African Bank Limited

UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended
31 March 2023

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

African Bank
Audacity to believe

African Bank Limited

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

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

The Directors are responsible for the preparation and fair presentation of the Bank's Unaudited Consolidated Condensed Interim Financial Statements, comprising of the Consolidated Statement of Financial Position as at 31 March 2023, the Statement of Total Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the six month period ended 31 March 2023, the notes to the Unaudited Consolidated Condensed Interim Financial Statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 71 of 2008, as amended, of South Africa. Only Consolidated Condensed Interim Financial Statements are published for the six months ended 31 March 2023.

The Directors' responsibilities include:

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

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

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

CHANGES IN DIRECTORS AND BOARD COMMITTEES

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

Appointments and resignations:

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

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

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

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

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

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

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

Appointments and resignations:

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

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

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

New Committees:

There were no new committees constituted in the period.

APPROVAL OF THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

DocuSigned by:
Kennedy Bungane
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K Bungane
Director

DocuSigned by:
Chrisanthi Michaelides
390E17363A42414...

C Michaelides
Director

DocuSigned by:
Rakesh Garach
37143140698244F...

R Garach
Director

Midrand
07 June 2023

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

African Bank Limited

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Unaudited Consolidated Condensed Interim Financial Statements

for the six months ended 31 March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Notes	31 March 2023 (unaudited)	31 March 2022 (unaudited) (restated)	30 September 2022 (audited)
Assets				
Cash and cash equivalents[1]	4	2,572	3,391	1,378
Financial investments	5	16	156	160
Regulatory deposits and sovereign debt securities[1]	6	8,262	2,443	2,444
Net advances	2	32,380	19,628	22,647
Accounts receivable and other assets		439	435	202
Derivatives		98	63	85
Goodwill	17	115	-	-
Property and equipment and right of use asset		673	536	562
Intangible assets		263	134	153
Deferred tax assets	7	1,405	1,030	1,064
Current tax assets	7	16	-	-
Total assets		**46,239**	**27,816**	**28,695**
Liabilities and equity				
Liabilities				
Current tax	7	-	-	12
Creditors and other liabilities		1,158	836	885
Short-term funding		23,046	7,246	5,869
Bonds and other long-term funding		10,950	10,188	10,849
Total liabilities		**35,154**	**18,270**	**17,615**
Equity				
Ordinary share capital		5	5	5
Ordinary share premium		13,325	11,480	12,930
Retained income		(2,245)	(1,939)	(1,855)
Total equity		**11,085**	**9,546**	**11,080**
Total equity and liabilities		**46,239**	**27,816**	**28,695**

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

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CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Rmillion	Notes	For the six months ended 31 March 2023 (unaudited)	For the six months ended 31 March 2022 (unaudited)	30 September 2022 (audited)
Interest income on advances	8	3,914	2,716	5,662
Credit impairment charge	9	(2,240)	(658)	(1,436)
Interest on advances after impairment		**1,674**	**2,058**	**4,226**
Other interest income	8	211	147	303
Interest expense and similar charges	10	(1,142)	(609)	(1,328)
Income from core income funds		2	16	20
Foreign exchange (loss)/gain recognised on translation		(2)	(5)	2
Fair value gains/(losses) from derivatives assets and liabilities		(7)	12	43
Net interest and other income		**736**	**1,619**	**3,266**
Non-interest income	11	667	320	670
Operating costs	12	(2,316)	(1,516)	(3,258)
Gain on bargain purchase	17	276	-	-
Indirect taxation: VAT		(25)	(67)	(158)
Operating (loss)/profit		**(662)**	**356**	**520**
(Loss)/profit before taxation		**(662)**	**356**	**520**
Taxation		272	(99)	(179)
(Loss)/profit for the period		**(390)**	**257**	**341**
Attributable to:				
Owner of African Bank Limited		**(390)**	**257**	**341**
Total comprehensive (loss)/profit for the period		**(390)**	**257**	**341**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Ordinary share capital	Ordinary share premium	Retained income	Total
Balance at 30 September 2021	5	11,480	(2,196)	9,289
Total comprehensive profit for the period	-	-	257	257
Balance at 31 March 2022	**5**	**11,480**	**(1,939)**	**9,546**
Total comprehensive profit for the period	-	-	84	84
Issue of equity	-	1,450	-	1,450
Balance at 30 September 2022	**5**	**12,930**	**(1,855)**	**11,080**
Issue of equity[1]	-	395	-	395
Total comprehensive profit for the period	-	-	(390)	(390)
Balance at 31 March 2023	**5**	**13,325**	**(2,245)**	**11,085**

[1] In the current period the Bank issued one share to ABHL.

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CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	Notes	For the six months ended 31 March 2023 (unaudited)	For the six months ended 31 March 2022 (unaudited) (restated)	30 September 2022 (audited)
Cash flows from operating activities				
Cash (utilised) in operations	13	(1,600)	(364)	(1,862)
Interest received[2]		3,710	2,891	5,950
Interest (paid)		(917)	(397)	(851)
Direct taxation (paid)		(23)	(78)	(180)
Indirect taxation (paid)/received		25	(45)	(241)
Movement in assets and liabilities				
(Increase)/decrease in gross advances		(3,024)	(4,529)	(8,104)
Decrease/(increase) in regulatory deposits and sovereign debt securities[1]		2,950	569	568
Increase/(decrease) in retail funding		(287)	319	1,034
Increase/(decrease) in transactional banking deposits raised		(50)	138	526
(Increase)/decrease in other assets		(65)	(253)	(20)
Increase/(decrease) other liabilities		(187)	(155)	36
Increase/(decrease) in deferred fees and other items related to advances		(18)	5	31
Net cash (outflow) / inflow from operating activities		**514**	**(1,899)**	**(3,113)**
Cash flows from investing activities				
Acquisition of property and equipment		(47)	(25)	(51)
Acquisition of intangible assets		(30)	(12)	(41)
Withdrawals of financial investments		104	1,907	1,907
Net cash flow on acquisition of Ubank	17	441		
Net cash flow on acquisition of GFH Group	17	(150)		
Net cash inflow from investing activities		**318**	**1,870**	**1,815**
Cash flows from financing activities				
Net long-term tenure funding (redeemed)		(263)	(1,810)	(2,886)
Bonds and long-term wholesale funding raised		100	605	610
Bonds and long-term wholesale funding redeemed		(363)	(2,415)	(3,496)
Net short-term tenure funding raised/(redeemed)		321	1,706	671
Short-term wholesale funding raised		3,882	2,464	3,069
Short-term wholesale funding redeemed		(3,561)	(758)	(2,398)
Principal payment of lease liabilities		(74)	(72)	(149)
Share issue		395	-	1,450
Redemption of derivative instruments		(17)	(12)	(22)
Net cash outflow from financing activities		**362**	**(188)**	**(936)**
(Decrease)/increase in cash and cash equivalents		1,194	(217)	(2,234)
Cash and cash equivalents at the beginning of the year[1]		1,378	3,617	3,617
Effect of exchange rate changes on cash and cash equivalents		-	(9)	(5)
Cash and cash equivalents at the end of the year[1]		**2,572**	**3,391**	**1,378**

