annual financial statements

2022

index
to annual financial statements

directors' responsibility and approval

annual financial statements for the year ended 31 December 2022

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards and fairly represent the state of affairs of the bank. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the company and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the company will not be a going concern in the foreseeable future.

The annual financial statements have been audited by the independent auditing firm, Deloitte, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholder, the directors and committees of the directors. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditor's unqualified audit report is presented on pages 14 to 17.

The annual financial statements set out on pages 18 to 90 which have been prepared on the going concern basis, were approved by the directors and were signed on 05 March 2024.

Chukwuma N. Ajene

P Mathidi
Chairman

C Ajene and R Giles
Co-Chief Executive Officers

certificate by the company secretary

The Company Secretary of Access Bank South Africa 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 2022.

Lolly Reddy
Company Secretary
05 March 2024

report from the chairperson of the audit and compliance committee

annual financial statements for the year ended 31 December 2022

This report provides an overview of the 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 2022. 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 Access Bank South Africa. 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.

1. COMPOSITION AND GOVERNANCE

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).

2. THE MEMBERS ARE:

Ms A Beck (Chairperson, non-executive independent director) (Resigned 30 September 2023)

Mr J E O'Neill (non-executive independent director) (Appointed as Chairperson on 5 October 2023)

Ms B Barungi (non-executive independent director)

Mrs L Molefe (non-executive independent director) (Appointed 11 September 2022)

Mr E de Kock (non-executive independent director) (Appointed 8 September 2022)

Ms S Chetty (non-executive independent director) (Appointed 25 July 2023)

With the resignation of Ms A Beck, Mr J E O'Neill has been appointed as the chairperson.

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 Chief Internal Auditor, the Chief Compliance Officer, 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, Chief Compliance Officer, the Chief Internal Auditor, 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.

3. 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, the Board and relevant regulatory authorities. The responsibility and functions of the Committee include the review of Annual Financial Statements 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.

report from the chairperson of the audit and compliance committee continued

Annual Confirmations of Key Functions For The Year

External auditor appointment and independence

Deloitte were appointed as external auditors of the Bank for the 2022 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 2022 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 2022 audit. During the year the committee met confidentially with the external audit partner without management being present.

Our established procedure that governs the consideration and approval of non-audit services provided by the auditor, was followed. During 2022 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 complaints 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.

Feedback from the Bank's external auditors highlighted several material control deficiencies with the external auditors concluding that there has been a material breakdown in internal controls. The resolution of the matters identified delayed the finalisation of the annual audit and the issuing of financial statements for the year ended 31 December 2022. The Audit Committee significantly increased their oversight over the process of finalisation of the annual financial statements to ensure that Management responses were appropriate. The matters identified by the Auditors and Management responses are included in the Directors report. The Audit Committee is satisfied that the extensive work performed by Management to address the matters identified gives a reasonable basis to ensure that the annual financial statements fairly represent the financial results and performance of the Bank.

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

report from the chairperson of the audit and compliance committee continued

annual financial statements for the year ended 31 December 2022

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 Chief Internal Auditor reports the findings of the internal audit work against the agreed internal audit plan to the ACC on a regular basis. The Chief Internal Auditor 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 Chief Internal Auditor 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 Chief Compliance Officer 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 Chief Compliance Officer without other members of management being present.

The Compliance function reported areas of non compliance as this relates to AML (as discussed in the Directors report) and further noted non-compliance with Companies Act legislation due to the delay in the finalisation of the annual financial statements. The Board has responded to the non-compliances identified and put in place measures to address them.

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, and conversely the chairperson of the ERCM committee is a member of the ACC, ensuring that information relevant to these committees is transferred regularly. The ACC fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud and compliance risk as it relates to financial reporting, and information technology risks as they relate to financial reporting. Credit risk and expected credit losses (ECL's) with consideration to macro-economic factors used to calculate the forward-looking scenarios is reviewed by Board Credit Committee (BCC).

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

The ACC has considered the appropriateness of the expertise and the adequacy of the resources of the finance function, and has identified that the strength of the finance function be enhanced through the recruitment of additional senior experienced finance staff. 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 and remains confident that the changes are being made to the Function will result in efficiencies realised during the 2023 audit.

report from the chairperson of the audit and compliance committee continued

annual financial statements for the year ended 31 December 2022

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.

Correction of prior period error

The ACC reviewed the prior period matter in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The ACC considered the root cause, nature and impact of the issue identified. The required restatement to the financial statements were subject to verification by management to ensure that they were valid, accurate and complete. The restatement was reviewed and approved by the ACC.

The ACC considered the cause of the restatement and confirms that the actions taken in 2023 to strengthen the finance and reporting function will prevent a recurrence.

Going concern assessment

The ACC assessed on behalf of the Board and recommended to the Board that it was appropriate for the financial statements to be prepared on a going concern basis. It considered reports on the Bank's forecasts, capital, liquidity and solvency, regulatory compliance, and the impact of any legal proceedings for the bank to continue as a going concern. The going concern consideration are included in Note 30 to the annual financial statements.

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.

To the challenges noted that have resulted in the delays in the annual financial statements, the Committee appropriately increased its oversight activities to ensure that the audit for the 2022 financial year was completed.

J E O'Neill
Chairperson of the Audit and Compliance Committee
05 March 2024

The directors present their report for the year ended 31 December 2022.

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 (The Bank) is focused on developing and delivering banking services to corporates, small and medium-sized businesses and individuals, driven by a universal combination of retail, business and alliance banking.

Business and Commercial Banking

The Bank's Business and Commercial Banking segment 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, the Bank's Business and Commercial banking is fully integrated with the Bank's Treasury and Global Transactional Services ("GTS") business. The Bank also offers risk and investment solutions from leading providers in the industry which includes short and long term insurance as well as investment.

Treasury and Global Transaction Services

The Bank's GTS business segment is focused on providing professional and personalised foreign exchange and other trade-related (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 Bank's Alliance Banking business segment 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

The Bank's Corporate Banking segment provides innovative financial solutions to their customers which include standard working capital facilities, long-term debt solutions, trade finance solutions and currency hedging solutions.

Trade Finance

The Bank's Trade Finance segment provides financing to importers and exporters of goods by financing letters of credit and other bespoke finance trade solutions.

Retail Banking

The Bank's Retail Banking segment provide transactional products to individuals and micro enterprises. The initial focus is on transactional banking and deposits but unsecured lending was introduced in 2022. Three additional retail branches were opened and we launched one mobile banking unit.

Additional information can be accessed from The Bank's website.

Directors Report on internal controls

During the year under review the bank changed the core banking system, moving from a largely managed outsource model to in-house Flexcube, which is in use in other markets within the Access Bank PLC group. As noted in the Audit and Compliance Committee report, process and control weaknesses were identified post the implementation of the core banking system. A stabilization project has been initiated to address critical system gaps identified through a business-led review of system capabilities and challenges. The project will address both incidents and change requests highlighted by respective business users as well as processes which need to be improved.

The board of directors notes the material control deficiencies raised by the external auditors as referred to in the Audit and Compliance Committee (ACC) report. The board acknowledges these concerns and confirm the actions as described by the ACC are appropriate, have the support of the board and progress to implement is being monitored to ensure progress is made at pace.

Those matters highlighted by the external auditors and the response and actions taken to remediate these matters by the ACC and subsequently by the Board of Directors are:

Control deficiency identified	Management and Audit Committee Response
Process and control weaknesses identified post the implementation of the Flexcube system	A remediation plan is in place to address these matters, to stabilise the control and reporting environment, and to further enhance and improve the sustainability and efficiency of the bank's technology platforms. The ICTGC Board Committee is tracking these projects, and we expect these issues to be closed by the end of Q1 2024. A stabilisation project has been initiated to address critical system gaps identified through a business-led review of the system's capabilities and shortcomings. The remediation project will address all incidents and change requests highlighted by the business and is above 90% implementation.
The SIS system, a management reporting tool, is used to extract information from the underlying Flexcube system. The FY 2022 audit process identified reporting inconsistencies at a product level affecting data quality and data structures and decreasing data confidence arising from mappings to SIS from the Flexcube system	A data remediation project has commenced to ensure extraction rules are aligned across the data sets and to a single data source. This will bring significant benefits to the organisation for reporting and customer engagement activity. An automated three-way source reconciliation process is also being implemented between SIS, Flexcube and the General Ledger. The data remediation project is above 90% complete. Despite the challenges that were experienced post the core banking system transition during January 2022 with the data quality emanating from the SIS system, the Bank's internal controls over Flexcube and the general ledger provide reasonable assurance as to the integrity and reliability of the financial statements for the year ended 31 December 2022 and safeguard, verify, and maintain accountability of the Bank's financial position. A detailed data cleansing exercise was performed and Flexcube data was reconciled to the General Ledger. Post the adjustment of a product classification error identified, Management and the Audit Committee believe the annual financial statements are not materially misstated.
Deficiencies over suspense and clearing account management and reconciliations	The implementation of the core banking system, together with employee turnover, resulted in control weaknesses in the reconciliation process of settlement and clearing accounts. Processes have subsequently been reviewed and documented. An external audit firm was also appointed to review the mapping and reconciliation process. Reconciliations are being reviewed for accuracy and completeness. These plans, together with the supplementation of additional staff in the finance and operational areas, have already enhanced the control environment and aim to stabilise the environment. An extensive reconciliation of key suspense and clearing accounts was reperformed at year end. Following the reconciliation, there were certain adjustments that were processed in the annual financial statements. Management and the Audit committee believe that the detailed data cleansing and reconciliations performed provide reasonable assurance as to the integrity and reliability of the financial statements for the year ended 31 December 2022.
Deficiencies over financial reporting processes and controls over approval of journal entries	The ACC has considered the appropriateness of the expertise and the adequacy of the resources of the finance function and has identified that the strength of the finance function be enhanced through the recruitment of additional senior experienced finance staff. The ACC provided significant levels of oversight to ensure that Management appropriately responded to the disclosure misstatements identified as part of the audit. All the disclosure misstatements identified during the Audit were adjusted. The Bank will continue to enhance controls over journal entries and financial month-end and year-end close process.

Control deficiency identified	Management and Audit Committee Response
Deficiencies relating to AML controls	An external AML health check was conducted in 2022 to identify and proactively address the level of confidence in the bank's AML controls, and a remediation plan was put in place. The plan was in place, with an overall completion date set for 31 December 2023. The Prudential Authority (PA) issued a notice of inspection to Access Bank in terms of section 45B of the Financial Intelligence Centre Act 38 of 2001 (the FIC Act) on 23 March 2023. The purpose of the inspection was to assess Access Bank's compliance with the requirements of the FIC Act and any order, determination or directive made in terms thereof, as implemented at the time of the inspection. The PA issued a draft report for comments on 6 September 2023. An enterprise-wide remedial plan to urgently address the actions is being implemented to attend to the matters that were identified during the AML health check and the PAs draft report. To further the timely implementation of the remedial plan, the joint CEOs have already noted a change in culture, which enhances the first line of defence understanding of the importance of AML and control culture. Technical assistance is being provided to the Access Bank South Africa compliance function from the Group to support this project. The project is currently on track to meet all the deadlines imposed by the PA in this regard.
High turnover of staff and key executives	The Chief Executive Officer and Compliance Officer left the Bank's employment after the reporting date, leaving two senior vacancies in addition to the Chief Risk Officer position. The Board has commenced recruiting for these key positions and has identified suitable candidates, who are going through the required processes. A Chief Risk Officer and a Chief Executive officer have now been appointed. To ensure continuity, as an interim measure, the Board appointed, with the approval of the Prudential Authority, two existing Non-Executive directors as co-CEOs. The joint CEOs' positive impact on the business is already tangible. An Acting Head of Compliance was appointed to ensure adequate focus and continuity within the Compliance department.
General Information Technology Control deficiencies with few repeat findings	The information security team was strengthened with a CISO function and a second line of defence in the Access Bank Group. Operational risk is an area for improvement, and significant work has been undertaken to address policy and procedure gaps. As part of improving and laying the foundation for sustainable growth, the interim co-CEOs have arranged and leveraged technical assistance from within the Access Bank Group to assist in the Operations, Finance, Compliance and IT segments of the business, with a particular focus on process and operational control improvement, whilst the business continues to recruit for permanent skills. The Board and Audit Committee remains committed to employee retention and succession planning to ensure continuity of operations and adequate functioning of the control and governance environment.
Significant Regulatory Reporting findings, with a considerable number of repeat findings	Management have considered all the Regulatory findings identified and have put in place a remediation plan to ensure that the Regulatory findings identified are corrected in returns post the audit.

