GroCapital
HOLDINGS

ANNUAL REPORT

2018

CONTENT AND DIRECTORATE

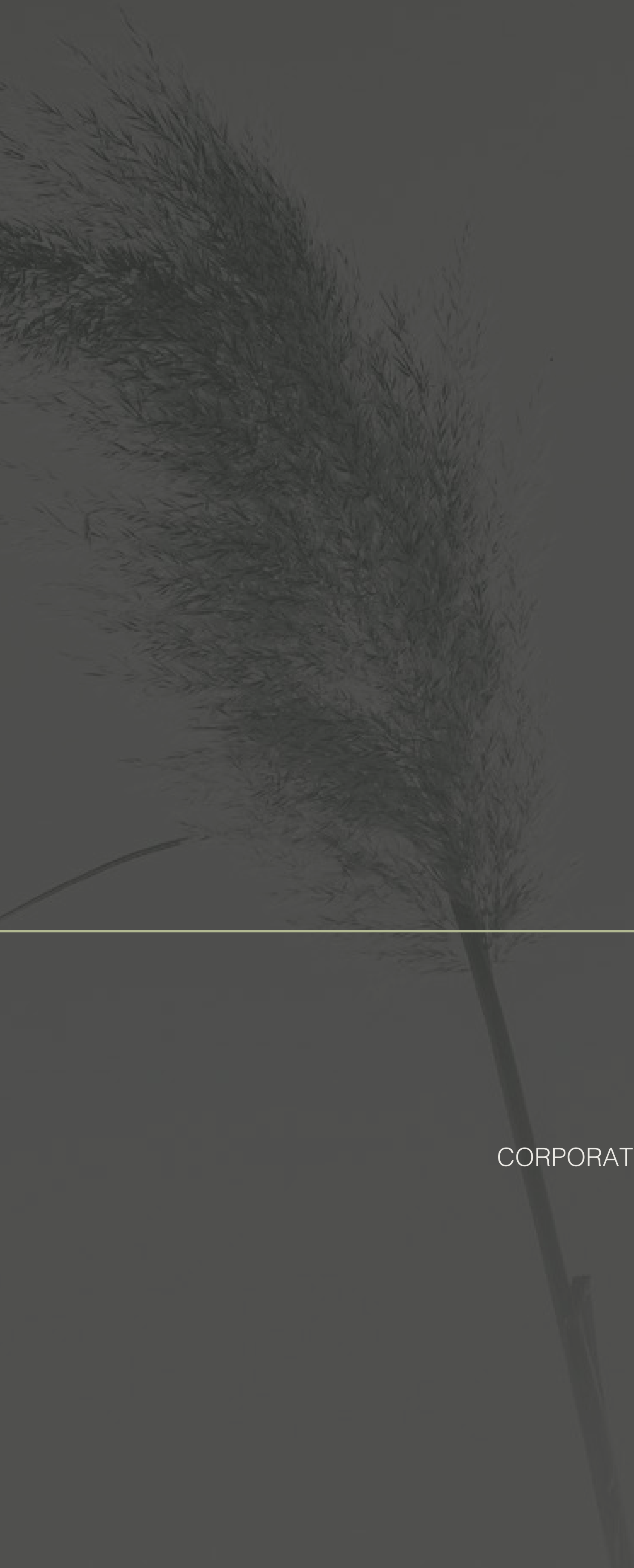
DIRECTORATE IN 2018

C P Venter
Non-Executive Chairman

H D Bloem
Managing Director

P Ranchod
T J Fearnhead
R A Shough
W J Kruger
J A Mirza
Independent Non-Executive Directors

H T Maluleka
Non-Executive Director



CHAIRMANS REPORT

PRODUCT SUITE		
SPECIALIZED FINANCE (FUTURE) • Commodity Fin Facilities • Working Cap. & Trade Fin • CAPEX Funding • Debt Origination • Equipment Finance • Invoice Discounting	**FINANCIAL MARKETS (FUTURE)** • Foreign Exchange Instruments (enhanced license with fewer restrictions)	**BROKING (FUTURE)** • JSE Comodity Derivative Markets • JSE Currency Derivative Markets
DEPOSIT TAKING (CURRENT) • Deposit taking	**CORPORATE FINANCE (FUTURE)** • Corporate FInance Advisory	**SABA (CURRENT)** • Business Banking • Treasury and International • Alliance Banking

We welcome the emphasis placed on agriculture and the importance it was elevated to in both the State of the Nation address and the Budget Speech, and make ourselves available to Government to assist with the future development of the sector.

INTRODUCTION

As Chairperson, I am pleased to provide feedback on the single largest and most strategic acquisition made by GroCapital Holdings Limited ("GCHL") for the year under review, namely the acquisition of 99.81% of the issued share capital of the National Bank of Greece Group's stake in The South African Bank of Athens Limited ("SABA"). Having access to a banking license deepens AFGRI Group Holdings ("AGH") reach in the financial services, agribusiness and food sectors in South Africa, as financial services are a key enabler for these sectors and will help businesses grow, which in turn will drive food security.

OPERATIONAL OVERSIGHT AND GOVERNANCE ADHERENCE

As lead-arranger of this transaction, AFGRI Holdings Limited ("AHL"), the ultimate holding company of GCHL, assumed operational oversight over the bank, hence my role as Chairperson of GCHL. The appointment of an Integration Officer responsible for the successful implementation of the acquisition was made, with Hercu Bloem seconded to the role.

The close working relationship between AGH, GCHL and the SABA (now Grobank) team ensured that all existing Bank operations were maintained and clients were assured of continuity of operations, management and relationship interaction as well as to maintain the niche, high level customer focus on service.

GroCapital Financial Services ("GFS"), an invested company in the AGH structure, works closely with SABA. This results in leverage of the banking license to expand the product range to include a wide variety of solutions such as specialised finance, foreign exchange, broking, investment services and alliance banking.

With a strong focus on growth it stands to reason that cross-border activities needed to be pursued and this remains in the early stages of assessing, as an example, a platform from which to support post-harvest agricultural finance across the continent.

GCHL injected an amount of R62 million into the Bank during the period.

The high level of governance expected by The South African Reserve Bank ("SARB") is not new to AGH, having previously operated under the Financial Services Charter through GFS and Unigro. Guidance and support provided by the SARB is supportive and encouraging. AGH tolerates only the highest level of corporate governance and this standard is driven across GCHL with all the necessary oversight committees being in place to ensure compliance. An extensive due diligence process was undertaken prior to making the purchase offer and we remain extremely comfortable that the governance and risk structures remain robust. There have been four attempts by individuals and / or international governments of ill repute to open accounts, which were immediately flagged and stopped, reflecting the high quality of the systems in the bank.

OFFER TO BUY OUT THE MINORITIES

With the banking licence granted in October 2018, GCHL was subsequently able to take over responsibility for the operation. This meant adhering to the Companies Act by making an offer to minorities. During October 2018, a joint firm intention announcement was thus made of a mandatory offer by GCHL to acquire all the issued ordinary shares in SABA not already held by GCHL. The offer price was R9.13 per share. The offer closed on 14 December 2018 and on 18 December 2018 the results were published in the press, indicating that 0,12% of the outstanding 0,19% of the shares were acquired.

RATIONALE OF THE ACQUISITION AND SYNERGIES

The banking licence acquired provides a cornerstone for the invested companies within the greater AFGRI Group Holdings (“AGH”) structure, bringing a full suite of banking services to bear on existing products and services. This represents a huge advantage being one of only seven all-inclusive banking licenses in the country, and provides the Group with the opportunity to expand its product and service offerings. By leveraging these across the combined customer base, synergies can easily be extracted, given that an entire investment bouquet is now on offer.

Although AGH draws on its roots dating back nine decades, it is on a massive growth drive. Having a bank in the fold means that the bank also benefits from our existing products and services such as forex and commodity trade and finance activities.

The invested companies bring decades of experience in agriculture and food to the relationship, coupled with a deep understanding of agricultural cycles. This has proven to be a winning collaboration, with many avenues opening to us. GroCapital Financial Services (“GFS”) and UNIGRO Agricultural Finance (“UNIGRO”) are benefitting from the expanded product suite, which includes savings, transaction and electronic banking and commercial loans on offer to clients, and UNIGRO can potentially offer innovative services to underbanked rural farmers, as an example. This is in addition to taking deposits and issuing debit cards.

We have also been able to recommend GFS’ experience in commodity, stock and debtor finance, bridging facilities, invoice discounting, trade finance and broking to the advantage of GCHL.

OPERATING ENVIRONMENT

With sluggish economic growth, a year in which national elections take place and the launch of at least two new banking operations (Discovery Bank and Thyme Bank), the South African economy is fluid to say the least. Despite this, we continue to pursue growth, backed by an excellent record of accomplishment in the agricultural space, with negligible bad debt, which is testament to our deep understanding of agricultural cycles.

LOOKING FORWARD AND GROWTH PROSPECTS

I am pleased to confirm that many underlying advantages of the broader transaction, such as foreign direct investment through AGH’s controlling shareholder Fairfax, have come about. We encourage the growth of the banking sector in South Africa and are confident that our niche expertise will not be impacted by the launch of what are essentially retail banks. We welcome the emphasis placed on agriculture and the importance it was elevated to in both the State of the Nation address and the Budget Speech, and make ourselves available to Government with the future development of the sector in public-private-partnerships.

APPRECIATION

I would like to thank in particular the directors of the Board, who have shared their experience and knowledge with us, and in this way, have truly assisted in steering the bank to a new level. Our major shareholders, Fairfax Africa and the Public Investment Corporation, have been true partners in the development and for this I am grateful.

To the management team, who have buckled down and worked extremely hard to ensure correct structures and governance are in place, I want to thank you for your commitment.

To the customers of what was the Bank of Athens, thank you for having the faith in GCHL to take a good banking offering forward with enhancements and for trusting us to succeed.

I am tremendously excited for the journey ahead and am looking forward to continual growth and outstanding customer service.

C Venter
March 2019

EMPOWERING PEOPLE TO GROW A SUSTAINABLE FUTURE

MANAGING DIRECTOR'S REPORT

GroCapital Holdings recorded an operating profit in the first three months of its existence, amounting to R1,632 million and is sufficiently capitalised to meet the immediate needs of its investment in the Bank. It has secured appropriate liquidity support facilities from shareholders to assist with the implementation of the agreed upon growth and expansion strategy.