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

1. General information

African Bank Limited ("ABL" and/or "the Bank") is a public company incorporated in the Republic of South Africa 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 commenced business on 4 April 2016, after the final execution of the restructuring transaction of the entity formerly known as African Bank Limited (in curatorship). That entity has formally changed its name to "Residual Debt Services Limited" and remains under curatorship. The details of the restructuring transaction can be found in the Offer Information Memorandum published on 4 February 2016 as well as in the relevant SENS announcements available on the African Bank website (https://www.africanbank.co.za/media/jesdhrkv/african-bank-restructuring-offer-information-memorandum-incl-annexures.pdf).

The Bank is a 100% owned subsidiary of African Bank Holdings Limited ("ABHL"). ABHL is an unlisted registered bank-controlling company under the Banks Act and the Bank has debt instruments listed on the JSE. The shares in ABHL are privately held by the South African Reserve Bank (50.00%), the Government Employees Pension Fund (25.00%), FirstRand Bank Limited (6.55%), The Standard Bank of South Africa Limited (5.95%), ABSA Trading and Investment Solutions Proprietary Limited (4.95%), Nedbank Limited (4.10%), Investec Bank Limited (2.45%), and Capitec Bank Limited (1.00%). The percentages in brackets indicate percentage holding.

ABL holds 100% of the ordinary share capital of Grindrod Financial Holdings Limited ("GFH") and 100% of the preference shares of Grindrod Bank Limited ("GBL"), which is a 100% subsidiary of GFH. ABL acquired its ordinary shareholding and its preference shareholding in the current financial period. This has been accounted for as a business combination (refer to note 17). As a result of the acquisition, ABL controls GFH and its subsidiaries ("GFH Group") as it directly holds 100% of the ordinary shares in GFH and indirectly holds 100% in GFH's subsidiaries.

During the current financial period, ABL also acquired certain assets and liabilities from Ubank Limited ("Ubank") and this has been accounted for as a business combination (refer to note 17).

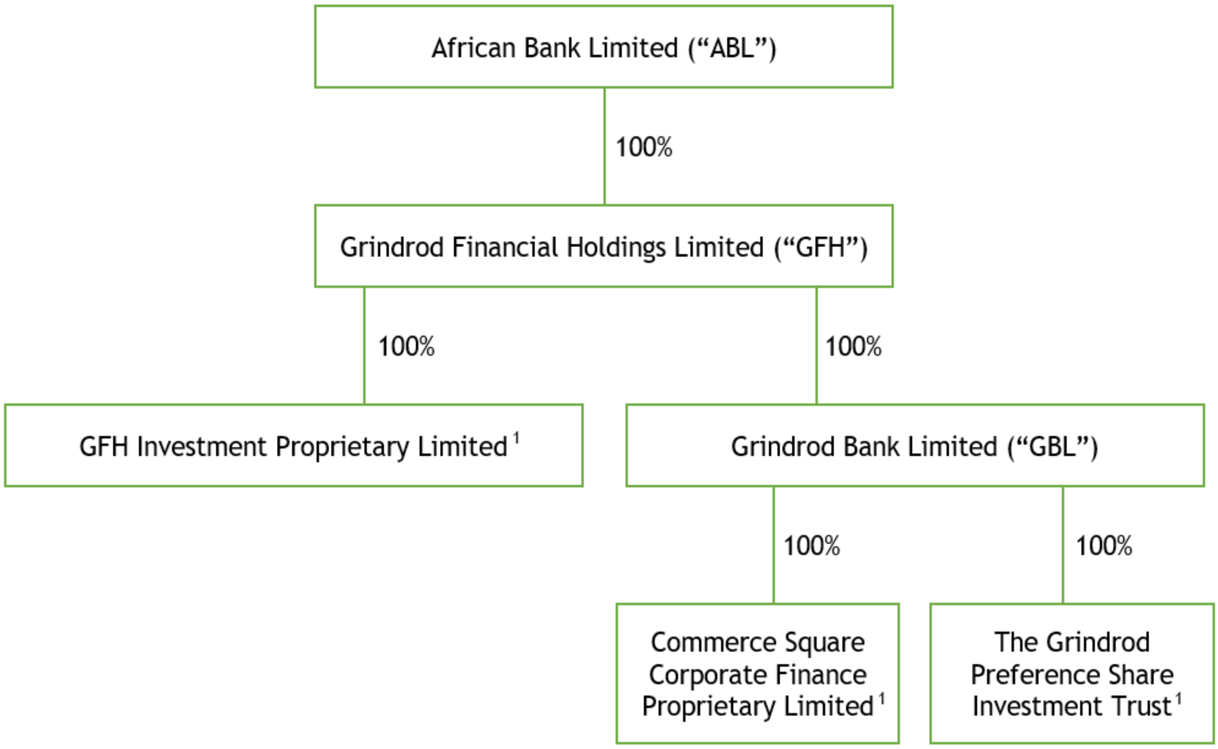
The Bank's business operations consist of Consumer Banking and Business Banking. The core product offering for Consumer Banking consists of unsecured lending (personal loans and credit cards), transactional banking (including overdrafts) and retail investments. Business Banking offers a range of products, including mortgage bonds, secured lending (term loans and revolving facilities), debtor financing (invoice discounting), preference share financing and transactional banking (including overdrafts).

