African Bank Limited

GROUP CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the financial year ended
30 September 2024

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

Audacity to ***believe***

African Bank Limited

(Registration Number 2014/176899/06)
Consolidated Annual Financial Statements
for the year ended 30 September 2024

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

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The Consolidated Annual Financial Statements represent the financial position and financial results of the African Bank Limited ("ABL Group"). The ABL Group consists of ABL, its 100% directly held subsidiary (Grindrod Financial Holdings Limited) and its 100% indirectly held subsidiary ABL2024 Limited ("ABL2024") (formerly Grindrod Bank Limited ("GBL") ("the Bank").

The Directors are responsible for the preparation and fair presentation of the Consolidated Annual Financial Statements, comprising of the Consolidated Statement of Financial Position as at 30 September 2024, the Consolidated Statement of Total Comprehensive Income, the Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended 30 September 2024, and the Notes to the Consolidated Financial Statements, which include a summary of material accounting policies and other explanatory notes, in accordance with IFRS® Accounting Standards, the Financial Pronouncements as issued by the Financial Reporting Standards Council and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (collectively “JSE Financial Reporting Requirements”) and the South African Companies Act.

The Directors’ responsibilities include:

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

The 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.

The Board of Directors have executed their responsibilities in relation to the requirements of the Board Evaluation Policy. This policy allows for Board members to identify key development areas, improve competencies and improving the composition of the Board through identifying needed skills to inform the nomination and election processes of new Board members. The evaluation of the Board, Board Sub-Committees and peer assessments were concluded internally during 2024 and a report outlining the areas of improvement was tabled during the Board cycle in November 2024. The assessment results will be reported in the Environment, Social and Governance ("ESG") report annexed to the Annual Integrated Report ("AIR"). The Group also considers the independence of Directors in its annual Board evaluation process.

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

APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The Consolidated Annual Financial Statements found on pages 27 to 107 were approved by the Board of Directors on 26 November 2024 and are signed on its behalf by:

DocuSigned by: Kennedy Bungane 09B24F09B0154E0...	DocuSigned by: Aubann Chetti AA1DCE3CE64148F...
K Bungane	**A Chetti**
Director	Director

Midrand

26 November 2024

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

African Bank Limited

(Registration Number 2014/176899/06)
Consolidated Annual Financial Statements
for the year ended 30 September 2024

CERTIFICATE BY THE GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I certify that, in respect of the year ended 30 September 2024, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission, all returns and notices prescribed by the Companies Act and that all such returns and notices are true, correct and up to date.

DocuSigned by:
B7327FE9379B483...

T Singh
Group Company Secretary

Midrand
26 November 2024

AUDIT AND COMPLIANCE COMMITTEE REPORT

PURPOSE OF THE AUDIT AND COMPLIANCE COMMITTEE

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

MEMBERSHIP AND ATTENDANCE

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

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

Name	13-Nov 2023[1]	15-Nov 2023	28-Nov 2023[1]	24-Jan 2024[1]	15-Feb 2024[1]	26-Feb 2024	22-May 2024	25-Jul 2024[1]	28-Aug 2024	18-Sept 2024[1]
Dhevendren Dharmalingam (Chairman)	√	√	√	√	√	√	√	√	√	√
Maureen Manyama	√	√	√	√	√	√	√	√	√	√
Spyridon Georgopoulos	√	√	√	√	√	√	√	√	√	√
Nonzukiso Siyotula	√	√	√	√	√	√	√	√	√	X
Total attendance	4/4	4/4	4/4	4/4	4/4	4/4	4/4	4/4	4/4	3/4
Hemmanth Singh (Permanent invitee)	√	√	*	*	*	√	√	*	√	*

[1] Special meeting
√ Attended
X Not attended
* Attended only IT specific meetings

AUDIT AND COMPLIANCE COMMITTEE REPORT

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

FUNCTIONS OF THE AUDIT AND COMPLIANCE COMMITTEE

Given the previous corporate governance failures and scandals within the South African business environment, the AuditCom continuously and critically assesses the adequacy of its terms of reference and the responsibilities included therein.

The AuditCom has discharged its terms of reference as detailed below-

In respect of the External Auditors and the external audit:
- tabled the appointment of KPMG Incorporated (“KPMG”) as the External Auditor for the 2024 financial year as a resolution at the annual general meeting;
- approval of the External Auditors’ terms of engagement, the audit plan and budgeted audit fees payable;
- reviewing the audit process and evaluated the effectiveness of the External Auditors;
- obtaining assurance from the External Auditors that their independence was not impaired;
- considering the nature and extent of all non-audit services provided by the External Auditors;
- approving proposed contracts with the External Auditors for the provision of non-audit services; and
- confirming that no reportable irregularities were identified and reported by the External Auditors in terms of the Auditing Profession Act 26 of 2005.

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

AUDIT AND COMPLIANCE COMMITTEE REPORT

In respect of internal control and Internal Audit:

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

In respect of legal, regulatory and compliance requirements:

- reviewing, with management, legal, regulatory and compliance matters identified that could have a material impact on the Bank;
- monitoring compliance with the Companies Act, the Banks Act and all other applicable legislation including governance codes;
- reviewing reports from Internal Audit, External Auditors and Compliance detailing the extent of legal matters;
- noting that no complaints were received from the Bank's Sustainability, Ethics and Transformation Committee concerning the ethics relating to accounting matters, Internal Audit, internal financial controls, the contents of Financial Statements, potential violations of the law and questionable accounting or auditing matters;
- reviewing and approving the compliance mandate and annual compliance plan;
- reviewing any significant legal and tax matters that could have had a material impact on the Consolidated Annual Financial Statements;
- reviewing and recommended that the Integrated Report to be adopted by the Board; and
- satisfying itself that the Bank has met the annual requirements emanating from the principles contained in the King IV Report on Corporate Governance ("King IV"), which appears on the Bank's website (https://www.africanbank.co.za/en/home/environmental- social- and-governance-reports/).
- overseeing the appointment of Senior Compliance Executive to strengthen the Compliance Function Bench Strength;
- overseeing the enhancement and implementation of the compliance risk assessment to identify, evaluate and prioritise regulatory risks and the enhancement of compliance risk management framework and controls, specifically for Financial Crime Risk Management and Market Conduct; and
- monitoring the roll out of new and revised compliance policies, procedures and standards to specifically cater for regulatory and organisational changes.

In respect of risk management and IT:

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

In respect of the coordination of assurance activities:

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

AUDIT AND COMPLIANCE COMMITTEE REPORT

KEY FOCUS AREAS FOR THE AUDIT COMMITTEE

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

- the impact of inflation and other relevant macroeconomic factors on the Bank's reported results and operations;
- the ongoing review of the impairment calculations;
- review IT operational, risk and compliance matters at the Committee;
- regulatory and Prudential Authority matters;
- reviewing the progress of the anti-money laundering programme;
- the assessment of the staffing and structure of the internal audit and compliance functions to ensure alignment with the Bank's growth strategy;
- long-term and short-term liquidity of the Bank, as well as capital management
- finance department efficiency and optimisation;
- the review and approval of the Combined Assurance Model and monitoring the adequacy of the processes around the model;
- the review of financial performance against budget;
- ensuring compliance with IFRS® Accounting Standards and considering the impact of new accounting standards;
- the organisational structure of the finance team;
- segmental reporting and cost allocation;
- Income Tax and VAT matters; and
- mergers and acquisitions, including common control transactions, and the accounting treatment thereof, as well as the expected impact on the Bank’s performance.

INDEPENDENCE OF EXTERNAL AUDITORS

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

In the current financial year, KPMG did not provide any non-audit services to ABL and any entities within the ABL Group

The AuditCom has assessed and satisfied itself of the audit partner, Pierre Fourie's, experience and knowledge in terms of sections 22(15)(h) and 7.3(e) of the Debt and Specialist Securities Listings Requirements.

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

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

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

This report was approved by the AuditCom and signed on its behalf by:

Signed by:
61A06BD42B61441...

D Dharmalingam
Chairman of the Audit and Compliance Committee
Midrand
26 November 2024

DIRECTORS' REPORT

The Directors present their report to the shareholders, together with the audited Consolidated Annual Financial Statements of the ABL Group for the financial year ended 30 September 2024.

NATURE OF THE BUSINESS

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

SHARE CAPITAL

The authorised share capital of the Company is 2 000 000 000 ordinary par value shares of R0.01 each (2023: 2 000 000 000, ordinary par value shares of R0.01 each).

During the current year, 4 shares at a par value of R0.01 (2023: 2 shares at a par value of R0.01) was issued, with a share premium of R706 million (2023: R727 million). At 30 September 2024, the issued ordinary share capital totaled 500 000 008 (2023: 500 000 004) shares at a par value of R0.01 each representing R5 million (2023: R5 million). The Bank has 1 499 999 992 unissued ordinary shares (2023: 1 499 999 996).

FINANCIAL RESULTS

The financial results for the year ended 30 September 2024 are set out on pages 27 to 107 of these Consolidated Annual Financial Statements. The Bank reported a net loss after tax of R284 million for the 2024 financial year (2023: net loss after tax of R205 million).

BORROWING POWERS

In terms of the Memorandum of Incorporation, the Bank has unlimited borrowing powers. The total borrowings of the Bank at 30 September 2024 was R2.8 billion (2023: R4.3 billion). Full details of the borrowings are shown in notes 11 to the Consolidated Annual Financial Statements.

DIVISIONALISATION OF GBL

In the prior financial period, an application was submitted to the Prudential Authority to transfer the business activities within the GFH Group into ABL and ultimately deregister the legal entities within the GFH Group. The Group received the written approval from the Minister of Finance through the Prudential Authority on 14 March 2024. The transfer of GBL's assets and liabilities as well as the business as a going concern has been concluded and transferred to ABL, effective 1 August 2024. On the same date, GBL's banking license was cancelled by the Prudential Authority and GBL's name was changed to ABL2024 Limited ("ABL2024") (referred to hereafter as ABL2024) as an entity cannot have the word "bank" in its name if it does not have a banking license. The effect of this transfer is that the business of ABL2024 has been incorporated into ABL, forming the foundation of the Business and Commercial division. In due course an application will be made to the Companies and Intellectual Properties Commission to deregister the legal entities within the GFH Group.

ACQUISITIONS

In October 2023, the Bank entered into a binding agreement with Sasfin Bank Limited ("Sasfin Bank" or "SBL"), a subsidiary of the listed entity Sasfin Holdings Limited ("Sasfin Holdings"), to acquire its Capital Equipment Finance ("CEF") and its Commercial Property Finance ("CPF") businesses, as going concerns, in one indivisible transaction. The aim of this transaction is to consolidate the two operations within the Bank, with a growing suite of products and solutions to match the Business and Commercial division's proposition. The required regulatory approvals for the acquisition of the CPF business were received on 1 August 2024. All conditions precedent were fulfilled, and the acquisition of the CPF business was completed on 21 August 2024. This acquisition has been accounted for as a business combination in terms of IFRS 3 as the definition of a business is met.All conditions precedent were fulfilled, and the acquisition of the CEF business was completed on 1 November 2024. This acquisition will be accounted for, in the 2025 financial year, as a business combinations in terms of IFRS 3 as the definition of a business is met.

DIRECTORS' REPORT

EMPLOYEE SHARE SCHEME

The Bank intends to implement a broad-based employee share ownership scheme, the purpose of which is to align employee and shareholder interests, allowing employees to participate in value-creation and to support the attraction and retention initiatives of the Bank. The share scheme would hold no more than 10% of the ordinary shareholding of ABHL (post the issue of shares) and each eligible employee will receive an equal allocation. At the extra-ordinary general meeting held on 26 March 2024, shareholders voted in favour of the necessary resolutions to implement the employee share ownership scheme as it represents another important step in the Bank's strategic journey as the Bank continues building a customer centric, data and digitally enabled diversified business that is scalable and sustainable. The Bank expects that the employee share scheme will be executed during the next financial year.

EVENTS AFTER THE REPORTING DATE

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

GOING CONCERN

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.

The Board's assessment regarding the going concern assumption is based on judgement applied to uncertain future events, that could potentially impact the Bank's ability to raise funding and generate cash and cash equivalents from assets held by the Bank. In considering the Bank's going concern assumption with respect to the existing and expected future economic conditions, the Board (through its subcommittees) assessed the Bank's budgets and cash flow forecasts, which included the expected impacts of the acquisition of the Capital Equipment Finance and Commercial Property Finance businesses.

In the Board's opinion, the Bank's ability to raise funding and generate cash and cash equivalents is expected to continue. The Board is satisfied with the Bank's capital position as the capital ratios currently, and over the forecasted period, remain above the Regulatory Minimum and Board approved internal targets. The Bank is forecasted to return to profitability in the 2025 financial year and profitability is forecasted to continue into the future.

The Board took liquidity risk into account in its assessment that the Bank is a going concern. In the Board's opinion there is no material uncertainty regarding the Bank's ability to meet its obligations and to pay its debts as they become due in the ordinary course of business. To ensure that the Bank is able to meet its obligations and to pay its debts as they become due, the Bank has a number of initiatives, which includes its significant retail funding portfolio, and its continued presence in the wholesale market to secure funding from the capital markets. The Bank issued Tier 2 bonds during the current financial year amounting to R 1.2 billion, further augmenting the Bank's wholesale funding base.

The Bank is satisfied that it has the necessary skills to continue operations and is continuously ensuring that plans are in place to retain current staff and attract new hires where necessary.

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

MAJOR CAPITAL EXPENDITURES

During the current financial year, the Bank made additions to its capital assets to the value of R494 million (2023: R692 million), with R279 million being for property and equipment (2023: R422 million) and R215 million for intangible assets (2023: R270 million). The additions to leases in terms of IFRS 16 Leases are excluded from the capital assets values.

REGULATORY APPROVAL

As at the date of this Directors' Report, the Directors are not aware of any pending regulatory approval that impacts the financial position and performance as detailed in the Consolidated Annual Financial Statements as at 30 September 2024.

DIRECTORS' REPORT

REVIEW OF PERFORMANCE OF BOARD, COMMITTEES AND DIRECTORS

Board processes provide for the "Review of the Performance of the Board, its Committees and Assessment of Performance of Directors". In the current year the Board undertook an annual assessment of the performance of the Board, its Committees and individual Directors, including a peer assessment and self-assessment on all Directors. This process was concluded during 2024 and reported to the Directors' Affairs and Governance Committee and Board during the November 2024 Board cycle.

CHANGES IN DIRECTORS AND BOARD COMMITTEES

There were no changes in Directorship and in Board Committee membership, and no new Committees were constituted during the 2024 financial year, and up to 26 November 2024.

Independent Non-Executive Directors
Thabo Dloti (Chairman)
Peter Temple
Happy Ralinala
Spyridon Georgopoulos
Lindiwe Dlamini
Dhevendren Dharmalingam
Hemmanth Singh
David O'Brien

Executive Directors
Kennedy Bungane
Zwelibanzi Manyathi
Anbann Chetti

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

DIVIDENDS TO ORDINARY SHAREHOLDERS

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

COMPANY SECRETARY AND REGISTERED OFFICE

Trisha Singh is the Bank Company Secretary. Her business and postal address is disclosed in Annexure D to these Consolidated Annual Financial Statements.

REMUNERATION AND EMPLOYEE INCENTIVE PARTICIPATION SCHEMES

Details in respect of Directors' remuneration and the Bank's incentive scheme are disclosed in the long-term incentive scheme note 30 and the remuneration note 38.

DIRECTORS' INTEREST IN SHARES

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

DEBT OFFICER

Anbann Chetti has been appointed as the Debt Officer, effective 17 November 2023. This appointment followed the stepping down by Chrisanthi Michaelides on 17 November 2023 and handing over the Debt Officer position to the Chief Financial Officer. The Board has considered and is satisfied with the competence, qualifications and experience of the Debt Officer.

AUDITOR

The re-appointment of KPMG as the External Auditor for the 2024 financial year was approved by the shareholders of ABHL at the AGM held on 11 April 2024. The AuditCom has assessed and satisfied itself of Pierre Fourie's experience and knowledge in terms of sections 7.3(e) and 22 of the Debt and Specialist Securities Listings Requirements.

DIRECTORS' REPORT

SPECIAL RESOLUTIONS BY AFRICAN BANK HOLDINGS LIMITED

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

- approval of fees for Non-Executive Directors.

INTEREST OF DIRECTORS AND OFFICERS IN TRANSACTIONS

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

KPMG Inc
KPMG Crescent
85 Empire Road, Parktown, 2193,
Private Bag 9, Parkview, 2122, South Africa
Telephone +27 (0)11 647 7111
Fax +27 (0)11 647 8000
Docex 472 Johannesburg
Web http://www.kpmg.co.za

Independent Auditor's Report

To the shareholder of African Bank Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of African Bank Limited (the Group) set out on pages 27 to 107, which comprise the consolidated statement of financial position as at 30 September 2024, and the consolidated statement of total comprehensive income, consolidated statement of changes in equity - group and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and Annexure A - Adoption of new standards and interpretations.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of African Bank Limited and its subsidiaries as at 30 September 2024, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS® Accounting Standards, the Financial Pronouncements as issued by the Financial Reporting Standards Council and SAICA Financial Guides as issued by the Accounting Practices Committees (collectively “JSE Financial Reporting Requirements”) and the South African Companies Act.

Basis for opinion

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

KPMG

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit loss on Personal Banking advances

Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8 Impairment of advances, note 1.6.8.1 Personal Banking advances, 1.6.8.3 Forward-looking information, Note 1.6.10 Written off portfolio, note 5 Net advances, note 5.3.1 Advances at amortised cost - Personal Banking, note 17 Credit impairment charge, note 23.2.1 Credit Risk policy - Personal Banking advances and note 23.6.1 Credit risk sensitivity - Personal Banking advances.

Key audit matter	How the matter was addressed in our audit
The Personal Banking advances to customers and the related to expected credit losses (ECL) are significant to the consolidated financial statements. As at 30 September 2024, gross advances related to the Personal Banking portfolio amounted to R31 190 million with an associated expected credit loss R9 933 million. The Group calculates the ECL on a modelled basis that includes observable data, assumptions and estimations. The model requires significant management judgement including estimation of these model parameters. In calculating the ECL, the areas of significant management judgement and estimation included: i) Assessment of the input assumptions applied to estimate the: o Probability of default (PD) o Loss given default (LGD) o Exposure at default (EAD) within the ECL measurement; ii) Evaluation of the significant increase in credit risk (SICR)	• We obtained an understanding of the Group's ECL processes, systems and controls implemented. • We tested the design, implementation and operating effectiveness of controls relating to the governance of the recognition of the impairment provision. • We tested key controls in the lending process to determine whether it was designed, implemented and operating effectively. These included controls over: o Repayment arrangements and other contract modifications; o Write-off policy application; and o Curing policy application. We performed the following procedures with the assistance of our credit risk specialists: i) Assessment of the input assumptions applied to estimate the PD, EAD and LGD as follows: • We obtained an understanding of management's data, methodologies, and assumptions used in the ECL model and how it was calibrated to use historical information

Expected credit loss on Personal Banking advances

Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8 Impairment of advances, note 1.6.8.1 Personal Banking advances, 1.6.8.3 Forward-looking information, Note 1.6.10 Written off portfolio, note 5 Net advances, note 5.3.1 Advances at amortised cost - Personal Banking, note 17 Credit impairment charge, note 23.2.1 Credit Risk policy - Personal Banking advances and note 23.6.1 Credit risk sensitivity - Personal Banking advances.

