Grindrod Bank Limited

(Registration Number 1994/007994/06)

Financial Statements

For the 9 months ended on 30 September 2023

Grindrod Bank Limited

(Registration Number 1994/007994/06)
Financial Statements for the 9 months ended 30 September 2023

Contents

Corporate Details

Country of Incorporation	South Africa
Registration Number	1994/007994/06
Independent non-executive chairman	T Dloti
Executive directors	ZN Manyathi (chief executive officer) RS Garach (chief financial officer) DA Polkinghorne
Independent non-executive directors	T Dloti D Dharmalingam (Appointed 19 May 2023) RN Hutchinson (Resigned 31 March 2023) LA Dlamini CR Howell RM Maleka ZN Malinga H Ralinala PJ Temple
Non-executive directors	KG Bungane
Company secretary	P Kasaven
Debt sponsor	Nedbank Limited, acting through its Corporate and Investment Banking Division 135 Rivonia Road Fourth Floor, Block F 135 Rivonia Campus Sandown, Sandton, 2196
Transfer agent	Nedbank Limited, acting through its Corporate and Investment Banking Division 135 Rivonia Road Fourth Floor, Block F 135 Rivonia Campus Sandown, Sandton, 2196
Auditor	KPMG Inc. (28 September 2023)
Registered office	5 Arundel Close, Kingsmead Office Park, Durban, 4001

Corporate Details

Postal address	P O Box 3211, Durban, 4000
Webiste	www.grindrodbank.co.za
Email	enquiries@grindrodbank.co.za

Grindrod Bank Limited

(Registration Number 1994/007994/06)
Financial Statements for the 9 months ended 30 September 2023

Directors' Responsibilities and Approval

The directors are required by the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the affairs of Grindrod Bank Limited (the Company) as at 30 September 2023 and the results of its operations and cash flows for the period then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Standards), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Debt Listing Requirements and the Companies Act. The external auditors are engaged to express an independent opinion on the financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors (the board) sets standards for internal controls 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 risks cannot be fully eliminated, the Company endeavours to minimise them 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 that the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal controls can provide only reasonable, and not absolute, assurance against material misstatement or loss.

A sound corporate governance framework commits the Company to high standards of business ethics. The framework guides the board, as the custodian of responsible corporate governance, in the formulation and implementation of the Company strategy to achieve targeted performance and create sustainable value to the benefit of all stakeholders. The framework comprises appropriate policies, procedures and power of execution to ensure that governance objectives are properly implemented, managed, reviewed and adjusted. This ensures responsible corporate citizenship through regulatory and best practice adherence, effective and ethical leadership and sustainable value creation.

The financial statements set out on pages 22 to 98 which have been prepared on the basis as disclosed on page 9 of the Directors' Report, were approved by the board of directors and were signed on 24 November 2023 on its behalf by:

T Dloti
Chairman

DocuSigned by:
Zweli Manyathi
8CEBF1A7E39E40C...

ZN Manyathi
Chief executive officer

DocuSigned by:
Rakesh Garach
37143140698244F...

RS Garach
Chief financial officer

Certificate by the Company Secretary

The company secretary hereby certifies in terms of section 88(2) of the Companies Act of South Africa (71 of 2008) (the Companies Act), that the Company has lodged with the Companies and Intellectual Property Commission of South Africa all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date in respect of the 9 months ended on 30 September 2023.

Prishani Kasaven

P Kasaven

Company Secretary

24 November 2023

Directors' Report

The directors have pleasure in presenting their report which forms part of the financial statements of the Company for the 9 months ended 30 September 2023. The financial year end of the Company was changed to align with the holding company.

Nature of business

Grindrod Bank Limited is a registered bank primarily involved in investment, corporate and retail banking.

Change in Holding Company

African Bank Limited (African Bank) acquired 100% of the ordinary share capital of Grindrod Financial Holdings Limited (Grindrod Financial Holdings), which represents 100% of the voting rights, and 100% of the preference shares issued by Grindrod Bank. All regulatory, legislative and contractually required approvals were obtained on 6 October 2022, with an effective date of 1 November 2022.

Review of financial results and activities

The operating results and state of affairs of the Company are fully set out in the financial statements and accompanying notes. The Company has delivered acceptable financial performance for the 9 months ended 30 September 2023 despite the economic headwinds still facing South Africa. Net profit after tax R134.76m (31 December 2022: R180.42m) was reported for the 9 month period. This was largely as a result of lower net interest margin and deteriorating credit performance.

The directors wish to highlight the following:

- The Company financial year end has changed from 31 December to 30 September to align with the new holding company's financial year end. As a result, the amounts presented are not entirely comparable;
- The statement of financial position grew to R15.17bn (31 December 2022: R14.22bn) and is largely attributable to growth in the funding base to R13.18bn (31 December 2022: R12.30bn);
- Loans and advances for the nine months ending 30 September 2023 are reported at R9.77bn (31 December 2022: R8.55bn), as loan originations remain a key focus for the Company;
- The majority of the bank's liquid assets portfolio is invested in short-to-medium tenor instruments with the SARB;
- A portion of the government bond portfolio of the bank was realised during the period resulting in a gain of R7.43m and in addition certain shorter dated bonds matured. This has resulted in net bond position of R100m at year end;
- Net profit after tax of R134.76m (31 December 2022: R180.42m) resulted in a return on equity of 11.47% (31 December 2022: 12:45%). The increase is mainly attributable to:
  - Net interest margin reported for the nine months ending on 30 September 2023 amounted to R278.18m (31 December 2022: R335.91m), largely due to interest pressure;
  - The Company’s net impairment charge was R54.24m (31 December 2022: R27.12m) translating into a credit loss ratio of 76.7bps. The increase in expected credit loss is attributed to an increase in the loan book growth, and worsening economic conditions resulting in an increase in PDs;
  - Income tax expense of R22.44m (31 December 2022: R8.76m) led to an effective tax rate of 14.27% (31 December 2022: 4.63%), which is lower than the normal corporate tax rate of 27%. This is largely due to exempt preference dividend income and realisation of tax efficiencies on the Company’s fair value loan portfolio following a tax opinion on the treatment of certain gains within this portfolio;
  - Operating expenses were reported at R292.40m (31 December 2022: R362.44m), mainly attributable to professional fees and better management of costs.
  - The cost to income ratio was 58.0% (31 December 2022 : 62.6%).

Directors' Report

Authorised and issued share capital

Details of the authorised and issued ordinary share capital are disclosed in note 11 of the financial statements.

Details of the authorised and issued preference share capital are disclosed in note 13 of the financial statements.

Dividends

An ordinary dividend of Rnil was declared in the 2023 reporting period (31 December 2022: R36.39m). Preference dividends of R25.74 was paid during the year.

Board of Directors

The board was reconstituted following the acquisition of Grindrod Financial Holdings by African Bank. At 30 September 2023, and the date of this report, the Board consisted of the following members:

Name	Designation	Date of appointment	Date of resignation
T Dloti[1]	Independent non-executive director (Chairman)	October 2022	
LA Dlamini	Independent non-executive director	November 2022	
D Dharmalingam	Independent non-executive director	May 2023	
CR Howell	Independent non-executive director	September 2020	
RN Hutchinson-Keip[2]	Independent non-executive director	October 2022	March 2023
RM Maleka	Independent non-executive director	October 2021	
ZN Malinga	Independent non-executive director	April 2017	
H Ralinala	Independent non-executive director	October 2022	
PJ Temple	Independent non-executive director	November 2022	
KG Bungane	Non-executive director	October 2022	
ZN Manyathi[3]	Chief executive officer	October 2022	
RS Garach	Chief financial officer	July 2019	
DA Polkinghorne	Group Executive Coverage and Business Development	January 1999	

[1] Appointed Chairman in October 2022.
[2] Resigned as INED, Chairmen of the ACC and member of CLEC in March 2023.
[3] Appointed CEO in October 2022.

Company secretary

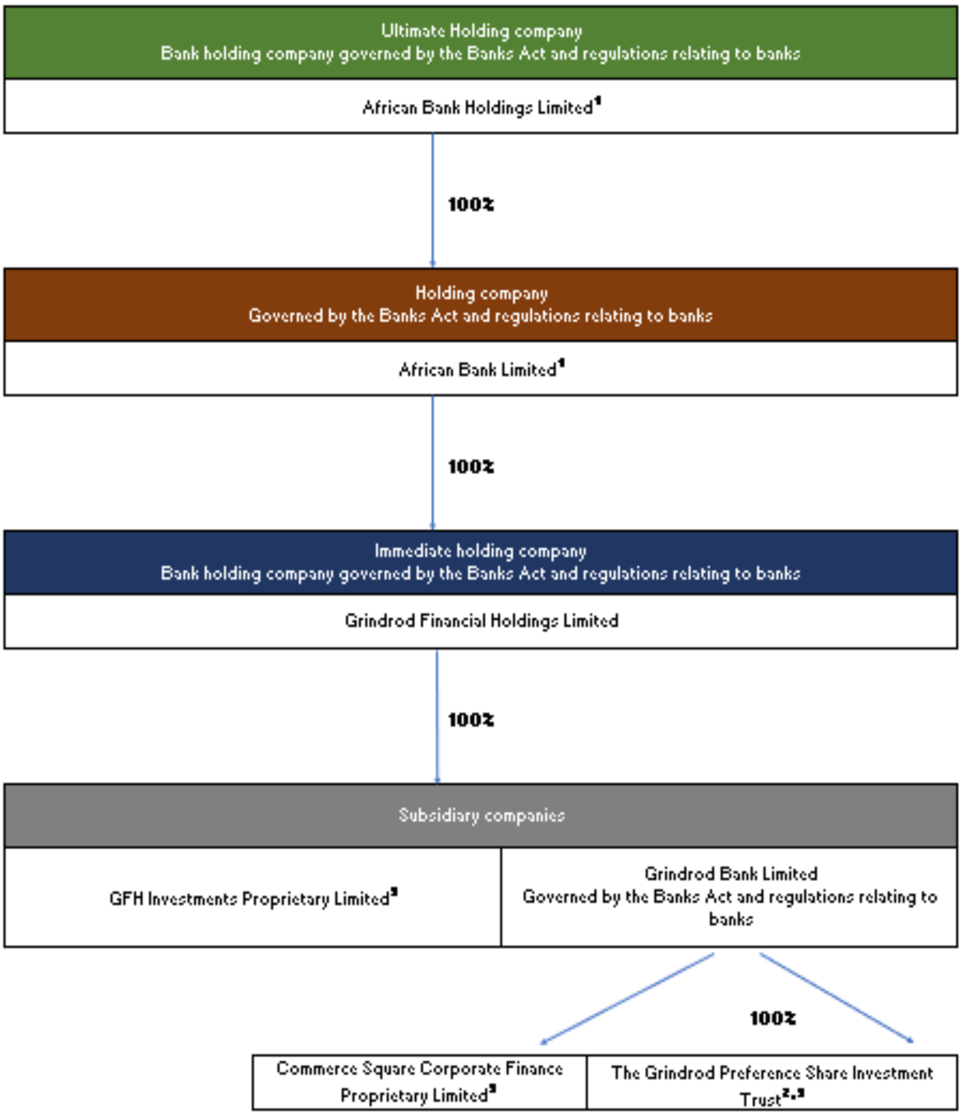
Name	Date of appointment	Date of resignation
P Kasaven	October 2022	
PW Bester	September 2020	October 2022

Country of incorporation

South Africa

Directors' Report

Holding company and subsidiaries



[1] African Bank acquired 100% of the ordinary shares in Grindrod Financial Holdings and 100% of the preference shares in Grindrod Bank from Grindrod Limited on 1 November 2022. African Bank is 100% owned by African Bank Holdings Limited (African Bank Holdings).

[2] GPSIT Deregistered by the Master of the High Court on 22 August 2023.

[3] Dormant entities, deregisterred during the course of the financial year.

Directors' Report

Going concern

Effective 1 November 2022, Grindrod Financial Holdings (bank holding company) became a wholly owned subsidiary of African Bank. The banking company (African Bank and Grindrod Bank) is currently operating under two separate banking licenses. The intention of African Bank is to affect a section 54 amalgamation of Grindrod Bank in terms of The Banks Act, 1990, such that the assets and liabilities of Grindrod Bank will be transferred to African Bank. and Grindrod Bank's banking license subsequently cancelled. This application was filed with the Prudential Authority on 23 April 2023. Subject to approval by the Minister of Finance and in terms of Section 54, the assets, liabilities, operations and human capital of Grindrod Bank will be transferred to African Bank and will form the new Business Banking division within African Bank. and continue to operate under African Bank.s banking license.

Given the planned Section 54 amalgamation, it appears that the Grindrod Bank legal entity will have no realistic alternative but to cease trading. Hence Grindrod Bank will, in accordance with the Standard, no longer be considered a going concern and the 2023 financial statements will need to be prepared on an alternate basis.

The board is therefore of the view that the assets and liabilities of Grindrod Bank as disclosed in its 2023 financial statements should be accounted for in terms of its existing accounting policies given no change in the expected method of realisation/settlement with the amalgamation.

IFRS is not prescriptive on the alternate basis for preparing financial statements if the entity is no longer deemed to be a going concern.

The Company has applied judgement and elected to be consistent in the application of its accounting policies to prior years given that the realisation of its assets and settlement of liabilities following the transfer to African Bank will remain unchanged.

Events after reporting date

The directors are not aware of any matters or circumstances arising since the reporting period date, other than noted above, that has a material impact on the financial statements.

Directors' interest

The directors and prescribed officers did not have any interest in the ordinary shares of the Company nor in the preference shares of the Company. The directors did not have an interest in any third party or company responsible for managing the business activities of the Company. Transactions with directors and prescribed officers are entered into in the normal course of business under terms that are no more favourable than those with third parties.

Auditor

KPMG Inc.

Preparer of financial statements

Makgabo Mphahlele CA (SA) (head of finance), under the supervision of Rakesh Garach CA (SA) (chief financial officer).

Registered address

5 Arundel Close, Kingsmead Office Park, Durban, 4001

Audit and Compliance Committee Report

The audit and compliance committee (the committee) have pleasure in presenting their report which forms part of the financial statements of the Company for the 9 months ended 30 September 2023.

Role and key functions

The committee is a statutory board committee that assists the board in its corporate governance supervision responsibilities, and is appointed by the board in terms of section 94 of the Companies Act read with section 64 of the Banks Act. The committee operates independently of management, is free of any organisational restraint or pressure and acts in accordance with its statutory duties and the delegated authority of the board, within formally approved terms of reference, which are reviewed and approved annually by the board.

Role of the committee

The overall objectives and role of the committee are to:

- Provide oversight of the financial reporting process and related risk management function;
- Review the internal control and assurance processes;
- Review the integrity of financial information and the presentation of accurate financial reports in compliance with the applicable regulations and accounting standards;
- Manage and oversee the performance, conduct, quality and effectiveness of the Company's internal audit function;
- Provide oversight of the Company's compliance function;
- Appoint, manage and oversee the relationship with the external auditors including the effectiveness and independence of the external audit function;
- Oversight of information technology risk, related controls and governance as it relates to financial reporting; and
- Ensure appropriate corporate governance and compliance within the scope of its mandate, with a specific focus on the potential risks to the Company.

The committee is also, subject to board approval, authorised to investigate any activity within the scope of its terms of reference and to interact with the directors, management, employees and assurance providers and to obtain independent professional advice to ensure effective governance.

Composition of the committee

The committee composition satisfies the requirements of the Companies Act, the JSE Debt Listing Requirements and the Banks Act. Members of the committee are appointed following an assessment by the directors' affairs committee, of their collective qualifications and experience and approval by the Prudential Authority (PA). The chairman of the board may not serve as chairman or as a member of the committee.

The committee currently comprises of three independent non-executive directors.

The members of the committee during the reporting period and to the date of this report were:

Name	Designation	Date of appointment	Date of resignation
RN Hutchinson-Keip	Independent non-executive director (Chairman)	November 2022	March 2023
ZN Malinga	Independent non-executive director	April 2017	
D Dharmalingam	Independent non-executive director (Chairman)	May 2023	
H Ralinala	Independent non-executive director	November 2022	

Audit and Compliance Committee Report

Six meetings were held during the reporting period.

The committee has decision-making authority regarding its statutory duties and is accountable to the board.

The company secretary serves as secretary to the committee.

The independence of the committee were evaluated by the directors’ affairs committee during 2023.

The committee invites the chief executive officer, chief financial officer, chief risk officer, chief internal auditor, chief compliance officer, head of finance, representatives of the external auditors and representatives of the ultimate holding company (where approved by the PA) to attend its meetings as required.

The internal and external auditors have unrestricted access to the chairman and members of the committee. In 2023, the committee met with the internal and external auditors without management being present.

The committee has satisfied itself that the finance and regulatory reporting functions are effective.