The registered office and principal place of business of the Bank is disclosed in Annexure B. The Consolidated Condensed Interim Financial Statements found on pages 4 to 42 were approved by the Board of Directors on 07 June 2023.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

General information continued...

1.1 ABL Group Structure



[1] Dormant entity.

1.2 Accounting policies

1.2.1 Statement of compliance

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

1.2.2 Basis of preparation

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

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

1.2.3 Application of the going concern principle

The Board's assessment regarding the going concern assumption is based on judgement applied to uncertain future events, which are significant and impacts the 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, including the impacts of GFH and Ubank (the acquisition of both was effective on 1 November 2022).

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

General information continued...

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. Although the Bank has incurred a loss for the six months ended 31 March 2023, the Bank has forecasted a full year profit for the year ended 30 September 2023.

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

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

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

1.3 Significant accounting policies

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

- Advances measured at fair value through profit or loss ("FVTPL") (refer to note 2);
- Business combinations (refer to note 17); and
- Operating segments (refer to note 18).

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

1.4 Critical accounting judgements and key sources of estimation uncertainty

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

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

- Expected credit loss ("ECL") provisions for advances (refer to note 2 and 3);
- Fair value estimates (refer to note 14);
- Taxation (refer to note 7);
- Estimated useful life of PPE and intangibles; and
- Long term incentives.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

2. Net advances

Accounting policy

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

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 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 an 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.

Portfolios

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

- The 2016 acquired book is a purchased credit-impaired book comprising of advances acquired from the entity formerly known as African Bank Limited (in curatorship) and that had subsequently changed its name to RDS. This has been included in Consumer Banking.
- The Business Banking portfolio consists of Business Banking advances that are originated by the Bank and since the GFH Group acquisition as well as Business Banking advances acquired from Ubank Limited and the GFH Group (refer to note 17).
- The Consumer Banking portfolio consists of Consumer Banking advances that are originated by the Bank and those acquired from Ubank Limited (refer to note 17).

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

2.1 Net advances measured at amortised cost

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

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

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

[1] *The presentation of this note has changed to include the 2016 acquired book within Consumer Banking. The 2016 acquired book has a balance of R481 million on the 31 March 2023 (31 March 2022: R711 million; 30 September 2022: R587 million).*

[2] *The presentation of this note has changed to present the "impairment provisions raised on advance" as one line in the table above. Previously, the impairment provisions raised on advances for Consumer Banking were shown in a separate line to Business Banking. Refer to note 3.1.2 for the split between Consumer Banking and Business Banking.*

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

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

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

[2] *The decrease in the advances as a result of the write-off is equal to the decrease in ECL and relates only to Consumer Banking 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 R1614 million (refer to credit impairment charges, note 3.1.2).*

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

Reconciliation of ECL of gross advances for Business Banking as at 31 March 2023

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

Rmillion	ECL					Gross advances[4]				
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total
		SICR	Arrears				SICR	Arrears		
Opening balance 1 October 2022	48	-	-	-	48	1,760	-	-	-	1,760
Changes due to movements in arrears profile of advances	**(1)**	**1**	**(1)**	**1**	**-**	**(409)**	**133**	**217**	**59**	**-**
Transfer from stage 1	-	-	-	1	1	-	569	519	59	1,147
Transfer from stage 2: SICR	-	-	-	-	-	517	-	-	-	517
Transfer from stage 2: arrears	-	1	-	-	1	221	81	-	-	302
Transfer from stage 3	-	-	-	-	-	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-	-	(517)	(221)	-	(738)
Transfer to stage 2: SICR	-	-	(1)	-	(1)	(569)	-	(81)	-	(650)
Transfer to stage 2: arrears	-	-	-	-	-	(519)	-	-	-	(519)
Transfer to stage 3	(1)	-	-	-	(1)	(59)	-	-	-	(59)
Transfer to write off/ balance growth up to write-off	-	-	-	-	-	-	-	-	-	-

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total
		SICR	Arrears				SICR	Arrears		
Changes due to changes in balances of advances	**(1)**	**(1)**	**-**	**(2)**	**(4)**	**5,997**	**(6)**	**6**	**1,092**	**7,089**
Change due to movement in balances of existing advances	(1)	(1)	-	22	20	(186)	(6)	26	31	(135)
Modifications that did not give rise to de-recognition	-	-	-	-	-	-	-	-	-	-
Purchase of Business Banking advances[1]	-	-	-	-	-	5,307	-	-	1,094	6,401
Issuance of Business Banking advances	1	-	-	-	1	957	-	18	-	975
Change due to de-recognition (other than write-off)	(1)	-	-	-	(1)	(81)	-	(38)	(9)	(128)
Change due to write-off[2]	-	-	-	(24)	(24)	-	-	-	(24)	(24)
Closing balance 31 March 2023	**46**	**-**	**(1)**	**(1)**	**44**	**7,348**	**127**	**223**	**1,151**	**8,849**

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

[2] *The decrease in the advances as a result of the write-off is equal to the decrease in ECL and relates only to Business Banking advances, as advances are 100% provided for before being written off. The contractual amount outstanding on advances that were written off during the current financial year that are still subject to enforcement activities is R25 million (refer to credit impairment charges, note 9).*

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

Reconciliation of ECL of gross advances for Consumer Banking, Business Banking and 2016 acquired book as at 31 March 2022[5]

