access

2021
Annual
Financial Statements

Access Bank South Africa

Audited Annual Financial Statements

for the year ended 31 December 2021

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 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 majority 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 2021 were approved by the Board of Directors on the 17 May 2022 and are signed on its behalf by:

BP Mathidi
Chairman
Johannesburg
17 May 2022

S Reddy
Chief Executive Officer
Johannesburg
17 May 2022

Certificate by the Company Secretary

The Company Secretary of Access Bank (South Africa) 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 2021.

C Reddy

Company Secretary
Contractor : C Reddy
17 May 2022

Independent auditor's report

TO THE SHAREHOLDERS OF ACCESS BANK (SOUTH AFRICA) LIMITED ON THE AUDIT OF FINANCIAL STATEMENTS.

Opinion

We have audited the financial statements of Access Bank (South Africa) set out on pages 19 to 73, which comprise the statement of financial position as of 31 December 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year 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 financial position as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Access Bank (South Africa) Annual Financial Statements for the year ended 31 December 2021" which includes the Directors' Report as required by the Companies Act of South Africa. 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 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, 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 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 Audit of 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 scepticism 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 the 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.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Justin Dziruni
Partner

17 May 2022

5 Magwa Crescent
Waterfall City
Johannesburg
2090

Directors' report

The directors present their report for the year ended 31 December 2021.

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

Access Bank (South Africa) Limited (The Bank) is focused on developing and delivering banking services to corporates, medium-sized businesses and individuals, driven by a unique combination of retail, corporate, business and alliance banking.

Business and Commercial Banking

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 Business and Commercial banking is fully integrated with the Treasury and Global Transactional Services ("GTS") business (see below). Access Bank South Africa 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

The Bank'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

The Alliance Banking business model focuses on banking products developed and offered to identified market segments or groups through a leveraged partner system. The Bank 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 working capital facilities, long-term debt solutions, trade finance solutions and currency hedging solutions.

Trade Finance

The Bank provides financing to importers and exporters of goods through letters of credit and other bespoke trade solutions.

Retail Banking

This is a new segment of the bank launched in later part of 2021 to provide transactional products to individuals and micro enterprises. The initial focus is on transactional banking and deposits, but loan financing will be introduced in 2022. Three retail branches were opened (two in Gauteng and one in Cape Town) and one mobile banking unit was launched.

Additional information can be accessed from Access Bank South Africa's website.

CAPITAL STRUCTURE

The unissued shares are under the control of the Directors subject to the notification to and specific approval by Access Bank Plc.

During the year capital raising exercises totaling R400 million were undertaken.

- May 2021 - R100,000,000 share capital was raised by issuing 87 719 298 shares at R1,14 per share.
- May 2021 - R300,000,000 share capital was raised by issuing 769 230 769 shares at R0,39 per share. (see note 15 and 16).

DIVIDEND

No dividend has been proposed or declared for the year under review (2020: Nil).

HOLDING COMPANY

The holding company is Access Bank Plc operating from 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 2021 of R214 million and in the financial year ended 2020 of R354 million however, the Bank is solvent and has a current net asset value of R361 million and R176 million in 2020.

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 Access Bank (South Africa) previously known as 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:

- The new capital injection from Access Bank Plc of R375 million was injected into the Bank on 28 March 2022,
- The letter of support from Access Bank Plc pledging capital and funding support in the event of any capital or liquidity shortfall, under any market conditions.

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

POST BALANCE SHEET EVENTS

On the 28 March 2022, the Bank raised R375m in ordinary share capital from its shareholders. This new capital injection has resulted in the change of shareholder percentages to:

Access Bank Plc 95.210%
GroCapital Holdings 4.787%
Other Minorities 0.003%

The Bank's holding company was established and approved by the PA in 2022.

DIRECTORATE AND SECRETARY

The Directors of The Bank as at 17 May 2022 are:

Non-executive:

- R M Y Giles
- R M Ogbonna
- C N Ajene

Independent, Non executive:

- R A Shough (resigned 9 June 2021)
- W J Krüger (resigned 9 June 2021)
- A E M Beck
- B P Mathidi (Chairman of the Board)
- N M Nene
- P Hadebe (resigned 31 March 2022)
- B Barungi
- J E O'Neill

Executive:

- B van Rooy (resigned 31 August 2021)
- C Michaelides (resigned with effect from 31 May 2022)
- S Reddy (Chief Executive Officer) (appointed 19 January 2022)

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 Access Bank (South Africa) Audit and Compliance Committee (ACC) and its activities and the manner in which it has discharged its responsibilities for the financial year ended December 2021. The ACC is an independent and formal statutory committee appointed by the shareholders. Further duties are delegated to the ACC by the Board of Access Bank South Africa.

The ACC has used the King IV principles to continue to drive and embed good corporate governance at The Bank. 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

Access Bank South Africa'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:

Ms A E M Beck (Chairperson, non-executive independent)
Mr J E O'Neill (non-executive independent director)
Ms B Barungi (non-executive independent director)
Mr P Hadebe (non-executive independent director)
(resigned 31 March 2022)

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.

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 2021 financial year. 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 2021 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 2021 audit. During the year the committee met 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 2021 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. 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 chairperson 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 chairperson of the ACC is a member of the ERCM committee, 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

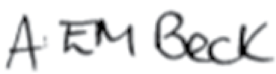
The ACC has considered, and has satisfied itself regarding the appropriateness of the expertise and the adequacy of the resources of the finance function. It has also considered and satisfied itself of the expertise and experience of the Chief Financial Officer and senior members of management responsible 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.



Ms A E M Beck
17 May 2022

Statement of Financial Position

Financial Statements for the year ended 31 December 2021

	Notes	2021 R'000	2020 R'000
Assets			
Cash and cash equivalents	2	923,017	618,568
Derivative financial instruments	3	54,734	52,644
Short-term negotiable securities	4	-	60,051
Government bonds - Fair value through comprehensive income	5	135,062	-
Accounts receivable and prepayments	6	80,843	29,029
Other assets	7	2,401	-
Other investments	8	15	15
Government bonds - Amortised cost	9	1,612,162	139,539
Loans and Advances - Amortised cost	10	1,615,012	1,593,652
Loans and Advances - Fair value through comprehensive income	10	-	350,000
Property, plant and equipment	12	23,350	17,696
Intangible assets	13	83,991	71,922
Right of use of asset	14	40,534	6,115
Total assets		**4,571,121**	**2,939,231**
Equity and liabilities			
Share capital	15	948,432	91,482
Share premium	16	277,888	734,838
Accumulated loss		(864,331)	(650,675)
Non-distributable reserves		(649)	-
Total equity		**361,340**	**175,645**
Liabilities			
Deposits and current accounts	17	3,732,640	2,450,217
Derivative financial instruments	3	41,528	56,722
Accounts payable	18	137,379	100,672
Lease liabilities	14	40,073	5,975
Institutional loans	19	75,000	150,000
Debenture Instruments	20	183,161	-
Total liabilities		**4,209,781**	**2,763,586**
Total equity and liabilities		**4,571,121**	**2,939,231**