Key audit matter	How the matter was addressed in our audit
iii) Incorporation and assessment of macroeconomic scenario inputs and forward-looking information (FLI) and probability weightings into the estimate. The macroeconomic scenario forecasts are developed internally and require management judgement. Given the uncertainty of the macroeconomic indicators, there is complexity in incorporating these scenario forecasts, forward-looking information (FLI) and probability weightings into the estimate. The Group makes use of probability weighted scenarios when estimating the ECL where 56% is assigned to the base scenario, 18% to the downturn scenario and 26% to the upturn scenario. iv) The determination of the write-off point and application of cure rules are based on management judgement. v) Credit risk disclosures are significant as it relies on material data inputs. It outlines management judgement, estimates and assumptions used in determining the ECL. We determined the audit of the ECL on Personal Banking advances to be a key audit matter due to the following: • There is a high degree of estimation uncertainty, significant judgements and assumptions in estimating modelled ECL on Personal Banking advances; • Economic scenario forecasts incorporating forward-looking information used to estimate the ECL on Personal Banking advances require estimation using multiple forward-looking macro-economic scenarios and weightings into the ECL calculation; and	to estimate the ECL, including an understanding of controls over governance of changes to the ECL models and implementation thereof. • We assessed the assumptions relating to historical default experience, estimated timing and amount of forecasted cash flows applied within the PD, EAD and LGD models for compliance with the requirements of IFRS 9, *Financial Instruments*. • We compared the input modelling data against the source system to ensure that it is accurate and complete. All key data anomalies identified with respect to the input modelling data, were investigated and queried with the Group for validity. • We independently reperformed the PD, LGD and EAD parameters to test the assumptions and appropriateness of the judgements applied in the ECL calculations. • We performed an evaluation of the Group's ECL model including SICR, PD, LGD and write-off point models by comparing it with the Group's rules and industry practice. ii) Evaluation of SICR as follows: • We assessed the appropriateness of the SICR methodologies and model calibration and tested the resultant stage allocations by obtaining and reviewing the management's documentation of the SICR model; • inspected the model code to assess the logic;

Expected credit loss on Personal Banking advances Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8 Impairment of advances, note 1.6.8.1 Personal Banking advances, 1.6.8.3 Forward-looking information, Note 1.6.10 Written off portfolio, note 5 Net advances, note 5.3.1 Advances at amortised cost - Personal Banking, note 17 Credit impairment charge, note 23.2.1 Credit Risk policy - Personal Banking advances and note 23.6.1 Credit risk sensitivity - Personal Banking advances.	
Key audit matter	How the matter was addressed in our audit
The impairment provision is of significance to the consolidated financial statements.	• reperformed the SICR model making use of independent parameters; and • performed model backtesting with further comparison to actual observed roll rates to assess the appropriateness of the reperformed model output. • Performed sensitivity analyses over the behavioural scores in order to assess the potential financial impact on the Group's ECL by applying a 5% sensitivity on the behavioural scores threshold. iii) Incorporation and assessment of macroeconomic scenario inputs and forward-looking information (FLI) and probability weightings into the estimate as follows: • We evaluated management's forward-looking information models to assess whether the macro-economic inputs are appropriately implemented into the ECL models with the assistance of our internal economic specialist. • We assessed the appropriateness of the macroeconomic scenario forecasts and probability weightings by benchmarking these against external data. • We assessed the linkage of the forecasted macro-economic factors, based on the generated scenarios, to the ECL with the assistance of our internal modelling specialists.

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Expected credit loss on Personal Banking advances	
Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8 Impairment of advances, note 1.6.8.1 Personal Banking advances, 1.6.8.3 Forward-looking information, Note 1.6.10 Written off portfolio, note 5 Net advances, note 5.3.1 Advances at amortised cost - Personal Banking, note 17 Credit impairment charge, note 23.2.1 Credit Risk policy - Personal Banking advances and note 23.6.1 Credit risk sensitivity - Personal Banking advances.	
Key audit matter	How the matter was addressed in our audit
	iv) The determination of the write-off point and application of cure rules based on management judgement as follows: • We assessed that where the criteria for credit-impaired no longer applies, the account cures in line with the curing rules adopted by management. • We considered historical post write-off recoveries to evaluate the reasonableness of the write-off definition by comparing it against the current write-off point to determine whether the current write-off point is where there is no reasonable expectation of significant further recovery in terms of the requirements of IFRS 9. v) Assessing the Credit risk disclosures, including disclosure of management judgement, estimates and assumptions used in determining the ECL by evaluating the appropriateness of the accounting policies and ECL disclosures based on the requirements of IFRS 9, our business understanding and industry practice.

Expected credit loss on Business and Commercial Banking Division Advances	
Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8 Impairment of advances, note 1.6.8.2 Business and Commercial Division advances, 1.6.8.3 Forward-looking information, note 1.6.8.4 Collateral, note 1.6.10 - Written off portfolio - Business and Commercial division, note 5 net advances, note 5.3.3 Advances at amortised cost - Business and Commercial division, note 17 credit impairment charge, note 23.2.2 Credit Risk policy - Business and Commercial division, and note 23.6.2 Credit risk - Business and Commercial division	
Key audit matter	How the matter was addressed in our audit
The balance of the Business and Commercial Division advances of 30 September 2024 which is included in the gross advances financial statement item is R11 410 million with an associated expected credit loss of R370 million.	• We obtained an understanding of the Group's ECL processes, systems and controls implemented to determine the ECL for Business and Commercial division (BCB) advances.

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Expected credit loss on Business and Commercial Banking Division Advances Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8 Impairment of advances, note 1.6.8.2 Business and Commercial Division advances, 1.6.8.3 Forward-looking information, note 1.6.8.4 Collateral, note 1.6.10 - Written off portfolio - Business and Commercial division, note 5 net advances, note 5.3.3 Advances at amortised cost - Business and Commercial division, note 17 credit impairment charge, note 23.2.2 Credit Risk policy - Business and Commercial division, and note 23.6.2 Credit risk - Business and Commercial division	
Key audit matter	How the matter was addressed in our audit
The Business and Commercial Banking advances are recognised at amortised cost. The Group recognises an expected credit loss (ECL) at each reporting date which includes assessing whether there has been any significant increase in credit risk (SICR). In calculating the ECL, the areas of significant management judgement and estimation included: i) The Group calculates the ECL on a modelled basis that includes observable data, assumptions and estimations. The model requires significant management judgement including estimation of these model parameters: o Probability of default (PD) o Loss given default (LGD) o Exposure at default (EAD) ii) Significant increase in credit risk (SICR) is assessed based on current risk of default of an account relative to its risk of default at origination, requiring judgement and estimation by management. iii) The macroeconomic scenario forecasts are developed internally and require management judgement. Given the uncertainty of the macroeconomic indicators, there is complexity in incorporating these scenario forecasts, forward-looking information (FLI) and probability weightings into the estimate. The Group makes use of probability weighted scenarios when estimating the ECL where 56% is assigned to the base scenario, 18% to the downturn scenario and 26% to the upturn scenario. iv) The determination of the write-off point is based on management's judgement. Group management writes off advances when there is no reasonable expectation to collect from	• We tested the design, implementation and operating effectiveness of controls relating to the governance of the recognition of the impairment provision. • We tested key controls in the lending process to determine whether it was designed, implemented and operating effectively. These included controls over: o Contract initiation and credit approval; o Arrears management and debt collection; o Impairment assessment and approval; o Repayment arrangements and other contract modifications; o Write-off policy application; and o Inspection of the validation/monitoring reports and calibration approvals to assess the level of management oversight and judgement applied to the ECL models. We performed the following procedures with the assistance of our credit risk specialists: i) Assessment of the input assumptions applied to estimate the PD, EAD and LGD as follows: o We obtained an understanding of management's data, methodologies, and assumptions used in the ECL model and how it was calibrated to use historical information to estimate the ECL,

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Expected credit loss on Business and Commercial Banking Division Advances Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8 Impairment of advances, note 1.6.8.2 Business and Commercial Division advances, 1.6.8.3 Forward-looking information, note 1.6.8.4 Collateral, note 1.6.10 - Written off portfolio - Business and Commercial division, note 5 net advances, note 5.3.3 Advances at amortised cost - Business and Commercial division, note 17 credit impairment charge, note 23.2.2 Credit Risk policy - Business and Commercial division, and note 23.6.2 Credit risk - Business and Commercial division	
Key audit matter	How the matter was addressed in our audit
customer. v) Credit risk disclosures are significant as the rely on material data inputs. They outline management judgement, estimates and assumptions used in determining the ECL. We determined the audit of the ECL on the Business and Commercial division advances to be a key audit matter due to the following: a) There is a high degree of estimation uncertainty, significant judgements and assumptions in estimating modelled ECL on Business and Commercial division advances; b) Economic scenario forecasts incorporating forward-looking information used to estimate the ECL on Business and Commercial division advances require estimation using multiple forward-looking macro-economic scenarios and weightings into the ECL calculation; and c) The impairment provision is of significance to the consolidated financial statements.	including controls over governance of changes to the ECL models and implementation thereof. o We independently reperformed the PD, LGD and EAD parameters to test the assumptions and appropriateness of the judgements applied in the ECL calculations. o We compared the input modelling data against the source system to ensure that it is accurate and complete. All key data anomalies identified with respect to the input modelling data, were investigated and queried with the Group for validity. o We independently calculated the ECL value relating to BCB loans to establish whether the Group's estimate falls within our independent estimated range at 30 September 2024 using an independent challenger model which includes the assessment of the PD, LGD, and EAD incorporating forward-looking information. ii) Evaluation of SICR as follows: o We assessed the appropriateness of the SICR methodologies and model calibration and tested the resultant stage allocations by obtaining and reviewing the management's documentation of the SICR model;

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Expected credit loss on Business and Commercial Banking Division Advances Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8 Impairment of advances, note 1.6.8.2 Business and Commercial Division advances, 1.6.8.3 Forward-looking information, note 1.6.8.4 Collateral, note 1.6.10 - Written off portfolio - Business and Commercial division, note 5 net advances, note 5.3.3 Advances at amortised cost - Business and Commercial division, note 17 credit impairment charge, note 23.2.2 Credit Risk policy - Business and Commercial division, and note 23.6.2 Credit risk - Business and Commercial division	
Key audit matter	How the matter was addressed in our audit
	○ inspected the model code to assess the logic; ○ reperformed the SICR model making use of independent parameters; and ○ performed model backtesting with further comparison to actual observed roll rates to assess the appropriateness of the reperformed model output. iii) Incorporation and assessment of macroeconomic scenario inputs and forward-looking information (FLI) and probability weightings into the estimate as follows: ○ We evaluated the governance processes established by the Group to review and approve the economic scenarios used in the determination of the forward-looking impact. ○ We independently assessed the appropriateness of the forecasted macroeconomic factors and probability weightings by benchmarking these against external data with the assistance of our internal economic specialist. ○ We evaluated the impact of rating movements in management's ECL to assess whether the macro-economic inputs and forward-looking information are appropriately incorporated into the ECL models.

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Expected credit loss on Business and Commercial Banking Division Advances Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8 Impairment of advances, note 1.6.8.2 Business and Commercial Division advances, 1.6.8.3 Forward-looking information, note 1.6.8.4 Collateral, note 1.6.10 - Written off portfolio - Business and Commercial division, note 5 net advances, note 5.3.3 Advances at amortised cost - Business and Commercial division, note 17 credit impairment charge, note 23.2.2 Credit Risk policy - Business and Commercial division, and note 23.6.2 Credit risk - Business and Commercial division	
Key audit matter	How the matter was addressed in our audit
	iv) The determination of the write-off point as follows: ○ We performed an evaluation of the Group's ECL model including SICR, PD, LGD and write-off points in the models by comparing it with the Group's rules and industry practice. ○ We assessed the counterparty's ability to service their debt and whether any indicators of significant risk or credit impairment existed at 30 September 2024 by performing counterparty credit reviews. ○ We performed a sensitivity analysis on the PD by factoring in a distribution of the counterparty not making payment. ○ For stage 1 and stage 2, we assessed the link between the collateral of the underlying counterparty and LGD as provided in the value at risk model against market benchmarks. ○ For stage 3 impairments, we assessed the legal right to and valuation of collateral and assessed the estimated future cash flows of the borrower used by management in calculating the level of impairment provided.

Expected credit loss on Business and Commercial Banking Division Advances

Refer to note 1.6.6 financial assets at amortised cost, note 1.6.8 Impairment of advances, note 1.6.8.2 Business and Commercial Division advances, 1.6.8.3 Forward-looking information, note 1.6.8.4 Collateral, note 1.6.10 - Written off portfolio - Business and Commercial division, note 5 net advances, note 5.3.3 Advances at amortised cost - Business and Commercial division, note 17 credit impairment charge, note 23.2.2 Credit Risk policy - Business and Commercial division, and note 23.6.2 Credit risk - Business and Commercial division

Key audit matter	How the matter was addressed in our audit
	○ We assessed that balances that were written-off during the year met the write-off rule and the requirements of IFRS 9, *Financial Instruments*. v) Assessing the Credit risk disclosures, including disclosure of management judgement, estimates and assumptions used in determining the ECL by evaluating the appropriateness of the accounting policies and disclosures based on IFRS 9 requirements, our business understanding and industry practice.

Advances at fair value through profit and loss

Refer to notes 1.6.5 Financial assets at fair value through profit or loss (FVTPL), note 5.2 Advances measured at FVTPL, note 23 credit risk and note 26.3 Fair value measurements recognised in the Statement of Financial Position and note 26.4 Valuation techniques, significant observable inputs and sensitivity of level 2 and level 3 financial instruments measured at fair value.

Key audit matter	How the matter was addressed in our audit
The Group has business advances measured at fair value through profit and loss in accordance with IFRS 9, *Financial Instruments*. Total advances as at 30 September 2024 amounted to R2.0 billion. The Group has irrevocably designated fixed rate advances linked to interest rate swaps at FVTPL. Significant judgement is required to be exercised by management due to the absence of observable third-party information to determine key inputs in the valuation models. Some of these unobservable key inputs include: ○ discount rates, and ○ credit spreads	We performed the following procedures to assess the reasonability of the advances measured at FVTPL: • We obtained an understanding of the Group's processes and tested the design, implementation and operating effectiveness of controls relating to the governance of the recognition of the valuation. • We evaluated the independence, competence, capabilities, and experience of management's valuation specialists. • We critically assessed and tested the

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Advances at fair value through profit and loss Refer to notes 1.6.5 Financial assets at fair value through profit or loss (FVTPL), note 5.2 Advances measured at FVTPL, note 23 credit risk and note 26.3 Fair value measurements recognised in the Statement of Financial Position and note 26.4 Valuation techniques, significant observable inputs and sensitivity of level 2 and level 3 financial instruments measured at fair value.	
Key audit matter	How the matter was addressed in our audit
This is an area of significance judgement and estimation due to: Management judgement and estimation is required to select the appropriate valuation model Determination of the probability of counterparty default The fair value estimate includes adjustments to take account of credit risk of the Group and the counterparty As a result of significant judgement, complexity and estimation uncertainty applied in determining the fair value of loans and advances and the significance of the balance to the consolidated financial statements, it is considered to be a key audit matter.	appropriateness and adequacy of the fair value model by performing the following procedures: o We tested the completeness and accuracy of the contractual information used to value the advances measured at FVTPL by agreeing the data to the underlying contracts; and o We assessed the appropriateness and sensitivity of inputs into the models including discount rates and credit spreads by comparing these against similar independent market information. • We evaluated whether management has appropriately considered the impact of economic events on the loan book in determining the fair value of the various portfolios by assessing the appropriateness of the credit spreads used in relation to the performance of the industry. • We assessed the reasonability of the valuation assumptions of the exit values of the property portfolio under the advances measured at FVTPL with additional revenue and dividend arrangement, by assessing the performance of the underlying exposures in relation to the market. • We performed an assessment of the prime curve used to value the advances measured at FVTPL, with the assistance of our valuation specialists, by: o evaluating the appropriateness of

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Advances at fair value through profit and loss Refer to notes 1.6.5 Financial assets at fair value through profit or loss (FVTPL), note 5.2 Advances measured at FVTPL, note 23 credit risk and note 26.3 Fair value measurements recognised in the Statement of Financial Position and note 26.4 Valuation techniques, significant observable inputs and sensitivity of level 2 and level 3 financial instruments measured at fair value.	
Key audit matter	How the matter was addressed in our audit
	management's specialist method through benchmarking to standard practice; and ○ evaluating the accuracy of the inputs by assessing against independent market data. • We assessed the appropriateness of the disclosure of the instruments in relation to the requirements of IFRS 7, *Financial Instruments: Disclosures*, IFRS 13, *Fair Value Measurement* and IFRS 9, *Financial Instruments.*

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "African Bank Limited Group Consolidated Annual Financial Statements for the financial year ended 30 September 2024" which includes the Directors' Report, Report of Audit Committee and the Certificate by Company Secretary as required by the Companies Act of South Africa which we obtained prior to the date of this report and the Integrated Report, which is expected to be made available to us after the date of this report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS® Accounting Standards, the Financial Pronouncements as issued by the Financial Reporting Standards Council and SAICA Financial Guides as issued by the Accounting

Practices Committees (collectively "JSE Financial Reporting Requirements") and the South African Companies Act., and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

KPMG Inc.

Signed by:
KPMG Inc
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Per Pierre Fourie
Chartered Accountant (SA)
Registered Auditor
Director
26 November 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Note	2024	2023 Restated[1]
Assets			
Cash and cash equivalents	2	5 970	4 328
Financial investments	3	15	14
Sovereign debt securities	4	3 921	8 234
Net advances	5	34 389	31 778
Accounts receivable and other assets	6	1 243	522
Derivatives[2]		-	124
Property, equipment and right-of-use asset	7	773	710
Intangible assets	8	492	353
Deferred tax assets	9	1 497	1 395
Current tax assets	9	47	44
Goodwill		115	115
Total assets		**48 462**	**47 616**
Liabilities and equity			
Liabilities			
Current tax	9	-	-
Creditors and other liabilities	10	1 071	1 284
Short-term funding	11	26 488	26 259
Long-term funding	11	9 013	8 605
Total liabilities		**36 572**	**36 148**
Equity			
Ordinary share capital	12	5	5
Ordinary share premium	12	14 363	13 657
Accumulated loss		(2 478)	(2 194)
Total equity		**11 890**	**11 468**
Total equity and liabilities		**48 462**	**47 616**

[1] *The Consolidated Statement of Financial Position has been restated. Refer to note 35.*

[2] *Derivatives held at the beginning of the financial year related primarily to inflation linked swaps. The wholesale bonds that exposed the Bank to inflation risk matured during the current financial year.*

[3] *ABL Group was only formed during the 2023 financial year and therefore the earliest reporting date to which the restatement can be applied is 30 September 2023.*

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Rmillion	Note	2024	2023 Restated[1]
Interest income on advances	13	7 042	7 301
Other interest income	13	863	897
Interest expense and similar charges	14	(2 747)	(2 497)
Net interest income		**5 158**	**5 701**
Fair value gains and losses[2]	15	47	47
Non-interest income[3]	16	1 537	1 345
Total income from operations		**6 743**	**7 093**
Credit impairment charge	17	(2 609)	(3 262)
Income after credit impairment charge		**4 134**	**3 831**
Operating costs[3]	18	(4 428)	(4 473)
Gain on bargain purchase		-	276
Indirect taxation: VAT	19	(101)	(93)
Operating profit/(loss)		**(395)**	**(459)**
Profit/(loss) before taxation		**(395)**	**(459)**
Taxation	19	111	254
Profit/(loss) for the period		**(284)**	**(205)**
Attributable to:			
Shareholders of African Bank Holdings Limited		**(284)**	**(205)**
Total comprehensive profit/(loss) for the period		**(284)**	**(205)**

[1] The Statement of Total Comprehensive Income has been restated. Refer to note 35.