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

Rmillion	ECL					Gross advances					
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total	2016 acquired book
		SICR	Arrears				SICR	Arrears			
Opening balance 1 October 2021	544	858	1,083	6,175	8,660	8,529	3,596	2,867	9,212	24,204	918
Changes due to movements in arrears profile of advances	**(15)**	**(261)**	**94**	**1,385**	**1,202**	**(308)**	**(1,222)**	**100**	**1,564**	**134**	**33**
Transfer from stage 1	-	133	258	128	519	-	628	717	190	1,535	-
Transfer from stage 2: SICR	58	-	204	190	452	1,100	-	567	283	1,950	-
Transfer from stage 2: Arrears	6	13	-	712	731	120	62	-	1,061	1,243	-
Transfer from stage 3	-	3	15	-	18	7	16	42	-	65	-
Transfer to stage 1	-	(232)	(43)	(5)	(280)	-	(1,100)	(120)	(7)	(1,227)	-
Transfer to stage 2: SICR	(33)	-	(22)	(11)	(66)	(628)	-	(62)	(16)	(706)	-
Transfer to stage 2: Arrears	(38)	(120)	-	(28)	(186)	(717)	(567)	-	(42)	(1,326)	-
Transfer to stage 3	(9)	(60)	(383)	-	(452)	(190)	(282)	(1,061)	-	(1,533)	-
Transfer to write off/ balance growth up to write-off	1	2	65	399	467	-	21	17	95	133	33
Changes due to changes in balances of advances	**152**	**70**	**(7)**	**(1,202)**	**(987)**	**4,049**	**412**	**180**	**(1,202)**	**3,439**	**(321)**
Change due to movement in balances of existing advances	(34)	(35)	(36)	54	(51)	(636)	(168)	(101)	81	(824)	(174)
Modifications that did not give rise to de-recognition	-	-	-	-	-	-	(1)	(3)	16	12	-
New Consumer Banking advances[1]	205	187	184	39	615	4,211	961	550	57	5,779	-

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

Rmillion	ECL					Gross advances					
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total	2016 acquired book
		SICR	Arrears				SICR	Arrears			
Issuance of Business Banking advances[3]	38	-	-	-	38	1,534	-	-	-	1,534	-
Change due to de-recognition (other than write-off)	(56)	(80)	(63)	(126)	(325)	(1,059)	(378)	(174)	(187)	(1,798)	(23)
Change due to write-off [2]	(1)	(2)	(92)	(1,169)	(1,264)	(1)	(2)	(92)	(1,169)	(1,264)	(124)
Changes due to change in model assumptions	**74**	**(79)**	**(104)**	**93**	**(16)**	**-**	**-**	**-**	**-**	**-**	**81**
Changes due to changes in model assumptions	74	(79)	(104)	93	(16)	-	-	-	-	-	81
Closing balance 31 March 2022	**755**	**588**	**1,066**	**6,451**	**8,859**	**12,270**	**2,786**	**3,147**	**9,574**	**27,777**	**711**

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

[2] *The decrease in the advances as a result of the write-off is equal to the decrease in ECL as advances are 100% provided for before being written off. The contractual amount outstanding on advances that were written off during the current financial year that are still subject to enforcement activities is R1,264 million.*

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

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

[5] *The ECL reconciliation of gross advances for Consumer Banking and Business Banking was presented as one reconciliation for the period ending 31 March 2022. This has been presented in two separate reconciliations in the current period.*

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

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

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

Rmillion	ECL					Gross advances					
	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total	2016 acquired book
		SICR	Arrears				SICR	Arrears			
Opening balance 1 October 2021	544	858	1,083	6,175	8,660	8,529	3,596	2,867	9,212	24,204	918
Changes due to movements in arrears profile of advances	**(31)**	**(210)**	**90**	**2,178**	**2,027**	**(1,128)**	**(1,215)**	**(98)**	**2,630**	**189**	**3**
Transfer from stage 1	-	151	268	480	899	-	714	744	715	2,173	-
Transfer from stage 2: SICR	44	-	171	478	693	844	-	475	713	2,032	-
Transfer from stage 2: arrears	9	14	-	794	817	177	65	-	1,184	1,426	-
Transfer from stage 3	1	5	24	-	30	15	24	66	-	105	-
Transfer to stage 1	-	(178)	(64)	(10)	(252)	-	(844)	(177)	(15)	(1,036)	-
Transfer to stage 2: SICR	(38)	-	(23)	(16)	(77)	(714)	-	(65)	(24)	(803)	-
Transfer to stage 2: arrears	(39)	(100)	-	(44)	(183)	(744)	(475)	-	(66)	(1,285)	-
Transfer to stage 3	(38)	(151)	(427)	-	(616)	(715)	(713)	(1,184)	-	(2,612)	-
Transfer to write-off/ balance growth up to write-off	30	49	141	496	716	9	14	43	123	189	3
Changes due to changes in balances of advances	**505**	**38**	**280**	**(1,150)**	**(327)**	**7,024**	**261**	**783**	**(846)**	**7,222**	**(529)**
Change due to movement in balances of existing advances	(42)	(50)	(66)	69	(89)	(788)	(237)	(184)	102	(1,107)	(225)
Modifications that did not give rise to de-recognition	-	-	-	-	-	-	(306)	37	173	(96)	-
New advances [1]	633	299	689	661	2,282	8,029	1,592	1,481	894	11,996	-
Issuance of Business Banking advances	48	-	-	-	48	1,760	-	-	-	1,760	-

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Net advances continued...

	Stage 1	Stage 2		Stage 3	Total	Stage 1	Stage 2		Stage 3	Total	2016 acquired book
		SICR	Arrears				SICR	Arrears			
Change due to de-recognition (other than write-off)	(103)	(154)	(117)	(275)	(649)	(1,946)	(731)	(325)	(410)	(3,412)	(165)
Change due to write-off [2]	(31)	(57)	(226)	(1,605)	(1,919)	(31)	(57)	(226)	(1,605)	(1,919)	(139)
Changes due to change in model assumptions	**224**	**(382)**	**(721)**	**151**	**(728)**	**2,527**	**275**	**(1,940)**	**785**	**77**	**195**
Changes due to changes in model assumptions	224	(382)	(721)	151	(728)	2,527	275	(1,940)	785	77	195
Closing balance 30 September 2022	**1,242**	**304**	**732**	**7,354**	**9,632**	**16,952**	**2,917**	**1,612**	**10,211**	**31,692**	**587**

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

[2] The decrease in the advances as a result of the write-off is equal to the decrease in ECL as advances are 100% provided for before being written off. The contractual amount outstanding on advances that were written off during the current financial year that are still subject to enforcement activities is R2057 million (refer to credit impairment charges, note 3.1.2).

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

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

[5] The ECL reconciliation of gross advances for Consumer Banking and Business Banking was presented as one reconciliation for the period ending 31 March 2022. This has been presented in two separate reconciliations in the current period.