Key activities

In terms of its mandate, matters considered by the committee based on its annual work plan for 2023 included:

- Reviewing the financial statements for the 9 months ended 30 September 2023 in line with applicable legislative and regulatory compliance and recommendation thereof for approval by the board;
- Reviewing the combined assurance model and the effectiveness of the process for identifying, assessing and reporting on significant internal financial controls, tax and fraud risks as related to financial reporting;
- Assessing the suitability, expertise and experience of the chief financial officer; the expertise, experience and resources of the finance function;
- Assessing the suitability, expertise and experience of the chief internal auditor and evaluation of the independence, effectiveness and perfomance of the internal audit function;
- Assessing and reviewing the expertise and effectiveness of the chief compliance officer and resources of the compliance function;
- Reviewing and approving the internal audit and compliance plan;
- Recommending the independent external auditor and designated audit partner for approval by shareholders at the Company’s annual general meetings;
- Reviewing and approving the external auditor’s terms of engagement, fees for audit and non-audit services, audit plan, resources, independence, effectiveness, audit findings, key audit risks and external audit report;
- Reviewing legislative and statutory compliance within the scope of its mandate and reviewing compliance with the Company's code of ethics and conduct;
- Reviewing IT risks and evaluation of audit assessments of IT-related controls performed by the internal and external auditors together with the appropriateness of actions taken by management to address key issues identified, and reporting on its findings to the risk and capital management committee;
- Reviewing and confirming the going concern status (refer to the directors' report for the going concern assessment); and
- Approving this committee report for presentation to the shareholders.

External audit

KPMG was appointed as the Company's external auditors during the current financial period. The terms of engagement, independence, expertise, audit quality, objectivity and the appropriateness of key partners at KPMG as the external auditor were appraised by the committee. The KPMG audit team includes relevant financial services experts.

Audit and Compliance Committee Report

In assessing the auditor's independence, the committee considered guidance contained in King IV, the Independent Regulatory Board for Auditors (IRBA) publications and the JSE Debt Listings Requirements and the related commentary thereon.

The committee satisfied itself that the auditors' independence was not prejudiced by any consultancy, advisory or other work undertaken as a result of any previous appointment as auditor.

Key audit matters (KAM)

The committee considered the key audit matters as raised by the external auditor, KPMG.

These matters are also key aspects considered by the committee as part of the annual reporting process in recommending the financial statements as well as the adequacy and effectiveness of internal controls to the board for approval and disclosure.

KAM: Expected credit losses on loans and advances

This is an area that is also reviewed by the credit and large exposure committee. The committee considered whether the levels of provisioning and credit impairment were appropriate. Discussions were held with management and the credit and large exposure committee to obtain comfort over the adequacy of Stage 1, 2 and 3 provisioning. The committee reviewed the methodology and assumptions applied to calculate the impairments and monitored the governance framework applied to the ECL model. The committee also reviewed the internal and external auditor's reports in order to satisfy itself in this regard.

KAM: Loans and advances held at fair value through profit and loss

The Company engaged the services of an external expert to assist in the valuation of its loans and advances portfolio to ensure compliance with IFRS 13 Fair Value Measurement. The committee satisfied itself as to the appropriateness of the skills and experience of the expert engaged and further analysed the key judgements and assumptions applied. The committee also had a specific discussion with the external auditors in order to satisfy itself in this regard.

Key focus areas for the 2024 reporting period

In addition to the standard audit committee workplan, the committee has identified the following as key focus areas for the 2024 reporting period:

- Ensuring systems of internal controls and processes are operating effectively until the planned amalgamation in terms of section 54 of the Banks Act (refer to the directors' report for more detail);
- Maintain the effectiveness of the combined assurance model;
- Consider the implications of environmental, social and governance (ESG) from a financial reporting and disclosure perspective; and
- Integration of business and operations of the Company into the business banking division of African Bank post the section 54 approval by the PA.

Financial statements

Following the committee's review of the financial statements for the 9 months ended 30 September 2023, it is of the opinion that, in all material respects, they comply with the Companies Act, Banks Act, JSE Debt Listing Requirements and IFRS as issued by the International Accounting Standards Board (IASB), and fairly present the results of operations, cash flows and financial position of the Company.

Based on the results of the internal and external audit reviews of the Company's internal controls and information technology general controls, no material weaknesses were identified to indicate that the internal financial controls were not operating effectively.

Audit and Compliance Committee Report

On this basis, the committee recommended that the board approves the financial statements for the 9 months ended on 30 September 2023.

DocuSigned by:
BC667778F082434...

D Dharmalingam
Chairman: Audit and compliance committee
24 November 2023

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

Independent Auditor's Report

To the shareholder of Grindrod Bank Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Grindrod Bank Limited (the Bank) set out on pages 22 to 98, which comprise the statement of financial position as at 30 September 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, accounting policies and notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grindrod Bank Limited as at 30 September 2023, and its financial performance and cash flows for the period then ended then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) 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 Bank 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 matters

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.

Expected credit losses on loans and advances Please refer to notes in the accounting policies: Critical judgements and key sources of estimation uncertainty 1.7 Impairment of financial assets. The following Notes to the financial statements: Note 4 Loans and advances, Note 22 Impairment losses on financial assets, Note 28 Fair value of financial instruments measured at amortised cost – hierarchy, Note 30 Financial instrument risk management: credit risk, Note 30.2 Financial instruments risk management: liquidity risk and Note 30.3 Financial instrument risk management: interest rate risk.	
Key audit matter	How the matter was addressed in our audit
The main business of the Bank is to provide loans and advances the audit team considered the credit risk associated with the loans and advances as well as the related expected credit losses. Gross advances at 30 September 2023 amounted to R7.9 billion with an impairment provision of R297.9 million raised on these advances. The loans and advances are measured at amortised cost. The Bank recognises an expected credit loss ("ECL") at each reporting date which includes assessing whether there has been any significant increase in credit risk ("SICR"). The key areas of significant judgement and estimation include: • The degree of judgement and estimation that is applied by management in determining the expected credit loss. • Cash flows, and the timing thereof, which are estimated based on the expected performance of the advance by considering changes to collection procedures and projected future market conditions. • Weightings applied to the scenarios to determine the ECL, which is subjective in nature. • The credit risk disclosures which incorporates multiple data inputs and management judgement impacting the completeness and accuracy of the disclosures. As a result of significant judgement, complexity and	We performed the following procedures with the assistance of our valuation specialist: • Evaluated the Bank's credit impairment provision by performing a methodology review of the IFRS 9 corporate loans as well as a quantitative assessment of the reasonability of the impairment estimate in accordance with IFRS 9. • Obtained an understanding of the Bank's processes and tested the design and implementation and operating effectiveness of controls relating to the governance of the recognition of the impairment provision. • Assessed the appropriateness of the macroeconomic scenario forecasts and probability weightings by benchmarking these against external data and supporting evidence. • Assessed the counterparty's ability to service their debt and whether any indicators of significant risk or credit impairment existed at 30 September 2023. • Independently calculated the loans and advances expected credit losses value over a range of assumptions to establish whether the Bank's estimate falls within our independent estimate range at 30 September 2023 using an independent challenger model which includes the assessment of the probability of default (PD), loss

KPMG

Expected credit losses on loans and advances Please refer to notes in the accounting policies: Critical judgements and key sources of estimation uncertainty 1.7 Impairment of financial assets. The following Notes to the financial statements: Note 4 Loans and advances, Note 22 Impairment losses on financial assets, Note 28 Fair value of financial instruments measured at amortised cost – hierarchy, Note 30 Financial instrument risk management: credit risk, Note 30.2 Financial instruments risk management: liquidity risk and Note 30.3 Financial instrument risk management: interest rate risk.	
Key audit matter	How the matter was addressed in our audit
estimates applied in determining the ECL for corporate advances and the significance of the balance to the financial statements, it was considered a key audit matter for the current year	given defaults (LGD) and the exposure at default (EAD) incorporating forward-looking information. • Assessed the link between the cash shortfall rates of the underlying counterparties and LGD as provided in the value at risk model. • Performed a sensitivity analysis on the PD by factoring in a distribution of the counterparties not making payment. • For stage 3 impairments, we tested the legal right to and valuation of collateral and assess the estimated future cash flows of the borrower used by management in calculating the level of impairment provided.

Loans and advances at fair value through profit and loss	
Please refer to notes in the accounting policies: Critical judgements and key sources of estimation uncertainty and 1.8 Financial instruments designated at fair value through profit or loss. The following Notes to the financial statements: Note 4 Loans and advances, Note 28 Financial instruments measured at fair value – hierarchy, Note 30 Financial instrument risk management: credit risk, Note 30.2 Financial instruments risk management: liquidity risk, Note 30.3 Financial instrument risk management: interest rate risk and Note 30.4 Financial instrument risk: market risk.	
Key audit matter	How the matter was addressed in our audit
The Bank has corporate loans and advances measured at fair value through profit and loss in accordance with IFRS 9: Financial Instruments. Loans and advances at 30 September 2023 amounted to R1.9 billion. The Bank has irrevocably designated fixed rate loans and advances linked to interest rate swaps at FVTPL. The Bank enters into fixed rate loans and advances from time to time, when requested by its clients. The Bank then enters into interest rate swap agreements to economically hedge these fixed rate loans and advances and, since these instruments are used as hedging tools, the Bank has elected to recognise these fixed rate loans and advances at fair value. The Bank further enters into special revenue arrangements whereby certain loans and advances have additional revenue arrangements attached to them in terms of which the Bank is entitled to a fee or special dividend derived from specified asset values upon facility expiry or upon early settlement due to realisation of the specified asset which are not only compensations for credit risk. This is an area of significance judgement and estimation due to: • The fluctuations in the interest rate since inception in respect to the fix interest rate loans. • The movements in the credit risk of the counterparty and the general market spreads for a certain credit rating. • The effect of the changes in the performance of the underlying asset being financed that would	We performed the following procedures with the assistance of our valuation specialist: • Evaluated the Bank's loan valuations by performing a methodology review of the IFRS 9 corporate loan. • Obtained an understanding of the Bank's processes and tested the design and implementation and operating effectiveness of controls relating to the governance of the recognition of the valuation. • The evaluation of the independence, competence, capabilities and experience of management's valuation specialists where applicable. • Critically assessed and tested the appropriateness and adequacy of the fair value model by performing procedures which include the following: o Reviewed key assumptions which drive the parameters feeding into the fair value model, including inputs used particularly the credit spreads. o Assessing the appropriateness and reasonableness of both observable and unobservable inputs applied by management in deriving the fair value of

Loans and advances at fair value through profit and loss	
Please refer to notes in the accounting policies: Critical judgements and key sources of estimation uncertainty and 1.8 Financial instruments designated at fair value through profit or loss. The following Notes to the financial statements: Note 4 Loans and advances, Note 28 Financial instruments measured at fair value – hierarchy, Note 30 Financial instrument risk management: credit risk, Note 30.2 Financial instruments risk management: liquidity risk, Note 30.3 Financial instrument risk management: interest rate risk and Note 30.4 Financial instrument risk: market risk.	
Key audit matter	How the matter was addressed in our audit
drive the current and projected cash flows. • Exit values for the property portfolio. As a result of significant judgement, complexity and estimates applied in determining the fair value of loans and advances and the significance of the balance to the financial statements, it was considered a key audit matter for the current year	loans and advances. • Where management used specialists to perform the valuations, we have evaluated their competence, capabilities, and objectivity in performing these valuations. • We have further evaluated whether management has appropriately considered the impact of economic events on the loan book in determining fair value of the various portfolios. • We have assessed the reasonability of the valuation assumptions of the exit values of the property portfolio under the fair value loans and advances with additional revenue arrangement, based on our experience with, and knowledge of the property market. • We performed an assessment of the disclosure of the instruments to ensure consistency with the required international financial reporting standards (IFRS).

Emphasis of matter - Non-going concern

We draw attention to Note 38 to the financial Statements, which indicates that the financial statements, have been prepared on a non-going concern basis. The Bank intends to cease their operations and effect amalgamation in terms of Section 54 of the Banks Act, within twelve months from 31 December 2022. As stated in Note 38, these events or conditions, along with other matters as set forth in Statement of compliance and basis of preparation, indicate that the Bank is not a going concern. Our opinion is not modified in respect of this matter. Our opinion is not modified in respect of this matter.

Other matter

The financial statements of the Bank as at and for the period ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 March 2023.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Grindrod Bank Limited Annual Financial Statements for the nine months ended 30 September 2023", which includes the Directors' report, the Audit and compliance committee report and the Certificate by company secretary 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 as issued by the International Accounting Standards Board (IFRS) 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 Bank'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 bank 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 bank'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 Bank’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 bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Grindrod Bank Limited for 1 year.

KPMG Inc.

DocuSigned by:
69A07B04822E49C...

Per Pierre Fourie
Chartered Accountant (SA)
Registered Auditor
Director
24 November 2023

Grindrod Bank Limited

(Registration Number 1994/007994/06)

Financial Statements for the 9 months ended 30 September 2023

Statements of Financial Position

	Notes	2023 R `000	2022 R `000
Assets			
Cash and short-term funds	2	1 494 258	1 490 439
Negotiable securities	3	3 693 641	3 992 594
Current tax assets		-	1 929
Loans and advances	4	9 773 282	8 547 919
Derivative instruments	5	4 080	3 726
Investment securities	6	3 020	5 725
Other receivables	7	129 933	86 476
Property and equipment	8	11 327	22 737
Intangible assets	9	8 075	-
Deferred tax assets	10	56 069	65 787
Total Assets		15 173 685	14 217 332
Equity			
Ordinary share capital	11	650	650
Share premium	12	347 929	347 929
Preference share capital	13	285 000	285 000
Retained income		1 275 193	1 161 626
Total Equity		1 908 772	1 795 205
Liabilities			
Current tax liabilities		3 272	-
Deposits and funding instruments	14	13 176 461	12 300 505
Provisions	15	41 588	58 185
Other liabilities	16	43 592	63 437
Total Liabilities		13 264 913	12 422 127
Total Equity and Liabilities		15 173 685	14 217 332

Statements of Profit or Loss and Other Comprehensive Income

	Notes	9 months ended 30 September 2023 R `000	12 months ended 31 December 2022 R `000
Interest and similar income	17	996 199	992 378
Interest and similar expense	18	(718 018)	(656 473)
Net interest and similar income		278 181	335 905
Non-interest revenue	19	225 662	242 826
Net fee income	19.1	41 284	45 199
Fee income		157 441	183 142
Fee expenses		(116 157)	(137 943)
Gains and losses on financial instruments	19.2	155 480	180 830
Dividend income	20	16 520	3 033
Other non-interest revenue	21	12 378	13 764
Total revenue		503 843	578 731
Impairment losses on financial assets	22	(54 238)	(27 117)
Operating income		449 605	551 614
Operating expenses	23	(292 404)	(362 440)
Profit before tax		157 201	189 174
Income tax expense	24	(22 441)	(8 759)
Profit for the period		134 760	180 415
Other comprehensive income		-	-
Total comprehensive income for the period		134 760	180 415

Grindrod Bank Limited

(Registration Number 1994/007994/06)

Financial Statements for the 9 months ended 30 September 2023

Statements of Changes in Equity

	Ordinary share capital R `000	Share premium R `000	Preference share capital	Retained income R `000	Total R `000
Balance at 31 January 2022	650	347 929	285 000	1 039 171	1 672 614
Total comprehensive income for the year	-	-	-	180 415	180 415
Profit for the year	-	-	-	180 415	180 415
Ordinary dividends	-	-	-	(36 391)	(36 391)
Preference share dividends	-	-	-	(21 569)	(21 569)
Balance at 31 December 2022	650	347 929	285 000	1 161 626	1 795 069
Balance at 1 January 2023	650	347 929	285 000	1 161 626	1 795 205
Total comprehensive income for the period	-	-	-	134 760	134 760
Profit for the period	-	-	-	134 760	134 760
Ordinary dividends	-	-	-	-	-
Preference share dividends	-	-	-	(21 193)	(21 193)
Balance at 30 September 2023	650	347 929	285 000	1 275 193	1 908 772
Notes	**11**	**12**	**13**		

Grindrod Bank Limited

(Registration Number 1994/007994/06)
Financial Statements for the 9 months ended 30 September 2023

Statements of Cash Flows

	Notes	9 months ended 30 September 2023 R `000	12 months ended 31 December 2022 R `000
Cash flows from operating activities			
Cash used in operations	25	(156 758)	(196 842)
Interest paid		(734 397)	(622 773)
Interest received		882 192	883 689
Income tax paid		(7 521)	(14 114)
Movement in operating assets and operating liabilities:			
(Increase) / decrease in loans and advances		(1 130 252)	91 753
Decrease / (increase) in other negotiable securities		298 917	(56 217)
Increase in deposits and funding instruments		692 929	47 049
Net cash flows (used in) / from operating activities		(154 890)	132 545
Cash flows (used in) / from investing activities			
Acquisition of property and equipment		(796)	(1 864)
Acquisition of intangible asset		(8 075)	-
Proceeds on disposal of property and equipment		172	147
Dividend income		1 331	3 033
Proceeds on disposal of investment securities		2 705	12 834
Acquisition of investment securities		-	(2 443)
Net cash from investing activities		(4 663)	11 707
Cash flows from / (used in) financing activities			
Dividends paid to ordinary shareholders		-	(36 391)
Dividends paid to preference shareholders		(25 742)	(18 518)
Payment of Bond: Capital		200 000	-
Payment of Bond: Interest		(594)	(1 176)
Payment of lease liabilities	26	(10 096)	(13 625)
Net cash from / (used in) financing activities		163 568	(69 710)
Net increase in cash and short-term funds		4 015	74 542
Cash and short-term funds at 1 January		1 490 705	1 416 163
Cash and short-term funds at 30 September[1]	27	1 494 720	1 490 705

[1]The impact of the change in accounting policy as noted in recent accounting developments, is an increase in cash and short-term funds of R298,3m as at 31 December 2022 and R590,6m as at 1 January 2022.