4 October 2018 was a landmark date in the history of GroCapital Holdings Limited (GCHL), marking the completion of a journey that had begun some 22 months before. On this date GCHL completed the acquisition of more than 99% of the shares of The South African Bank of Athens Limited ("the Bank/SABA"), officially becoming the controlling company of the Bank.

We could never have completed this journey if it weren't for the unconditional support we received from the sellers of the Bank, the regulators who had to approve the transaction, the incoming shareholders, the acquisition and support teams, as well as the Bank's management team.

GCHL is very proud to be the controlling company of the Bank. We are well positioned to develop and implement the mandate received from our shareholders, which is to provide support and guidance to the Bank on growing its business sustainably, with a special focus on food and agriculture. GCHL will also oversee the development of the Bank's strategy and positioning, and its integration into the bigger group of companies. Likewise, we look forward to working closely with all stakeholders to ensure all their requirements are met.

BUSINESS PERFORMANCE

GCHL exclusive mandate is to act as an investment holding company. As a result, it does not engage in any operational activities. Its only assets are the shares it holds in the Bank, the debentures it acquired from the outgoing shareholders and some cash balances.

GCHL recorded an operating profit in the first three months of its existence, amounting to R1,632 million, mainly due to the interest earned from the investment in the debentures issued by the Bank and the liquidity placed with SABA. Costs are strictly managed and recovered where applicable and appropriate.

GCHL is sufficiently capitalised to meet the immediate needs of its investment in the Bank. It has secured appropriate liquidity support facilities from the shareholders to assist with the implementation of the agreed growth and expansion strategy.

GOVERNANCE STRUCTURE

The Company Secretary of GCHL and Grobank Limited GCHL is subject to the Banks Act in terms of the approval received from the South African Reserve Bank ("SARB"). As such, it is required to comply with both the Companies Act and the Banks Act with reference to governance structures.

GCHL appointed H Bloem as the Managing Director and was seconded to the Bank as Integration Officer where he has overseen the smooth integration of banking operations with the expanded strategy of the group of AGH companies. In the process and together with the Bank's management team, we have ensured that both GCHL and the Bank comply with the appropriate regulations.

During December 2018 GCHL finalised the nomination of prescribed officers as required by the SARB. Approval was obtained from the SARB to allow certain of the prescribed officers to double-up in the same capacity for GCHL. The following individuals will therefore be appointed as 'prescribed officers of GCHL during the first quarter of 2019:

- Mrs Chrisanthi Michaelides as Chief Financial Officer;
- Mr Hermann Krull as the Compliance and Anti-Money Laundering Officer;
- Mr David Haarhoff as the Chief Risk Officer; and
- Mrs Karin Klein as Head of Internal Audit.

The abovementioned individuals will continue to fulfil these roles on behalf of GCHL until the company decides to expand its investments and/or operations at which time it will appoint its own prescribed officers and officials.

Similarly, GCHL has also obtained approval from the SARB to appoint the Bank's Independent Non-Executive Directors in the same capacities on the company's Board of Directors during the first quarter of 2019. These appointments will allow the Independent Non-Executive Directors to familiarise themselves with the affairs of both the controlling company and the Bank, ensuring that they are enabled to fulfil their fiduciary duties in the most appropriate manner.

The following individuals will be appointed as Independent Non-Executive Directors of GCHL:

- Mr Pankaj Ranchod;
- Mr Tim Fearnhead;
- Mr Roy Shough;
- Mr Willem Kruger; and
- Mr Jawaid Mirza.

Finally, GCHL will constitute combined governance committees that will include an Audit Committee and a Directors' Affairs Committee. These committees will be operational by the end of the first quarter of 2019. Chairpersons for each Committee as well as the Board of Directors will be revisited at the first set of board and committee meetings scheduled for April 2019.

WHAT LIES AHEAD?

GCHL will continue to focus on fulfilling its mandate and responsibilities as the controlling company of the Bank for the next year. It does not have any immediate plans to diversify or expand its investments.

Immediate responsibilities will include securing sufficient capital and liquidity to support the repositioning of the Bank into a profitable and focused player in its chosen market segments. Although returning the Bank to profitability is high on the agenda, GCHL will ensure that this happens in a responsible and structured manner without putting unnecessary pressure on the Bank's employees, IT systems, liquidity and capital position or impacting on client service.

APPRECIATION

2018 was a busy and challenging year. It was also an extremely rewarding one, ending as it did with the successful completion of the acquisition. As mentioned, this journey would not have been possible without the support of several individuals, our shareholders and supporting service providers.

I would thus like to take the opportunity to thank our Acting Chairman Mr Chris Venter for his unconditional support, commitment and guidance when it was required.

I would also like to thank our shareholders for their patience, their valuable advice and guidance as well as the trust they placed in us to complete the transaction. To the members of the Boards of our respective shareholders, as well as the regulators, PriceWaterhouseCoopers and many other service providers, I thank you for your willingness to walk the journey with us and entrusting us with the mandate to act as the controlling company for the Bank.

To all the staff on both SABA's and AFGRI's side, a big thank you for assisting when I called on your support to make this acquisition a reality.

We look forward to embarking on the long-awaited journey to grow and position the Bank as a leading player in the South African business-banking sector, with a niche focus on the food and agriculture industries. There is no doubt that this is achievable, given the record of accomplishment of both entities in the history of this country. This is also a sector earmarked by the government as needing special focus given its prominence in ensuring food security for the people of South Africa, and one that we are proud to serve.

Hercu Bloem
Managing Director

CORPORATE GOVERNANCE

GCHL was previously a dormant entity, and has since become active following the conclusion of the acquisition of Grobank (previously The South African Bank of Athens). GCHL is now the Bank Controlling Company of Grobank.

GCHL set up its governance structures as follows:

- That the Independent Non-Executive Directors of SABA are appointed in the same capacities to the GCHL Board
- Apart from the Executive Director who was appointed by GCHL, five of the prescribed officers of SABA be appointed in the same capacities at GCHL. These are:
  - The Chief Financial Officer
  - The Chief Risk Officer
  - The Head of Internal Audit
  - The Compliance and AML Officer
  - The Company Secretary
- GCHL and the SABA constitute the following shared committees:
  - An Audit and Compliance Committee
  - Directors Affairs Committee

GCHL applied to the PA for permission to implement the abovementioned structures which permission was granted in March 2019.

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The Board of Directors of GCHL, as the ultimate governing authority, is fully committed to leading GCHL with integrity, ethically and in the best interest of all its stakeholders. GCHL is committed to the principles of fairness, accountability, responsibility and transparency as advocated by the King Report and Code on Corporate Governance for South Africa. The strategic direction and control of the Group is the responsibility of the Board, as directed in the GCHL Memorandum of Incorporation (MoI) and the Board Charter and Terms of Reference. This control is exercised through GCHL's governance framework, which includes a system of assurances on internal controls and detailed reporting to the Board and its Committees.

The Company's MoI, the Board Charter and the Terms of Reference of all Board Committees are available in the secretary's office.

The Board's Terms of Reference sets out the all the practices and processes the Board has adopted as tools to discharge its mandate and responsibilities. The Board Charter sets out a clear division of responsibilities at Board level to ensure a balance of power and authority.

Matters reserved for Board approval are reviewed regularly, based on the recommendations made by the Executive Committee and Board Committees where approval. The Delegation of authority was reviewed by the Executive and relevant amendments were recommended to the Board.

The role of the GCHL's Executive Director is independent. It is clearly defined in the Board's Terms of Reference to ensure no individual has unrestricted decision making power.

DETAILS OF OUR BOARD IN 2018

C P Venter	H D Bloem	H T Maluleka
MBA,BA	B.Com Honours (Cum laude); Senior Management Program	B.Com (ACC) Honours; CA (SA);
Non-Executive Chairman	Executive - Managing Director	Non-Executive Director

DETAILS OF NEW DIRECTORS NOMINATED IN DEC 2018 AND APPROVED BY THE PA IN FIRST QUARTER OF 2019

P Ranchod	W J Krüger	T J Fearnhead	R A Shough	J A Mirza
MBL(cum laude), Higher Dip BDP, BCom Acc, BCompt (honours)	BA (Law), B proc, LLB, Dip Advance Banking (cum laude)	CA(SA), CTA, Dip Advance Banking	Higher Dip BDP, CA (SA), ISACA, CIA	Queen's Executive Program (Canada) Bank strategic Management (Karachi)

Subsidiary Executives and Senior Management appointed as Executives and Senior Management at GCHL. The roles and functions are those that arise from the requirements of the Banks Act for a Bank and its controlling entity as separate legal entities.

CEO, CRO, CFO, Compliance Officer, Head of IA, Head of Credit Risk, Executive responsible for FICA compliance and Company Secretary. GCHL obtained permission from the PA for all executives in the prescribed roles within the SABA to be permitted to "Double Hat". The GCHL process was formalised and with the exception of Head of Credit Risk and CEO roles the following individuals would fulfil the same roles for the GCHL.

C Michaelides	HW Krull	KL Klein	DC Haarhoff	T Buthelezi
BCom, BAcc, CA (SA)	BA Law, LLB	CRMA, CIA, BA (honours) business and finance	CAIB, MBA, Post Grad Dip in Compliance management, Certificate in Compliance, Certificate in Board Governance, Certificate in Money Laundering Control, Post Grad Dip in Law, Internal Audit certificate Board Of Directors And Non-Executive Directors	Chartered Company Secretary FCIBM Certificate in Credit Risk Management MIoD
Executive Director and Chief Financial Officer of GroBank Limited	Head of Compliance and Legal of GroBank Limited	Head of Internal Audit of GroBank Limited	Chief Risk Officer of GroBank Limited	Company Secretary of GroBank Limited

DIRECTOR'S ATTENDANCE AT BOARD'S INAUGURAL MEETING 2018

BOARD MEETINGS	13 December
C P Venter°	✓
H Bloem#	✓
TH Maluleka°	✓

***Independent Non-executive °Non-executive #Executive**

ROLE AND FUNCTION OF THE BOARD

The role of the Board of Directors is regulated in a formal Board Charter and terms of reference. A formal delegation of authority is in place which defines the powers and authority of management. The Board of Directors is responsible for ensuring that an adequate and effective process of corporate governance exists and is maintained. This is adhered to by reviewing the nature, complexity and risks inherent in the Company's activities.

The roles of the Board Chairperson and the Executive Director are separate with a clear division of responsibilities at Board level. This ensures a balance of power and authority and prevents any single individual from holding unfettered powers of decision-making.