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

As at the beginning of the 2022 financial year multiple overlays were held relating to Covid-19, DebiCheck, the Credit Amendment Bill and retrenchments. In the March 2022 Interim Financial Statements, management held an overlay on the ECL models for the effect of inflation on the prices of food and public transportation (due to the Russia and Ukraine conflict). Subsequently, the ECL models were recalibrated with recent observed behaviour between April 2022 and September 2022 which increased the model calculated ECL, whilst releasing all event driven management impairment overlays.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

3. Credit risk

Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial and contractual obligations when due.

3.1 Credit quality of advances per IFRS requirements

3.1.1 Advances analysis

	31 March 2023 (unaudited)			31 March 2022 (unaudited)[1]				30 September 2022 (audited)[1]		
Rmillion	Consumer Banking	Business Banking	Total	Consumer Banking	Business Banking	Total	Total	Consumer Banking	Business Banking	Total
Gross advances	**32,754**	**8,948**	**41,702**	**27,209**	**1,534**	**28,743**		**30,801**	**1,760**	**32,561**
Stage 1	16,616	7,441	24,057	10,905	1,534	12,439	-	15,421	1,760	17,181
Stage 2	4,383	354	4,737	6,034	-	6,034	-	4,582	-	4,582
Stage 3[2]	11,755	1,153	12,908	10,270	-	10,270	-	10,798	-	10,798
Total ECL	**(10,793)**	**(44)**	**(10,837)**	**(8,822)**	**(38)**	**(8,860)**	**(10,812)**	**(9,584)**	**(48)**	**(9,632)**
Stage 1	(1,424)	(46)	(1,470)	(717)	(38)	(755)	(1,429)	(1,194)	(48)	(1,242)
Stage 2	(1,133)	1	(1,132)	(1,654)	-	(1,654)	(1,141)	(1,036)	-	(1,036)
Stage 3	(8,236)	1	(8,235)	(6,451)	-	(6,451)	(8,242)	(7,354)	-	(7,354)
Deferred fees	**(273)**	**(99)**	**(372)**	**(255)**	**-**	**(255)**	**(273)**	**(282)**	**-**	**(282)**
Net advances	**21,688**	**8,805**	**30,493**	**18,132**	**1,496**	**19,628**	**(11,085)**	**20,935**	**1,712**	**22,647**

[1] *The presentation of the comparative information has changed as stage 3 gross advances is no longer split to show the 2016 acquired book separately.*

[2] *The 2016 acquired book with a balance of R481 million on the 31 March 2023 (31 March 2022: R711 million; 30 September 2022: R587 million) is included in the stage 3 Consumer Banking advances balance.*

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Credit risk continued...

3.1.2 Impairment as % of gross advances

Percentage	31 March 2023 (unaudited) Consumer Banking	Business Banking	Total	31 March 2022 (unaudited) Consumer Banking	Business Banking	Total	30 September 2022 (audited) Consumer Banking	Business Banking	Total
Stage 1	8.6%	0.6%	6.1%	6.6%	2.5%	6.1%	7.7%	2.7%	10.5%
Stage 2	25.8%	-0.4%	23.9%	27.4%	-	27.4%	22.6%	-	22.6%
Stage 3	70.1%	-0.1%	63.8%	62.8%	-	62.8%	68.1%	-	68.1%
Total impairment as a % of total gross advances	**33.0%**	**0.5%**	**26.0%**	**32.4%**	**2.5%**	**30.8%**	**31.1%**	**2.7%**	**33.8%**
Reconciliation of ECL (note 2)									
Balance at the beginning of the period	(9,585)	(48)	(9,633)	(8,660)	-	(8,660)	(8,660)	-	(8,660)
Impairment provisions raised on interest from stage 3 advances	(367)	(15)	(382)	(329)	-	(329)	(665)	-	(665)
Net movement in impairment provisions (note 9)	(2,455)	(6)	(2,461)	(1,097)	(38)	(1,135)	(2,178)	(48)	(2,226)
Impairment provision released in respect of write-offs	1,614	25	1,639	1,264	-	1,264	1,919	-	1,919
Balance at the end of the year	**(10,793)**	**(44)**	**(10,837)**	**(8,822)**	**(38)**	**(8,860)**	**(9,584)**	**(48)**	**(9,632)**

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

4. Cash and cash equivalents

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited) (restated)	30 September 2022 (audited)
Call deposits	**544**	**2,923**	**534**
ZAR	542	2,354	532
Foreign denominated	2	569	2
Deposits with the SARB[1]	**831**	**385**	**445**
Current accounts[2]	**1,197**	**83**	**399**
Gross cash and cash equivalents	**2,572**	**3,391**	**1,378**
Non-cash adjustment: ECL[3]	-	-	-
Net cash and cash equivalents	**2,572**	**3,391**	**1,378**
Maximum exposure to credit risk	**2,572**	**3,391**	**1,378**

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

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

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

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

5. Financial investments

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

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

6. Regulatory deposits and sovereign debt securities

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Regulatory deposits and sovereign debt securities continued...

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

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

7. Current and deferred tax

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

7.1 Deferred tax asset

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

[1] Refer to note 17 for the business combinations that the deferred tax arose from.

Rmillion	Opening balance	Deferred tax impact of items recognised in profit or loss	Closing balance
31 March 2022 (unaudited)			
Temporary differences			
Right of use asset	3	-	3
Provisions	149	(74)	75
Impairment for expected credit losses	923	16	939
Prepayments	(11)	(3)	(14)
Tax impact from the buy-back of liabilities	(2)	(2)	(4)
Estimated tax loss	72	(41)	31
Total[1]	**1,134**	**(104)**	**1,030**

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Current and deferred tax continued...

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

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

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

8. Interest income

8.1 Interest income on advances

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

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

8.2 Other interest income

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited)	30 September 2022 (audited)
Interest on cash and cash equivalents	19	21	63
Sundry interest income[1]	192	126	240
Total	**211**	**147**	**303**

Other interest income is calculated using the effective interest method.