Statements of Comprehensive Income

Financial Statements for the year ended 31 December 2021

	Notes	2021 R'000	2020 R'000
Interest income	22.1	199,614	205,653
Interest expense	22.2	(115,207)	(104,703)
Net interest income from banking activities		**84,407**	**100,950**
Interest expense from non banking activities	22.3	(1,734)	(4,803)
Net interest income		**82,673**	**96,147**
Net charge for bad and doubtful advances	11	3,510	(71,108)
Non-interest income	22.4	126,070	97,254
Operating income		**212,253**	**122,293**
Staff cost	22.5	(158,833)	(169,268)
Depreciation and amortisation	22.5	(47,226)	(63,116)
Loss on scrapping of fixed assets	22.5	(287)	(3,847)
Other operating expenses	22.5	(219,563)	(240,192)
Loss before tax		**(213,656)**	**(354,130)**
Income tax expense	23	-	-
Loss for the year		**(213,656)**	**(354,130)**
Other comprehensive loss net of taxation			
Total comprehensive loss for the year		**(213,656)**	**(354,130)**
Loss for the year attributable to:			
Holding company		(193,047)	(353,918)
Minority shareholders		(20,609)	(212)
		(213,656)	**(354,130)**
Total comprehensive loss for the year attributable to:			
Holding company		(193,047)	(353,918)
Minority shareholders		(20,609)	(212)
		(213,656)	**(354,130)**

Changes in Shareholders' Equity

Financial Statements for the year ended 31 December 2021

	Share Capital	Share premium	Fair value adjustment	Accumulated loss	Total
	R'000	R'000	R'000	R'000	R'000
Balance at 1 January 2020	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**
Loss for the year	-	-	-	(213,656)	(213,656)
Issue of ordinary shares	856,950	(456,950)	-	-	400,000
Mark to Market valuation adjustments	-	-	(649)	-	(649)
Balance at 31 December 2021	**948,432**	**277,888**	**(649)**	**(864,331)**	**361,340**

Statement of Cash Flows

Financial Statements for the year ended 31 December 2021

	Notes	2021 R'000	2020 R'000
Cash receipts from customers	28.1	313,367	291,599
Cash paid to customers, suppliers and employees	28.2	(548,533)	(541,887)
Cash utilised from operations		**(235,166)**	**(250,288)**
Net decrease in income earning assets	28.3	313,711	168,833
Net increase (decrease) in deposits and other accounts	28.4	1,319,130	(245,813)
Net cash inflow (outflow) from operating activities		**1,397,675**	**(327,268)**
Cash flows from investing activities			
Purchase of intangible assets		(45,893)	(30,132)
Purchase of equipment		(11,749)	(12,716)
Purchase of Government bonds	28.6	(2,334,325)	(298,630)
Proceeds received from sale of Government bonds	28.7	781,122	354,610
Net cash (outflow) inflow from investing activities		**(1,610,845)**	**13,132**
Cash flows from financing activities			
Proceeds received from institutional loan		-	150,000
Institutional loan repaid		(75,000)	-
Proceeds from issue of equity instruments		400,000	131,537
Proceeds from issue of debenture instruments		183,161	-
Operating lease liability payments		(9,649)	(12,538)
Proceeds on sale of fixed assets		299	-
Net cash inflow from financing activities		**498,811**	**268,999**
Net cash inflow (outflow) for the year		**285,641**	**(45,137)**
Net cash flow effect of exchange rate movements		18,808	14,905
Cash and cash equivalents at the beginning of the year		618,568	648,800
Cash and cash equivalents at the end of the year		**923,017**	**618,568**

Accounting Policies

Financial Statements for the year ended 31 December 2021

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 Bank 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 Fair value through comprehensive income 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 Fair value through comprehensive income 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 Amortised cost 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 of 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%	**0.68%**	1.84%	0.32%
2	1.84%	**2.34%**	9.05%	0.06%
3	9.05%	**14.92%**	58.59%	0.05%
A	0.00%	**0.33%**	0.71%	0.05%
B	0.71%	**0.85%**	1.04%	0.14%
C	1.04%	**1.11%**	1.65%	0.27%
D	1.65%	**1.74%**	3.09%	0.22%
E	3.09%	**3.99%**	54.31%	0.14%
				1.25%

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 assumptions used 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.

The table below depicts the future economic variables used in the IFRS 9 modeling.

y-o-y % change (unless otherwise stated)	Average 2014-20	2021	2022	2023	2024	2025	2026	Average over 2021-26
Main economic indicators	**Actual**				**Forecast**			
Real effective firm lending rate (%)								
Baseline		-0.32	0.20	0.77	1.14	1.02	0.91	0.62
Negative	2.12	-0.34	-0.19	0.81	1.48	1.61	1.52	0.81
Positive		-0.31	0.30	0.88	1.15	0.92	0.72	0.61
Real disposable income								
Baseline		6.2	2.1	2.1	1.8	1.9	1.9	2.7
Negative	0.7	6.2	0.8	1.5	1.1	1.2	1.3	2.0
Positive		6.5	2.9	2.8	2.5	2.5	2.5	3.3
Real gross domestic product								
Baseline		4.9	2.3	2.0	1.8	2.0	2.1	2.5
Negative	-0.3	4.7	0.2	1.4	0.7	1.1	1.1	1.5
Positive		5.0	3.4	3.0	2.7	3.0	3.0	3.4
Scenario Weighting								
Baseline		49.6%	49.6%	49.6%	49.6%	49.6%	49.6%	49.6%
Negative		28.9%	28.9%	28.9%	28.9%	28.9%	28.9%	28.9%
Positive		21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%
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 26.7 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. At inception of an agreement, the bank assesses whether an agreement is, or contains, a lease. An agreement is, or contains, a lease if the agreement conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether an agreement conveys the right to control the use of an identified asset, the bank assess whether:

- the agreement involves the use of an identified asset – this may be specified explicitly or implicitly, and should be a physically distinct asset. If the supplier has a substantive right, then the asset is not identified
- the bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use
- the bank has the right to direct the use of the asset.

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 RIGHT OF USE OF ASSET

Where the bank is the lessee the Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost (which is equal to the lease liability adjusted for upfront deposits) and increased with initial direct costs incurred and the amount of any provision recognised where the bank is contractually required to dismantle, remove or restore the leased asset. The bank applies the cost model subsequent to the initial measurement of the right-of-use asset. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

Lease liability
The lease liability is initially measured at the present value of the remaining lease payments on the commencement date, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be determined, the lessee uses the lessee's incremental borrowing rate.

The bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term shorter than 12 months and leases of low-value assets. Low-value assets comprise information technology (IT) equipment. The bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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 right of use of assets 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.

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 provident 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.

1.25 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 25 and 1.11
- impairments note 11 and 1.13
- investment in securities note 4, note 9 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.

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2021

2. CASH AND CASH EQUIVALENTS

	2021	2020
	R'000	R'000
Coin and bank notes	24	33
Local currency deposits with other banks	543,629	276,532
Foreign currency balances	307,806	257,223
Balances with the Central Bank	71,558	84,780
	923,017	**618,568**
The mandatory South African Reserve Bank reserve requirement is included in the above figures.	59,970	54,533

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%.