The Board of Directors met once (1) during the year to discuss the completion of the acquisition of SABA and formalise the governance structures.

All Directors have access to the advice and services of the Company Secretary and are entitled to obtain independent professional advice, should they deem it necessary. this regard.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board including its current Chairman, comprised of 3 directors as at 31 December 2018, of which one is an executive director. The newly appointed Board comprises of 8 directors as at 30 April 2019 and has a strong representation of independent Non-Executive directors, as this provides the necessary objectivity that which is required to ensure its effective functioning.

GCHL non-executive directors are required to retire at the annual general meeting held immediately after the third anniversary of their election. Retiring directors may offer themselves for reappointment by the shareholders. Directors who join the Board during the course of the year are required to have their appointments confirmed by shareholder at the following AGM.

Declarations of interests are submitted annually by all Directors on an annual basis to determine any conflicts of interests and any potential conflict is disclosed immediately.

Performance assessment

Principle 9: The Governing Body should ensure that that the evaluation of its own performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness.

The performance and effectiveness of the Board and its committees will be evaluated annually in accordance with the Board Charter and Terms of Reference. Evaluations will comprise of standardised questionnaires, grounded on the principles of King IV, the various regulatory principles, and structured according to the Board Charter, the Boards' Annual Work Plan the Terms of Reference and Annual Work Plans of each committee. The performance and effectiveness of the Chairman of the Board will be evaluated collectively by its members.

COMPANY SECRETARY

The Company Secretary of GCHL and GroBank Limited ensures corporate governance and overall adherence and compliance to all regulatory, statutory requirements and to proper corporate governance principles. She does not fulfil an Executive Management function and is not a director of the Board.

The Company Secretary is, based on the approved Annual Work Plans, responsible for preparing meeting agendas in advance and in consultation with the chairman of the Board and / committees and for recording minutes.

The Company Secretary is responsible for ensuring that the Board is provided with accurate, concise and relevant information in a timeous manner to enable the Board to take informed decisions and to monitor the progress and performance management against the approved business strategy and ensures accurate external disclosure including this integrated report.

The Company Secretary provides guidance to the Board as a whole and to individual Directors with regards to governance, compliance and fiduciary responsibilities and sustainability. All Directors have access to a suitability qualified and experienced Company Secretary. The academic and professional qualifications were externally verified prior to her appointment. She is a Chartered Company Secretary (ACIS) (FCIBM) and MIoD with 9 years Company Secretarial experience and 12 years, financial and administrative experience.

KING IV

The Board recognises that to be sustainable and ethical, it is best practice to conduct the business of the Group in accordance with the principles and practices of KingIV. King IV recommendations are already entrenched in the Group's governance and risk management structures, policies and procedures.

FINANCIAL HIGHLIGHTS

	GROUP 2018 R'000	COMPANY 2018 R'000
STATEMENT OF FINANCIAL POSITION		
Capital and reserves	444 093	468 277
Total assets	**3 358 224**	**741 150**

	2018 R'000	2018 R'000
STATEMENT OF COMPREHENSIVE INCOME		
Total income before charge for bad and doubtful advances	37 887	7 054
Net operating (loss) profit before taxation	(22 115)	2 282
Net Operating (Loss) Profit after taxation	**(22 765)**	**1 632**
Attributable (loss) profit to ordinary shareholders	**(22 765)**	**1 632**

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COMPANY SECRETARY CERTIFICATE

The Company Secretary of GroCapital Holdings Limited certifies that, in terms of section 88(2)(e) of the Companies Act, No.71 of 2008 as amended, GroCapital Holdings Limited has lodged with the Companies and Intellectual Property Commission of South Africa all returns and notices as required by a public company in terms of the Act and that all such returns are true, correct and up to date in respect of the financial year ended 31 December 2018.

T Buthelezi
Company Secretary
30 April 2019

INDEPENDANT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GROCAPITAL HOLDINGS LIMITED

Report on the audit of the consolidated and separate financial statements

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of GroCapital Holdings Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2018, its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

GroCapital Holdings Limited's consolidated and separate financial statements set out on pages 20 to 67 comprise:

- the consolidated and separate statements of financial position as at 31 December 2018;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in shareholders equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 consolidated and separate financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the GroCapital Holdings' annual report 2018, which includes the Directors' Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Vincent Tshikhovhokhovho
Registered Auditor
Johannesburg
30 April 2019

DIRECTORS' REPORT

The Directors have pleasure in submitting their report on the activities of the Group for the financial year ended 31 December 2018

NATURE OF THE BUSINESS

GCHL is the bank holding company of Grobank Limited formerly known as The South African Bank of Athens Limited.

CAPITAL STRUCTURE

Share capital for the year under review

GCHL has one million authorised ordinary shares. There has been no change in structure of authorised share capital for the year under review.

During the year the Group raised R466.6million ordinary share capital from its shareholders. (see note 13 and 14)

The results of the Group are set in the financial statements and supporting notes.

DIVIDENDS

No dividends have been proposed or declared for the year under review.

SHAREHOLDERS

The shareholders of the company are:

AFGRI Holdings Limited ("AHL"), Fairfax Africa Holdings Corporation (through its subsidiary Fairfax Africa Investments Propriety Limited ("Fairfax Africa") and the Government Employee Pension Fund, represented by the Public Investment Corporation ("PIC").

GOING CONCERN

After making due enquiries and having carefully considered the factors impacting the Group's going concern, including the group's capital adequacy and liquidity for the next 12 months, the Directors consider that the Group has adequate resources to continue operating for the foreseeable future. The financial statements have therefore been prepared on the going concern basis.

The Group's shareholders continue to provide the Group with support and has committed to capital for growth of its investments.

POST BALANCE SHEET EVENTS

In January 2019, the debenutre instruments were redeemed by The South African Bank of Athens Ltd.

DIRECTORATE AND SECRETARY

Details of the Directors and the company secretary of the Company are provided on the inside cover and page 4 respectively. The Directors of the Company as at 30 April 2019 are:

Non-executive:

- H T Maluleka (appointed 16 April 2018)
- C P Venter (appointed 1 June 2017)
- P S Hadebe (resigned 24 May 2018)

Independent, Non executive:

- P Ranchod (appointed 26 March 2019)
- T J Fearnhead (appointed 26 March 2019)
- R A Shough (appointed 26 March 2019)
- W J Kruger (appointed 26 March 2019)
- J A Mirza (appointed 20 July 2018)

Executive:

- H Bloem (appointed 23 March 2017)

Company Secretary

- S Perhiah (resigned 13 December 2018)
- T Buthelezi (appointed 13 December 2018)

Registered address:

12 Blys Bringe Boulevard, Highveld Ext. 3
Centrurion, Gauteng, 0157

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	NOTES	GROUP 2018 R'000	COMPANY 2018 R'000
Cash and cash equivalent	1	296 293	336 758
Derivative financial instruments	2	5 593	-
Short-term negotiable securities	3	1 126 023	-
Investment in equity instruments	4	-	353 103
Investment in debt instruments	5	-	50 343
Other investments	6	15	-
Accounts receivable	7	27 770	945
Loans and Advances	8.9	1 765 003	-
Goodwill	10	35 888	-
Property and equipment	11	15 417	-
Intangible assets	12	86 222	-
TOTAL ASSETS		**3 358 224**	**741 149**
EQUITY			
Share capital	13	124	124
Share premium	14	466 521	466 521
Equity attributable to other equity instrument holders	15	213	-
(Accumulated loss)/ Retained income		(22 765)	1 632
TOTAL EQUITY		**444 093**	**468 277**
Derivative financial instruments	2	5 794	-
Deposits and current accounts	16	2 582 096	-
Short term loans	17	256 261	256 261
Accounts payable	18	69 980	16 611
TOTAL LIABILITIES		**2 914 131**	**272 872**
TOTAL EQUITY AND LIABILITIES		**3 358 224**	**741 149**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	GROUP 2018 R'000	COMPANY 2018 R'000
Interest income	20.1	58 750	8 848
Interest expense	20.2	(34 654)	(5 011)
Net interest income		**24 096**	**3 837**
Net charge for bad and doubtful advances		**2 669**	**-**
Non-interest income	**20.3**	**13 791**	**3 217**
Operating income		40 556	7 054
Staff cost	20.4	(22 976)	-
Depreciation and amortisation	20.4	(3 564)	-
Operating lease expenses	20.4	(3 724)	(36)
Auditors fees	20.4	(4 633)	(33)
Management fees	20.4	(3 739)	-
Other operating expenses	20.4	(24 035)	(4 736)
(LOSS) PROFIT BEFORE TAXATION		**(22 115)**	**2 282**
Income tax expense	21	(650)	(650)
(LOSS) PROFIT FOR THE YEAR		**(22 765)**	**1 632**
(LOSS) PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Majority shareholders		(22 730)	1 632
Minority shareholders		(35)	-
		(22 765)	**1 632**
TOTAL COMPREHENSIVE (LOSS) PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Majority Shareholders		(22 730)	1 632
Minority Shareholders		(35)	-
		(22 765)	**1 632**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Share premium	Minorities interest	Accumulated loss	Total
GROUP	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
BALANCE AT 1 JANUARY 2017	-	-	-	-	-
Issue of ordinary shares	124	466 521	-	-	466 645
Equity attributable to other equity instrument holders	-	-	248	-	248
Loss for the year	-	-	(35)	(22 730)	(22 765)
BALANCE AT 31 DECEMBER 2018	**124**	**466 521**	**213**	**(22 730)**	**444 094**

	Share capital	Share premium	Retained income	Total
COMPANY	**R'000**	**R'000**	**R'000**	**R'000**
BALANCE AT 31 DECEMBER 2017	-	-	-	-
Issue of ordinary shares	124	466 521	-	466 645
Profit for the year	-	-	1 632	1 632
BALANCE AT 31 DECEMBER 2018	**124**	**466 521**	**1 632**	**468 277**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	GROUP 2018 R'000	COMPANY 2018 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	25.1	73 264	12 065
Cash paid to customers, suppliers and employees	25.2	(90 753)	(10 433)
Cash (utilised) generated from operations		**(17 489)**	**1 632**
Net increase in income earning assets	25.3	(2 916 664)	(404 391)
Net increase in deposits and other accounts	25.4	2 908 337	272 872
Net cash outflow from operating activities		**(25 817)**	**(129 887)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(88 233)	-
Purchase of equipment		(20 628)	-
Goodwill purchased		(35 888)	-
Net cash outflow from investing activities		**(144 749)**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity instruments		466 859	466 645
Net cash inflow from financing activities		**466 859**	**466 645**
NET CASH INFLOW FOR THE YEAR		296 293	336 758
Cash and cash equivalents at the beginning of the year		-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**296 293**	**336 758**

1. STATEMENT OF COMPLIANCE

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

2. BASIS OF PREPARATION

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

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

- IFRS 16: Leases
  Leases has an effective date for annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a right of use ('ROU') asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease, and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as under IAS 17. The Group expects to adopt the standard using a modified retrospective approach where the cumulative effect of initially applying it is recognised as an adjustment to the opening balance of retained earnings and comparatives are not restated. The implementation is expected to increase assets by approximately R20.6million and increase financial liabilities by the R20.2million and approximately R4million impact on decreasing the accumulated loss.
- IFRS 15: Revenue from contracts
  Revenue from contracts has an effective date for annual periods beginning on or after 1 January 2019. The Group has assessed the impact of IFRS 15 and the impact is not material. The Group has not implemented IFRS 15.
- IFRS 9: Financial Instruments
  The Standard Financial Instruments has an effective date for annual periods beginning on or after 1 January 2018. The Group adopted IFRS 9 on 1 January 2018.