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

9. Credit impairment charge

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

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

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

	30 September 2022 (audited)[1]			
Rmillion	Consumer Banking	Business Banking	2016 acquired book	Total
Net movement in impairment provisions	2,178	48	(2)	2,224
Modification that does not give rise to derecognition	96	-		96
Net impairment charge	**2,274**	**48**	**(2)**	**2,320**
Post write-off recoveries	(491)	-	(393)	(884)
Total	**1,783**	**48**	**(395)**	**1,436**

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

10. Interest expense and similar charges

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited)	30 September 2022 (audited)
Unsecured listed bonds	148	147	320
Call deposits	212	1	6
Fixed deposits	157	39	101
Negotiable certificates of deposit	98	10	21
Interest on promissory notes	-	2	3
Right of use asset - finance cost	10	6	14
Retail funding	489	389	816
Transactional banking[1]	28	15	41
Other interest	-	-	6
Total	**1,142**	**609**	**1,328**

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

11. Non-interest income

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited) (restated)	30 September 2022 (audited)
Credit card fees	208	84	184
Transactional fees	92	48	115
Subtotal: Non-interest income from lending	**300**	**132**	**299**
Binder and outsourcing arrangements fees[1]	102	70	144
Collection fees[2]	67	95	175
Commission on value-added services[3]	62	2	4
Fair value gains and losses on advances[4]	75	-	-
Other income[3]	61	21	48
Total	**667**	**320**	**670**

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

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

12. Operating costs

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited)	30 September 2022 (audited)
Advertising and marketing costs	109	110	259
Amortisation of intangible assets	23	16	26
Audit fees	11	9	19
Bank charges and strike costs	63	55	108
Card transaction costs	156	92	198
Collection costs	32	6	14
Depreciation on property and equipment	131	113	217
Direct selling and commissions	28	18	46
Information technology costs	168	86	175
Integration costs[2]	88	-	-
Non-Executive Directors' fees	7	3	7
Other expenses	145	36	91
Printing, stationery and courier costs	7	6	16
Professional fees	85	76	217
Rental and maintenance costs	121	66	146
Costs related to property rentals[1]	90	50	97
Other rental and maintenance costs	31	16	49
Staff costs	1,065	778	1,612
Basic remuneration	849	584	1,111
Contribution to provident fund	-	68	132
Commission paid to sales agents	2	-	5
Employee benefits expense	182	110	268
Executive Directors' and Prescribed Officers' remuneration	32	16	96
Telephone, fax and other communication costs	62	42	95
Travel cost	15	4	11
Write-off of property, plant and equipment	-	-	1
Total	**2,316**	**1,516**	**3,258**

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

[2] *The integration costs arise from the acquisitions of GFH and Ubank. Refer to note 17.*

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

13. Cash utilised in operations

Rmillion	31 March 2023 (unaudited)	31 March 2022 (unaudited)	30 September 2022 (audited)
Profit/(loss) before tax	(662)	356	520
Adjustment for:	**(938)**	**(720)**	**(2,382)**
Indirect taxation: VAT	25	67	158
Increase in impairment of advances	2,483	1,472	2,123
Amortisation of intangible assets	23	16	26
Depreciation of property and equipment	131	113	217
Write-off of PPE and intangible assets	-	-	1
Unrealised foreign exchange differences	-	(1)	9
Fair value movements on derivative instruments	7	(10)	(21)
Fair value adjustments on assets	(6)	-	-
Profit on disposal of PPE	(7)	-	-
Movement in other interest income accrual	(130)	(163)	(291)
Movement in interest expense accrual	750	579	1,228
Interest on advances	(3,820)	(2,811)	(5,865)
Other adjustments on funding instruments	(128)	12	19
Finance cost from lease liability	10	6	14
Gain on bargain purchase	(276)	-	-
Total	**(1,600)**	**(364)**	**(1,862)**

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

14.1 Valuation models

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

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

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

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

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

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

Recurring fair values

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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 varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

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

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

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

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

14.2 Valuation framework

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

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

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

14.3 Fair value measurements recognised in the Statement of Financial Position

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

Rmillion	Level 1	Level 2	Level 3	Total
31 March 2023 (unaudited)				
Financial assets				
Recurring fair value measurement				
Financial investments	10	-	6	**6**
Derivative instruments	-	98	-	**98**
Advances measured at FVTPL	-	414	1,450	**1,864**
Total	**10**	**512**	**1,456**	**1,968**

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

31 March 2022 (unaudited)				
Financial assets				
Recurring fair value measurement				
Financial Investments		156		156
Derivative instruments	-	63	-	63
Total	**-**	**219**	**-**	**219**

30 September 2022 (audited)				
Financial assets				
Recurring fair value measurement				
Financial investments	-	160	-	160
Derivative instruments	-	85	-	85
Total	**-**	**245**	**-**	**245**

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

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

Rmillion	Valuation basis / techniques	Significant observable inputs
31 March 2023 (unaudited)		
Assets		
JIBAR-linked interest rate swaps	Discounted cash flow swaption methodology	Yield curves, credit default spreads and JIBAR curves
Inflation-linked interest rate swaps	Discounted cash flow	Risk-free rates
Financial investments in core income funds	Discounted cash flows	Expected cash flows
Advances measured at FVTPL	Discounted cash flows	Credit spreads, swap and prime curve

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

31 March 2022 (unaudited)		
Assets		
Cross-currency interest rate swaps	Discounted cash flow Forward rate	Discount rates Forward rate
Inflation-linked interest rate swaps	Discounted cash flow	Discount and risk-free rates
Financial investments in core income funds	Discounted cash flows	Discount rate Expected cash flows

Rmillion	Valuation basis / techniques	Significant observable inputs
30 September 2022 (audited)		
Assets		
Inflation-linked interest rate swaps	Discounted cash flow	Risk-free rates
Financial investments in core income funds	Discounted cash flows	Expected cash flows