Accounting Policies

Reporting entity

Grindrod Bank Limited (the Company) is domiciled in South Africa. The registered address is 5 Arundel Close, Kingsmead Office Park, Durban, 4001.

The Company is primarily involved in investment, corporate and retail banking.

Statement of compliance and basis of preparation

The financial statements of the Company have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Debt Listing Requirements and the Companies Act of South African (Act 71 of 2008) (the Companies Act). The financial statements have been prepared using an alternate basis and not on the going concern principle (refer to note 38 for more detail). Although the financial statements have not been prepared on the going concern basis, the Company has adopted its existing accounting policies as the basis of preparation for the 2023 financial statements given that the realisation of its assets and settlement of liabilities following the transfer to African Bank will remain unchanged. The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. The financial statements are presented in South African Rand which is the Company's functional currency and all amounts are rounded to the nearest thousand.

Recent accounting developments

The Company financial year end has changed from 31 December to 30 September to align with the new holding company's financial year end. As a result, the amounts presented are not entirely comparable.

The IFRS Interpretation Committee published an agenda decision on 'Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of cash flows) – Agenda Paper 3' in April 2022.

Based on the afore-mentioned agenda decision, the company went through a process of reviewing its accounting policies which was completed in 2023. Subsequently, the statement of cash flows of the Company has been reviewed and it was concluded that the regulatory deposit held with the South Africa Reserve Bank ('SARB') should be included as 'Cash and cash equivalents' in the statement of cash flows.

The change in accounting policy as noted in 'Recent accounting developments' has been applied retrospectively to all prior periods affected.

The change in accounting policy does not have an impact on the statement of financial position, statement of comprehensive income or statement of changes in equity.

Accounting Policies

Adoption of new and amended standards in the current reporting period.

The following standards, interpretations and amendments have been adopted without affecting the Company's previously reported financial results, disclosures or accounting policies and did not impact the Company's results upon transition.

Pronouncement	Title and details
IAS 37 (amendment)	**IAS 37 - Onerous contracts - costs of fulfilling a contract** The amendment specifies which costs an entity needs to include when assessing whether a contract is onerous or lossmaking. The amendments apply a 'direct related cost approach', which includes costs that relate directly to a contract and an allocation of costs directly related to contract activities. General and administrative costs are excluded unless they are explicitly chargeable to the counterparty to the contract.
IAS 16 (amendment)	**IAS 16 - 'Property, Plant and Equipment' on proceeds before intended use** The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.
IFRS 3 (amendment)	**IFRS 3 - Reference to the Conceptual Framework** The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are intended to update a reference to the Conceptual Framework without significantly changing the requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use.
IAS 1 (amendment)	**IAS 1 - Classification of liabilities as current or non-current and non-current liabilities with covenants** The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). No material impact on the financial statements was identified resulting from the adoption of this amendment made to IFRS. The amendments apply for annual periods beginning on or after 1 January 2024.
IAS 1 (amendment)	**Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)** An entity is now required to disclose its material accounting policy information instead of its significant accounting policies. An explanation is to be provided on how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.
IFRS 7 (amendment)	**IAS 7 - Statement of Cash Flows** The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk.

Accounting Policies

Pronouncement	Title and details
IAS 8 (amendment)	**IAS 8 - Definition of accounting estimates** The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The Company has not yet assessed the impact of the amendments.
IAS 12 (amendment)	**IAS 12 - Deferred tax related to assets and liabilities arising from single transactions** These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company has not yet assessed the impact of the amendments.

Critical judgements and key sources of estimation uncertainty

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Key areas where judgement and measurement uncertainty has been used include:

	Judgement	Estimate	Accounting policy/Note
Expected credit loss measurement	√	√	Refer to accounting policy 1.7.
Assessment of control of an investee	√		Refer to accounting policy 4.
Share-based incentive schemes		√	Refer to accounting policy 8.3 and note 31.
Revenue recognition	√		Refer to accounting policy 10 and notes 17 and 19.
Judgement on lease and extension options	√	√	Refer to accounting policy 9 and note 16.
Valuation of level 2 loans and advances[1]	√	√	Refer to accounting policy 1.6 and note 29.
Valuation of level 3 loans and advances[1]	√	√	Refer to accounting policy 1.6 and note 29.

[1] The differentiation between level 2 and 3 loans and advances is that level 2 makes use of all significant observable inputs for the valuation, whereas level 3 includes observable and unobservable inputs.

Other than the changes arising from the adoption of new accounting standards as noted above, the following principal accounting policies have been consistently applied in all material respects:

1. Financial instruments

1.1 Recognition and initial measurement

The Company initially recognises loans and advances, deposits and debt securities issued on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

Financial assets or financial liabilities are measured initially at fair value plus, for an item not at fair values through profit and loss (FVTPL), transaction costs that are directly attributed to the acquisition or issue.

The fair value of a financial instrument at initial recognition is generally its transaction price.

Financial instruments continued...

1.2 Classification and subsequent measurement

Financial assets

The Company's financial assets are classified and subsequently measured either at amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI).

A financial asset is measured at amortised cost if it meets the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

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

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

The Company has irrevocably designated fixed rate loans and advances linked to interest rate swaps at FVTPL. The Company enters into fixed rate loans and advances from time to time, when requested by its clients. The Company enters into interest rate swap agreements to economically hedge these fixed rate loans and advances and, since these instruments are used as hedging tools, the Company has elected to recognise these fixed rate loans and advances at fair value. The Company, however, does not apply hedge accounting.

Variable rate loans and advances, comprising mortgage loans, term loans, invoice discounting, preference share financing and overdraft facilities, are held at amortised cost as the business model is to hold the assets for the collection of contractual cash flows. The contractual cash flows of these loans and advances represent SPPI. In certain instances, variable rate loans and advances include a special revenue arrangement (refer below for classification of variable rate loans and advances with special revenue arrangements).

Accounting Policies

Financial instruments continued...

Preference share financing consist of preference shares subscribed for by the Company that accrue dividends. The Company primarily holds these financing arrangements in order to collect the contractual cash flows in the form of dividends and the principal amount initially invested. In certain instances, the preference share financing includes a special revenue arrangement (refer below for classification of preference share financing with special revenue arrangements).

The Company enters into special revenue arrangements whereby certain loans and advances have additional revenue arrangements attached to them in terms of which the Company is entitled to a fee or special dividend derived from specified asset values upon facility expiry or upon early settlement due to realisation of the specified asset. Where the special revenue arrangements are for compensation of credit risk, they meet the SPPI requirements and are classified at amortised cost. Where the special revenue arrangements are not only for compensation of credit risk, they do not meet the SPPI requirements and are classified at FVTPL.

Negotiable securities include money-market investments, government bonds, treasury bills and preference shares. The Company considers that these securities are held within a business model whose objective is to hold assets to collect contractual cash flows.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held to both collect contractual cash flows and to sell financial assets.

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

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

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

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse loans and advances);
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL.

Financial instruments continued...

Reclassifications

Financial assets are only reclassified, subsequent to their initial recognition, in the period after the Company changes its business model for managing the financial assets.

Subsequent measurement

Financial assets	**Classification**	**Subsequent measurement**
Loans and advances		
Fixed rate loans and advances linked to interest rate swaps	Designated at FVTPL	These assets are subsequently measured at fair value. Net gains and losses are recognised in profit or loss.
Fixed rate loans and advances not linked to interest rate swaps	Amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Variable rate loans and advances with no special revenue arrangements	Amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Variable rate loans and advances with special revenue arrangements	Amortised cost or FVTPL	An assessment is done to determine whether the contractual cash flows consist of SPPI. Cash flows consist of SPPI (amortised cost): These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Cash flows do not consist of SPPI (FVTPL): These assets are subsequently measured at fair value. Net gains and losses are recognised in profit or loss.

Accounting Policies

Financial instruments continued...

Financial assets	Classification	Subsequent measurement
Preference share financing with no special revenue arrangements	Amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Preference share dividend income (disclosed in note 17) and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Preference share financing with special revenue arrangements	Amortised cost or FVTPL	An assessment is done to determine whether the contractual cash flows consist of SPPI. Cash flows consist of SPPI (amortised cost): These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Preference share dividend income (disclosed in note 17) and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Cash flows do not consist of SPPI (FVTPL): These assets are subsequently measured at fair value. Net gains and losses are recognised in profit or loss.
Cash and short term funds	Amortised cost	Cash and short-term funds are initially measured at fair value and subsequently measured at amortised cost.
Investment securities	Designated at FVTPL	Investment securities is measured at fair value through profit and loss. Dividends are recognised in profit and loss.
Other financial assets	Amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities

Financial liabilities include deposits and funding instruments, accounts payable and sundry creditors.

Financial liabilities are classified and subsequently measured at amortised cost, except for derivative financial instruments which are classified at FVTPL.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Financial liabilities subsequently measured at amortised cost using the effective interest method have the interest expense recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derivative financial instruments

Derivative instruments, which include interest rate swaps, are held by the Company to manage interest rate risk, defined as economic hedging activities. Derivative instruments are initially recognised at fair value and subsequently remeasured to FVTPL using market prices at each reporting date.

Financial instruments continued...

1.3 Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

1.4 Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a modified financial asset is recognised at fair value with any fees received as part of the modification being included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (refer to 1.7 for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

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

Financial instruments continued...

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

1.5 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS.

1.6 Fair value measurement

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, the Company then uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Financial instruments continued...

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

1.7 Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, for which a 12-month ECL is measured:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Financial assets on which credit risk has not increased significantly since their initial recognition.

Indicators of a significant increase in credit risk (SICR) may include any of the following:

- Facility is in arrears for greater than 30 days;
- Classification and appearance on a watch list; and
- Significant decrease in value of collateral.

Loans and advances are placed under managed accounts once the loan is considered as non-performing and meets the Company's internal loan book grading criteria.

The loan book grading is made up of four “Risk Grades” which is used to manage credit risk within the loan book. This model aims to segment the loan book into different risk grades based on the credit risk associated with the client, which will then drive the level of management and monitoring required over the loan as outlined below:

- Risk grade 1: This relates to normalised clients, where no provisions has been raised on the loan facility.
- Risk grade 2: This relates to clients that are showing early signs of financial distress.
- Risk grade 3: This relates to non-performing loans and problematic clients, which are financially distressed.
- Risk grade 4: This relates to clients in a litigation status.

12-month ECLs are the portion of lifetime ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECLs are recognised are referred to as ‘Stage 1 financial instruments’. Financial instruments allocated to Stage 1 have not experienced a SICR since initial recognition and are not credit-impaired.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECLs are recognised but that are not credit-impaired are referred to as ‘Stage 2 financial instruments’. Financial instruments allocated to Stage 2 are those that have experienced a SICR since initial recognition but are not credit-impaired.

Accounting Policies

Financial instruments continued...

Financial instruments for which lifetime ECLs are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'. Credit impairment is considered to occur when defined stage 3 criteria have been met, the most significant of which is default.

The criteria include qualitative triggers such as:

- Bankruptcy, Business Rescue, Liquidation and Litigation.
- Distressed restructures.
- Prolonged Labour Disputes or Unresolved Management Problems.
- Classification as Loss or Doubtful per the Regulatory Classification.

IFRS 9 requires an entity to apply a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and considers qualitative indicators where appropriate. There is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due, unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The definition of default should be the same for all financial instruments unless an entity can demonstrate that another default definition is more appropriate for a particular financial instrument.

Based on this, the Company uses the following indicators for default:

- Facilities with an outstanding amount for 90 days will be termed in default;
- Conditions not being met (such as covenants or a minimum NAV). This is subject to an internal assessment of the breach; and
- Acts of Insolvency (liquidation/business rescue proceedings).

Collateral

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive;
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the company if the commitment is drawn down and the cash flows that the company expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the company expects to recover.

When discounting future cash flows, the following discount rates are used:

- Financial assets: the original effective interest rate or an approximation thereof;
- Undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- Financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Accounting Policies

Financial instruments continued...

The Company calculates ECLs using the following main components, being probability of default (PD), exposure at default (EAD) and loss-given default (LGD). The calculated ECLs are then discounted using the appropriate effective interest rate of the financial asset. The assessment of SICR and the calculation of ECLs incorporate forward looking information.

The Company has performed historical analyses and identified the key economic variables impacting credit risk and ECLs for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Significant judgement and estimation are applied in this process of incorporating forward-looking information into the SICR assessment and ECLs calculation.

The period of exposure used in this model for all types of facilities, except for overdraft facilities, is the expiry date of the facility granted. For overdraft facilities, the period of exposure is the average rolling period. This is deemed appropriate for the Company since behavioural patterns of individual facilities cannot consistently reflect the average behavioural patterns across products. As such, the probability that the facility will be renewed varies significantly across the loan book. All facilities are granted with a defined expiry date and with no guarantee of renewal. Renewals are subject to the normal credit evaluation process.

Probability of default (PD)

PD is determined primarily based on judgement using knowledge of the loan book and the Company’s client base. Probabilities are subject to debate and approval by, the credit executive committee, the credit and large exposure committee, the risk and capital management committee and the board. PDs are assigned according to product type.

The PD ranges for the current and prior periods applied to each product type are:

Product type	2023 PD range %	2022 PD range %
Mortgage bonds	(0.25) - (3.01)	(0.19) - (2.25)
Invoice discounting, term loans and overdrafts	(0.51) - (5.18)	(0.40) - (4.03)
COVID-19 Guarantee scheme loans	(0.94) - (9.48)	(0.67) - (6.78)
Preference shares	(0.48) - (5.97)	(0.37) - (4.64)

Accounting Policies

Financial instruments continued...

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

	2023		2022	
Stress scenario analysis	+20% PD R000	-20% PD R000	+20% PD R000	-20% PD R000
Stage 1	3 852	(3 852)	1 672	(1 672)
Stage 2	60	(60)		
Stage 3[1]	-	-	-	-
	3 912	(3 912)	1 672	(1 672)

[1] *Subject to specific impairment and not model impairment.*

Exposure at default (EAD)

EAD is calculated based on product type, access level and repayment type. Depending on these factors, three measurement types are possible:

- Average utilisation;
- Interest roll-up; and
- Amortisation.

Loss given default (LGD)

LGD is per period and is calculated considering the projected exposure less the cash flows expected from realising security, valued according to the established and approved credit policy.

Where collateral is held to secure multiple facilities, the collateral is apportioned proportionately across facilities where multiple facilities are structured for a single lending transaction unless a contractual ranking is applied.

Forward-looking information (FLI)

The Bank first establishes relationships between key economic variables and security based on the type of security to determine the impact on LGDs. These relationships are used to determine the probability of security values changing.

This is done by using the projected movement of the selected indicators over 12-month and lifetime (3-year) periods to determine whether the security falls within one of 3 scenarios.

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

The movements between the scenarios are determined on both a 12-month and Lifetime (3-year) forecasted period based on the size and direction of the forecasted movement. As security will have multiple forecasted variables, the Company calculates an average probability based on the variables assigned to security to obtain a final probability of a poor, stable, or good scenario. This probability is used to calculate a probability weighted adjustment based on the impact of a given scenario on the security value.

Accounting Policies

Financial instruments continued...

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

The table below reflects stress scenarios based on FLI:

Stress scenario analysis	Stress impact %	Stress impact R000	Total ECLs R000
2023			
ECL 2023			19 567
ECL assuming a 100% Good Scenario	(25.87)	(5 061)	14 506
ECL assuming a 100% Poor Scenario	44.23	8 655	28 222
2022			
ECL 2022			19 567
ECL assuming a 100% Good Scenario	(10.61)	(2 076)	17 491
ECL assuming a 100% Poor Scenario	13.23	2 589	22 156

The table below reflects the impairment impact of a change in the LGD% on exposures at:

	2023		2022	
Stress scenario analysis	+20% LGD R000	-20% LGD R000	+20% LGD R000	-20% LGD R000
Stage 1	3 852	(3 852)	1 672	(1 672)
Stage 2	61	(61)	-	-
Stage 3[1]	-	-	-	-
	3 913	(3 913)	1 672	(1 672)

[1] *Subject to specific impairment and not model impairment.*

Financial instruments continued...