4. FOREIGN CURRENCY TRANSLATION

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

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

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

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

5. FINANCIAL INSTRUMENTS

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

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

5.1 Those to be measured at fair value through profit and loss (designated held for trading)

5.2 Those to be measured at fair value through other comprehensive income

5.3 Those measured at amortised cost

5.1. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

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

- Doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost such as loans and advances to customers or groups and debt securities in issue; and

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

The fair value designation, once made, is irrevocable.

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

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

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

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

5.3 FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST

Financial assets are measured at amortised cost where they:

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

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

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

6. GOODWILL

In terms of IFRS, the Group is required on an annual basis to test its recognised goodwill for impairment. The impairment tests are performed by comparing the cash-generating unit's (CGU) recoverable amounts to the carrying amounts in the functional currency of the CGU being assessed for impairment.

The recoverable amount is defined as the higher of the entity's fair value less costs of disposal and its value in use. The review and testing of goodwill for impairment inherently requires significant management judgement as management needs to estimate the identified CGU's future cash flows. The principal assumptions considered in determining an entity's value in use include:

Future cash flows: the forecast periods adopted reflect a set of cash flows which, based on management's judgement and expected market conditions, could be sustainably generated over such a period. A forecast period of greater than five years has been used in order to take into account the level of development in these markets. The cash flows from the final discrete cash flow period are extrapolated into perpetuity to reflect the long-term plans for the entity.

7. DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivatives are presented in assets when favourable to the Group and in liabilities when unfavourable to the Group. Fair values are obtained from quoted market prices, dealer price quotations or discounted cash flow models, as appropriate. Derivatives are not entered into for trading nor speculative purposes. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income.

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

8. INVESTMENT SECURITIES

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

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

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

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

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

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

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

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

9. RECLASSIFICATION OF FINANCIAL INSTRUMENTS

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

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

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

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

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

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

11. RECOGNITION OF DEFERRED DAY 1 PROFIT OR LOSS

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

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

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

12. LOANS AND ADVANCES

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

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

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

12.1. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

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

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

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

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

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

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

Credit impaired (stage 3)

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

Quantitative Indicators:

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

Qualitative guidelines:

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

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

Write-off

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

Renegotiation

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

A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the renegotiated loan is a substantially different financial instrument. Any new loans that arise following derecognition events in these circumstances are considered to be POCI and will continue to be disclosed as renegotiated loans. Other than originated credit-impaired loans, all other modified loans could be transferred out of stage 3 if they no longer exhibit any evidence of being credit impaired and, in the case of renegotiated loans, there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows over the minimum observation period, and there are no other indicators of impairment. These loans could be transferred to stage

1 or 2 based on the mechanism as described below by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms). Any amount written off as a result of the modification of contractual terms would not be reversed.

Loan modifications that are not credit impaired

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

Stage 2

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

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

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

The table below shows per risk grading the lower and upper limits of PD's that are used to demonstrate SICR when accounts move between risk grading from origination to reporting date.However, there are other circumstances that However, there are other circumstances that warrant that financial assets are deemed to have suffered a significant increase in credit risk other than defined above and these circumstances are:

RISK GRADING	LOWER LIMIT	PD	UPPER LIMIT
1	0.00%	1.21%	1.97%
2	1.97%	2.73%	8.10%
3	8.10%	13.46%	56.73%
A	0.00%	0.51%	0.88%
B	0.88%	1.25%	1.30%
C	1.30%	1.35%	1.77%
D	1.77%	2.19%	3.63%
E	3.63%	5.07%	52.54%

In Arrears:

- The capital and/or interest is overdue for more than 1 day but not greater than 89 days.
- All arrears that are more than the percentage as defined in Technical Arrears will be classified as Arrears.
  - for exposures with a month end balance less than R1000 the arrears ratio is considered to be technical and will remain in Stage 1.
  - for accounts where the month end balance is more than R1000 the arrears ratio is defined by calculating the number of days since last deposit (month end date – last deposit date), and dividing by 30.4375 (average days in a month). The arrears ratio buckets are assigned as below:

DAYS SINCE LAST DEPOSIT / 30.4375	ARREARS RATIO
<1	0
>=1 and < 2	1
>=2 and < 3	2
>= 3	3

On Watch List

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

Quantitative indicators:

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

Qualitative indicators:

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

Managed Accounts

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

Quantitative indicators:

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

Qualitative indicator:

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

Future Economic variables

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

Stage 1

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

Movement between stages

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

Y-O-Y %CHANGE (UNLESS OTHERWISE STATED)	AVERAGE 2012 -17	2018	2019	2020	2021	2022	2023
MAIN ECONOMIC INDICATORS	ACTUAL			FORECAST			
Real effective firm lending rate (%)							
Base	2.1	4.4	3.9	4.2	4.5	4.5	4.5
Negative	2.1	4.4	4.1	4.6	4.7	4.4	4.2
Positive	2.1	4.4	3.5	3.8	4.9	5.5	5.8
Real disposable income							
Base	2.1	1.5	1.3	2.2	2.6	2.7	2.8
Negative	2.1	1.5	0.7	-0.4	0.8	1.0	1.2
Positive	2.1	1.5	1.5	2.7	3.2	3.2	3.3
Real gross domestic product							
Base	1.6	0.6	1.5	2.0	2.4	2.5	2.5
Negative	1.6	0.6	0.7	-0.1	1.5	1.6	1.6
Positive	1.6	0.6	1.8	2.7	3.4	3.3	3.3
Scenario Weighting							
Base	47%	47%	47%	47%	47%	47%	47%
Negative	27%	27%	27%	27%	27%	27%	27%
Positive	26%	26%	26%	26%	26%	26%	26%

Measurement

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

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

Credit Risk

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

Refer to note 24.7 in the notes of the financial statements.

13 DERECOGNITION

13.1. FINANCIAL ASSETS

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

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

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

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

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

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

13.2. FINANCIAL LIABILITIES

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

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

14. REGULAR WAY PURCHASES AND SALES

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

15. INTEREST INCOME AND EXPENSE

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

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

16. FEE AND COMMISSION INCOME

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

17. PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

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

18. INTANGIBLE ASSETS

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

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

Computer software development costs recognised as assets, are amortised using the straight-line method over their useful lives, not exceeding a period of 20 years rolling, based on annual management assessment. Expenditure on starting up an operation or branch, training personnel, advertising and promotion and relocating or reorganising part or the entire Group is recognised as an expense when it is incurred.

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

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

18.1. IMPAIRMENT OF INTANGIBLE ASSETS

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

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

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

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

19. INVESTMENT PROPERTY

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

20. LEASES

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

20.1.THE GROUP IS THE LESSEE

20.1.1. FINANCE LEASE:

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

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

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

20.1.2. OPERATING LEASE:

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

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

22.2. THE GROUP IS THE LESSOR

22.2.1. FINANCE LEASE:

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

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

22.2.2. OPERATING LEASE:

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

23. CASH AND CASH EQUIVALENTS

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

24. PROVISIONS

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

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

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

25. EMPLOYEE BENEFITS

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

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

25.1. DEFINED CONTRIBUTION PLANS

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

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

25.2. OTHER POST-RETIREMENT BENEFIT PLANS

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

26. INCOME TAXES

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

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

27. BORROWINGS

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

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

28. SHARE CAPITAL

28.1. SHARE ISSUE COSTS:

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

29. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Introduction

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

Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the Group. The assumptions and estimates applied for fair value measurement is included in note 23.

Estimated useful lives

The useful life of each asset is assessed individually. The benchmarks used when assessing the useful life of the individual assets are set out in accounting policy note 17 and 18.

	GROUP 2018 R'000	COMPANY 2018 R'000
1. CASH AND CASH EQUIVALENTS		
Coin and bank notes	33	-
Local currency deposits with other banks	58 615	336 758
Foreign currency balances	167 941	-
Balances with the Central Bank	69 704	-
	296 293	**336 758**
The mandatory South African Reserve Bank reserve requirement is included in the above figures.	57 013	-

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

		GROUP 2018 R'000	COMPANY 2018 R'000
FOREIGN CURRENCY BALANCES		**167 941**	**-**
US Bank, New York	USD	2 031	-
Wespac Bank Corp, Sydney	AUD	-	-
Deutsche Bank, Frankfurt	CAD	4 301	-
Inteso Saint Paolo (previously Banca Commerciale Italiana), Milano	EUR	1 651	-
Deutsche Bank, Frankfurt	EUR	54 696	-
National Bank of Greece, Athens	EUR	71	-
Deutsche Bank, London	GBP	7 708	-
Bank of Tokyo, Tokyo	JPY	15 036	-
Deutsche Bankers Trust, New York	USD	60 298	-
Stanbic Bank Botswana	BWP	27	-
Standard Bank of South Africa, Johannesburg (Collateral)	USD	22 122	-

The balances on the Nostro and Collateral accounts are managed on a daily basis and kept to a minimum, hence these balances are not hedged. The conversion rates used are as per note 27.

