grobank

2020 Annual Financial Statements

access

Grobank Limited

Audited Annual Financial Statements

for the year ended 31 December 2020

in compliance with Companies Act of South Africa

Prepared by: Chrisanthi Michaelides CA (SA)

Chief Financial Officer

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Directors' Responsibilities and Approval

The Directors are responsible for the preparation and integrity of the Annual Financial Statements and related information included in this report. In order for the Board to discharge its responsibilities, management has developed and continues to maintain systems of internalof internal control. The Board has ultimate responsibility for the systems of internal control and reviews their effectiveness, primarily through the Audit and Compliance Committee. As part of the systems of internal controls, the Bank's Internal Audit department conducts operational, financial and specific audits, and reports directly to the Audit Committee. The external auditors are responsible for reporting on the Annual Financial Statements. The holding company was GroCapital Holdings Limited but effective 3rd May 2021, the Bank's major shareholder is Access Bank Plc operating from Nigeria. The Directors have no reason to believe that the Bank will not be a going concern in the year ahead and have continued to adopt the going concern basis in preparing the financial statements. Refer to the directors' report, going concern section, for further guidance in this regard.

The Annual Financial Statements have been prepared in accordance with the provisions of the Companies Act and comply with International Financial Reporting Standards. The Annual Financial Statements are based on appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Annual Financial Statements for the year ended 31 December 2020 were approved by the Board of Directors on the 25 June 2021 and are signed on its behalf by:

BP Mathidi
Acting Chairman
Johannesburg
25 June 2021

B van Rooy
Chief Executive Officer
Johannesburg
25 June 2021

Certificate by the Company Secretary

The Company Secretary of Grobank (Limited) certifies that, in terms of section 88(2)(e) of the Companies Act, No.71 of 2008 as amended, the Bank has lodged with the Companies and Intellectual Property Commission of South Africa all returns and notices as required by a public company in terms of the Act and that all such returns are true, correct and up to date in respect of the financial year ended 31 December 2020.

T Buthelezi
Company Secretary
25 June 2021

Independent Auditor's Report

TO THE SHAREHOLDERS OF GROBANK LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of GroBank Limited set out on page 19 to page 72, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the statements of financial position as at 31 December 2020, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 29 to the financial statements, which describes the factors considered by the directors in assessing the appropriateness of adopting the going concern assumption. We specifically draw attention to the new capital injection received from Access Bank Plc of R400 million on 3 May 2021, the conversion of deposits from the PIC and Fairfax Holdings into Tier 2 instruments amounting to approximately R183 million, and the letter of support from Access Bank Plc pledging capital and funding support in the event of any capital or liquidity shortfall. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Grobank Limited audited financial statements for the year ended 2020" which includes the Company information, Directors responsibility statement, Directors' Report, Audit Committee's report and the Company Secretary's Certificate, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Financial Statements

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

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

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

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

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

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: Justin Dziruni
Partner

25 June 2021

Directors' Report

The directors present their report for the year ended 31 December 2020.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

NATURE OF THE BUSINESS

Grobank Limited (Grobank) is focused on developing and delivering banking services to medium-sized businesses and individuals, driven by a unique combination of retail, business and alliance banking.

Business and Commercial Banking

Grobank's Business and Commercial Banking is focused on the cornerstones of business banking (transactional banking, lending and deposit services) and targets the small and medium sized business customer. To facilitate international business transactions Grobank's Business and Commercial banking is fully integrated with the Grobank's Treasury and Global Transactional Services ("GTS") business (see below). Grobank also offers risk and investment solutions from leading providers in the industry which includes short and long term insurance as well as investment management services. These solutions are delivered through three business suites situated in key business centers across South Africa.

Treasury and Global Transaction Services

Grobank's GTS business is focused on providing professional and personalised foreign exchange (import and export) services to the small and medium sized business customer. GTS's range of products include spot and forward contracts, foreign currency accounts, letters of credit, collection of foreign currency, cross border payments and exchange control applications.

Alliance Banking

Grobank's Alliance Banking business model focuses on banking products developed and offered to identified market segments or groups through a leveraged partner system. Grobank strategically partners with established retailers and innovative financial technology (FinTech) companies to deliver these solutions.

Corporate Banking

Corporate Banking provides innovative financial solutions to their customers which include standard long-term debt solutions, trade finance solutions and currency hedging solutions.

Additional information can be accessed from Grobank's website www.grobank.co.za.

Effective from the 3rd May 2021, Access Bank Plc is the banking controlling company that owns 90.35% of Grobank Limited.

CAPITAL STRUCTURE

The unissued shares are under the control of the Directors subject to the notification to and specific approval by GroCapital Holdings Limited, until the next Annual General Meeting.

During the year two capital raising exercises totaling R131,537 million were undertaken.

- February 2020 - R91 539 474 share capital was raised by issuing 15 594 459 shares at R5.87 per share.
- June 2020 - R 39 998 289 share capital was raised by issuing 8 031 785 shares at 4.98 per share. (see note 13 and 14)

During the year the unissued ordinary shares increased to R1 billion as compared to 2019 R100 million unissued ordinary shares.

DIVIDEND

No dividend has been proposed or declared for the year under review (2019: Nil).

HOLDING COMPANY

The holding company, until the 2nd of May 2021 was GroCapital Holdings Limited, incorporated in South Africa.

Effectively from 3rd May 2021, the Banks main shareholder and bank controlling company is Access Bank Plc, operating out of Nigeria.

Shareholders are:

Access Bank Plc - 90.35%
GroCapital Holdings - 9.64%
Other Minorities - 0.01%

GOING CONCERN

The Bank has made a loss in the financial year ended 2020 of R354 million and in the financial year ended 2019 of R93 million however, the Bank is solvent and has a current net asset value of R176 million and R398 million in 2019.

On the 25 March 2021, the Prudential Authority and the Minister of Finance approved that the application of Access Bank Plc to become the controlling shareholder of Grobank.

After making due enquiries and having carefully considered all of the factors that may impact the Bank's going concern status, including the Bank's capital adequacy, liquidity for the next 12 months from the date of approving the annual financial statements, the Directors consider that the Bank has adequate resources to continue operating as a going concern for the foreseeable future.

The factors considered were:

- A portfolio of loans and advances to be settled / sold to Mercantile Bank, resulting in an expected cash flow of approximately R350 million,
- The new capital injection from Access Bank Plc of R400million was injected into the Bank on 3rd May 2021,
- The conversion of deposits from the PIC and Fairfax Holdings into Tier 2 instruments amounting to approximately R183 million, and
- The letter of support from Access Bank Plc pledging capital and funding support in the event of any capital or liquidity shortfall.

Covid-19 pandemic

Due to the Covid-19 pandemic occurrence in South Africa and the rest of the world, as well as the impact this has had on the economic conditions in the country, the Board further assessed the impact this too would have on the Bank's going concern status. Taking into consideration the directives (D2/2020 and D3/2020) and guidance notes (GN3/2020 and GN 4/2020) from the Prudential Authority (PA), the Board assessed the relief provided by the PA together with all factors mentioned above, concluded that, even if the impact of Covid-19 had been taken into account, the Bank would continue to have sufficient resources to continue operating as a going concern for the foreseeable future. However, the direct impact of Covid-19 on the Bank's operations cannot be reliably measured at this stage.

The financial statements have therefore been prepared on the going concern basis.

POST BALANCE SHEET EVENTS

Impact of Covid-19 pandemic

Since December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, business is being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

From the start of the Covid-19 pandemic and national lock down announced with effect from 27 March 2020, the majority of Grobank's staff have been working remotely. Grobank, similar to the banking industry, has been classified as an essential service, and consequently has maintained a skeleton staff at the Bank's head office and Suites to facilitate the provision of these essential services. As a result of the lockdown, the following possible risks have been highlighted for the Bank:

- Cash flow pressures on clients which could lead to late or non-payment of loan commitments
- An increase in provisions on the loans and advances portfolio due to inability of clients to meet debt obligations and security values being compromised
- Increased liquidity risk

During this period, the Bank has taken the decision to support its clients and provide financial relief through the granting of loan payment moratoriums on a case-by-case basis.

The moratoriums were based on the following principles:

- Customer with a strong credit risk rating
- Customers with an observable evidence of a clean repayment track record at Grobank, i.e. no arrear events
- The credit facilities were up to date up to date as at February 2020

Refer to note 8 for more details.

Other events:

On the 25 March 2021, the Prudential Authority and the Minister of Finance approved the application of Access Bank Plc to become the controlling shareholder of Grobank. On the 3rd May 2021 R400million new share capital was injected into the Bank by Access Bank Plc.

On the 18 June 2021, the PA approved the R183 million debentures issued by Grobank to qualify as Tier 2 capital.

DIRECTORATE AND SECRETARY

The Directors of the Bank as at 25 June 2021 are:

Non-executive:

- C P Venter (resigned 31 January 2020)
- J E O'Neill (appointed 5 February 2020)
- R M Y Giles (appointed 27 April 2021)
- R M Ogbonna (appointed 27 April 2021)
- C N Ajene (appointed 27 April 2021)

Independent, Non executive:

- P Ranchod (resigned 16 October 2020)
- T J Fearnhead (resigned 28 February 2020)
- R A Shough
- W J Krüger
- J A Mirza (resigned 31 December 2020)
- A Beck (appointed 1 June 2020)
- B P Mathidi
- N M Nene
- P Hadebe (appointed 18 February 2020)
- B Barungi (appointed 27 April 2021)

Executive:

- B van Rooy (Chief Executive Officer)
- D J Adriaanzen (resigned 23 June 2020)
- C Michaelides

Registered address:

Block 3, Inanda Greens Business Park 54 Wierda Road West, Wierda Valley, Sandton

Report from the Chairman of the Audit and Compliance Committee

This report provides an overview of the Grobank Audit and Compliance Committee (ACC) and its activities and the manner in which it has discharged its responsibilities for the financial year ended December 2020. The ACC is an independent and formal statutory committee appointed by the shareholders. Further duties are delegated to the ACC by the Board of Grobank.

The ACC has used the King IV principles to continue to drive and embed good corporate governance at Grobank. The committee's objectives include fostering an ethical culture, sustainable value creation, a good reputation and legitimacy, and trusted financial reporting supported by effective financial processes, controls and assurance.

COMPOSITION

Grobank's Audit and Compliance Committee comprises of independent non-executive directors who are elected annually at the company's Annual General Meeting (AGM).

The members are:
Mr Roy Shough (Chairman, non-executive independent)
Mr Willem Kruger (non-executive independent)
Mr Jawaid Mirza (non-executive independent – resigned 31 December 2020)
Mr Patrick Mathidi (non-executive independent)
Mr Tim Fearnhead (non-executive independent – resigned 28 February 2020)
Ms A Beck (non-executive independent - joined ACC 8 February 2021)*
*Appointment to be ratified at AGM

The members possess the necessary expertise to execute their duties in relation to the committee as provided in section 94 of the Companies Act and have adequate knowledge and experience to carry out their duties. The composition of the ACC meets the requirements of the Companies Act, the Banks Act and King IV.

The ACC operates independently of management and of the shareholders, is free of any organisational restraint or pressure and acts in accordance with its statutory duties and the Board's delegated authority. The Committee holds private closed sessions without management with the external auditors, the Head: Internal Audit, the Head: Compliance and Legal, and the Chief Financial Officer, all of whom have direct access to the committee. The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Risk Officer, Head of Compliance and Legal Services, the Head of Internal Audit, and the external auditors are invitees to the Committee meetings. Other risk and related assurance providers attend meetings by invitation only.

Mr BP Mathidi, who is a member of the ACC, is Acting Chairman of the Board, pending appointment of a new Chairman. The Company Secretary serves as secretary to the committee.

The effectiveness of the ACC and its members is assessed on an annual basis.

RESPONSIBILITIES OF THE COMMITTEE

The statutory duties of the Committee are set out in the Companies Act. The functions of the Committee are outlined in its charter. The ACC is accountable to the shareholders and the Board and relevant regulatory authorities. The responsibility and functions of the Committee include the review of financial reporting and their recommendation for approval to the Board and reviewing the basis on which the company has been determined a going concern. The Committee's charter allows it to consult with external consultants to assist it with the performance of its functions.

ANNUAL CONFIRMATIONS OF KEY FUNCTIONS FOR THE YEAR

External auditor appointment and independence

Deloitte were appointed as external auditors of the Bank for the 2019 financial year, replacing PwC who acted as external auditors for the 2017 and 2018 financial years. Having served for two years, and in accordance with section 94(8) of the Companies Act, 2008, including consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors, the ACC is satisfied that Deloitte are independent of the Bank and are able to conduct their audit functions without any influence from the Bank. Requisite assurance was sought and provided by the auditor that internal governance processes within Deloitte support and demonstrate its independence.

The committee reviewed and agreed to the auditor's terms of engagement, audit plan and budgeted audit fees for the 2020 year and is satisfied with the results of its appraisal of Deloitte's expertise and audit quality. Feedback was provided to Deloitte regarding our appraisal of their performance in completing the 2020 audit. During the year the committee met confidentially with the external audit partners without management being present.

Our established procedure that governs the consideration and approval of non-audit services provided by the auditor, was followed. During 2020 Deloitte provided non-audit services of an immaterial value relating to due diligences on new alliance partners in terms of the Alliance partner on-boarding framework. The Committee further approved that non-audit services of this nature to the value of 25% of the audit fee will be allowed before reverting back to the committee for further approval.

Annual financial statements and accounting practices

The ACC has reviewed the accounting policies and the annual financial statements of the Bank and is satisfied that they are appropriate and comply with International Financial Reporting Standards. There were no matters of concern or complaint as envisaged by section 94(7) (g) of the Companies Act, 2008, received from within or outside the company which came to the attention of the ACC in the past financial year.

Internal financial controls

During the year the ACC receives continuous feedback and assurances on the effectiveness of the Bank's system of internal control and risk management, including internal financial controls, from management and various assurance providers. At year end the Bank's Head: Internal Audit provides an overall assessment of the effectiveness of those same systems and internal controls. This assessment as well as assurance received from other assurance providers in terms of the Bank's continuous combined assurance activities, form the basis for the ACC's recommendation in this regard to the Board, in order for the board to report thereon. The ACC has assessed the internal financial controls as satisfactory, for the purposes of producing reliable Annual Financial Statements free of material error or misstatement.