[2] The presentation of fair value gains and losses includes items that were presented separately into prior year. These lines have been combined due to being similar in nature and to simplify the Statement of Total Comprehensive Income in terms of IAS 1.41.

[3] Cost relating to credit cards and transactional accounts were previously presented as part of operating costs. These are directly attributable to the fee earned and therefore have been represented as a deduction in non-interest income.

African Bank Limited

(Registration Number 2014/176899/06)

Consolidated Annual Financial Statements

for the year ended 30 September 2024

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Ordinary share capital	Ordinary share premium	Accumulated loss	Total
Balance at 1 October 2022[1]	5	12 930	(1 989)	10 946
Restated total comprehensive profit for the year end[1]	-	-	(205)	(205)
Issue of equity	-	727	-	727
Restated balance at 30 September 2023[1]	**5**	**13 657**	**(2 194)**	**11 468**
Issue of equity [2]	-	706	-	706
Total comprehensive profit for the year end	-	-	(284)	(284)
Balance at 30 September 2024	**5**	**14 363**	**(2 478)**	**11 890**

[1] Retained earnings on 1 October 2022, as well as the 2023 comparatives were restated. Refer to note 35.

[2] ABL issued 4 shares to the value of R706 million which was fully paid up in the 2024 financial year.

African Bank Limited

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CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	Note	2024	2023 Restated[1]
Cash flows from operating activities			
Cash utilised in operations	20	(1 597)	(2 215)
Interest received[2]		6 913	7 390
Interest paid		(2 157)	(1 944)
Direct taxation paid	19.3	6	(44)
Indirect taxation (paid)/received		205	34
Movement in assets and liabilities			
Increase in gross advances		(5 836)	(3 151)
Decrease in sovereign debt securities		2 951	2 586
Decrease in customer deposits		2 875	(192)
(Increase)/decrease in transactional banking deposits raised		(1 255)	(393)
Increase in other assets		386	(212)
Decrease in other liabilities		(574)	(111)
Proceeds from sale of negotiable securities		1 540	278
Net cash (outflow)/inflow from operating activities		**3 457**	**2 026**
Cash flows from investing activities			
Acquisition of property, equipment and right-of-use assets	7	(371)	(194)
Acquisition of intangible assets	8	(149)	(108)
Investments disposed		-	160
Net cash flow on acquisition of Ubank		-	440
Net cash flow on acquisition of GFH Group		-	(161)
Net cash inflow from investing activities		**(520)**	**137**
Cash flows from financing activities			
Net long-term tenure funding (redeemed)/raised		(1 489)	240
Funding raised	21	3 486	4 701
Funding redeemed	21	(4 975)	(4 461)
CODI		(478)	-
Principal payment of IFRS 16 lease liabilities		(169)	(137)
Share issue	12	706	727
Redemption of derivative instruments		131	(39)
Net cash (outflow)/inflow from financing activities		**(1 299)**	**791**
Increase in cash and cash equivalents		1 638	2 954
Cash and cash equivalents at the beginning of the year		4 328	1 378
Effect of exchange rate changes on cash and cash equivalents		4	(4)
Cash and cash equivalents at the end of the year		**5 970**	**4 328**

[1] The Statement of Cash Flows has been restated. Refer to note 35.

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information

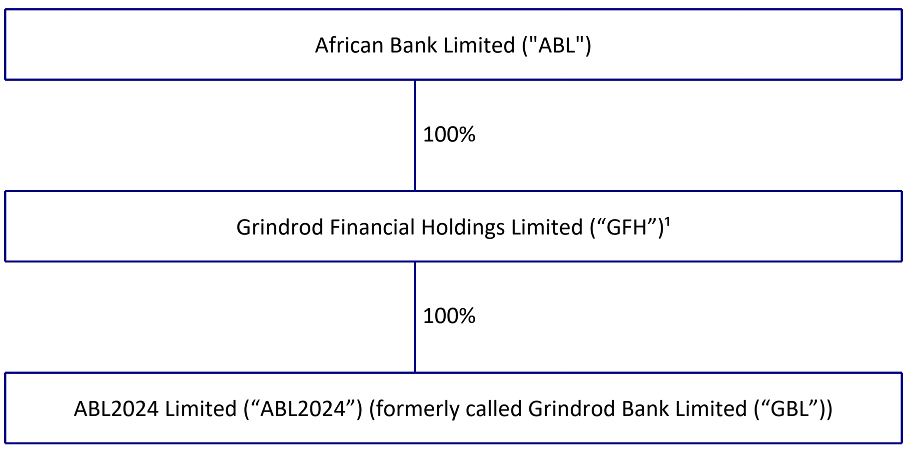
ABL is a public company incorporated in the Republic of South Africa and is registered as a bank under the Banks Act No. 94 of 1990 ("the Banks Act") operating within the Republic of South Africa. The Bank is a 100%-owned subsidiary of ABHL. ABHL is an unlisted registered bank-controlling company under the Banks Act and the Bank has debt instruments listed on the JSE.

ABL holds 100% of the ordinary share capital of GFH, who holds 100% of the share capital of ABL2024 Limited (formerly Grindrod Bank Limited (“GBL”)). In the prior financial period, an application was submitted to the Prudential Authority to transfer the business activities within the GFH Group into ABL and ultimately deregister the legal entities within the GFH Group. The Group received the written approval from the Minister of Finance through the Prudential Authority on 14 March 2024. The transfer of GBL’s assets and liabilities as well as the business as a going concern has been concluded and transferred to ABL, effective 1 August 2024. On the same date, GBL’s banking license was cancelled by the Prudential Authority and GBL’s name was changed to ABL2024 Limited (“ABL2024”) (referred to hereafter as ABL2024) as an entity cannot have the word “bank” in its name if it does not have a banking license. The effect of this transfer is that the business of ABL2024 has been incorporated into ABL, forming the foundation of the Business and Commercial division. In due course an application will be made to the Companies and Intellectual Properties Commission to deregister the legal entities within the GFH Group.

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

The registered office and principal place of business of the Bank is disclosed in Annexure D. The Consolidated Annual Financial Statements found on pages 27 to 107 were approved by the Board of Directors on 26 November 2024.

1.1 Group Structure



[1] *Grindrod Financial Holdings Limited is in the process of being deregistered*

1.2 Material accounting policies

1.2.1 Statement of compliance

The Bank's Consolidated Annual Financial Statements for the year ended 30 September 2024 have been prepared in accordance with IFRS® Accounting Standards, the Financial Pronouncements as issued by the Financial Reporting Standards Council and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (collectively “JSE Financial Reporting Requirements”) and the South African Companies Act.

1. General information continued...

1.2.2 Basis of preparation

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

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

1.2.3 Application of the going concern principle

The Board's assessment regarding the going concern assumption is based on judgement applied to uncertain future events, that could potentially impact the Bank's ability to raise funding and generate cash and cash equivalents from assets held by the Bank. In considering the Bank's going concern assumption with respect to the existing and expected future economic conditions, the Board (through its subcommittees) assessed the Bank's budgets and cash flow forecasts, which included the expected impacts of the acquisition of the Capital Equipment Finance and Commercial Property Finance businesses from Sasfin Bank Limited.

In the Board's opinion, the Bank's ability to raise funding and generate cash and cash equivalents is expected to continue. The Board is satisfied with the Bank's capital position as the capital ratios currently, and over the forecasted period, remain above the Regulatory Minimum and Board approved internal targets. The Bank is forecasted to return to profitability in the 2025 financial year and profitability is forecasted to continue into the future.

The Board took liquidity risk into account in its assessment that the Bank is a going concern. In the Board's opinion there is no material uncertainty regarding the Bank's ability to meet its obligations and to pay its debts as they become due in the ordinary course of business. To ensure that the Bank is able to meet its obligations and to pay its debts as they become due, the Bank has a number of initiatives, which includes its significant retail funding portfolio, and its continued presence in the wholesale market to secure funding from the capital markets. The Bank issued Tier 2 bonds during the current financial year amounting to R 1.2 billion, further augmenting the Bank's wholesale funding base.

The Bank is satisfied that it has the necessary skills to continue operations and is continuously ensuring that plans are in place to retain current staff and attract new hires where necessary.

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

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

The new and revised standards, amendments to standards and interpretations are disclosed in Annexure A to the Consolidated Annual Financial Statements. There are no amendments to standards and interpretations that have a material impact on the Bank for the year ended 30 September 2024.

1.4 Material accounting policies

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

1.5 Consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information continued...

1.5.1 Business combinations

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

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

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

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

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

Contingent consideration

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss

1.6 Financial instruments

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

Financial liabilities are classified into the following categories:

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

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

The financial assets are classified into the following categories:

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

Financial assets comprise of the following: cash and cash equivalents (note 2), financial investments (note 3), net advances (note 5), regulatory deposits (note 4) and sovereign debt securities (note 4), accounts receivable and other assets (note 6).

Financial liabilities comprise of the following: creditors and other liabilities (note 10), retail deposits, business deposits and wholesale funding disclosed in short-term and long-term funding (note 11).

NOTES TO THE FINANCIAL STATEMENTS

1. General information continued...

1.6.1 Initial measurement

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

1.6.2 Subsequent measurement

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

1.6.3 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit and loss are financial liabilities that are mandatorily required to be measured at fair value. Currently the Bank does not have any financial liabilities in this category.

1.6.4 Financial liabilities at amortised cost

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

1.6.5 Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss when it does not meet the requirements to be measured at amortised cost or fair value through other comprehensive income. This category includes instruments that are held for trading or instruments that are used to eliminate accounting mismatch. Currently, advances at fair value through profit or loss ("FVTPL") (note 5) and financial investments (note 3) are classified as financial assets measured at fair value through profit or loss.

Advances at fair value through profit or loss

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

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

1.6.6 Financial assets at amortised cost

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. *General information continued...*

Business model assessment

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

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

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

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

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

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

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

Personal Banking advances

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

Interest rates offered to customers are benchmarked to market rates prevalent in South Africa and the Bank considers the customers employment history, credit rating and other bureau data when setting the rate. Interest charged to customers compensates the Bank for time value of money, credit risk and administrative costs (including a profit margin) and therefore is consistent with that of a basic lending agreement.

All Personal Banking advances are classified as measured at amortised cost using the effective interest method. Impairment losses are recognised in profit or loss. Fees that are considered to be integral to the effective interest rate are capitalised to the value of the loan when material and amortised to profit or loss over the expected life of the loan, using the effective interest method.

Business and Commercial division advances

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

1. *General information continued...*

Advances are bespoke in nature as they are designed specific to the customer's circumstances, taking into account the financial position, performance, collateral offered, etc. The terms and conditions are structured to compensate the Bank for the time value of money, credit risk and administrative costs (including a profit margin) and therefore consistent with that of a basic lending agreement. Interest rates are generally variable rates benchmarked to market rates prevalent in South Africa.

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

Sovereign debt securities

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

Cash and cash equivalents

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

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

Accounts receivable and other assets

Accounts receivable and other assets comprises of both financial and non-financial assets. Financial assets within this caption are receivables relating to fees, commissions, VAT, staff advances as well as the amounts held with the SARB relating to the Corporation for Deposit Insurance ("CODI").

Financial assets within accounts receivable and other assets are initially measured at cost, which approximates fair value due to the short-term nature of these assets, and are subsequently measured at amortised cost as they are held to collect contractual cash flows that are solely payments of principal and interest.

1.6.7 Effective interest method

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

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

1.6.8 Impairment of advances

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. *General information continued...*

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

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

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

The amount of the loss is measured as the difference between the carrying amount and the cash flows that the Bank expects to receive, discounted at the effective interest rate. In estimating the amount of the ECL, the following inputs are used:

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

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

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

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

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

The impairment provisioning is divided into the following categories:

Stage 1:

At initial recognition, the advance is classified as stage 1 and a 12-month expected credit loss is recognised. If the advance has not experienced a significant increase in credit risk since initial recognition, it remains classified as stage 1. Advances that have previously displayed a significant increase in credit risk or have been considered credit-impaired and have since been cured may also be classified as stage 1. Refer to the credit impaired section for further explanation.

Stage 2:

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

Stage 3:

If the advance has become credit-impaired since initial recognition it is classified as stage 3, with an ECL measured and recognised on a lifetime basis. Interest income is calculated by applying the effective interest rate to the net carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

1. *General information continued...*

Purchased or originated credit-impaired ("POCI")

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

At initial recognition, POCI advances are recognised at the fair value of the estimated future cash receipts, discounted at the credit-adjusted effective interest rate. The present value is calculated by including the anticipated ECLs and the advance is recognised net of the anticipated ECLs. The credit-adjusted effective interest rate is determined based on the amortised cost, not the gross carrying amount of the POCI advances and incorporates the impact of expected credit losses in the estimated future cash flows.

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

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

1.6.8.1 *Personal Banking advances*

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

The Bank estimates the cash flows it expects to receive on a collective basis using portfolio statistics derived from past performance of similar financial assets, taking into account any changes to the collection procedures and projected future market conditions. For the portfolio (collective) assessment of impairment, financial assets are grouped on the basis of similar credit risks characteristics, specifically repayment behaviour, which indicate the borrower's ability to pay in accordance with the contractually agreed terms. Where the Bank is exposed to the credit risk of undrawn components, that risk is managed and monitored with the drawn component and therefore the expected credit loss on the entire facility is included in the loss allowance.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information continued...

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

Significant increase in credit risk

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

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

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

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

Indicators of a significant increase in the credit risk of a Personal Banking advance are:
- where there is a significant deterioration of an account's internal and external risk profile;
- more than one instalment has been missed;
- an account enters into debt review; or
- any other product linked to the account is flagged as SICR, or has a contractual CD > 1, or has been written off.

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

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

Refer to note 23.6 for the impact on ECL of SICR sensitivity.

Credit-impaired

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

When one or more loss events has occurred, an account becomes credit-impaired and a lifetime expected credit loss is raised. Loss events include where:
- the account is in default as defined;
- breach of contract has occurred, for example where payment of interest or principal has been missed for four or more instalments;
- indication exists that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be associated with the individual financial assets in the Group; or
- the origination of a financial asset takes place at a deep discount that reflects the incurred credit losses.

Curing

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

1. *General information continued...*

This occurs when an account cures, in the following circumstances:

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

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

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

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

1.6.8.2 Business and Commercial division advances

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

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

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

Contractual delinquency[1]	Explanation of categorisation	Time buckets	IFRS 9 stage
CD 0-1	Performing advances that are not past due and are within the contractual term.	<=30 days	Stage 1
CD 0-1 SICR	Performing advances that are not past due and are within contractual terms, but for which a SICR indicator has been identified.	<=30 days	Stage 2 (SICR)
CD 1 – 3	Advances where instalments have not been received 30 to 89 days after their contractual date of repayment.	31 – 89 days	Stage 2 (arrears)
CD 0 - 3 Objective evidence of impairment	Advances which demonstrate qualitative evidence of impairment but do not have a contractual delinquency of 90 days or more.	<90 days in Arrears	Stage 3
>CD 3	Advances where instalments have not been received within 90 days after their contractual date of repayment.	>= 90 Days	Stage 3
CD>3 & qualitative recovery assessment	Advances are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Advances that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.		Written-off

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

1. *General information continued...*

Significant increase in credit risk

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

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

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

Credit-impaired

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

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

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

Purchased or originated credit-impaired (“POCI”) advances

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

1.6.8.3 Forward-looking information

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

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

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

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

1. *General information continued...*

The Bank utilises three forward-looking economic scenarios in the ECL model for Personal Banking advances:

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

The Bank utilises three forward-looking economic scenarios in the ECL model for Business and Commercial division advances:

- Base FLI (Forward-looking information);
- Positive FLI; and
- Negative FLI.

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

For Personal Banking advances and Business and Commercial division advances, management has assigned a probability of 56% (2023: 62%) to the base scenario, 18% (2023: 20.8%) to the downturn scenario and 26% (2023: 17.2%) to the upturn scenario for the 12-month forecast.

Refer to note 23 for the impact on ECL for forward-looking information based on the above-described scenarios and ascribed probability weightings.

1.6.8.4 *Collateral*

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

1.6.9 Impairments for financial assets other than advances

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

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

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

Cash deposits are placed only with counterparties that have an approved credit limit, which are reviewed annually by the Asset and Liability Committee ("ALCO") and recommended for approval by the Risk and Capital Management Committee ("RCMC"). When applicable, The Bank uses International Swaps and Derivatives Association ("ISDA") documentation for the purposes of netting derivatives. These master agreements and associated credit support annexes ("CSA") set out accepted valuation and default covenants, which are evaluated and applied daily, including daily margin calls based on the approved CSA thresholds. CSAs are used as a credit risk mitigation mechanism for the Bank's derivative asset positions. Trade receivables are not rated and are evaluated on an entity-by-entity basis. The Bank limits the tenure and size of trade receivables to ensure that it does not pose a material risk to the Bank. For further information, refer to note 6.

NOTES TO THE FINANCIAL STATEMENTS

1. General information continued...

1.6.10 Written off portfolio

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

Personal Banking

The Group's assessment of reasonable expectation of recovery is either at a single account level or at a collective portfolio level post the write-off point. The point of write-off for Personal Banking advances has been determined by analysing the materiality of post write-off recoveries. Advances are written-off when in arrears for more than four instalments and no payment has been received in the preceding twelve months as at this point, further material recoveries are unlikely.

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

Business and Commercial division

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

1.6.11 Derecognition of financial instruments

Financial instruments are derecognised when:

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

1.6.12 Modification

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

1.6.12.1 Personal Banking advances

Substantial modifications

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. *General information continued...*

Non-substantial modifications

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

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

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

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

Refer to note 5.3 and note 17 for the disclosures of the modification gain or loss.

1.6.12.2 Business and Commercial division advances

Substantial modifications

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

Non-substantial modifications

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

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

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

1.7 Intangible assets

1.7.1 Software

Software consists of purchased software (note 8). Software acquired is capitalised initially at its acquisition cost or fair value (if acquired through business combination). These are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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

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

1. General information continued...

1.7.2 Derecognition of intangible assets

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

1.8 Property and equipment

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

Depreciation is charged to profit or loss on a straight-line basis and is calculated to reduce the original costs to the expected residual values over the estimated useful lives.