		2021	2020
		R'000	R'000
Foreign currency balances		**307,806**	**257 223**
Stanbic Bank Botswana	BWP	8	10
Deutsche Bank, Frankfurt	CAD	2,543	6,305
Deutsche Bank, Frankfurt	EUR	28,828	73,879
National Bank of Greece, Athens	EUR	7,886	546
Deutsche Bank, London	GBP	5,726	29,541
Access Bank, United Kingdom	USD	13,455	-
US Bank, New York (Collateral)	USD	3,191	19,000
Deutsche Bankers Trust, New York	USD	182,343	127,942
ABSA South Africa	USD	63,826	-

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 30.

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 determine 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.

	2021	2020
Assets	**R'000**	**R'000**
Foreign exchange contracts		
Notional	1,582,900	503,781
Fair value	**54,734**	**52,644**
- Gross	55,934	53,093
- Expected credit loss	(1,200)	(449)
Liabilities		
Foreign exchange contracts		
Notional	1,122,093	624,396
Fair value	**41,528**	**56,722**

4. SHORT-TERM NEGOTIABLE SECURITIES

The Short-Term Negotiable Securities consisted of RSA Government Treasury Bills and Debentures.

		2021	2020
Investments Amortised cost	**Notes**	**R'000**	**R'000**
At 1 January		60,051	221,519
Purchased Treasury Bills and Debentures	26.3	630,000	2,035,000
Proceeds on maturity from sale of Treasury Bills and Debentures	26.3	(690,577)	(2,202,880)
Interest earned		526	6,412
At 31 December		**-**	**60,051**

5. GOVERNMENT BONDS - FAIR VALUE THROUGH COMPREHENSIVE INCOME

Goverment bonds comprise the following balances :

	2021	2020
	R'000	R'000
At January	-	-
Purchased	881,461	-
Proceeds from sale	(760,890)	-
Proceeds - coupons	(4,438)	-
Interest earned	9,320	-
Profit on sale of bond	10,258	-
Gross Bond Value	**135,711**	**-**
IFRS 9 Mark to Market valuation adjustment	(649)	-
At 31 December	**135,062**	**-**
R2035 Government Bonds	46,515	-
R2037 Government Bonds	88,547	-
	135,062	-

These bonds are classified as fair value through comprehensive income and are carried at fair value through OCI. The nominal value of the Government bonds is R150million.

6. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2021	2020
	R'000	R'000
Accounts receivable*	22,035	8,938
Prepaid Expenses	19,248	11,089
Other receivables	37,322	8,061
Interest accrued	2,238	941
	80,843	**29,029**

Included in Prepaid Expenses is R750,000 (2020:R1,500,000) paid to Meraki Capital (Pty) Ltd for facilitating the raising of R150 million Institutional Loan. See note 19. The amortised fee has been included as part of operational fee expenses.
*Refer to note 22.4 for expected credit loss, on accounts receivable.

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2021

7. OTHER ASSETS

	2021	2020
	R'000	R'000
Inventory - Card Stock	2,401	-

8. 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 2021 or 2020.

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.

	2021	2020
	R'000	R'000
Financial asset carried at fair value		
Unlisted - Dandyshelf 3 (Pty) Ltd		
Fair value	**15**	**15**

9. GOVERNMENT BONDS - AMORTISED COST

Government bonds comprise the following balances:

	2021	2020
	R'000	R'000
At January	139,699	167,346
Purchased	1,452,864	298,630
Proceeds of coupons	(15,794)	(354,610)
Interest earned	36,393	13,737
Profit on sale of bond	-	14,596
Gross Bond Value	**1,613,161**	**139,699**
Credit Impairment	(999)	(160)
At 31 December	**1,612,162**	**139,539**
R2032 Government Bonds	140,332	139,539
R2030 Government Bonds	29,110	-
R2035 Government Bonds	299,315	-
R2037 Government Bonds	1,143,405	-
	1,612,162	139,539

These bonds are classified as Amortised cost and are carried at amortised costs. The nominal value of the Government bonds is R1,8billion

10. LOANS AND ADVANCES

2021	Gross Loans R'000	Expected Credit Loss (ECL) R'000	Net Loans R'000
Business and Commercial Banking	1,676,475	(61,460)	1,615,015
Guarantees		(3)	(3)
	1,676,475	**(61,463)**	**1,615,012**
2020			
Business and Commercial Banking	2,058,387	(114,578)	1,943,809
Guarantees		(157)	(157)
	2,058,387	**(114,735)**	**1,943,652**

Overdrafts

2021 Loan product by credit quality	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total R'000
Standard monitoring	111,087	32,068	-	143,155
Special monitoring	-	17,094	-	17,094
Default	-	-	8,898	8,898
Gross carrying amount	111,087	49,162	8,898	169,147
Loss allowance	(596)	(1,699)	(6,229)	(8,524)
	110,491	**47,463**	**2,669**	**160,623**

2020 Loan product by credit quality	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 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**

Property, commercial and other term loans

2021 Loan product by credit quality	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total R'000
Standard monitoring	455,227	59,706	-	514,933
Special monitoring	-	181,032	-	181,032
Default	-	-	56,021	56,021
Gross carrying amount	455,227	240,738	56,021	751,986
Loss allowance	(897)	(2,793)	(17,621)	(21,311)
	454,330	**237,945**	**38,400**	**730,675**

2020 Loan product by credit quality	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 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**

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2021

10. LOANS AND ADVANCES (CONTINUED)

Home loans

2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan product by credit quality	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	**R'000**
Standard monitoring	489,440	50,574	-	540,014
Special monitoring	-	10,759	-	10,759
Default	-	-	76,391	76,391
Gross carrying amount	489,440	61,333	76,391	627,164
Loss allowance	(1,714)	(1,712)	(19,846)	(23,272)
	487,726	**59,621**	**56,545**	**603,892**

2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan product by credit quality	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	**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**

Instalment credit and lease agreements

2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan product by credit quality	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	**R'000**
Standard monitoring	65,011	29,486	-	94,497
Special monitoring	-	26,745	-	26,745
Default	-	-	6,936	6,936
Gross carrying amount	65,011	56,231	6,936	128,178
Loss allowance	(184)	(1,634)	(6,535)	(8,353)
	64,827	**54,597**	**401**	**119,825**

2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan product by credit quality	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	**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**

Loans and advances

2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan product by credit quality	**Lifetime ECL**	**Lifetime ECL**	**Lifetime ECL**	**R'000**
Standard monitoring	1,120,765	171,834	-	1,292,599
Special monitoring	-	235,630	-	235,630
Default	-	-	148,246	148,246
Gross carrying amount	1,120,765	407,464	148,246	1,676,475
Loss allowance	(3,391)	(7,838)	(50,231)	(61,460)
	1,117,374	**399,626**	**98,015**	**1,615,015**

10. LOANS AND ADVANCES (CONTINUED)

2020	Stage 1	Stage 2	Stage 3	Total
Loan product by credit quality	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	**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**

Guarantees and letters of credit

2021	Stage 1	Stage 2	Stage 3	Total
Loan product by credit quality	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	**R'000**
Standard monitoring	40,318	4,285	-	44,603
Special monitoring	-	-	-	-
Default	-	-	-	-
Gross carrying amount	40,318	4,285	-	44,603
Loss allowance	(2)	(1)	-	(3)
	40,316	**4,284**	**-**	**44,600**

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**

	2021	2020
Category analysis	**R'000**	**R'000**
Overdrafts	160,249	204,079
Property, commercial and other loans	695,966	806,257
Home loans	550,773	644,827
Instalment credit and lease agreements	121,242	181,223
Non-Performing Loans	148,245	222,001
	1,676,475	**2,058,387**
Less: Expected credit loss (ECL) - Refer Note 7	**(61,463)**	**(114,735)**
Overdrafts	(8,524)	(54,462)
Property, commercial and other loans	(21,311)	(19,236)
Home loans	(23,272)	(31,041)
Instalment credit and lease agreements	(8,353)	(9,839)
Guarantees	(3)	(157)
Net loans and advances	**1,615,012**	**1,943,652**

10. LOANS AND ADVANCES (CONTINUED)

Included in ECL is suspended interest amounting to R13,673,657 (2020: R11,595,258). 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 statement of comprehensive income but allocated to the customer's account and interest in suspense. The interest is only recognised in the statement of comprehensive income once recovered or rehabilitated to stage 2.