Internal audit

The ACC is responsible for ensuring that the Bank's Internal Audit function is independent and has the necessary resources, standing and authority within the Bank to enable it to discharge its duties. Furthermore, the committee oversees cooperation between the internal and external auditors, and serves as a link between the Board of Directors and these functions. The ACC considered and recommended the internal audit charter for approval by the Board. The Internal Audit function's annual audit plan was approved by the ACC. The Internal Audit function has responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the Bank's operations. The Head of Internal Audit reports the findings of the internal audit work against the agreed internal audit plan to the ACC on a regular basis. The Head of Internal Audit reports directly to the ACC, and meets regularly with the chairman of the ACC to report back on the function's status, progress and findings. During the year the committee met with the Head: Internal Audit without management being present.

Compliance

The Bank's compliance plan for the year is reviewed and approved by the ACC to ensure adequate coverage of all the key areas. Findings are reported regularly to the ACC to ensure that the compliance function effectively discharges its responsibility. The Head of Compliance and Legal Services reports directly to the ACC, and meets regularly with the chairman of the ACC to report back on the function's status, progress and findings. During the year the committee met with the Head of Compliance and Legal Services without other members of management being present.

Governance of risk

The Board has assigned oversight of the Bank's risk management function to the Enterprise Risk and Capital Management Committee (ERCM). The chairman of the ACC is a member of the ERCM committee, and conversely the chairman of the ERCM committee is a member of the ACC, ensuring that information relevant to these committees is transferred regularly. The ACC fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as it relates to financial reporting.

Evaluation of the expertise and experience of the financial director and the finance function

The ACC has considered, and has satisfied itself regarding the appropriateness of the expertise and the adequacy of the resources of the finance function. It has also considered and satisfied itself of the expertise and experience of the Chief Financial Officer and senior members of management responsible for the finance function. During the year the committee met with the Chief Financial Officer without other members of management being present.

Combined assurance

The Bank's combined assurance framework has been developed and approved, and stakeholder engagement is established. Processes for maintaining and continuous updating of the framework are under ongoing development as part of a phased implementation. The understanding and culture of combined assurance is strong within the bank's leadership, and use of the framework by executives and board members is steadily increasing. The board and executive management are committed to a journey towards an appropriate level of combined assurance maturity.

IN CONCLUSION

The Committee is satisfied that it had fulfilled its responsibilities in terms of its charter during the year under review and believes that it complied with its legal, regulatory and governance responsibilities as set out in the Companies Act.

Mr RA Shough
25 June 2021

STATEMENT OF
FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 R'000	2019 R'000
Assets			
Cash and cash equivalents	2	618,568	648,800
Derivative financial instruments	3	52,644	32,482
Short-term negotiable securities	4	60,051	221,519
Government bonds	5	139,539	167,346
Accounts receivable	6	29,029	27,264
Other investments	7	15	15
Loans and Advances - Held to maturity	8,9	1,593,652	2,022,809
Loans and Advances - Available for sale	8,9	350,000	-
Property and equipment	10	17,696	16,066
Intangible assets	11	71,922	89,723
Right of use asset	12	6,115	12,329
Total assets		**2,939,231**	**3,238,353**
Equity and liabilities			
Share capital	13	91,482	67,856
Share premium	14	734,838	626,927
Accumulated loss		(650,675)	(296,545)
Total equity		**175,645**	**398,238**
Liabilities			
Deposits and current accounts	16	2,450,217	2,695,571
Derivative financial instruments	3	56,722	31,433
Negotiable certificate of deposits	17	-	10,000
Accounts payable	18	100,672	91,131
Lease liabilities	12	5,975	11,980
Institutional Loans	15	150,000	-
Total liabilities		**2,763,586**	**2,840,115**
Total equity and liabilities		**2,939,231**	**3,238,353**

STATEMENT OF
COMPREHENSIVE INCOME

As at 31 December 2020

	Notes	2020 R'000	2019 R'000
Interest income	20.1	205,653	238,858
Interest expense	20.2	(104,703)	(144,337)
Net interest income from banking activities		**100,950**	**94,521**
Interest expense from non-banking activities	20.3	(4,803)	(3,985)
Net interest income		96,147	90,536
Net charge for bad and doubtful advances	9	(71,108)	(10,011)
Non-interest income	20.4	97,254	66,970
Operating income		**122,293**	**147,495**
Staff cost	20.5	(169,268)	(107,974)
Depreciation and amortisation	20.5	(63,116)	(26,846)
Loss on scrapping of fixed assets	20.5	(3,847)	-
Other operating expenses	20.5	(240,192)	(105,754)
Loss before tax		**(354,130)**	**(93,079)**
Income tax expense	21	-	-
Loss for the year		**(354,130)**	**(93,079)**
Other comprehensive loss net of taxation			
Total comprehensive loss for the year		**(354,130)**	**(93,079)**
Loss for the year attributable to:			
Holding company		(353,918)	(93,021)
Minority shareholders		(212)	(58)
		(354,130)	**(93,079)**
Total comprehensive loss for the year attributable to:			
Holding company		(353,918)	(93,021)
Minority shareholders		(212)	(58)
		(354,130)	(93,079)

CHANGES IN SHAREHOLDERS' EQUITY

As at 31 December 2020

	Share Capital R'000	Share premium R'000	Accumulated loss R'000	Total R'000
Balance at 1 January 2019	**39,572**	**460,579**	**(203,466)**	**296,685**
Restated total equity at the beginning of the financial year	39,572	460,579	(203,466)	296,685
Loss for the year	-	-	(93,079)	(93,079)
Issue of ordinary shares	28,284	166,348	-	194,632
Balance at 31 December 2019	**67,856**	**626,927**	**(296,545)**	**398,238**
Loss for the year	-	-	(354,130)	(354,130)
Issue of ordinary shares	23,626	107,911	-	131,537
Balance at 31 December 2020	**91,482**	**734,838**	**(650,675)**	**175,645**

STATEMENT OF
CASH FLOWS

As at 31 December 2020

	Notes	2020 R'000	2019 R'000
Cash flows from operating activities			
Cash receipts from customers	26.1	291,599	319,426
Cash paid to customers, suppliers and employees	26.2	(541,887)	(358,065)
Cash utilised from operations		**(250,288)**	**(38,639)**
Net decrease (increase) in income earning assets	26.3	168,833	626,807
Net (decrease) increase in deposits and other accounts	26.4	(245,813)	(222,871)
Net cash inflow (outflow) from operating activities		**(327,268)**	**365,297**
Cash flows from investing activities			
Purchase of intangible assets		(30,132)	(15,710)
Purchase of equipment		(12,716)	(6,858)
Purchase of Government bonds		(298,630)	(172,887)
Proceeds received on sale of Government bonds		354,610	5,541
Net cash outflow from investing activities		**13,132**	**(189,914)**
Cash flows from financing activities			
Proceeds received from institutional loan		150,000	-
Proceeds from issue of equity instruments of the Bank		131,537	194,632
Operating lease liability payments		(12,538)	(12,237)
Net cash inflow from financing activities		**268,999**	**182,395**
Net cash inflow (outflow) for the year		**(45,137)**	**357,778**
Net cash flow effect of exchange rate movements		14,905	(5,271)
Cash and cash equivalents at the beginning of the year		648,800	296,293
Cash and cash equivalents at the end of the year		**618,568**	**648,800**

ACCOUNTING **POLICIES**

As at 31 December 2020

1.1 STATEMENT OF COMPLIANCE

The Financial Statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are stated in South African Rands, rounded to the nearest thousand (unless otherwise stated).

1.2 BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss and derivative contracts, which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

1.3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The bank did not adopt any new standards in the current financial year

1.4 NEW AND REVISED IFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

There are a number of new or revised standard in issue that are not yet effective and that the Bank does not have plans to early adopt. The following standards could be applicable to the business of the Bank and might have an impact on future financial statements. The impact of initial application of the following standards or intepretation is not expected to be significant to the Bank.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

Standard	Standard title and detail	Effective Date
IFRS 17	**Insurance Contracts** Establishes the principles for the recognition, measurement, presentation and disclosure of insurance.	Annual periods beginning on or after 1 January 2023
IFRS 3	**Reference to the Conceptual Framework** Updated reference to 2018 Conceptual framework. Add requirements within the scope of IAS 37 and IFRIC 21. Clarifies recognition criteria in business combinations.	Annual periods beginning on or after 1 January 2022
IAS 1	**Presentation of Financial Statements** Classification of Liabilities as Current or Non-current: Narrow-scope amendments to clarify how to classify debt and other liabilities as current or non-current.	Annual periods beginning on or after 1 January 2023
IAS 16	**Property and equipment—Proceeds before Intended Use** Clarifies treatment of any proceeds from selling items produced before that asset is available for use and also clarifies the meaning of 'testing whether an asset is functioning properly'	Annual periods beginning on or after 1 January 2022
IAS 37	**Onerous Contracts—Cost of Fulfilling a Contract** Specifies what the cost of fulfilling a contract comprises of.	Annual periods beginning on or after 1 January 2022
IAS 28 IFRS 10	**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.** Clarifies treatement of gains or losses resulting from the loss of control of a subsidiary.	Not yet set
Annual Improvements to IFRS Standards 2018–2020		
IFRS 1	**First-time Adoption of International Financial Reporting Standards** Provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences.	Annual periods beginning on or after 1 January 2022
IFRS 9	**Financial Instruments** Clarifies test to derecognise financial liabilities	Annual periods beginning on or after 1 January 2022
IFRS 41	**Agriculture** Amends measurement of Fair Value	Annual periods beginning on or after 1 January 2022

1.5 LEASES AS LESSEE

Definition

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Identification of a lease

At inception of a contract, it is assessed to determine whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the terms and conditions of a contract are changed, it is reassessed to once again determine if the contract is still or now contains a lease.

Where a contract contains a lease, each lease component with the contract is accounted for separately from the non-lease components. The consideration is then allocated to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components are determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, an estimate of the stand-alone price is made, maximising the use of observable information in each case. All non-lease components are accounted for in accordance with whatever other policy is applicable to them.

For class of underlying asset, the practical expedient allowed by IFRS16 is elected, and therefore the non-lease components are not separated from the lease components. Each lease component and any associated non-lease component is treated as a single lease component.

Lease term

The lease term of a lease is determined as the non-cancellable period of the lease, together with the periods covered by an option to extend the lease where there is reasonable certainty that the option will be exercised, and periods covered by an option to terminate the lease if there is reasonable certainty that the option will not be exercised.

The assessment of the reasonable certainty of the exercising of options to extend the lease or not exercising of options to terminate the lease is reassessed upon the occurrence of either a significant event or a significant change in circumstances that is within the company's control and it affects the reasonable certainty assumptions.

The assessment of the lease term is revised if there is a change in the non-cancellable lease period.

Measurement

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The obligation for those costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequently, right-of-use assets are measured using the cost model.

Where a lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects a purchase option will be exercised, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date. Lease payments are discounted using the interest rate implicit in the lease, if the rate can be readily determined, else it is based on the company's incremental borrowing rate. The following lease payments are included where they are not paid at the commencement date:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if there is reasonably certainty that the option will be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the exercising an option to terminate the lease.

Subsequently, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in- substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate described above, or if applicable the revised discount rate described below.

Profit or loss for the year will include the interest expense on the lease liability, and the variable costs not included in the measurement of the lease liability are included in the year in which the event of condition that triggers the payment of the variable costs occurs.

The remeasurement is performed by discounting the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee, or if there is a change in the future lease payments resulting from a change in an index or a rate used to determine those payments. This remeasurement will use an unchanged discount rate unless the change in lease payments resulted from a change in a floating interest rate.

Lease modifications

A lease modification is treated as a separate lease if both: the modification increases the scope of the lease by adding the right to use one or more underlying assets, and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Where the lease modification is not accounted for as a separate lease, at the effective date of the lease modification the following changes are made:

- allocate the consideration in the modified contract;
- determine the lease term of the modified lease; and
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the company's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

Where the lease modification is not accounted for as a separate lease, the remeasurement of the lease liability is accounted for by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss.
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

1.6 FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of the Bank are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("the functional currency"). The financial statements of the Bank are presented in thousands of South African Rands (ZAR), which is the functional currency of the Bank. Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences on debt securities and other monetary financial assets re- measured at fair value are included in foreign exchange gains and losses.

Translation differences on non-monetary financial assets are a component of the change in their fair value and are recognised in profit and loss for equity securities held for trading, or in other comprehensive income for equity securities classified as available for sale investment securities. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction.

Depending on the classification of a non – monetary financial asset, translation differences are either recognised in the Statement of Comprehensive Income or within shareholders' equity, if non monetary financial assets are classified as available for sale investment securities

1.7 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Bank determines the classification of its financial assets at initial recognition. The Bank classifies its financial assets into the following measurement categories:

- Those to be measured at fair value through profit and loss (designated held for trading)
- Those to be measured at fair value through other comprehensive income
- Those measured at amortised cost

1.7.1 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

The Bank designates at initial recognition certain financial assets or liabilities as at fair value through profit or loss when:

- Doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost.

- A book of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided internally on that basis to key management personnel, for example the Board of Directors and the Chief Executive Officer;

The fair value designation, once made, is irrevocable.

1.7.2 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at fair value through other comprehensive income ('FVOCI'). These comprise primarily debt securities.

They are recognised on the trade date when the Bank enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses from financial instruments'.

Financial assets measured at FVOCI are included in the impairment calculations and impairment is recognised in profit or loss or OCI.

1.7.3 FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST

Financial assets are measured at amortised cost where they:

- are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates
- cash flows that are solely payments of principal and interest on the principle amount outstanding are measured at amortised cost.
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

Such financial assets include most loans and advances to banks and customers and some debt securities. In addition, most financial liabilities are measured at amortised cost.

The Bank accounts for regular way amortised cost financial instruments using trade date accounting. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income.

1.8 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments including foreign exchange contracts, forward rate agreements, currency and interest rate swaps, interest rate futures, currency and interest rate options (both written and purchased) and other derivative financial instruments are initially recognised in the Statement of Financial position at fair value and subsequently remeasured at their fair value.

Derivatives are presented in assets when favourable to the Bank and in liabilities when unfavourable to the Bank. Fair values are obtained from quoted market prices, dealer price quotations or discounted cash flow models, as appropriate.

Derivatives are not entered into for trading nor speculative purposes. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income.

Certain derivative instruments transacted as effective economic hedges under the Bank's risk management positions, do not qualify for hedge accounting and are therefore treated in the same way as derivative instruments held for trading purposes, i.e. fair value gains and losses are recognised in the Statement of Comprehensive non interest Income.