Useful lives have been determined to be as follows:

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

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

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

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

1.8.1 Derecognition of property and equipment

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

1.9 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets (other than goodwill) are reviewed at each reporting date to determine whether there is any indicator of impairment. If any such indication exists, then the asset's recoverable amount is re-estimated. Goodwill is tested for impairment at each reporting date irrespective of whether or not an indicator of impairment exists.

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information continued...

1.10 Leases

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

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

All leases are accounted for by recognising a ROU asset (note 7) and a lease liability (note 11) except for the following, which are expensed to profit or loss:

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

1.10.1 Extension and termination options

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

1.10.2 Leases: Statement of Financial Position

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

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

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

Derecognition

The Bank derecognises the ROU asset and lease liability when the Bank or lessor terminates or cancels a lease.

1.10.3 Leases: Statement of Comprehensive Income

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

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

Derecognition

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

Low value and short-term leases

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

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

1. General information continued...

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

1.10.4 Reassessment and modification of leases

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

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

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

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

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

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

1.11 Equity

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

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

1.11.1 Share capital and share premium

Shares issued by the Bank are recorded at the value of the proceeds received less the external costs directly attributable to the issue of the shares. In line with the requirements of the Companies Act, only par value shares are issued by the Bank. Refer to note 12.

1.12 Revenue

Revenue comprises income from interest income (note 13) and non-interest income (note 16).

1.12.1 Interest income

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. *General information continued...*

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

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

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

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

1.12.2 Non-interest income

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

Non-interest income type	Recognition of the income
Credit card and transactional fees	Over time when the service is provided by the Bank over a period of time and at a point in time when the service is provided by the Bank each time a customer transacts. Costs relating to credit cards and transactional accounts are directly attributable to the fees earned and presented as a deduction to the fees earned in the non-interest income note.
Commission income, binder and outsourcing fees	At the point in time when the premium is collected by the Bank or new business is generated by the Bank.
Collection fees	At a point in time when collections are made by the Bank on behalf of the customer.
Commission on value-added services	At a point in time when the service is provided and commission is earned.
Early withdrawal fees (included in other income)	At a point in time when the withdrawal takes place.
Unclaimed balances	At a point in time when the criteria for realising to profit or loss is met. (ie balances remains unclaimed for a period of 24 months)

1.13 Taxation

1.13.1 Indirect taxation

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

1.13.2 Direct taxation

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information continued...

1.13.3 Current taxation

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

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

1.13.4 Deferred taxation

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

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

Offsetting

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

1.13.5 Judgement and uncertainty

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

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

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

1.14 Foreign currency transactions and balances

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

1.15 Employee benefits

1.15.1 Post-employment benefits

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

NOTES TO THE FINANCIAL STATEMENTS

1. *General information continued...*

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

1.15.2 Short-term benefits

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

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

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

1.15.3 Long-term benefits

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

1.16 Current and non-current assets and liabilities

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

1.17 Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it earns revenues and incurs expenses. This includes revenues and expenses relating to transactions with other segments in the business, which are at arm's length. The Group CEO, reviews the operating results of each segment to assist with allocating resources and assessing performance. The Group CEO has been identified as the chief operating decision maker ("CODM"). The operating segments identified are "Personal Banking" and "Business and Commercial division" and have been organised around the different products and services.

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

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

Reportable segment	Operations
Personal Banking	Loans, overdrafts, cards, deposits, insurance and other transactions with retail customers.
Business and Commercial division	Loans, revolving facilities, deposits and other transactions with corporate entities.

1.18 Critical accounting judgements and key sources of estimation uncertainty

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

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

- ECL on advances (refer to note 5 and 23);
- fair value estimates (refer to note 26);
- taxation - Judgement and uncertainty (refer to note 1.13.5 and 9);
- estimated useful life of property, equipment, right-of-use assets and intangible assets (refer to note 1.7, 1.8, 7 and 8); and
- Long-term incentives (refer to note 1.15.3 and 30).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Cash and cash equivalents

Rmillion	2024	2023
Call deposits[1]	**1 525**	**646**
ZAR	1 519	644
Foreign denominated	6	2
Deposits with the SARB[2]	**914**	**874**
Current accounts[3]	**3 531**	**2 808**
Gross cash and cash equivalents	**5 970**	**4 328**
Non-cash adjustment: ECL[4]	-	-
Net cash and cash equivalents	**5 970**	**4 328**
Maximum exposure to credit risk	**5 970**	**4 328**

The Bank uses foreign currency denominated deposits to mitigate against risks arising from changes in foreign currency exchange rates where the Bank's debt is denominated in a currency other than the functional currency. Refer to note 24.3 for foreign exchange risk management.

[1] *Rand denominated call deposits are held with SA banks and can be withdrawn on demand. Rand-denominated call deposits bear interest at rates varying from 7.70% to 8.25% NACM (2023: from 5.95% to 8.25%). Foreign-denominated call deposits consist of foreign currency that the Group uses to mitigate against the changes in cash flows arising from changes in foreign currency rates, where the debt is denominated in a currency other than the functional currency and can be withdrawn on demand.*

[2] *Deposits with the SARB relates to the minimum reserve that the Bank is required to hold in terms of the Banking Regulatory requirements and is considered restricted cash.*

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

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

3. Financial investments

Rmillion	2024	2023
Private equity investments	**3**	**3**
Other investments	**12**	**11**
Total	**15**	**14**

4. Sovereign debt securities

Rmillion	2024	2023
Listed	**3 929**	**8 245**
Treasury bills	1 371	5 685
Government bonds	2 558	2 560
Unlisted		
Gross regulatory deposits and sovereign debt securities	**3 929**	**8 245**
Adjustment: ECL	(8)	(11)
Net regulatory deposits and sovereign debt securities	3 921	8 234
Maximum exposure to credit risk	**3 921**	**8 234**

See note 23.8 for credit risk ratings of counterparties.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Net advances

Net advances comprise of the following portfolios:

- the Business and Commercial portfolio consists of various products such as mortgage bonds, secured lending (term loans and revolving facilities) and transactional banking (including overdrafts). Business and Commercial advances include both those that are originated and those that were acquired in previous financial years; and
- the Personal Banking portfolio consists of various products such as personal loans, overdrafts, credit cards and mortgage bonds. Personal Banking advances include both those that are originated and those that were acquired through the previous financial years.

5.1 Total advances

Rmillion	2024	2023 Restated[1]
Advances at FVTPL	2 092	1 888
Advances at amortised cost[1]	32 297	29 890
Total	**34 389**	**31 778**
Undrawn irrevocable Personal Banking commitments	1 051	853
Undrawn irrevocable Business and Commercial division commitments[2]	862	926
Maximum exposure to credit risk	**36 302**	**33 557**

[1] This amount has been restated Refer to note 35

[2] In the Annual Financial Statements for 30 September 2023, undrawn irrevocable commitments for Business and Commercial division was disclosed as R4,368 million. The correct figure is R926 million as presented above.

5.2 Net advances measured at FVTPL

Rmillion[1]	2024	2023 Restated[3]
Mandatorily measured at FVTPL	1 996	1 572
Designated at FVTPL[2]	96	316
Total advances at FVTPL	**2 092**	**1 888**

[1] Net advances measured at FVTPL consists of only the Business and Commercial division advances.

[2] As at 30 September 2024, the maximum exposure to credit risk for advances designated at FVTPL amounts to R131 million.

[3] These amounts have been restated Refer to note 35

5.3 Net advances measured at amortised cost

Rmillion	2024	2023 Restated[1]
Gross advances	42 794	41 240
Deferred fees	(194)	(320)
Gross advances after deferred origination and administration fees	**42 600**	**40 920**
Personal Banking	31 190	31 297
Business and Commercial division	11 410	9 623
Balance of impairment provision at the end of the period	**(10 303)**	**(11 030)**
Balance of impairment provision at the beginning of the period	(11 030)	(10 640)
Impairment provisions raised on advances	(3 439)	(4 353)
Impairment provision released upon write-offs of underlying exposure	4 166	3 963
Net advances	**32 297**	**29 890**
Personal Banking	21 257	20 368
Business and Commercial division	11 040	9 522

[1] These amounts have been restated Refer to note 35

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Net advances continued...

The Personal Banking advances balance includes modification losses amounting to R1 047 million (2023: R1 127 million) with an amortised cost of R1 582 million (2023: R1 264 million). The gross carrying amount of advances in stage 2 and stage 3 that were modified during the current financial year amount to R938 million and R468 million respectively (2023: R83 million and R1 116 million), and these advances have since moved to stage 1.

The Business and Commercial division advances balance includes modification losses amounting to R4 million (2023: R2 million) with an amortised cost of R1 587 million (2023: R2 902 million). The gross carrying amount of advances in stage 2 and stage 3 that were modified during the current financial year amount to R0 million and R11 million respectively (2023: R0 million and R0 million), and these advances have since moved to stage 1.

5. Net advances continued...

Advances at amortised cost - Personal Banking

5.3.1 Reconciliation of ECL and gross advances of originated and acquired advances for Personal Banking as at 30 September 2024

	Gross Advances[2]						ECL					
	Stage 1	Stage 2		Stage 3	POCI	Total	Stage 1	Stage 2		Stage 3	POCI	Total
		SICR	Arrears					SICR	Arrears			
Balance as at 1 October 2023	**13 610**	**3 008**	**1 459**	**12 119**	**1 101**	**31 297**	**(1 128)**	**(463)**	**(243)**	**(8 380)**	**(715)**	**(10 929)**
Movements:												
Originations/acquisitions	7 069	264	413	479	-	8 225	(654)	(56)	(87)	(335)	-	(1 132)
Repayments	(2 398)	(330)	(88)	(1 212)	(79)	(4 107)	233	70	65	959	69	1 396
Other changes/Changes in credit risk	(944)	(262)	(90)	1 320	(98)	(74)	299	(1)	(534)	(2 087)	24	(2 299)
Amounts written off[1]	(199)	(106)	(265)	(3 429)	(152)	(4 151)	199	106	265	3 429	152	4 151
Total movements	3 528	(434)	(30)	(2 842)	(329)	(107)	77	119	(291)	1 966	245	2 116
Stage transfers:												
Transfers to/(from) stage 1	-	559	563	821	-	1 943	-	(120)	(117)	(587)	-	(824)
- Transfers into stage 1	-	(1 277)	(151)	(1 078)	-	(2 506)	-	267	32	772	-	1 071
-Transfers out of stage 1	-	1 836	714	1 899	-	4 449	-	(387)	(149)	(1 359)	-	(1 895)
Transfers to/(from) stage 2	(1 121)	(158)	158	957	-	(164)	111	33	(33)	(690)	-	(579)
- Transfers into stage 2	(2 550)	(227)	(69)	(463)	-	(3 309)	253	48	15	333	-	649
- Transfers out of stage 2	1 429	69	227	1 420	-	3 145	(142)	(15)	(48)	(1 023)	-	(1 228)
Transfers to/(from) stage 3	(821)	(340)	(618)	-	-	(1 779)	81	71	131	-	-	283
- Transfers into stage 3	(1 899)	(674)	(746)	-	-	(3 319)	188	142	158	-	-	488
- Transfers out of stage 3	1 078	334	128	-	-	1 540	(107)	(71)	(27)	-	-	(205)
Balance as at 30 September 2024	**15 196**	**2 635**	**1 532**	**11 055**	**772**	**31 190**	**(859)**	**(360)**	**(553)**	**(7 691)**	**(470)**	**(9 933)**

[1] The decrease in the advances as a result of the write-off is equal to the decrease in ECL and relates only to Personal 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 R4 151 million. Where these advances are in stage 1 or 2 these advances did not meet the criteria for being classified as credit-impaired prior to been written off.

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

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

ECL models were recalibrated during the current financial year to reflect more up-to-date data and to ensure alignment with industry practice. The impact of this amounted to R319 million.

5. *Net advances continued...*

5.3.2 Reconciliation of ECL and gross advances of originated and acquired advances for Personal Banking as at 30 September 2023[1]

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

	Gross Advances[4]						ECL					
	Stage 1	Stage 2		Stage 3	POCI[5]	Total	Stage 1	Stage 2		Stage 3	POCI	Total
		SICR	Arrears					SICR	Arrears			
Balance as at 1 October 2022	**15 119**	**2 901**	**1 604**	**10 154**	**1 585**	**31 363**	**(1 194)**	**(304)**	**(733)**	**(7 354)**	**(1 007)**	**(10 592)**
Movements:												
Originations/acquisitions[2]	5 787	687	320	1 239	41	8 074	(535)	(145)	(40)	(809)	-	(1 529)
Repayments	(2 605)	(267)	(65)	(160)	(75)	(3 172)	205	50	30	118	31	434
Other changes/Changes in credit risk	(792)	(192)	35	102	(183)	(1 030)	(389)	(274)	29	(397)	(6)	(1 037)
Amounts written off[3]	(525)	(232)	(432)	(2 483)	(267)	(3 939)	525	232	432	2 483	267	3 939
Total movements	1 865	(4)	(142)	(1 302)	(484)	(67)	(194)	(137)	451	1 395	292	1 807
Stage transfers:												
Transfers to/(from) stage 1	-	352	558	2 464	-	3 374	-	(67)	(221)	(1 827)	-	(2 115)
- Transfers into stage 1	-	(1 363)	(175)	(291)	-	(1 829)	-	256	81	215	-	552
-Transfers out of stage 1	-	1 715	733	2 755	-	5 203	-	(323)	(302)	(2 042)	-	(2 667)
Transfers to/(from) stage 2	(910)	(126)	126	803	-	(107)	65	23	(59)	(594)	-	(565)
- Transfers into stage 2	(2 448)	(210)	(84)	(609)	-	(3 351)	186	39	39	450	-	714
- Transfers out of stage 2	1 538	84	210	1 412	-	3 244	(121)	(16)	(98)	(1 044)	-	(1 279)
Transfers to/(from) stage 3	(2 464)	(115)	(687)	-	-	(3 266)	195	22	319	-	-	536
- Transfers into stage 3	(2 755)	(649)	(762)	-	-	(4 166)	218	122	354	-	-	694
- Transfers out of stage 3	291	534	75	-	-	900	(23)	(100)	(35)	-	-	(158)
Balance as at 30 September 2023	**13 610**	**3 008**	**1 459**	**12 119**	**1 101**	**31 297**	**(1 128)**	**(463)**	**(243)**	**(8 380)**	**(715)**	**(10 929)**

5. Net advances continued...

[1] *This note has been restated Refer to note 35*

[2] *The purchase of Personal Banking advances arose from the acquisition of certain assets and liabilities from Ubank Limited.*

[3] *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 2023 financial year that are still subject to enforcement activities is R3 939 million. Where these advances are in stage 1 or 2, these advances did not meet the criteria for being classified as credit-impaired, prior to being written off.*

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

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

Factors impacting and contributing to significant changes in the ECL during the 2023 period:

ECL models were recalibrated during the 2023 financial year to reflect more up-to-date data, as well as considering the appropriateness of applying the remaining term rather than contractual term. The impact of this amounted to R997 million.

5. Net advances continued...

Advances at amortised cost - Business and Commercial division

5.3.3 Reconciliation of ECL and gross advances of originated and acquired advances for Business and Commercial as at 30 September 2024

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

Rmillion	Gross Advances[2]						ECL					
		Stage 2						Stage 2				
	Stage 1	SICR	Arrears	Stage 3	POCI	Total	Stage 1	SICR	Arrears	Stage 3	POCI	Total
Balance as at 1 October 2023	**7 922**	**152**	**63**	**360**	**1 126**	**9 623**	**(44)**	**-**	**-**	**-**	**(57)**	**(101)**
Movements:												
Originations/acquisitions	3 390	58	19	2	-	3 469	(10)	(2)	(1)	-	-	(13)
Repayments	(2 582)	(1)	(30)	(32)	(22)	(2 667)	2	-	-	-	-	2
Other changes/Changes in credit risk	741	(6)	60	91	114	1 000	23	(1)	(15)	(288)	8	(273)
Amounts written off[1]	-	-	-	-	(15)	(15)	-	-	-	-	15	15
Total movements	1 549	51	49	61	77	1 787	15	(3)	(16)	(288)	23	(269)
Stage transfers:												
Transfers to/(from) stage 1	-	36	62	604	-	702	-	-	-	(4)	-	(4)
- Transfers into stage 1	-	(18)	(8)	(265)	-	(291)	-	-	-	-	-	-
-Transfers out of stage 1	-	54	70	869	-	993	-	-	-	(4)	-	(4)
Transfers to/(from) stage 2	(98)	(114)	114	25	-	(73)	-	-	-	-	-	-
- Transfers into stage 2	(124)	(114)	-	-	-	(238)	-	-	-	-	-	-
- Transfers out of stage 2	26	-	114	25	-	165	-	-	-	-	-	-
Transfers to/(from) stage 3	(604)	-	(25)	-	-	(629)	4	-	-	-	-	4
- Transfers into stage 3	(869)	-	(25)	-	-	(894)	4	-	-	-	-	4
- Transfers out of stage 3	265	-	-	-	-	265	-	-	-	-	-	-
Balance as at 30 September 2024	**8 769**	**125**	**263**	**1 050**	**1 203**	**11 410**	**(25)**	**(3)**	**(16)**	**(292)**	**(34)**	**(370)**

[1] The decrease in the advances as a result of the write-off is equal to the decrease in ECL and relates only to Business and Commercial 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 R15 million.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Net advances continued...

5.3.4 Reconciliation of ECL and gross advances of originated and acquired advances for Business and Commercial division as at 30 September 2023

Rmillion	Gross Advances[3]						ECL					
		Stage 2						Stage 2				
	Stage 1	SICR	Arrears	Stage 3	POCI[4]	Total	Stage 1	SICR	Arrears	Stage 3	POCI	Total
Balance as at 1 October 2022	**1 760**	-	-	-	-	**1 760**	**(48)**	-	-	-	-	**(48)**
Movements:												
Originations/acquisitions[1]	7 435	-	-	5	1 089	8 529	(8)	-	-	-	-	(8)
Repayments	(697)	4	5	(15)	61	(642)	13	-	-	1	(81)	(67)
Other changes/Changes in credit risk	-	-	-	-	-	-	(2)	-	-	-	-	(2)
Amounts written off[2]	-	-	-	-	(24)	(24)	-	-	-	-	24	24
Total movements	6 738	4	5	(10)	1 126	7 863	3	-	-	1	(57)	(53)
Stage transfers:												
Transfers to/(from) stage 1	(576)	-	-	-	-	(576)	1	-	-	-	-	1
- Transfers into stage 1	-	-	-	-	-	-	-	-	-	-	-	-
-Transfers out of stage 1	(576)	-	-	-	-	(576)	1	-	-	-	-	1
Transfers to/(from) stage 2	-	148	58	-	-	206	-	-	-	-	-	-
- Transfers into stage 2	-	148	58	-	-	206	-	-	-	-	-	-
- Transfers out of stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to/(from) stage 3	-	-	-	370	-	370	-	-	-	(1)	-	(1)
- Transfers into stage 3	-	-	-	370	-	370	-	-	-	(1)	-	(1)
- Transfers out of stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 September 2023	**7 922**	**152**	**63**	**360**	**1 126**	**9 623**	**(44)**	-	-	-	**(57)**	**(101)**
Coverage ratio						0%	0%	0%	0%	0%	0%	0%

[1] The purchase of Business and Commercial division 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, as advances are 100% provided for before being written off. The contractual amount outstanding on advances that were written off during the 2023 financial year that are still subject to enforcement activities is R24 million.