	2021	2020
Sectorial analysis	**R'000**	**R'000**
Agriculture	116,004	189,185
Financial, Building and property development	553,379	568,700
Individuals	329,884	399,926
Manufacturing and commerce	496,055	533,242
Transport and communication	113,327	127,464
Electricity and Water	-	5,790
Mining	5,532	17,798
Other services	62,294	216,282
	1,676,475	**2,058,387**
Maturity analysis		
Maturing within one year	370,375	465,643
Maturing after one year but within five years	549,529	641,008
Maturing after five years	756,571	951,736
	1,676,475	**2,058,387**

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
2021		**R'000**	**R'000**	**R'000**
Overdraft	0.53%	8,898	2,669	6,229
Commercial and property loans	3.34%	56,021	38,400	17,621
Instalment sale	0.41%	6,936	401	6,535
Home loans	4.56%	76,391	56,545	19,846
Total	**8.84%**	**148,246**	**98,015**	**50,231**
Non-performing loans and advances by sector				
Individuals	2.50%	41,869	31,590	10,279
Manufacturing	3.03%	50,797	31,329	19,468
Transport	0.28%	4,736	3,099	1,637
Financial and Real Estate	2.85%	47,738	30,534	17,204
Agriculture	0.03%	527	-	527
Electricity and water	0.00%	-	-	-
Other services	0.15%	2,579	1,463	1,116
Total	**8.84%**	**148,246**	**98,015**	**50,231**

10. LOANS AND ADVANCES (CONTINUED)

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	32,831	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**

Mortgage portfolio - LTV distribution	Credit impaired (Gross Carrying amount) 2021	Credit impaired (Gross Carrying amount) 2020
	R'000	R'000
Less than 50%	-	-
50% to 60%	686	2,098
60 to 70%	-	-
70 % to 80%	4,086	8,415
80% to 90%	3,198	4,155
90%to 100%	27,460	39,837
Greater than 100%	40,961	36,013
	76,391	**90,518**

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2021

10. LOANS AND ADVANCES (CONTINUED)

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**	**2021 Total R'000**
Balance as at 1 January 2021	4,939	7,485	102,311	114,735
Movements with P&L impact				
New loans and advances originated	1,523	-	-	1,523
New loans and advances originated moved from stage 1 to stage 2	(1,166)	1,166	-	-
Settlement of loans and advances	(810)	(1,341)	(1,079)	(3,230)
Amounts written off	-	-	(56,255)	(56,255)
Transfers:				
Transfer from Stage 1 to Stage 2	(588)	588	-	-
Transfer from Stage 1 to Stage 3	(6)	-	6	-
Transfer from Stage 2 to 3	-	(2,934)	2,934	-
Transfer from Stage 2 to 1	985	(985)	-	-
Transfer from Stage 3 to 2	-	4,468	(4,468)	-
Transfer from Stage 3 to 1	558	-	(558)	-
Changes in PD's/LGD's/EAD	(2,042)	(608)	7,340	4,690
	3,393	7,839	50,231	61,463

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
New loans and advances originated moved from stage 1 to stage 2	-	-	-	-
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

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2021

10. LOANS AND ADVANCES (CONTINUED)

Securities in respect of loans and advances	**2021**	**2020**
Overdrafts, property and commercial loans	**R'000**	**R'000**
- Cash Investments	15,158	18,208
- Guarantees	550	1,905
- Mortgage Bonds	762,759	848,630
- Ceded Insurance Policies	2,471	149
- Other Securities	5,727	90,801
- Secondary Security	56,231	30,928
	842,896	**990,621**
Home Loans		
- Mortgage Bonds (Residential)	**549,795**	**641,016**
Instalment credit and lease agreements	**121,554**	**181,223**
Non-performing loans:		
- Mortgage Bonds (residential and commercial)	97,614	117,417
- 'Assets Financed in respect of Instalment Credit Agreement	401	2,274
	98,015	**119,691**
Total secured loans and advances	1,612,261	1,932,551
Total unsecured loans and advances	64,214	125,836
Total loans and advances	**1,676,475**	**2,058,387**

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

Impact of Covid 19 – Moratoriums

During 2021, the Bank has continued 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 were extended further. By the end of December 2021 there were no moratoriums remaining.

Loans and advances - Fair value through comprehensive income

An agreement to sell a portfolio of loans was entered into with Mercantile Bank in the prior year. A fee of 1% of the carrying amount is payable to Mercantile on conclusion of each loan transfered. The amount sold to Mercantile under the agreement was approximately R40million and the agreement has now came to an end in December 2021.

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2021

11. CREDIT IMPAIRMENT FOR LOANS AND ADVANCES

	2021	2020
	R'000	R'000
Balance at 1 January	114,735	40,842
Amounts written off against provisions	(56,253)	(812)
	58,482	**40,030**
Charge to the Statement of Comprehensive Income	**(3,510)**	**71,108**
Specific impairment: raised in the current year	11,222	84,887
Specific provisions: recoveries of balances raised in current year	(9,200)	(8,672)
Interest in abeyance recovered	(3,508)	(1,320)
Portfolio impairment reversal	(1,192)	(3,630)
Recoveries of Balance previously written off.	(832)	(157)
Recoveries of Balance previously written off	**832**	**157**
Interest in abeyance raised deducted against interest income	5,659	3,440
Balance at 31 December	**61,463**	**114,735**
Analysis		
Specific impairment	50,231	102,311
Portfolio impairment	11,232	12,424
	61,463	**114,735**
Sectorial analysis		
Individuals	12,428	16,607
Manufacturing	22,764	2,149
Transport and communication	3,189	3,093
Financial and real estate	19,899	15,059
Mining	11	75
Electricity and water	-	51
Agriculture	1,406	45,545
Other Services	1,766	32,156
	61,463	**114,735**