1.9 INVESTMENT SECURITIES

Investment securities are initially recognised at fair value (including transaction costs) and classified as held for trading. Investment securities are recognised on the trade date, which is the date that the Bank commits to purchase or sell the asset. Investments, where it is impracticable to determine fair value, are carried at cost.

Held for trading investment securities are measured subsequent to initial recognition at fair value based on quoted bid prices in active markets, dealer price quotations or discounted expected cash flows. Fair value for unquoted equity instruments are held at amortised cost.

Held for trading short term negotiable securities may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rate or equity prices. When held for trading investment security is disposed of or impaired, the accumulated unrealised gain or loss included in shareholders' equity is transferred to the income statement for the period and reported as gains/losses from investment securities. Gains and losses on disposal are determined using the moving average cost method.

Short term negotiable instruments which are held to maturity consist of non - derivative, securities that are quoted in an active market, with fixed or determinable payments and fixed maturities, which the management has the positive intent and ability to hold to maturity.

Short term negotiable instrument are carried at amortised cost using the effective interest rate method, less any provision for impairment. Amortised cost is calculated by taking into account any fees, points paid or received, transaction costs and any discount or premium on acquisition.

Impairment: The Bank assesses at each reporting date, the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly.

The objective is to recognise lifetime expected credit losses whether assessed on an individual or collective basis considering all reasonable and supportable information, including that which is forward-looking. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank shall measure the loss allowance at an amount equal to 12-months ECL.

Interest earned while holding investment securities is reported as interest income. Dividend income is recognised when the right to receive payment is established (Declaration date) for equity securities and is separately reported and included in Net other income.

1.10 RECLASSIFICATION OF FINANCIAL INSTRUMENTS

The Bank reclassifies non-derivative debt instruments out of the trading and amortised cost categories and into the loans and receivables category if the instruments meet the definition of this category at the date of reclassification and the Bank has the intention and ability to hold the instruments for the foreseeable future or until maturity.

When rare circumstances cause significant deterioration in the trading activity or substantially affect the observable prices of non-derivative financial assets classified in the trading category, the Bank reclassifies such financial assets out of the trading category and into the held- to-maturity or amortised cost categories, provided the assets meet definition of the respective category at the date of reclassification and the Bank does not have the intention to sell them in the near term.

If there is a change in intention or ability to hold a debt financial Instrument to maturity, the Bank reclassifies such instruments out of the held for trading category and into the held-tomaturity category, provided the instruments meet the definition of the latter at the date of reclassification.

For financial assets reclassified as described above, the fair value at the date of reclassification becomes the new amortised cost at that date.

When the instruments reclassified out of the trading category include embedded derivatives, the Bank reassesses at the reclassification date whether the embedded derivatives need to be separated from the host contract, on the basis of the circumstances that existed when the Bank became a party to the contract.

1.11 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank measures the fair value of its financial instruments based on a framework for measuring fair value that categorises financial instruments based on a three-level hierarchy of the inputs to the valuation technique, as discussed below.

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.

Level 2: Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data (for example derived from prices) for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, as well as debt securities without quoted prices and certain derivative contracts whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes government and corporate debt securities with prices in markets that are not active and certain over-the-counter (OTC) derivative contracts.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety, is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

1.12 RECOGNITION OF DEFERRED DAY 1 PROFIT OR LOSS

When the fair value is determined using valuation models forwhich not all inputs are market observable prices or rates, the Bank initially recognises a financial instrument at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. Such a difference between the transaction price and the model value is commonly referred to as "Day 1 profit or loss". The Bank does not recognise that initial difference, immediately in profit or loss.

Deferred Day 1 profit or loss is amortised over the life of the instrument, deferred until fair value can be determined using market observable inputs, or realised through settlement. In all instances any unrecognised Day 1 profit or loss is immediately released to income if fair value of the financial instrument in question can be determined either by using market observable model inputs or by reference to a quoted price for the same product in an active market or upon settlement.

After entering into a transaction, the Bank measures the financial instrument at fair value, adjusted for the deferred Day 1 profit or loss. Subsequent changes in fair value are recognised immediately in the income without reversal of deferred Day 1 profits and losses.

1.13 LOANS AND ADVANCES

Loans and advances originated by the Bank, where money is provided directly to the borrower, other than those that are originated with the intent to be sold (if any), in which case they are recorded as held for trading investments securities.

Loans originated by the Bank are recognised when cash is advanced to borrowers. Loans and advances to customers are initially recorded at fair value including any transaction costs, and are subsequently valued at amortised cost using the effective interest rate method. The effective interest rate approximates contract interest rates for loans and advances.

Interest on loans and advances is included in interest income and is recognised on an effective interest rate method. Fees and direct costs relating to a loan origination, financing or restructuring and to loan commitments are treated as part of the cost of the transaction and are deferred and amortised to non interest income over the life of the loan using the term of the contract, unless they are designated as at "fair value through profit and loss."

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

Expected credit losses ('ECL') are recognised for loans and advances to banks and customers, non-trading reverse repurchase agreements, other financial assets held at amortised cost, debt instruments measured at FVOCI, and certain loan commitments and financial guarantee contracts.

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months ('12-month ECL').

In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Financial assets where 12-month ECL is recognised are considered to be 'stage 1';

Financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2' (Lifetime ECL);

Financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3' ('lifetime ECL').

Credit impaired (stage 3)

The Bank determines that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

Quantitative Indicators:

- Loan and interest payments are more than 90 days past due.
- There has been a deterioration in account behavior to a point where drawings are regularly unpaid and the exposure on the account does not fluctuate.

Qualitative guidelines:

- The borrower has been placed under debt review.
- The borrower has been placed in business rescue.
- Legal proceedings vs. Sequestration / Liquidation have been instituted against the borrower.
- The borrower / key individual is deceased.
- The borrower has ceased trading / no longer has an income.
- There are no signs of improvement on an advance already on the bank's watch list.

The definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or otherwise credit impaired.

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Renegotiation

Loans are identified as renegotiated and classified as credit impaired when the Bank modify the contractual payment terms due to significant credit distress of the borrower. Renegotiated loans remain classified as credit impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and retain the designation of renegotiated until maturity or derecognition.

A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the renegotiated loan is a substantially different financial instrument. Any new loans that arise following derecognition events in these circumstances are considered to be POCI and will continue to be disclosed as renegotiated loans. Other than originated credit-impaired loans, all other modified loans could be transferred out of stage 3 if they no longer exhibit any evidence of being credit impaired and, in the case of renegotiated loans, there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows over the minimum observation period, and there are no other indicators of impairment. These loans could be transferred to stage 1 or 2 based on the mechanism as described below by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms). Any amount written off as a result of the modification of contractual terms would not be reversed.

Loan modifications that are not credit impaired

Loan modifications that are not identified as renegotiated are considered to be commercial restructuring. Where a commercial restructuring results in a modification (whether legalised through an amendment to the existing terms or the issuance of a new loan contract) such that the Bank's rights to the cash flows under the original contract have expired, the old loan is derecognised and the new loan is recognised at fair value. The rights to cash flows are generally considered to have expired if the commercial restructure is at market rates and no payment-related concession has been provided.

Stage 2

Significant increase in credit risk (SICR) (stage 2)

The Bank manages clients and not individual loans, thus the status of an exposure is driven by the worst status of all the exposures that the client has, hence all accounts linked to the client will have the same staging (stage 1 or stage 2) based on the worse staging of its account. The measurement of stage 2 ECL is a life time ECL whereas, stage 1 is a 12 month ECL. An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward- looking information consistent with that used in the measurement of ECL.

The credit rating of a facility at origination establishes the probability pf default (PD) over the lifetime of the loan, which reflects the Bank's view of the perceived or expected risk over the entire lifetime of the loan. Any significant change in the risk of the loan relative to the view as at origination of the loan, in particular an increase in the remaining lifetime PDs, would suggest a SICR. The PD could increase at specific points during the life of the instrument, however, if this was the expectation of the rating evolution at initial recognition then it should be treated as such. Hence, the assessment of whether a SICR has occurred at each subsequent reporting date should be performed in relation to the rating expected for that period at origination. This can be achieved at subsequent measurement by assessing (a) the annualised lifetime PD over the remaining life of the loan against (b) the annualised lifetime PD over the remaining life of the loan as expected at initial recognition.

The table below shows per risk grading the lower and upper limits of PD's that are used to demonstrate SICR when accounts move between risk grading from origination to reporting date.

RISK GRADING	LOWER PD	MID PD	UPPER PD	WEIGHTED PD
1	0.00%	**1.10%**	1.94%	0.41%
2	1.94%	**2.34%**	8.34%	0.04%
3	8.34%	**12.34%**	53.36%	0.03%
A	0.00%	**0.58%**	0.81%	0.06%
B	0.81%	**0.93%**	1.03%	0.14%
C	1.03%	**1.14%**	1.50%	0.23%
D	1.50%	**1.96%**	3.11%	0.23%
E	3.11%	**3.81%**	52.92%	0.11%
				1.2505%

However, there are other circumstances that warrant that financial assets are deemed to have suffered a significant increase in credit risk other than defined above and these circumstances are:

In Arrears:

- The capital and/or interest is overdue for more than 1 day but not greater than 89 days.

- All arrears that are more than the percentage as defined in Technical Arrears will be classified as Arrears.

- for exposures with a month end balance less than R1000 the arrears ratio is considered to be technical and will remain in Stage 1.

- for accounts where the month end balance is more than R1000 the arrears ratio is defined by calculating the number of days since last deposit (month end date – last deposit date), and dividing by 30.4375 (average days in a month). The arrears ratio buckets are assigned as below:

Days since last deposit / 30.4375	Arrears Ratio
<1	-
>= 1 and < 2	1
>= 2 and < 3	2
>= 3	3

On Watch List

An advance is classified as watch list where one or more of the following indicators has been triggered: Quantitative indicators:

- There are early signs of liquidity problems, such as past due loan payments or drawings not being provided for.
- Loans are past due for more than 30 days but not more than 89 days.
- A credit review of the advance is more than 3 months past due and updated financial information remains unavailable.
- The value of collateral provided is under question.

Qualitative indicators:

- The borrower is not co-operative or unreachable.
- There is a slowdown or adverse trend in the borrower's business activity.
- There is a volatility in economic or market conditions that may affect the particular borrower directly in the not too distant future.
- The industry in which the borrower operates is performing poorly.
- The borrower or a key person in the borrowing company is in ill health.
- The Bank is aware that the borrower is experiencing difficulty servicing other borrowings.
- The Bank becomes aware of any significant deterioration in the credit record of the borrower.
- There is a significant deterioration in the borrower's financial position.
- The advance has been restructured due to distress and 6 consecutive payments need to be met before the loan is removed from the watch list.
- Any event that is perceived as a change in the risk to the Bank for the worse.

Managed Accounts

The advance is classified as managed where one or more of the following indicators has been triggered: Quantitative indicators:

- The borrower is adhering to a settlement agreement made order of court for a minimum period of 6 months and the Bank is comfortable with its collateral position should the borrower default.

Qualitative indicator:

- The advance was in the current book or on the watch list yet there was little progress with recovery being made at the relationship manager level due to a relationship break down.

Future Economic variables

The Bank has procured the services of the Bureau of Economic Research Stellenbosch University (BER) as it does not have an internal economics house. The significant assumptionsused for the ECL estimates are set out in the table below. The scenarios base, positive and negative were applied to all loan and advances in stage 1 and in stage 2. The variables were only applied to the PD's determined at reporting date and not on the PD's at origination as the economic variables were not determined at origination dates.

Stage 1

Advances that don't present any of the above criteria are considered current and are allocated to stage 1. Stage 1 advances, have a 12 month ECL.

Movement between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Except for renegotiated loans, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

y-o-y % change (unless otherwise stated)	Average 2013-19	2020	2021	2022	2023	2024	2025	Average over 2020-25
Main economic indicators	**Actual**				**Forecast**			
Real effective firm lending rate (%)								
Baseline		2.09	-0.86	-0.62	1.07	1.77	1.92	0.90
Negative	2.88	2.24	-0.78	-1.57	0.03	1.65	1.59	0.53
Positive		2.13	-1.31	-0.65	1.01	1.51	1.84	0.76
Real disposable income								
Baseline		-7.5	3.2	0.9	1.3	1.6	1.6	0.2
Negative	1.72	-14.4	-5.0	1.2	0.8	1.2	1.4	-2.5
Positive		-5.1	3.2	1.2	1.6	1.8	2.0	0.8
Real gross domestic product								
Baseline		-9.9	3.7	1.4	1.2	1.5	1.6	-0.1
Negative	1.17	-14.3	-2.0	2.1	0.6	0.7	0.9	-2.0
Positive		-6.5	6.3	2.1	1.9	1.8	2.0	1.3
Scenario Weighting								
Baseline		55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%
Negative		22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%
Positive		28.8%	28.8%	28.8%	28.8%	28.8%	28.8%	28.8%
Weighting								100%

Measurement

A provision for loan impairment is reported as a reduction of the carrying amount of a claim on the Statement of Financial Position. Any identified impairment losses are recognised in the Statement of Comprehensive Income. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has occurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at:

a) the loan's original effective interest rate, if the loan bears a fixed interest rate, or
b) current effective interest rate, if the loan bears a variable interest rate.

Interest in Abeyance is interest earned on Stage 3 loans and advances and is not recognised as part of profit and loss.

Credit Risk

Credit risk is defined as the possibility that customers may default on their future cash flow obligations to the Bank. In lending transactions, credit risk arises from the non-payment of approved of loans and advances, and from off-balance sheet exposures such as commitments and guarantees. The Bank actively manages its credit risk at the Individual transaction, counterparty and portfolio level using a variety of qualiltative and quantitative measures. Customers' credit worthiness is thoroughly assessed before any credit facility is recommended to or granted by the various credit committees. The credit granting philosophy Is a conservative one. The Board of Directors ratifies all exposures in excess of 10% of the Bank's qualifying capital. The Bank has implemented a risk-rating model, which calculates the probability of default of customers.

Refer to note 22.7 in the notes of the financial statements.

1.14 DERECOGNITION

1.14.1 FINANCIAL ASSETS

A financial asset (or, where applicable a part of a financial asset or part of a bank of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

As part of its activities, the Bank securities certain financial assets, generally through the sale of these assets to special purposes entities, which issue securities collateralised with these assets.