Significant areas of judgement and key assumptions

Due to the Company's history of low credit defaults under normal economic conditions, limited numeric data is available to make reasonable assumptions regarding the various aspects required to determine the ECLs. In addition, historic defaults of clients have resulted from specific conditions and were not as a result of general triggers. Consequently, various elements of the model (key elements detailed below) require the use of experience and professional judgement as follows:

- Determining PD across all product types;
- Appropriateness of qualitative staging criteria;
- Security valuation methodology; and
- FLI impact on PDs and LGDs.

The following are key economic variables used to determine the change in PDs and LGDs:

	12 month range	Lifetime range
2023		
Key economic variables		
Construction Output Levels	28 403	30 013
Gross domestic product (GDP) (%)	0.2% - 0.5 %	0.2% - 1.7%
Money Supply (M3)	5 081 377	5 605 353
Overall Economic Risk (%)	5.32	5.32
Inflation rate (%)	4.0% - 5.3%	3.1% - 4.8%
PPI Inflation rate (%)	4.1% - 5.63%	3.1% 4.85%
Exchange Rate (average)	18.78	18.43
Prime lending rate (%)	9.0% – 12.0%	8.0%- 10.4%
Unemployment rate (%)	30.5 %- 32.9%	29.9% - 32.3%
2022		
Key economic variables		
Construction Output Levels	32 772	34 769
Gross domestic product (GDP) (%)	0.7% – 2.3%	0.2 – 1.8
Money Supply (M3)	5 022 646	5 827 460
Overall Economic Risk (%)	5.10	5.10
Inflation rate (%)	4.1% – 7.1%	3.5% – 8.1%
PPI Inflation rate (%)	0.84% - 1.2%	0.93% - 1.4%
Exchange Rate (average)	18.24	18.24
Prime lending rate (%)	9.0 %– 12.0%	8.0%– 12.0%
Unemployment rate (%)	30.7% – 36.4%	28.8% – 35.3%

Key economic variables beyond the three-year forecast period equate to a long-run average expectation.

The PPI inflation rate, overall economic risk, GDP, inflation rate and construction output levels are used to determine the impact of forward-looking information on PDs. Economic risk constitutes a weighted average of exchange risk, demand risk, cost risk, sovereign credit risk and trade credit risk resulting in a measurable figure of economic risk for a given country. The historical indicators and book performance as well as the current economic state were used to determine an acceptable range looking forward. Should the 12-month or lifetime values fall outside the threshold, the PDs are adjusted accordingly.

CPI Inflation, exchange rates, GDP, money supply (M3), prime lending rate and unemployment rate are used to determine the impact of forward-looking information on LGDs based on the FLI methodology outlined within the LGD section.

Accounting Policies

Financial instruments continued...

Scenario analysis on staging

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

	Stage 1	Stage 2	Stage 3	Total
2023				
Base staging	24 320	306	273 277	297 903
5% transfer from Stage 1 to Stage 2	9 752	41 395	273 277	324 424
10% transfer from Stage 1 to Stage 2	9 269	42 590	273 277	325 136

	Stage 1	Stage 2	Stage 3	Total
2022				
Base staging	8 362	-	206 781	215 143
5% transfer from Stage 1 to Stage 2	7 041	2 212	206 781	216 034
10% transfer from Stage 1 to Stage 2	4 955	16 360	206 781	228 096

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECLs are measured as follows:

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

The renegotiation of terms does not automatically mean a change in credit risk of the financial asset, hence management would assess whether there has been a significant increase in credit risk.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets measured at amortised cost are credit impaired (referred to as ‘Stage 3 financial assets’). A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Financial instruments continued...

Evidence that a financial asset is credit-impaired includes the following observable data:
- Acts of insolvency, i.e., liquidation or business rescue proceedings;
- Significant financial difficulty of the borrower; and
- A default event, which typically includes non-repayment according to contractual terms.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors:
- The market's assessment of credit worthiness as reflected in bond yields;
- The rating agencies' assessments of credit worthiness;
- The country's ability to access the capital markets for a new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for ECLs are presented in the statement of financial position as follows:
- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision; and
- Where a financial instrument includes both a drawn and an undrawn component, and the company cannot identify the ECLs on the loan commitment component separately from those on the drawn component: the company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

Loans and advances and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments', in the profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Financial instruments continued...

1.8 Financial instruments designation at fair value through profit or loss

Financial assets

On initial recognition, the Company designates certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, that would otherwise arise.

Financial liabilities

The Company has designates certain financial liabilities as at FVTPL in either of the following circumstances:
- The liabilities are managed, evaluated and reported internally on a fair value basis; or
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

1.9 Cash and short-term funds

Cash and short-term funds include notes and coins on hand, balances held with the South African Reserve Bank (SARB) and highly liquid financial assets, and are used by the Company in the management of its short-term commitments.

Cash and short-term funds are initially recognised at fair value and subsequently measured at amortised cost.

1.10 Investment securities

Investment securities includes equity investment securities mandatory measured at FVTPL; these are at fair value with changes recognised immediately in profit or loss.

Dividends are recognised in profit or loss.

1.11 Basis of consolidation

A subsidiary is an entity controlled by the Company.

The Company controls an entity if it:
- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Company having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-Company balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-Company transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Financial instruments continued...

Significant area of judgement

Unconsolidated structured entities

The Company currently holds preference shares in various entities as a result of its financing activities. Some of these financed entities have defined investment-related activities including holding shares in either listed or unlisted entities. The Company does not have any voting rights in these entities in the absence of a default event. In some instances, the preference share agreements in place with the issuers of the preference shares are structured to ensure the Company, as the preference share holder, has protective rights in the event of the preference share issuer defaulting. In accordance with IFRS 10, an assessment of the facts, circumstances, significant judgements and assumptions has been performed to ensure that there is no control over these entities.

Judgement is applied by management when determining whether the requirements of control as defined by IFRS 10 are met. These judgements include:

- The determination of relevant activities of the entity. Relevant activities have been identified as decisions surrounding the investment of funds, early redemption and/or repayment of funding;
- How decisions surrounding relevant activities are made;
- Assessment of the ability to direct these activities;
- Whether rights defined in funding agreements are protective or substantive in nature; and
- The right of the Company to any residual interest.

As the Company does not control the relevant activities referred to above or have a right to any residual interest, the Company does not have power over the investees and hence does not control the investees in terms of IFRS 10. Refer to note 34 for a summary of the financial information of the Company's interest in unconsolidated structured entities.

Deemed controlled entities

Based on management's assessment of the requirements of IFRS 10, the Company has power over the Grindrod Preference Share Investment Trust, (the Trust), has exposure to variable returns from its involvement with the Trust and that it has the ability to use that power to affect the amount of its returns from the Trust. As all the requirements of control are met, it is deemed that the Company controls the Trust. The Trust is dormant and therefore does not have a financial impact on the Company's results.

We assessed all the unconsolidated entities and the Company does not have significant influence or control in these entities.

1.12 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Depreciation is recognised in profit or loss and is calculated using the straight-line method, at rates estimated to write off each asset over the term of its useful life. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date and adjusted if appropriate.

Financial instruments continued...

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

	Years
Office equipment	5
Furniture & fittings	6
Motor vehicles	5
Computers and computer hardware	3

Any gain or loss on disposal of an item of property and equipment is recognised within profit or loss.

Intangible assets

Software

Software consists of purchased software (note 9). Software acquired is capitalised initially at its acquisition cost or fair value. These are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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

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

Derecognition of intangible assets

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

1.13 Income taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous periods. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

Financial instruments continued...

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

1.14 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event which results in a probable outflow of economic benefits and can be reliably measured.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

1.15 Employee benefits

1.15.1 Short-term employee benefits

Short-term employee benefits consists of salaries, short-term incentives, leave pay, provident fund contributions, medical aid contributions and Company life contributions.

Short-term employee benefits are expensed as the related service is provided and recognised in profit or loss. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Accounting Policies

Financial instruments continued...

1.15.2 Defined contribution plan

The Company pays fixed contributions to a third party as part of a defined contribution provident fund plan for the benefit of its employees. The Company has no further legal or constructive obligation in terms of the defined contribution benefit plan beyond these contributions.

Obligations for contribution to defined contribution plans are recognised as an expense as the related service is provided and recognised as employee expenses in profit and loss.

1.15.3 Share-based payment

Share appreciation rights

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, are recognised as an expense with a corresponding increase in the share appreciation right liabilities, included in other liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the incentive schemes. Any changes in the liability are recognised in profit or loss.

The employee benefits are disclosed in note 15 which addresses provision.

1.16 Leases

At inception of a contract, the Company assesses whether a 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. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company leases office premises for business purposes.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of business premises the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs incurred to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability, where applicable.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Financial instruments continued...

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
• Fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if the Company changes its assessment of whether it will exercise an extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' on the statement of financial position.

1.17 Revenue recognition

Revenue from financial instruments is recognised in terms of IFRS 9 and revenue from other service contracts is recognised in terms of IFRS 15.

1.17.1 Interest

Effective interest rate

Interest income and expenses are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; and
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECLs.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any ECL allowance.

Financial instruments continued...

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of comprehensive income includes interest on financial assets measured at amortised cost.

Interest expense presented in the statement of comprehensive income includes financial liabilities measured at amortised cost.

1.17.2 Fee income

Fee income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see above).

Other fee income is recognised as the related services are performed. The Company provides banking services to retail and corporate clients, including administration and servicing fees, and advisory fees. Fees for ongoing account management are charged to the client's account on a monthly basis. Transaction-based fees are charged to the client's account when the transaction takes place. Servicing fees are charged on a monthly basis.

A contract with a client that results in a recognised financial instrument in the Company's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Company first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee expenses relate mainly to transaction and service fees, which are expensed as the services are received.

The description of fees earned by the Company from its clients is not necessarily indicative of the nature of the services provided, or of whether or not they are calculated using the effective interest rate. Accordingly, judgement is applied in categorising fees between those calculated using the effective interest rate to be accounted for in accordance with IFRS 9 and those to be accounted for in accordance with IFRS 15.

Financial instruments continued...

The following significant judgements are applied by management to distinguish whether fees are earned in accordance with IFRS 9 or IFRS 15:

- Whether the fee directly relates to origination of a loan recognised in the statement of financial position. These fees are compensation for the loan origination process;
- Whether the fee is compensation for the time value of money, such as when a lower rate of interest is charged together with an upfront or periodic fee to compensate for that lower interest rate;
- Whether the fee is compensation for credit risk, such as when an additional fee is charged for credit risk not fully priced into the quoted interest rate. Such fees may be charged in advance, periodically or upon exit of the facility; and
- Whether the fee relates to basic lending risks and whether the fee forms part of the normal profit margin associated with basic lending.

The above fees are included in the calculation of the effective interest rate and recognised in accordance with IFRS 9. The effective interest method discounts the future cash flows over the expected life of the financial instrument to the carrying amount of the instrument. The effective interest rate is determined on initial recognition of the financial instrument and is not subsequently remeasured.

Dividend income from investments is recognised when the shareholder has a right to receive payment and is included as revenue of the Company.

1.18 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.19 Share capital, other equity and reserves

1.19.1 Ordinary and preference share capital

The Company classifies instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Ordinary shares are classified as equity.

The Company's preference share capital is not redeemable by holders and bears an entitlement to dividends at the sole discretion of the board of directors, subject to the Companies Act requirements. Accordingly, it is presented within equity. Distributions thereon are recognised in equity.

Accounting Policies

Financial instruments continued...

1.19.2 Share issue costs

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

1.19.3 Share premium

Share premium includes any premium received on the issue of share capital.

1.20 Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Company at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it earns revenue and incurs expenses, the operating results of which are regularly reviewed by the Company's chief operating decision-makers, in the Company's case, executive management, to make decisions about resources to be allocated and to assess its performance, and for which financial information is available.

Identification and measurement of segment results are based on the Company’s internal management reporting as used for day-to-day decision-making and as reviewed by executive management. The segments have been identified according to the nature of their respective products and services and their related target markets.

The Company is divided into seven operating segments, each of which engages in business activities from which they earn revenue and incur expenses, including revenue and expenses between operating segments. The operating segments identified are property solutions, investment banking, SME banking, special projects, corporate finance, platform banking and treasury.

The operating segments identified are supported by corporate services, which assist in the areas of human resources, information technology, governance and compliance, risk management, legal services, credit management, marketing and finance. Costs from corporate services are allocated to the operating segments using an internally developed allocation methodology.

Grindrod Bank Limited

(Registration Number 1994/007994/06)
Financial Statements for the 9 months ended 30 September 2023

Accounting Policies

The Company accounts for intersegmental revenues and transfers on an arm's length basis at current market prices. We include the division for reconciliation purpose.

Operating segments	Property solutions	Investment banking	SME banking	Special projects	Corporate finance	Platform banking	Treasury	Coverage	Traders	Corporate services and eliminations	Total
2023											
Interest and similar income	354 429	77 310	129 582	96 281	-	68 235	898 791	773 446		(1 401 875)	996 199
Interest and similar expense	(309 200)	(97 692)	(82 355)	(74 919)	-	(1 127)	(891 288)	(662 598)		1 401 161	(718 018)
Net interest and similar income	45 229	(20 382)	47 227	21 362	-	67 108	7 503	110 848	-	(714)	278 181
Non-interest revenue	50 604	116 417	3 023	9 015	3 483	27 836	12 940	739	-	1 605	225 662
Net fee income	(513)	42	2 732	-	3 483	27 795	5 437	702	-	1 608	41 286
Fee income	921	381	3 838	-	3 696	138 734	5 437	702	-	1 608	155 317
Fee expenses	(1 434)	(339)	(1 106)		(213)	(110 939)	-	-	-	-	(114 031)
Gains and losses on financial instruments	50 713	101 831	300	8 890	-	-	-	37	-	(3)	161 768
Dividend income	381	16 064	-	-	-	-	75	-	-	-	16 520
Other non-interest revenue	23	(1 520)	(9)	125	-	42	7 428	-	-	-	6 089
Total revenue	95 833	96 035	50 250	30 377	3 483	94 944	20 443	111 587	-	891	503 843
Impairment losses on financial assets	(36 659)	(8 267)	(2 512)	(4 479)	4	-	(231)	(2 079)	-	(15)	(54 238)
Operating income	59 174	87 768	47 738	25 898	3 487	94 944	20 212	109 508	-	876	449 605
Direct operating expenses	(12 528)	(5 463)	(12 594)	(555)	(3 429)	(13 589)	(5 757)	(10 655)	(8)	(227 826)	(292 404)
Indirect operating expenses	(40 803)	(16 193)	(12 799)	(10 904)	(3 406)	(40 062)	(31 042)	(50 655)	(4 091)	209 955	-
Profit before tax	5 843	66 112	22 345	14 439	(3 348)	41 293	(16 587)	48 198	(4 099)	(16 995)	157 201
Income tax expense	(2 106)	437	(656)	(2 333)	962	(10 975)	4 742	(18 403)	1 132	4 759	(22 441)
Profit for the year	3 737	66 549	21 689	12 106	(2 386)	30 318	(11 845)	29 795	(2 967)	(12 236)	134 760
Segment assets	136 638	120 813	(130 438)	46 635	-	1 178 398	1 621 572	11 997 126	-	202 941	15 173 685
Segment liabilities	-	-	(590)	(1 216)	-	(1 122 232)	(238 213)	(11 823 427)	-	(79 304)	(13 264 982)

Accounting Policies

Operating segments	Property solutions	Investment banking	SME banking	Special projects	Corporate finance	Platform banking	Treasury	Coverage	Traders	Corporate services and eliminations	Total
2022											
Interest and similar income	341 556	110 853	114 178	95 885	-	51 276	868 230	-		(589 600)	992 378
Interest and similar expense	(278 688)	(122 419)	(65 877)	(72 002)	-	(4 811)	(700 770)	-		588 094	(656 473)
Net interest and similar income	62 868	(11 566)	48 301	23 883	-	46 465	167 460	-	-	(1 506)	335 905
Non-interest revenue	93 503	89 148	1 248	11 545	2 404	38 750	120	-	-	6 108	242 826
Net fee income	318	(65)	1 143	-	2 404	38 750	120	-	-	2 529	45 199
Fee income	1 234	2 117	2 631	291	2 404	171 816	120	-		2 529	183 142
Fee expenses	(916)	(2 182)	(1 488)	(291)	-	(133 066)				-	(137 943)
Gains and losses on financial instruments	82 967	87 988	105	9 770	-	-	-	-	-	-	180 830
Dividend income	-	1 225	-	1 775	-	-	-	-	-	33	3 033
Other non-interest revenue	10 218	-	-	-	-	-	-		-	3 546	13 764
Total revenue	156 371	77 582	49 549	35 428	2 404	85 215	167 580	-	-	4 602	578 731
Impairment losses on financial assets	(44 067)	6 676	4 046	5 901	-	-	327	-		-	(27 117)
Operating income	112 304	84 258	53 595	41 329	2 404	85 215	167 907	-	-	4 602	551 614
Direct operating expenses	(11 508)	(10 698)	(9 993)	(646)	(3 613)	(17 089)	(28 581)	-	-	-	(82 128)
Indirect operating expenses	(54 869)	(33 375)	(23 743)	(15 012)	(4 753)	(54 104)	(88 854)	-	-	(4 602)	(279 312)
Profit before tax	45 927	40 185	19 859	25 671	(5 962)	14 022	50 472	-	-	-	190 174
Income tax expense	(2 745)	22 843	(5 560)	(7 188)	1 669	(3 926)	(13 852)	-	-	-	(8 759)
Profit for the year	43 182	63 028	14 299	18 483	(4 293)	10 096	36 620	-	-	-	181 415
Segment assets	4 506 043	1 682 451	1 227 641	1 141 515	-	991 607	14 009 829	-	-	(9 341 754)	14 217 332
Segment liabilities	(4 437 630)	(1 638 304)	(1 334 549)	(1 117 970)	-	(965 027)	(12 339 285)	-	-	9 410 638	(12 422 127)

Notes to the Financial Statements

2. Cash and short-term funds

	2023 R `000	2022 R `000
At amortised cost		
Regulatory deposit with the SARB[1]	311 625	298 300
Other deposits with the SARB	676 704	568 219
Inter-bank deposits	255 524	624 186
ATM Solutions	250 867	-
ECL allowance against cash and short-term funds (ECLs Stage 1)	(462)	(266)
	1 494 258	1 490 439

The carrying amount of cash and short-term funds approximates fair value due to its short-term nature.