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2021

12. PROPERTY AND EQUIPMENT

Cost	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 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)
Balance as at 1 January 2021	**1,183**	**79**	**21,452**	**2,461**	**19,192**	**44,367**
Additions	2,365	-	5,416	-	3,968	11,749
Disposals	(885)	-	(1,666)	-	(835)	(3,386)
At 31 December 2021	**2,663**	**79**	**25,202**	**2,461**	**22,325**	**52,730**
Accumulated depreciation						
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
Balance as at 1 January 2021	**(1,103)**	**(79)**	**(17,709)**	**(2,019)**	**(5,761)**	**(26,671)**
Depreciation charge for the year	(149)	-	(1,484)	(113)	(4,062)	(5,808)
Eliminated on scrapping	858	-	1,406	-	835	3,099
At 31 December 2021	**(394)**	**(79)**	**(17,787)**	**(2,132)**	**(8,988)**	**(29,380)**
Carrying amount						
At 31 December 2020	80	-	3,743	442	13,431	17,696
At 31 December 2021	**2 269**	**-**	**7,415**	**329**	**13,337**	**23,350**

13. INTANGIBLE ASSETS

	Cost R'000	Amortisation R'000	Carrying Amount R'000
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**
Additions	45,893		45,893
Disposals	(146)	146	-
Amortisation for the year	-	(33,824)	(33,824)
At 31 December 2021	**198,542**	**(114,551)**	**83,991**

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

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2021

14. LEASES

14.1 Right of use asset

	2021 R'000	2020 R'000
Opening Balance	6,115	12,329
Recognition of right of assets in current year	42,013	5,282
Depreciation of right of use assets	(7,594)	(7,944)
Derecognition of right on termination of lease in current period	-	(3,552)
At 31 December	**40,534**	**6,115**

14.2 Lease liabilities

	2021 R'000	2020 R'000
Opening Balance	5,975	11,980
Recognition of lease liability in current year	42,013	5,282
Interest expense on lease liabilities	1,734	4,803
Minimum lease payments	(9,649)	(12,623)
Derecognition of liability on termination of lease in current year	-	(3,467)
At 31 December	**40,073**	**5,975**
Maturity analysis of lease liabilities		
Year 1	8,432	2,924
Year 2	7,820	1,181
Year 3	7,271	746
After Year 3	16,550	1,124
	40,073	**5,975**

15. SHARE CAPITAL

	2021 R'000	2020 R'000
Authorised		
1 000 000 000 (2020:1 000 000 000) ordinary shares of R1 each (par value)	1,000,000	1,000,000
Issued and fully paid		
At the beginning of the year 91 482 763 (2020: 67 855 763) shares of R1 each	91,482	67,856
Shares issued at R1 each during the year*	856,950	23,626
At the end of the year 948 432 074 (2020:91 482 763) shares of R1 each	**948,432**	**91,482**

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 Access Bank Plc, until the next AGM.

16. SHARE PREMIUM

	2021 R'000	2020 R'000
Balance at beginning and end of the year	734,838	626,927
Shares issued during the year	(456,950)	107,911
Balance at end of the year	**277,888**	**734,838**

Refer to directors' report for further breakdown.

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2021

17. DEPOSITS AND CURRENT ACCOUNTS

	2021	2020
	R'000	R'000
Demand deposits	1,075,137	1,248,092
Customer foreign currency deposits (demand deposits)	160,556	293,075
Term deposits	855,467	873,319
	2,091,160	2,414,486
Deposits from banks	1,641,480	35,731
	3,732,640	**2,450,217**
Included in deposits from banks are:		
Amounts due to other banks	1,641,480	35,731
Maturity analysis		
On demand	1,281,598	1,581,899
Maturing within one month	39,591	34,245
Maturing after one but within six months	1,276,034	485,974
Maturing after six months but within twelve months	1,093,187	303,391
Maturing greater than 12 months	42,230	44,708
	3,732,640	**2,450,217**
Sector analysis		
Agriculture, Hunting, Forestry and Fishing	124,152	184,706
Community, Social and Personal	529,710	560,499
Construction	21,122	26,499
Electricity and Water	2,580	2,499
Financial, Insurance, Real estate and Business	2,351,125	962,937
Manufacturing	18,425	19,904
Mining	12,273	16,254
Other	39,377	51,032
Transport and communication	70,733	111,727
Wholesale and Retail trade	563,143	514,160
	3,732,640	**2,450,217**

18. ACCOUNTS PAYABLE

	2021	2020
	R'000	R'000
Sundry creditors	28,811	30,128
Accruals	103,655	70,237
Receiver of Revenue - Payroll cost	3,625	-
Receiver of Revenue - VAT	1,288	307
	137,379	**100,672**

19. INSTITUTIONAL LOANS

	2021	2020
	R'000	R'000
Openning balance	150,000	-
Loan received	-	150,000
Loan repaid	(75,000)	-
Interest expense for current year	11,158	14,080
Interest settled during the year	(11,158)	(14,080)
	75,000	**150,000**

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

20. DEBENTURE INSTRUMENTS

	2021	2020
	R'000	R'000
5year 3months Debentures - Issued 04 May 2021	183,161	-

Comprises of 3 unsecured debentures issued in 2021 in favour of 3 investors.

The debentures bear interest at the aggregate of 12month Jibar plus a margin of 2% per annum with a maturity of 5years and 3months.

The capital amount is payable on maturity. The debentures at the sole discretion of the Prudential Authority (PA) can be converted into ordinary shares on the occurance of a trigger event as determined by the PA. The debentures qualify as Tier 2 capital in terms of the Bank Regulations. The future discounted cashflows are disclosed in note 24. In 2023 Jibar will be replaced with another base rate and this has been considered in the legal documents of the debentures.

21. CONTINGENCIES AND COMMITMENTS

	2021	2020
21.1 Contingencies	R'000	R'000
Letters of credit	7,897	1,905
Liabilities under guarantees	36,706	53,029
Revocable unutilised facilities	127,904	169,797
Irrevocable unutilised facilities	82,612	140,199
EFT Debit services	2,200	2,200
Legal claim instituted by borrowers	92,630	45,000
Committed capital expenditure	14,325	4,268
Deferred Sanction fine	5,000	5,000
Centurion lease option	35,500	-
	404,774	**421,398**

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2021

22. LOSS FROM OPERATIONS

22.1 Interest income

	2021 R'000	2020 R'000
Balances with banks and short-term funds	14,745	13,517
Short-term negotiable securities	526	6,412
Government bonds	45,712	13,737
Loans and advances - performing	138,625	171,809
Other interest earned	6	178
	199,614	**205,653**

22.2 Interest expense

	2021 R'000	2020 R'000
Deposits from banks	20,867	3,996
Current and call deposit accounts	21,634	16,433
Savings accounts	4,363	5,837
Other term deposits	49,281	62,618
Negotiable certificates of deposits	-	1,739
Interest bearing institutional loans	11,158	14,080
Debentures	7,904	-
	115,207	**104,703**

Included in interest paid in 2020 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 is at arbitration and is still ongoing. In the unlikely event of the Bank lossing the arbitration the Bank would need to refund the R16,5 million plus interest to the customer.