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

[4] This category relates to advances acquired during the 2023 financial year which qualified for this categorisation.

Factors impacting and contributing to significant changes in the ECL during the 2023 period:

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

5. Net advances continued...

5.4 Credit quality of advances

5.4.1 Advances analysis

Rmillion	2024			2023 Restated[1]		
	Personal Banking	Business and Commercial division	Total	Personal Banking	Business and Commercial division	Total
Gross advances	31 311	11 483	42 794	31 520	9 720	41 240
Deferred fee	(121)	(73)	(194)	(223)	(97)	(320)
Gross advances after deferred fee	31 190	11 410	42 600	31 297	9 623	40 920
Stage 1	15 196	8 769	23 965	13 610	7 922	21 532
Stage 2	4 167	388	4 555	4 467	215	4 682
Stage 3	11 055	1 050	12 105	12 119	360	12 479
POCI	772	1 203	1 975	1 101	1 126	2 227
Total credit exposure	**31 190**	**11 410**	**42 600**	**31 297**	**9 623**	**40 920**
Total ECL	**(9 933)**	**(370)**	**(10 303)**	**(10 929)**	**(101)**	**(11 029)**
Stage 1	(859)	(25)	(884)	(1 128)	(44)	(1 172)
Stage 2	(913)	(19)	(932)	(706)	-	(704)
Stage 3	(7 691)	(292)	(7 983)	(8 380)	-	(8 381)
POCI	(470)	(34)	(504)	(715)	(57)	(772)
Net advances	**21 257**	**11 040**	**32 297**	**20 368**	**9 522**	**29 890**

[1] These amounts have been restated Refer to note 35

5.4.2 Impairment as % of gross advances

Percentage	2024			2023 Restated[1]		
	Personal Banking	Business and Commercial division	Total	Personal Banking	Business and Commercial division	Total
Stage 1	5.7%	0.3%	3.7%	8.3%	0.6%	5.4%
Stage 2	21.9%	4.9%	20.5%	15.8%	0.0%	15.1%
Stage 3	69.6%	27.8%	65.9%	69.1%	0.0%	67.2%
POCI[1]	60.9%	2.8%	25.5%	64.9%	5.1%	34.7%
Total impairment as a % of total gross advances	**31.8%**	**3.2%**	**24.2%**	**34.9%**	**1.0%**	**27.0%**
Reconciliation of ECL						
Balance at the beginning of the period	(10 929)	(101)	(11 030)	(10 592)	(48)	(10 640)
Net movement in impairment provisions	(3 155)	(284)	(3 439)	(4 276)	(77)	(4 353)
Impairment provision released in respect of bad debt write-offs	4 151	15	4 166	3 939	24	3 963
Balance at the end of the year	**(9 933)**	**(370)**	**(10 303)**	**(10 929)**	**(101)**	**(11 030)**

[1] These amounts have been restated Refer to note 35

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Accounts receivable and other assets

Rmillion	2024	2023
Financial assets[1]		
Sundry receivables	1 065	267
Management fees	9	34
Insurance commissions	163	15
Fees receivables	-	14
CODI	478	
Other[2]	414	204
Non-financial assets		
Prepayments[3]	170	250
Inventory[4]	9	5
Total	**1 243**	**522**
Maximum exposure to credit risk	**1 065**	**267**

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

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

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

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

All accounts receivable and other assets represent balances with a maturity of less than 12 months after year end with the exception of CODI (refer to note 25 for maturity analysis). Refer to note 28 for further details.

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

	2024			2023		
Rmillion	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Furniture and fittings	69	(47)	22	58	(39)	19
Information technology equipment	602	(373)	229	471	(281)	190
Motor vehicles	16	(10)	6	16	(7)	9
Leasehold improvements	98	(62)	36	78	(55)	23
Land and buildings (owner-occupied)	320	(50)	270	320	(44)	276
Right-of-use assets	520	(336)	184	413	(241)	172
ATMs	32	(6)	26	22	(1)	21
Total	**1 657**	**(884)**	**773**	**1 378**	**(668)**	**710**

Reconciliation of the carrying amounts of property and equipment 2024

Rmillion	Carrying amount at beginning of year	Additions	Depreciation	Disposals / write-offs	Carrying amount at end of year
Furniture and fittings	19	11	(8)	-	22
Information technology equipment	190	131	(91)	(1)	229
Motor vehicles	9	-	(3)	-	6
Leasehold improvements	23	20	(7)	-	36
Land and buildings (owner-occupied)	276	-	(6)	-	270
Right-of-use assets[1]	172	107	(95)	-	184
ATMs	21	10	(5)	-	26
Total	**710**	**279**	**(215)**	**(1)**	**773**

[1] Right-of-use assets is written-off due to lapsed lease.

7. *Property, equipment and right-of-use assets continued...*

Reconciliation of the carrying amounts of property and equipment 2023

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

The opening balance for cost and accumulated depreciation for the 2023 financial year amounted to R1,074 million and R512 million respectively.

8. Intangible assets

Rmillion	2024			2023		
	Cost	Accumulated amortisation	Carrying amount	Cost	Accumulated amortisation	Carrying amount
Purchased software	735	(243)	492	520	(167)	353

Reconciliation of the carrying amounts of intangible assets 2024

Rmillion	Carrying amount at beginning of year	Additions	Amortisation	Disposals / write-offs	Carrying amount at end of year
Purchased software	353	215	(76)	-	492

Reconciliation of the carrying amounts of intangible assets 2023

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

The opening balance for cost and accumulated amortisation for the 2023 financial year amounted to R258 million and R105 million respectively.

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9. Current and deferred tax

Rmillion	2024	2023 Restated[1]
Current tax asset/(liability)	47	44
Deferred tax asset	1 497	1 395
Total	**1 544**	**1 439**

[1] This amount has been restated, refer to note 35

Deferred tax asset

Rmillion			Opening balance	Deferred tax impact of items recognised in profit or loss	Closing balance
2024					
Temporary differences					
Right-of-use asset			1	(2)	(1)
Accounts payable and other liabilities - sundry and payroll provisions[1]			139	(16)	123
Credit impairment			1 056	(92)	964
Accounts receivable and other assets - prepayments[1]			(38)	21	(17)
Creditors and other liabilities - tax impact from the buy-back of liabilities			(2)	2	-
Estimated tax loss			217	194	411
Net advances			(6)	9	3
Property, equipment and right-of-use assets			5	-	5
Accelerated allowances			-	(5)	(5)
Intangible assets			(20)	(1)	(21)
Lease liability			3	3	6
Creditors and other liabilities - provisions			12	(12)	-
Share- based payments			2	(2)	-
Deferred revenue			26	(5)	21
Capital loss			-	-	-
Donations			-	8	8
Total[1]	-	-	**1 395**	**102**	**1 497**

[1] The deferred tax asset relating to sundry and payroll provisions was incorrectly presented as "Accounts receivable and other assets" in the prior financial year, this has been renamed to "Accounts payable and other liabilities - Sundry and payroll provisions".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. *Current and deferred tax continued...*

Rmillion	Opening balance	Acquired (Ubank)	Acquired (GBL)	Deferred tax impact of items recognised in profit or loss	Closing balance
2023 Restated[1]					
Temporary differences					
Right-of-use asset	3	-	(4)	2	1
Accounts payable and other liabilities - sundry and payroll provisions[2]	117	-	-	22	139
Credit impairment	958	-	9	89	1 056
Accounts receivable and other assets - prepayments	(12)	-	-	(26)	(38)
Creditors and other liabilities - tax impact from the buy-back of liabilities	(2)	-	-	-	(2)
Estimated tax loss	18	-	-	199	217
Loans and advances to customers	-	3	(11)	2	(6)
Property and equipment	-	5		-	5
Intangible assets	-	19	(18)	(21)	(20)
Lease liability	-	-	4	(1)	3
Creditors and other liabilities - provisions	-	-	12	-	12
Share-based payments	-	-	3	(1)	2
Fair value adjustments	-	-	-	-	-
Deferred revenue	-	-	22	4	26
Capital loss	-	-	5	(5)	-
Total[3]	**1 082**	**27**	**22**	**264**	**1 395**

[1] These amounts have been restated Refer to note 35

[2] The estimated current tax loss that arose in the current financial period is R757 million (2023: R180 million) and the capital loss is R0 million (2023: R6 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.

[3] The deferred tax asset relating to sundry and payroll provisions was incorrectly presented as "Accounts receivable and other assets" in the prior financial year, this has been renamed to "Accounts payable and other liabilities - Sundry and payroll provisions".

10. Creditors and other liabilities

Rmillion	2024	2023
Financial liabilities[1]		
Gross advances with credit balances	117	58
Sundry payables and accruals[2]	257	451
Amounts payable to Guardrisk	185	153
Lease liability (refer note 10.1)	198	185
Non-financial liabilities		
Accruals related to payroll[3]	274	318
Leave pay accrual	40	119
Total	**1 071**	**1 284**

10. *Creditors and other liabilities continued...*

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

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

[3] Included in "Accruals related to payroll" is a provision for the long-term incentive scheme amounting to R76 million (2023: R75 million). Refer to note 30 for additional disclosure. This amount also includes a short-term incentive of R159 million (2023: R223 million), and other payroll liabilities (such as PAYE, medical aid) of R39 million (2023: R20 million).

Lease liability

Reconciliation of lease liability

Rmillion	2024	2023
Opening balance	185	163
Additions	146	160
Interest expense	20	17
Payments	(153)	(155)
Balance at end of period	198	185

Undiscounted lease commitments

Rmillion	2024	2023
Payable between 1 and 12 months	137	136
Payable between 13 and 24 months	66	56
Payable between 25 and 60 months	24	8
Total	227	200

11. Short-term and long-term funding

Rmillion	2024	2023
Retail deposits	18 975	18 000
Business deposits	13 689	12 534
Wholesale funding (refer to note 21)	2 837	4 330
Total	**35 501**	**34 864**

Funding by product type

Rmillion	2024 Short-term funding[1]	2024 Long-term funding	2024 Total funding
Current accounts[2]	6 194	-	6 194
Savings Deposits[2]	471	-	471
Call Deposits[3]	7 820	-	7 820
Fixed deposits[4]	11 340	6 839	18 179
Wholesale funding[5]	663	2 174	2 837
Total	**26 488**	**9 013**	**35 501**

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

[2] Current accounts and savings accounts have average interest rates of 2.01% NACA (2023: 1.31%).

[3] Call deposits have average interest rates of 8.04% NACA.

[4] Fixed deposits have average interest rates of 11.16% NACA (2023: 10.44%).

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

11. *Short-term and long-term funding continued...*

Wholesale funding

The carrying amount of NCDs at 30 September 2024 was R232 million (2023: R1 226 million) and have average interest rates of 8.84% (NACA) (2023: 10.29%).

The carrying amount of the bonds at 30 September 2024 was R2 581 million (2023: R2 940 million).

The bonds' maturities range from the earliest maturity on 3 December 2024 to the latest maturity on 20 September 2034:

- the 3-month JIBAR + 3.8% floating rate bond has a maturity date of 3 December 2024;
- the 3-month JIBAR + 2.59% floating rate bond has a maturity date of 30 March 2025;
- the 3-month JIBAR + 3% floating rate bond has a maturity date of 30 March 2027; and
- the 3-month JIBAR + 2.36% floating rate bond has a maturity date of the 22 July 2027.
- the 3-month JIBAR + 2.84% floating rate bond has a maturity date of the 22 July 2029.
- the 3-month JIBAR + 4.5% floating rate bond has a maturity date of the 20 March 2034.
- the 3-month JIBAR + 4.5% floating rate bond has a maturity date of the 30 September 2034.

During the current financial year, the Bank issued bonds in terms of it Domestic Medium Term Note ("DMTN") Programme. These bonds are subordinated and unsecured, intended to qualify as Tier 2 Capital. These bonds have a maturity of 10 years, accrues interest at a floating rate which resets every quarter with interest being paid on the reset date. The reference rate relevant to these bonds is ZAR-JIBAR-SAFEX. These bonds are measured at amortised cost using the effective interest method.

The Financial Stability Board initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace the existing Interbank Offered Rates (IBOR) with alternative risk-free rates to improve market efficiency and mitigate systemic risk across financial markets. The SARB published the South African Rand Overnight Index Average (ZARONIA) as the official successor rate to JIBAR. The SARB ended the observation period for ZARONIA in November 2023 and companies may use it as a benchmark rate for contracts going forward. The date for the formal initiation of the transition from JIBAR to ZARONIA has not been specified. Once the transition process becomes clear, the bank will ensure compliance to the relevant transition framework. The bank has exposure to JIBAR. Refer above for detail regarding the bonds linked to JIBAR.

12. Ordinary share capital and ordinary share premium

	Number of shares 2024	Number of shares 2023	Rmillion 2024	Rmillion 2023
Authorised				
Ordinary shares of R0.01 each	2 000 000 000	2 000 000 000	-	-
Issued and fully paid				
Ordinary shares at par value of R0.01 each	500 000 008	500 000 004	5	5
Ordinary share premium			14 363	13 657
Total			**14 368**	**13 662**

There were no shares repurchased during the current or previous financial year. During the current financial year, 4 shares were issued (2023: 4 shares were issued).

The Group has 1 499 999 992 (2023: 1 499 999 996) unissued ordinary shares.

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

13. Interest income

13.1 Interest income on advances

Rmillion	2024	2023 Restated[1]
Interest on advances	6 538	6 719
Integral fees[2]	504	582
Total	**7 042**	**7 301**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. *Interest income continued...*

[1] These amounts have been restated, refer to note 35

[2] *In the prior financial year, integral origination fees and service fees that form part of the effective interest rate were disclosed separately, these have been combined into a single line referred to as integral fees in the current year and comparatives have been represented in accordance with the requirements of IAS 1.41. The total figure has not changed.*

13.2 Other interest income

Rmillion	2024	2023
Cash and cash equivalents	90	92
Sundry interest income[1]	773	805
Total	**863**	**897**

Other interest income is calculated using the effective interest method.

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

14. Interest expense and similar charges

Rmillion	2024	2023
Subordinated debt	83	-
Unsecured listed bonds	192	341
Call deposits[1]	638	515
Fixed deposits	160	256
Negotiable certificates of deposit	80	279
Right-of-use asset - finance cost	20	17
Retail deposits	1 465	1 003
Transactional banking	78	47
Other interest	31	39
Total	**2 747**	**2 497**

[1] *Included in this line is CODI premiums and levies*

15. Fair value gains and losses

Rmillion	2024	2023
Foreign exchange gain/(loss) recognised on translation[1]	1	(4)
Fair value gains from derivatives, assets and liabilities[1]	10	35
Fair value gain on financial investment[1]	76	2
Fair value gains and losses on advances[2]	(40)	14
Total	**47**	**47**

[1] *These line items were disclosed separately on the Statement of Total Comprehensive Income in the prior financial year. This note has been included to simplify the presentation of the Statement of Total Comprehensive Income as well as to disclose items of a similar nature together, in terms of IAS 1.41.*

[2] *Fair value gains and losses on advances are derived from the Bank's fair value advances portfolio. In the prior financial year, this was disclosed in the Non-interest income note.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Non-interest income

Rmillion	2024	2023
Credit card fees and transactional fees[1]	744	584
Credit card and transactional income	1 106	860
Credit card and transactional expense	(362)	(276)
Insurance - Binder and outsourcing arrangements fees[2]	170	196
Collection fees	100	126
Commission on value-added services[3]	19	132
Other income[4]	504	307
Total	**1 537**	**1 345**

[1] *Cost relating to credit cards and transactional accounts were previously presented as part of operating costs. These are directly attributable to the fee earned and therefore have been represented as a deduction in non-interest income.*

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

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

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

17. Credit impairment charge

	2024		
Rmillion	Personal Banking[1]	Business and Commercial division[1]	Total
Gross charge to profit or loss	3 064	248	3 312
Modification that does not give rise to derecognition	(80)	4	(76)
Net impairment charge	**2 984**	**252**	**3 236**
Post write-off recoveries[1]	(627)	-	(627)
Total	**2 357**	**252**	**2 609**

	2023		
Rmillion	Personal Banking	Business and Commercial division	Total
Gross charge to profit or loss	3 845	44	3 889
Modification that does not give rise to derecognition	250	2	252
Net impairment charge	**4 095**	**46**	**4 141**
Post write-off recoveries[1]	(879)	-	(879)
Total	**3 216**	**46**	**3 262**

[1] *Post write-off recoveries are recognised less the directly attributable costs of collection of R102 million (2023: R67 million).*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Operating costs

Rmillion	2024	2023
Advertising and marketing costs	270	232
Amortisation of intangible assets	76	62
Audit fees	32	23
Bank charges and strike costs[1]	158	122
Card transaction costs[2]	52	21
Collection costs	35	69
Depreciation on property, equipment and right-of-use assets	261	227
Direct selling and commissions	56	17
Information technology costs	370	378
Other expenses[3]	218	294
Printing, stationery and courier costs	26	21
Professional fees	293	365
Rental and maintenance costs	270	278
Costs related to property rentals[4]	191	200
Other rental and maintenance costs	79	78
Staff costs	2 137	2 145
Basic remuneration	1 657	1 548
Contribution to provident fund	183	153
Commission paid to sales agents	1	3
Employee benefits expense	204	356
Executive Directors' and Prescribed Officers' remuneration (refer to note 38)	92	85
Telephone, fax and other communication costs	122	125
Non-Executive Directors' fees (refer to note 38)	16	14
Travel cost	36	26
Write-off of property, equipment and right-of-use assets	-	55
Total	**4 428**	**4 473**

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

[2] *Cost relating to credit cards and transactional accounts were previously presented as part of operating costs. These are directly attributable to the fee earned and therefore have been represented as a deduction in non-interest income.*

[3] *Included in other expenses for the 2023 financial year is expenses incurred relating to the integration amounting to R233 million.*

[4] *Included in the costs related to property rentals is the value of the short-term and low value leases of R60 million (2023: R26 million).*

19. Indirect and direct taxation

Rmillion	2024	2023
Indirect charge per the Statement of Total Comprehensive Income	(101)	(93)
Direct charge per the Statement of Total Comprehensive Income: SA normal taxation	111	254
Total taxation charge	**10**	**161**

19.1 Direct taxation

Rmillion	2024	2023
Current taxation	**9**	**(12)**
Current year	-	(24)
Prior year	9	12
Deferred taxation	**102**	**255**
Current year	(84)	67
Utilisation of tax loss	204	188
Prior year	(18)	-
Direct taxation charge per the Statement of Total Comprehensive Income	**111**	**243**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Indirect and direct taxation continued...