To the extent that the Bank sells these securities to third party investors, the transferred assets may qualify for derecognition in full or in part. Gains or losses on securitisations are based on the carrying amount of the financial assets derecognised and the retained interest, based on their relative fair values at the date of the transfer.

1.14.2 FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

1.15 REGULAR WAY PURCHASES AND SALES

"Regular way" purchases and sales of financial assets and liabilities (that is, those that require delivery within the time frame established by regulation or market convention) are recognised on the settlement date apart from trading and investment securities and derivative financial instruments, which are recognised on the trade date, which is the date that the Bank commits to purchase or sell the asset. Other purchases and sales of trading securities are treated as derivatives until settlement occurs.

1.16 INTEREST INCOME AND EXPENSE

Interest income and expense are recognised in the Statement of Comprehensive Income for all interest bearing financial instruments using the effective interest rate method. Interest income includes interest on loans and advances to customers, coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other instruments. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows, considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees at points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Fees and direct costs relating to a loan origination or acquiring a security, financing or restructuring loan commitments are deferred and amortised over the life of the instrument using the effective interest rate method. Once a financial asset or a bank of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of effective interest to discount the future cashflows for the purpose of measuring the impairment loss. Included in interest expense is foreign funding costs of converting foreign funds received into local currency.

1.17 FEE AND COMMISSION INCOME

Fees and commissions are generally recognised on an accrual basis over the period the service is provided. Commissions and fees arising from negotiating – or participating in the negotiation of a transaction for a third party, such as acquisition of loans, equity shares or other securities or the purchase or sale of businesses – are recognised upon completion of the underlying transaction.

1.18 PROPERTY AND EQUIPMENT

Property and equipment include land and buildings, leasehold improvements and transportation and other equipment, held by the Bank for use in the supply of services or for administrative purposes. Property and equipment are initially recorded at cost, which includes all costs that are required to bring an asset into operating condition.

Subsequent to initial recognition, property and equipment excluding Land are measured at cost less accumulated depreciation and accumulated impairment losses. Costs incurred subsequent to the acquisition of an asset, which is classified as property and equipment are capitalised, only when it is probable that they will result in future economic benefits to the Bank beyond those originally anticipated for the asset, otherwise they are expensed as incurred. Land and Buildings are subsequently measured, using the revaluation model, at its fair value less accumulated depreciation and impairment losses.

Land and Buildings are revalued annually by an independent valuator using market observable data and sufficiently recent similar market transactions.

Depreciation of an item of property and equipment begins when it is available for use and ceases only when the asset is derecognised. Therefore, the depreciation of an item of property and equipment that is retired from active use does not cease unless it is fully depreciated, but its useful life is reassessed. Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Land	No depreciation
Buildings used in operations	not exceeding 20 years
Leasehold Improvements	Residual lease term, not exceeding 10 years
Furniture and related equipment	not exceeding 10 years
Motor vehicles	not exceeding 5 years
Hardware and other equipment	not exceeding 5 years

At each reporting date the Bank assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Where property is revalued, the write down is first applied to the revaluation reserve to the extent that the reserve relates to the asset being written down. Foreclosed assets, which consist of properties acquired through foreclosure in full or partial satisfaction of a related loan, are initially measured at cost, which includes transaction costs, and reported under other assets.

After initial recognition, foreclosed assets are remeasured at the lower of their carrying amount and fair value less estimated costs to sell. Any gains or losses on liquidation of foreclosed assets are included in other operating income.

1.19 INTANGIBLE ASSETS

Intangible assets include computer software and other intangible assets that are separately identifiable.

Computer software and implementation costs include costs that are directly associated with identifiable and unique software products controlled by the Bank that are anticipated to generate future economic benefits exceeding costs beyond one year. Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Computer software development costs recognised as assets, are amortised using the straight-line method over their useful lives, not exceeding a period of 10 years rolling, based on annual management assessment. Expenditure on starting up an operation or branch, training personnel, advertising and promotion and relocating or reorganising part or the entire Bank is recognised as an expense when it is incurred.

At each Statement of Financial Position date, management reviews intangible assets and assesses whether there is any indication of impairment. If such indications exist an analysis is performed to assess whether the carrying amount of intangible assets is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised as a profit or loss when the asset is derecognised.

1.19.1 IMPAIRMENT OF INTANGIBLE ASSETS

At the end of each reporting period, the Bank reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent if the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.20 INVESTMENT PROPERTY

Property is initially recognised at cost and subsequently measured using the fair value model. The investment is held by the Bank for investment appreciation purposes. A valuation is performed annually by an independent valuer. The fair value gains or losses are accounted through profit and loss.

1.21 LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1.21.1 FINANCE LEASE:

Leases where the Bank has substantially all the risks and rewards of ownership of the asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The outstanding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period. All assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

1.21.2 OPERATING LEASE:

Leases where a significant portion of the risks and rewards of ownership of the asset are retained by the lessor are classified as operating leases. The total payments made under operating leases (net of any incentive received from the lessor) are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.21.3 THE BANK IS THE LESSOR

1.21.3.1 FINANCE LEASE:

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

Finance lease receivables are included in loans and advances to customers.

1.21.3.2 OPERATING LEASE:

Fixed assets leased out under operating leases are included in the statement of financial position based on the nature of the asset. They are depreciated over their useful lives on a basis consistent with similar owned property. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

1.22 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include: cash on hand, unrestricted balances held with central banks, amounts due from other banks, and highly liquid financial assets with original maturities of less than three months from the date of acquisition such as treasury bills and other eligible bills, investment and trading securities which are subject to insignificant risk of changes to fair value and are used by the Bank in the management of its short term commitments.

1.23 PROVISIONS

Provisions are recongised when the Bank has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.24 EMPLOYEE BENEFITS

The Bank has a defined contribution retirement benefit plan in accordance with Section 12(4) of the Pension Funds second Amendment Act No. 39 of 2001. Such plans are classified as pension plans or other post-retirement benefit plans. Company contributions to the retirement fund are based on a percentage of employees' remuneration.

The minimum percentage contribution is recommended by the independent actuaries. Retirement benefits are provided for all permanent staff.

1.24.1 DEFINED CONTRIBUTION PLANS

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

The Bank's contributions to defined contribution plans are charged to the Statement of Comprehensive Income in the year to which they relate and are included in staff costs.

1.24.2 OTHER POST-RETIREMENT BENEFIT PLANS

The Bank's employees participate in plans, which provide for various health benefits including post-retirement healthcare benefits. Such plans are all defined contribution and the Bank's contributions are charged to the Statement of Comprehensive Income in the year which they relate and are included in staff costs.

1.25 INCOME TAXES

Income tax payable on profits, based on the applicable tax laws in each jurisdiction, is recognised as an expense in the period in which profits arise.

Deferred income tax is fully provided, using the liability method, on all temporary differences arising between the carrying amounts of assets and liabilities in the Statement of Financial Position and their amounts as measured for tax purposes.

1.26 BORROWINGS

Borrowings are initially recognised at fair value net of transaction costs incurred.

Subsequent measurement is at amortised cost and any difference between net proceeds. The redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest rate method.

1.27 SHARE CAPITAL

1.27.1 SHARE ISSUE COSTS:

Incremental external costs directly attributable to the issue of shares and other equity items, other than on a business combination, are shown in equity as a deduction, net of tax, from the proceeds.

1.28 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Introduction

In preparing the annual financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience use of independent experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the Bank. The assumptions and estimates applied for;

- fair value measurement is included in note 23 and 1.11
- impairments note 9 and 1.13
- investment in securities note 4, note 5 and 1.9

Estimated useful lives

The useful life of each asset is assessed individually. The benchmarks used when assessing the useful life of the individual assets are set out in accounting policy note 1.18 and 1.19.

2. Cash and Cash Equivalents

	2020 R'000	2019 R'000
Coin and bank notes	33	33
Local currency deposits with other banks	276,532	336,371
Foreign currency balances	257,223	216,828
Balances with the Central Bank	84,780	95,568
	618,568	**648,800**
The mandatory South African Reserve Bank reserve requirement is included in the above figures.	54,533	52,740

Banks are required to keep a mandatory average balance with the Central Bank. According to the Bank Act, 2.5% of the Bank's liabilities as adjusted should be maintained therefore no withdrawal below the agreed level should be allowed to this account. The balance earns interest at 0%.

		2020 R'000	2019 R'000
Foreign currency balances		**257,223**	**216,828**
Stanbic Bank Botswana	BWP	10	14
Deutsche Bank, Frankfurt	CAD	6,305	1,745
Inteso Saint Paolo (previously Banca Commerciale Italiana), Milano	EUR	-	2,953
Deutsche Bank, Frankfurt	EUR	73,879	50,415
National Bank of Greece, Athens	EUR	546	83
Deutsche Bank, London	GBP	29,541	11,564
Bank of Tokyo, Tokyo	JPY	-	15,039
US Bank, New York (Collateral)	USD	19,000	2,015
Deutsche Bankers Trust, New York	USD	127,942	111,346
Standard Bank of South Africa, Johannesburg (Collateral)	USD	-	21,654

The balances on the Nostro and Collateral accounts are managed on a daily basis and kept to a minimum, hence these balances are not hedged. The conversion rates used are as per note 28.

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As at 31 December 2020

3. Derivative Financial Instruments

The notional amount of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments. The notional amounts of these instruments indicate the nominal value of transactions outstanding at the statement of financial position date. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in the market. The derivative instruments are carried at fair value with movements going through the Statement of Comprehensive Income. The valuation method used to get the fair value, is market observable inputs as obtained from Reuters as defined in IFRS 13 fair value measurement, these fall within level 2 classification.

	2020	2019
Assets	**R'000**	**R'000**
Foreign exchange contracts		
Notional	503,781	536,449
Fair value	**52,644**	**32,482**
- Gross	53,093	32,482
- Expected credit loss	(449)	-
Liabilities		
Foreign exchange contracts Notional	624,396	520,581
Fair value	**56,722**	**31,433**

4. Short-Term Negotiable Securities

The Short-Term Negotiable Securities consisted of Treasury Bills and Debentures. The balance comprises of debentures maturing within 7 days and earning interest at 3.46%. These financial investments are classified as held to maturity and are carried at amortised cost.

		2020	2019
Investments held to maturity	**Notes**	**R'000**	**R'000**
At 1 January		221,519	1,126,023
Purchased Treasury Bills and Debentures	26.3	2,035,000	3,126,148
Proceeds on maturity from sale of Treasury Bills and Debentures	26.3	(2,202,880)	(4,055,328)
Interest earned		6,412	24,676
At 31 December		**60,051**	**221,519**

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

5. Government bonds

Government bonds comprise the following balances:

	2020 R'000	2019 R'000
At 1 January	167,346	-
Purchased	298,630	166,871
Proceeds from sale	(354,610)	-
Interest earned	13,737	475
Profit on sale of bond	14,596	-
Gross Bond Value	**139,699**	**167,346**
Credit Impairment	(160)	-
At 31 December	**139,539**	**167,346**
R2032 Government Bonds	139,539	-
R186 Government Bonds	-	167,346

On the 8th of June 2020, the Bank acquired the 9.5% R2032 South African Government Bond @ nominal value of R150 million. These bonds are classified as held to maturity and are carried at amortised costs.

6. Accounts receivable

	2020 R'000	2019 R'000
Accounts receivable*	8,938	9,306
Prepaid Expenses	11,089	11,308
Other receivables	8,061	4,756
Interest accrued	941	1,894
	29,029	**27,264**

Included in Prepaid Expenses is R1 500 000 paid to Meraki Capital (Pty) Ltd for faciliating the raising of R150 million Institutional Loan. See note 15. The amortised fee has been included as part of operational fee expenses.
*Refer to note 20.4 for expected credit loss.

7. Other investments

Other investments relate to an investment acquired 15 years ago in an unlisted company, called Dandyshelf 3 (Pty)Ltd. The investment acquired consists of 100 shares in the Dandyshelf 3 (Pty) Ltd. No dividend was received during 2020 or 2019.

The shares are unlisted, and the Directors' valuation of the unlisted investment equates to the fair value which approximates cost as defined in IFRS 13 fair value measurement, these fall within level 3 classification.

	2020 R'000	2019 R'000
Financial asset carried at fair value		
Unlisted - Dandyshelf 3 (Pty) Ltd		
Fair value	**15**	**15**

8. Loans and Advances

2020	Gross Loans	Expected Credit Loss (ECL)	Net Loans
Business and Commercial Banking	2,058,387	(114,578)	1,943,809
Guarantees	-	(157)	(157)
	2,058,387	**(114,735)**	**1,943,652**
2019			
Business and Commercial Banking	2,063,651	(40,635)	2,023,016
Guarantees	-	(207)	(207)
	2,063,651	**(40,842)**	**2,022,809**

Overdrafts

2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan product by credit quality	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**R'000**
Standard monitoring	157,823	25,823	-	183,646
Special monitoring	-	20,433	-	20,433
Default	-	-	54,717	54,717
Gross carrying amount	157,823	46,256	54,717	258,796
Loss allowance	(830)	(908)	(52,724)	(54,462)
	156,993	**45,348**	**1,993**	**204,334**

2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan product by credit quality	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**R'000**
Standard monitoring	192,443	24,964	-	217,407
Special monitoring	-	5,719	-	5,719
Default	-	-	3,487	3,487
Gross carrying amount	192,443	30,683	3,487	226,613
Loss allowance	(977)	(1,572)	(2,673)	(5,222)
	191,466	**29,111**	**814**	**221,391**

Property, commercial and other term loans

2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan product by credit quality	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**R'000**
Standard monitoring	612,229	94,612	-	706,841
Special monitoring	-	99,416	-	99,416
Default	-	-	65,647	65,647
Gross carrying amount	612,229	194,028	65,647	871,904
Loss allowance	(1,519)	(1,574)	(16,143)	(19,236)
	610,710	**192,454**	**49,504**	**852,668**

2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan product by credit quality	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**R'000**
Standard monitoring	713,378	58,780	-	772,158
Special monitoring	-	25,825	-	25,825
Default	-	-	47,758	47,758
Gross carrying amount	713,378	84,605	47,758	845,741
Loss allowance	(1,799)	(1,295)	(7,090)	(10,184)
	711,579	**83,310**	**40,668**	**835,557**

8. Loans and Advances (continued)

Home loans

2020 **Loan product by credit quality**	**Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total** **R'000**
Standard monitoring	561,279	54,140	-	615,419
Special monitoring	-	29,408	-	29,408
Default	-	-	90,518	90,518
Gross carrying amount	561,279	83,548	90,518	735,345
Loss allowance	(2,121)	(4,320)	(24,600)	(31,041)
	559,158	**79,228**	**65,918**	**704,304**