22.3 Interest expense from non-banking activities

	2021 R'000	2020 R'000
Interest on lease liabilities	1,734	4,803
	1,734	**4,803**
Net interest income	**82,673**	**96,147**

22.4 Non - interest income

	2021 R'000	2020 R'000
Fee income	95,545	65,428
Foreign exchange profit	20,602	15,596
Profit on sale of Government bonds	10,258	14,596
Profit on scrapping of assets	299	-
Other income	705	3,329
Less: Credit impairment on other financial assests	(1,339)	(1,695)
	126,070	**97,254**

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2021

22.5 Operating expenses

	2021 R'000	2020 R'000
Staff costs	**158,833**	**169,268**
Salaries, wages and allowances	115,178	132,798
Contributions to provident fund and other staff funds	19,037	19,424
Directors' emoluments	18,935	12,776
Other	5,683	4,270
Depreciation and amortisation	**47,226**	**63,116**
Owned assets	**39,632**	**55,172**
Motor vehicles	149	65
Furniture and fittings	1,484	4,015
Office equipment	113	245
Computer equipment	4,062	2,914
Computer software	33,824	47,933
Lease assets	**7,594**	**7,944**
Buildings	7,594	7,944
Audit fees	6,520	5,905
Loss on scrapping of fixed assets	287	3,847
Other operating expenses	213,043	234,287
	425,909	**476,423**

23. TAXATION

The Bank has a tax assessed loss position of R585,253,554 as at 31 December 2020. December 2020 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.

Financial Statements for the year ended 31 December 2021

24. 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
2021									
Derivative financial instrument	41,528	-	1,663	37,415	2,450	-	-	-	-
Due to customers	2,091,160	329,321	1,262,198	89,720	367,691	22,210	20,020	-	-
Due to banks	1,641,480	-	45,900	159,558	1,436,022	-	-	-	-
Long term debt instrument	75,000	-	-	18,750	56,250	-	-	-	-
Lease liabilities	40,073	-	749	1,512	6,171	7,820	17,503	6,318	-
Accounts payable	137,379	-	52,266	34,049	14,951	620	8,462	-	27,031
Debentures	245,765	-	-	-	7,903	11,920	35,793	190,149	-
	4,272,385	**329,321**	**1,362,776**	**341,004**	**1,891,438**	**42,570**	**81,778**	**196,467**	**27,031**

	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	-	-
Negotiable certificate of deposits	-	-	-	-	-	-	-	-	-
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**

Notes to the Financial Statements

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25. CATEGORIES AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Asset	2021 Fair Value R'000	2020 Fair Value R'000
Amortised cost	**1,615,949**	**209,119**
Short term negotiable securities	-	60,051
Government Bonds	1,615,949	149,068
Fair value through comprehensive income	**135,062**	**-**
Government Bonds	135,062	-
Loans and receivables	**2,618,872**	**2,591,249**
Cash and cash equivalents	923,017	618,568
Loans and advances	1,615,012	1,943,652
Other Accounts receivable and prepayments	80,843	29,029
Fair value through Profit or Loss	**54,734**	**52,644**
Derivative financial instrument	54,734	52,644
Held at fair value	**15**	**15**
Other investments	15	15
Liabilities		
Fair value through Profit or Loss	**41,528**	**56,722**
Derivative financial instruments	41,528	56,722
Other financial liabilities	**3,985,092**	**2,706,864**
Deposits	3,732,640	2,450,217
Institutional loan	75,000	150,000
Accounts payable and Provisions	137,379	100,672
Lease liabilities	40,073	5,975

Fair Value Levels

2021

Asset	**Level 2**	**Level 3**
Derivative Financial Instrument	54,734	
Other investments		15
Liabilities		
Derivative Financial Instruments	41,528	

2020

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

The bank does not have Level 1 financial instruments.

25.1 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	Fair value hierarchy	Valuation techniques and key inputs
1. Foreign currency forward contracts (note 3)		Discounted cash flow.
	Level 2	Future cash are determined based on the forward exchange rates from observable forward exchange rate at the end of the reporting period and contract forward rates, discounted at a 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 2021 or 2020. 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. If one had to participate in Dandyshelf as a new shareholder a similar amount would be paid for said participation.

26. 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.

26.1 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.

26.2 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.

26.2 Capital 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. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: 5 year debentures and 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"

	2021	2020
Tier 1 capital	**R'000**	**R'000**
Share capital	948,432	91,482
Share premium	277,888	734,839
Revaluation reserves	(649)	-
Deductions against capital and reserve funds	(872,129)	(665,818)
Less: intangible assets	(83,991)	(71,923)
Total qualifying tier 1 capital	**269,551**	**88,580**
Tier 2 capital		
Debenture instruments issued	146,529	-
Collective impairment allowance	11,233	12,424
Total qualifying tier 2 capital	**157,762**	**12,424**
Total regulatory capital	**427,313**	**101,004**
Risk-weighted assets:		
Credit risk	1,604,217	1,732,821
Counter party risk	151,237	78,284
Market risk	18,537	3,373
Equity risk	15	15
Operational risk	276,017	254,483
Other risk	148,698	51,896
Total risk-weighted assets	**2,198,721**	**2,120,872**
Capital adequacy ratio	**19.43%**	**4.76%**

26.3 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.

26.3 Liquidity Risk (continued)

	Non-contractual	Up to 1 month	1 - 3 months	3 - 6 months	7 - 12 months	1 - 5 years	Over 5 years	Total
2021	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Assets								
Cash and cash equivalents	-	890,287	32,730	-	-	-	-	923,017
Derivative financial instruments	(1,200)	1,669	52,234	1,888	143	-	-	54,734
Accounts receivable and prepayments	36,282	33,544	11,017	-	-	-	-	80,843
Other investments	15	-	-	-	-	-	-	15
Other assets	2,401	-	-	-	-	-	-	2,401
Loans and Advances	148,246	191,521	46,631	45,767	86,456	549,529	546,862	1,615,012
Property and equipment	23,350	-	-	-	-	-	-	23,350
Intangible assets	83,991	-	-	-	-	-	-	83,991
Government Bonds - Amortised cost	(999)	-	-	-	-	-	1,613,161	1,612,162
Government Bonds - Fair value through comprehensive income	(649)	-	-	-	-	-	135,711	135,062
Right of use of asset	40,534	-	-	-	-	-	-	40,534
	331,971	**1,117,021**	**142,612**	**47,655**	**86,599**	**549,529**	**2,295,734**	**4,571,121**
Liabilities								
Institutional loans	-	-	18,750	18,750	37,500	-	-	75,000
Derivative financial liabilities	-	1,663	37,415	2,312	138	-	-	41,528
Deposits, current and other accounts	-	1,321,189	565,508	710,526	1,093,187	42,230	-	3,732,640
Accounts payable	27,031	52,265	34,049	10,166	4,785	9,083	-	137,379
Lease liabilities	-	749	1,512	2,190	3,981	25,323	6,318	40,073
Debentures	-	-	-	.	-	183,161	-	183,161
	27,031	**1,375,866**	**657,234**	**743,944**	**1,139,591**	**259,797**	**6,318**	**4,209,781**
Contractual liquidity mismatch	**304,940**	**(258,845)**	**(514,622)**	**(696,289)**	**(1,052,992)**	**289,732**	**2,289,416**	**361,340**

26.3 Liquidity Risk (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 and prepayments	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 of asset	6,115	-	-	-	-	-	-	6,115
	217,322	**946,017**	**80,693**	**75,351**	**109,406**	**641,008**	**869,434**	**2,939,231**
Liabilities								
Long term debt instruments	-	-	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
Negotiable certificate of deposits	-	-	-	-	-	-	-	-
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**

26.4 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.