19.2 Direct tax rate reconciliation

%	2024	2023
Effective rate of taxation	**28.0**	**55.4**
Non-deductible expenses and special allowances	**(3.4)**	**(25.8)**
Donations	0.1	0.1
Dividend received non-taxable	(5.3)	(7.8)
Gain on bargain purchase	-	(16.2)
Insurance contract gains not realised	-	-
Learnerships	(1.6)	(1.9)
Tax impact on property and equipment	0.4	(0.1)
Estimated tax loss not recognised	5.4	
Other[1]	(2.1)	0.1
Prior year under/(over) provision	2.4	(2.6)
Standard rate of South African taxation	**27.0**	**27.0**

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

19.3 Direct taxation received/(paid)

Rmillion	2024	2023
Movement in current tax asset	-	(32)
Direct taxation charged to Statement of Total Comprehensive Income (refer to note 19)	111	254
Deferred tax portion of amount charged to Statement of Total Comprehensive Income	(102)	(266)
Total	**9**	**(44)**

20. Cash utilised in operations

Rmillion	2024	2023
Loss before tax	(395)	(459)
Adjustment for:	**(1 202)**	**(1 756)**
Indirect taxation: VAT	101	93
Increase in impairment of advances	3 703	3 868
Amortisation of intangible assets (refer to note 8)	104	62
Depreciation of property, equipment and right-of-use assets (refer to note 7)	259	227
Disposal of property, equipment and right-of-use assets and intangible assets	(15)	55
Other interest income	(864)	(897)
Interest expense	2 727	2 497
Fair value movements on derivative instruments	(6)	(35)
Fair value adjustments on assets	(47)	-
Profit on disposal of financial asset (other income)	-	(7)
Interest on advances	(7 041)	(7 343)
Other adjustments on funding instruments	-	-
Finance cost from lease liability	20	-
Dividend received	(37)	-
Other adjustment for gain/loss on funding instruments	(100)	-
Bargain purchase gain	(6)	(276)
		-
Total	**(1 597)**	**(2 215)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Reconciliation of wholesale funding

Rmillion	2024	2023
Balance at the beginning of the year	**4 330**	**4 004**
Tenure debt	**(1 493)**	**336**
Funding raised	3 486	4 702
Transfer	(11)	
Funding redeemed	(4 975)	(4 461)
Net movement in accruals and unamortised fair value adjustments	348	491
Interest paid	(341)	(396)
Foreign exchange movement	-	-
Total	**2 837**	**4 340**

22. Risk management

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

The RCMC constituted as a committee of the Board, is accountable to the Board and reports directly to the Board. The primary objective and mandate of the RCMC and its subcommittees is to assist the Board in discharging responsibilities in terms of the management of risk and capital across the Bank.

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

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

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

The MRC is responsible for managing the risk and profitability strategies of the Group. The role includes setting of credit policy, pricing strategies, affordability policy and risk control. The MRC monitors these risks and reports on a quarterly basis to the RCMC. The MRC is supported by the Credit Management Structure and is chaired by a Non-Executive Director. (Refer to note 23).

The role of the ALCO is to manage the Group's liquidity and funding position, interest rate risk in the banking book, asset/liability mismatch, foreign exchange exposure risk, regulatory and economic capital and market risks, as well as other related risks (“ALCO Risks”) in such a way as to maximise shareholder return within the risk parameters as defined by the Group's risk appetite framework set by the RCMC. (Refer to note 25).

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

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

- credit risk (note 23);
- market risk;
  - interest rate risk (note 24.1);
  - re-pricing risk (note 24.2);
  - foreign exchange risk (note 24.3);
- liquidity and funding risk (note 25) and
- regulatory (and legal) risks in the ALCO context (note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Credit risk

Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial and contractual obligations when due. The Bank's primary focus is the underwriting of loans (secured loans in Business and Commercial division and unsecured loans in Personal Banking) and accordingly, credit risk features as the dominant financial risk within the Bank.

23.1 Credit risk management

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

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

The duties and responsibilities of the MRC include:

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

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

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

- advances (refer to note 1.6.5, 1.6.6); and note 5
- financial assets other than advances (refer to note 1.6.9 and 23.7).

23.2 Nature and composition of the advances portfolio

23.2.1 Personal Banking advances

Within Personal Banking, the Group's main business is to offer unsecured loans, credit cards and overdrafts to Personal Banking customers, primarily individuals with formal employment. The Group primarily relies on collecting loan instalments directly from the customer's bank account via an electronic debit order or alternatively, accepts electronic funds transfer and cash deposits from customers. Customers are assessed in full each time they apply for credit to determine if their credit profile remains acceptable in terms of the credit policies of the Group.

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

The nature of Personal Banking advances is such that it is made up of smaller sized loans across a spectrum of economic sectors and provinces. Loans granted range from a minimum of R1 000 to a maximum of R500 000 at origination and repayment periods range from a minimum of 1 month to maximum of 72 months. For credit cards, the revolving credit facility ranges from R4 000 to R500 000 for new credit cards and limit increases. The minimum contractual repayment on credit card facilities is calculated using the outstanding balance of the facility and the percentages used ranges from 3% to 12.5%. These repayment percentages are dependent on the credit limit of the customer. By its nature, the sum of the carrying amount at year end for unsecured loans, credit cards and any unutilised credit facilities represents the Group's maximum exposure to credit risk for advances. The Group has insurance cover against credit events arising from death, permanent or temporary disability and retrenchment of customers through a cell captive arrangement held indirectly by the Group's holding company.

23.2.2 Business and Commercial division advances

Within Business and Commercial division the Group's primary focus is to offer advances to Business and Commercial division customers which includes mortgage bonds, secured lending and overdraft facilities. The Group's target market typically includes SME businesses with a focused client-centric approach. New deal approval is subject to specified limits of authority which are aggregated at a client or total group exposure level, i.e. Business and Commercial division credit committee (R10 million), CMC (R50 million) and the Exco (above R50 million).

23. *Credit risk continued...*

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

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

The types of collateral held include:
- property;
- listed shares;
- unlisted shares;
- debtors;
- rights to financial assets; and
- financial guarantees/letters of undertaking.

23.3 Credit risk assessment

23.3.1 Personal Banking advances

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

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

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

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

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

23.3.2 Business and Commercial division advances

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

23. Credit risk continued...

23.4 Credit monitoring

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

23.4.1 Personal Banking advances

For Personal Banking advances, this includes the following:

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

23.4.2 Business and Commercial division advances

For Business and Commercial division advances, this includes:

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

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

23.5 Collections and recovery

23.5.1 Personal Banking advances

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

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

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

23.5.2 Business and Commercial division advances

Business and Commercial division customers are individually monitored, which includes:

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

23.6 Credit risk sensitivity

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Credit risk continued...

23.6.1 Personal Banking

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

Impact on ECL of SICR sensitivity 2024	Upwards (decrease)	Base	Downwards (increase)
Shifting of SICR threshold by 5% (Rmillion)	(346)	-	215
% change on total SICR ECL (%)	(28.3 %)	-	17.5 %
2023			
Shifting of SICR threshold by 5% (Rmillion)	(146)	-	239
% change on total SICR ECL (%)	(14.5 %)	-	23.7 %

The Group sets behaviourial and advance granting score thresholds which are used to identify a significant increase in credit risk. These thresholds are dependent on the credit risk expectation at the point of origination, time on book, and an updated view of credit risk which includes forward-looking information. The table below presents the impact on stage 2 ECL if this score is stressed by 5%.

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

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

Impact on ECL of forward-looking information sensitivity 2024	Rmillion	% change in ECL
100% downturn scenario	52	0.47
100% base/benign scenario	16	0.15
100% upturn scenario	(16)	(0.14)
2023		
100% downturn scenario	73	(0.20)
100% base/benign scenario	(34)	(0.27)
100% upturn scenario	(24)	0.59

23.6.2 Business and Commercial division

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

IFRS 9 Stage Transfers 2024	Stage 1	Stage 2	Stage 3	Total
Base Staging	29	21	543	593
5% transfer from Stage 1 to Stage 2	15	56	543	614
10% transfer from Stage 1 to Stage 2	13	60	543	616
2023				
Base Staging	19	-	273	1 081 804
5% transfer from Stage 1 to Stage 2	9	33	273	1 226 748
10% transfer from Stage 1 to Stage 2	9	34	273	1 166 245

The LGD is adjusted for forward-looking economic relating to scenarios gross domestic products, inflation rate, prime lending rate, exchange rates and unemploymen rate, according to the type of security held as collateral. Three economic scenarios are utilised, i.e., poor, stable and good, and the applicable adjustment is based on judgement using freely available forecast economic indicators applicable to the nature of security.

23. *Credit risk continued...*

The following is considered as guidance for each economic scenario:

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

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

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

The table below reflects stress scenarios based on FLI:

Impact on ECL of forward-looking information sensitivity 2024	Total Stage 1 and Stage 2 ECL	Stress Impact (Value)	Stress Impact (%)
Base FLI	50	-	56
Positive FLI	46	(4)	26
Negative FLI	58	12	18
2023			
Base FLI	20	-	30
Positive FLI	15	(5)	26
Negative FLI	28	9	44

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

IFRS 9 Stage Transfers 2024	+20% PD	-20% PD	+20% LGD	-20% LGD
Stage 1	4	(4)	4	(4)
Stage 2	1	(1)	1	(1)
Stage 3	-	-	-	-
10% transfer from Stage 1 to Stage 2				
2023				
Stage 1	4	(4)	4	(4)
Stage 2	-	-	-	-
Stage 3	-	-	-	-
10% transfer from Stage 1 to Stage 2				

23.7 Credit concentration risk of advances

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

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

23. Credit risk continued...

23.7.1 Personal Banking advances

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

Advances

Average value	Number of loans	% of total number of loans	Carrying amount Rmillion	% of total carrying amount
2024				
<5	144 441	22.1%	369	2.6%
5 - 10	115 495	17.7%	471	3.4%
10 – 20	131 597	20.1%	974	7.0%
20 – 50	97 112	14.9%	1 645	11.8%
50 - 100	79 741	12.2%	2 734	19.6%
100 - 200	62 536	9.6%	4 355	31.3%
> 200	22 633	3.5%	3 386	24.3%
Total	**653 555**	**100%**	**13 934**	**100%**
2023[1]				
<5	27 070	4.6%	51	0.3%
5 - 10	122 759	20.9%	475	3.1%
10 – 20	145 412	24.7%	1 088	7.0%
20 – 50	102 620	17.4%	1 796	11.5%
50 - 100	94 549	16.1%	3 372	21.7%
100 - 200	72 663	12.3%	5 288	34.0%
> 200	23 303	4.0%	3 490	22.4%
Total	**588 376**	**100%**	**15 560**	**100%**

[1] These amounts have been restated Refer to note 35

23.7.1.2 Credit cards and overdrafts

Average value	Number of credit cards and overdrafts	% of total number of credit cards and overdrafts	Carrying amount Rmillion	% of total carrying amount
2024				
<5	232 853	24.9%	88	1.2%
5 - 10	295 587	31.6%	256	3.5%
10 – 20	210 885	22.6%	783	10.7%
20 – 50	135 480	14.5%	1 646	22.5%
50 - 100	35 074	3.8%	1 467	20.0%
> 100	19 413	2.1%	2 016	27.5%
> 200	5 594	0.6%	1 067	14.6%
Total	**934 886**	**100%**	**7 323**	**100%**
2023				
<5	39 682	12.3%	68	1.4%
5 - 10	95 151	29.5%	338	7.0%
10 – 20	86 881	26.9%	705	14.7%
20 – 50	67 712	21.0%	1 271	26.4%
50 - 100	20 107	6.2%	923	19.2%
> 100	10 729	3.3%	1 098	22.8%
> 200	2 387	0.7%	405	8.4%
Total	**322 649**	**100%**	**4 808**	**100%**

23. Credit risk continued...

23.7.2 Business and Commercial advances

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

Rmillion	2024	2023
Agriculture, hunting, forestry and fishing	24	35
Mining and quarrying	126	77
Manufacturing	291	240
Electricity, gas and water supply	36	42
Construction	140	134
Wholesale and retail trade, repair of specified items, hotels and restaurants	808	729
Transport, storage and communication	2 579	1 978
Financial intermediation and insurance	891	613
Real estate	6 114	5 593
Business service	537	509
Community, social and personal services	46	48
Households	96	27
Other[1]	1 467	1 414
Fair value adjustment on consolidation	20	30
ECL allowance against advances (Stage 1 and 2)	(44)	(59)
	13 132	**11 410**

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

Business and Commercial division collateral

Rmillion	2024	2023
Collateral type		
Property	5 814	5 031
Listed shares	217	389
Unlisted shares	727	450
Debtors	564	508
Guarantee/Letter of undertaking	2 801	2 298
Other	2 389	434
Carrying amount of secured advances[1]	12 512	9 110
Unsecured	1 128	2 515
Remeasurement of advances at FVTPL	70	87
Fair value adjustment on consolidation	20	30
ECL on advances	(598)	(332)
Total	**13 132**	**11 410**

[1] *95% of the total balance of Business and Commercial advances are securitised.*

[2] *In the prior financial year, ECL an advances for stage 1 and 2 was shown separately from stage 3. This has been combined in the current year to simplify this disclosure.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. *Credit risk continued...*

23.8 Financial assets other than advances

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

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

Assets Rmillion	Note	Total carrying amount	Aaa to A3	Baa1 to Baa3	Below Baa3	Not rated
2024						
Cash and cash equivalents						
Cash deposits – ZAR	2	5 964	-	-	5 964	-
Cash deposits – foreign-denominated	2	6	-	-	6	-
Sovereign debt securities						
Treasury bills	4	1 371	-	-	1 371	-
Government Bonds	4	2 558	-	-	2 558	-
Total		**9 899**	**-**	**-**	**9 899**	**-**
2023[1]						
Cash and cash equivalents						
Cash deposits – ZAR	2	4 326	-	-	4 326	-
Cash deposits – foreign-denominated	2	2	-	-	2	-
Sovereign debt securities[2]						
Treasury bills	4	5 685	-	-	5 685	-
Government Bonds	4	2 560	-	-	2 560	-
Derivatives						
Derivative assets		124	-	-	-	124
Total		**12 697**	**-**	**-**	**12 573**	**124**

[1] *In the prior financial year, financial investments was disclosed in the above table, however the relevant instruments are not exposed to credit risk.*

[2] *In the prior financial year sovereign debt securities was reported as "not rated", this has been corrected as per the table above.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Market risk

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

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

24.1 Interest rate risk management

Interest rate risk for the purposes of Financial Instruments: Disclosures ("IFRS 7") is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

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

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

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

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

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

24.2 Re-pricing profile

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. *Market risk continued...*

24.2.1 Re-pricing profile

2024

Rmillion	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Non-interest sensitive	Non-financial instruments	Total
2024								
Assets								
Cash and cash equivalents	5 051	-	-	-	-	919	-	5 970
Sovereign debt securities	498	198	675	805	1 711	34	-	3 921
Net advances	21 608	777	2 751	2 908	6 021	324	-	34 389
Accounts receivable and other assets	-	-	-	-	-	1 243	-	1 243
Financial investments	15	-	-	-	-	-	-	15
Goodwill	-	-	-	-	-	-	115	115
Current tax	-	-	-	-	-	47	-	47
Property, equipment and right-of-use asset	-	-	-	-	-	-	773	773
Intangible assets	-	-	-	-	-	-	492	492
Deferred tax asset	-	-	-	-	-	-	1 497	1 497
Total assets	**27 172**	**975**	**3 426**	**3 713**	**7 732**	**2 567**	**2 877**	**48 462**
Liabilities and equity								
Funding	19 781	4 208	4 395	2 627	4 194	296	-	35 501
Creditors and accruals	165	-	-	-	-	906	-	1 071
Ordinary shareholder's equity	-	-	-	-	-	-	11 890	11 890
Total liabilities and equity	**19 946**	**4 208**	**4 395**	**2 627**	**5 361**	**1 202**	**11 890**	**48 462**
On balance sheet interest sensitivity	**7 226**	**(3 233)**	**(969)**	**1 086**	**2 371**	**1 365**	**(9 013)**	**-**

24. *Market risk continued...*

24.2.2 Re-pricing profile
2023 restated

Rmillion	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Non-interest sensitive	Non-financial instruments	Total
2023								
Assets								
Cash and cash equivalents	3 450	4	-	-	-	874	-	4 328
Sovereign debt securities	113	2 142	3 430	-	2 521	28	-	8 234
Derivative assets	-	-	-	-	-	124	-	124
Net advances[1]	15 308	1 126	3 959	3 664	7 571	150	-	31 778
Accounts receivable and other assets	57	-	-	-	-	465	-	522
Financial investments	-	-	-	-	-	14	-	14
Goodwill	-	-	-	-	-	-	115	115
Current tax	-	-	-	-	-	-	44	44
Property, equipment and right-of-use asset	-	-	-	-	-	-	710	710
Intangible assets	-	-	-	-	-	-	353	353
Deferred tax asset	-	-	-	-	-	-	1 395	1 395
Total assets	**18 928**	**3 272**	**7 389**	**3 664**	**10 092**	**1 655**	**2 617**	**47 616**
Liabilities and equity								
Funding	17 665	3 724	4 626	2 643	4 944	1 262	-	34 864
Creditors and accruals	26	-	-	-	-	1 258	-	1 284
Ordinary shareholder's equity	-	-	-	-	-	-	11 468	11 468
Total liabilities and equity	**17 691**	**3 724**	**4 626**	**2 643**	**4 944**	**2 520**	**11 468**	**47 616**
On balance sheet interest sensitivity	**1 237**	**(452)**	**2 763**	**1 021**	**5 148**	**(865)**	**(8 851)**	**-**

[1] *This amount has been restated, refer to note 35.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. *Market risk continued...*

24.2.3 Interest rate sensitivity analysis

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

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

For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at reporting date was outstanding for the whole year. A 400 basis point movement for ZAR exposures and a 50 basis point movement for CHF and USD exposures are used when reporting interest rate risk internally and this represents management's assessment of the reasonably possible change in interest rates.

The sensitivity analysis below is based on an increase in rates. Given the linear structure of the Bank's portfolio, an increase in interest rates as described above would result in a corresponding net increase of R563 million (2023: increase of R154 million) in net income (before tax).

Rmillion	Carrying amount at end of year	Amount exposed to market risk	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) increase/ (decrease)
2024				
Financial assets				
Net credit card advances and prime linked loans	20 299	23 266	REPO/Prime	931
Cash and cash equivalents	5 970	5 536	REPO	221
Financial investment	15	-	REPO	1
Sovereign debt securities	3 921	-	CPI	-
Total assets	**30 205**	**28 802**		**1 153**
Financial liabilities				
Long-term funding	9 013	2 154	JIBAR	(36)
Short-term funding	26 488	16 300	JIBAR/Prime	(519)
Total liabilities	**35 501**	**18 454**		**(555)**
Net effect on the Statement of Total Comprehensive Income				**598**
2023 Restated[1]				
Financial assets				
Net credit card advances and prime linked loans[2]	14 018	16 213	REPO	766
Cash and cash equivalents	4 328	3 459	REPO	138
Financial investment	14	-	REPO	-
Sovereign debt securities	8 234	-	CPI	-
Derivatives	124	383	CPI/JIBAR	15
Total assets	**26 718**	**20 055**		**919**
Financial liabilities				
Long-term funding	8 605	835	CPI/JIBAR	(29)
Short-term funding	26 259	18 893	JIBAR	(736)
Total liabilities	**34 864**	**19 728**		**(765)**
Net effect on the Statement of Total Comprehensive Income				**154**

[1] This amount has been restated, refer to note 35.