[1]The Regulatory deposit with the SARB is for minimum reserve requirements and is available for use subject to certain restrictions and limitations imposed by the SARB.

	2023 R `000	2022 R `000
Analysis of ECL loss allowance (Stage 1)		
Opening balance	266	266
Net remeasurement recognised in profit or loss	196	-
Carrying amount	462	266
ECL allowance analysis		
Stage 1 – 12-month ECLs	462	266
Total ECL allowance on cash and short-term funds	462	266
Stage 1 – 12-month ECLs		
Gross carrying amount	1 494 720	1 490 705
Less: ECL loss allowance	(462)	(266)
Net carrying amount	1 494 258	1 490 439
ECL allowance opening balance	266	266
Movements of allowance recognised in profit or loss		
Net impairment losses recognised	196	-
ECL allowance	462	266

Notes to the Financial Statements

3. Negotiable securities

	2023 R `000	2022 R `000
At amortised cost		
Treasury bills	3 584 153	3 501 337
Government bonds[1]	110 140	491 873
ECL loss allowance (ECLs Stage 1)	(652)	(616)
	3 693 641	3 992 594

The carrying amount of negotiable securities approximates fair value due to its short-term nature or its ability to be easily liquifiable.

[1] *Government bonds to the value of R100m (31 December 2022: R196m) unpledged.*

	2023 R `000	2022 R `000
Analysis of ECL allowance (Stage 1)		
Opening balance	616	1 009
Net (decrease)/increase in allowance	36	(393)
Carrying amount	652	616

4. Loans and advances

	2023 R `000	2022 R `000
At amortised cost	7 901 028	6 759 430
At fair value through profit or loss	1 556 551	469 068
Designated at fair value through profit or loss	315 703	1 319 421
	9 773 282	8 547 919

	2023 R `000	2022 R `000
Loans and advance: institution classification		
Loans and advances – companies and close corporations	8 260 166	6 957 069
Loans and advances – unincorporated businesses and other	105 996	1 005
Loans and advances – households	481 378	567 284
Preference share financing	853 064	944 596
Debtor financing	278 939	214 050
Remeasurement of loans and advances at fair value through profit or loss	91 642	79 058
ECL loss allowance against loans and advances (ECLs Stages 1 and 2)	(24 626)	(8 362)
ECL loss allowance against loans and advances (ECLs Stage 3)	(273 277)	(206 781)
	9 773 282	8 547 919

Notes to the Financial Statements

	2023 R `000	2022 R `000
Loans and advances continued...		
Loans and advance: Product		
Mortgages	4 533 226	3 869 734
Corporate loans	3 268 837	3 038 684
Overdraft financing	1 045 477	616 940
Debtor financing	278 939	214 050
Preference share financing	853 064	944 596
Remeasurement of loans and advances at fair value through profit or loss	91 642	79 058
ECL loss allowance against loans and advances (ECLs Stages 1 and 2)	(24 626)	(8 362)
ECL loss allowance against loans and advances (ECLs Stage 3)	(273 277)	(206 781)
	9 773 282	8 547 919
Collateral		
Property	5 696 041	4 888 835
Listed shares	389 338	590 752
Unlisted shares	450 042	365 953
Debtors	507 938	264 553
Guarantee/Letter of undertaking	2 297 884	2 005 799
Other	433 554	290 396
Fair value of collateral held	9 774 797	8 406 288
Unsecured[1]	870 365	680 585
Remeasurement of loans and advances at fair value through profit or loss	86 583	79 058
ECL loss allowance against loans and advances (ECLs Stages 1 and 2)	(19 567)	(8 362)
ECL loss allowance against loans and advances (ECLs Stage 3)	(273 277)	(206 781)
Security for financing guarantees excluding cash backed guarantees	(665 619)	(402 869)
	9 773 282	8 547 919

[1] *Exposures are secured by counterparties' statement of financial position on which the Company does not place reliance for collateral valuation purposes.*

Loans and advances continued...

Sectoral analysis		
Agriculture, hunting, forestry and fishing	35 014	41 202
Mining and quarrying	77 266	80 785
Manufacturing	240 002	189 641
Electricity, gas and water supply	42 282	31 768
Construction	133 896	53 844
Wholesale and retail trade, repair of specified items, hotels and restaurants	729 197	598 016
Transport, storage and communication	340 681	306 516
Financial intermediation and insurance	612 705	349 573
Real estate	5 592 929	4 631 233
Business services	508 786	487 061
Community, social and personal services	48 108	-
Households	27 152	567 284
Other[2]	1 404 831	1 219 358
ECL loss allowance against loans and advances (ECLs Stages 1 and 2)	(19 567)	(8 362)
	9 773 282	8 547 919

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

Geographical analysis		
KwaZulu-Natal	4 935 398	4 316 603
Gauteng	2 961 691	2 588 259
Western Cape	1 333 403	1 166 223
Free State	428 860	375 090
Mpumalanga	69 663	60 929
Eastern Cape	41 830	37 635
Northern Cape	2 436	3 180
	9 773 282	8 547 919

Modified loans and advances measured at amortised cost

The following information addresses loans and advances that were modified while they had loss allowances determined using to lifetime ECLs.

Gross carrying amount before lifetime ECLs and modifications	472 480	300 003
Lifetime ECLs before modifications	(17 703)	(44 010)
Net carrying amount before modifications	454 777	255 993
Modification gain / (loss)	3	(77)

Analysis of ECL loss allowance (Stages 1 and 2)		
Opening balance	8 362	38 268
Net remeasurement recognised in profit or loss	11 205	(29 906)
Carrying amount	19 567	8 362

Loans and advances continued...

Analysis of ECL loss allowance (Stage 3)		
Opening balance	206 781	179 619
Net remeasurement recognised in profit or loss	66 601	74 819
Stage 3 ECL	87 460	92 291
Interest in suspense	(20 859)	(17 472)
Written off (subject to enforcement)	(105)	(47 657)
Carrying amount	273 277	206 781
ECL allowance analysis		
Stage 1 – 12-month ECLs	24 320	8 362
Stage 2 – lifetime ECLs	306	-
Stage 3 – lifetime ECLs	273 277	206 781
Total ECL loss allowance on loans and advances	297 903	215 143

Loans and advances at amortised cost

	Stage 1 (12 months ECLs) R'000	Stage 2 (Lifetime ECLs) R'000	Stage 3 (Lifetime ECLs) R'000	Total R'000
30 September 2023				
Gross carrying amount	6 292 550	195 674	1 710 706	8 198 930
Less: ECL loss allowance	(24 320)	(306)	(273 277)	(297 903)
Net carrying amount at 30 September 2023	6 268 230	195 368	1 437 429	7 901 027
ECL loss allowance at 1 January 2023	8 362	-	206 781	215 143
Transfers between stages	(843)	-	843	-
Transfers from Stage 2 and Stage 3 to Stage 1	-	-	-	-
Transfers from Stage 1 and Stage 3 to Stage 2	-	-	-	-
Transfers from Stage 1 and Stage 2 to Stage 3	(843)	-	843	-

Notes to the Financial Statements

	2023	2022
	R `000	R `000

Loans and advances continued...

	Stage 1 (12 months ECLs) R'000	Stage 2 (Lifetime ECLs) R'000	Stage 3 (Lifetime ECLs) R'000	Total R'000
Movements of loss allowance recognised in profit or loss	16 802	306	65 652	82 760
New ECLs raised recognised	6 683	-	-	6 683
Subsequent changes in ECLs including derecognition	10 119	306	65 757	76 182
Write offs	-	-	(105)	(105)
ECL loss allowance at 30 September 2023	24 321	306	273 276	297 903
31 December 2022				
Gross carrying amount	5 577 090	134 539	1 262 944	6 974 573
Less: ECL loss allowance	(8 362)	-	(206 781)	(215 143)
Net carrying amount at 31 December 2022	5 568 728	134 539	1 056 163	6 759 430
ECL loss allowance at 1 January 2022	21 187	17 081	176 619	217 887
Transfers between stages	790	(1 169)	379	-
Transfers from Stage 2 and Stage 3 to Stage 1	1 935	(92)	(1 843)	-
Transfers from Stage 1 and Stage 3 to Stage 2	(15)	15	-	-
Transfers from Stage 1 and Stage 2 to Stage 3	(1 130)	(1 092)	2 222	-
Movements of loss allowance recognised in profit or loss	(13 615)	(15 912)	26 783	(2 744)
New ECLs raised recognised	1 873	-	-	1 873
Subsequent changes in ECLs including derecognition	(15 488)	(15 912)	74 440	43 040
Write offs	-	-	(47 657)	(47 657)
ECL loss allowance at 31 December 2022	8 362	-	203 781	215 143

Loans and advances continued...

Risk Scores	Stage 1 (12 months ECLs) R'000	Stage 2 (Lifetime ECLs) R'000	Stage 3 (Lifetime ECLs) R'000	Total R'000
30 September 2023				
Risk Score 1	-	-	-	-
Risk Score 2	855	-	80 000	80 855
Risk Score 3	430 002	-	46 064	476 066
Risk Score 4	1 192 990	39 782	1 150 554	2 383 326
Risk Score 5	1 785 596	18 022	311 111	2 114 729
Risk Score 6	2 834 375	137 870	122 977	3 095 222
Risk Score 7	48 732	-	-	48 732
Risk Score 8	-	-	-	-
Gross carrying amount as at 30 September 2022	6 292 550	195 674	1 710 706	8 198 930

**Risk scores are based on the internal credit risk scorecard*

	Stage 1 (12 months ECLs) R'000	Stage 2 (Lifetime ECLs) R'000	Stage 3 (Lifetime ECLs) R'000	Total R'000
31 December 2022				
Risk Score 1	-	-	-	-
Risk Score 2	4 403	-	68 332	72 735
Risk Score 3	551 555	24	25 251	576 830
Risk Score 4	1 685 303	14 335	1 001 190	2 700 828
Risk Score 5	1 163 357	24 347	149 691	1 337 395
Risk Score 6	2 118 433	95 833	18 480	2 232 746
Risk Score 7	54 040	-	-	54 040
Risk Score 8	-	-	-	-
Gross carrying amount as at 31 December 2022	5 577 091	134 539	1 262 944	6 974 574

**Risk scores are based on the internal credit risk scorecard*

The Company has an established “Internal credit risk scorecard” (“Risk Scores”) methodology which caters for juristic and non-juristic borrowers. The Risk Scores are ranging from 1 to 8, the lower score being the worst and to highest score being the best. The Risk Scores are embedded in the credit origination and underwriting process at client level or group exposure level. Risk Scores are reviewed from time to time during the lifetime of the loan based on loan behaviour or other ongoing risk management triggers and/or notable significant increase in credit risk. All risk-weighted exposures are taken through the Internal credit risk score process thus risk scores

Loans and advances continued...

Analysis of classified, impaired or non-performing loans and advances

Loans and advances classified as special mention	785 558	338 232
Loans and advances classified as sub-standard	1 051 758	906 486
Loans and advances displaying significant weakness (doubtful and loss)	156 467	194 330
Carrying amount of classified, impaired or non-performing loans and advances[1]	1 993 783	1 439 048
Collateral held against classified, impaired or non-performing loans and advances	1 469 117	3 534 390

Age analysis of classified, impaired or non-performing loans and advances

Current	1 242 215	1 317 862
6 – 12 months overdue	667 326	39 000
> 12 months overdue	84 242	82 186
	1 993 783	1 439 048

[1]Overcollateralised in certain instances.

5. Derivative instruments

At fair value through profit or loss

Interest rate swaps		
Derivative assets	4 080	4 183
Derivative liabilities	-	(457)
Net derivative assets / (liabilities)	4 080	3 726

Fair value adjustments for the period:

Derivative assets	(103)	3 257
Derivative liabilities	457	24 746
Net fair value gain	354	28 003

Notes to the Financial Statements

Derivative instruments continued...

Interest rate swaps (nominal value)

	2023 R `000	2022 R `000
Contracts with positive fair value (assets)	254 866	342 733
Contracts with negative fair value (liabilities)	-	137 377
	254 866	480 110

The nominal amount disclosed represents the gross value of total outstanding contracts at reporting date and does not reflect the amount receivable or payable under the contract. The nominal amount should be viewed only as a means of assessing the extent of exposure to the derivative contracts.

6. Investment securities

At fair value through profit or loss

	2023 R `000	2022 R `000
Private equity investments	3 020	3 020
Unit trust investments	-	2 705
	3 020	5 725

7. Other receivables

	2023 R `000	2022 R `000
Financial assets at amortised cost		
Fees and other receivables[1]	79 252	29 847
Accounts receivable from African Bank Limited[2]	44 780	-
Non-financial assets		
Prepayments	5 901	56 629
	129 933	86 476

[1] The carrying amount of fees and other receivables approximates fair value due to its short-term nature and will be realised within 12 months. Included in this balance is Fees Income Accruals (R5,214m), Cash and coins receivable (R62,750m), Interest rate on swaps - Accrued interest (R431m), Cash and coins accrued interest (R2,031m), Fees receivable (R8,326m) and Vat (R500m).

[2] The Company paid employees retention bonuses amounting to R44.8 million. The Company has the right to receive a refund from ABL for this retention bonus in terms of the sale and purchase agreement that became effective on 1 November 2022.

8. Property and equipment

	Furniture, fittings, office equipment, motor vehicles and artwork R'000	Computers and computer hardware R'000	Right-of-use assets[1] R'000	Total R'000
30 September 2023				
Opening balance	14 376	28 698	67 028	110 102
Additions	43	753	-	796
Disposals	(599)	(15 738)	-	(16 337)
Closing balance	13 820	13 713	67 028	94 561
Accumulated depreciation at 1 January	12 740	25 533	49 091	87 364
Depreciation	677	2 012	9 347	12 036
Disposals	(583)	(15 582)	-	(16 165)
Accumulated depreciation at 30 September	12 834	11 963	58 438	83 235
Carrying amount at 1 January	1 636	3 165	17 936	22 737
Carrying amount at 30 September	986	1 751	8 590	11 327
31 December 2022				
Cost at 1 January	13 464	28 867	56 372	98 703
Additions	396	1 468	11 980	13 844
Disposals	(123)	(998)	(1 324)	(2 445)
Cost at 31 December	14 376	28 698	67 028	110 102
Closing balance at 31 December 2022				
Accumulated depreciation at 1 January	12 252	23 464	38 240	73 956
Depreciation	611	3 053	12 175	15 839
Disposals	(123)	(983)	(1 324)	(2 430)
Accumulated depreciation at 31 December	12 740	25 533	49 091	87 364
Carrying amount at 1 January	1 212	5 403	18 132	24 747
Carrying amount 31 December	1 635	3 166	17 936	22 737

[1] *Right-of-use assets comprise of office premises for business purposes.*

Notes to the Financial Statements

	2023 R `000	2022 R `000

9. Intangible assets

	Computer software R `000	Total R `000
30 September 2023		
Opening balance	-	-
Additions	8 075	8 075
Closing balance	8 075	8 075
Carrying amount at 1 January	-	-
Carrying amount at 30 September	8 075	8 075

10. Deferred tax asset

	2023 R `000	2022 R `000
Deferred tax asset	56 069	65 787

Deferred tax asset is attributable to the following:

	2023 R `000	2022 R `000
Right-of-use assets	(2 319)	(4 843)
Lease liabilities	2 652	5 165
Provisions	12 457	15 241
Share-based payments	1 655	3 380
Loss allowance	16 268	11 589
Prepayments	(697)	(378)
Fair value adjustments	-	64
Deferred revenue	26 055	29 169
Capital loss[1]	(20)	6 400
Unallocated deposits	18	-
	56 069	65 787

[1]*Management is of the view that the deferred tax asset relating to the capital loss will reverse in the future periods and therefore the asset will be recovered through future capital taxable income generated on realisation of the preference share financing and investment securities portfolio.*

Notes to the Financial Statements

	2023 R `000	2022 R `000

Deferred tax asset continued...