On 23 January 2024, the external auditors submitted an initial notification to the Independent Regulatory Board for Auditors (IRBA) that a suspected reportable irregularity may have occurred. The matters reported by the auditors are detailed in note 33 to these financial statements and were:

Matter Noted	Resolution of the Matter
1. Non-compliance with Section 28 of the Companies Act 71 of 2008 due to difficulties reconciling data to the general ledger, data integrity concerns due to adjustments in cashflow information, delays in reconciliations for suspense and clearing accounts as well as the draft set of financial statements being received from Management containing several errors and missing disclosures which points to significant deficiencies in financial reporting controls.	The migration of the core banking system during January 2022 resulted in data and reconciliation challenges and resulted in the possible non-compliance of Section 28(b) of the Companies Act 71. Despite these challenges accounting records were subsequently reconciled following extensive manual data clean-up. A sustainable long-term plan was also implemented to enhance the systems, ensure stability and data integrity.
2. Section 30(1) of the Companies Act 71 of 2008, requires management to prepare annual financial statements within six months after the end of its financial year. Access Bank South Africa has a 31 December year end. As a result of the issues noted above, management has delayed in issuing the audited annual financial statements for 31 December 2022 within the prescribed time as required by this section.	Non-compliance with Section 30(1) of the Companies Act 71 of 2008 has been addressed with the signing of the annual financial statements. The annual financial statements will be submitted to the relevant authorities.
3. Non-compliance with Section 45B of the Financial Intelligence Centre Act 38 of 2001 (the FIC Act) identified through Management performing a health check and inspection performed by FTI Consulting and ITSS SARL. The health check and inspection in terms of Section 45B of the Financial Intelligence Centre Act 38 of 2001 (the FIC Act) identified significant control deficiencies over the Bank's Anti-Money Laundering (AML) processes and procedures. The report also identified deficiencies in data management and record keeping.	Management has put together a comprehensive plan to address the non-compliance with Section 45B of the Financial Intelligence Centre Act 38 of 2001 (the FIC Act) matters identified. The key milestones that were due to be met in accordance with that plan has been met. There is significant oversight by the Board and the Audit Committee on Management's plan and status of each item.
4. Non-compliance with Regulation 39 (18) of the Banks Act as the Regulations requiring the annual completion assessment of the Regulation 29(18) reports. This is to be submitted 120 days after year end. The Bank did not submit the required assessments and has linked the submission of the reports to the finalisation of the Annual Financial Statements.	Non-compliance with Regulation 39 (18) of the Banks Act will be addressed with the submission of the Reg 39 return to the Prudential Authority post the sign-off of annual financial month statements.

After additional work, the auditors notified the IRBA on 22 February 2024 that in their professional opinion the suspected reportable irregularity was continuing for matters 2 and 4 due to the audit process that was ongoing at that date and that the non-compliances for matter 1 and 3 had been addressed. (Refer to Note 33).

The Board is confident that the circumstances which impacted our year end processes are unlikely to recur in the future.

CAPITAL STRUCTURE

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 Annual General Meeting.

During the year capital raising exercises totalling R1.020 billion were undertaken.

- March 2022 – R374 999 998 share capital was raised by converting a portion of the Access Bank PLC loan granted in 2021, this was done by issuing 961 538 457 shares at R0.39 per share.
- November 2022 – R45 000 000 share capital was raised by converting a debenture held of R45million, this was done by issuing 115 384 616 shares at R0.39 per share.
- December 2022 – R600 000 000 share capital was raised by issuing 2 307 692 308 shares at R0.26 per share, a cash injection was issued to Access Bank South Africa.

DIVIDEND

No dividend has been proposed or declared for the year under review (2021: Nil).

HOLDING COMPANY

The holding company is currently Access Bank PLC, Nigeria's largest bank by total assets. Plans are underway to finalise the intermediate holding company of the Bank in South Africa.

Shareholders are:
Access Bank PLC - 97.88% (2021: 90.35%)
GroCapital Holdings - 2.11% (2021: 9.64%)
Other Minorities - 0.01% (2021: 0.01%)

GOING CONCERN

Based on the recommendation from the Audit and Compliance Committee (ACC), the Directors are satisfied that they are in a position to confirm, in terms of Regulation 40(4) of the South African Reserve Bank Regulations to the Banks Act and International Financial Reporting Standards, that the Bank will be able to continue within the foreseeable future as a going concern based on forecasts and available cash and capital resources. The annual financial statements have therefore been prepared on the going concern basis. For additional context, refer Note 30.

EVENTS AFTER THE REPORTING DATE

In June 2023, Access Bank South Africa lost the Land and Agricultural Development Bank of South Africa (Land Bank) case and it was dismissed with costs. Access Bank South Africa will be required to repay the Land Bank the capital amount plus interest incurred. The breakage fee plus interest was accrued for and is disclosed in note 18 and note 31.

On 30 June 2023 the one year syndicated loan of USD50million was repaid to Mashreq.

On 23 May 2023 there was a drawdown of R150m from DEG, which represents the final drawdown on the contract.

The Bank reported an unaudited loss of R176m for the year ended 31 December 2023 a 33% reduction to the R266m loss for 31 December 2022. For further details, refer to Note 31.

DIRECTORATE AND SECRETARY

The Directors of The Bank as at the date of this report are:

Non-executive:

- R M Y Giles (Resigned 31 October 2023)
- R M Ogbonna
- C N Ajene (Resigned 31 October 2023)

Independent, Non executive:

- A E M Beck (Resigned 30 September 2023)
- B P Mathidi
- N M Nene (Resigned 30 June 2022)
- P S Hadebe (Resigned 30 March 2022)
- B Barungi
- L N Molefe (Appointed 11 September 2022)
- E C de Kock (Appointed 8 September 2022)
- C Chetty (Appointed 1 May 2023)
- J E O'Neill

Executive:

- S Reddy (Chief Executive Officer) (Resigned 31 October 2023)
- R M Y Giles (Co-Chief Executive Officer) (Appointed 1 November 2023)
- C N Ajene (Co-Chief Executive Officer) (Appointed 1 November 2023)
- J H du Preez (Chief Financial Officer) (Appointed 20 July 2022)
- C Michaelides (Chief Financial Officer) (Resigned 31 May 2022)

Registered address:

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

Social and ethics committee

In line with the requirements of the Companies Act of South Africa, The Bank has appointed a Social and Ethics Committee. The members of the committee are:

Name	Appointment date
B Barungi *	Appointed 13 July 2021
L M Molefe (Chairperson) *	Appointed 11 September 2022
A E M Beck *	Appointed 01 June 2020 (Resigned 30 September 2023)
R M Y Giles	Appointed 13 July 2021
J H du Preez	Appointed 31 July 2022
S Reddy	Appointed 19 January 2022 (Resigned 31 October 2023)

** Independent, Non executive*

independent auditor's report

annual financial statements for the year ended 31 December 2022

To the Shareholders of Access Bank South Africa on the audit of financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Access Bank South Africa set out on pages 18 to 90, which comprise the statement of financial position as of 31 December 2022, 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 2022, 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.

Basis for opinion

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

Key Audit Matter

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

Material breakdowns in internal controls and the impact on the audit of the financial statements.

Strong internal controls over the financial reporting process are key to ensuring that financial statements are reliable and fairly presented. Internal control is defined as the process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Key Audit Matter	How the matter was addressed in the audit
The completeness and accuracy of the annual financial statements and its overall reliability, is dependent on automated and manual controls over the recording of transactions in the financial ledgers and strong internal controls over the financial reporting process. We identified a weak control environment during the 2022 financial year as a result of: • Process and control weaknesses identified post the implementation of the new core banking system – Flexcube. • The SIS system, a management reporting tool, is used to extract information from the underlying Flexcube system. We identified reporting inconsistencies at a product level affecting data quality and data structures and decreasing data confidence arising from mappings to SIS from the Flexcube system. • Deficiencies over suspense and clearing account management and reconciliation processes. • Deficiencies over financial reporting processes and controls over approval of journal entries. • Deficiencies relating to AML controls. • High turnover of staff and key executives. • General Information Technology Control deficiencies with some repeat findings. • Significant Regulatory Reporting findings, with a considerable number of repeat findings. While the audit procedures we have performed have provided us with sufficient and appropriate audit evidence, the impact of the above material breakdown of internal controls and the extent to which these significant deficiencies are linked to a likelihood of material misstatement including the risk of fraud and error, had a significant and pervasive impact on the overall timing, level of expertise and effort associated with the current year audit of the financial statements and thus is a key audit matter.	Given the significant control deficiencies identified, we adopted a fully substantive based audit. The following are the primary procedures we performed to address this key audit matter: • We applied auditor judgement to consider the appropriateness of the nature, timing, and extent of our audit procedures to be performed over financial statement account balances and where appropriate altered them to address additional risks based on our audit findings. • The audit process was delayed to allow management, the directors and the auditors sufficient time to close out on the key reconciliations of data. • We evaluated our scoping thresholds considering the material breakdowns in controls. • We increased the number of sample selections compared to what we would have otherwise made had the entity's controls been properly designed and operated effectively. • We involved data analytics specialists to assist us perform completeness and accuracy procedures of information processed through the Flexcube system and reconciling the information from the sub-ledger to the general ledger, to ensure that the information was not materially misstated. • We performed procedures on the key suspense and clearing account reconciliations to ensure that reconciling items were valid. • We considered the effect of non-compliance with laws and regulations in accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act and reported where necessary and from a financial reporting perspective. Refer to Note 33. • We critically evaluated non-routine transactions processed to ensure that they were not materially misstated in terms of measurement, recording and disclosure of the transactions. • We involved our auditing and accounting specialists to evaluate key judgements made in the annual financial statements including accuracy and completeness of disclosures. • We evaluated the sufficiency of audit evidence obtained by reassessing the results of procedures performed, including the appropriateness of the nature and extent of such evidence. Based on the audit procedures performed and the level of expertise and effort associated with the current year audit, we are satisfied that our audit procedures were sufficient to mitigate the impact of the material breakdown in financial controls.

independent auditor's report continued

annual financial statements for the year ended 31 December 2022

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 2022" 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.

Report on other legal and regulatory requirements

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the IRBA. The matter pertaining to the reportable irregularity have been described in Note 33 to the annual financial statements. We subsequently, and within the 30 day period prescribed by the Auditing Profession Act, reported to the IRBA that the suspected reportable irregularity was continuing and that adequate steps have been taken for the prevention or recovery of any loss as a result thereof, if relevant.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Justin Dziruni
Partner
19 March 2024

5 Magwa Crescent
Waterfall City
Johannesburg
2090

statement of financial position

annual financial statements for the year ended 31 December 2022

	Notes	2022 R'000	2021 Restated R'000
Assets			
Cash and cash equivalents	2	838,733	923,017
Derivative financial instruments	3	3,248	54,734
Short-term securities	4	423,797	–
Government bonds - fair value through comprehensive income	5	579,791	135,062
Accounts receivable and prepayments	6	91,533	80,843
Other assets	7	1,843	2,401
Other investments	8	15	15
Government bonds - amortised cost	9	1,358,419	1,612,162
Loans and advances - amortised cost	10	1,928,362	1,615,012
Property and equipment	12	31,489	23,350
Intangible assets	13	92,936	83,991
Right of use asset	14.1	42,267	40,534
Total assets		**5,392,453**	**4,571,121**
Equity and liabilities			
Equity			
Share capital	15	4,333,047	948,432
Share premium / (discount)	16	(2,086,727)	277,888
Accumulated loss		(1,166,387)	(899,920)
Non-distributable reserves	5	(29,850)	(649)
Total equity		**1,050,083**	**325,751**
Liabilities			
Deposits and current accounts	17	2,937,292	3,732,640
Derivative financial instruments	3	18,264	41,528
Accounts payable*	18	110,092	172,968
Lease liabilities	14.2	41,347	40,073
Institutional funding liability	19	1,097,214	75,000
Debenture instruments	20	138,161	183,161
Total liabilities		**4,342,370**	**4,245,370**
Total equity and liabilities		**5,392,453**	**4,571,121**

*The 2021 figure has been restated.