2. DERIVATIVE FINANCIAL INSTRUMENTS

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

	GROUP 2018 R'000	COMPANY 2018 R'000
ASSETS		
FOREIGN EXCHANGE CONTRACTS		
Notional	286 013	-
Fair value	5 593	-
LIABILITIES		
FOREIGN EXCHANGE CONTRACTS		
Notional	266 614	-
Fair value	5 794	-

3. SHORT-TERM NEGOTIABLE SECURITIES

The Short-Term Negotiable Securities consist of Treasury Bills and Debentures with interest rates ranging from 6.7438% to 7.6342% and maturing during the period 2 January 2019 to 28 August 2019. These financial investments are classified as held to maturity and are carried at amortised cost.

	GROUP 2018 R'000	COMPANY 2018 R'000
INVESTMENTS HELD TO MATURITY		
Part of purchase consideration of investment	117 830	-
Purchased Treasury Bills and Debentures	1 539 662	-
Proceeds from sale of Treasury Bills and Debentures	(538 667)	-
Interest earned	7 126	-
Reclassification to amortised cost	72	-
At 31 December	**1 126 023**	-

4. INVESTMENTS IN EQUITY INSTRUMENTS - AT AMORTISED COST

	GROUP 2018 R'000	COMPANY 2018 R'000
The South African Bank of Athens Ltd - Ordinary Shares	-	353 103
	-	**353 103**

5. INVESTMENTS IN DEBT INSTRUMENTS - AT AMORTISED COST

	GROUP 2018 R'000	COMPANY 2018 R'000
The South African Bank of Athens Ltd - 7 year R20million Debenture	-	20 000
The South African Bank of Athens Ltd - 7 year R30million Debenture	-	30 000
Accrued interest on Debentures	-	343
	-	**50 343**

6. OTHER INVESTMENTS

Other Investments relate to an investment acquired 15 years ago in an unlisted company, called Dandyshelf 3 (Pty) Ltd. The investment acquired consists of 100 shares in the Dandyshelf 3 (Pty) Ltd. No dividend was received during 2018 or 2017. The shares are unlisted, and the Directors' valuation of the unlisted investment equates to the fair value which approximates cost as defined in IFRS 13 fair value measurement, these fall within level 3 classification.

	GROUP 2018 R'000	COMPANY 2018 R'000
FINANCIAL ASSET CARRIED AT FAIR VALUE		
Unlisted - Dandyshelf 3 (Pty) Ltd	**15**	**-**

7. ACCOUNTS RECEIVABLE

	GROUP 2018 R'000	COMPANY 2018 R'000
Accounts receivable	3 592	-
Prepaid expenses	9 829	875
Other receivables	14 145	-
Receiver of revenue	204	70
	27 770	**945**

8. LOANS AND ADVANCES

GROUP

All the advances are at variable interest rates. The fair value of the loans and advances balances are carried at amortised cost.

	Gross loans R'000	Expected Credit Loss (ECL) R'000	Net Loans R'000
2018			
Business and Commercial Banking	1 798 289	(33 128)	1 765 161
Guarantees	-	-	(158)
	1 798 289	**(33 128)**	**1 765 003**

	Stage 1 12 month ECL	Overdrafts Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2018 Total R'000
Standard monitoring	133 269	19 835	-	153 104
Special monitoring	-	4 738	-	4 738
Default	-	-	4 228	4 228
Gross carrying amount	133 269	24 573	4 228	162 070
Loss allowance	(602)	(952)	(1 197)	(2 751)
	132 667	**23 621**	**3 031**	**159 319**

		Property, commercial and other term loans		2018
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total R'000
Standard monitoring	564 782	23 185	-	587 967
Special monitoring	-	9 588	-	9 588
Default	-	-	68 794	68 794
Gross carrying amount	**564 782**	**32 773**	**68 794**	**666 349**
Loss allowance	**(1 294)**	**(410)**	**(12 381)**	**(14 085)**
	563 488	**32 363**	**56 413**	**652 264**

8. LOANS AND ADVANCES CONTINUED

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Home loans Stage 3 Lifetime ECL	2018 Total R'000
Standard monitoring	667 829	36 847	-	704 676
Special monitoring	0	22 891	-	22 891
Default	-	-	44 722	44 722
Gross carrying amount	667 829	59 738	44 722	772 289
Loss allowance	(2 165)	(2 249)	(6 274)	(10 688)
	665 664	**57 489**	**38 448**	**761 601**

	Stage 1 12 month ECL	Instalment credit and lease agreements Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2018 Total R'000
Standard monitoring	152 580	35 875	-	188 455
Special monitoring	--	4 123	-	4 123
Default	-	-	5 003	5 003
Gross carrying amount	152 580	39 998	5 003	197 581
Loss allowance	(600)	(936)	(4 069)	(5 606)
	151 980	**39 062**	**934**	**191 977**

			Loans and Advances	2018 Total R'000
Standard monitoring	1 518 460	115 742	-	1 634 202
Special monitoring	-	41 340	-	41 340
Default	-	-	122 747	122 747
Gross carrying amount	1 518 460	157 082	122 747	1 798 289
Loss allowance	(4 661)	(4 547)	(23 920)	(33 128)
NET LOANS AND ADVANCES	**1 513 799**	**152 535**	**98 8257**	**1 765 161**

	Stage 1 12 month ECL	Guarantees and Letters of credit Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2 018 Total R'000
Standard monitoring	69 657	4 851	-	74 508
Special monitoring	-	570	-	570
Default	-	-	-	-
Gross carrying amount	69 657	5 421	-	75 078
Loss allowance	(135)	(23)	-	(158)
	69 522	**5 398**	**-**	**74 920**

8. LOANS AND ADVANCES CONTINUED

	2018 R'000
CATEGORY ANALYSIS	
Overdrafts	157 842
Property, commercial and other loans	597 555
Home loans	727 567
Instalment credit and lease agreements	192 578
Non-Performing Loans	122 747
	1 798 289

Included in ECL is suspended interest amounting to R8,859,004. The Group continues to accrue interest, where appropriate on doubtful debts when there is a realistic prospect of recovery.

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

	2018 R'000
Less: Expected credit loss (ECL) - Refer Note 9	(33 286)
Guarantees	(158)
Overdrafts	(2 751)
Property, commercial and other loans	(14 085)
Home loans	(10 688)
Instalment credit and lease agreements	(5 604)
NET LOANS AND ADVANCES	**1 765 003**
SECTORIAL ANALYSIS	
Agriculture	390
Financial, Building and property development	835 672
Individuals	528 297
Manufacturing and commerce	119 810
Transport and communication	74 339
Electricity and Water	4 083
Mining	5 030
Other services	230 668
	1 798 289
MATURITY ANALYSIS	
Maturing within one year	**350 400**
Maturing after one year but within five years	**709 746**
Maturing after five years	**738 143**
	1 798 289

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

8. LOANS AND ADVANCES CONTINUED

2018	As a % of Advances	Credit Risk R'000	Securities and other expected recoveries R'000	Impairment allowance R'000
NON PERFORMING LOANS AND ADVANCES BY CATEGORY				
Overdraft	0,24%	4 228	3 031	1 197
Commercial and property loans	3,83%	68 794	56 413	12 381
Instalment sale	0,28%	5 003	934	4 069
Home loans	2,49%	44 722	38 448	6 274
TOTAL 2018	**6,84%**	**122 747**	**98 826**	**23 921**
NON PERFORMING LOANS AND ADVANCES BY SECTOR				
Individuals	1,36%	24 390	20 869	3 521
Manufacturing	2,13%	38 366	28 187	10 179
Transport	0,07%	1 250	507	743
Financial and Real Estate	3,00%	53 956	48 961	4 995
Other services	0,28%	4 785	302	4 483
TOTAL 2018	**6,84%**	**122 747**	**98 826**	**23 921**

Mortgage portfolio - LTV distribution	Credit impaired (Gross Carrying amount) 2018 R'000
Less than 50%	-
50% to 60%	1 714
60 to 70%	681
70 % to 80%	2 121
80% to 90%	5 884
90%to 100%	14 676
Greater than 100%	19 646
	44 722

8. LOANS AND ADVANCES CONTINUED

Securities in respect of loans and advances

	2018 Total R'000
Overdrafts, property and commercial loans	
- Cash Investments	15 079
- Guarantees	4 759
- Mortgage Bonds	661 491
- Ceded Insurance Policies	460
- Other Securities	257
- Secondary Security	14 088
	696 134
Home Loans	
- Mortgage Bonds (Residential)	**727 277**
Instalment credit and lease agreements	**192 578**
Non-performing loans:	
- Mortgage Bonds (residential and commercial)	97 892
- Assets Financed in respect of Instalment Credit Agreement	933
	98 825
Total secured loans and advances	1 714 814
Total unsecured loans and advances	83 475
TOTAL LOANS AND ADVANCES	**1 798 289**

9. CREDIT IMPAIRMENT FOR LOANS AND ADVANCES

	GROUP 2018 R'000	COMPANY 2018 R'000
9. CREDIT IMPAIRMENT FOR LOANS AND ADVANCES		
Part of purchase consideration of investment	44 295	-
Amounts written off against provisions	(9 232)	-
	35 063	**-**
Charge to the Statement of Comprehensive Income	(2 669)	-
Specific impairment: raised in the current year	**2 243**	-
Specific provisions: recoveries of balances raised in current year	**(246)**	-
Portfolio impairment reversal	**(3 943)**	-
Recoveries of Balance previously written off	**(723)**	-
Recoveries of Balance previously written off	723	-
Interest in Abeyance raised deducted against interest income	2 011	-
Interest in Abeyance recovered included in interest income	(1 842)	-
		-
BALANCE AT 31 DECEMBER	**33 286**	**-**
ANALYSIS		
Specific impairment (stage 3)	23 921	-
General impairment (stage 1 and stage 2)	9 365	-
	33 286	**-**
SECTORIAL ANALYSIS		
Individuals	6 272	-
Manufacturing	10 803	-
Transport and communication	1 130	-
Financial and real estate	9 271	-
Mining	26	-
Other Services	5 784	-
	33 286	**-**
	-	

The requirements of IFRS 9 'Financial Instruments' was adopted from 1 January 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Group does not intend to restate comparatives.