	Opening balance R'000	Tax rate change effect R'000	Recognised in profit or loss R'000	Closing balance R'000
30 September 2023				
Right-of-use assets	(4 843)	-	2 524	(2 319)
Lease liabilities	5 165	-	(2 513)	2 652
Provisions	15 241	-	(2 784)	12 457
Share-based payments	3 380	-	(1 725)	1 655
Loss allowance	11 589	-	4 679	16 268
Prepayments	(378)	-	(319)	(697)
Fair value adjustments	64	-	(64)	-
Deferred revenue	29 169	-	(3 114)	26 055
Capital loss	6 400	-	(6 420)	(20)
Unallocated deposits	-	-	18	18
	65 787	-	(9 718)	56 069
31 December 2022				
Right-of-use assets	(5 077)	179	55	(4 843)
Lease liabilities	5 398	(191)	(42)	5 165
Provisions	15 985	(566)	(178)	15 241
Share-based payments	1 333	(125)	2 172	3 380
Loss allowance	15 661	(429)	(3 643)	11 589
Prepayments	(587)	14	195	(378)
Fair value adjustments	(15 825)	(2)	15 891	64
Deferred revenue	35 760	(1 080)	(5 511)	29 169
Capital loss	8 398	(237)	(1 761)	6 400
	61 046	(2 437)	7 178	65 787

During the 2022 year, the South African Government announced a decrease in the South African rate of corporation tax from 28% to 27% effective for years of assessment ending on or after 1 March 2023.

Notes to the Financial Statements

	2023 R `000	2022 R `000
11. Ordinary share capital		
Authorised		
500 000 000 (31 December 2022: 500 000 000) ordinary shares of 1 cent each	5 000	5 000
Issued		
65 000 003 (31 December 2022: 65 000 003) ordinary shares of 1 cent each	650	650
Reconciliation of the number of shares issued		
Opening balance	65 000 003	65 000 003
Issue of shares	-	-
Closing balance	65 000 003	65 000 003

100% of the issued ordinary shares of the Company are held by Grindrod Financial Holdings. All shares are fully paid.

The directors do not have the authority to issue the remaining unissued shares unless a resolution is passed by the shareholders.

	2023 R `000	2022 R `000
12. Share premium		
Arising on the issue of 65 000 003 (31 December 2022: 65 000 003) ordinary shares of 1 cent each	347 929	347 929

All shares are fully paid.

	2023 R `000	2022 R `000
13. Preference share capital		
Authorised		
750 000 (31 December 2022: 750 000) non-cumulative, non-redeemable, non-participating and non-convertible par value shares of 1 cent each	8	8
Issued		
245 000 (831 December 2022: 245 000) non-cumulative, non-redeemable, non-participating and non-convertible par value shares of 1 cent each	285 000	285 000

African Bank acquired 100% of the issued preference share capital from Grindrod Limited on 1 November 2022. Dividends are payable bi-annually accruing at 88% of the prime interest rate and is subject to the Companies Act requirements with regards to adhering to the solvency and liquidity requirements. All shares are fully paid.

Notes to the Financial Statements

14. Deposits and funding instruments

	2023 R `000	2022 R `000
At amortised cost		
Call deposits – Corporate banking	7 480 696	7 135 755
Call deposits – Retail banking	1 122 248	964 174
Notice and fixed deposits	4 241 797	3 448 990
Funding under repurchase agreements[1]	-	200 000
SARB guaranteed loans	27 951	31 438
Notes – domestic medium-term note (DMTN)	200 000	400 000
Accrued interest	103 769	120 148
	13 176 461	12 300 505
Amounts owed to depositors	13 135 127	12 251 094
Amounts owed to banks	41 334	49 411
	13 176 461	12 300 505
Sectoral analysis		
Banks	41 334	49 411
Government and public sector	1 060 660	1 346 487
Individuals	2 277 935	3 010 571
Business sector	9 779 732	7 894 036
	13 159 661	12 300 505
Geographical analysis		
South Africa	13 052 905	12 201 236
Outside of South Africa	106 756	99 269
	13 159 661	12 300 505

[1] The Company participated in the SARB refinancing auction by tendering for cash against eligible collateral. Cash received from the tender is borrowed for a week at the repo rate.
[2] Deposits received from foreign asset managers, African Alliance Swaziland Lilangeni Fund.

Notes (DMTN programme)

3-month JIBAR plus 2.50% (Matures: June 2024)	200 000	400 000

A JSE listed 3-year note was originally issued on 15 October 2012 with subsequent taps, rollovers and new issues.

Interest is payable quarterly in arrears and is linked to the 3-month JIBAR rate plus a spread.

Notes to the value of R200 million at a rate of 3-month JIBAR plus 2.25% matured and was settled in September 2023.

No new notes were issued.

Notes to the Financial Statements

	2023 R `000	2022 R `000

15. Provisions

	2023 R `000	2022 R `000
Leave pay[1]	10 588	8 837
Short-term incentives[2]	31 000	43 373
Penalties[3]	-	5 975
	41 588	58 185

[1] Leave pay provision is contractual and the timing of cash flows is variable.

[2] Refer to additional disclosure on incentive schemes included in note 31.

[3] Refer to additional disclosure on penalties included in note 37.

Analysis of leave pay provision

	2023 R `000	2022 R `000
Opening balance	8 837	9 366
Utilised or reversed during the year	(2 140)	(13 724)
Recognised during the year	3 891	13 195
Closing balance	10 588	8 837

Analysis of short-term incentive provision

	2023 R `000	2022 R `000
Opening balance	43 373	38 196
Utilised or reversed during the year	(43 437)	(32 909)
Recognised during the year	31 064	38 086
Closing balance	31 000	43 373

16. Other liabilities

	2023 R `000	2022 R `000
Trade and other payables[4]	20 212	19 809
Preference share dividends payable[4]	7 428	11 977
Share appreciation rights[5]	6 130	12 520
Lease liabilities	9 822	19 131
	43 592	63 437

[4] Trade and other payables and preference share dividends payable are designated at amortised cost. The carrying amount of trade and other payables and preference share dividends payable approximates fair value due to its short-term nature.

[5] Refer to additional disclosure on incentive schemes included in note 31.

Analysis of lease liabilities

The Company leases office premises. The leases typically run for a period of 5 years, with an option to renew the lease. Certain premises contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Interest expense on lease liabilities was R878m (31 December 2022: R1 499m). Refer to note 23 for additional disclosure.

Notes to the Financial Statements

	2023 R `000	2022 R `000

Other liabilities continued...

Undiscounted contractual maturity analysis	**<3 months** R' 000	**>3 months <6 months** R' 000	**>6 months <1 year** R' 000	**>1 year <5 year** R' 000	**Total** R' 000
30 September 2023					
Lease liabilities	3 370	1 771	2 369	2 783	10 293
31 December 2022					
Lease liabilities	3 297	3 346	6 740	6 913	20 296

17. Interest and similar income

	2023	2022
Calculated using the effective interest method		
Loans and advances	584 905	547 033
Preference share dividends, advances portfolio	26 635	39 329
SARB guaranteed loans	2 432	2 896
Balances at banks and short-term funds	77 081	54 134
Other short-term securities	253 665	275 773
Loan origination fees recognised over the expected life of loans and advances	51 481	73 213
	996 199	992 378

18. Interest and similar expense

	2023	2022
Calculated using the effective interest method		
Call deposits – Corporate banking	417 528	338 305
Call deposits – Retail banking	1 127	4 811
Notice and fixed deposits	240 901	255 477
Funding under repurchase agreement	26 304	9 874
SARB guaranteed loans	2 106	2 379
Notes – domestic medium-term note (DMTN)	29 265	44 128
Lease liabilities	787	1 499
	718 018	656 473

Notes to the Financial Statements

	2023 R `000	2022 R `000

19. Non-interest revenue

19.1 Net fee income

	2023 R `000	2022 R `000
Corporate banking	1 953	1 396
Corporate banking fee income	7 172	6 273
Corporate banking fee expense	(5 219)	(4 877)
Platform banking	27 796	38 750
Platform banking fee income	138 734	171 816
Platform banking fee expense	(110 938)	(133 066)
Corporate finance	3 695	2 404
Other banking related[1]	7 840	2 649
Net fee income	41 284	45 199

[1] *Other banking related fee income consists of administrative fee income.*

19.2 Gains and losses on financial instruments

	2023 R `000	2022 R `000
Loans and advances held at FVTPL - Fair value adjustments	8 933	12 462
Loans and advances held at FVTPL - Interest income	114 595	109 047
Loans and advances designated at FVTPL - Fair value adjustments	5 113	(14 939)
Loans and advances designated at FVTPL - Interest income	26 412	53 022
Modification of loans and advances at amortised cost	(1 316)	(351)
Derivatives held at FVTPL - Fair value adjustments	355	28 003
Derivatives held at FVTPL - Interest expense	1 388	(13 412)
Investment securities held at FVTPL	-	6 998
	155 480	180 830

20. Dividend income

	2023 R `000	2022 R `000
Dividend income	16 520	3 033

21. Other non-interest revenue

	2023 R `000	2022 R `000
Other non-interest revenue	12 378	13 764

22. Impairment losses on financial assets

	2023 R `000	2022 R `000
Increase/(decrease) in allowance for credit losses		
Cash and short-term funds - Stage 1	231	66
Negotiable securities - Stage 1	7 495	(393)
Loans and advances - Stage 1 and 2	8 770	(29 907)
Loans and advances - Stage 3 - impairment losses	37 742	57 351
	54 238	27 117

Notes to the Financial Statements

23. Operating expenses

	2023 R `000	2022 R `000
Advisory fees	-	788
Audit fees	4 627	4 251
Banking and transactional-related costs	13 931	16 542
Computer-related costs	60 038	64 639
Depreciation	12 036	15 839
Employee expenses	163 314	202 324
Remuneration and other employee expenses	125 860	154 298
Short-term incentives	31 064	38 086
Share-based payments expense	6 390	9 940
Fines and penalties[1]	(5 975)	5 981
Legal and professional fees	6 315	15 075
Licenses[1]	4 746	1 286
Marketing	5 452	3 841
Non-executive director emoluments	4 728	6 991
Premises	5 491	5 165
Rental	-	21
Other premises-related costs	5 491	5 144
Subscriptions[1]	2 844	3 469
Travel	2 563	2 287
Other expenses[1 2]	5 338	10 877
Indirect tax	6 956	3 085
	292 404	362 440

[1] Limited reclassifications were made to improve disclosure.

[2] Other expenses consists of insurance, entertainment, corporate services, stationery and telephone..

Included in employee expenses:

Key executive management remuneration
(2023: 10; 31 December 2022: 16 employees)

	2023 R `000	2022 R `000
Managerial services – salaries	44 886	40 360
Managerial services – short-term incentive expense	19 310	13 852
Managerial services – share-based payment expense	879	652
Defined contribution plan expense	3 166	3 907
	68 241	58 771

Notes to the Financial Statements

Directors remuneration

30 September 2023	Services as directors	Salaries	Short-term incentive expense	Cash retention award paid	Share-based payment expense	Defined contribution plan expense	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Executive directors							
ZN Manyathi[2]	-	-	-	-	-	-	-
RS Garach[4]	-	3 529	4 653	-	-	487	8 668
DA Polkinghorne	-	4 287	4 711	-	334	827	10 159
Non-executive directors							
T Dloti	927	-	-	-	-	-	927
TD Soondarjee	-	-	-	-	-	-	-
S Barrett	-	-	-	-	-	-	-
GG Christopulo	-	-	-	-	-	-	-
LA Dlamini	422	-	-	-	-	-	422
CR Howell	472	-	-	-	-	-	472
RN Hutchinson-Keip[1]	221	-	-	-	-	-	221
RM Maleka	429	-	-	-	-	-	429
ZN Malinga	608	-	-	-	-	-	608
H Ralinala	547	-	-	-	-	-	547
R Ramcharan	-	-	-	-	-	-	-
PJ Temple	642	-	-	-	-	-	642
D Dharmalingam[3]	460	-	-	-	-	-	460
	4 728	7 815	9 364	-	334	1 314	23 554
The following directors are not remunerated by the Company for their services as directors but rather by African Bank Limited, holding company of Grindrod Bank Limited							
KG Bungane[2]	-	7 480	5 000	4 620	9 708	1 020	27 828
ZN Manyathi[2]	-	6 750	3 500	3 218	5 000	750	19 218
	4 728	22 045 -	17 864 -	7 838 -	15 042 -	3 084	70 600

Directors remuneration continued...

31 December 2022	Services as directors	Salaries	Short-term incentive expense	Cash retention award paid	Share-based payment expense	Defined contribution plan expense	Total
Executive directors							
ZN Manyathi	-	-	-	-	-	-	-
RS Garach	-	4 408	2 537	4 730	-	310	11 985
DA Polkinghorne	-	6 176	2 927	6 479	137	278	15 997
Non-executive directors							
T Dloti	194	-	-	-	-	-	194
TD Soondarjee	1 156	-	-	-	-	-	1 156
S Barrett	1 022	-	-	-	-	-	1 022
GG Christopulo	746	-	-	-	-	-	746
LA Dlamini	68	-	-	-	-	-	68
CR Howell	809	-	-	-	-	-	809
RN Hutchinson-Keip	97	-	-	-	-	-	97
RM Maleka	616	-	-	-	-	-	616
ZN Malinga	1 091	-	-	-	-	-	1 091
H Ralinala	81	-	-	-	-	-	81
R Ramcharan	1 022	-	-	-	-	-	1 022
PJ Temple	89	-	-	-	-	-	89
	6 991	10 584	5 464	11 209	137	588	34 973

[1] *Resigned on the 31 March 2023*

[2] *KG Bungane,ZN Manyathi were not remunerated by the Company for their services as directors but rather by African Bank Limited, holding company of Grindrod Bank Limited*

[3] *Appointed on May 2023*

[4] *The remuneration disclosed in the table above is inclusive of remuneration as an acting executive director in African Bank Limited.*

24. Income tax expense

	2023 R `000	2022 R `000
SA normal tax		
Current tax	12 721	13 500
Current year	14 740	13 721
Prior year	(2 019)	(221)
Deferred tax	9 720	(4 741)
Current year	9 720	7 024
Change in tax rate	-	2 437
Prior year	-	(14 202)
Income tax expense	22 441	8 759

Reconciliation of the tax rate

	2023	2022
Standard rate	27.00%	28.00%
Adjusted for:		
Non-taxable dividend income	(15.99%)	(12.66%)
Non-taxable fair value adjustments	1.74%	(6.25%)
Non-deductible differences	(0.92%)	1.96%
Non-taxable differences	0.00%	(0.21%)
Deductible differences	(0.14%)	0.00%
Capital losses/(gains)	0.06%	0.12%
Change in tax rate	0.00%	1.29%
Prior year tax adjustments	(1.28%)	(7.62%)
Deferred tax derecognised on capital loss	3.81%	0.00%
Effective tax rate	14.27%	4.63%

During 2022 year, the South African Government announced a decrease in the South African rate of corporation tax from 28% to 27% effective for years of assessment ending on or after 1 March 2023.

25. Cash generated from operations

Profit before tax	157 201	189 174
Adjusted for:		
Unrealised profit on derivatives	(355)	(28 003)
Unrealised loss on loans and advances at FVTPL	(14 048)	2 477
Modification loss	1 316	351
Unrealised loss on investment securities	-	16
Realised profit on investment securities	-	(7 014)
Depreciation	12 036	15 839
Profit on disposal of assets	(7 191)	(132)
Foreign exchange loss	(169)	115
Increase / (decrease) in Stage 1 and 2 ECL loss impairment allowances	16 496	(30 234)
Increase in Stage 3 ECL loss impairment allowances	37 742	57 351
Dividend income	(16 520)	(3 033)
Interest and similar income	(996 199)	(992 378)
Interest and similar expense	718 018	656 473
	(91 673)	(138 998)
Operating profit before working capital changes		
Changes in:		
Increase in fees and other receivables	(49 405)	(14 738)
Decrease / (increase) in prepayments	6 117	(51 027)
(Decrease) / increase in provisions and other liabilities	(21 797)	7 922
Cash generated from operations	(156 758)	(196 841)

26. Reconciliation of lease liabilities arising from financing activities

Opening balance	19 131	19 277
Additions	-	11 980
Right-of-use assets	-	11 980
Interest expense	787	1 499
Payments - Capital	(9 309)	(12 126)
Payments - Interest	(787)	(1 499)
Closing balance	9 822	19 131

Notes to the Financial Statements

	2023 R `000	2022 R `000
27. Cash and short-term funds		
Cash and short-term funds	1 494 258	1 490 439
Loss allowance	462	266
Cash and short-term funds at 30 September	1 494 720	1 490 705
Cash and short-term funds comprise:		
Current account balances	676 704	568 219
Inter-bank deposits	255 524	624 186
ATM Solutions	250 867	-
Deposit with SARB	311 625	298 300
	1 494 720	1 490 705

[1]The impact of the change in accounting policy as noted in 'Recent accounting developments' is an increase in cash and short-term funds of R298,3m as at 31 December 2022.