statement of profit or loss and other comprehensive income

annual financial statements for the year ended 31 December 2022

	Notes	2022 R'000	2021 Restated R'000
Interest income	22.1	384,761	199,614
Interest expense	22.2	(227,252)	(115,207)
Net interest income from banking activities		**157,510**	**84,407**
Interest expense from non banking activities	22.3	(1,277)	(1,734)
Net interest income		**156,233**	**82,673**
Expected credit loss – Loans and advances	11.1	(21,769)	3,510
Expected credit loss – Other	11.2	(3,481)	(1,339)
Non-interest income	22.4	127,391	127,411
Operating income		**258,373**	**212,255**
Staff cost	22.5	(185,589)	(158,833)
Depreciation and amortisation	22.5	(38,819)	(47,226)
Loss on scrapping of fixed assets	22.5	(211)	(287)
Other operating expenses*	22.5	(300,221)	(255,154)
Loss before tax		**(266,467)**	**(249,245)**
Income tax expense	23	–	–
Loss for the year		**(266,467)**	**(249,245)**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss		(29,201)	–
Debt Investments at fair value through other comprehensive income		(29,201)	–
Total comprehensive loss for the year		**(295,668)**	**(249,245)**
Loss for the year attributable to:			
Holding company		(260,818)	(225,203)
Minority shareholders		(5,649)	(24,042)
		(266,467)	**(249,245)**
Total comprehensive loss for the year attributable to:			
Holding company		(289,400)	(225,203)
Minority shareholders		(6,268)	(24,042)
		(295,668)	**(249,245)**

*The 2021 figure has been restated.

statement of changes in shareholders' equity

annual financial statements for the year ended 31 December 2022

	Notes	Share Capital R'000	Share Premium R'000	Non-Distributable Reserve R'000	Accumulated Loss R'000	Total R'000
Balance at 1 January 2021		91,482	734,838	–	(650,675)	175,645
Loss for the year		–	–	–	(249,245)	(249,245)
Issue of ordinary shares		856,950	(456,950)	–	–	400,000
Mark to Market valuation adjustments through OCI		–	–	(649)		(649)
Balance at 31 December 2021		**948,432**	**277,888**	**(649)**	**(899,920)**	**325,751**
Loss for the year		–	–	–	(266,467)	(266,467)
Issue of ordinary shares	15,16	3,384,615	(2,364,615)	–	–	1,020,000
Mark to Market valuation adjustments through OCI		–	–	(29,201)	–	(29,201)
Balance at 31 December 2022		**4,333,047**	**(2,086,727)**	**(29,850)**	**(1,166,387)**	**1,050,083**

statement of cash flows

annual financial statements for the year ended 31 December 2022

	Notes	2022 R'000	2021 Restated R'000
Cash flows from operating activities			
Cash receipts from banking operations	27.1	481,657	313,367
Cash paid to suppliers, employees and for banking operations*	27.2	(713,827)	(584,124)
		(232 170)	**(270,757)**
Net decrease (increase) in operating assets*	27.3	(309,994)	253,660
Net (decrease) increase in operating liabilities	27.4	(483,226)	1,354,721
Net cash inflow (outflow) from operating activities		**(1,025,389)**	**1,337,625**
Cash flows from investing activities			
Purchase of intangible assets		(28,747)	(45,893)
Purchase of equipment		(17,923)	(11,749)
Purchase of Government bonds		(1,361,874)	(2,334,325)
Purchase of short-term securities*		(422,104)	(630,000)
Proceeds from sale of short-term securities*		–	690,051
Proceeds received from sale of Government bonds		1,148,524	781,122
Net cash outflow from investing activities		**(682,124)**	**(1,550,795)**
Cash flows from financing activities			
Proceeds received from institutional loan		1,097,214	–
Institutional loan repaid		(75,000)	(75,000)
Proceeds from issue of equity instruments of the Bank		600,000	400,000
Proceeds from issue of debenture instruments		–	183,161
Principal payments on lease liabilities		(9,894)	(9,649)
Proceeds on sale of fixed assets		–	299
Net cash inflow from financing activities		**1,612,320**	**498,811**
Net cash inflow (outflow) for the year		(95,194)	285,641
Net cash flow effect of exchange rate movements		10,910	18,808
Cash and cash equivalents at the beginning of the year		923,017	618,568
Cash and cash equivalents at the end of the year		**838,733**	**923,017**

*The 2021 figure has been restated. Please refer to Note 32 for details on the prior year error.

1 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Annual Financial Statements are set out below.

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 Annual Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The directors, in the preparation of the Annual Financial Statements, consistently applied the accounting policies with those applied in the previous financial year, unless otherwise stated.

The Annual Financial Statements are prepared on the historical cost basis, except as set out in the accounting policies which follow.

1.3 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

1.3.1 Adoption of new and revised international financial reporting standards (IFRS)

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

1.3.2 New and revised IFRS standards in issue but not yet effective

A number of new standards and amendments to existing standards have been issued but not yet effected for the reporting period and have not been applied in preparing these financial results. Unless specifically noted to the contrary, these amendments are not expected to have a material impact on the Bank.

Standard	Subject	Effective Date
Amendment to IFRS16	Covid-19 Related concessions beyond 30 June 2021	Annual periods beginning on or after 30 April 2021
Amendment to IAS 16	Property, Plant and Equipment – Proceeds before the intended use	Annual periods beginning on or after 01 January 2022
Annual Improvements to IFRS Standards 2018 – 2020 (May 2020)	Annual Improvements to IFRS Standards 2018 – 2020 (May 2020)	Annual periods beginning on or after 01 January 2022
Amendments to IFRS3 (May 2020)	Reference to the conceptual framework	Annual periods beginning on or after 01 January 2022
Amendments to IAS 37 (May 2020)	Onerous Contracts – Cost of fulfilling a contract	Annual periods beginning on or after 01 January 2022

A number of new standards and amendments to existing standards have been issued but not yet effected for the reporting period and have not been applied in preparing these financial results. Unless specifically noted to the contrary, these amendments are not expected to have a material impact on the Bank.

Standard	Subject	Effective Date
IFRS 17	Insurance Contracts	Annual periods beginning on or after 1 January 2023
Amendment to IFRS17	IFRS17	Annual periods beginning on or after 1 January 2023
Amendment to IFRS4	Extension of the temporary exemption from applying IFRS9	Annual periods beginning on or after 1 January 2023
Amendments to IAS1 and IFRS Practice Statement 2	Disclosure of accounting estimates	Annual periods beginning on or after 1 January 2023
Amendments to IAS12	Deferred tax related to assets and liabilities arising from a single transaction	Annual periods beginning on or after 1 January 2023
Amendments to IAS8	Definition of Accounting estimates	Annual periods beginning on or after 1 January 2023
Amendments to IFRS17	Initial application of IFRS17 and IFRS9 – Comparative information	Annual periods beginning on or after 1 January 2023
Amendments to IAS12	International tax reform – Pillar Two Model Rules	Annual periods beginning on or after 1 January 2023
Amendments to IFRS16	Lease Liability in sale and leaseback	Annual periods beginning on or after 1 January 2024
Amendments to IAS7 and IFRS7	Supplier Finance Arrangements	Annual periods beginning on or after 1 January 2024
Amendments to IAS1	Non-current liabilities and covenants	Annual periods beginning on or after 1 January 2024
IFRS S1 General Requirements for Disclosure of Sustainability-related financial information	IFRS S1 General Requirements for Disclosure of Sustainability-related financial information	Annual periods beginning on or after 1 January 2024
IFRS S2 – Climate-related Disclosure	IFRS S2 – Climate-related Disclosure	Annual periods beginning on or after 1 January 2024
Amendments to IAS1	Classification of liabilities as current or non-current	Annual periods beginning on or after 1 January 2024
Amendments to IAS1	Classification of liabilities as current or non-current – Deferral of Effective Date	Annual periods beginning on or after 1 January 2024
Amendments to IAS21	Lack of exchangeability	Annual periods beginning on or after 1 January 2024

1.4 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.

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.

Recognition

At inception, a right-of-use asset and a lease liability is recognised.

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 company tests for impairment where there is an indication that a right-of-use asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of a right-of-use asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in profit or loss, except where the decrease reverses a previously recognised revaluation increase for the same asset the decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

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.

Reassessment of the lease liability

Where there are changes in the lease payments, the amount of the remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset. Where the carrying amount of the right of use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the remaining amount of the remeasurement is recognised in profit or loss.

The remeasurement is performed by discounting the revised lease payments using a revised discount rate where there is a change in the lease term or where there is a change in the assessment of exercising an option contained in the contract. The discount rate is revised to the interest rate implicit in the remainder of the lease term if it can be readily determined, or at the company's incremental borrowing rate at the date of the reassessment.

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.

1.5 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 Profit or Loss and Other 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 investment securities held for trading, or in other comprehensive income for investment securities classified as fair value through comprehensive income. 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 Profit or Loss and Other Comprehensive Income or within shareholders' equity, if non monetary financial assets are classified as fair value through comprehensive income investment securities

1.6 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

1.6.1 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 and losses from financial instruments'.

Financial assets measured at FVOCI are included in the impairment calculations and impairment are recognised OCI if so designated.

1.6.2 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 principal 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.

1.7 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 Profit or Loss and Other Comprehensive Income.

1.8 INVESTMENT SECURITIES

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.

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 carried at 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.

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.

1.9 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.

1.10 LOANS AND ADVANCES

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 the contract interest rates for loans and advances using the effective interest rate method.

Interest on loans and advances is included in interest income and is recognised on a straight-line 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').

The ECL model is set up to calculate both 12 months and lifetime ECL estimates. The relevant ECL figure is then allocated based on the client status. For practical purposes, the loan portfolio is split between Overdrafts, Letters of Credit, Letters of Guarantees, Home Loans, Property Loans, ICAs and Commercial Loans. The ECL is then calculated individually for all these categories as different rules apply. Once the ECL is calculated, the individual products are combined again, status groups are applied, and the final stage is assigned.

Status Group	Status
NPL	3
90 Days Arrears	3
Managed (including restructured loans)	2
30 Days Arrears	2
60 Days Arrears	2
Watchlist	2
SICR	2
Curing	2
None of the above	1

The Bank manages Clients and not individual loans; thus the status of a facility is driven by the work status of all the accounts that the client has. For example, if a client has a home loan stage 1 and an overdraft in stage 2 then both facilities will be moved to stage 2. In this case a 'Client Status' group will be assigned.

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)

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 behaviour 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 such as 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

Loans and advances as well as debt securities, are written off when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the bank determines that there is no realistic prospect of recovering the monies owed.

Write-offs will be considered once all sources of recovery have been exhausted or no further reasonable expectation of further material recoveries exists. The assessment of when an exposure has no reasonable prospect of being recovered will be based on the financial standing of the borrower and the sureties/guarantors vs the outstanding exposure, the value of the security in a forced sale scenario vs the outstanding exposure, as well as the nature and tenor of the legal processes required to pursue recovery, the costs associated with recovery as well as the prospect of success of the legal case.

Loans and advances written off could still be subject to enforcement activities to comply with the bank's procedures for recovery of amounts due.

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. 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. .

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.

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:

1. Loan in arrears

- A loan in arrears is defined as when the capital and/or interest is overdue for more than 1 day but not greater than 89 days.
- All loans that are in arrears except for those deemed as technical arrears, are 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).

2. On watch list

A loan is classified as watch list where one or more of the following indicators has been triggered:

Qualitative 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.

3. 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 by an 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

Curing from Stage 2 to Stage 1
Six consecutive payments on the restricted advance have been met and the borrower's financial (this is already applied by the managed list) position has been satisfactorily reviewed on an up-to-date financial information.

Product	Curing Period
ICA	Current Month + 4 Months
Home Loans	Current Month + 2 Months
Property Loans	Current Month + 2 Months
Commercial Loans	Current Month + 3 Months
Overdrafts	Current Month + 3 Months

Curing from Stage 3 to Stage 2
Any legal proceedings brought against a borrower have been halted and the borrower has been up to date with payments for at least 6 months and has been removed from the NPL on the approval of the respective Credit Committee.

The ECL model is set up to calculate 12 months and lifetime ECL estimates. The relevant ECL figure is then allocated based on the client status. For practical purposes, the loan portfolio is split between Overdrafts, Letters of Credit, Letters of Guarantees, Home Loans, ICAs and Commercial Loans. The ECL is then calculated individually for all these categories as different rules apply. Once the ECL is calculated, the individual products are combined again, status groups are applied, and the final stage is assigned.