10. GOODWILL

	GROUP 2018 R'000	COMPANY 2018 R'000
GOODWILL		
The South African Bank of Athens Ltd		
Cost	35 888	-
Impairment	-	-
	35 888	**-**

11. PROPERTY AND EQUIPMENT

	Land and Buildings	Motor Vehicles	Properties Brought in	Furniture and Fittings	Office Equipment	Computer Equipment	Total 2018
Group							
COST OR VALUATION							
At 31 December 2018	-	1 183	79	26 254	2 591	6 305	36 412
ACCUMULATED DEPRECIATION							
At 31 December 2018	-	(973)	(79)	(13 385)	(1 586)	(4 972)	(20 995)
CARRYING AMOUNT							

12. INTANGIBLE ASSETS

	Cost R'000	Amortisation R'000	2018 Carrying Amount R'000
Group			
At 31 December 2018	129 195	(42 973)	86 222

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

13. SHARE CAPITAL

	GROUP 2018 R'000	COMPANY 2018 R'000
AUTHORISED		
1 000 000 ordinary shares of R1 each (par value)	1000	1000
ISSUED AND FULLY PAID		
At the beginning of the year 100 shares of R1 each	-	-
Shares issued at R1 each during the year	124	124
At the end of the year 124 486 shares of R1 each	**124**	**124**

The company has one class of ordinary shares which carry no right to fixed income. The unissued shares are under the control of the Directors subject to the notification to and specific approval by the shareholders, until the next AGM.

14. SHARE PREMIUM

	GROUP 2018 R'000	COMPANY 2018 R'000
Balance at beginning and end of the year	-	-
Shares issued during the year	466 521	466 521
Balance at end of the year	**466 521**	**466 521**

15. EQUITY ATTRIBUTABLE TO OTHER EQUITY INSTRUMENT HOLDERS

	GROUP 2018 R'000	COMPANY 2018 R'000
Minority interest held in The South African Group of Athens	**213**	**-**

Minotrities in The South African Bank of Athens Ltd hold 0.07% of the issued share capital of the Bank.

16. DEPOSITS AND CURRENT ACCOUNTS

	GROUP 2018 R'000	COMPANY 2018 R'000
Demand deposits	1 606 894	-
Customer foreign currency deposits (demand deposits)	154 483	-
Term deposits	457 447	-
	2 218 824	**-**
Deposits from Banks	**363 272**	**-**
	2 582 096	**-**
INCLUDED IN DEPOSITS FROM GroupS ARE:		
Amounts due to other Banks	363 272	-
	363 272	**-**
MATURITY ANALYSIS		
On demand	1 793 615	-
Maturing within one month	5 289	-
Maturing after one but within six months	347 455	-
Maturing after six months but within twelve months	435 737	-
	2 582 096	**-**

17. SHORT TERM DEBT INSTRUMENTS

	GROUP 2018 R'000	COMPANY 2018 R'000
Nedbank Fixed Term Loan	251 250	251 250
Interest payable	5 011	5 011
	256 261	**256 261**

The loan is unsecured and bears interest at 8.7%p.a payable at end of term. The loan is repayable in August 2019.

18. ACCOUNTS PAYABLE

	Group R'000	Company R'000
Accruals	37 020	15 961
Income Tax payable	650	650
Sundry creditors	32 310	-
	69 980	**16 611**
	-	

19. CONTINGENCIES AND COMMITMENTS

	GROUP 2018 R'000	COMPANY 2018 R'000
19.1 CONTINGENCIES		
Letters of credit	3 259	-
Liabilities under guarantees	71 819	-
Revocable unutilised facilities	109 906	-
Irrevocable unutilised facilities	105 286	-
EFT Debit services	2 200	-
Legal claim instituted by borrowers	45 000	-
Committed capital expenditure	3 244	-
	340 714	-

19.2 COMMITMENTS UNDER OPERATING LEASES		
Within 1 year	12 263	-
2 to 5 years	18 402	-
After 5 years	-	-
	30 665	-

Commitments under operating leases relate to the leasing of the various business suites and the Bank's head office.

20. PROFIT / (LOSS) FROM OPERATIONS

	GROUP 2018 R'000	COMPANY 2018 R'000
20.1 INTEREST INCOME		
Balances with banks and short-term funds	3 658	6 634
Interest earned on debt instruments	-	2 214
Short-term negotiable securities	7 126	-
Loans and advances - performing	46 125	-
Recovery of interest in abeyance	1 841	-
	58 750	**8 848**

	GROUP 2018 R'000	COMPANY 2018 R'000
20.2 INTEREST EXPENSE		
Deposits from banks	2 461	-
Current and call deposit accounts	5 777	-
Savings accounts	1 613	-
Other term deposits	19 792	-
Interest bearing short term loan	5 011	5 011
	34 654	**5 011**

	GROUP 2018 R'000	COMPANY 2018 R'000
20.3 NON - INTEREST INCOME		
Fee Income	10 322	-
Foreign exchange profit	3 422	-
Management fees	-	3 217
Other income	47	-
	13 791	**3 217**

	GROUP 2018 R'000	COMPANY 2018 R'000
20.4 OPERATING EXPENSES		
Staff costs	22 976	-
Salaries, wages and allowances	**15 356**	**-**
Contributions to provident fund and other staff funds	**3 342**	**-**
Directors' emoluments	**3 324**	**-**
Other	**954**	**-**
Depreciation and amortisation	3 564	-
Motor vehicles	**16**	**-**
Furniture and fittings	**1 207**	**-**
Office equipment	**87**	**-**
Computer equipment	**242**	**-**
Depreciation properties brought in	**-**	**-**
Computer software	**2 012**	**-**
Operating lease charges premises	3 724	36
Management fees	3 739	3 739
Loss on disposal of assets	3 659	-
Auditors fees	4 633	460
Other operating expenses	24 035	537
	62 670	**4 772**

21. TAXATION

	GROUP 2018 R'000	COMPANY 2018 R'000
Current taxation	**650**	**650**
Effective tax rate	-	28%

The Group is in a tax assessed loss position. A deferred tax asset has not been recognised. The raising of a deferred tax asset will be considered based on future profitability.

22. UNDISCOUNTED CASH FLOWS OF FINANCIAL LIABILITIES

The following tables detail the Group's remaining contractual maturity for its liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Carrying Amount R'000	Subject to notice R'000	Up to 1 month R'000	1-3 months R'000	3 - 12 months R'000	1 - 2 years R'000	2 - 5 years R'000	5+ years R'000
Group								
2018								
Derivative financial instrument	5 794	-	3 645	1 976	173	-	-	-
Due to customers	2 218 824	1 024 630	987 270	68 060	138 864	-	-	-
Due to banks	363 272	332 312	30 960	-	-	-	-	-
Short term loans due to banks	256 261	-	-	-	256 261	-	-	-
Accounts payable	69 980	-	24 639	2 390	12 869	1 558	3 856	24 668
	2 914 131	**1 356 942**	**1 046 514**	**72 426**	**408 167**	**1 558**	**3 856**	**24 668**

	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Company								
2018								
Short term Loans due to Banks	256 261	-	-	-	256 261	-	-	-
Accounts payable	16 611	-	-	-	16 611	-	-	
	272 872	**-**	**-**	**-**	**272 872**	**-**	**-**	**-**

23. CATEGORIES AND FAIR VALUES OF FINANCIAL INSTRUMENTS

	GROUP 2018 Carrying Value	COMPANY 2018 Carrying Value
ASSETS		
Held to Maturity	1 126 023	-
Short term negotiable securities	**1 126 023**	**-**
Loans and receivables	1 765 326	337 704
Cash and cash equivalents	**296 293**	**336 759**
Loans and advances	**1 765 003**	**-**
Other accounts receivables	**27 770**	**945**
Held for trading	5 593	-
Derivative financial instrument	**5 593**	**-**
Held at amortised cost	-	403 446
Investment in equity instruments	-	**353 103**
Investment in debt instruments	-	**50 343**
Held at fair value	15	-
Other investments	**15**	**-**

LIABILITIES		
Held for trading	5 794	**-**
Derivative financial instruments	**5 794**	**-**
Other financial liabilities	2 908 337	272 872
Deposits and current accounts	**2 582 096**	**-**
Short term debt instruments	**256 261**	**256 261**
Accounts payable and provisions	**69 980**	**16 611**

			GROUP 2018			COMPANY 2018
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
FAIR VALUE LEVELS						
Asset						
Derivative Financial Instrument		**5 593**			**-**	
Other investments			**15**			**-**
Liabilities						
Derivative Financial Instruments		**5 794**			**-**	

23.1 FAIR VALUE MEASUREMENTS

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

The fair values are measured on a recurring basis.

23. CATEGORIES AND FAIR VALUES OF FINANCIAL INSTRUMENTS CONTINUED

The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

FINANCIAL ASSETS / FINANCIAL LIABILITIES	FAIR VALUE HIERARCHY	VALUATION TECHNIQUES AND KEY INPUTS
1. Foreign currency forward contracts (note 2)		Discounted cash flow.
	Level 2	Future cash are determined based on the forward exchange rates from observable forward exchange rate at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of the various counterparties.
2. Other investments (note 6)	Level 3	Other Investments relate to an investment acquired 15 years ago in an unlisted company, called Dandyshelf 3 (Pty)Ltd. No dividend was received during 2016 or 2015. The shares are unlisted, and the Directors' valuation of the unlisted investment equates to the fair value which approximates cost as defined in IFRS 13 fair value measurement, these fall within level 3 classification. If one had to participate in Dandyshelf as a new shareholder a similar amount would be paid for said participation.

24. FINANCIAL RISK MANAGEMENT

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

24.1 MARKET RISK

The Group seeks to minimise market risk by using derivatives to economically hedge market risk - currency risk. The use of financial derivatives is goverened by the Group's policy approved by the board of directors, which provides written principles on foreign exchange risk, interest rate and credit risk.

The Group does not enter into or trade finanical instruments, including derivative instruments for speculative risk purposes.

The Group's activities expose it primarily to the financial risks of change in foreign currency exchange rate (see note 24.6) and interest rate risk (note 24.4).

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

24.2 CAPITAL MANAGEMENT

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

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

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

24. 2 CAPITAL MANAGEMENT

The required information is filed with The South African Reserve Group on a monthly and quarterly basis.

The Group maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with The South African Reserve Group which takes into account the risk profile of the Group.

The regulatory capital requirements are strictly observed when managing capital. The Group's regulatory capital comprises two tiers:

- **Tier 1 capital:** share capital, share premium, general Group reserve and statutory reserves. The book value of goodwill and intangible assets is deducted in arriving at Tier 1 capital; and
- **Tier 2 capital:** collective impairment allowances.

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

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

The table below summarises the composition of regulatory capital and the ratios of the Group for the year ended 31 December.