2021	**Fixed**	**Floating**	**Non-interest sensitive**	**Total**
Assets	**R'000**	**R'000**	**R'000**	**R'000**
Cash and cash equivalents	32,580	574,875	315,562	923,017
Derivative financial instruments	-	-	54,734	54,734
Short-term negotiable securities	-	-	-	-
Accounts receivable and prepayments	-	-	80,843	80,843
Other investments	-	-	15	15
Other assets	-	-	2,401	2,401
Loans and Advances	-	1,676,475	(61,463)	1,615,012
Property and equipment	-	-	23,350	23,350
Intangible assets	-	-	83,991	83,991
Government bonds - Amortised cost	1,612,162	-	-	1,612,162
Government bonds - Fair value through comprehensive income	135,062	-	-	135,062
Right of Use of asset	-	-	40,534	40,534
	1,779,804	**2,251,350**	**539,967**	**4,571,121**
Liabilities				
Institutional loans	-	75,000	-	75,000
Derivative financial liabilities	-	-	41,528	41,528
Deposits, current and other accounts	2,117,140	1,615,500	-	3,732,640
Accounts payable	-	-	137,379	137,379
Lease liabilities	-	-	40,073	40,073
Debentures	-	183,161	-	183,161
	2,117,140	**1,873,661**	**218,980**	**4,209,781**

26.4 Interest Rate Risk (continued)

2020	Fixed R'000	Floating R'000	Non-interest sensitive R'000	Total R'000
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 and prepayments	-	-	29,029	29,029
Other investments	-	-	15	15
Loans and Advances	-	2,058,387	(114,735)	1,943,652
Property, plant and equipment	-	-	17,696	17,696
Intangible assets	-	-	71,922	71,922
Government bonds	139,699	-	(160)	139,539
Right of use of 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**

26.5 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 R14,3 million and decrease by R13,8 million (2020: increase by R24,2 million and decrease by R24,2 million)

2021	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	574,875	32,580	-	-	-	315,562	923,017
Derivative financial instruments	-	-	-	-	-	54,734	54,734
Short-term negotiable securities	-	-	-	-	-	-	-
Accounts receivable and prepayments	-	-	-	-	-	80,843	80,843
Other investments	-	-	-	-	-	15	15
Other assets	-	-	-	-	-	2,401	2,401
Loans and Advances	1,676,475	-	-	-	-	(61,463)	1,615,012
Property, plant and equipment	-	-	-	-	-	23,350	23,350
Intangible assets	-	-	-	-	-	83,991	83,991
Government bonds - Fair value through comprehensive income	-	-	-	-	135,062	-	135,062
Government bonds - Amortised cost	-	-	-	-	1,612,162	-	1,612,162
Right of use of asset	-	-	-	-	-	40,534	40,534
	2,251,350	**32,580**	**-**	**-**	**1,747,224**	**539,967**	**4,571,121**
Liabilities							
Due to other banks	45,900	159,558	1,436,022	-	-	-	1,641,480
Due to customers	1,596,100	85,139	367,691	22,210	20,020	-	2,091,160
Institutional loans	-	75,000	-	-	-	-	75,000
Debenture issued	-	-	183,161	-	-	-	183,161
Derivative financial liabilities	-	-	-	-	-	41,528	41,528
Accounts payable	-	-	-	-	-	137,379	137,379
Lease liabilities	-	-	-	-	-	40,073	40,073
	1,642,000	**319,697**	**1,986,874**	**22,210**	**20,020**	**218,980**	**4,209,781**

26.5 Interest Rate Sensitivity Analysis (continued)

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 and prepayments	-	-	-	-	-	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 of 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**

26.6 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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26.6 Foreign Currency Risk Management (continued)

Foreign Currency exposure

	ZAR	USD	EURO	Other	Total
2021	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Assets					
Cash and cash equivalents	615,211	262,815	36,714	8,277	923,017
Derivative financial instruments	(1,200)	54,477	1,310	147	54,734
Accounts receivable and prepayments	80,843	-	-	-	80,843
Other investments	15	-	-	-	15
Other assets	2,401	-	-	-	2,401
Government bonds - Fair value through comprehensive income	135,062	-	-	-	135,062
Loans and Advances	1,595,337	19,675	-	-	1,615,012
Property, plant and equipment	23,350	-	-	-	23,350
Intangible assets	83,991	-	-	-	83,991
Government bonds - Amortised cost	1,612,162	-	-	-	1,612,162
Right of use of asset	40,534	-	-	-	40,534
	4,187,706	**336,967**	**38,024**	**8,424**	**4,571,121**
Liabilities					
Institutional loans	75,000	-	-	-	75,000
Derivative financial liabilities	-	40,107	1,279	142	41,528
Deposits, current and other accounts	1,976,504	1,711,272	37,263	7,601	3,732,640
Accounts payable	132,426	4,953	-	-	137,379
Lease liabilities	40,073	-	-	-	40,073
Debentures	183,161	-	-	-	183,161
	2,407,164	**1,756,332**	**38,542**	**7,743**	**4,209,781**

26.6 Foreign Currency Risk Management (continued)

	ZAR	USD	EURO	Other	Total
2020	**R'000**	**R'000**	**R'000**	**R'000**	**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 and prepayments	29,029	-	-	-	29,029
Other investments	15	-	-	-	15
Loans and Advances	1,942,550	1,102	-	-	1,943,652
Property, plant and equipment	17,696	-	-	-	17,696
Intangible assets	71,922	-	-	-	71,922
Government bonds	139,539	-	-	-	139,539
Right of use of asset	6,115	-	-	-	6,115
	2,627,813	**183,145**	**89,396**	**38,877**	**2,939,231**
Liabilities					
Institutional loan	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
Right of Use of asset	5,975	-	-	-	5,975
	2,329,288	**305,594**	**89,790**	**38,914**	**2,763,586**

26.7 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.

27. RETIREMENT FUND

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

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28. CASH FLOW FROM OPERATING ACTIVITIES

28.1 Cash received from customers

	2021	2020
	R'000	R'000
Interest income	205,273	209,093
Non-interest income	108,094	82,506
	313,367	**291,599**

28.2 Cash paid to customers and employees

	2021	2020
	R'000	R'000
Interest expenditure	(116,941)	(109,506)
Operating expenditure	(425,909)	(476,423)
	(542,850)	**(585,929)**
Adjusted for:		
Depreciation - owned assets	5,808	7,239
Depreciation - leased assets	7,594	7,944
Amortisation - intangibles	33,824	47,933
Loss on scrapping assets	287	3,847
Interest on lease liabilities	1,734	4,803
Profit on sale of Fixed assets	(299)	-
Profit on sale of Government bonds	(10,258)	(14,596)
Interest accrued on Government bonds	(45,712)	(13,737)
Credit Impairment	1,339	609
	(548,532)	**(541,887)**

28.3 Decrease (increase) in income-earning assets

	2021	2020
	R'000	R'000
Negotiable securities and other assets	60,051	161,468
Loans and advances	325,659	4,452
Net derivative instruments	(18,035)	4,678
Other Accounts receivable and prepayments	(51,563)	(1,765)
Increase in Inventory	(2,401)	-
	313,711	**168,833**