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

14.5 Assets and liabilities for which fair value is disclosed

Rmillion	Level 1	Level 2	Level 3	Total	Carrying value
31 March 2023 (unaudited)					
Financial assets					
Government bonds	2,442			2,442	2,561
Treasury bills and debentures[1]	5,707			5,707	5,709
Deposits with SARB		831		831	831
Net advances at amortised cost[2]			33,283	33,283	30,493
Total	**8,149**	**831**	**33,283**	**42,263**	**39,594**
Financial liabilities					
Short-term funding	-	12,602	7,727	20,329	23,046
Unsecured bonds (listed on JSE)[1]	-	2,128	-	2,128	1,841
Unsecured bonds (listed on foreign stock exchange)	-		-	-	-
Unsecured long-term loans	-	492	8,593	9,085	9,109
Subordinated bonds	-	-	-	-	-
Total	**-**	**15,222**	**16,320**	**31,542**	**33,996**
31 March 2022 (unaudited)					
Financial assets					
Government bonds	2,418	-	-	2,418	2,450
Treasury bills and debentures	-	-	-	-	-
Deposits with South African Reserve Bank	-	385	-	385	385
Net advances at amortised cost[2]	-	-	21,260	21,260	19,628
Total	**2,418**	**385**	**21,260**	**24,063**	**22,463**
Financial liabilities					
Short-term funding[3]	-	2,811	4,382	7,193	7,246
Unsecured bonds (listed on JSE)[1]	-	3,179	-	3,179	2,982
Unsecured bonds (listed on foreign stock exchange)[1]	-	-	-	-	-
Unsecured long-term loans[3]	-	654	6,585	7,239	7,206
Subordinated bonds[1]	-	-	-	-	-
Total	**-**	**6,644**	**10,967**	**17,611**	**17,434**
30 September 2022 (audited)					
Financial assets					
Government bonds	2,240	-	-	2,240	2,444
Treasury bills and debentures	-	-	-	-	-
Deposits with SARB	-	445	-	445	445
Net advances at amortised cost[2]	-	-	26,113	26,113	22,647
Total	**2,240**	**445**	**26,113**	**28,798**	**25,536**
Financial liabilities					
Short term funding	-	867	5,001	5,868	5,868
Unsecured bonds (listed on JSE)[1]	-	3,006	-	3,006	2,930
Unsecured bonds (listed on foreign stock exchange)	-	-	-	-	-
Unsecured long- term loans	-	609	7,310	7,919	7,919
Subordinated bonds	-	-	-	-	-
Total	**-**	**4,482**	**12,311**	**16,793**	**16,717**

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

[2] *The fair value of Consumer Banking advances measured at amortised cost is R24,773 million (31 March 2022: R19,671 million, 30 September 2022: R24,516 million) and Business Banking advances measured at amortised cost is R1 million (31 March 2022: R1,589 million, 30 September 2022: R1,597 million).*

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

15. Analysis of classification of financial assets and liabilities

15.1 Analysis of classification of financial assets

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

Rmillion	Notes	Amortised cost	Financial instruments mandatorily at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Non-financial instruments	Total	Current	Non-current
31 March 2023 (unaudited)								
Cash and cash equivalents	4	2,572	-	-	-	2,572	2,572	-
Financial investments	5	-	16	-	-	16	16	-
Regulatory deposits and sovereign debt securities	6	8,262	-	-	-	8,262	-	8,262
Net advances	2	30,493	1,473	414	-	32,380	-	32,380
Deferred tax assets	7	-	-	-	1,405	1,405	-	1,405
Current tax		-	-	-	16	16	16	-
Property and equipment and right of use asset		-	-	-	673	673	-	673
Accounts receivable and other assets		203	-	-	236	439	203	236
Intangible assets		-	-	-	263	263	-	263
Derivatives		-	98	-	-	98	-	98
Goodwill	17	-	-	-	115	115	-	115
Total assets		**41,530**	**1,587**	**414**	**2,708**	**46,239**	**2,807**	**43,432**
31 March 2022 (unaudited) (restated)								
Cash and cash equivalents[1]	4	3,391	-	-	-	3,391	3,391	-
Financial investments	5	-	156	-	-	156	156	-
Regulatory deposits and sovereign debt securities[1]	6	2,443	-	-	-	2,443	39	2,404
Net advances	2	19,628	-	-	-	19,628	8,518	11,110
Deferred tax asset	7	-	-	-	1,030	1,030	-	1,030
Property and equipment		-	-	-	536	536	-	536
Accounts receivable and other assets		307	-	-	128	435	307	128
Intangible assets		-	-	-	134	134	-	134
Derivatives		-	63	-	-	63	-	63
Total assets		**34,567**	**219**	**-**	**1,828**	**36,614**	**12,411**	**24,203**

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

Rmillion	Notes	Amortised cost	Financial instruments mandatorily at fair value through profit or loss	Financial instruments designated at fair value through profit or loss	Non-financial instruments	Total	Current	Non-current
30 September 2022 (audited)								
Cash and cash equivalents[1]	4	1,378	-	-	-	1,378	1,378	-
Financial investments	5	-	160	-	-	160	160	-
Regulatory deposits and sovereign debt securities[1]	6	2,444	-	-	-	2,444	748	1,696
Net advances	2	22,647	-	-	-	22,647	9,995	12,652
Deferred tax assets	7	-	-	-	1,064	1,064	-	1,064
Property and equipment		-	-	-	562	562	-	562
Accounts receivable and other assets		88	-	-	114	202	88	114
Intangible assets		-	-	-	153	153	-	153
Derivatives		-	85	-	-	85	-	85
Total assets		**26,557**	**245**	**-**	**1,893**	**28,695**	**12,369**	**16,326**

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

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

15.1 Analysis of classification of financial liabilities

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

Rmillion	Notes	Amortised cost	Fair value	Non-financial liabilities	Total	Current	Non-current
31 March 2023 (unaudited)							
Short-term funding		23,046	-	-	23,046	23,046	-
Creditors and other liabilities		809	-	349	1,158	-	1,158
Bonds and other long-term funding		10,950	-	-	10,950	-	10,950
Total liabilities		**34,805**	**-**	**349**	**35,154**	**23,046**	**12,108**
31 March 2022 (unaudited)							
Short-term funding		7,246	-	-	7,246	7,246	-
Creditors and accruals		567	-	269	836	585	251
Current tax liability	7	-	-	-	-	-	-
Bonds and other long-term funding		10,188	-	-	10,188	-	10,188
Subordinated bonds		-	-	-	-	-	-
Total liabilities		**18,001**	**-**	**269**	**18,270**	**7,831**	**10,439**
30 September 2022 (audited)							
Short-term funding		5,868	-	-	5,868	5,868	-
Creditors and other liabilities		474	-	411	885	766	119
Current tax	7	-	-	12	12	12	-
Bonds and other long-term funding		10,850	-	-	10,850	33	10,817
Total liabilities		**17,192**	**-**	**423**	**17,615**	**6,679**	**10,936**

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

16. Related party information

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

16.1 Balances with related parties

R'000	As at 31 March 2023 (unaudited)	As at 31 March 2022 (unaudited)	30 September 2022 (audited)
Gross advances			
Key Management Personnel[1]	7,219	302	722
Deposits			
Entities within the ABHL Group	38,265	1,546,584	114,100
Key Management Personnel[2]	28,819	47,610	72,055

Refer to note 4 for deposits held with the SARB.