	GROUP 2018 R'000
TIER 1 CAPITAL	
Share capital	124
Share premium	466 521
Minority interest	213
Deductions against capital and reserve funds	(22 766)
Less: intangible assets including goodwill	(122 110)
TOTAL QUALIFYING TIER 1 CAPITAL	**321 982**
TIER 2 CAPITAL	
Collective impairment allowance	9 365
TOTAL QUALIFYING TIER 2 CAPITAL	**9 365**
TOTAL REGULATORY CAPITAL	**331 347**
RISK-WEIGHTED ASSETS	
Credit risk	1 450 577
Counter party risk	14 173
Market risk	1 327
Equity risk	15
Operational risk	216 018
Other risk	43 037
TOTAL RISK-WEIGHTED ASSETS	**1 725 147**
CAPITAL ADEQUACY RATIO	**19,21%**

24. FINANCIAL RISK MANAGEMENT CONTINUED

24.3 LIQUIDITY RISK

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

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

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

	Up to 1 month R'000	1 - 3 months R'000	3 - 6 months R'000	7 - 12 months R'000	1- 5 years R'000	Over 5 years R'000	Total R'000
Group							
2018							
ASSETS							
Cash and cash equivalents	296 293	-	-	-	-	-	296 293
Derivative financial assets	3 296	2 098	145	54	-	-	5 593
Short-term negotiable securities	894 824	183 699	-	47 500	-	-	1 126 023
Other investments	15	-	-	-	-	-	15
Advances	183 207	35 076	50 153	92 374	611 143	793 050	1 765 003
Other accounts receivable	23 115	3 106	122	55	266	1 106	27 770
Property and equipment	0	-	-	-	-	15 417	15 417
Goodwill	-	-	-	-	-	35 888	35 888
Intangible assets	-	-	-	-	-	86 222	86 222
	1 400 750	**223 989**	**50 420**	**139 983**	**611 409**	**931 683**	**3 358 224**
LIABILITIES							
Deposits, current and other accounts	1 798 904	312 018	35 437	435 737	-	-	2 582 096
Short term loans	-	-	-	256 261	-	-	256 261
Derivative financial liabilities	3 645	1 976	125	48	-	-	5 794
Other liabilities	24 639	2 391	7 739	5 134	5 414	24 663	69 980
	1 827 188	**316 385**	**43 301**	**697 180**	**5 414**	**24 663**	**2 914 131**
Contractual liquidity mismatch	**(426 438)**	**(92 406)**	**7 129**	**(557 207)**	**603 395**	**909 610**	**444 093**

24. FINANCIAL RISK MANAGEMENT CONTINUED

24.3 LIQUIDITY RISK

	Up to 1 month R'000	1 - 3 months R'000	3 - 6 months R'000	7 - 12 months R'000	1- 5 years R'000	Over 5 years R'000	Total R'000
Company							
2018							
ASSETS							
Cash and cash equivalents	336 759	-	-	-	-	-	336 759
Investment in equity instruments	-	-	-	-	-	353 103	353 103
Investment in debt instruments	-	-	-	-	50 343	-	50 343
Other accounts receivable	125	320	375	125	-	-	945
	336 884	**320**	**375**	**125**	**50 343**	**353 103**	**741 150**
LIABILITIES							
Short term debt instrument	-	-	-	256 261	-	-	256 261
Other liabilities	-	-	460	16 151			16 611
	-	**-**	**460**	**272 412**	**-**	**-**	**272 872**
Contractual liquidity mismatch	**336 884**	**320**	**(85)**	**(272 287)**	**50 343**	**353 103**	**(468 278)**

24.4 INTEREST RATE RISK

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

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

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

	Fixed R'000	Floating R'000	Non-interest sensitive R'000	Total 2018 R'000
Group 2018				
ASSETS				
Cash and cash equivalents	-	80 737	215 556	296 293
Derivative financial assets	-	-	5 593	5 593
Short-term negotiable assets	1 126 023	-	-	1 126 023
Other investments	-	-	15	15
Advances	-	1 765 003	-	1 765 003
Other accounts receivable	-	-	27 770	27 770
Goodwill			35 888	35 888
Property and equipment	-	-	15 417	15 417
Intangible assets	-	-	86 222	86 222
	1 126 024	**1 845 740**	**386 461**	**3 358 225**
LIABILITIES				
Deposits, current and other accounts		2 582 096	-	2 582 096
Short term loan	256 261			256 261
Derivative financial liabilities	-	-	5 794	5 794
Other liabilities	-	-	69 980	69 980
	256 261	**2 582 096**	**75 774**	**2 914 131**

24. FINANCIAL RISK MANAGEMENT CONTINUED

	Fixed R'000	Floating R'000	Non-interest sensitive R'000	Total R'000
Company				
ASSETS				
Cash and cash equivalents	-	336 759	-	336 759
Investment in equity instruments	-	-	353 103	353 103
Investment in Debt instruments		50 343	-	50 343
Other accounts receivable	-	-	945	945
	-	**387 102**	**354 048**	**741 150**
LIABILITIES				
Short term loan	256 261	-	-	256 261
Other liabilities	-	-	16 611	16 611
	256 261	**-**	**16 611**	**272 872**

24.5 INTEREST RATE SENSITIVITY ANALYSIS

The tables below summarise the Group's exposure to interest rate risk. Assets and liabilities are included at the carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

At the reporting date, a 200 basis point change in prevailing interest rates was applied as a sensitivity analysis to determine the impact on earnings as a result of a change in the interest rates.

If interest rates increased/decreased by 200 basis points and all other variables remained constant, the Group's net profit and equity at year-end would increase by R7.3 million and decrease by R7.3 million.

	Up to 1 month R'000	1 to 3 months R'000	3 to 12 months R'000	1 to 2 years R'000	2 to 5+ years R'000	Non Interest Bearing R'000	Total Total R'000
2018							
ASSETS							
Cash and cash equivalents	80 737	-	-	-	-	215 556	296 293
Derivative financial assets	-	-	-	-	-	5 593	5 593
Short-term negotiable assets	894 824	183 699	47 500		-	-	1 126 023
Other investments	-	-	-	-	-	15	15
Advances	1 765 003	-	-	-	-	-	1 765 003
Other accounts receivable	-	-	-	-	-	27 770	27 770
Investment property						35 888	35 888
Property and equipment	-	-	-	-	-	15 417	15 417
Intangible assets	-	-	-	-	-	86 222	86 222
	2 740 564	**183 699**	**47 500**	**-**	**-**	**386 461**	**3 358 225**
LIABILITIES							
Due to other Groups	30 010		588 573	-	-	-	618 583
Due to customers	1 768 894	312 018	138 862	-	-	-	2 219 774
Derivative financial liabilities	-	-	-	-	-	5 794	5 794
Other liabilities	-	-	-	-	-	69 980	69 980
	1 798 904	**312 018**	**727 435**	**-**	**-**	**75 774**	**2 914 131**

	Up to 1 month R'000	1 to 3 months R'000	3 to 12 months R'000	1 to 2 years R'000	2 to 5+ years R'000	Non Interest Bearing R'000	Total Total R'000
Company							
ASSETS							
Cash and cash equivalents	336 759	-	-	-	-	-	336 759
Investment in equity instruments	-	-	-	-	-	353 103	353 103
Investment in debt instruments	-	-	50 343	-	-	-	50 343
Other accounts receivable	-	-	-	-	-	945	945
	336 759	**-**	**50 343**	**-**	**-**	**354 048**	**741 150**
LIABILITIES							
Short term loans	-	-	256 261	-	-	-	256 261
Other liabilities	-	-	-	-	-	16 611	16 611
	-	**-**	**256 261**	**-**	**-**	**16 611**	**272 872**

24.6 FOREIGN CURRENCY RISK MANAGEMENT

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

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

	ZAR R'000	USD R'000	EURO R'000	Other R'000	Total R'000
Foreign Currency exposure					
2018 ASSETS					
Cash and cash equivalents	128 352	84 451	56 418	27 072	296 293
Derivative financial assets	-	3 251	2 204	138	5 593
Short-term negotiable assets	1 126 023	-	-	-	1 126 023
Other investments	15	-	-	-	15
Loans and advances	1 765 003	-	-	-	1 765 003
Other accounts receivable	27 770	-	-	-	27 770
Investment Property	35 888	-	-	-	35 888
Property and equipment	15 417	-	-	-	15 417
Intangible assets	86 222	-	-	-	86 222
	3 184 690	**87 702**	**58 622**	**27 210**	**3 358 224**
LIABILITIES					
Deposits, current and other accounts	2 427 613	88 207	54 906	11 370	2 582 096
Short term loans	256 261	-	-	-	256 261
Derivative financial liabilities	-	2 902	2 115	777	5 794
Other liabilities	69 980	-	-	-	69 980
	2 753 854	**91 109**	**57 021**	**12 147**	**2 914 131**

24. FINANCIAL RISK MANAGEMENT CONTINUED

	ZAR R'000	USD R'000	EURO R'000	Other R'000	Total R'000
Company					
2018					
Cash and cash equivalents	336 759	-	-	-	336 759
Investment in equity instruments	353 103	-	-	-	353 103
Investment in debt instruments	50 343	-	-	-	50 343
Other accounts receivable	945	-	-	-	945
	741 150	**-**	**-**	**-**	**741 150**
LIABILITIES					
Short term loans	256 261	-	-	-	256 261
Other liabilities	16 611	-	-	-	16 611
	272 872	**-**	**-**	**-**	**272 872**

24.7 CREDIT RISK

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

Refer to accounting policy 12 for definitions and criteria used to allocate loans in stage 1, stage 2 or stage 3.

Refer to note 8 (Loans and advances) and note 9 (Credit Impairment for Loans and advances) in the financial statement for the reconcilliation of the expected credit loss provision from initial implement of IFRS 9 as at 1 January 2018 to the gross carrying value as at 31 December 2018 and the loss allowance movements for the year under review.