2019 **Loan product by credit quality**	**Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total** **R'000**
Standard monitoring	606,303	49,830	-	656,133
Special monitoring	-	45,246	-	45,246
Default	-	-	64,680	64,680
Gross carrying amount	606,303	95,076	64,680	766,059
Loss allowance	(2,140)	(6,011)	(11,939)	(20,090)
	604,163	**89,065**	**52,741**	**745,969**

Instalment credit and lease agreements

2020 **Loan product by credit quality**	**Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total** **R'000**
Standard monitoring	124,139	45,568	-	169,707
Special monitoring	-	11,516	-	11,516
Default	-	-	11,119	11,119
Gross carrying amount	124,139	57,084	11,119	192,342
Loss allowance	(418)	(576)	(8,845)	(9,839)
	123,721	**56,508**	**2,274**	**182,503**

2019 **Loan product by credit quality**	**Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total** **R'000**
Standard monitoring	169,982	39,277	-	209,259
Special monitoring	-	10,915	-	10,915
Default	-	-	5,062	5,062
Gross carrying amount	169,982	50,192	5,062	225,236
Loss allowance	(611)	(1,442)	(3,082)	(5,135)
	169,371	**48,750**	**1,980**	**220,101**

Loans and advances

2020 **Loan product by credit quality**	**Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total** **R'000**
Standard monitoring	1,455,470	220,143	-	1,675,613
Special monitoring	-	160,773	-	160,773
Default	-	-	222,001	222,001
Gross carrying amount	1,455,470	380,916	222,001	2,058,387
Loss allowance	(4,888)	(7,378)	(102,312)	(114,578)
	1,450,582	**373,538**	**119,689**	**1,943,809**

2019	Stage 1	Stage 2	Stage 3	Total
Loan product by credit quality	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**R'000**
Standard monitoring	1,682,106	172,851	-	1,854,957
Special monitoring	-	87,705	-	87,705
Default	-	-	120,987	120,987
Gross carrying amount	1,682,106	260,556	120,987	2,063,649
Loss allowance	(5,527)	(10,320)	(24,784)	(40,631)
	1,676,579	**250,236**	**96,203**	**2,023,018**

Guarantees and letters of credit

2020	Stage 1	Stage 2	Stage 3	Total
Loan product by credit quality	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**R'000**
Standard monitoring	24,277	30,657	-	54,934
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross carrying amount	24,277	30,657	-	54,934
Loss allowance	(50)	(107)	-	(157)
	24,227	**30,550**	**-**	**54,777**

2019	Stage 1	Stage 2	Stage 3	Total
Loan product by credit quality	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**R'000**
Standard monitoring	52,740	32,602	-	85,342
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross carrying amount	52,740	32,602	-	85,342
Loss allowance	(84)	(123)	-	(207)
	52,656	**32,479**	**-**	**85,135**

	2020	2019
Category analysis	**R'000**	**R'000**
Overdrafts	204,079	223,126
Property, commercial and other loans	806,257	797,984
Home loans	644,827	701,379
Instalment credit and lease agreements	181,223	220,174
Non-Performing Loans	222,001	120,988
	2,058,387	**2,063,651**
Less: Expected credit loss (ECL) - Refer Note 9	**(114,735)**	**(40,842)**
Overdrafts	(54,462)	(5,223)
Property, commercial and other loans	(19,236)	(10,185)
Home loans	(31,041)	(20,091)
Instalment credit and lease agreements	(9,839)	(5,136)
Guarantees and letters of credit	(157)	(207)
Net loans and advances	**1,943,652**	**2,022,809**

Included in ECL is suspended interest amounting to R11,595,258 (2019: R9,476,037). The Bank continues to accrue interest, where appropriate on doubtful debts when there is a realistic prospect of recovery.

This interest is not recognised in the income statement but allocated to the customer's account and interest in suspense. The interest is only recognised in the income statement once recovered or rehabilitated to stage 2.

	2020	2019
Sectorial analysis	**R'000**	**R'000**
Agriculture	189,185	81,087
Financial, Building and property development	568,700	628,362
Individuals	399,926	475,067
Manufacturing and commerce	533,242	526,492
Transport and communication	127,464	92,173
Electricity and Water	5,790	2,975
Mining	17,798	39,465
Other services	216,282	218,030
	2,058,387	**2,063,651**
Maturity analysis		
Maturing within one year	465,643	461,417
Maturing after one year but within five years	641,008	657,093
Maturing after five years	951,736	945,141
	2,058,387	**2,063,651**

All loans and advances are granted within the Republic of South Africa and can be denominated in different currencies.

Non-performing loans and advances by category	**As a % of Advances**	**Credit Risk**	**Securities and other expected recoveries**	**Impairment allowance**
2020		**R'000**	**R'000**	**R'000**
Overdraft	2.66%	54,717	1,994	52,723
Commercial and property loans	3.19%	65,647	49,504	16,143
Instalment sale	0.54%	11,119	2,274	8,845
Home loans	4.40%	90,518	65,918	24,600
Total	**10.79%**	**222,001**	**119,690**	**102,311**
Non-performing loans and advances by sector				
Individuals	2.27%	46,637	82,831	13,806
Manufacturing	2.36%	48,545	25,546	22,999
Transport	0.34%	7,057	4,622	2,435
Financial and Real Estate	2.61%	53,809	40,210	13,599
Agriculture	2.20%	45,363	363	45,000
Electricity and water	0.05%	1,001	966	35
Other services	0.95%	19,589	15,152	4,437
Total	**10.79%**	**222,001**	**119,690**	**102,311**

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Non-performing loans and advances by category	**As a % of Advances**	**Credit Risk**	**Securities and other expected recoveries**	**Impairment allowance**
2019		**R'000**	**R'000**	**R'000**
Overdraft	0.17%	3,487	814	2,673
Commercial and property loans	2.31%	47,758	40,668	7,090
Instalment sale	0.25%	5,062	1,980	3,082
Home loans	3.13%	64,682	52,740	11,942
Total	**5.86%**	**120,989**	**96,202**	**24,787**
Non-performing loans and advances by sector				
Individuals	1.52%	31,446	25,291	6,155
Manufacturing	1.10%	22,775	16,046	6,729
Transport	0.18%	3,761	2,051	1,710
Financial and Real Estate	1.77%	36,559	31,076	5,483
Other services	1.28%	26,448	21,738	4,710
Total	**5.86%**	**120,989**	**96,202**	**24,787**

Mortgage portfolio - LTV distribution	**Credit impaired (Gross Carrying amount) 2020**	**Credit impaired (Gross Carrying amount) 2019**
	R'000	**R'000**
Less than 50%	-	-
50% to 60%	2,098	-
60 to 70%	-	1,908
70 % to 80%	8,415	8,408
80% to 90%	4,155	2,457
90%to 100%	39,837	23,755
Greater than 100%	36,013	28,152
	90,518	**64,680**

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Expected Credit Loss provision: reconciliation of movement	**Loans and advances Stage 1 12-month ECL R'000**	**Stage 2 Lifetime ECL R'000**	**Total Stage 3 Lifetime ECL R'000**	**2020 Total R'000**
Balance as at 1 January 2020	5,614	10,442	24,786	40,842
IFRS 9 opening balance adjustment	-	-	-	-
Movements with P&L impact				**-**
New loans and advances originated	1,214	322	-	1,536
Settlement of loans and advances	(520)	(811)	(1,887)	(3,218)
Amounts written off	-	-	(812)	(812)
Transfers:				-
Transfer from Stage 1 to Stage 2	(790)	790	-	-
Transfer from Stage 1 to Stage 3	(342)	-	342	-
Transfer from Stage 2 to 3	-	(6,085)	6,085	-
Transfer from Stage 2 to 1	1,143	(1,143)	-	-
Transfer from Stage 3 to 2	-	-	-	-
Transfer from Stage 3 to 1	-	-	-	-
Changes in PD's/LGD's/EAD	(1,380)	3,970	73,797	76,387
	4,939	**7,485**	**102,311**	**114,735**

Expected Credit Loss provision: reconciliation of movement	**Loans and advances Stage 1 12-month ECL R'000**	**Stage 2 Lifetime ECL R'000**	**Total Stage 3 Lifetime ECL R'000**	**2019 Total R'000**
Balance as at 1 January 2019	4,795	4,570	23,921	33,286
Movements with P&L impact				**-**
New loans and advances originated	1,931	1,163	-	3,094
New loans and advances originated moved from stage1 to stage 2	-	-	-	
Settlement of loans and advances	(629)	(520)	(94)	(1,243)
Amounts written off	-	-	(10,783)	(10,783)
Transfers:				-
Transfer from Stage 1 to Stage 2	(474)	474	-	-
Transfer from Stage 1 to Stage 3	(35)	-	35	-
Transfer from Stage 2 to 3	-	(1,232)	1,232	-
Transfer from Stage 2 to 1	709	(709)	-	-
Transfer from Stage 3 to 2	-	-	-	-
Transfer from Stage 3 to 1	2	-	(2)	-
Changes in PD's/LGD's/EAD	(685)	6,696	10,477	16,488
	5,614	**10,442**	**24,786**	**40,842**

Securities in respect of loans and advances	**2020**	**2019**
Overdrafts, property and commercial loans	**R'000**	**R'000**
- Cash Investments	18,208	20,326
- Guarantees	1,905	15,365
- Mortgage Bonds	848,630	777,554
- Ceded Insurance Policies	149	691
- Other Securities	90,801	54,325
- Secondary Security	30,928	36,534
	990,621	**904,795**
Home Loans		
- Mortgage Bonds (Residential)	**641,016**	**692,911**
Instalment credit and lease agreements	**181,223**	**220,174**
Non-performing loans:		
- Mortgage Bonds (residential and commercial)	117,417	94,734
- 'Assets Financed in respect of Instalment Credit Agreement	2,274	1,467
	119,691	**96,201**
Total secured loans and advances	1,932,551	1,914,081
Total unsecured loans and advances	125,836	149,570
Total loans and advances	**2,058,387**	**2,063,651**

The directors consider that the carrying amount of loans and advances approximates fair value.

Impact of Covid 19 – Moratoriums

Grobank, similar to the banking industry, has been classified as an essential service, and consequently has maintained a skeleton staff at the Bank's head office and Suites to facilitate the provision of these essential services. As a result of the ongoing lockdown restrictions, the following possible risks have been highlighted for the Bank:

- Cash flow pressures on clients which could lead to late or non-payment of loan commitments
- An increase in provisions on the loans and advances portfolio due to inability of clients to meet debt obligations and security values being compromised
- Increased liquidity risk

During 2020 and into 2021, the Bank has taken the decision to support its clients and provide financial relief through the granting of loan payment moratoriums on a case-by-case basis to clients. The moratoriums were initially granted for a period of four months and in some cases extended further.

The moratoriums were based on the following principles:

- Customers with a strong credit risk rating,
- Customers with an observable evidence of a clean repayment track record at Grobank, i.e. no arrear events
- The credit facilities were up to date up to date as at February 2020

During April 2020, the Bank had issued a total of approximately 457 client moratorium requests amounting to approximately R750m in exposure, of which 364 amounting to approximately R640m are in stage 1 and the remainder are in stage 2. Weekly the moratoriums granted were presented to the Bank's Board Credit Committee for review.

As at 31 December 2020, of the moratoriums issued in April 2020, R506million remained in stage 1, R158million in stage 2 and R27million moved to stage 3.

Of the 457 clients amounting to approximately R750million moratoriums granted in April 2020, only 30 accounts amounting to R38.6million are in moratorium as at 31 December 2020.

By the end of May 2021, these remaining 30 accounts are no longer in moratorium.

Loans and advances - available for sale

An agreement to sell a portfolio of loans has been entered into with Mercantile. Mercantile will be provided with a portfolio of loans and they will select loans worth R350 million at their carrying amount. A fee of 1% of the carrying amount is payable to Mercantile on conclusion of each loan transfered. We have selected to carry the amounts at their IFRS 9 carrying value of R350 million rather than fair value less costs to sell. The specific individual loans to be sold are still in the process of being determined and hence are not broken down by product or segmentation.

9. Credit Impairment for Loans And Advances

	2020	2019
	R'000	R'000
Balance at 1 January	40,842	33,286
Amounts written off against provisions	(812)	(10,783)
	40,030	**22,503**
Charge to the Statement of Comprehensive Income	**71,108**	**10,011**
Specific impairment: raised in the current year	84,887	16,731
Specific provisions: recoveries of balances raised incurrent year	(8,672)	(5,811)
Interest in abeyance recovered	(1,320)	(4,095)
Portfolio impairment (reversal)/raised	(3,630)	6,691
Recoveries of Balance previously written off.	(157)	(3,505)
Recoveries of Balance previously written off	**157**	**3,505**
Interest in Abeyance raised deducted against interest income	3,440	4,823
Balance at 31 December	**114,735**	**40,842**
Analysis		
Specific impairment	102,311	24,786
Portfolio impairment	12,424	16,056
	114,735	**40,842**
Sectorial analysis		
Individuals	16,607	10,294
Manufacturing	2,149	12,412
Transport and communication	3,093	2,241
Financial and real estate	15,059	8,555
Mining	75	173
Electricity and water	51	-
Agriculture	45,545	-
Other Services	32,156	7,167
	114,735	**40,842**

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10. Property and Equipment

Cost or valuation	Motor vehicles R'000	Properties Brought in R'000	Furniture and Fittings R'000	Office Equipment R'000	Computer Equipment R'000	Total R'000
Balance as at 1 January 2019	1,183	79	26,254	2,591	6,305	36,412
Additions	-		516	-	6,342	6,858
Disposals	-		-	-	(912)	(912)
Balance as at 1 January 2020	**1,183**	**79**	**26,770**	**2,591**	**11,735**	**42,358**
Additions	-		2,436	4	10,276	12,716
Disposals	-		(7,754)	(134)	(2,819)	(10,707)
At 31 December 2020	**1,183**	**79**	**21,452**	**2,461**	**19,192**	**44,367**
Accumulated depreciation						
Balance as at 1 January 2019	(973)	(79)	(13,385)	(1,586)	(4,972)	(20,995)
Depreciation charge for the year	(65)		(4,240)	(313)	(1,591)	(6,209)
Eliminated on scrapping	-		-	-	912	912
Balance as at 1 January 2020	**(1,038)**	**(79)**	**(17,625)**	**(1,899)**	**(5,651)**	**(26,292)**
Depreciation charge for the year	(65)		(4,015)	(245)	(2,914)	(7,239)
Eliminated on scrapping	-		3,931	125	2,804	6,860
At 31 December 2020	**(1,103)**	**(79)**	**(17,709)**	**(2,019)**	**(5,761)**	**(26,671)**
Carrying amount						
At 31 December 2019	145	-	9,145	692	6,084	16,066
At 31 December 2020	**80**	**-**	**3,743**	**442**	**13,431**	**17,696**

11. Intangible assets

	Cost R'000	Amortisation R'000	Carrying Amount R'000
At 31 December 2018	**129,195**	**(42,973)**	**86,222**
Additions	15,710	-	15,710
Disposals	(3,058)	3,058	-
Amortisation for the year	-	(12,209)	(12,209)
At 31 December 2019	**141,847**	**(52,124)**	**89,723**
Additions	30,132		30,132
Disposals	(19,184)	19,184	-
Amortisation for the year	-	(47,933)	(47,933)
At 31 December 2020	**152,795**	**(80,873)**	**71,922**

Intangible assets consist of computer software, licenses and internal and external software development and implementation costs.