Macroeconomic indicators that impact the assumptions in ECL model:

y-o-y % change (unless otherwise stated)	Average 2015-2021	2022	2023	2024	2025	2026	2027	Average Over 2022-2027
Main economic indicators	**Actual**				**Forecast**			
Real effective firm lending rate (%)								
Baseline	8.61%	5.50%	8.80%	10.26%	9.95%	9.99%	9.99%	9.08%
Negative		5.49%	8.85%	10.44%	9.79%	10.34%	10.48%	9.23%
Positive		5.50%	9.07%	9.81%	9.59%	9.57%	9.55%	8.85%
Real Disposable Income (YoY % Change)								
Baseline	1.69%	2.15%	1.46%	1.86%	1.87%	1.98%	1.97%	1.88%
Negative		2.14%	1.02%	1.64%	1.53%	1.92%	1.89%	1.69%
Positive		2.15%	2.18%	2.65%	2.52%	2.51%	2.51%	2.42%
Real Gross Domestic Product (YoY % Change)								
Baseline	0.59%	1.80%	1.08%	1.82%	1.97%	2.06%	1.97%	1.78%
Negative		1.77%	0.14%	1.42%	1.95%	2.05%	1.86%	1.53%
Positive		1.80%	2.08%	2.66%	2.68%	2.63%	2.62%	2.41%
Scenario Weighting								
Baseline		45.40%	45.40%	45.40%	45.40%	45.40%	45.40%	45.40%
Negative		36.40%	36.40%	36.40%	36.40%	36.40%	36.40%	36.40%
Positive		18.20%	18.20%	18.20%	18.20%	18.20%	18.20%	18.20%
Total		**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

This table details the macro-economic drivers of the probability of default (used in the forecast of PDs). ECLs based on Baseline, Negative, Positive and weighted senario that is disclosed as part of the assumptions for IFRS9.

Measurement

A provision for loan impairment is reported as a reduction of the carrying amount of a loan on the Statement of Financial Position. Any identified impairment losses are recognised in the Statement of Profit or Loss and Other 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 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 qualitative 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 25.7 in the notes of the financial statements.

1.11 DERECOGNITION

1.11.1 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 securitise 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.

1.11.2 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 Profit or Loss and Other Comprehensive Income.

1.12 INTEREST INCOME AND EXPENSE

Interest income and expense are recognised in the Statement of Profit or Loss and Other 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 and 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 book 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, this interest is recognised on the net amount recoverable.

1.13 FEE AND COMMISSION INCOME

Fees and commissions are 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.

Fees earned from Alliance Partners is recognised in the period earned. Other fees earned like transactional fees, service fees and admin fees are recognised when they occur.

1.14 PROPERTY AND EQUIPMENT

Property and equipment, 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 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.

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:

Leasehold improvements	2 – 10 years
Furniture and related equipment	1 – 10 years
Motor vehicles	5 years
Hardware and other equipment	3 – 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.

1.15 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 reporting 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.

1.15.1 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 of 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.

1.16 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 and amounts due from other banks.

1.17 PROVISIONS

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of a past event, if 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.

1.18 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.

1.18.1 Defined contribution plans

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

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

1.18.2 Other post-retirement benefit plans

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

1.19 INCOME TAXES

Income tax payable on profits, based on the applicable tax laws in South Africa, is recognised as an expense in the period in which profits arise. The entity does not recognise a deferred tax asset for losses incurred.

1.20 BORROWINGS

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

1.21 SHARE CAPITAL

1.21.1 Share issue costs:

Issue of share transactions to shareholders are recognised directly in equity as share capital at their nominal values. The difference between the nominal value of the shares and the total consideration received (either received as cash or through conversion of debt instruments of the Bank) is recognised directly in equity as Share Premium.

1.22 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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 (note 24 and 1.11).

Fair value is determined by using the open market prices of the relevant financial assets and liabilities where applicable.

Credit impairments of loans and advances (note 10, 11 and 1.10).

The bank assesses its loans and advances portfolio for impairment using the ECL model.

The bank applies judgement in the way it defines and applies a SICR, which is the driver in dividing the loan and advances portfolios between Stage 1, Stage 2 and Stage 3.

Credit impairment of government bonds and short term securities (note 4, 5 and 1.9)

Similar to the credit impairment on loans and advances, the bank applies judgement in the manner in which it defines and applies a significant increase in credit risk (SICR).

2. Cash and cash equivalents

	2022 R'000	2021 R'000
Coin and bank notes	24	24
Local currency deposits with other banks	433,792	543,629
Foreign currency balances	196,731	307,806
Balances with the Central Bank	208,186	71,558
	838,733	**923,017**
The mandatory South African Reserve Bank reserve requirement is included in the above figures.	112,970	59,970

Banks are required to keep a mandatory average balance with the Central Bank. As stated in 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 no interest.

		2022 R'000	2021 R'000
Foreign currency balances		**196,731**	**307,806**
Stanbic Bank Botswana	BWP	29	8
Deutsche Bank, Frankfurt	CAD	1,039	2,543
Deutsche Bank, Frankfurt	EUR	23,249	28,828
National Bank of Greece, Athens	EUR	1,171	7,886
Deutsche Bank, London	GBP	10,359	5,726
Access Bank, United Kingdom	USD	1,769	13,455
US Bank, New York (Collateral)	USD	3,393	3,191
Deutsche Bankers Trust, New York	USD	17,534	182,343
ABSA South Africa	USD	–	63,826
First Rand Bank, South Africa	USD	135,476	–
First Rand Bank, South Africa	USD	2,712	–

The conversion rates used are as per note 29.

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 Profit or Loss and Other 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.

	2022	2021
	R'000	R'000
Assets		
Foreign exchange contracts		
Notional	103,573	1,582,900
Fair value adjustment	**3,248**	**54,734**
Liabilities		
Foreign exchange contracts		
Notional	970,549	1,122,093
Fair value	**18,264**	**41,528**

*includes CVA adjustment

4. Short-Term Securities

The Short-Term Securities consisted of Credit-linked notes and Eurobonds. It's the Bank's business model to collect the contractual cash flows and to hold to maturity. The nature of these instruments is such that they contain contractual terms that give rise on specified dates and are solely payments of principal and interest. Therefore, they are measured at amortised cost.

	2022	2021
	R'000	R'000
Investments Amortised cost		
At 1 January	–	60,051
Purchased Treasury Bills and Debentures	–	630,000
Purchased Credit link notes	63,102	–
Purchased Eurobonds	359,002	–
Proceeds on maturity from sale of Treasury Bills and Debentures	–	(690,577)
Coupon	(10,553)	–
Interest earned	12,246	526
At 31 December	**423,797**	**–**

Details related to the short-term securities:

Credit Linked Notes						
Counterparty	**Credit Linked Counterparty**	**Nominal Amount ($)**	**Start Date**	**Maturity Date**	**Interest Rate**	**Interest Terms**
ABSA	Nigeria (Sovereign)	6,300,000	24/08/2022	20/06/2023	Daily SOFR + 535 basis points (or 5.35%)	Floating Rate, with quarterly Coupon Payments on 20 Mar, 20 Jun, 20 Sept and 20 Dec in each year with the first Floating Interest Payment Date being 20 Sept 2022 and ending on the Maturity Date, all such dates subject to adjustment in accordance with the applicable Business Day Convention
ABSA	Rwanda (Sovereign)	5,300,000	24/08/2022	20/06/2023	Daily SOFR + 380 basis points (or 3.8%)	Floating Rate, with quarterly Coupon Payments on 20 Mar, 20 Jun, 20 Sept and 20 Dec in each year with the first Floating Interest Payment Date being 20 Sept 2022 and ending on the Maturity Date, all such dates subject to adjustment in accordance with the applicable Business Day Convention
SBSA	The Republic of Egypt	3,300,000	24/08/2022	20/06/2023	Daily SOFR + 400 basis points (or 4.0%)	Floating Rate, with quarterly Coupon Payments on 20 Mar, 20 Jun, 20 Sept and 20 Dec in each year with the first Floating Interest Payment Date being 20 Sept 2022 and ending on the Maturity Date, all such dates subject to adjustment in accordance with the applicable Business Day Convention
SBSA	Kenya (Sovereign)	6,300,000	24/08/2022	20/06/2023	Daily SOFR + 645 basis points (or 6.45%)	Floating Rate, with quarterly Coupon Payments on 20 Mar, 20 Jun, 20 Sept and 20 Dec in each year with the first Floating Interest Payment Date being 20 Sept 2022 and ending on the Maturity Date, all such dates subject to adjustment in accordance with the applicable Business Day Convention

EUROBONDS - Held to Maturity ("HTM")						
Counterparty	**Bond Reference**	**Nominal Amount ($)**	**Start Date**	**Maturity Date**	**Interest Rate**	**Interest Terms**
The Republic of Egypt	EGYPT 4.55 11/20/23	2,000,000	23/08/2022	20/11/2023	Coupon: 4.55%	Semi-Annual Coupon Interest paid on 20 May and 20 Nov, with final Coupon Payment Date on Maturity Date
The Republic of Egypt	EGYPT 4.55 11/20/23	1,000,000	24/08/2022	20/11/2023	Coupon: 4.55%	Semi-Annual Coupon Interest paid on 20 May and 20 Nov, with final Coupon Payment Date on Maturity Date
Rwanda	RWANDA 65/8 05/02/23	800,000	23/08/2022	03/05/2023	Coupon: 6.625%	Semi-Annual Coupon Interest paid on 03 May and 03 Nov, with final Coupon Payment Date on Maturity Date

5. Government bonds – Fair value through other comprehensive income

The Bank's business model in respect of these bonds is to hold them for collection of contractual cash flows, but at the same time be able to sell them for the following purposes:

- Liquidity requirements;
- Capitalising on market conditions when they arise to sell the bonds at a profit.

The contractual terms of these investments that give rise on specified dates to cashflows that are solely payments of principal and interest.

Government bonds comprise the following balances :

	2022 R'000	2021 R'000
At January	135,062	–
Purchased	1,361,874	881,461
Proceeds from sale	(903,463)	(760,890)
Proceeds – coupons	(33,838)	(4,438)
Interest earned	42,211	9,320
Profit on sale of bond	7,146	10,258
Gross Bond Value	**608,992**	**135,711**
IFRS 9 Mark to Market valuation adjustment	(29,201)	(649)
At 31 December	**579,791**	**135,062**
R2035 Government Bonds	–	46,515
R2037 Government Bonds	497,687	88,547
SOAF 26 – USD Bonds	82,104	–
	579,791	135,062

Government Bonds – Fair Value through Other Comprehensive Income						
Counterparty	**Bond Reference**	**Nominal Amount ($)**	**Start Date**	**Maturity Date**	**Interest Rate**	**Interest Terms**
The Republic of South Africa	SOAF 26	5,000,000	22/01/2022	04/04/2026	Coupon: 4.875%	Semi-Annual Coupon Interest paid on 04 April and 04 Oct, with final Coupon Payment Date on Maturity Date

ZAR BONDS – Fair Value through Other Comprehensive Income						
Counterparty	**Bond Reference**	**Nominal Amount (R)**	**Start Date**	**Maturity Date**	**Interest Rate**	**Interest Terms**
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	28/04/2022	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	10/05/2022	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	10/05/2022	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	12/05/2022	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	03/06/2022	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	09/06/2022	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	09/06/2022	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	09/06/2022	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	100,000,000	13/06/2022	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	100,000,000	13/06/2022	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date

6. Accounts receivable and Prepayments

	2022 R'000	2021 R'000
Accounts receivable	27,760	22,035
Prepaid expenses	28,410	19,248
Other receivables	29,970	37,322
Interest accrued on cash and cash equivalent	1,673	2,238
Partnership receivable	3,279	–
Receiver of Revenue	461	–
	91,553	**80,843**

7 Other Assets

	2022 R'000	2021 R'000
Inventory – Card Stock	1,843	2,401

8. Other investments

The investment consists of 100 shares in the Dandyshelf 3 (Pty) Ltd. No dividend was received during 2022 or 2021.

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 the level 3 classification.

	2022 R'000	2021 R'000
Financial asset carried at fair value		
Unlisted – Dandyshelf 3 (Pty) Ltd		
Fair value	**15**	**15**

9. Government bonds – amortised cost

The Bank's business model in respect of these bonds is to collect cash flows and to hold them to maturity. The nature of these instruments is such that they contain contractual term that give on specified dates and are solely payments of the principal and interest. Therefore, these bonds are measured at amortised cost.