28. Financial instruments measured at fair value – hierarchy

The following tables analyse financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the financial instrument is categorised. The amounts are based on the values recognised in the statement of financial position.

	Level 1	Level 2	Level 3	Total
30 September 2023	R'000	R'000	R'000	R'000
Assets				
Loans and advances	-	315 703	1 551 491	1 867 194
Investment securities	-	-	3 020	3 020
Derivative instruments	-	4 080	-	4 080
	-	319 783	1 554 511	1 874 294
31 December 2022				
Assets				
Loans and advances	-	469 068	1 319 421	1 788 489
Investment securities	-	-	5 725	5 725
Derivative instruments	-	3 726	-	3 726
	-	472 794	1 325 146	1 797 940

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

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Financial instruments measured at fair value – hierarchy continued...

	30 September 2023		*31 December 2022*	
	Loans and advances	**Investment securities**	**Loans and advances**	**Investment securities**
	R'000	R'000	R'000	R'000
Level 3 reconciliation				
Opening Balance	1 319 421	5 725	1 272 504	9 118
Total gains/(losses) recognised in profit or loss	118 468	-	121 509	6 998
Additions	2 922	-	308 842	2 443
Settlements/Disposals	(1 125 108)	(2 705)	(383 434)	(12 834)
Closing Balance	315 703	3 020	1 319 421	5 725

Supplementary information

The tables below reflects information about the valuation techniques and significant unobservable and observable inputs used in measuring financial assets categorised as Level 2 and 3 in the fair value hierarchy:

	Category	**Valuation technique**	**Observable inputs**	**Unobservable inputs**
Level 2	Loans and advances	Discounted cash flow	Credit spreads, swap and prime curves	Credit spreads
	Derivative instruments	Discounted cash flow and swaption methodology	Yield curves, credit default spreads and JIBAR curves	N/A

	Category	**Valuation technique**	**Observable inputs**	**Unobservable inputs**	**Range for unobservable inputs**
Level 3	Loans and advances	Discounted cash flow	Swap and prime curves	Credit spreads	1.8% – 74.9%
	Investment securities	Dividend yield method	Risk-free rate	Dividend growth rate	3.5x – 4.5x

The differentiation between level 2 and 3 financial instruments is that level 2 makes use of all observable inputs for the valuation, whereas level 3 includes unobservable inputs.

Financial instruments measured at fair value – hierarchy continued...

Sensitivity analysis of valuations using unobservable inputs

As part of the Company’s risk management processes, stress tests are applied on the significant unobservable parameters to generate a range of alternative valuations. The following table reflects how the unobservable parameters were changed in order to evaluate the sensitivities of Level 3 financial instruments:

Significant unobservable parameters	Favourable/ (unfavourable) variance applied to parameters
30 September 2023	
Credit spread	100 – 150/(100) – (150) bps
Dividend growth rate	100 – 150/(100) – (150) bps
31 December 2022	
Credit spread	100 – 150/(100) – (150) bps
Dividend growth rate	100 – 150/(100) – (150) bps

A significant parameter has been deemed to be one which may affect profit or loss, or the fair value of the asset by more than 1%.

The following table presents the effects that the sensitivity analysis would have on Level 3 financial instruments:

Financial instrument	*Parameter*	2023 Potential effect on profit or loss favourable / (unfavourable) R' 000	2022 Potential effect on profit or loss favourable / (unfavourable) R' 000
Loans and advances	Credit spread – 100 bps	13 081/(13 081)	18 366/(17 701)
Loans and advances	Credit spread – 150 bps	19 622/(19 622)	27 809/(26 312)
Investment securities	Dividend growth rate – 100 bps	141/(127)	169/(151)
Investment securities	Dividend growth rate – 150 bps	217/(65)	261/(221)

29. Fair value of financial instruments measured at amortised cost – hierarchy

	Total carrying amount R'000	Total fair value R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
30 September 2023					
Assets					
Cash and short-term funds	1 494 258	1 477 458	-	1 477 458	-
Negotiable securities	3 693 641	3 684 591	3 684 591	-	-
Loans and advances	7 901 028	7 901 028	-	-	7 901 028
Other assets - Fees and other receivables	79 252	79 252	-	79 252	-
	13 168 179	13 142 329	3 684 591	1 556 710	7 901 028
Liabilities					
Deposits and funding instruments	13 159 661	13 159 661	-	13 159 661	-
Trade and other payables	20 212	20 212	-	20 212	-
Preference share dividends payable	7 428	7 428	-	7 428	-
	13 187 301	13 187 301	-	13 187 301	-
31 December 2022					
Assets					
Cash and short-term funds	1 490 439	1 490 439	-	1 490 439	-
Negotiable securities	3 992 594	3 981 945	3 981 945	-	-
Loans and advances	6 759 430	7 896 778	-	-	7 896 778
Other assets - Fees and other receivables	29 847	29 847	-	29 847	-
	12 272 310	13 399 009	3 981 945	1 520 286	7 896 778
Liabilities					
Deposits and funding instruments	12 300 505	12 300 505	-	12 300 505	-
Trade and other payables	19 809	19 809	-	19 809	-
Preference share dividends payable	11 977	11 977	-	11 977	-
	12 332 291	12 332 291	-	12 332 291	-

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than 12 months) it is assumed that the carrying amounts approximate their fair value, except for treasury bills and government bonds within the negotiable securities portfolio. Fair values of treasury bills and government bonds are determined with reference to observable market prices for these instruments.

Fair value of financial instruments measured at amortised cost – hierarchy continued...

Supplementary information

The tables below reflects information about the valuation techniques and significant unobservable and observable inputs used in measuring financial instruments categorised as Level 2 and Level 3 in the fair value hierarchy:

	Category	Valuation technique	Observable inputs
Level 2	Cash and short-term funds	Discounted cash flow	Interest rates and yield curves
	Other assets - Fees and other receivables	Discounted cash flow	Interest rates and yield curves
	Deposits and funding instruments	Discounted cash flow	Interest rates and yield curves
	Trade and other payables	Discounted cash flow	Interest rates and yield curves
	Preference share dividends payable	Discounted cash flow	Interest rates and yield curves

	Category	Valuation technique	Observable inputs	Unobservable inputs
Level 3	Loans and advances	Discounted cash flow	Swap and prime curves	Credit spreads

30. Financial risk management

30.1 Financial instruments risk management: credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to clients, other banks and investment debt securities.

Credit risk management

The board of directors has delegated responsibility for the management of credit risk to the CLEC.

	2023	2022
	R `000	R `000

Financial risk management continued...

Sound credit risk management involves prudently managing the risk and reward relationship which takes into account controlling and minimising credit risks across a variety of dimensions, such as financial performance, quality of lending, concentration, maturity, monitoring and security. The board has delegated responsibility for the management of credit risk to the credit and large exposure committee (CLEC) who is responsible for the sustainability and health of the loan book by ensuring sound credit granting and for monitoring large exposures, associated exposures, sectoral exposure and any irregular or problem loans and advances. Credit risk is monitored at an individual and at an aggregated Company exposure level. The Company's target market typically includes SME businesses with a focused client-centric approach. New deal approval is subject to specified limits of authority which are aggregated at a client or total Company exposure level, i.e. credit department (R25 million), business banking credit committee (R50 million), executive credit management committee (R150 million), credit and large exposure committee (R300 million) and the board (above R400 million). CLEC monitors credit portfolios, risk procedures, policies and credit standards. The Company has tasked management to be more diligent and commence early interventions with clients in arrears. This has shown positive benefits in managing arrear accounts. The credit risk unit manages post-implementation credit risk in line with the Company's credit policies and the board's risk appetite. In addition, the Company established a dedicated loan recovery unit to manage stage 2 and stage 3 loans and advances to maximise the amount of recoveries from distressed loans.

Maximum exposure to credit risk

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

Definitions

Past due

Exposures are considered past due when the facility has expired and not settled per terms and conditions of the contractual agreement. Generally, exposures are graded per the regulations and once they are considered past due, a stage 3 impairment loss is recognised taking into account the collateral held.

The Company has had a low default and credit loss history under normal economic conditions and as a result has limited internal statistics for the calculation of ECLs. The Company's ECL model includes various factors and key areas of professional judgement which are reviewed and approved by both the credit committee and risk and capital management committee.

Credit risk mitigation

The Company does not have material netting arrangements and it does not currently use credit derivatives to mitigate credit risk.

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

Notes to the Financial Statements

	2023	2022
	R `000	R `000

Financial risk management continued...

Counterparty risk

The risk that a counterparty to a transaction fails to perform in terms of the contract resulting in a potential cost to replace the cash flow or the risk that a counterparty fails to honour an undertaking for payment or delivery in terms of unsettled transactions.

The Company is extremely cautious when selecting counterparties to transactions and formal limits are established for counterparties.

The Company only enters into interest rate swaps with the major South African banks.

The Company has adopted the Basel III standardised approach for the measurement of its exposure to credit risk.

Concentration risk

The risk of an uneven distribution of loans and advances to individual borrowers, industries or sectors and geographical regions which could result in significant credit losses.

The Company monitors concentration risk on an ongoing basis and ensures adequate diversification of exposure at account and underlying security level. Sufficient regard is also given to section 73 (Concentration Risk) of the Banks Act.

30.2 Financial instruments risk management: liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

In the banking environment, liquidity risk may be defined as the risk of a bank not being able to repay its maturing deposits or meet its obligations under a loan agreement. Liquidity risk includes the risk of incurring excessively high interest costs or being forced to sell assets at a loss in order to meet obligations.

The Company has a prudent liquidity management policy and the asset liability committee (ALCO) is responsible for monitoring the stability of funding, surplus cash or near cash assets, anticipated cash outflows, exposure to large depositors and exposure to related parties. Liquidity risk arises from mismatches in the timing and amount of cash flows, which is inherent to the Company’s operations and investments. The Company has been well-served by its prudent liquidity management policy, strong liquidity ratios, the stability of its deposit base and the quality of the advances book and intends to continue to adopt a conservative liquidity policy. In addition, the Company maintains a healthy level of easily liquefiable assets to adequately manage short-term liquidity requirements.

Financial risk management continued...

Contractual maturity analysis	Notes	<3 months R'000	>3 months <6 months R'000	>6 months <1 year R'000	>1 year <5 years R'000	>5 years R'000	Non-contractual R'000	Total R'000
30 September 2023								
Assets (discounted maturity)								
Cash and short-term funds	2	1 182 634		-	311 625	-	-	1 494 259
Negotiable securities	3	1 573 413	1 137 807	872 281	110 140	-	-	3 693 641
Loans and advances[1]	4	2 192 553	320 788	1 035 583	5 450 587	1 067 728	(293 957)	9 773 282
Derivative instruments	5	-	-	659	3 421	-	-	4 080
Investment securities	6	-	-	-	-	-	3 020	3 020
Other assets - Fees and other receivables	7	79 218	34	-	-	-	122 879	202 131
		5 027 818	1 458 629	1 908 523	5 875 773	1 067 728	(168 058)	15 170 413
Liabilities (undiscounted maturity)								
Deposits and funding instruments	14	11 208 788	1 429 301	492 515	45 846	11	-	13 176 461
Other liabilities - Trade and other payables	16	63 735	9 109	2 172	2 736	-	-	77 752
Other liabilities - Preference share dividends payable	16	7 428	-	-	-	-	-	7 428
Financial guarantees	32	901 779	-	-	-	-	-	901 779
Irrevocable unutilised facilities	32	151 504	-	-	-	-	-	151 504
		12 333 234	1 438 410	494 687	48 582	11	-	14 314 924

Financial risk management continued...

	Notes	<3 months R'000	>3 months <6 months R'000	>6 months <1 year R'000	>1 year <5 years R'000	>5 years R'000	Non-contractual R'000	Total R'000
31 December 2022								
Assets (discounted maturity)								
Cash and short-term funds	2	1 192 405	-	-	298 300	-	(266)	1 490 439
Negotiable securities	3	1 399 783	606 037	1 598 557	109 193	279 640	(616)	3 992 594
Loans and advances[1]	3	2 027 089	359 886	836 867	4 115 308	1 423 912	(215 143)	8 547 919
Derivative instruments	4	(57)	-	1 157	1 845	781	-	3 726
Investment securities	5	-	-	-	-	-	5 725	5 725
Other assets - Fees and other receivables	6	29 847	-	-	-	-	-	29 847
		4 649 067	965 923	2 436 581	4 524 646	1 704 333	(210 300)	14 070 250
Liabilities (undiscounted maturity)								
Deposits and funding instruments	14	10 819 215	855 508	144 985	602 203	3 911	-	12 425 822
Derivative instruments	5	-	-	-	-	-	-	-
Other liabilities - Trade and other payables	16	19 809	-	-	-	-	-	19 809
Other liabilities - Preference share dividends payable	16	11 977	-	-	-	-	-	11 977
Financial guarantees	32	663 213	-	-	-	-	-	663 213
Irrevocable unutilised facilities	32	250 486	-	-	-	-	-	250 486
		11 764 700	855 508	144 985	602 203	3 911	-	13 371 307

[1] The contractual maturity analysis of loans and advances are based on the final contractual maturity of the exposure. In certain instances these loans and advances represent amortising exposures, however the Group adopted a conservative approach and reflected the cash inflows on amortising exposures based on the final expected repayment date.

Financial risk management continued...

30.3 Financial instruments risk management: interest rate risk

Interest rate risk is the risk that fluctuating interest rates will unfavourably affect an institution's earnings and the value of its assets, liabilities and capital. The risk is due to assets and liabilities repricing at different times, or against different base rates. The amount at risk is a function of the magnitude and direction of interest rate changes.

Traditional repricing gap analysis is used to measure interest rate exposure. The Company has a conservative policy on interest rate risk arising from repricing differentials. The static interest rate gap report is reviewed bi-monthly by ALCO and the model assumes that both assets and liabilities will reprice in the relevant maturity bucket.

Interest rate repricing gap	**<3 months**	**>3 months <6 months**	**>6 months <1 year**	**>1 year <5 years**	**>5 years**	**Non-rate sensitive**	**Total**
30 September 2023	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Assets	11 958 053	1 141 079	872 281	326 722	145 843	729 707	15 173 685
Equity and liabilities	(11 247 264)	(705 436)	(34 163)	(22 794)	-	(3 164 028)	(15 173 685)
Interest rate hedging activities	(254 867)	-	70 528	184 339	-	-	-
Repricing profile	455 922	435 643	908 646	488 267	145 843	(2 434 321)	-
Cumulative repricing profile	455 922	891 565	1 800 211	2 288 478	2 434 321	-	-
Expressed as a percentage of total assets (%)	3.0%	5.9%	11.9%	15.1%	16.0%		
31 December 2022							
Assets	10 881 325	606 037	1 598 557	406 879	455 879	268 655	14 217 332
Equity and liabilities	(12 307 781)	(54 758)	(81 995)	(140 970)	-	(1 631 828)	(14 217 332)
Interest rate hedging activities	393 525	-	(70 000)	(278 224)	(45 301)	-	-
Repricing profile	(1 032 931)	551 279	1 446 562	(12 315)	410 578	(1 363 173)	-
Cumulative repricing profile	(1 032 931)	(481 652)	964 910	952 595	1 363 173	-	-
Expressed as a percentage of total assets (%)	-7.3%	-3.4%	6.8%	6.7%	9.6%		

Financial risk management continued...

Interest income sensitivity	**<3 months** R '000	**>3 months <6 months** R '000	**>6 months <1 year** R '000	**Cumulative impact on net interest income** R '000
30 September 2023				
2% interest rate increase	7 821	10 036	34 864	52 721
2% interest rate decrease	(7 821)	(10 036)	(34 864)	(52 721)
31 December 2022				
2% interest rate increase	(7 605)	(8 134)	(16 269)	(32 008)
2% interest rate decrease	7 605	8 134	16 269	32 008

Interest rate sensitivity is based on the static repricing profile of assets and liabilities at the reporting date and determined by applying market-related interest rates and a parallel interest rate shock.

Equity impact is net of tax and amounts to R38.49m (31 December 2022: R23.05m) on a 2% interest rate increase and R38.49m (31 December 2022: -R23.05m) on a 2% interest rate decrease.