The fair value of the business as a Bank was considered, as the fair value recorded in GroCapital is lower than net asset value. Judgement was applied to the fair value of the Intangible Assets as these are currently used to generate revenues for the Bank and some of the intangibles are regulatory projects required for the Bank's operations to be compliant and to continue operating as a bank.

12. Leases

12.1 Right of use asset

	2020 R'000	2019 R'000
Opening Balance	12,329	-
Recognition of new right of assets in current year	5,282	20,757
Depreciation of right of use assets	(7,944)	(8,428)
Derecognition of right on termination of lease in current period	(3,552)	-
At 31 December	**6,115**	**12,329**

12.2 Lease liabilities

	2020 R'000	2019 R'000
Opening Balance	11,980	-
Recognition of lease liability in current year	5,282	20,232
Interest expense on lease liabilities	4,803	3,985
Minimum Lease payments	(12,623)	(12,237)
Derecognition of liability on termination of lease in current period	(3,467)	-
At 31 December	**5,975**	**11,980**
Maturity analysis of lease liabilities		
Year 1	2,924	6,997
Year 2	1,181	3,728
Year 3	746	1,255
After Year 3	1,124	-
	5,975	**11,980**

13. Share Capital

	2020	2019
Authorised	**R'000**	**R'000**
1 000 000 000 (2019:100 000 000) ordinary shares of R1 each (par value)	1,000,000	100,000
Issued and fully paid		
At the beginning of the year 67 855 763 (2019: 39 572 223) shares of R1 each	67,856	39,572
Shares issued at R1 each during the year*	23,626	28,284
At the end of the year 91 482 007 (2019: 67 855 763) shares of R1 each	**91,482**	**67,856**

The Bank has one class of ordinary shares which carry no right to fixed income. The unissued shares are under the control of the Directors subject to the notification to and specific approval by the shareholder, until the next AGM.
*Refer to directors' report for further breakdown.

14. Share Premium

	2020 R'000	2019 R'000
Balance at beginning and end of the year	626,927	460,579
Shares issued during the year	107,911	166,348
Balance at end of the year	**734,838**	**626,927**

*Refer to directors' report for further breakdown.

15. Institutional Loans

	2020	2019
	R'000	R'000
Norsad loan received	150,000	-
Interest expense for current period	14,080	-
Interest settled during the period	(14,080)	-
	150,000	**-**

On the 31 January 2020, a 3 year loan of R150 million at 3 month jibar plus 5.5% was received from Norsad with capital repayments from 2nd year. Interest payable quarterly. This loan is unsecured.

16. Deposits and current accounts

	2020	2019
	R'000	R'000
Demand deposits	1,248,092	1,187,279
Customer foreign currency deposits (demand deposits)	293,075	207,778
Term deposits	873,319	862,149
	2,414,486	2,257,206
Deposits from banks	35,731	438,365
	2,450,217	**2,695,571**
Included in deposits from banks are:		
Amounts due to other banks	35,731	438,365
Maturity analysis		
On demand	1,581,899	1,426,109
Maturing within one month	34,245	13,669
Maturing after one but within six months	485,974	799,642
Maturing after six months but within twelve months	303,391	433,521
Maturing greater than 12 months	44,708	22,630
	2,450,217	**2,695,571**
Sector analysis		
Agriculture, Hunting, Forestry and Fishing	184,706	23,470
Community, Social and Personal	560,499	528,230
Construction	26,499	49,040
Electricity and Water	2,499	4,128
Financial, Insurance, Real estate and Business	962,937	1,519,875
Manufacturing	19,904	16,769
Mining	16,254	68,033
Other	51,032	42,196
Transport and communication	111,727	30,117
Wholesale and Retail trade	514,160	413,712
	2,450,217	**2,695,571**

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17. Negotiable certificate of deposits

	2020	2019
	R'000	R'000
Opening balance	10,000	-
New issuance	13,000	10,000
Settled on maturity	(23,000)	-
Grobank Limited Fixed Rate NCD	**-**	**10,000**

18. Accounts payable

	2020	2019
	R'000	R'000
Sundry creditors	30,128	45,194
Accruals*	70,237	45,791
Receiver of Revenue	307	146
	100,672	**91,131**

Included in accruals is an amount of R31 million payable to an IT vendor for IT services, for early termination of the service contract.

19. Contingencies and Commitments

		2020	2019
Contingencies	**Notes**	R'000	R'000
Letters of credit	8	1,905	2,076
Liabilities under guarantees	8	53,029	83,265
Revocable unutilised facilities		169,797	140,335
Irrevocable unutilised facilities		140,199	148,250
EFT Debit services		2,200	2,200
Legal claim instituted by borrowers		45,000	45,000
Committed capital expenditure		4,268	62,412
Deferred Sanction fine		5,000	5,000
		421,398	**488,538**

20. Profit (Loss) from Operations

20.1 Interest income

	2020	2019
	R'000	R'000
Balances with banks and short-term funds	13,517	15,265
Short-term negotiable securities	6,412	24,676
Government bonds	13,737	4,245
Money market fund	-	1,076
Loans and advances - performing	171,809	193,581
Other interest earned	178	15
	205,653	**238,858**

20.2 Interest expense

	2020	2019
	R'000	R'000
Deposits from banks	3,996	3,622
Current and call deposit accounts	16,433	43,376
Savings accounts	5,837	6,182
Other term deposits	62,618	90,204
Negotiable certificates of deposits	1,739	196
Interest bearing institutional loans	14,080	757
	104,703	**144,337**

Included in interest paid is penalty interest of R16.5million charged for early redemption of a notice deposit.

The deposit was withdrawn by the customer without providing the necessary notice period of 188 days to the Bank. Notice period deposit products require the relevant notice to be given to the bank before the withdrawal otherwise a penalty will be charged against the interest earned by the customer. This is a normal banking practice within the banking industry. This dispute between the Bank and the customer has gone to arbitration and should be finalised by end of July 2021. In the unlikely event of the Bank lossing the arbitration the Bank would need to refund the R16.5 million to the customer.

20.3 Interest expense from non-banking activities

	2020	2019
Interest on lease liabilities	4,803	3,985
Net interest income	**96,147**	**90,536**

20.4 Non - interest income

	2020	2019
Fee Income	65,428	45,976
Foreign exchange profit	15,596	12,127
Profit on sale of Government bonds	14,596	4,385
Other income	3,329	4,482
Less: Expected credit lossess on other financial assests	(1,695)	-
	97,254	**66,970**

20.5 Operating expenses

	2020 R'000	2019 R'000
Staff costs	**169,268**	**107,974**
Salaries, wages and allowances	132,798	67,845
Contributions to provident fund and other staff funds	19,424	15,388
Directors' emoluments	12,776	19,986
Other	4,270	4,755
Depreciation and amortisation	**63,116**	**26,846**
Owned assets	**55,172**	**18,418**
Motor vehicles	65	65
Furniture and fittings	4,015	4,241
Office equipment	245	313
Computer equipment	2,914	1,590
Computer software	47,933	12,209
Lease assets	**7,944**	**8,428**
Buildings	7,944	8,428
Audit fees	5,905	4,596
Loss on scrapping of fixed assets	3,847	-
Other operating expenses	234,287	101,158
	476,423	**240,574**

Leases relating to the leasing of various business suites and head office, have from January 2019 been accounted for in accordance with IFRS16.

21. Taxation

The Bank has a tax assessed loss position of R259,662,687 as at 31 December 2018. December 2018 was the latest tax year assessed by SARS.

A deferred tax asset has not been recognised. The raising of a deferred tax asset will be considered based on future profitability.

	2020 %	2019 %
Standard Rate of income tax	**28.00**	**28.00**
Disallowed expenditure	**0.25**	**0.18**
Unused portion of assessed tax losses not recognised	**(28.25)**	**(28.18)**
Effective tax rate	**0.00**	**0.00**

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22. Undiscounted Cash Flows of Financial Liabilities

	Carrying Amount	Subject to notice	Up to 1 month	1-3 months	3 - 12 months	1 - 2 years	2 - 5 years	5+ years	Non-contractual
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2020									
Derivative financial instrument	56,722	-	27,355	21,523	7,844	-	-	-	-
Due to customers	2,414,486	281,224	1,299,189	382,148	407,217	4,708	20,000	20,000	-
Due to banks	35,731	-	35,731	-	-	-	-	-	-
Long term debt instrument	150,000	-	-	18,750	56,250	75,000	-	-	-
Lease liabilities	5,975	-	489	698	1,737	1,181	1,870	-	-
Accounts payable	100,672	-	35,623	7,125	3,622	149	633	633	52,887
	2,763,586	**281,224**	**1,398,387**	**430,244**	**476,670**	**81,038**	**22,503**	**20,633**	**52,887**

	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2019									
Derivative financial instrument	31,433	-	8,784	19,582	3,067	-	-	-	-
Due to customers	2,257,206	289,265	1,399,685	407,475	138,152	615	2,014	20,000	-
Due to banks	438,365	332,313	31,052	-	75,000	-	-	-	-
Lease liabilities	11,980	-	693	1,368	4,936	3,729	1,254	-	-
Negotiable certificate of deposits	10,000	-	-	-	10,000	-	-	-	-
Accounts payable	91,131	-	54,835	9,914	7,187	2,480	4,998	5,433	6,284
	2,840,115	**621,578**	**1,495,049**	**438,339**	**238,342**	**6,824**	**8,266**	**25,433**	**6,284**

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23. Categories and Fair Values of Financial Instruments

Asset	2020 Fair Value R'000	2019 Fair Value R'000
Held to Maturity	**209,119**	**398,394**
Short term negotiable securities	60,051	221,519
Government Bonds	149,068	176,875
Loans & receivables	**2,591,249**	**2,698,873**
Cash and cash equivalents	618,568	648,800
Loans and advances	1,943,652	2,022,809
Other Accounts receivables	29,029	27,264
Held for trading	**52,644**	**32,482**
Derivative financial instrument	52,644	32,482
Held at fair value	**15**	**15**
Other investments	15	15
Liabilities		
Held for trading	**56,722**	**31,433**
Derivative financial instruments	56,722	31,433
Other financial liabilities	**2,706,864**	**2,808,682**
Deposits	2,450,217	2,695,571
Long term debt instruments	150,000	-
Negotiable certificate of deposits	-	10,000
Accounts payable and Provisions	100,672	91,131
Lease liabilities	5,975	11,980

Fair Value Levels

2020

Asset	**Level 2**	**Level 3**
Derivative Financial Instrument	52,644	
Other investments		15
Liabilities		
Derivative Financial Instruments	56,722	

2019

Asset	**Level 2**	**Level 3**
Derivative Financial Instrument	32,482	
Other investments		15
Liabilities		
Derivative Financial Instruments	31,433	

The bank does not have Level 1 financial instruments.

23. Categories and Fair Values of Financial Instruments (continued)
Fair Value Measurements

This note provides information about how the Bank determines fair value of various financial assets and financial liabilities. The fair values are measured on a recurring basis,

Financial assets / financial liabilities hierarchy	Fair value	Valuation techniques and key inputs
1. Foreign currency forward contracts (note 3)		Discounted cash flow.
	Level 2	Future cash are determined based onthe forward exchange rates from observable forward exchange rate at the end of the reporting period and contract forward rates, discounted ata rate that reflects the credit risk of the various counter parties.
2. Other investments (note 6)	Level 3	Other investments relate to an investment acquired 15 years ago in an unlisted company, called Dandyshelf 3 (Pty) Ltd. No dividend was received during 2020 or 2019. The shares are unlisted, and the Directors' valuation of the unlisted investment equates to the fair value which approximates cost as defined inIFRS 13 fair value measurement, thesefall within level 3 classification. If one had to participate in Dandyshelf as a new shareholder a similar amount would be paid for said participation.

24. Financial Risk Management

The Bank's Treasury function provides services to the business, and co - ordinates access to domestic and international financial markets and manages the various financial risks. The Risk department of the Bank monitors the financial risks relating to the operations of the Bank through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

24.1 Market Risk

The Bank seeks to minimise market risk by using derivatives to economically hedge market risk - currency risk. The use of financial derivatives is governed by the Bank's policy approved by the board of directors, which provides written principles on foreign exchange risk, interest rate and credit risk. The Bank does not enter into or trade financial instruments, including derivative instruments for speculative risk purposes.
The Bank's activities expose it primarily to the financial risks of change in foreign currency exchange rate (see note 23.6) and interest rate risk (note 23.4).
The Bank manages it foreign exchange risk by entering into forward exchange contracts. This exchange rate risk arises from the intragroup loans which are denominated in foreign currency.

24.2 Capital Management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the Statement of Financial Position, are:

- To comply with the capital requirements set by the regulators of the banking industry in which the Bank operates
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the South African Reserve Bank, for supervisory purposes.

24. Financial Risk Management (continued)

The required information is filed with the South African Reserve Bank on a monthly basis. The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the South African Reserve Bank which takes into account the risk profile of the Bank. The regulatory capital requirements are strictly observed when managing capital. The Bank's regulatory capital comprises two tiers:

- Tier 1 capital: share capital, share premium, general bank reserve and statutory reserves; and
- Tier 2 capital: collective impairment allowances.

Shortfalls of value adjustments and provisions as compared to expected losses are deducted from Tier 1 and Tier 2 capital to calculate regulatory capital.