Government bonds comprise the following balances :

	2022 R'000	2021 R'000
At January	1,613,161	139,699
Purchased	–	1,452,864
Proceeds of sale	(265,965)	–
Proceeds of coupons	(140,925)	(15,794)
Interest earned	138,970	36,392
Profit on sale of bond	13,757	–
Gross Bond Value	**1,358,998**	**1,613,161**
Credit Impairment	(579)	(999)
At 31 December	**1,358,419**	**1,612,162**
R2030 Government Bonds	29,298	29,110
R2032 Government Bonds	141,154	140,332
R2035 Government Bonds	300,549	299,315
R2037 Government Bonds	887,418	1,143,405
	1,358,419	1,612,162

ZAR BONDS - Amortised Cost

Counterparty	Bond Reference	Nominal Amount (R)	Start Date	Maturity Date	Interest Rate	Interest Terms
The Republic of South Africa	SAGB 8.0 07/31/2030	30,000,000	21/04/2021	31/07/2030	Coupon: 8.00%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.25	150,000,000	08/06/2020	31/03/2032	Coupon: 8.25%	Semi-Annual Coupon Interest paid on 31 Mar and 30 Sep, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.875 02/28/2035	50,000,000	31/05/2021	28/02/2035	Coupon: 8.875%	Semi-Annual Coupon Interest paid on 28 Feb and 31 Aug, with final Coupon Payment Date on Maturity Date

9. Government bonds – amortised cost continued

ZAR BONDS - Amortised Cost						
Counterparty	**Bond Reference**	**Nominal Amount (R)**	**Start Date**	**Maturity Date**	**Interest Rate**	**Interest Terms**
The Republic of South Africa	SAGB 8.875 02/28/2035	50,000,000	24/08/2021	28/02/2035	Coupon: 8.875%	Semi-Annual Coupon Interest paid on 28 Feb and 31 Aug, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.875 02/28/2035	50,000,000	10/09/2021	28/02/2035	Coupon: 8.875%	Semi-Annual Coupon Interest paid on 28 Feb and 31 Aug, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.875 02/28/2035	20,000,000	12/11/2021	28/02/2035	Coupon: 8.875%	Semi-Annual Coupon Interest paid on 28 Feb and 31 Aug, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.875 02/28/2035	150,000,000	15/11/2021	28/02/2035	Coupon: 8.875%	Semi-Annual Coupon Interest paid on 28 Feb and 31 Aug, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	25/08/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	02/11/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	03/11/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	11/11/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	150,000,000	15/11/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	15/11/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	18/11/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	100,000,000	19/11/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	23/11/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date

ZAR BONDS - Amortised Cost						
Counterparty	**Bond Reference**	**Nominal Amount (R)**	**Start Date**	**Maturity Date**	**Interest Rate**	**Interest Terms**
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	23/11/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	24/11/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	26/11/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	14/12/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	15/12/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	21/12/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	21/12/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date
The Republic of South Africa	SAGB 8.5 01/31/2037	50,000,000	24/12/2021	31/01/2037	Coupon: 8.50%	Semi-Annual Coupon Interest paid on 31 Jan and 31 Jul, with final Coupon Payment Date on Maturity Date

The Government Bonds – held at amortised cost are held for the collection of contractual cash flows and not held for trading as the bank's business model does not speak to the buying and selling of bonds.

However, the bank will consider selling these bonds if required for liquidity purposes or capitalising on market conditions when they arise, to sell these bonds for a profit.

During the year under review and despite the Bank's business model of holding these bonds to maturity for purposes of collection contractual cash flows, the Bank entered into a "once off" sale of R300 million bonds during February 2022. The sale was undertaken as a result of a significant change in market conditions (a simultaneous and significant strengthening of the rand, as well as Bond yields).

The Bank has concluded that no reclassification is applicable for the following reasons:

Despite the Bank's change in intention with regards to the bonds in respect of the "once off" sale of R300m, the Bank's business model regarding the managing of these financial assets has not changed, and the Bank continues to hold the post "once off" HTM bonds portfolio to collect contractual cash flows in line with the Bank's business model.

10. Loans and advances

	Gross Loans	Expected Credit Loss (ECL)	Net Loans
2022			
Loans and Advances	1,992,922	(64,492)	1,928,430
Guarantees	–	(68)	(68)
	1,992,922	**(64,560)**	**1,928,362**
2021			
Loans and Advances	1,676,475	(61,460)	1,615,015
Guarantees	–	(3)	(3)
	1,676,475	**(61,463)**	**1,615,012**

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total R'000
Overdraft				
2022				
Loan product by credit quality				
Standard monitoring	306,462	29,511	–	335,973
Watchlist	–	2,754	–	2,754
Default	–	–	11,184	11,184
Gross carrying amount	306,462	32,265	11,184	349,911
Loss allowance	(857)	(734)	(2,179)	(3,770)
	305,605	**31,531**	**9,005**	**346,141**

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total R'000
2021				
Loan product by credit quality				
Standard monitoring	111,087	32,068	–	143,155
Watchlist	–	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**
Property, commercial and other term loans				
2022				
Loan product by credit quality				
Standard monitoring	677,788	110,416	3,088	791,292
Watchlist	–	124,959	849	125,807
Default	–	1,535	77,592	79,127
Gross carrying amount	677,788	236,911	81,529	996,227
Loss allowance	(1,028)	(4,715)	(32,629)	(38,372)
	676,760	**232,196**	**48,900**	**957,855**
2021				
Loan product by credit quality				
Standard monitoring	455,227	59,706	–	514,933
Watchlist	–	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**

10. Loans and advances continued

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total R'000
Home loans				
2022				
Loan product by credit quality				
Standard monitoring	401,310	47,190	43	448,543
Watchlist	–	33,128	–	33,128
Default	–	2,306	44,386	46,693
Gross carrying amount	401,310	82,624	44,429	528,363
Loss allowance	(933)	(1,517)	(15,594)	(18,044)
	400,377	**81,107**	**28,835**	**510,319**
2021				
Loan product by credit quality				
Standard monitoring	489,440	50,574	–	540,014
Watchlist	–	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**
Installment credit and lease agreements				
2022				
Loan product by credit quality				
Standard monitoring	40,733	39,848	–	80,581
Watchlist	–	20,066	–	20,066
Default	–	–	3,564	3,564
Gross carrying amount	40,733	59,914	3,564	104,211
Loss allowance	(124)	(716)	(3,399)	(4,239)
	40,609	**59,198**	**165**	**99,972**

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total R'000
2021				
Loan product by credit quality				
Standard monitoring	65,011	29,486	–	94,497
Watchlist	–	26,745	–	26,745
Default	–	–	6,936	6,936
Gross carrying amount	65,011	56,231	6,936	128,178
Loss allowance	(184)	(1,633)	(6,536)	(8,353)
	64,827	**54,598**	**400**	**119,825**

During the 2022 financial year Access Bank South Africa bought a third party book to the value of R82m. This book was subjected to the internal credit approval processes for each individual loan.

Unsecured

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total R'000
2022				
Loan product by credit quality				
Standard monitoring	14,210	–	–	14,210
Watchlist	–	–	–	–
Default	–	–	–	–
Gross carrying amount	14,210	–	–	14,210
Loss allowance	(68)	–	–	(68)
	14,143	**–**	**–**	**14,143**
2021				
Loan product by credit quality				
Standard monitoring	–	–	–	–
Watchlist	–	–	–	–
Default	–	–	–	–
Gross carrying amount	–	–	–	–
Loss allowance	–	–	–	–
	–	**–**	**–**	**–**

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total R'000
10. Loans and advances continued				
Loans and advances				
2022				
Loan product by credit quality				
Standard monitoring	1,440,503	226,965	3,131	1,670,599
Watchlist	–	180,906	849	181,755
Default	–	3,842	136,726	140,568
Gross carrying amount	1,440,503	411,713	140,706	1,992,922
Loss allowance	(3,010)	(7,682)	(53,801)	(64,493)
	1,437,493	**404,031**	**86,905**	**1,928,430**
2021				
Loan product by credit quality				
Standard monitoring	1,120,765	171,834	–	1,292,599
Watchlist	–	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)	(7,837)	(50,232)	(61,460)
	1,117,374	**399,627**	**98,014**	**1,615,015**
Guarantees and letters of credit				
2022				
Loan product by credit quality				
Standard monitoring	20,693	1,464	–	22,158
Watchlist	–	119	–	119
Default	–	–	–	–
Gross carrying amount	20,693	1,583	–	22,277
Loss allowance	(34)	(35)	–	(69)
	20,659	**1,548**	**–**	**22,208**

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

	2022 R'000	2021 R'000
Category analysis		
Overdrafts	349,911	169,147
Property, commercial and other loans	996,227	751,986
Home loans	528,363	627,164
Instalment credit and lease agreements	104,211	128,178
Unsecured	14,210	–
	1,992,922	**1,676,475**
Less: Expected credit loss (ECL)	**(64,561)**	(61,463)
Overdrafts	(3,770)	(8,524)
Property, commercial and other loans	(38,372)	(21,311)
Home loans	(18,044)	(23,272)
Instalment credit and lease agreements	(4,239)	(8,353)
Unsecured	(68)	–
Guarantees	(69)	(3)
Net loans and advances	**1,928,362**	**1,615,012**

10. Loans and advances continued

Included in ECL is suspended interest amounting to R11,479 (2021: R13,673). The Bank continues to accrue interest, where appropriate on doubtful debts when there is a realistic prospect of recovery.

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

All loans and advances are granted within the Republic of South Africa and can be denominated in a currency other than ZAR. Trade finance loans issued to group are USD denominated, these loans were issued in South Africa.

	As a % of advances	Credit Risk	Securities and other expected recoveries	Impairment alloiwance
		R'000	R'000	R'000
Non-performing loans and advances by category				
2022				
Overdraft	0.56%	11,184	9,005	2,179
Commercial and property loans	4.09%	81,529	48,900	32,629
Instalment sale	0.18%	3,564	165	3,399
Home loans	2.23%	44,429	28,835	15,594
Total	**7.06%**	**140,706**	**86,905**	**53,801**
Non-performing loans and advances by category				
2021				
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**

	Stage 1 12 month ECL R'000	Stage 2 Lifetime ECL R'000	Stage 3 Lifetime ECL R'000	2022 Total R'000
Expected Credit Loss provision: reconciliation of movement				
Balance as at 1 January 2022	3,393	7,839	50,231	61,463
Movements with profit and loss impact				
New loans and advances originated	682	137	–	819
New loans and advances originated moved from stage 1 to stage 2	–	–	–	–
Settlement of loans and advances	(357)	(449)	(13,257)	(14,063)
Amounts written off	–	–	(20,273)	(20,273)
Transfers:				
Transfer from Stage 1 to Stage 2	(440)	440	–	–
Transfer from Stage 1 to Stage 3	(6)	–	6	–
Transfer from Stage 2 to 3	–	(853)	853	–
Transfer from Stage 2 to 1	1,785	(1,785)	–	–
Transfer from Stage 3 to 2	–	927	(927)	–
Transfer from Stage 3 to 1	–	–	–	–
Changes in PD's / LGD's / EAD	(2,013)	1,460	37,168	36,615
	3,044	7,716	53,801	64,561

10. Loans and advances continued

Expected Credit Loss Provision: Reconciliation of Movement	Stage 1 12 month ECL R'000	Stage 2 Lifetime ECL R'000	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

	2022 R'000	2021 R'000
Securities in respect of loans and advances		
Overdrafts, property and commercial loans		
– Cash Investments	9,690	15,158
– Guarantees	62,396	550
– Mortgage Bonds	610,744	762,759
– Ceded Insurance Policies	3,489	2,471
– Other Securities	221,032	5,727
– Secondary Security	257,663	56,231
	1,165,014	**842,896**
Home Loans		
- Mortgage Bonds (Residential)	452,220	549,795
Instalment credit and lease agreements		
- Vehicle and Equipment	101,584	121,554
Non-performing loans:		
– Mortgage Bonds (residential and commercial)	66,550	97,614
– Assets Financed in respect of Instalment Credit Agreement	1	401
	66,551	**98,015**
Total secured loans and advances	1,785,369	1,612,261
Total unsecured loans and advances	207,553	64,214
Total loans and advances	**1,992,922**	**1,676,475**

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

11. Expected Credit Loss

11.1 Expected Credit Loss provision for loans and advances

	2022	2021
	R'000	R'000
Balance at 1 January	61,463	114,735
Amounts written off against provisions	(20,273)	(56,253)
	41,190	**58,482**
Charge to the Statement of Profit or Loss and Other Comprehensive Income	**21,769**	**(3,510)**
Specific impairment: raised in the current year	27,101	11,222
Specific provisions: recoveries of balances raised in current year	(2,377)	(9,200)
Interest in abeyance recovered	(1,594)	(3,508)
Portfolio impairment (reversal)/raised	(860)	(1,192)
Recoveries of Balance previously written off	(501)	(832)
Recoveries of Balance previously written off	**501**	**832**
Interest in Abeyance raised deducted against interest income	1,102	5,659
Balance at 31 December	**64,561**	**61,463**
Analysis		
Specific impairment	54,188	50,231
Portfolio impairment	10,373	11,232
	64,561	**61,463**
Sectorial analysis		
Individuals	29,511	12,428
Manufacturing	3,453	22,764
Transport and communication	16,446	3,189
Financial and real estate	4,089	19,899
Mining	–	11
Agricultural	1,323	1,406
Other services	9,740	1,766
	64,561	**61,463**