[2] In the prior financial year this line was called net credit card advances which included prime linked loans the naming has thus been updated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Market risk continued...

24.3 Foreign exchange risk management

Foreign exchange risk is the risk of financial loss resulting from adverse movements in foreign currency exchange rates. Foreign exchange risk in the Group previously arose as a result of the mismatch between foreign currency denominated borrowings and foreign currency cash and other assets. As at reporting dated, the Group has no foreign currency denominated borrowings and foreign currency cash balances are not considered to be material.

24.4 Other price risk management

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

25. Liquidity risk

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

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

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

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

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

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

25. *Liquidity risk continued...*

25.1 Maturities profile of discounted assets and liabilities

Rmillion	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Greater than 72 months	Non-financial assets / liabilities	Total
2024								
Assets								
Cash and cash equivalents	5 970	-	-	-	-	-	-	5 970
Sovereign debt securities	498	221	694	-	828	1 680	-	3 921
Net advances[1]	4 352	3 134	10 009	4 148	12 073	673	-	34 389
Accounts receivable and other assets	814	59	78	35	71	16	170	1 243
Current tax	-	-	-	-	-	-	47	47
Goodwill	-	-	-	-	-	-	115	115
Financial investments	15	-	-	-	-	-	-	15
Property, equipment and right-of-use asset	-	-	-	-	-	-	773	773
Intangible assets	-	-	-	-	-	-	492	492
Deferred tax asset	-	-	-	-	-	-	1 497	1 497
Total assets	**11 649**	**3 414**	**10 781**	**4 183**	**12 972**	**2 369**	**3 094**	**48 462**
Liabilities and equity								
Funding	16 284	4 376	5 763	2 629	5 239	1 210	-	35 501
Creditors and accruals	634	383	-	26	8	-	20	1 071
Ordinary shareholder's equity	-	-	-	-	-	-	11 890	11 890
Total liabilities and equity	**16 918**	**4 759**	**5 763**	**2 655**	**5 247**	**-**	**11 910**	**48 462**
Net liquidity gap	**(5 269)**	**(1 345)**	**5 018**	**1 528**	**7 725**	**2 369**		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Liquidity risk continued...

Rmillion	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Greater than 72 months	Non-financial assets / liabilities	Total Restated[2]
2023								
Assets								
Cash and cash equivalents	4 324	4	-	-	-	-	-	4 328
Sovereign debt securities	113	2 162	3 447	-	838	1 675	(1)	8 234
Derivative assets	-	-	120	1	3	-	-	124
Net advances[1],[2]	4 048	2 029	8 733	4 897	10 676	1 395	-	31 778
Accounts receivable and other assets	466	5	-	-	-	-	51	522
Current tax	-	-	-	-	-	-	44	44
Goodwill	-	-	-	-	-	-	115	115
Financial investments	-	-	-	-	-	-	14	14
Property, equipment and right-of-use asset	-	-	-	-	-	-	710	710
Intangible assets	-	-	-	-	-	-	353	353
Deferred tax asset	-	-	-	-	-	-	1 395	1 395
Total assets	**8 951**	**4 200**	**12 300**	**4 898**	**11 517**	**3 070**	**2 681**	**47 616**
Liabilities and equity								-
Funding	16 126	2 540	7 665	3 350	5 183	-	-	34 864
Creditors and accruals	774	344	19	29	12	-	106	1 284
Ordinary shareholder's equity	-	-	-	-	-	-	11 468	11 468
Total liabilities and equity	**16 900**	**2 884**	**7 684**	**3 379**	**5 195**	**-**	**11 574**	**47 616**
Net liquidity gap	**(7 949)**	**1 316**	**4 616**	**1 519**	**6 322**	**3 070**	**(8 893)**	**-**

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

[2] This amount was restated, refer to note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Liquidity risk continued...

25.2 Maturity profile of undiscounted liabilities

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

Liabilities maturities (undiscounted)

Rmillion	Carrying amount	Up to 1 month	Greater than 1 month up to 6 months	Greater than 6 months up to 12 months	Greater than 1 year up to 2 years	Greater than 2 years up to 5 years	Greater than 5 years	Total
2024								
Financial liabilities								
Funding	35 501	15 156	9 304	3 219	3 547	7 175	1 905	40 306
Creditors and accruals	1 071	612	383	-	27	8	41	1 071
Total	**36 572**	**15 768**	**9 687**	**3 219**	**3 574**	**7 183**	**1 946**	**41 377**

Rmillion	Carrying amount	Up to 1 month	Greater than 1 month up to 6 months	Greater than 6 months up to 12 months	Greater than 1 year up to 2 years	Greater than 2 years up to 5 years	Greater than 5 years	Total
2023								
Financial liabilities								
Funding	34 864	13 332	6 341	4 382	7 651	6 475	-	38 181
Creditors and accruals	1 284	822	310	8	26	12	106	1 284
Total	**36 148**	**14 154**	**6 651**	**4 390**	**7 677**	**6 487**	**106**	**39 465**

25. *Liquidity risk continued...*

25.3 Off-balance sheet exposure to liquidity risk

Rmillion	Total	Next day	2 to 7 days	8 days to 1 month
2024				
Unutilised portion of revocable lending facilities	519	519	-	-
Unutilised portion of irrevocable lending facilities	1 914	1 914	-	-
Unutilised portion of irrevocable letters of credit	-	-	-	-
Indemnities and guarantees	1 129	-	1 129	-
Undrawn commitments	**3 562**	**2 433**	**1 129**	**-**

Rmillion	Total	Next day	2 to 7 days	8 days to 1 month
2023				
Unutilised portion of revocable lending facilities	501	501	-	-
Unutilised portion of irrevocable lending facilities	1 283	1 283	-	-
Unutilised portion of irrevocable letters of credit	-	-	-	-
Indemnities and guarantees	902	-	902	-
Undrawn commitments	**2 686**	**1 784**	**902**	**-**

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

26.1 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 Accounting Standards require an entity to classify fair values measured and/or disclosed according to a hierarchy that reflects the significance of observable market inputs.

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

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

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

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

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

Recurring fair values

The Group currently measures and presents 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.

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

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

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

Level 3 fair value disclosure – Advances

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

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

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

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

26.2 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 Accounting Standards:

- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

26.3 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
2024				
Financial assets				
Recurring fair value measurement				
Financial investments	12	-	3	**15**
Advances measured at FVTPL	-	96	1 996	**2 092**
Total	**12**	**96**	**1 999**	**2 107**
2023				
Financial assets				
Recurring fair value measurement				
Financial investments[1]	11	-	3	-
Derivative instruments	-	124	-	**124**
Advances measured at FVTPL[2]	-	316	1 572	**1 888**
Total	**11**	**440**	**1 575**	**2 012**

[1] In the prior financial year, this amount was disclosed as level 2. This has been corrected as reflected in the table above.

[2] In the prior financial year, the full balance of advances measured at FVTPL was disclosed as level 2. This has been corrected as reflected in the table above.

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

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

Rmillion	Valuation basis / techniques	Significant observable inputs	Variance in fair value measurement	Effect on profit / (loss) (after tax)
2024				
Assets				
Financial investments measured at FVTPL	Discounted cash flows	Expected cash flows	1% reduction in expected cash flows	-
Advances measured at FVTPL	Discounted cash flows	Credit spreads, swap and prime curve	1% reduction in expected cash flows	-

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)
2024					
Advances measured at FVTPL	Discounted cash flow	Swap and prime curves	Credit spreads	100bps/ (100bps)	21.6/ (22)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

26.5 Assets and liabilities for which fair value is disclosed

Rmillion	Level 1	Level 2	Level 3	Total	Carrying value
2024					
Financial assets					
Sovereign debt securities[1]	2 549	1 372	-	3 921	3 921
Net advances at amortised cost[2]	-	-	34 604	34 604	32 297
Total	**2 549**	**1 372**	**34 604**	**38 525**	**36 218**
Financial liabilities					
Wholesale funding	-	2 645	-	2 645	2 837
Total	**-**	**2 645**	**-**	**2 645**	**2 837**
2023					
Financial assets					
Sovereign debt securities[1]	8 031	-	-	8 031	8 234
Net advances at amortised cost[2,3]	-	-	31 678	31 678	29 890
Total	**8 031**	**-**	**31 678**	**39 709**	**38 124**
Financial liabilities					
Wholesale funding	-	5 055	-	5 055	4 330
Total	**-**	**5 055**	**-**	**5 055**	**4 330**

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

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

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

[2] *The fair value of Personal Banking advances measured at amortised cost is R23,321 million (2023: R24,773 million) and Business and Commercial division advances measured at amortised cost is R11 283 million (2023: R8,510 million).*

[3] *This amount has been restated, refer to note 35.*

27. Capital management

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

External regulatory capital management

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. *Capital management continued...*

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

The capital adequacy ratios for the Group and entities within the Group are above the Regulatory Requirements. Refer to the table in the unaudited Annexure B for the Group's capital adequacy requirements and position as at 30 September 2024.

Internal capital management

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

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

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

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

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

28. Analysis of classification of financial assets and liabilities

28.1 Analysis of classification of financial assets

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

Rmillion	Note	Amortised cost	Financial instruments mandatorily at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Non-financial instruments	Total	Current	Non-current
2024								
Cash and cash equivalents	2	5 970	-	-	-	5 970	5 970	-
Financial investments	3	-	15	-	-	15	15	-
Sovereign debt securities	4	3 921	-	-	-	3 921	3 921	-
Net advances	5	32 297	1 996	96	-	34 389	17 495	16 894
Accounts receivable and other assets	6	1 073	-	-	170	1 243	445	798
Goodwill		-	-	-	115	115	-	115
Property, equipment and right-of-use asset	7	-	-	-	773	773	-	773
Intangible assets	8	-	-	-	492	492	-	492
Deferred tax assets	9	-	-	-	1 497	1 497	-	1 497
Current tax assets	9	-	-	-	47	47	47	-
Total assets		**43 261**	**2 011**	**96**	**3 094**	**48 462**	**27 893**	**20 569**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Rmillion	Note	Amortised cost	Financial instruments mandatorily at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Non-financial instruments	Total	Current	Non-current
2023 Restated[1]								
Cash and cash equivalents	2	4 328	-	-	-	4 328	4 328	-
Financial investments	3	-	14	-	-	14	14	-
Sovereign debt securities		8 234	-	-	-	8 234	8 234	-
Net advances[1]	5	29 890	1 572	316	-	31 778	15 049	16 729
Accounts receivable and other assets	6	346	-	-	176	522	346	176
Derivatives		-	124	-	-	124	-	124
Goodwill		-	-	-	115	115	-	115
Property, equipment and right-of-use asset	7	-	-	-	710	710	-	710
Intangible assets	8	-	-	-	353	353	-	353
Deferred tax assets	9	-	-	-	1 395	1 395	-	1 395
Current tax assets		-	-	-	44	44	32	12
Total assets		**42 798**	**1 710**	**316**	**2 793**	**47 617**	**28 003**	**19 614**

Rmillion	2024	2023
Statement of Total Comprehensive Income effect of financial instruments by category		
Interest income recognised – financial assets at amortised cost	**7 905**	**8 240**
Interest income recognised – financial assets at fair value	**76**	**2**
Total	**7 981**	**8 242**
Included above is interest income earned on impaired assets (advances)	**867**	**1 230**

[1] *This amount has been restated, refer to note 35.*

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

28.2 Analysis of classification of financial liabilities

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

Rmillion	Note	Amortised cost	Fair value	Non-financial liabilities	Total	Current	Non-current
2024							
Funding	11	35 501	-	-	35 501	26 488	9 013
Creditors and other liabilities	10	744	-	329	1 073	585	488
Total liabilities		**36 245**	**-**	**329**	**36 574**	**27 073**	**9 501**
2023							
Short-term funding	11	24 652	-	-	24 652	24 652	-
Current tax		-	-	-	-	-	-
Creditors and other liabilities	10	847	-	437	1 284	1 284	-
Long-term funding		10 213	-	-	10 213	15	10 198
Total liabilities		**35 712**	**-**	**437**	**36 149**	**25 951**	**10 198**

Rmillion	2024	2023
Statement of Total Comprehensive Income effect of financial instruments by category		
Interest expense recognised for financial liabilities at amortised cost	**2 747**	**2 497**
Total	**2 747**	**2 497**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Retirement and post-retirement benefits

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

The defined contribution scheme is exempt from regular actuarial valuations as no actuarial shortfall is anticipated. It is compulsory for all permanent staff to belong to the Bank's provident fund. The contributions made during the year amounted to R183 million (2023: R153 million).

30. Long-term incentive scheme

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

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

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

Rmillion	2024	2023
Opening balance	75	40
Long-term incentive liability raised during the current financial year	11	45
Long-term incentive liability settled during the current financial year (relates to prior year's deferrals)	(10)	(10)
Closing balance	**76**	**75**

31. Related party information

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

31.1 Balances with related parties

R'000	2024	2023
Gross advances		
Key Management Personnel[1]	2 257	276
Deposits		
Entities that have control over the Group and its subsidiaries	43 305	240 612
Key Management Personnel[2]	6 062	5 919
Financial instruments		
Bonds issued to ABHL	1 170 000	-

Refer to note 2 for deposits held with the SARB.

[1] *The amounts advanced to Key Management Personnel are at arm's length and consist of credit cards and other loans.*

[2] *The amounts deposited by Key Management Personnel are held in transactional accounts and retail savings accounts and are at market-related rates, terms and conditions.*

31.2 Transactions with related parties are disclosed below

R'000	2024	2023
Interest income		
Key Management Personnel	344	81
Interest paid		
Entities within the same Group of companies	129 595	107 746
Key Management Personnel	249	166

31. *Related party information continued...*

In the current financial year, no contracts were entered into in which Directors or Key Management Personnel had an interest and which significantly affected the business of the Group. The Directors had no interest in any third-party or company responsible for managing any of the business activities of the Group.

32. Business combinations

Acquisition of certain assets and liabilities of Sasfin

In October 2023, the Group entered into a binding agreement with Sasfin Bank Limited ("Sasfin Bank" or "SBL"), a subsidiaries of the listed entity Sasfin Holdings Limited ("Sasfin Holdings"), to acquire its Commercial Property Finance ("CPF") business as a going concern, which comprised of the advances book as well as the resources that manage those advances. The aim for this transaction is to consolidate CPF's operations with ABL's growing suite of products and solutions to match the Business and Commercial Banking division's proposition. This acquisition has been accounted for as a business combination in terms of IFRS 3 as the definition of a business is met. The required regulatory approvals have been received on 1 August 2024. All conditions precedent were fulfilled, and the transfer of the CPF business was completed on 21 August 2024 (ie the acquisition date).

The acquisition was settled through the cash payment of R398 million. An amount of R30 million has been recognised as contingent consideration which is payable, if applicable, 120 days from the acquisition date. The value of the contingent consideration recognised on the acquisition date amounts to 7% of the value of the advances acquired, however the amount payable will vary depending on the outcome of the assessment of the acquired advances' fair value.

At the date that the Consolidated Annual Financial Statements were approved by the Board, the fair value assessment of the acquired advances had not yet been finalised and the value of the contingent consideration will only be determined 120 days from the acquisition date. The amount recognised on the acquisition date represents management's best estimate of the fair value of the book, subject to a formal valuation being conducted by subject matter experts. The gross amount receivable relating to these advances amounts to R443 million.

Rmillion	Fair value recognised on acquisition on 21 August 2024
Assets	
Net advances	434
Total assets	**434**
Total identifiable net assets at fair value	**434**
Gain on bargain purchase	(6)
Purchase consideration transferred	**428**
Cash	398
Contingent consideration	30

From the date of acquisition up until 30 September 2024, the assets acquired from Sasfin contributed R7 million to interest income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Operating segments

Segment information

The financial information for each reportable segment is set out below.

Rmillion	2024				
	Personal Banking	Business and Commercial division	Subtotal	Group adjustments[1]	Total
Statement of Comprehensive Income					
Interest income on advances	5 731	1 321	7 052	(10)	7 042
Other interest income[1]	435	490	925	(61)	864
Interest expense and similar charges	(1 540)	(1 268)	(2 808)	61	(2 747)
Net interest income	**4 626**	**543**	**5 169**	**(10)**	**5 159**
Fair value gains and losses	11	36	47	-	47
Non-interest income	1 209	328	1 537	-	1 537
Total income from operations	**5 846**	**907**	**6 753**	**(10)**	**6 743**
Credit impairment charge	(2 357)	(252)	(2 609)	-	(2 609)
Operating costs[3]	(3 963)	(447)	(4 410)	(18)	(4 428)
Indirect taxation: VAT	(86)	(15)	(101)	-	(101)
Profit/(loss) before taxation	**(560)**	**193**	**(367)**	**(28)**	**(395)**
Taxation	113	(10)	103	8	111
Profit/(loss) for the year	**(447)**	**183**	**(264)**	**(20)**	**(284)**
Statement of Financial Position		-			
Cash and cash equivalents	4 080	1 890	5 970	-	5 970
Financial investments	12	3	15	-	15
Sovereign debt securities	3 921	-	3 921	-	3 921
Net advances	21 257	13 112	34 369	20	34 389
Accounts receivable and other assets	1 116	127	1 243	-	1 243
Property, equipment and right-of-use asset	746	27	773	-	773
Intangible assets	444	19	463	29	492
Deferred tax assets	1 510	-	1 510	(13)	1 497
Current tax	35	12	47	-	47
Goodwill	-	-	-	115	115
Total assets	**33 121**	**15 190**	**48 311**	**151**	**48 462**
Creditors and other liabilities	993	80	1 073	(2)	1 071
Short-term and long-term funding	20 403	15 098	35 501	-	35 501
Total liabilities	**21 396**	**15 178**	**36 574**	**(2)**	**36 572**

[1] *Other interest income includes fair value gains and losses.*

[2] *An appropriate cost allocation framework is currently under development. The costs allocated to the Personal Banking and Business and Commercial division segments will change once the framework is finalised.*

[3] *Included in operating costs is staff costs for Personal Banking and the Business and Commercial division amounting to R1 887 million (2023: R1 918 million) and R250 million (2023: R227 million) respectively. The Bank has disclosed these amounts for each reportable segment because they are either included in the segment measure of profit or loss reviewed by the CODM or otherwise regularly provided to the CODM. The Bank applied judgement and considered a number of factors, including the core principle of IFRS 8 Operating Segments, to determine the material items, of income and expense to disclose for each reporting period.*

33. Operating segments continued...

Rmillion	2023				
	Personal Banking	Business and Commercial division	Subtotal	Group adjustments[1]	Total
Statement of Comprehensive Income					
Interest income on advances	6 388	938	7 326	(25)	7 301
Other interest income[1]	487	457	944	-	944
Interest expense and similar charges	(1 534)	(979)	(2 513)	16	(2 497)
Net interest income	**5 341**	**416**	**5 757**	**(9)**	**5 748**
Non-interest income[2]	1 079	266	1 345	-	1 345
Total income from operations	**6 420**	**682**	**7 102**	**(9)**	**7 093**
Credit impairment charge	(3 216)	(46)	(3 262)	-	(3 262)
Gain on bargain purchase	-	-	-	276	276
Operating costs[2,3]	(4 065)	(391)	(4 456)	(17)	(4 473)
Indirect taxation: VAT	(86)	(7)	(93)	-	(93)
Profit /(loss) before taxation	**(947)**	**238**	**(709)**	**250**	**(459)**
Taxation	266	(19)	247	7	254
Profit /(loss) for the year	**(681)**	**219**	**(462)**	**257**	**(205)**
Statement of Financial Position					
Cash and cash equivalents	2 851	1 477	4 328	-	4 328
Financial investments	1 568	3	1 571	(1 557)	14
Sovereign debt securities	4 540	3 694	8 234	-	8 234
Derivatives	120	4	124	-	124
Net advances	20 368	11 380	31 748	30	31 778
Accounts receivable and other assets	436	87	523	(1)	522
Property, equipment and right-of-use asset	691	19	710	-	710
Intangible assets	353	-	353	-	353
Deferred tax assets	1 372	44	1 416	(21)	1 395
Current tax	38	6	44	-	44
Goodwill	-	-	-	115	115
Total assets	**32 337**	**16 714**	**49 051**	**(1 434)**	**47 616**
Creditors and other liabilities	979	306	1 285	(1)	1 284
Short-term and long-term funding	21 945	13 160	35 105	(241)	34 864
Total liabilities	**22 924**	**13 466**	**36 390**	**(242)**	**36 148**

[1] *"Other interest income" includes fair value gains and losses.*

[2] *Cost relating to credit cards and transactional accounts were previously presented as part of operating costs. These are directly attributable to the fee earned and therefore have been represented to be presented as a deduction in non-interest income.*

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

34. Change in estimate

The Group previously considered a customer entering into debt review to be an indicator that the account is credit-impaired, irrespective of the staging immediately prior to commencing the debt review process. During November 2023, the Group revised this rule as follows:

- if a customer is in stage 1 when entering into debt review, this would be considered as an indicator that credit risk has increased significantly and the account would move to stage 2.