28.4 (Decrease) Increase in deposits and other liabilities

	2021	2020
	R'000	R'000
Deposits and current accounts	1,282,423	(245,354)
Negotiable certificate of deposits	-	(10,000)
Other accounts payable and provisions	36,707	9,541
	1,319,130	**(245,813)**

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28.5 Reconciliation of loss to net cash flows from operating activities

	2021	2020
	R'000	R'000
Loss from operations	(213,656)	(354,130)
Adjusted for non cash items:		
- depreciation - owned assets	5,808	7,239
- depreciation - leased assets	7,594	7,944
- amortisation of intangible assets	33,824	47,933
- impairment charges	(3,510)	71,108
- bad debts recovered previously written off	832	157
- interest on lease liabilities	1,734	4,803
- interest in abeyance raised deducted against interest income	5,659	3,440
- Profit on sale of Fixed assets	(299)	-
- Profit on sale of Government bonds	(10,258)	(14,596)
- Loss on sale of fixed assets	287	3,847
- Interest accrued on Government bonds	(45,712)	(13,737)
- Expected credilt loss on other financial assets	1,339	609
- Adjustment for exchange rate effect on cash and cash equivalents	(18,808)	(14,905)
Cash generated from operations	**(235,166)**	**(250,288)**

28.6 Purchases of Government Bonds

	2021	2020
	R'000	R'000
Government bonds - Fair value through comprehensive income	(881 461)	-
Government bonds - Amortised cost	(1 452 864)	(298 630)
	(2 334 325)	**(298 630)**

28.7 Proceeds received from Sale of Government bonds

	2021	2020
	R'000	R'000
Government bonds - Fair value through comprehensive income	765 328	-
Government bonds - Amortised cost	15 794	354 610
	781 122	**(250,288)**

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2021

29. 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.

29.1 Identification of Related Parties

The holding company is Access Bank Plc (incorporated in Nigeria). During the year the Bank, in the ordinary course of business, entered into various transactions with Access Bank Plc, its subsidaries 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.

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

	Amounts owed by related parties at 31 December 2021	Amounts owed to related parties at 31 December 2021
	R'000	R'000
Holding company		
Access Bank Plc	8,609	1,647,387
Other related parties		
GroCapital Holdings (Minority shareholder)	-	12,264
AFGRI (Pty) Ltd (Related to minority shareholder)	-	4,853
HFP South Africa investments Proprietary Limited (Related to minority shareholder)	-	128,124
Unigro Financial Services (Pty) Ltd (Related to minority shareholder)	226	-
The Government Employees Pension Fund Represented by the Public Investment Corporation SOC Limited (Related to minority shareholder)	-	91,382
Access Bank - United kingdom (Related to Bank Holding Entity)	13,455	-
Access Bank - Mozambique (Related to Bank Holding Entity)	-	4,537
Access Bank - Rwanda Plc (Related to Bank Holding Entity)	-	99
Access Bank - Zambia Limited (Related to Bank Holding Entity)	-	858
Access Bank - DR Congo SA (Related to Bank Holding Entity)	-	10
Access Bank - Kenya Plc (Related to Bank Holding Entity)	-	53

29.2 Related-Party Transactions with Holding Company and Its Associated Companies (continued)

	Amounts owed by related parties at 31 December 2020 R'000	Amounts owed to related parties at 31 December 2020 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	-

	2021 R'000	2020 R'000
Interest Received		
Access Bank Plc	-	-
Fees received		
AFGRI (Pty) Ltd	-	7
Interest paid		
Access Bank Plc	8,374	-
AFGRI (Pty) Ltd	-	1,995
GroCapital Holdings Limited	-	17,611
HFP South Africa investments Proprietary Limited	2,733	6,663
The Government Employees Pension Fund Represented by the Public Investment Corporation SOC Limited	3,982	-
Operational Costs		
GroCapital Holdings Limited	-	3,026
GroCapital Broking Services (Pty) Ltd	-	260
Other income		
GroCapital Holdings Limited	-	199
GroCapital Financial Services (Pty) Ltd	-	2,702

29.3 Compensation of Key Management

The remuneration of directors during the year was as follows:

	2021	2020
	R'000	R'000
Directors' emoluments	**18,935**	**12,776**
Independent non-executives	3,215	4,038
TJ Fearnhead	-	38
P Ranchod	-	748
R Shough	470	791
W Kruger	413	685
J Mirza	-	580
P Mathidi	895	-
NM Nene	282	671
P Hadebe	340	150
J E O'Neill	230	150
AEM Beck	383	150
B Barungi	202	75
Executive Directors	15,720	8,738
B van Rooy	11,838	4,454
DJ Adriaanzen	-	1,330
C Michaelides	3,882	2,954

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

	Cash Salary	Discretionary Payment	Leave pay payout	Travel, Subsistence & use of company car allowance	Cellphone and data Allowances	Medical Aid contributions	Provident fund contributions	Total
2021	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Executive directors salary composition	**11,529**	**3,000**	**461**	**80**	**31**	**-**	**619**	**15,720**
B van Rooy	9,213	1,767	461	80	12	-	305	11,838
C Michaelides	2,316	1,233	-	-	19	-	314	3,882

29.3 Compensation of Key Management (continued)

2020	Cash Salary	Discretionary Payment	Leave pay payout	Travel, Subsistence &use of companycar allowance	Cellphone anddata 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

29.4 Transactions with Directors And Their Associated Companies Are At Arms Lengths

Amounts owed by/to related parties as at December 2021

There were no amounts owed by/to the independent non-executive Directors and their associated companies for the year ended 31 December 2021 (RNil:2020).

30. PRINCIPAL FOREIGN CURRENCY CONVERSION CLOSING RATES

	2021	2020
Pound Sterling	21,512	20,066
United States of America	15,956	14,687
Euro	18,071	18,023
Australian Dollar	11,563	11,34
Botswana Pula	1,358	1,359
Japanese Yen	0,139	0,143
Canadian Dollar	12,547	11,519

Notes to the Financial Statements

Financial Statements for the year ended 31 December 2021

31. GOING CONCERN

The Bank has made a loss in the financial year ended 2021 of R214 million and in the financial year ended 2020 of R354 million however, the Bank is solvent and has a current net asset value of R361 million and R176 million in 2020.

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 Access Bank (South Africa) previously known as 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:

- The new capital injection from Access Bank Plc of R375 million was injected into the Bank on 28 March 2022,
- The letter of support from Access Bank Plc pledging capital and funding support in the event of any capital or liquidity shortfall, under any market conditions.

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

32. POST BALANCE SHEET EVENTS

On the 28 March 2022, the Bank raised R375m in ordinary share capital from its shareholders. This new capital injection has resulted in the change of shareholder percentages to:

Access Bank Plc 95.210%
GroCapital Holdings 4.787%
Other Minorities 0.003%

KZN Floods

During April 2022 the country experieced floods in KZN. This impacted the country in terms of loss of lives and loss of businesses. The Bank was not impacted from a customer point view and the Bank's staff are all safe and accounted for.

International markets

The Ukraine / Russian conflict has not affected the Bank's clients and the Bank has no exposure to these countries.

notes

South Africa Head Office:

Head Office, Building 3
Inanda Greens Business Park
54 Wierda Road West,
Wierda Valley, 2196.

Switchboard: 011 634 4300

www.southafrica.accessbankplc.com

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