11.2 Expected Credit Loss – Other

Credit impairments on other financial assets	**3,481**	1,339

12. Property and equipment

	Motor vehicles R'000	Furniture and Fittings R'000	Office Equipment R'000	Computer Equipment R'000	Total R'000
Cost					
Balance as at 1 January 2021	1,183	21,452	2,461	19,192	44,288
Additions	2,365	5,416	–	3,968	11,749
Disposals	(885)	(1,666)	–	(835)	(3,386)
Balance as at 1 January 2022	**2,663**	**25,202**	**2,461**	**22,325**	**52,651**
Additions	494	8,166	930	8,333	17,923
Disposals	–	(600)	(377)	(595)	(1,572)
At 31 December 2022	**3,157**	**32,768**	**3,014**	**30,063**	**69,002**
Accumulated depreciation					
Balance as at 1 January 2021	(1,103)	(17,709)	(2,019)	(5,761)	(26,592)
Depreciation charge for the year	(149)	(1,484)	(113)	(4,062)	(5,808)
Eliminated on scrapping	858	1,406	–	835	3,099
Balance as at 1 January 2022	**(394)**	**(17,787)**	**(2,132)**	**(8,988)**	**(29,301)**
Depreciation charge for the year	(555)	(2,759)	(206)	(6,062)	(9,582)
Eliminated on scrapping	–	409	365	596	1,370
At 31 December 2022	**(949)**	**(20,137)**	**(1,973)**	**(14,454)**	**(37,513)**
Carrying amount					
At 31 December 2021	2,269	7,415	329	13,337	23,350
At 31 December 2022	**2,208**	**12,631**	**1,041**	**15,609**	**31,489**

Given the continuing losses incurred by the bank, the directors considered the carrying value of assets for impairment. Based on share transaction completed in December 2022, the bank's NAV approximated ZAR 534m therefore there is no need to impair the assets as the carrying value is less than the fair value of the Bank less cost to sell. Taking into account the going concern assessment as per Note 30, no impairment test is required.

13. Intangible assets*

	Purchased Software R'000	Work-in-progress R'000	Total R'000
Cost			
At 31 December 2020	152,795	–	152,795
Additions	45,893	–	45,893
Disposals	(146)	–	(146)
At 31 December 2021	**198,542**	**–**	**198,542**
Additions	21,712	7,035	28,747
At 31 December 2022	**220,254**	**7,035**	**227,289**
Accumulated Depreciation			
At 31 December 2020	**80,581**	**–**	**80,581**
Disposals	146	–	146
Amortisation for the year	33,824	–	33,824
At 31 December 2021	**114,551**	**–**	**114,551**
Amortisation for the year	19,802	–	19,802
At 31 December 2022	**134,353**	**–**	**134,353**
Carrying amount			
At 31 December 2021	83,991	–	83,991
At 31 December 2022	**85,901**	**7,035**	**92,936**

Intangible assets consist of computer software, licenses and internal and external software development and implementation costs. Given the continuing losses incurred by the bank, the directors considered the carrying value of assets for impairment. Based on the share transaction completed in December 2022, the bank's NAV approximated ZAR 534m therefore there is no need to impair the assets as the carrying value is less than the fair value of the Bank less costs to sell. Taking into account the going concern assessment as per Note 30, no impairment test is required.

*The disclosure in relation to intangible assets has been represented to enable enhanced disclosure.

14. Leases

	2022 R'000	2021 R'000
14.1 Right of use of Assets		
Opening Balance	40,534	6,115
Recognition of right of assets in current year	11,167	42,013
Depreciation of right of use of assets	(9,434)	(7,594)
At 31 December	**42,267**	40,534
14.2 Lease liabilities		
Opening Balance	40,073	5,975
Recognition of lease liability in current year	11,167	42,013
Interest expense on lease liabilities	1,277	1,734
Minimum Lease payments	(11,170)	(9,649)
At 31 December	**41,347**	**40,073**
Lease Liabilities		
Current	**(10,772)**	(8,432)
Non-current	**(30,575)**	(31,641)
	(41,347)	(40,073)

15. Share Capital

	2022 R'000	2021 R'000
Authorised		
6,000,000,000 (2021:1,000,000,000) ordinary shares of R1 each (par value)	6,000,000	1,000,000
Issued and fully paid		
At the beginning of the year 948,432,074 (2021: 91,482,763) shares of R1 each	948,432	91,482
Shares issued at R1 each during the year*	3,384,615	856,950
At the end of the year 4,333,047,454 (2021: 948,432,074) shares of R1 each	**4,333,047**	**948,432**

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. During the year share capital increased from R948,4 million in 2021 to R4,3 billion in 2022 due to the following capital raising exercises totalling R1.020 billion that were undertaken.

Reconciliation of capital raising exercises undertaken:

Period	Method	Number of shares issued '000	Nominal value of shares issued at R1 per share R'000	Price per share	Capital Raised R'000	Share premium R'000
March 2022	Debt to equity conversion *	961,538	961,538	R 0.39	375,000	(586,538)
November 2022	Debt to equity conversion ^	115,385	115,385	R 0.39	45,000	(70,385)
December 2022	Ordinary share purchase for cash #	2,307,692	2,307,692	R 0.26	600,000	(1,707,692)
		3,384,615	**3,384,615**		**1,020,000**	**(2,364,615)**

* R374 999 998 share capital was raised by converting a portion of the Access Bank PLC placement that was included in deposits in the prior year, this was done by issuing 961 538 457 shares at R0.39 per share.

^ R45 000 000 share capital was raised by converting a debenture held of R45 million, this was done by issuing 115 384 616 shares at R0.39 per share.

R600 000 000 share capital was raised by issuing 2 307 692 308 shares at R0.26 per share, a cash injection was issued to Access Bank South Africa.

~ The value of the share is based off the NAV at the time of the capital raising exercise which is considered fair value.

16. Share Premium

	2022 R'000	2021 R'000
Balance at beginning and end of the year	277,888	734,838
Shares issued during the year	(2,364,615)	(456,950)
Balance at end of the year	**(2,086,727)**	**277,888**

**The negative share premium arose due to shares being issued at a discount to par value. Refer to Note 15 for details of the share transactions and issue price. Management has assessed the accounting implications of these transactions and concluded that it is appropriate to reflect the difference between par value and issue price as a discount in share premium directly in equity as it results from transactions with shareholders.*

17. Deposits and current accounts

	2022 R'000	2021 R'000
Demand deposits	785,055	1,075,137
Customer foreign currency deposits (demand deposits)	268,837	160,556
Term deposits	1,233,255	855,467
	2,287,147	2,091,160
Deposits from banks	650,145	1,641,480
	2,937,292	**3,732,640**

18. Accounts payable*

	2022 R'000	2021 Restated R'000
Lease cancellation commitment*	–	35,591
Sundry creditors	10,494	28,809
Accruals ~	21,125	62,779
Payroll control	7,718	11,489
Accrual - Restoration costs	3,406	3,406
Provision for Audit fees	11,029	6,129
Provision for Interest on debenture	7,893	7,903
Accrual - Land Bank breakage fee^	20,053	–
Accrual - Land Bank Legal fees^	14,000	–
Raising Fees - loans and advances	14,352	11,949
Receiver of Revenue - Payroll costs	–	3,625
Receiver of Revenue - VAT	22	1,288
	110,092	**172,968**

~Accruals is made up of various items like unclaimed balances, balances not paid to creditors and accruals related to information technology costs
^ Refer to Note 31
* The 2021 disclosure has been enhanced to provide the reader with more detail related to the liabilities.
*The 2021 figure has been restated.

19. Institutional funding liability

	2022 R'000	2021 R'000
Opening balance	75,000	150,000
Loan received	1,096,703	–
Loan repaid	(75,000)	(75,000)
Interest expense for current year	31,426	11,158
Interest settled during the year	(30,915)	(11,158)
	1,097,214	**75,000**

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 was payable quarterly. This loan is unsecured and was repaid on 30 December 2022.

On the 30 June 2022, a one year syndicated loan of USD50million at a 3m SOFR plus 2.75% margin and 0.26% Credit Adjustment Spread was received from Mashreq Bank PSC with a capital payment due on the 30 June 2023.

On the 31 December 2022, a seven year loan of R250million at a rate of 11.268% was received from German Development Finance Institution (DEG) with capital repayments of R25 million reported commencing on 30 June 2025, with the last payment on 30 September 2029. Interest is payable quarterly. The last repayment is 30 September 2029.

Access Bank South Africa informed Mashreq Bank PSC (Mashreq Bank) on 14 October 2022 it has breached a covenant on the facility, of the loan facility was signed on 22 June 2022 ("the facility"). As of 30 September 2022 the accounting systems reflected that the Consolidated Tangible Net Worth was R590 million which was below minimum base level of R600 million. This was a breach of this specific financial covenant while all other covenants were within the respective covenant threshold.

Access Bank South Africa requested a condonation of the breach and proposed an action plan to remedy the breach. Mashreq confirmed on the 7th November 2022 that the majority of the lenders consented for condonation. The breach was rectified on 30 November 2022 with a capital injection.

20. Debenture instruments

	2022 R'000	2021 R'000
5 year 3 months Debentures – Issued 04 May 2021	138,161	183,161

Comprises of 2 unsecured debentures issued in 2021 in favour of 2 investors namely Fairfax and Public Investment Corporation.

The debentures bear interest at the aggregate of 12 month Jibar plus a margin of 2% per annum, interest payable annually on 03 May, with an original. Maturity of 5 years and 3 months and remaining maturity of 3 years and 8 months.

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 occurrence 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.

R45 million was converted to Tier 1 Capital in November 2022. As at 1 December 2022 two debentures remain.

21. Contingencies and Commitments*

	2022 R'000	2021 R'000
21.1 Contingencies		
Legal claim instituted by borrowers	82,178	92,630
Deferred Sanction fine	5,000	5,000
Total contingencies	**87,178**	**97,630**
21.2 Commitments		
Letters of credit	4,989	7,897
Liabilities under guarantees	15,088	36,706
Revocable unutilised facilities	146,405	127,904
Irrevocable unutilised facilities	34,311	86,612
EFT Debit services	2,200	2,200
Committed capital expenditure	2,971	14,325
Total commitments	**205,964**	**271,644**
Total contingencies and commitments	**293,142**	**369,274**

Contingencies represents possible outflow of funds based on the outcome of the items listed above, whereas commitments represent committed outflow of funds that will take place in future. These items represent off-balance sheet exposure. The Bank notes that commitments may be called upon demand.

*The disclosure has been enhanced in the current year to split the contingencies and commitments into separate subheadings to allow enhanced disclosure.

22. Profit / (Loss) From Operations

	2022 R'000	2021 Restated* R'000
22.1 Interest income		
Balances with banks and short-term funds	26,337	14,745
Debentures	927	–
Short-term securities	12,246	526
Government bonds	181,180	45,712
Loans and advances	161,502	138,625
Other interest earned	2,569	6
	384,761	**199,614**
22.2 Interest expense		
Deposits from banks	12,074	20,867
Current and call deposit accounts	28,049	21,634
Savings accounts	8,940	4,363
Other term deposits	132,845	49,281
Interest bearing institutional loans	31,426	11,158
Debentures	13,918	7,904
	227,252	**115,207**
22.3 Interest expense from non-banking activities		
Interest on lease liabilities	1,277	1,734
	1,277	**1,734**
Net interest income	**156,232**	**82,673**
22.4 Non-interest income		
Fee Income	87,893	95,546
Foreign exchange profit	15,295	20,602
Profit on sale of Government bonds	20,149	10,258
Profit on Scrapping Assets	–	299
Other income	4,054	705
	127,391	**127,411**

22. Profit / (Loss) From Operations continued

22.5 Operating expenses*

	2022 R'000	2021 Restated* R'000
Staff costs	**185,589**	**158,833**
Salaries, wages and allowances	136,474	115,178
Contributions to provident fund and other staff funds	24,512	19,037
Directors' emoluments	11,677	18,935
Other	12,926	5,683
Depreciation and amortisation	**38,819**	**47,226**
Owned assets	**29,384**	**39,632**
Motor vehicles	555	149
Furniture and fittings	2,759	1,484
Office equipment	206	113
Computer equipment	6 062	4,062
Computer software	19,802	33,824
Lease assets	**9,435**	**7,594**
Buildings	9,435	7,594
Fees paid		
Audit fees	**12,140**	**6,520**
– Current year	7,240	5,520
– Overuns	4,900	1,000

	2022 R'000	2021 Restated* R'000
Operating expenses	**190,698**	**189,615**
Marketing	45,491	15,756
IT costs	52,178	50,809
Rental expenses	5,629	84,397
Loss on scrapping of fixed assets	211	287
VAT apportionment	18,393	18,626
Legal costs	43,582	4,368
Consulting fees	9,552	6,757
Travel costs	5,422	1,427
Subscription	5,892	3,816
Insurance	4,348	3,372
Other operating expenses*	**97,593**	**59,306**
	524,839	**461,500**

* The disclosure for this note has been enhanced by adding a more detailed split of the underlying operating expenses.
*The 2021 figure has been restated.