"The risk-weighted assets are measured using the 'standardised approach' (SA) for credit risk. Risk weights are assigned to assets and off balance sheet items according to their asset class and credit assessment. For the determination of credit assessments, the Fitch rating agency is nominated. Any eligible collateral and netting agreements are taken into account for calculating risk-weighted assets"

	2020	2019
Tier 1 capital	**R'000**	**R'000**
Share capital	91,482	67,856
Share premium	734,839	626,927
Revaluation reserves	-	-
Deductions against capital and reserve funds	(665,818)	(296 545)
Less: intangible assets	(71,923)	(89 723)
Total qualifying tier 1 capital	**88,580**	**308,515**
Tier 2 capital		
Term debt instruments	-	-
Collective impairment allowance	12,424	16,056
Total qualifying tier 2 capital	**12,424**	**16,056**
Total regulatory capital	**101,004**	**324,569**
Risk-weighted assets:		
Credit risk	1,732,821	1,784,085
Counter party risk	78,284	57,258
Market risk	3,373	1,095
Equity risk	15	15
Operational risk	254,483	242,991
Other risk	51,896	53,757
Total risk-weighted assets	**2,120,872**	**2,139,201**
Capital adequacy ratio	**4.76%**	**15.17%**

After the Access Bank transaction was finalised in May 2021 and the R400million of new capital is received from Access Bank Plc, the capital adequacy ratio will be 18% approximately.

24.3 Liquidity Risk

"Liquidity risk is defined as the risk of not being able to generate sufficient cash to meet the Bank's commitment to lenders, depositors and other creditors at any point in time. The management of liquidity is primarily designed to ensure that depositors' funding requirements can be met and that the bank has sufficient funding in place to ensure payment of daily transactions."

"Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short-, medium- and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Liquidity and interest rate risk management are essentially inseparable from the core banking activities of advances growth and profitability management. Liquidity and interest rate risk management form an integral part of proactive asset and liability management, which is managed by the Bank's Asset and Liability Committee (ALCCO). Liquidity is ensured through optimal funding strategies taking into account various interest rate scenarios, as well as taking cognisance of available inter-bank lines of credit and the substantial committed lines of credit from the Bank's majority shareholder to cater for unforeseen circumstances."

Stress scenarios and testing have been undertaken thereby allowing the bank to identify and be prepared for such eventualities. These scenarios have ensured that the Bank is well prepared to manage any liquidity or interest rate risks that may occur.

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24. Financial Risk Management (continued)

2020	Non-contractual R'000	Up to 1 month R'000	1 - 3 months R'000	3 - 6 months R'000	7 - 12 months R'000	1- 5 years R'000	Over 5 years R'000	Total R'000
Assets								
Cash and cash equivalents	-	618,568	-	-	-	-	-	618,568
Derivative financial instruments	(449)	23,635	21,612	6,383	1,463	-	-	52,644
Short-term negotiable securities	-	60,051	-	-	-	-	-	60,051
Accounts receivable	14,917	8,696	5,416	-	-	-	-	29,029
Other investments	15	-	-	-	-	-	-	15
Loans and Advances	107,266	235,067	53,665	68,968	107,943	641,008	729,735	1,943,652
Property and equipment	17,696	-	-	-	-	-	-	17,696
Intangible assets	71,922	-	-	-	-	-	-	71,922
Government Bonds	(160)	-	-	-	-	-	139,699	139,539
Right of use asset	6,115	-	-	-	-	-	-	6,115
	217,322	**946,017**	**80,693**	**75,351**	**109,406**	**641,008**	**869,434**	**2,939,231**
Liabilities								
Institutional loans	-	-	18,750	18,750	37,500	75,000	-	150,000
Derivative financial liabilities	-	27,355	21,523	6,372	1,472	-	-	56,722
Deposits, current and other accounts	-	1,616,143	382,148	103,826	303,392	24,708	20,000	2,450,217
Accounts payable	52,888	35,622	7,125	2,144	1,478	782	633	100,672
Lease liabilities	-	489	698	637	1,100	3,051	-	5,975
	52,888	**1,679,609**	**430,244**	**131,729**	**344,942**	**103,541**	**20,633**	**2,763,586**
Contractual liquidity mismatch	**164,434**	**(733,592)**	**(349,551)**	**(56,378)**	**(235,536)**	**537,467**	**848,801**	**175,645**

24. Financial Risk Management (continued)

2019	Non-contractual R'000	Up to 1 month R'000	1 - 3 months R'000	3 - 6 months R'000	7 - 12 months R'000	1- 5 years R'000	Over 5 years R'000	Total R'000
Assets								
Cash and cash equivalents	-	648,800	-	-	-	-	-	648,800
Derivative financial instruments	-	8,663	20,678	3,141	-	-	-	32,482
Short-term negotiable securities	-	49,935	74,323	97,261	-	-	-	221,519
Accounts receivable	1,450	8,668	8,952	1,704	1,767	4,378	345	27,264
Other investments	15	-	-	-	-	-	-	15
Loans and Advances	80,145	175,316	51,529	53,659	96,184	657,093	908,883	2,022,809
Property and equipment	16,066	-	-	-	-	-	-	16,066
Intangible assets	89,723	-	-	-	-	-	-	89,723
Government bonds	-	-	-	-	-	-	167,346	167,346
Right of use asset	12,329	-	-	-	-	-	-	12,329
	199,728	**891,382**	**155,482**	**155,765**	**97,951**	**661,471**	**1,076,574**	**3,238,353**
Liabilities								
Derivative financial liabilities	-	8,784	19,582	3,067	-	-	-	31,433
Deposits, current and other accounts	-	1,439,778	762,699	36,943	433,521	2,630	20,000	2,695,571
Negotiable certificate of deposits	-	-	-	-	10,000	-	-	10,000
Accounts payable	6,284	54,832	9,914	2,653	4,534	7,479	5,435	91,131
Lease liabilities	-	693	1,369	2,001	2,934	4,983	-	11,980
	6,284	**1,504,087**	**793,564**	**44,664**	**450,989**	**15,092**	**25,435**	**2,840,115**
Contractual liquidity mismatch	**193,444**	**(612,705)**	**(638,082)**	**111,101**	**(353,038)**	**646,379**	**1,051,139**	**398,238**

24. Financial Risk Management (continued)

24.4 Interest Rate Risk

Interest rate risk is defined as the impact that the repricing of the Bank's assets and liabilities may have on the future cash flows and earnings.

"The risk is managed by the Bank by maintaining an appropriate mix between fixed and floating rate borrowings. Liquidity and interest rate risk management are essentially inseparable from the core banking activities of advances growth and profitability management. Liquidity and interest rate risk management form an integral part of proactive asset and liability management, which is managed by the Bank's Asset and Liability Committee (ALCCO).

Stress scenarios and testing have been undertaken thereby allowing the Bank to identify and be prepared for such eventualities. These scenarios have ensured that the Bank is well prepared to manage any liquidity or interest rate risks that may occur.

The Bank's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

2020	**Fixed**	**Floating**	**Non-interest sensitive**	**Total**
Assets	**R'000**	**R'000**	**R'000**	**R'000**
Cash and cash equivalents	-	276,532	342,036	618,568
Derivative financial instruments	-	-	52,644	52,644
Short-term negotiable securities	60,051	-	-	60,051
Accounts receivable	-	-	29,029	29,029
Other investments	-	-	15	15
Loans and Advances	-	2,058,387	(114,735)	1,943,652
Property and equipment	-	-	17,696	17,696
Intangible assets	-	-	71,922	71,922
Government bonds	139,699	-	(160)	139,539
Right of use asset	-	-	6,115	6,115
	199,750	**2,334,919**	**404,562**	**2,939,231**
Liabilities				
Institutional loans	-	150,000	-	150,000
Derivative financial liabilities	-	-	56,722	56,722
Deposits, current and other accounts	550,799	1,899,418	-	2,450,217
Accounts payable	-	-	100,672	100,672
Lease liabilities	-	-	5,975	5,975
	550,799	**2,049,418**	**163,369**	**2,763,586**

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2019	Fixed R'000	Floating R'000	Non-interest sensitive R'000	Total R'000
Assets				
Cash and cash equivalents	-	358,025	290,775	648,800
Derivative financial instruments	-	-	32,482	32,482
Short-term negotiable securities	221,519	-	-	221,519
Accounts receivable	-	-	27,264	27,264
Other investments	-	-	15	15
Loans and Advances	-	2,063,651	(40,842)	2,022,809
Property and equipment	-	-	16,066	16,066
Intangible assets	-	-	89,723	89,723
Government bonds	167,346	-	-	167,346
Right of use asset	-	-	12,329	12,329
	388,865	**2,421,676**	**427,812**	**3,238,353**
Liabilities				
Derivative financial liabilities	-	-	31,433	31,433
Deposits, current and other accounts	572,885	2,122,686	-	2,695,571
Negotiable certificate of deposits	10,000	-	-	10,000
Accounts payable	-	-	91,131	91,131
Lease liabilities	-	-	11,980	11,980
	582,885	**2,122,686**	**134,544**	**2,840,115**

24. Financial Risk Management (continued)

24.5 Interest Rate Sensitivity Analysis

The tables below summarise the Bank's exposure to interest rate risk. Assets and liabilities are included at the carrying amounts, categorised by the earlier of contractual repricing or maturity dates. At the reporting date, a 200 basis point change in prevailing interest rates was applied as a sensitivity analysis to determine the impact on earnings as a result of a change in the interest rates.

If interest rates increased/decreased by 200 basis points and all other variables remained constant, the Bank's net profit and equity at year-end would increase by R24,2 million and decrease by R24,2 million (2019: increase by R13,8 million and decrease by R13,8million)

2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5+ years	Non Interest Bearing	Total
Assets							
Cash and cash equivalents	276,532	-	-	-	-	342,036	618,568
Derivative financial instruments	-	-	-	-	-	52,644	52,644
Short-term negotiable securities	60,051	-	-	-	-	-	60,051
Accounts receivable	-	-	-	-	-	29,029	29,029
Other investments	-	-	-	-	-	15	15
Loans and Advances	2,058,387	-	-	-	-	(114,735)	1,943,652
Property and equipment	-	-	-	-	-	17,696	17,696
Intangible assets	-	-	-	-	-	71,922	71,922
Government bonds	-	-	-	-	139,699	(160)	139,539
Right of use asset	-	-	-	-	-	6,115	6,115
	2,394,970	**-**	**-**	**-**	**139,699**	**404,562**	**2,939,231**
Liabilities							
Due to other banks	35,731	-	-	-	-	-	35,731
Due to customers	1,890,503	72,058	407,217	4,708	40,000	-	2,414,486
Long term debt instruments	-	150,000	-	-	-	-	150,000
Derivative financial liabilities	-	-	-	-	-	56,722	56,722
Accounts payable	-	-	-	-		100,672	100,672
Lease liabilities	-	-	-	-	-	5,975	5,975
	1,926,234	**222,058**	**407,217**	**4,708**	**40,000**	**163,369**	**2,763,586**

24. Financial Risk Management (continued)

2019	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5+ years	Non Interest Bearing	Total
Assets							
Cash and cash equivalents	358,025	-	-	-	-	290,775	648,800
Derivative financial instruments	-	-	-	-	-	32,482	32,482
Short-term negotiable securities	49,935	74,323	97,261	-	-	-	221,519
Accounts receivable	-	-	-	-	-	27,264	27,264
Other investments	-	-	-	-	-	15	15
Loans and Advances	2,063,651	-	-	-	-	(40,842)	2,022,809
Property and equipment	-	-	-	-	-	16,066	16,066
Intangible assets	-	-	-	-	-	89,723	89,723
Government bonds	-	-	-	-	167,346	-	167,346
Right of use asset	-	-	-	-	-	12,329	12,329
	2,471,611	**74,323**	**97,261**	**-**	**167,346**	**427,812**	**3,238,353**
Liabilities							
Due to other banks	363,364	75,000	-	-	-	-	438,364
Due to customers	1,688,950	407,475	138,153	615	22,014	-	2,257,207
Derivative financial liabilities	-	-	-	-	-	31,433	31,433
Negotiable certificate of deposits	-	-	10,000	-	-	-	10,000
Accounts payable	-	-	-	-	-	91,131	91,131
Lease liabilities	-	-	-	-	-	11,980	11,980
	2,053,214	**482,475**	**148,153**	**615**	**22,014**	**134,544**	**2,840,115**

24.6 Foreign Currency Risk Management

The Bank undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Bank's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

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Foreign Currency exposure

2020	ZAR R'000	USD R'000	EURO R'000	Other R'000	Total R'000
Assets					
Cash and cash equivalents	361,345	146,942	74,425	35,856	618,568
Derivative financial instruments	(449)	35,101	14,971	3,021	52,644
Short-term negotiable securities	60,051	-	-	-	60,051
Accounts receivable	29,029	-	-	-	29,029
Other investments	15	-	-	-	15
Loans and Advances	1,942,550	1,102	-	-	1,943,652
Property and equipment	17,696	-	-	-	17,696
Intangible assets	71,922	-	-	-	71,922
Government bonds	139,539	-	-	-	139,539
Right of use asset	6,115	-	-	-	6,115
	2,627,813	**183,145**	**89,396**	**38,877**	**2,939,231**
Liabilities					
Institutional loans	150,000	-	-	-	150,000
Derivative financial liabilities	-	38,769	14,934	3,019	56,722
Deposits, current and other accounts	2,072,641	266,825	74,856	35,895	2,450,217
Accounts payable	100,672	-	-	-	100,672
Lease liabilities	5,975	-	-	-	5,975
	2,329,288	**305,594**	**89,790**	**38,914**	**2,763,586**
2019					
Assets					
Cash and cash equivalents	431,972	135,015	53,451	28,362	648,800
Derivative financial instruments	-	28,213	3,219	1,050	32,482
Short-term negotiable securities	221,519	-	-	-	221,519
Accounts receivable	27,264	-	-	-	27,264
Other investments	15	-	-	-	15
Loans and Advances	2,016,547	5,557	-	705	2,022,809
Property and equipment	16,066	-	-	-	16,066
Intangible assets	89,723	-	-	-	89,723
Government bonds	167,346	-	-	-	167,346
Right of use asset	12,329	-	-	-	12,329
	2,982,781	**168,785**	**56,670**	**30,117**	**3,238,353**
Liabilities					
Derivative financial liabilities	-	28,003	3,203	227	31,433
Deposits, current and other accounts	2,487,793	139,967	53,838	13,973	2,695,571
Negotiable certificate of deposits	10,000	-	-	-	10,000
Accounts payable	91,131	-	-	-	91,131
Lease liabilities	11,980	-	-	-	11,980
	2,600,904	**167,970**	**57,041**	**14,200**	**2,840,115**

24.7 Credit Risk

Credit risk is defined as the possibility that customers may default on their future cash flow obligations to the Bank. In lending transactions, credit risk arises from the non-payment of approved of loans and advances, and from off-balance sheet exposures such as commitments and guarantees. The Bank actively manages its credit risk at the Individual transaction, counterparty and portfolio level using a variety of qualiltative and quantitative measures. Customer's' credit worthiness is thoroughly assessed before any credit facility is recommended to or granted by the various credit committees. The credit granting philosophy is a conservative one. The Board of Directors ratifies all exposures in excess of 10% of the Bank's qualifying capital. The Bank has implemented a risk-rating model, which calculates the probability of default of customers.