Hedging

Hedging is a technique used to reduce risk by simultaneously entering into a transaction to be hedged and a transaction with equivalent characteristics in terms of size, duration and interest rate but with an opposite financial effect.

All individual fixed-rate credit assets are required to be hedged, either within the funding book or synthetically with derivative instruments.

Notes to the Financial Statements

Financial risk management continued...

30.4 Financial instruments risk management: market risk

This is the risk that the market price of an asset may change, resulting in a loss on realisation of that asset.

The Company does not take proprietary trading positions and therefore holds minimal exposure to market risk.

30.5 Financial instruments risk management: equity investment risk

Equity price risk is the risk that arises from security price volatility i.e., the risk of a decline in the value of a security or a portfolio.

Listed investments are recognised on a settlement date basis and are initially measured at fair value and are remeasured to fair value through profit or loss using market closing prices.

Unlisted investments are recognised on a settlement date basis and are initially measured at fair value and are remeasured to fair value through profit or loss using either listed proxy entity share prices (adjusted for liquidity, marketability and operational scale), dividend yield model or a discounted cash flow model taking into account future maintainable earnings.

All unrealised gains/(losses) are recognised in profit or loss.

Sensitivity analysis

	2023 R `000	2022 R `000
10% increase in equity prices	302	573
10% decrease in equity prices	(302)	(573)

Equity impact, net of tax, amounts to R0.23m (31 December 2022: R0.44m) on a 10% increase in equity prices and R0.23m (31 December 2022: R-0.44m) on a 10% decrease in equity prices.

30.6 Financial instruments risk management: currency risk

Currency risk is the risk that changes in exchange rates will have an impact on profitability due to a mismatch between foreign receivables and foreign payables. The Company's exposure to currency risk is limited to an immaterial number of foreign debtors and foreign creditors. The Company does not deem the risk significant enough to warrant it taking out foreign exchange contracts to hedge itself against currency risk.

Financial risk management continued...

30.7 Financial instruments risk management: solvency/capital adequacy risk

Solvency risk is the risk that a bank will not have adequate capital and reserve funds to absorb losses, resulting in depositors having to absorb these losses which could result in depositors losing confidence in the Company.

Capital management

The Company manages its capital base to ensure an appropriate balance between maintaining adequate capital levels while still supporting business growth, maintaining depositor confidence and ensuring sustainable returns to stakeholders.

The Company's capital management policy objectives are to ensure the Company is adequately capitalised to support its risk profile and the development of robust risk management techniques and internal controls to manage and monitor the risks of the Company.

Key objectives include:

- Sufficiency of capital to meet regulatory requirements as set by the PA;
- Adequacy of capital to meet the economic capital requirements of the Company;
- Optimisation of returns on regulatory capital, thereby ensuring market-related returns to investors on a sustainable basis;
- Ability to generate capital to support and maintain business growth; and
- Ability to withstand potential macro and/or micro stress events through the maintenance of an adequate capital buffer.

Regulatory capital

In terms of the requirements of the Banks Act, the Company has complied with the minimum capital requirements for the current reporting period.

The Company's regulatory capital is split into two tiers:

- Tier 1 capital is split into common equity Tier 1 capital and additional Tier 1 capital, which includes ordinary share capital, share premium, appropriated retained earnings and qualifying preference share capital; and
- Tier 2 capital includes qualifying Stage 1 and 2 impairment losses.

Notes to the Financial Statements

	2023 R `000	2022 R `000

Financial risk management continued...

The minimum capital requirements are defined by two ratios as follows:

- Tier 1 capital as a percentage of risk-weighted assets; and
- Total qualifying capital as a percentage of risk-weighted assets.

	Audited %	Audited %
Common equity Tier 1 capital	12.55	12.93
Additional Tier 1 capital	2.34	2.74
Total Tier 1 capital	14.89	15.67
Tier 2 capital	0.21	0.09
Total capital	15.10	15.76

Stakeholder capital adequacy ratio minimum requirements	%	%
Regulator:		
– Notional common equity Tier 1	7.50	7.50
– Notional total Tier 1	9.25	9.25
– Total capital	11.50	11.50

Retained earnings appropriation

The Company appropriates earnings retained after dividend distributions, as required, to ensure minimum required capital levels are maintained.

Dividend policy

The Company has a dividend policy of three times cover (33.33%) subject to the Companies Act requirements around solvency and liquidity. Dividends will only be distributed where moderate stress forecasting indicates no capital shortfall or where unappropriated reserves adequately cover dividends and any capital appropriation required to maintain capital levels.

	2023	2022
	R `000	R `000

Financial risk management continued...

30.8 Financial instruments risk management: operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk. Grindrod Bank specifically excludes legal risk from the scope of operational risk. The Company addresses legal, strategic, and reputational risk under separate distinct risk types.

It is the responsibility of management and ultimately the risk and capital management committee to assess operational procedures and controls and to ensure the adequacy thereof. Management is assisted by internal audit in this regard.

The Company has adopted the Basel III basic indicator approach for the measurement of operational risk.

31. Incentive schemes

At 30 September 2023, the Company had the following short-term incentives (refer note 15) and share-based payment arrangements (refer note 16):

Risk, internal audit and compliance employees do not have specific incentives linked to the performance of the business. They do, however, share in the general short-term incentive pool should there be one, and they may be granted share options.

Short-term incentives (refer to note 15)

Short-term incentives are based on the achievement of agreed individual key performance indicators with employees, subject to the satisfactory performance of the Company and approval by the human capital and remuneration committee (HCRC). Short-term incentives for executives and other key employees are based on the achievement of agreed individual key performance indicators and the achievement of the Company's business scorecard objectives based on final audited results, subject to the satisfactory performance of the Company and approval by the board of directors taking into account other qualitative factors. Short-term incentives for executives are capped at 100% of total cost of employment.

Share-based payment arrangements

The share option schemes have a deferral mechanism as a result of the vesting periods and are forfeited on resignation or dismissal from the Company. At this stage no clawbacks or long-term performance measures exist.

Incentive schemes continued...

31.1 The details of the SARs are as follows:

Date granted	**Number of SARs**	**Issue price[1] R**	**Cancellations**	**Settlements**	**Restated**	**Vested**	**Net total[2]**
2017	1 109 000	14.33	(351 623)	(226 000)	111 997	(643 374)	-
2018	1 194 000	15.20	(342 498)	(255 555)	132 476	(547 695)	180 728
2019	1 641 000	16.54	(507 777)	(378 474)	200 078	(438 236)	516 591
2020	2 262 000	15.01	(359 000)	(142 000)	-	-	1 761 000
2021	1 890 000	15.51	(179 000)	(122 000)	-	-	1 589 000
2022	2 528 043	15.89					2 528 043
2023	-	15.89	-	-	-	(1 026 023)	(1 026 023)
	10 624 043		(1 739 898)	(1 124 029)	444 551	(2 655 328)	5 549 339

[1] The price reflects the market price on the date of the awards.

[2] At 30 September 2023, the fair value of these SARs based on a closing price of R16.73 was R6.13 million.

The vesting price for the 2018 and 2019 awards that vested during 2022 was R15.89. The 2021 and 2022 awards did not vest during the reporting period.

The final vesting date for the 2022 options is 2027.

Included in the net total SARs in issue is 1 069 176 made to DA Polkinghorne (outgoing chief executive officer) and 791 000 made to RS Garach (chief financial officer).

Notes to the Financial Statements

	2023 R `000	2022 R `000

Incentive schemes continued...

31.2 Details of SARs outstanding at the reporting date:

	Number of SARs	Number of SARs
Outstanding at 1 January	6 575 362	5 302 216
Granted during the year	-	2 528 043
Settled/Cancelled during the year	(1 026 023)	(1 254 897)
Outstanding at reporting date	5 549 339	6 575 362

32. Commitments and financial guarantees

Financial guarantees	901 779	663 213
Financial guarantees are provided where lending facilities have been approved and all the terms and conditions of the loan have been met.		
Irrevocable unutilised facilities	151 504	250 486
Irrevocable unutilised facilities are approved lending facilities which cannot be unconditionally withdrawn, prior to facility expiry, by Grindrod Bank.		
Maximum exposure to credit risk[1]	817 123	653 355

[1] Excludes cash-backed guarantees.

33. Retirement benefit information

Defined contribution plan expense	15 593	17 191

The Company contributes to the Galaxy Umbrella Provident Fund, administered by GQM Fund Administrators Proprietary Limited, a defined contribution plan. Alexander Forbes Financial Services Proprietary Limited is responsible for the admin functions of the fund. The fund is registered under and governed by the Pension Funds Act, 1956.

At 30 September 2023, 191 employees (31 December 2022: 167 employees) of the Company were members of the Galaxy Umbrella Provident Fund.

Notes to the Financial Statements

	2023	2022
	R `000	R `000

34. Analysis of the Group's interests in unconsolidated structured entities

The Company currently holds preference shares in various entities as a result of financing activities. Some of these financed entities have defined investment-related activities including holding shares in either listed or unlisted entities. The Company does not have any voting rights in these entities in the absence of a default event. In accordance with IFRS 10, an assessment of the facts, circumstances, significant judgements and assumptions has been performed to ensure that there is no control over these entities.

The following table summarises the carrying amounts, interest revenue, impairment losses and fair value adjustments recognised in the statement of financial position and statement of comprehensive income of the Company's interest in unconsolidated structured entities:

Statement of financial position

	30 September 2023	31 December 2022
	R '000	R '000
Loans and advances – at FVTPL	664 103	648 938
Loans and advances – at amortised cost	261 193	351 868

Statement of comprehensive income

Loans and advances at amortised cost - Interest revenue	1 298 506	39 329
Loans and advances held at FVTPL - Fair value adjustments	16 559	6 641
Loans and advances held at FVTPL - Interest income	140 946	50 955
Impairment losses on loans and advances	13 221	3 244

The primary risk to which the Company is exposed is default risk. The Company has security in the form of limited guarantees in certain instances.

35. Related parties

The Company conducts business with various related parties. As of 1 November 2022, entities within the Grindrod Limited Company are no longer related parties of the Grindrod Financial Holdings Company, as African Bank acquired 100% of the ordinary shares in Grindrod Financial Holdings from Grindrod Limited on 1 November 2022. Outstanding balances between the Company and entities within the Grindrod Limited Company are not disclosed.

African Bank Holdings Group companies

Entities in the African Bank Holdings group, other than all entities held directly or indirectly by the Company.

Grindrod Limited group companies

Entities in the Grindrod Limited group, other than all entities held directly or indirectly by the Company.

Notes to the Financial Statements

	2023 R `000	2022 R `000

Related parties continued...

Grindrod Limited group investee entities

These entities form part of Grindrod Limited group's portfolio of equity investments. These investees are managed and operated by third party clients of the Company, but are classified as associate companies in accordance with IFRS due to the Grindrod Limited group holding between 20% and 50% of the shares in the entities thereby having significant influence over these companies. The investments are passive.

Directors and key management personnel (directly and indirectly)

Includes close family members and any entity controlled or jointly controlled by directors or key management personnel, split between:
- Grindrod Limited;
- African Bank Holdings group; and
- Grindrod Bank.

Advances to and deposits from the above groups of related parties are all on normal business terms and at market-related interest rates.

Summary of related party transactions

Cash and short-term funds

	2023 R `000	2022 R `000
Inter-bank deposits with related parties:		
African Bank Holdings group companies	-	352 081

Loans and advances

	2023 R `000	2022 R `000
Related party loans and advances to:		
Grindrod Limited group companies	-	554 324
Grindrod Limited group investee entities	-	821 259
Directors and key management personnel (directly and indirectly)	1 831	-
Grindrod Bank[1]	-	3 124
	1 831	1 378 707

[1]*Companies that are related to Grindrod Bank through key management executive of the Company.*

Notes to the Financial Statements

	2023 R `000	2022 R `000
Related parties continued...		
Other assets		
Included in other assets are amounts due from related parties:		
Grindrod Limited group companies	-	1 519
Grindrod Limited group investee entities	-	97
Accounts receivable from African Bank Limited	44 780	
	44 780	1 616
Deposits and funding instruments		
Related party deposits from:		
Grindrod Bank subsidiaries	72	72
Deposits from directors and key management personnel (directly and indirectly)		
Grindrod Bank[1]	7 549	7 485
	7 621	7 557
Other liabilities		
Included in other liabilities are amounts due to related parties:		
African Bank Holdings group companies (excluding Grindrod Bank)	-	1 233
Interest and similar income		
Interest and similar income earned from related parties:		
African Bank Holdings group companies (excluding Grindrod Bank)	-	3 922
Grindrod Limited group companies	-	35 691
Grindrod Limited group investee entities	-	59 854
Interest and similar income earned from directors and key management personnel of:	153	-
Grindrod Bank[1]	-	455
	153	99 922

[1]Companies that are related to Grindrod Bank through key management executive of the Company.

Notes to the Financial Statements

	2023 R `000	2022 R `000
Related parties continued...		
Interest and similar expense		
Interest and similar expenses paid to related parties:		
Grindrod Limited group companies	-	894
Grindrod Limited group investee entities	-	772
Interest and similar expenses paid to directors and key management personnel of:	1 026	-
Grindrod Limited group (excluding Grindrod Bank)	-	4 662
Grindrod Bank[1]	-	3 703
	1 026	10 031
Fee income		
Fee income earned from related parties:		
African Bank Holdings group companies (excluding Grindrod Bank)	350	-
Grindrod Limited group companies	-	1 299
Grindrod Limited group investee entities	-	1 261
Fee income earned from directors and key management personnel of:		
Grindrod Limited group (excluding Grindrod Bank)	-	71
Grindrod Bank[1]	3 971	487
	4 321	3 118
Operating expenses		
Operating expenses paid to related parties:		
African Bank Holdings group companies (excluding Grindrod Bank)	1 233	1 233
Grindrod Limited group companies	-	6 019
Operating expenses paid to directors and key management personnel of:		
Grindrod Bank[1]	3 408	-
	4 641	7 252

[1]Companies that are related to Grindrod Bank through key management executive of the Company.

Notes to the Financial Statements

	2023 R `000	2022 R `000
36. Commitments and financial guarantees		
Directors and key management personnel (directly and indirectly)		
Grindrod Limited group (excluding Grindrod Bank)	-	-
Grindrod Bank	4 035	9 923
	4 035	9 923

37. Contingent liabilities

The Company, in the ordinary course of business, enters into transactions that expose it to taxation, legal and business risks. Provisions are made for known liabilities that are expected to materialise. Possible obligations and known liabilities, where no reliable estimate can be made or it is considered improbable that an outflow would result, are reported as a contingent liability in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

FICA Non-Compliance

During 2020, the PA conducted a FICA inspection. The inspection revealed various findings of non-compliance with the FIC Act. In July 2022, the PA issued a notification to the Company of its intention to impose an administrative sanction in terms of section 45C of the FIC Act to the amount of R11.90 million. The notification states that of the R10.73 million penalty, R5m has been suspended for a period of 24 months from date of the final notice. The unsuspended penalty of R5.73m has been paid to the PA.

Although procedures and controls are being put in place to ensure that non-compliance does not reoccur, it is possible that the Company could become liable for the suspended penalty of R5m, however this is contingent on the occurrence of uncertain future events not wholly within control of the Company, hence a provision has not been recognised for the suspended penalty.

38. Going concern

Effective 1 November 2022, Grindrod Financial Holdings (bank holding company) became a wholly owned subsidiary of African Bank. The banking company (African Bank and Grindrod Bank) is currently operating under two separate banking licenses. The intention of African Bank is to affect a section 54 amalgamation of Grindrod Bank in terms of The Banks Act, 1990, such that the assets and liabilities of Grindrod Bank will be transferred to African Bank. and Grindrod Bank's banking license subsequently cancelled. This application was filed with the Prudential Authority on 23 April 2023. Subject to approval by the Minister of Finance and in terms of Section 54, the assets, liabilities, operations and human capital of Grindrod Bank will be transferred to African Bank and will form the new Business Banking division within African Bank. and continue to operate under African Bank.s banking license.

Given the planned Section 54 amalgamation, it appears that the Grindrod Bank legal entity will have no realistic alternative but to cease trading. Hence Grindrod Bank will, in accordance with the Standard, no longer be considered a going concern and the 2023 financial statements will need to be prepared on an alternate basis.

The board is therefore of the view that the assets and liabilities of Grindrod Bank as disclosed in its 2023 financial statements should be accounted for in terms of its existing accounting policies given no change in the expected method of realisation/settlement with the amalgamation.

	2023	2022
	R `000	R `000

Going concern continued...

IFRS is not prescriptive on the alternate basis for preparing financial statements if the entity is no longer deemed to be a going concern.

The Company has applied judgement and elected to be consistent in the application of its accounting policies to prior years given that the realisation of its assets and settlement of liabilities following the transfer to African Bank will remain unchanged.

39. Events after the reporting date

The directors are not aware of any matters or circumstances arising since the reporting period date, other than noted above, that has a material impact on the financial statements.