23. Taxation

The Bank has a tax assessed loss position of R783,364,356 (restated) as at 31 December 2021. December 2021 was the latest tax year assessed by South Africa Revenue Service (SARS).

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

	2022
	%
Standard Rate of income tax	28.00
Disallowed expenditure	(0.19)
Unused portion of assessed tax losses not recognised	(27.81)
Effective tax rate	0.00

24. Categories of Financial Assets and Financial Liabilities

		2022	2021 Restated
Asset	**Classification**	**R'000**	R'000
Short-term securities^	Amortised cost	423,797	–
Government Bonds*	Amortised cost	1,358,419	1,612,162
Cash and equivalents^	Amortised cost	838,733	923,017
Loans and advances^	Amortised cost	1,928,362	1,615,012
Government Bonds*	Fair value through other comprehensive income	579,791	135,062
Derivative financial instrument	Fair value through profit or loss	3,248	54,734
Other investments	Held at fair value	15	15

Asset	Classification	2022 R'000	2021 Restated R'000
Liabilities			
Derivative financial instruments	Fair value through profit or loss	18,264	41,528
Deposit^	Amortised cost	2,937,292	3,732,640
Institutional funding liability^	Amortised cost	1,097,214	75,000
Negotiable certificate of deposits^	Amortised cost	–	–
Other payables*^	Amortised cost	32,586	172,968

	Level 1	Level 2	Level 3
Fair Value Levels~			
2022			
Asset			
Government Bonds	1,269,809		
Derivative Financial Instrument		3,248	
Government bonds – fair value through comprehensive income	579,791		
Liabilities			
Derivative Financial Instruments		18,264	
2021			
Asset			
Government Bonds*	1,615,949		
Derivative Financial Instrument		54,734	
Government bonds – fair value through comprehensive income*	135,062		
Liabilities			
Derivative Financial Instruments		41,528	

*Refer to Note 32 in relation to the restatement of the prior year
^Fair value of the instrument approximates the carrying amount measured at amortised cost.
~The fair value in relation to government bonds at amortised cost is included for disclosure purposes only and these are measured at amortised cost.

24. Categories of Financial Assets and Financial Liabilities continued

24.1 Fair Value Measurements

Fair value hierarchy	Valuation techniques and key inputs
Level 1	Fair values are based on quoted market
Level 2	Fair values are based on the book value of the instrument, the observable price obtainable
Level 3	Fair values are calculated using significant unobservable inputs

25. 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.

25.1 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 25.6) and interest rate risk (note 25.4).

The Bank manages its foreign exchange risk by entering into forward exchange contracts. This exchange rate risk arises from the intragroup loans which are denominated in foreign currency.

25.2 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.

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.

25.3 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, Liability and Capital 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. The tables below show the discounted and undiscounted effects of the Banks liabilities as well as the reflects the assets held and used by the Bank in managing liquidity risk that the Bank may face. Non-derivative instruments held at fair value is assumed to be available for liquidity purposes within 30 days.

These scenarios have ensured that the Bank is well prepared to manage any liquidity or interest rate risks that may occur.

25. Financial Risk Management continued

	Non-contractual R'000	On Demand R'000	1 - 12 months R'000	1 - 5 years R'000	Over 5 years R'000	Total R'000
2022						
Liabilities						
Institutional loans	–	–	847,214	75,000	175,000	1,097,214
Derivative financial liabilities	–	18,089	175	-	–	18,264
Deposits, current and other accounts	–	2,136,262	761,174	39,855	–	2,937,291
Accounts payable	14,352	87,847	7,893	-	–	110,092
Lease liabilities	–	930	9,842	28,731	1,844	41,347
Debentures	–	-	-	138,161	–	138,161
	14,352	**2,243,128**	**1,626,298**	**281,747**	**176,844**	**4,342,369**
Future interest						
Institutional loans	–	–	28,170	110,567	19,719	158,456
Deposits	–	103	19,041	10,257	–	29,401
Debentures	–	-	4,012	31,668	–	35,680
Lease Liabilities	–	226	2,945	14,333	–	17,504
Total Liabilities	**14,352**	**2,243,457**	**1,680,466**	**448,572**	**196,563**	**4,583,410**
Assets						
Cash and cash equivalents	112,970	710,876	–	–	–	823,846
Short-term negotiable securities	–	–	423,797	–	–	423,797
Government Bonds – Amortised cost	(579)	38,425	13,281	–	1,307,292	1,358,419
Government Bonds – Fair value through comprehensive income	–	579,791	–	–	–	579,791
Assets used to manage liquidity	**112,391**	**1,329,092**	**437,078**	**–**	**1,307,292**	**3,185,853**

	Non-contractual R'000	On Demand R'000	1 - 12 months R'000	1 - 5 years R'000	Over 5 years R'000	Total R'000
2021						
Liabilities						
Institutional loans	–	–	75,000	–	–	75,000
Derivative financial liabilities	–	1,663	39,865	–	–	41,528
Deposits, current and other accounts	–	1,321,189	2,369,221	42,230	–	3,732,640
Accounts payable	27,031	52,266	84,589	9,082	–	172,968
Lease liabilities	–	749	7,683	25,323	6,318	40,073
Debentures	–	–	–	183,161	–	183,161
	27,031	**1,375,867**	**2,576,358**	**259,796**	**6,318**	**4,245,370**
Assets						
Cash and cash equivalents	59,970	830,317	32,730	–	–	923,017
Government Bonds – Amortised cost	(999)	14,742	9,936	–	1,588,483	1,612,162
Government Bonds – Fair value through comprehensive income	–	135,062	–	–	–	135,062
Assets used to manage liquidity	**58,971**	**980,121**	**42,666**	**549,529**	**2,135,345**	**3,766,632**

25. Financial Risk Management continued

25.4 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, Liability and Capital 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 Note 25.3.

25.5 Interest Rate Sensitivity Analysis

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/decrease by R16.3 million (2021: increase by R14.3 million and decrease by R13.8 million).
– Combined currency reported in ZAR, R16.3 million (2021: Increased by R14.3 million and decreased by R13.8 million).
– Currency reported in ZAR, (R0,369) million (2021: Comparatives not available)
– Non ZAR reported in ZAR, R16,7 million (2021: Increased by R14.3 million and decreased by R13.8 million)

25.6 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 sensitivity of the Bank's net position of the most significant currencies is as follows:

	2022	2022	2021	2021
Currency	**USD**	**EUR**	**USD**	**EUR**
10% increase in ZAR vs Currency exchange rate (ZAR'000 impact):	**(1,042)**	**(15)**	1,487	(51)
10% decrease in ZAR vs Currency exchange rate (ZAR'000 impact):	**1,042**	**15**	(1,487)	51

25.7 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 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 qualitative 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 1.10 for definitions and criteria used to allocate loans in stage 1, stage 2 or stage 3.

25.7.1 Collateral held as Security

The bank holds collateral which it is entitled to sell in the case of default by the owner of the collateral. The amount and type of collateral held for the exposure depends on an assessment of the credit risk of the counterparty.

The bank does not take of ownership of the collateral but will dispose or put a claim on it in an orderly fashion.

	2022
	R'000
Pledged cash investment	43,545
Mortgage bonds – residential	1,125,549
Mortgage bonds – commercial	1,562,729
Mortgage bonds – industrial	103,348
Mortgage bonds – vacant land	2,900
Instalment sale agreement – machinery	48,112
Instalment sale agreement –fittings	10,746
Instalment sale agreement –miscellaneous	10,414
	2,907,343

26. Retirement Fund

	2022 **R'000**	2021 R'000
Contributions towards Provident Fund	**16,110**	12,321

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

27. Cash Flow from Operating Activities

	2022 **R'000**	2021 Restated R'000
27.1 Cash received from banking operations		
Interest income	384,761	205,273
Non-interest income	96,331	108,094
Adjusted for:		
Interest accrued	565	–
	481,657	**313,367**
27.2 Cash paid to suppliers, employees for banking operations*		
Interest expenditure	(228,529)	(116,941)
Operating expenditure*	(524,839)	(461,500)
	(753,368)	**(578,441)**

	2022 R'000	2021 Restated R'000
Adjusted for:		
Depreciation - owned assets	9,582	5,808
Depreciation - leased assets	9,435	7,594
Amortisation - intangibles	19,802	33,824
Loss on scrapping assets	211	287
Interest on lease liabilities	–	1,734
Profit on sale of fixed assets	–	(299)
Profit on sale of government bonds	–	(10,258)
Interest accrued on government bonds	–	(45,712)
Credit impairment	–	1,339
Interest not paid on institutional funding	511	–
	(713,827)	**(584,124)**

*Refer to Note 32 for the prior year adjustments in relation to the 2021 operating expenditure adjustment.

27.3 Decrease (increase) in income-earning assets

	2022 R'000	2021 Restated R'000
Loans and advances	(306,956)	325,659
Net derivative instruments	31,473	(18,035)
Other accounts receivable	(17,619)	(53,964)
Adjusted for:		
Interest not received on government bonds	(6,417)	–
Other cashflow adjustments	(8,782)	–
Interest not received on short-term instruments	(1,693)	–
	(309,994)	**253,660**

	2022 R'000	2021 Restated R'000
27. Cash Flow from Operating Activities continued		
27.4 (Decrease) Increase in deposits and other liabilities		
Deposits and current accounts	(795,348)	1,282,423
Other accounts payable and provisions*	(62,878)	72,298
Adjusted for:		
Conversion to share capital	375,000	–
	(438,226)	**1,354,721**

*Refer to Note 32 for the prior year adjustment in relation to the 2021 other accounts payable and provisions.

28. 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 and executives, 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.

28.1 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 and its subsidiaries companies. 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.

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

	Amounts Owed by Related Parties at 31 December 2022 R'000	Amounts Owed to Related Parties at 31 December 2022 R'000
Holding Company		
Access Bank PLC	34,538	524,154
Other related parties		
GroCapital Holdings Ltd	–	10,161
AFGRI (Pty) Ltd (Related to minority shareholder)	–	5,075
AFGRI Group Holdings (Pty) Ltd (Related to minority shareholder)	–	300
HFP South Africa investments Proprietary Limited (Related to minority shareholder)	1,769	14,589
Access Bank – Botswana (Related to Bank Holding Entity)	-	87,000
Access Bank – Mozambique (Related to Bank Holding Entity)	-	81,196
Access Bank – Ghana PLC (Related to Bank Holding Entity)	-	1
Access Bank – Rwanda PLC (Related to Bank Holding Entity)	-	3
Access Bank – Zambia Limited (Related to Bank Holding Entity)	-	8,016
Access Bank – Kenya PLC (Related to Bank Holding Entity)	-	32
Loans provided to members of executive committee	2,054	–

28. Related-Party Transactions continued

	Amounts Owed by Related Parties at 31 December 2021 R'000	Amounts Owed to Related Parties at 31 December 2021 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

28.2 Related-Party Transactions with Holding Company and Its Associated Companies continued

	2022 R'000	2021 R'000
Interest Received		
Access Bank PLC	209	–
Interest paid		
Access Bank PLC	22,700	8,374
Access Bank - Botswana (Related to Bank Holding Entity)	4,282	–
Access Bank - Zambia Limited (Related to Bank Holding Entity)	31	–
HFP South Africa investments Proprietary Limited	–	2,733
The Government Employees Pension Fund Represented by the Public Investment Corporation SOC Limited	–	3,982
Operational Costs		
Access Bank PLC	4,214	–

28.3 Compensation of Key Management

The remuneration of directors during the year was as follows:

Directors' emoluments	**11,677**	**18,935**

28. Related-Party Transactions continued

	2022 R'000	2021 R'000
Independent non-executives	3,384	3,215
R Shough	–	470
W Kruger	–	413
L N Molefe	156	–
E C de Kock	127	–
B P Mathidi	1,304	895
N M Nene	170	282
P Hadebe	95	340
J E O'Neill	383	230
A E M Beck	685	383
B Barungi	464	202
Executive Directors	8,293	15,720
B van Rooy	–	11,838
S Reddy	3,953	–
JH du Preez	1,662	–
C Michaelides	2,678	3,882

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 and Use of Company Car Allowance	Cellphone and Data Allowances	Medical Aid Contributions	Provident Fund Contributions	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2022								
Executive directors salary composition	**6,006**	**1,003**	**485**	**48**	**37**	**46**	**668**	**8,293**
S Reddy	3,543	–	–	53	19	–	338	3,953
JH du Preez	1,414	–	–	7	10	46	185	1,662
C Michaelides	1,049	1,003	485	(12)	8	–	145	2,678
2021								
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

28.4 Transactions with Directors And Their Associated Companies

Amounts owed by / to related parties as at December 2022

There were no amounts owed by / to the executive and independent non-executive Directors and their associated companies for the year ending 31 December 2022 (RNil:2021).

