF[3]		2,626	2,626
Interest received		3,157	3,157
Interest paid		(513)	(513)
Other assets		1	1
Other liabilities		(11)	(11)
Decrease in deferred fees and other items related to advances		(8)	(8)
Total	**4,344**	-	**4,344**

Statement of Cash Flows (extract) Rmillion	30 September 2021	Increase/ (Decrease)	30 September 2021 (Restated)
Net increase in gross advances[2]	4,167	(4,814)	(647)
Cash utilised in operations[2]	(2,446)	492	(1,954)
Disclose separately on the face of the SOCF[3]		4,322	4,322
Interest received		4,983	4,983
Interest paid		(968)	(968)
Other assets		19	19
Other liabilities		139	139
Decrease in deferred fees and other items related to advances		149	149
Total	**1,721**	-	**1,721**

[1] Interest received from customers was previously disclosed in the cash received from lending activities line item amounting to R3,449 million as a separate line item on the face of the Statement of Cash Flows. This amount includes R3,115 million relating to interest income on gross advances and R334 million from other non-interest income. Of the R334 million, R255 million relates to activities other than lending.

[2] Net movement in gross advances was previously presented as the difference between cash received from customers amounting to R2,854 million and advances disbursed to customers of R3,540 million on the face of the Statement of Cash Flows resulting in a net increase in gross advances of R686 million. Net movement in gross advances is now presented as a single line item only amounting to R607 million which includes non-interest income from lending activities.

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

18.2 Change in estimate

18.2.1 Change in write-off point

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Restatements and change in estimates continued...

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

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

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
CRO	Group Chief Risk Officer
Companies Act of South Africa	Companies Act No 71 of 2008
Covid-19	Coronavirus
CPI	Consumer Price Index
DMTN	Domestic medium-term note programme
EMTN	Euro medium-term note programme
FSB	Financial Services Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
ICAAP	Internal Capital Adequacy and Assessment Process
IFRIC	IFRS Interpretations Committee of IASB
IFRS	International Financial Reporting Standards
IT	Information Technology
JIBAR	Three months Johannesburg interbank agreed rate
JSE	JSE Limited
LTIP	Long-term incentive plan
MMIJV	MMI Joint Venture
MRC	Model Risk Committee
NACA	Nominal annual compounded annually
NACM	Nominal annual compounded monthly
NACQ	Nominal annual compounded quarterly
NACS	Nominal annual compounded semi-annually
NCA	National Credit Act No 34 of 2005
Rm / Rmillion	Millions of rand
RSA	Republic of South Africa
PSI	Portfolio Specific Impairment
SAFEX	South Africa Future Exchange
SI	Specific Impairment
SICR	Significant increase in credit risk
R0	Thousands of rand
RCMC	Risk and Capital Management Committee
RDS	Residual Debt Services Limited (under curatorship)
Tier I	Primary capital
Tier II	Secondary capital
USD	United States Dollar
VAT	Value Added Tax
ZAR	South African Rand

ANNEXURE B: CORPORATE INFORMATION

Group Company Secretary
Maliga Chetty

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

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