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

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

16.2 Transactions with related parties are disclosed below

R'000	As at 31 March 2023 (unaudited)	As at 31 March 2022 (unaudited)	30 September 2022 (audited)
Interest income			
Key Management Personnel	175	18	81
Interest paid			
Entities within the ABHL Group	4,962	17,611	52,250
Key Management Personnel	205	87	172
Facility commitment fee - Shareholder backed facility[1]	-	8,975	16,666

In the current financial year, no contracts were entered into in which Directors or Key Management Personnel had an interest and which significantly affected the business of the Bank.

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

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

17. Business combinations

17.1 Accounting policy

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 date.

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Business combinations continued...

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

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually and when there is an indication of impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the 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.

Subsidiaries:
Subsidiaries are entities controlled by the Bank. The Bank controls an entity if it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Bank reassesses whether it has control if there are changes to one or more of the elements of control.

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

17.2 Acquisition of Grindrod Financial Holdings Limited Group

ABL acquired 100% of the ordinary share capital of Grindrod Financial Holdings Limited ("GFH") which represents 100% of GFH's voting rights and ABL also acquired 100% of the preference shares issued by Grindrod Bank Limited ("GBL"), a 100% subsidiary of GFH, for cash consideration of R1,557 million. All regulatory, legislative and contractually required approvals were obtained on 6 October 2022, with an effective date of 1 November 2022. The acquisition date (as defined in IFRS 3), and the date that ABL obtained control of the GFH Group (in terms of IFRS 10 Consolidated Financial Statements ("IFRS 10")), is 1 November 2022. This acquisition was carried out to enable ABL to accelerate its entry into the South African business banking sector by acquiring valuable sectoral expertise and an existing customer base.

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Business combinations continued...

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

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

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

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

17.3 Acquisition of certain assets and liabilities of Ubank Limited:

ABL acquired certain assets and liabilities from Ubank Limited, which constitutes a business as defined by IFRS 3, for cash consideration of R80 million. ABL has not acquired the Ubank Limited legal entity, and any residual assets and liabilities remain with that legal entity. The acquisition was subject to regulatory approvals which were provided on 31 October 2022, with an effective date of 1 November 2022. Therefore, ABL obtained control of the assets and liabilities acquired from Ubank (in terms of IFRS 10 Consolidated Financial Statements ("IFRS 10")) on 1 November 2022. This acquisition fits into the Group's Excelerate25 strategy of building a scalable, diversified and sustainable banking business.

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

From the date of acquisition up until 31 March 2023, the assets and liabilities acquired from Ubank Limited contributed R82 million to interest income and R11 million to profit before tax of the Group.

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

18. Operating segments

18.1 Accounting policy

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

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

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

18.2 Segment information

Reportable segment	Operations
Consumer Banking	Loans, overdrafts, cards, deposits and other transactions with retail customers.
Business Banking	Loans, overdrafts, deposits, debtor financing, mortgages and other transactions with business customers, corporate customers and SMEs.

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

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

	31 March 2023 (unaudited)				
Rmillion	Consumer Banking	Business Banking	Subtotal	Consolidation adjustments	Total
Statement of Comprehensive Income					
Interest income on advances	3,325	592	3,917	(3)	3,914
Credit impairment charge	(2,228)	(12)	(2,240)	-	(2,240)
Interest on advances after impairment	**1,097**	**580**	**1,677**	**(3)**	**1,674**
				-	
Other interest income	211	-	211	-	211
Interest expense and similar charges[2]	(749)	(404)	(1,153)	4	(1,149)
Net interest income	**559**	**176**	**735**	**1**	**736**
Non-interest income	558	110	668	(1)	667
Gain on bargain purchase	-	-	-	276	276
Operating costs[1]	(2,155)	(164)	(2,319)	3	(2,316)
Indirect taxation: VAT	(20)	(5)	(25)	-	(25)
Profit /(loss) before taxation	**(1,058)**	**117**	**(941)**	**279**	**(662)**
Taxation	268	(5)	263	9	272
Profit /(loss) for the year	**(790)**	**112**	**(678)**	**288**	**(390)**

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

Operating segments continued...

	31 March 2023 (unaudited)				
Rmillion	Consumer Banking	Business Banking	Subtotal	Consolidation adjustments	Total
Statement of Financial Position					
Cash and cash equivalents	1,745	1,179	2,924	(352)	2,572
Financial investments	10	6	16	-	16
Regulatory deposits and sovereign debt securities	3,946	4,316	8,262	-	8,262
Derivatives	95	3	98	-	98
Net advances	21,688	10,657	32,345	35	32,380
Accounts receivable and other assets	354	86	440	(1)	439
Property and equipment and right of use asset	654	19	673	-	673
Intangible assets	207	-	207	56	263
Deferred tax assets	1,388	66	1,454	(49)	1,405
Current tax	25	(9)	16	-	16
Goodwill	-	-	-	115	115
Investments	1,557	-	1,557	(1,557)	-
Total assets	**31,668**	**16,323**	**47,992**	**(1,753)**	**46,239**
Creditors and other liabilities	1,080	66	1,146	12	1,158
Short-term and long term funding	21,827	12,521	34,348	(352)	33,996
Total liabilities	**22,907**	**12,587**	**35,494**	**(340)**	**35,154**

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

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

19. Events after the reporting date

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

ANNEXURE A: ACRONYMS AND ABBREVIATIONS

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

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

R'000	Thousands of rand
RCMC	Risk and Capital Management Committee
RDS	Residual Debt Services Limited (under curatorship)
TAA	Tax Administration Act
The Bank Act	The Banks Act No. 94 of 1990
The Companies Act	The Companies Act No. 71 of 2008
Tier I	Primary capital
Tier II	Secondary capital
USD	United States Dollar
VAT	Value Added Tax
ZAR	South African Rand

ANNEXURE B: CORPORATE INFORMATION

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

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