29. Principal Foreign Currency Conversion Closing Rates

	2022	2021
Pound Sterling	20.450	21.512
United States of America	16.934	15.956
Euro	18.100	18.071
Australian Dollar	11.495	11.563
Botswana Pula	1.328	1.358
Japanese Yen	0.128	0.139
Canadian Dollar	12.505	12.547

30. Going concern

The directors are satisfied that they are in a position to confirm, in terms of Regulation 40(5)(b) of the South African Reserve Bank Regulations to the Banks Act and International Financial Reporting Standards, that the Bank will be able to continue within the foreseeable future as a going concern based on forecasts and available cash and capital resources. The annual financial statements have therefore been prepared on the going concern basis.

The following factors were considered at arriving at our conclusion that the bank will be a going concern:

- At 31 December 2022, following additional capital injection the Bank reported a strong capital position with the Capital Adequacy Ratio (CAR) in excess of 35%.
- Projections indicate that losses will be further reduced in 2024.
- In considering the adoption of the going concern principle, the Bank is required to consider a period of at least 12 months from the date of signing these financial statements. As a consequence the Bank has considered the unaudited trading results of 2023 and various scenarios that could apply in the period to February 2025.

  These were:

  – A stressed scenario where the Bank maintains loans and loss levels similar to that of the 2023 financial year. Whilst the CAR reduces to 16.08% to February 2025, it remains above the minimum regulatory CAR.

  – A further stressed scenario where the Bank increases its loan exposure funded by deposit growth while reducing losses in a similar manner to that delivered between 2022 and 2023. Whilst the CAR reduces to 14.88% to February 2025 it remains above the minimum regulatory CAR.

- The Bank further considered in both scenarios the terms of its long-term funding and related covenants in the scenarios and has adequate headroom from a leverage ratio perspective in excess of 10%.

The Board of Directors note that the bank's shareholder, Access Bank Nigeria, has issued a letter of support to the Bank which affirms the Bank's commitment for as long as it is a shareholder of the Bank to continue to provide financial support to the Bank subject to market realities and appropriate regulatory approvals. This support expires on 01 March 2025.

As the anchor shareholder to the Bank, Access Bank PLC has demonstrated on a recurring basis its commitment to provide capital and liquidity support to the Bank as and when needed. In the 2022 and 2023 financial years the following support was received from the anchor shareholder:

  – During 2022 R1.020 billion additional tier 1 capital was injected.

  – A USD30m deposit was placed by Access Bank PLC on 13 October 2023, to provide liquidity to support the growth in loans and advances.

- The Bank also has at its disposal high quality liquid assets (HQLA) which can be leveraged should additional liquidity be required.

31. Events after the reporting date

31.1 Land Bank

On 19 September 2018, the Land Bank applied for a 188 day notice account with the bank. This application was approved on 20 September 2018. Following this approval the Land Bank deposited the sum of R330 million in the notice account. The Land Bank subsequently demanded the repayment of the deposit without giving the required notice. The bank offered to return the deposit amount less the breakage fee for early withdrawal in the amount of R15 053 424.60.

A dispute ensued as to whether the bank was entitled to charge breakage costs. The parties agreed to refer this dispute to arbitration. During the course of arbitration, Land Bank advanced a main claim and two alternative claims. The only claim that is relevant to the appeal is the first alternative claim in which the Land Bank alleged that the Bank had no contractual entitlement to withhold breakage costs. The arbitration panel concluded on 22 June 2023 that the bank failed to prove the terms of the tacit term.

The bank was ordered to repay the breakage fee plus interest of 10% per annum calculated daily from 25 February 2020 to the final date of payment. The breakage fee plus interest was accrued for and is disclosed in note 18 Accounts payable.

31.2 Mashreq

On 30 June 2023 a one year syndicated loan of $50 000 000 was repaid to Mashreq.

31.3 DEG

On 23 May 2023 there was a drawdown of R150m from DEG, which represents the final drawdown of the contract.

31.4 Performance subsequent to year-end

The Bank reported an unaudited loss of R176m for the year ended 31 December 2023 a 33% reduction to the R266m loss for 31 December 2022. The year on year improvement was as a result of an increase in interest income following the growth in loans and advances of 62%, an increase in fee and commission income of 34%. Costs were well containing growing at 3%. Despite the growth of risk weighted assets and the unaudited loss, the Capital Adequacy Ratio remains above the regulatory minimum and the Bank reports an unaudited Capital Adequacy Ratio in excess of 21%.

The growth in loans and advances subsequent to the year-end has been driven by trade and corporate loans. The majority of the trade loans counter-parties are based in Nigeria. The board and management do not believe that the current macro-economic conditions in Nigeria will impact these loans adversely.

Refer to Note 30 that reference the deposit placement from Access Bank Plc.

32. Restatement as a result of prior period errors

Restatement of prior period error

Lease option not exercised

On the 4 May 2021 Access Bank South Africa cancelled the head office lease contract in Centurion. The contract stipulated a penalty of R32 750 000 (ex VAT) for cancellation which was paid and accounted for during the 2021 financial year.

The cancellation contract had an option agreement which had to be exercised by 3 January 2022. The option was however not exercised on finalisation of the 2021 Annual Financial Statements and was treated as a commitment and disclosed accordingly in Note 21, an amount of R35 591 150.43. This resulted in an understatement of expenses and understatement of liabilities. The penalty payable under the option agreement in substance forms part of the penalty payable on the termination of the lease. The termination agreement and option agreement were entered into in contemplation of each other. A penalty is payable by Access Bank should it not enter into a lease by the expiry date of the option agreement. The option penalty should, therefore, have taken into account on derecognition of the original lease and calculation of the profit/loss on termination of the lease recognised in the statement of profit and loss under IFRS 16. The option penalty represents an obligation to make a payment to the landlord and should have been recognised as a financial liability owing to the landlord under IFRS 9 on entering into the option agreement.

32. Restatement as a result of prior period errors continued

	As previously Reported R'000	Restatement R'000	Restated R'000
Consolidated statement of financial position			
Liabilities			
Accounts Payable	137,379	35,591	172,970
Total Liabilities	4,209,781	35,591	4,245,372
Equity			
Accumulated loss	(864,331)	(35,591)	(899,922)
Total equity	361,342	(35,591)	325,751
Statement of profit or loss and other comprehensive income			
Other operating expenses	(219,563)	(35,591)	(255,154)
Loss before tax	(213,656)	(35,591)	(249,247)
Impact of adjustment to unutilised tax loss (refer to Note 23)			
Unutilised tax loss	773,683	9,966	783,649

Change in presentation

In the prior year the proceeds on the sale of short term securities was incorrectly included in the net decrease in income earning assets (operating assets). The bank corrected this through a change in presentation with the proceeds now being disclosed within investing activities. These items are investments of excess liquidity and are not held for dealing and trading purposes, thus the classification as investing activities is considered appropriate. Correction of the prior period error has resulted in the following adjustments:

	As previously Reported R'000	Restatement R'000	Restated R'000
Net decrease (increase) in operating assets	313,711	(60,051)	253,660
Cashflow from operating activities	1,397,675	(60,051)	1,337,624
Purchase of short-term securities	–	(630,000)	(630,000)
Proceeds for the sale of short-term securities	–	690,051	690,051
Cashflow from investing activities	(1,610,845)	60,051	(1,550,795)

Fair value disclosure changes

The disclosure in Note 24 has been corrected for the 2021 financial year. Disclosure in relation to financial instruments of Level 1 were omitted. The following correction has been processed:

Level 1

	As previously Reported R'000	Restatement R'000	Restated R'000
Government bonds	–	1,615,949	1,615,949
Government bonds – Fair value through other comprehensive income	–	135,062	135,062

The disclosure in Note 24 in relation to categories of financial assets and financial liabilities has been corrected for government bonds measured at amortised cost to reflect the carrying amount of the instrument as opposed to the fair value which has been disclosed in the prior year. The following correction has been processed:

Asset	Classification	As previously Reported R'000	Restatement R'000	Restated R'000
Government bonds	Amortised cost	1,615,949	(3,787)	1,612,162

33. Report in terms of Section 45 of the Audit Profession Act

In accordance with their responsibilities in terms of Sections 44(2) and 44(3) read with Section 45 of the Auditing Profession Act (APA), the external auditors, on 23 January 2024 reported to the Independent Regulatory Board for Auditors (IRBA) that, in their view, a suspected reportable irregularity may have occurred.

Subsequent to the initial report to the IRBA and, as required in terms of the APA, the external auditors engaged with the bank in order to consider the matter further and undertook work to gather additional audit evidence. The following responses were provided by management for each of the matters identified:

Matter Noted	Resolution of the Matter
1. Non-compliance with Section 28 of the Companies Act 71 of 2008 due to difficulties reconciling data to the general ledger, data integrity concerns due to adjustments in cashflow information, delays in reconciliations for suspense and clearing accounts as well as the draft set of financial statements being received from Management containing several errors and missing disclosures which points to significant deficiencies in financial reporting controls.	The migration of the core banking system during January 2022 resulted in data and reconciliation challenges and resulted in the possible non-compliance of Section 28(b) of the Companies Act 71. Despite these challenges accounting records were subsequently reconciled following extensive manual data clean-up. A sustainable long-term plan was also implemented to enhance the systems, ensure stability and data integrity.
2. Section 30(1) of the Companies Act 71 of 2008, requires management to prepare annual financial statements within six months after the end of its financial year. Access Bank South Africa has a 31 December year end. As a result of the issues noted above, management has delayed in issuing the audited annual financial statements for 31 December 2022 within the prescribed time as required by this section.	Non-compliance with Section 30(1) of the Companies Act 71 of 2008 has been addressed with the signing of the annual financial statements. The annual financial statements will be submitted to the relevant authorities.
3. Non-compliance with Section 45B of the Financial Intelligence Centre Act 38 of 2001 (the FIC Act) identified through Management performing a health check and inspection performed by FTI Consulting and ITSS SARL. The health check and inspection in terms of Section 45B of the Financial Intelligence Centre Act 38 of 2001 (the FIC Act) identified significant control deficiencies over the Bank's Anti-Money Laundering (AML) processes and procedures. The report also identified deficiencies in data management and record keeping.	Management has put together a comprehensive plan to address the non-compliance with Section 45B of the Financial Intelligence Centre Act 38 of 2001 (the FIC Act) matters identified. The key milestones that were due to be met in accordance with that plan has been met. There is significant oversight by the Board and the Audit Committee on Management's plan and status of each item.
4. Non compliance with Regulation 39 (18) of the Banks Act as the Regulations requiring the annual completion assessment of the Regulation 29(18) reports. This is to be submitted 120 days after year end. The Bank did not submit the required assessments and has linked the submission of the reports to the finalisation of the Annual Financial Statements.	Non-compliance with Regulation 39 (18) of the Banks Act will be addressed with the submission of the Reg 39 return to the Prudential Authority post the sign-off of annual financial statements.

On 22 February 2024 and, in accordance with its obligations in terms of Section 45 of the APA, the external auditors notified the IRBA that in their professional opinion, the suspected irregularity was continuing as matter 2 and 4 has not been addressed fully whilst matter 1 and 3 had been addressed.