Refer to accounting policy 1.13 for definitions and criteria used to allocate loans in stage 1, stage 2 or stage 3.

25. Retirement Fund

All permanent employees of the Bank are members of The Grobank Provident Fund, a defined contribution fund administered by 10X Investments.

26. Cash Flow from Operating Activities

26.1 Cash received from customers

	2020	2019
	R'000	R'000
Interest income	209,093	243,680
Non-interest income	82,506	75,746
	291,599	**319,426**

26.2 Cash paid to customers and employees

	2020	2019
	R'000	R'000
Interest expenditure	(109,506)	(148,322)
Operating expenditure	(476,423)	(240,574)
	(585,929)	**(388,896)**
Adjusted for:		
Depreciation - owned assets	7,239	6,209
Depreciation - leased assets	7,944	8,428
Amortisation - intangibles	47,933	12,209
Loss on scrapping assets	3,847	-
Interest on lease liabilities	4,803	3,985
Profit on sale of Government bonds	(14,596)	-
Interest accrued on Government bonds	(13,737)	-
Crediit Impairment	609	-
	(541,887)	**(358,065)**

26.3 Decrease (increase) in income-earning assets

	2020 R'000	2019 R'000
Negotiable securities and other assets	161,468	904,504
Loans and advances	4,452	(276,144)
Net derivative instruments	4,678	(1,250)
Other accounts receiveable	(1,765)	(303)
	168,833	**626,807**

26.4 (Decrease) Increase in deposits and other liabilities

	2020 R'000	2019 R'000
Deposits and current account	(245,354)	(221,436)
Negotiable certificate of deposits	(10,000)	10,000
Long term debt instrument	-	(50,000)
Other accounts payable and provisions	9,541	38,565
	(245,813)	**(222,871)**

26.5 Reconciliation of loss to net cash flows from operating activities

	2020 R'000	2019 R'000
Loss from operations	(354,130)	(93,079)
Adjusted for non cash items:		
- depreciation - owned assets	7,239	6,209
- depreciation - leased assets	7,944	8,428
- amortisation of intangible assets	47,933	12,209
- impairment charges	71,108	10,011
- bad debts recovered previously written off	157	3,505
- interest on lease liabilities	4,803	3,985
- interest in abeyance raised deducted against interest income	3,440	4,822
- Profit on sale of Government bonds	(14,596)	-
- Loss on sale of fixed assets	3,847	-
- Interest accrued on Government bonds	(13,737)	-
- Expected credilt loss on other financial assets	609	-
- Adjustment for exchange rate effect on cash and cash equivalents	(14,905)	5,271
Cash utilised by operations	**(250,288)**	**(38,639)**

27. Related-Party Transactions

Related parties include entities, which the Bank has the ability to exercise significant influence in making financial and operating decisions. Related parties include, the Bank's holding company, its respective shareholders and companies they control, directors, their close relatives, companies owned or controlled by them and companies over which they can influence the financial and operating policies.

All banking transactions entered into with related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve more than a normal amount of risk.

27.1 Identification of Related Parties

The holding company is GroCapital Holdings (incorporated in South Africa). During the year the Bank, in the ordinary course of business, entered into various transactions with GroCapital Holdings, its associated companies and Directors of the Bank. These transactions occurred under terms that were no more or less favourable than those arranged with third parties. All of these entities listed below and the Directors have been classified as related parties.

27.2 Related-Party Transactions with Holding Company and Its Associated Companies

	Amounts owed by related parties at 31 December 2020	Amounts owed to related parties at 31 December 2020
	R'000	R'000
Holding company		
GroCapital Holdings		
- Rand deposits	-	274,128
- Other payables	-	1,960
Other related parties		
AFGRI (Pty) Ltd (Related to shareholder of Bank holding entity)	1,657	40,809
AFGRI Group Holdings (Pty) Ltd (Related to shareholder of Bank holding entity)	45,363	-
Fairfax Africa Investments (Pty) Ltd (Related to Bank holding entity)	-	195,030
AFGRI Operations (Pty) Ltd (Related to shareholder of Bank holding entity)	3,389	-
Unigro Financial Services (Pty) Ltd (Related to shareholder of Bank holding entity)	214	-

	Amounts owed by related parties at 31 December 2019	Amounts owed to related parties at 31 December 2019
	R'000	R'000
Holding company		
GroCapital Holdings		
- Rand deposits	-	286,901
Other related parties		
AFGRI (Pty) Ltd (Related to shareholder of Bank holding entity)	-	39,944
AFGRI Group Holdings (Pty) Ltd (Related to shareholder of Bank holding entity)	56,501	-
Fairfax Africa Investments (Pty) Ltd (Related to Bank holding entity)	-	185,954
AFGRI Operations (Pty) Ltd (Related to shareholder of Bank holding entity)	3,697	-

27. Related-Party Transactions (continued)

	2020 R'000	2019 R'000
Interest Received		
AFGRI Operations (Pty) Ltd	-	2,372
Fees received		
AFGRI Group Holdings (Pty) Ltd	-	8
AFGRI (Pty) Ltd	7	-
Interest paid		
AFGRI (Pty) Ltd	1,995	-
GroCapital Holdings Limited	17,611	27,759
Fairfax Africa Investments (Pty) Ltd	6,663	9,527
Operational Costs		
GroCapital Holdings Limited	3,026	3,552
GroCapital Broking Services (Pty) Ltd	260	-
Other income		
GroCapital Holdings Limited	199	137
GroCapital Financial Services (Pty) Ltd	2,702	-

27.3 Compensation of Key Management

The remuneration of directors during the year was as follows:

	2020 R'000	2019 R'000
Directors' emoluments	**12,776**	**19,986**
Independent non-executives	4,038	3,341
TJ Fearnhead	38	480
P Ranchod	748	819
R Shough	791	611
W Kruger	685	448
J Mirza	580	627
C Venter	-	217
P Mathidi	671	101
NM Nene	150	38
S Hadebe	150	-
J O'Neill	150	-
A Beck	75	-
Executive Directors	8,738	16,645
B van Rooy	4,454	3,607
S Georgopoulos	-	8,217
DJ Adriaanzen	1,330	2,476
C Michaelides	2,954	2,345

The remuneration of directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

2020	Cash Salary	Discretionary Payment	Leave pay payout	Travel, Subsistence &use of companycar allowance	Cellphone and data Allowances	Medical Aid contributions	Provident fund contributions	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Executive directors salary composition	**6,468**	**1,138**	**-**	**74**	**48**	**52**	**958**	**8,738**
B van Rooy	3,220	659	-	50	19	-	506	4,454
DJ Adriaanzen	1,114	-	-	24	10	52	130	1,330
C Michaelides	2,134	479	-	-	19	-	322	2,954

2019	Cash Salary	Discretionary Payment	Leave pay payout	Travel, Subsistence &use of companycar allowance	Cellphone and data Allowances	Medical Aid contributions	Provident fund contributions	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Executive directors salary composition	**7,917**	**6,638**	**673**	**255**	**61**	**186**	**915**	**16,645**
B van Rooy	1,838	1,500	-	7	10	-	252	3,607
S Georgopoulos	2,321	4,773	673	152	13	90	195	8,217
DJ Adriaanzen	1,885	187	-	79	19	96	210	2,476
C Michaelides	1,873	178	-	17	19	-	258	2,345

27.4 Transactions with Directors And Their Associated Companies Are At Arms Lengths Amounts owed by/to related parties as at December 2019

There were no amounts owed by/to the independent non-executive Directors and their associated companies for the year ended 31 December 2020 (RNil:2019).

	Amounts owed by related parties at 31 December 2019	Amounts owed to related parties at 31 December 2019
	R'000	R'000
C Michaelides	-	239
D Adriaanzen	1	-

28. Principal Foreign Currency Conversion Closing Rates

	2020	2019
Pound Sterling	20.066	18.554
United States of America	14.687	14.061
Euro	18.023	15.792
Australian Dollar	11,34	9.868
Botswana Pula	1.359	1.327
Japanese Yen	0,143	0.130
Canadian Dollar	11.519	10.811

29. Going concern

The Bank has made a loss in the financial year ended 2020 of R354 million and in the financial year ended 2019 of R 93million however, the Bank is solvent and has a current net asset value of R398million and R293million in 2019.

The Bank will continue to make losses in 2021 and is expected to be profitable from 2022. The support from the new shareholder, Access Bank Plc, will be available in the form of capital, liquidity and business relationships to facilitate the increase in revenues.

On the 25 March 2021, the Prudential Authority and the Minister of Finance approved that the application of Access Bank Plc to become the controlling shareholder of Grobank.

After making due enquiries and having carefully considered all of the factors that may impact the Bank's going concern status, including the Bank's capital adequacy, liquidity and for the next 12 months from the date of approving the annual financial statements, the Directors consider that the Bank has adequate resources to continue operating as a going concern for the foreseeable future.

The factors considered were:

- A portfolio of loans and advances to be settled / sold to Mercantile Bank, resulting in an expected cash flow of approximately R350 million,
- The new capital injection from Access Bank Plc of R400million was received 3rd May 2021,
- The conversion of deposits from the PIC and Fairfax Holdings into Tier 2 instruments amounting to approximately R183 million, and
- The letter of support from Access Bank Plc pledging capital and funding support in the event of any capital or liquidity shortfall.
- Leveraging of Access Bank Plc relationships to increase revenue flows and leveraging off Group technologies.

Covid-19 pandemic
Due to the Covid-19 pandemic occurrence in South Africa and the rest of the world, as well as the impact this has had on the economic conditions in the country, the Board further assessed the impact this too would have on the Bank's going concern status. Taking into consideration the directives (D2/2020 and D3/2020) and guidance notes (GN3/2020 and GN 4/2020) from the Prudential Authority (PA), the Board assessed the relief provided by the PA together with the concluded that, even if the impact of Covid-19 had been taken into account, the Bank would continue to have sufficient resources to continue operating as a going concern for the foreseeable future. However, the direct impact of Covid-19 on the Bank's operations cannot be reliably measured at this stage.

The financial statements have therefore been prepared on the going concern basis.

30. Post balance sheet events

Since December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, business is being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The Bank has determined that these events are non-adjusting subsequent events. Accordingly, the financial statements for the year ended 31 December 2019 have not been adjusted to reflect their impact.

From the start of the Covid-19 pandemic and national lock down announced with effect from 27 March 2020, the majority of Grobank's staff have been working remotely. Grobank, similar to the banking industry, has been classified as an essential service, and consequently has maintained a skeleton staff at the Bank's head office and Suites to facilitate the provision of these essential services. As a result of the lockdown, the following possible risks have been highlighted for the Bank:

- Cash flow pressures on clients which could lead to late or non-payment of loan commitments
- An increase in provisions on the loans and advances portfolio due to inability of clients to meet debt obligations and
- security values being compromised
- Increased liquidity risk

During this period, the Bank has taken the decision to support its clients and provide financial relief through the granting of loan payment moratoriums on a case-by-case basis to clients for a period of four months.

The moratoriums were based on the following principles:

- Customer with a strong credit risk rating
- Customers with an observable evidence of a clean repayment track record at Grobank, i.e. no arrear events
- The credit facilities were up to date up to date as at February 2020

Since then the Bank has noted a total of approximately 457 client moratorium requests amounting to approximately R750m in exposure, of which 364 amounting to approximately R640m are in stage 1 and the remainder are in stage 2.

The Bank continues to see moratorium requests but at the levels at the start of level 5 lock down. Weekly the moratoriums granted are presented to the Bank's Board Credit Committee for review.

The Bank continues to run stress test scenarios to determine the impact of clients migrating into stage 2 or stage 3 due to clients not rehabilitating after this stress period.

The IFRS 9 provisioning scenarios considered were incremental increases of 5% of the performing book moving into stage 2 and incremental increases of 5% of the performing book moving into stage 3. Another scenario considered was impairing the collateral values of property security and residential mortgages security. The collateral values were impaired by 30% and 50%. This impact was then tested against the Bank's profitability and capital. Overly the bank anticipates that the Covid 19 pandemic will have a negative impact on the bank's profitability, liquidity and capital requirements.

Consequently, even though the scenarios above have been considered, the impact of the Covid 19 situation is still evolving and the Bank is not able to reliably quantify the pandemic's future financial impact on its business.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

Impact of Covid 19 – Moratoriums
During April 2020, the Bank had issued a total of approximately 457 client moratorium requests amounting to approximately R750m in exposure, of which 364 amounting to approximately R640m were in stage 1 and the remainder were in stage 2.

Weekly the moratoriums granted were presented to the Bank's Board Credit Committee for review.
As at 31 December 2020, of the moratoriums issued in April 2020, R506million remained in stage 1, R158million in stage 2 and R27million moved to stage 3.

Of the 457 clients amounting to approximately R750million moratoriums granted in April 2020, only 30 accounts amounting to R38.6million are in moratorium as at 31 December 2020.

By the end of May 2021, these remaining 30 accounts are no longer in moratorium.

Other events
During February 2020, additional common equity capital totalling R91.5million was raised from GroCapital Holdings Limited and minority shareholders, in order to meet the regulatory requirements.

On the 25th March 2021, the Prudential Authority and the Minister of Finance approved the application for Access Bank Plc to become the controlling shareholder in Grobank.

On the 3rd May 2021, R400million share capital was injected into the Bank by Access Bank Plc, making them the majority and controlling shareholder holding 90.35% of the Banks issued share capital.

On the 18th June 2021, the R183 million debentures issued by the Bank, were approved by the PA to qualify as Tier 2 capital.

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