34. *Change in estimate continued...*

This change impacted only the categorisation of the advances balance into the relevant stages and did not result in a gain or loss as the measurement of advances in either stage 2 or stage 3 amounts to lifetime expected credit losses.

35. Restatements

Reversal of accrued interest and service fees

The system accrues interest, including integral service fees, at month end. Refer to interest income policy note 1.13.1 for more information. These accruals are reversed and capitalised to the loan account on capitalisation date. In isolated instances, the system did not reverse these accruals correctly, which resulted in an overstatement of interest income and net advances in the prior and earlier reporting periods.

This error did not impact the customer account, but resulted in recognising more interest than should have been recognised.

Management had investigated the extent of this and recognised adjustments as follows:

Accrued interest – The 2023 comparatives were restated with a decrease to interest income on advances as well as net advances of R131 million. The tax impact was accounted for in the relevant financial years.

Accrued service fees – The 2023 comparatives were restated with a decrease to interest income on advances as well as net advances of R74 million. The tax impact was accounted for in the relevant financial years.

Restatement – Impact on Statement of Financial Position

Statement of Financial Position

Rmillion		30 September 2023 as previously reported	Restatement	30 September 2023 2023 Restated[1]
Assets		-	-	-
Cash and cash equivalents		4 328	-	4 328
Financial investments		14	-	14
Sovereign debt securities		8 234	-	8 234
Net advances		31 984	(206)	31 778
Accounts receivable and other assets		522	-	522
Derivatives		124	-	124
Property, equipment and right-of-use assets		710	-	710
Intangible assets		353	-	353
Current tax assets		32	12	44
Deferred tax assets		1 366	29	1 395
Goodwill		115	-	115
Total assets		**47 782**	**(165)**	**47 617**
Creditors and other liabilities		1 284	-	1 284
Short-term funding		26 259	-	26 259
Long-term funding		8 605	-	8 605
Total liabilities		**36 148**	**-**	**36 148**
Equity				
Ordinary share capital		5	-	5
Ordinary share premium		13 657	-	13 657
Retained income		(2 028)	(165)	(2 193)
Total equity		**11 634**	**(165)**	**11 469**
Total equity and liabilities		**47 782**	**(165)**	**47 617**

[1] ABL Group was only formed during the 2023 financial year and therefore the earliest reporting date to which the restatement can be applied is 30 September 2023.

35. *Restatements continued...*

Statement of Comprehensive Income

Rmillion	30 September 2023 as previously reported	Restatement	30 September 2023 2023 Restated[1]
Interest income on advances	7 343	(42)	7 301
Other interest income[1]	897	-	897
Interest expense and similar charges	(2 497)	-	(2 497)
Net interest income	**5 743**	**(42)**	**5 701**
Fair value gains and losses	47	-	47
Non-interest income	1 345	-	1 345
Total income from operations	**7 135**	**(42)**	**7 093**
Credit impairment charge	(3 262)	-	(3 262)
Gain on bargain purchase	276	-	276
Operating costs[3]	(4 473)	-	(4 473)
Indirect taxation: VAT	(93)	-	(93)
Profit/(loss) before taxation	**(417)**	**(42)**	**(459)**
Taxation	243	11	254
Profit/(loss) for the year	**(174)**	**(31)**	**(205)**

36. Guarantees and commitments

36.1 Guarantees

36.1.1 *Grindrod Limited guarantee*

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

36.1.2 Comm Equipment Company

As part of the acquisition of a receivables portfolio from Comm Equipment Company Proprietary Limited ("CEC"), cash has been placed in a ring-fenced escrow account which serves as a financial guarantee which the Group can call down on in the event of non-performance by underlying customer. Upon final settlement from the underlying customer, the balance remaining in the escrow account would be paid to CEC. The balance of this escrow account as at 30 September 2024 amounted to R78 million.

36.2 Commitments

36.2.1 Personal Banking

Unutilised card facilities

The total unsecured unutilised credit facilities granted to the Bank's credit card holders is R1 051 million (2023: R838 million), the repricing profile of which is expected not to be more than one month.

Unutilised overdraft facilities

The total unsecured unutilised overdraft facilities granted to the Group's overdraft holders is R10 million (2023: R14 million), the repricing profile of which is expected not to be more than one month.

36.2.2 Business and Commercial division

Unutilised Business and Commercial division facilities

The total unutilised facility granted to the Bank's Business and Commercial division customers is R862 million (2023: R926 million Restated refer to note 5.1) in the current financial year, the re-pricing profile for Business and Commercial division facilities is dependent on the credit risk associated with the relevant customer.

36. Guarantees and commitments continued...

36.3 Commited facilities

Rmillion	2024	2023
Financial guarantees	1 129	902
Financial guarantees are provided where lending facilities have been approved and all the terms and conditions of the loan have been met.		
Irrevocable unutilised facilities	1 914	1 283
Irrevocable unutilised facilities are approved lending facilities which cannot be unconditionally withdrawn, prior to facility expiry, by the Bank.		
Maximum exposure to credit risk	2 763	1 948

37. Events after the reporting date

Acquisition of Capital Equipment Finance ("CEF"):

In October 2023, the Bank entered into a binding agreement with Sasfin Bank Limited (“Sasfin Bank” or “SBL”), a subsidiaries of the listed entity Sasfin Holdings Limited (“Sasfin Holdings”), to acquire its Capital Equipment Finance (“CEF”) business, as a going concern. The aim for this transaction is to consolidate CEF’s operations with ABL’s growing suite of products and solutions to match the Business and Commercial division's proposition. All conditions precedent were fulfilled, and the acquisition of the CEF business was completed on 1 November 2024. This acquisition will be accounted for, in the 2025 financial year, as a business combinations in terms of IFRS 3 as the definition of a business is met.

Acquisition of loan exposures

On 22 October 2024, ABL and GFS Holdings Proprietary Limited (“GFS”), a wholly owned subsidiary of Grindrod Limited, entered into an agreement to acquire various loan exposures from GFS for a cash consideration of R500 million. This is a non-adjusting event and will be accounted for in the 2025 financial year.

38. Directors' and Prescribed Officers' remuneration

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

All amounts in R	Date appointed	Date resigned	Short-term employee benefits				Long-term employee benefits		Other long-term employee benefits		
			Salary	Retirement, medical contributions and other	Total cost to company package	Short-term incentives	Deferred incentive	Long-term incentives	Retention and other awards	Settlement award	Total
2024											
Kennedy Bungane	14/04/2021	-	7 920 000	1 080 000	9 000 000	5 000 000	5 000 000	10 500 000	6 635 881	-	36 135 881
Zwelibanzi Manyathi	22/09/2022	-	7 121 250	791 250	7 912 500	3 150 000	3 150 000	7 500 000	6 532 500	-	28 245 000
Anbann Chetti	01/08/2023	-	4 675 000	825 000	5 500 000	-	-	-	3 083 997	-	8 583 997
Sibongiseni Ngundze	01/08/2021	-	4 483 750	791 250	5 275 000	2 750 000	2 750 000	5 000 000	3 517 500	-	19 292 500
Total			**24 200 000**	**3 487 500**	**27 687 500**	**10 900 000**	**10 900 000**	**23 000 000**	**19 769 878**	**-**	**92 257 378**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

38.2 Retention awards

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

All amounts in R	Awarded in FY 2024
Kennedy Bungane	6 635 881
Zwelibanzi Manyathi	6 532 500
Sibongiseni Ngundze	3 517 500
Anbann Chetti [1]	3 083 997
Total	**19 769 878**

[1] Anbann Chetti was awarded R10 639 538 during the prior financial year. R7.5 million was paid during September 2023, R3 million was paid in September 2024. The remaining portion will be paid in the 2025 financial year and will be linked to most recent company valuation.

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

All amounts in R	Listing IPO awarded in FY 2024
Kennedy Bungane	22 500 000
Zwelibanzi Manyathi	19 500 000
Anbann Chetti [1]	16 500 000
Total	**58 500 000**

The above awards are payable upon successful listing of the Group.

38.3 Long-term incentives

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

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

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

All amounts in R	Awarded in November 2023 (FY 2024)			
	Nominal award	To vest in 2026	To vest in 2027	To vest in 2028
Kennedy Bungane	10 500 000	3 500 000	3 500 000	3 500 000
Sibongiseni Ngundze	5 000 000	1 666 667	1 666 667	1 666 667
Zwelibanzi Manyathi	7 500 000	2 500 000	2 500 000	2 500 000
Total	**23 000 000**	**7 666 667**	**7 666 667**	**7 666 667**

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

38.4 Short-term incentives

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

	Awarded in November 2023 (FY 2024)		
All amounts in R	**Payable in November 2024**	**Payable in November 2025**	**Payable in November 2026**
Kennedy Bungane	1 666 667	1 666 667	1 666 667
Sibongiseni Ngundze	916 667	916 667	916 667
Zwelibanzi Manyathi	1 050 000	1 050 000	1 050 000
Total	**3 633 334**	**3 633 334**	**3 633 334**

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

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

38.5 Non-Executive Directors' remuneration

All amounts in R	Date appointed	Date resigned	2024 Paid by the Bank	2024 Paid by other entities within the Group	2024 Total	2023 Paid by the Bank	2023 Paid by other entities within the Group	2023 Total
Thabo Dloti (Chairman)	07/03/2019	-	1 330 321	2 632 569	3 962 890	2 381 136	610 284	2 991 420
Hemmanth Singh	21/12/2021	-	491 862	792 945	1 284 807	771 638	217 867	989 505
David O'Brien	16/08/2023	-	398 021	636 132	1 034 153	83 892	20 973	104 865
Spyridon Georgopoulos	18/08/2020	-	639 449	1 017 793	1 657 242	1 155 263	288 816	1 444 079
Maureen Manyama	23/03/2021	-	-	962 917	962 917	297 295	513 697	810 992
Peter Temple	29/04/2016	-	593 306	1 076 106	1 669 412	867 481	247 777	1 115 258
Nonzukiso Siyotula	13/08/2021	-	-	1 161 973	1 161 973	-	-	-
Robert Hutchinson-Keip	11/03/2020	31/03/2023	-	-	-	532 213	146 059	678 272
Happy Ralinala	23/05/2018	-	586 955	1 005 717	1 592 672	939 588	234 897	1 174 485
Lindiwe Dlamini	30/07/2021	-	546 433	895 632	1 442 065	884 131	219 863	1 103 994
Dhevendren Dharmalingam	31/03/2023	-	633 865	1 188 682	1 822 547	609 257	602 717	1 211 974
Total[1]			**5 220 212**	**11 370 466**	**16 590 678**	**8 521 894**	**3 102 950**	**11 624 844**

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

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

ANNEXURE A: STANDARDS AND INTERPRETATIONS

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

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

There are no amendments to standards and interpretations that have a material impact on the Group for the year ended 30 September 2024.

IFRS	Title and Details	Impact assessment	Effective date
IAS 1 (amendment) and IFRS Practice Statement 2	IAS 1 - Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice Statement 2 The IASB issued amendments to IAS 1 and an update to IFRS Practice Statement 2 Making Materiality Judgements to help preparers provide useful accounting policy disclosures. The key amendments to IAS 1 include: requiring companies to disclose their material accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's Financial Statements. This disclosure initiative aims to disclose material accounting policies not significant accounting policies. IFRS Practice Statement 2 provides guidance on this. The disclosure is applied prospectively.	This amendment resulting in the removal of the derivatives and hedge accounting policies	1 January 2023
IAS 8 (amendment)	The amendments to IAS 8 introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	The amendment does not have a material impact on the Bank's Annual Financial Statements.	The amendment is effective for annual periods beginning on or after 1 January 2023

ANNEXURE A: STANDARDS AND INTERPRETATIONS

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

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

IFRS	Title and Details	Impact assessment	Effective date
IAS 7 and IFRS 7	Supplier Finance Arrangements: Amendments to IAS 7 and IFRS 7. Improved disclosures about supplier finance arrangements in terms of liquidity risk, cash flow statements, and characteristics of supplier finance arrangements have been added. The disclosures are prospectively applied.	The amendment is not expected to have a material impact on the Bank's Annual Financial Statements	The amendment is effective for annual periods beginning on or after 1 January 2024.
IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments: Amendments to IFRS 9 and IFRS 7. The amendments address matters identified during the post implementation review of the classification and measurement requirements of IFRS 9.	The Bank is currently assessing the impact of these amendments	The amendment is effective for annual periods beginning on or after 1 January 2026.
IFRS 18	Presentation and Disclosure in Financial Statements: New Standard IFRS 18. IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.	The Bank is currently assessing the impact of this Standard	This Standard is effective for annual periods beginning on or after 1 January 2027.
IFRS 19	Subsidiaries without Public Accountability: Disclosures IFRS 19 would enabel subsidiaries of companies applying IFRS Accounting Standards can substantially reduce their disclosures and focus more on the users' needs IFRS 19 applies to a subsidiaries consolidated, separate or individual financial statements provided that the subsidiary:	The Bank is currently assessing the impact of IFRS 19 however has not yet concluded on its applicability for the Bank's subsidiaries	This Standard is effective for annual periods beginning on or after 1 January 2027.

ANNEXURE B: CAPITAL ADEQUACY (UNAUDITED)

Capital adequacy requirements:

Rmillion	2024	2023
On-balance sheet assets	47 494	47 783
Off-balance sheet items	3 671	2 641
Total risk exposure	51 165	50 424
Total risk-weighted exposure	**39 761**	**37 157**
Primary (Tier I)		
Share capital	10 000	13 662
Primary reserves (less statutory deductions)	215	(2 760)
Unappropriated Profit	356	
Total	**10 571**	**10 902**
Secondary (Tier II)		
Subordinated debt instruments	1 170	-
General allowance for credit impairments	371	348
Total	1 541	348
Total qualifying capital and unimpaired reserve funds	**12 112**	**11 250**

Total capital to risk-weighted assets	%	%
Primary	27.5	29.4
Secondary	3.9	0.9
Total	**31.4**	**30.3**

ANNEXURE C: ACRONYMS AND ABBREVIATIONS

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

ABHL	African Bank Holdings Limited
ABL/the company	African Bank Limited
AIG	African Insurance Group Limited
ALCO	Asset and Liability Committee
Bank	African Bank Limited
Banks Act	Banks Act No. 94 of 1990
CAR	Capital Adequacy Ratio
CHF	Swiss Franc
CEO	Group Chief Executive Officer
CFO	Group Chief Financial Officer
CMC	Credit and Models Committee
Committee or AuditCom	Audit and Compliance Committee
Companies Act	Companies Act of South Africa No. 71 of 2008
CRO	Group Chief Risk Officer
COVID-19	Coronavirus
CPI	Consumer Price Index
DMTN	Domestic medium-term note programme
ECL	Expected credit losses
EMTN	Euro medium-term note programme
Exco	Executive Committee
FSB	Financial Services Board
FVTPL	Fair value through profit or loss
GBL	Grindrod Bank Limited
GFH	Grindrod Financial Holdings Limited
GFH Group	Grindrod Financial Holdings Limited Group and its subsidiaries
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
ICAAP	Internal Capital Adequacy and Assessment Process
IFRIC	IFRS Interpretations Committee of IASB
IFRS Accounting Standards	International Financial Reporting Standards
IT	Information Technology
JIBAR	Three months Johannesburg interbank agreed rate
JSE	JSE Limited
King IV	King IV Report on Corporate Governance
KPMG	KPMG Incorporated
LTIP	Long-term incentive plan
MMIJV	MMI Joint Venture
MRC	Model Risk Committee
NACA	Nominal annual compounded annually
NACM	Nominal annual compounded monthly
NACQ	Nominal annual compounded quarterly
NACS	Nominal annual compounded semi-annually
NCA	National Credit Act No 34 of 2005
Rm / Rmillion	Millions of rand
RSA	Republic of South Africa
PSI	Portfolio Specific Impairment

Prime	Prime interest rate in South Africa
SAFEX	South Africa Future Exchange
SARB	South African Reserve Bank
SI	Specific Impairment
SICR	Significant increase in credit risk
SPLEC	Special Projects and Large Exposures Committee
R0	Thousands of rand
RCMC	Risk and Capital Management Committee
RDS	Residual Debt Services Limited (under curatorship)
TAA	Tax Administration Act
The Bank Act	The Banks Act No. 94 of 1990
The Companies Act	Companies Act of South Africa No. 71 of 2008
the RemCom	Remuneration Committee
Tier I	Primary capital
Tier II	Secondary capital
UBank	UBank Limited
USD	United States Dollar
VAT	Value Added Tax
ZAR	South African Rand

ANNEXURE D: CORPORATE INFORMATION (UNAUDITED)

Group Company Secretary
T Singh

African Bank Holdings Limited
Incorporated in the Republic of South Africa
Registration number 2014/176855/06

Registered office
59 16th Road
Midrand, 1685
South Africa

Private Bag X170
Midrand, 1685
South Africa
Tel: +27 11 256 9000

Website
www.africanbank.co.za