25. CASH FLOW FROM OPERATING ACTIVITIES

	GROUP 2018 R'000	COMPANY 2018 R'000
25.1 CASH RECEIVED FROM CUSTOMERS		
Interest income	58 750	8 848
Non-interest income	14 514	3 217
	73 264	12 065
	73 264	**12 065**
25.2 CASH PAID TO CUSTOMERS AND EMPLOYEES		
Interest expenditure	(34 654)	(5 011)
Operating expenditure	(62 672)	(4 772)
	(97 326)	**(9 783)**
Adjusted for:		
Depreciation	1 553	-
Amortisation	2 011	-
Loss on sale of assets	3 659	-
Current taxation	(650)	(650)
	(90 753)	**(10 433)**

25. CASH FLOW FROM OPERATING ACTIVITIES CONTINUED

	GROUP 2018 R'000	COMPANY 2018 R'000
25.3 (INCREASE) DECREASE IN INCOME-EARNING ASSETS		
Negotiable securities and other assets	(1 126 023)	-
Investment in Equity instruments	-	(353 103)
Investment in Debt instruments	-	(50 343)
Investment in other investments	(15)	
Loans and advances	(1 763 057)	-
Net derivative instruments	201	-
Other accounts receiveable	(27 770)	(945)
	(2 916 664)	**(404 391)**
25.4 INCREASE IN DEPOSITS AND OTHER LIABILITIES		
Deposits and current accounts	2 582 096	-
Short term loans	256 261	256 261
Other accounts payable and provisions	69 980	16 611
	2 908 337	**272 872**

	GROUP 2018 R'000	COMPANY 2018 R'000
25.5 RECONCILIATION OF (LOSS) / PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from operations	(22 115)	2 282
Adjusted for non cash items:		
- Depreciation	1 553	-
- Amortisation of intangible assets	2 011	-
- Impairment charges	(2 669)	-
- Bad debts recovered previously written off	723	-
- Profit on sale of asset	3 659	-
Current taxation	(650)	(650)
Cash generated from operations	**(17 488)**	**1 632**

26. RELATED-PARTY TRANSACTIONS

26.1 IDENTIFICATION OF RELATED PARTIES

During the year the Group, in the ordinary course of business, entered into various transactions with its associated companies and Directors of the Group. These transactions occurred under terms that were no more or less favourable than those arranged with third parties. All of these entities listed below and the Directors have been classified as related parties.

26.2 RELATED-PARTY TRANSACTIONS WITH COMPANY AND ITS RELATED COMPANIES

Related parties include entities, which the Group has the ability to exercise significant influence in making financial and operating.

Related parties include, directors, their close relatives, companies owned or controlled by them and companies over which they can influence the financial and operating policies and companies controlled by the company's shareholders.

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

26. RELATED-PARTY TRANSACTIONS CONTINUED

	Amounts owed by related parties at 31 December 2018 R'000	Amounts owed to related parties at 31 December 2018 R'000
26.3 RECONCILIATION OF (LOSS) / PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Other related parties		
AFGRI (Pty) Ltd (related to a shareholder)	-	37 577
AFGRI Group Holdings (Pty) Ltd (related to a shareholder)	-	2
Fairfax Africa Investments (Pty) Ltd (shareholder)	-	791 643
AFGRI Operations (Pty) Ltd (related to a shareholder)	3 951	-

	GROUP 2018 R'000	COMPANY 2018 R'000
26.4 RELATED PARTY TRANSACTIONS WITH COMPANY AND ITS RELATED PARTIES (CONTINUE)		
Interest Received		
AFGRI Operations (Pty) Ltd	139	-
The South African Bank of Athens Ltd	-	8 847
Fees received		
AFGRI Operations (Pty) Ltd	1	-
AFGRI Group Holdings (Pty) Ltd	1	-
AFGRI (Pty) Ltd	2	-
Interest paid		
AFGRI (Pty) Ltd	633	-
Fairfax Africa Investments (Pty) Ltd	5349	-
Operational Costs		
AFGRI Holdings Ltd. (Shareholder)	3777	3217

26.5 COMPENSATION OF KEY MANAGEMENT

The remuneration of directors in the group paid during the year was as follows:

	GROUP 2018 R'000	COMPANY 2018 R'000
DIRECTORS' EMOLUMENTS OF THE GROUP	3 324	-
Independent non-executives	652	-
T J Fearnhead	140	-
P Ranchod	188	-
R Shough	106	-
W Kruger	106	-
J Mirza	79	-
C Venter	33	-
Executive Directors of the Group	2 672	-
S Georgopoulos	1 494	-
D J Adriaanzen	577	-
C Michaelides	601	-
DIRECTORS' EMOLUMENTS EARNED IN THE ORDINARY COURSE OF BUSINESS PAID BY OTHER RELATED PARTIES		
H Bloem	3 816	-

	Cash Salary R'000	Cash Bonus R'000	Travel Allowance and use of company car R'000	Cellphone and data Allowances R'000	Provident fund and Medical Aid contributions R'000	Total R'000
2018 Executive directors salary composition	**2 218**	**-**	**88**	**16**	**350**	**2 672**
S Georgopoulos	1 257	-	76	6	155	1 494
DJ Adriaanzen	483	-	12	5	78	578
C Michaelides	478	-	-	5	117	600
2018 Executive directors composition paid by other related parties						
H Bloem	2 542	714	17	-	542	3 815

26.6 TRANSACTIONS WITH DIRECTORS AND THEIR ASSOCIATED COMPANIES ARE AT ARMS LENGTHS

Amounts owed by/to related parties as at December 2018. There were no amounts owed by/to the independent non-executive Directors and their associated companies for the year ending 31 December 2018.

26. RELATED-PARTY TRANSACTIONS CONTINUED

	Amounts owed by related parties At 31 December 2018	Amounts owed to related parties At 31 December 2018
S Georgopoulos	12 181	-
D Haarhoff	2 319	-
C Michaelides	-	727
D Adriaanzen	-	2

27. PRINCIPAL FOREIGN CLOSING CURRENCY CONVERSION RATES

27. PRINCIPAL FOREIGN CLOSING CURRENCY CONVERSION RATES	2018
Pound Sterling	18.392
United States of America	14.365
Euro	16.458
Australian Dollar	10.143
Botswana Pula	1.342
Japanese Yen	0.131
Canadian Dollar	10.547

28. GOING CONCERN

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

After making due enquiries and having carefully considered the factors impacting the Group's going concern, including the Group's capital adequacy and liquidity for the next 12 months, management consider that the Group has adequate resources to continue operating for the foreseeable future and enabling it to pay its debts as and when they fall due.

29. SUBSEQUENT EVENTS

In January 2019, the debenutre instruments of R50 million were redeemed by The South African Bank of Athens Ltd.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the First Annual General Meeting of Grocapital Holdings Limited ("GCHL") will be held in the Boardroom, Block 3 Inanda Greens Business Park, 54 Wierda Road West, Wierda Valley, Sandton, on Tuesday, 25 June 2019, at 12h00 am (South African Time) for the purpose of considering to and, if deemed fit, the passing of the following resolutions with or without modification , according to the requirements of the Companies Act the ordinary and special resolutions as set out below

1. Presentation of the Annual Financial Statements and Reports

1.1 To present the Audited Annual Financial Statements for the financial year ended 31 December 2018, together with the reports of the Audit Committee, the Directors and the Auditors.

The summarised financial statements for 2018 as set out in the integrated annual report. A copy of the full Audited Annual Financial Statements is available on the Company's website at www.grocapital.co.za.

2. Ordinary Resolutions

2.1 Election of non-executive directors
To vote on the election, each by way of a separate vote, of the following non-executive directors

2.1.1 P Ranchod
2.1.2 W J Krüger
2.1.3 R A Shough
2.1.4 T J Fearnhead
2.1.5 J A Mirza

BAO20 applications were submitted and the PA has conducted an assessment of the skills and eligibility of the director(s) and the Board endorsed the results of the assessments. Accordingly, the Board recommends the election to the shareholders' effective date of appointment is 26 March 2019.

2.2 Election of members of the Audit and Compliance Committee
To vote on the election, each by way of a separate vote of the following non-executive directors as a member of the Audit and Compliance Committee until the end of the next Annual General Meeting of the Company.

2.2.1 W J Krüger
2.2.2 R A Shough
2.2.3 T J Fearnhead
2.2.4 J A Mirza

The Board has conducted an assessment of the skills and eligibility of the directors. Accordingly, the Board now recommends the election of the members to the shareholders' effective date is the date of the meeting.

2.3 Election of Chairman of the Audit and Compliance Committee
To vote on the election of Mr. RA Shough, an independent non-executive director of the Company as a Chairman of the Audit and Compliance Committee until the end of the next Annual General Meeting of the Company.

2.4 Re-appointment of Independent Auditors and re-appointment of designated audit partner
To vote, each by way of a separate vote, on:

2.4.1 The re-appointment of PwC as independent auditors of the Company, to hold office until the next Annual General Meeting.
2.4.2 The re-appointment of Mr. V Tshikhovhokhovho as designated audit partner, to hold office until the next Annual General Meeting.

2.5 General Authority to Directors to Allot and to Issue Ordinary Shares
Resolve that and subject to the provisions of the Companies Act and Banks Act, from time to time, that the Directors of the Company be and are hereby authorised, as a general authority and approval, to allot and issue, for such purposes and on such terms as them may in their discretion determine, ordinary shares in the authorised unissued share capital of the Company up to a maximum of 10% of the number of ordinary shares in issue on the date of passing this resolution.

3. Special Resolutions

3.1 General Authority to provide financial assistance in terms of Section 44 of the Companies Act
Resolved that, as a general approval, the directors of the Company be and are hereby authorised, to the extent required by the Act, and subject to compliance with the requirements of the company's MoI and the Banks Act Requirements (each as presently constituted and as amended from time to time), to provide direct or indirect financial assistance, including by way of loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the company or any of its subsidiaries, and/or to any member of such subsidiary or related or inter-related company or entity, for the specific purpose of or in connection with, the subscription of any option or securities issued or to be issued by the company or a related entity, provided that the board has applied the solvency and liquidity tests as set out in section 4 of the Act and the terms of the proposed financial assistance is fair and reasonable to the company.

3.2 General Authority to provide financial assistance in terms of Section 45 of the Companies Act
Resolve that, as a general approval, the directors of the company be and are hereby authorised, subject to the provisions of section 45 of the Act, compliance with the requirements of the company's MoI, the Banks Act Requirements (each as presently constituted and as amended from time to time) and any other applicable laws that may exist from time to time, to provide direct or indirect financial assistance ('financial assistance' will herein have the meaning attributed to it in section 45(1) of the Act) that the board of directors of the company may deem fit, to any related or inter-related company or to any juristic person who is a member of or related to any such companies ('related' and 'inter-related' will herein have the meaning so attributed in section 2 of the Act) on the terms and conditions that the board of directors of the company may determine from time to time.

3.3 Ratification of Amendments to the MoI
Resolved that, a written shareholders' resolution authorising the Company to amend the MoI to align with that of GroBank Limited be and is hereby ratified.