2018

ANNUAL REPORT

BANK OF ATHENS
Business and Commercial Bank

Introducing...

grobank

SA Bank of Athens **repositioning as Grobank**

Against the background of South Africa's rapidly evolving and expanding banking landscape, where digital solutions and low-cost operating models have become some of the top challenges, the South African Bank of Athens is repositioning itself as a new banking entity – Grobank Limited (the Bank).

The Grobank brand reflects the transaction that concluded in October 2018 when GroCapital Holdings Limited, supported by its shareholders AFGRI Holdings, Fairfax Africa and the Public Investment Corporation, obtained all the regulatory approvals for the acquisition of the South African Bank of Athens Limited (SABA), corresponding to 99.81% of the issued share capital. SABA has been operating in South Africa since 1947 – a history of more than seven decades and, with the acquisition, the opportunity has been created to reposition the bank and introduce its new identity. This new identity has launched in April 2019 and, while the remainder of this report will refer to the Bank's previous identity as there are many items in this report that are forward looking and in those, reference will be made to our new identity. It is therefore important that context is given to this new identity and how the Bank will position itself in the market going forward as Grobank.

Grobank is positioning itself to deliver both the extensive banking experience gained through its history as SABA, as well as accessing the deep food and agri-business knowledge of its shareholders. This will result in a Bank that is focused firmly on supporting the food and agriculture value chain in South Africa, comprising business ranging from farms to food manufacturers, retailers, transporters, importers / exporters and more. The Bank will be focused on building an agri-banking offering based directly on the insights gained through direct relationships with farmers and agri-businesses held across generations, and will add these to its existing range of proven business banking products and services. These services offered will also allow the Bank to continue to serve and grow its current SME customer base, as well as focusing on expanding its alliance banking business offering.

In a time where banking services are becoming increasingly digital, Grobank also intends on placing relationship banking at the heart of its offering. While a great digital offering remains a critical element of banking services, Grobank believes that a true relationship with an expert banker remains a core need for businesses that make complex banking decisions. Understanding what matters to a business, and delivering on those needs cannot be delivered without engaging directly with that business. As a result, while the Bank has made a complete brand transition at all of its suites and digital sites, customer engagement will still largely be delivered at the farm, factory or premises of its customers. The Bank will continue its strategy to reach out to business owners, learn their business, listen to their needs and provide products and services tailor-made for our market.

Content and Directorate

NON-EXECUTIVE CHAIRPERSON

Mr P Ranchod*

NON-EXECUTIVE DIRECTORS

Mr T J Fearnhead*
Mr W Krüger*
Mr J A Mirza*#
Mr R A Shough*°
Mr C P Venter

EXECUTIVE DIRECTORS

Mr S Georgopoulos (Chief Executive Officer)
Mr D J Adriaanzen
Mrs C Michaelides

* Independent
° British
Canadian

Business Philosophy and Profile

Operating as a South African bank since 1947, The South African Bank of Athens Limited has been renamed as Grobank Limited and has embarked on a new positioning and strategy. Grobank is focused on developing and delivering world class banking services to the Food and Agri-business value chain in the South African market, driven by a unique combination of banking and agri-business experience gained through its new shareholding. In addition to this core focus, the Bank also remains committed to growing its services to the medium-sized business market in South Africa, as well as to the alliance banking market.

The Bank offers the key services and products required by businesses operating in the South African market – lending, transactional banking, treasury and exchange. Grobank is also utilising the deep insights gained through multi-generational agri-business relationships held by its shareholders to develop a set of agri specific products to complement these existing services.

Grobank's philosophy embraces digital enablement of customer interactions. However it continues to place face-to-face relationships at the core of its service offering. While digital platforms and channels are critical to any business, we believe that a deep understanding of what matters to our clients can only truly be achieved through human engagement. Our services are therefore primarily delivered through a dedicated team of highly experienced Relationship Managers that engage clients at their business premises, support a culture of service excellence and professionalism.

In addition to the agri and business banking product offerings, Grobank is also a leading provider of alliance banking services to the market. This bespoke offering focuses on the creation of commercial partnerships to enable the provision of a variety of banking services, depending on the needs of the partner's market segment. These banking products range from full function branded bank account offerings through to payments and prepaid card solutions. These solutions are uniquely branded and includes hosting the personal market offerings of MoovaMoney (in partnership with EDCON), Olympus Mobile and Amber.

The Bank possesses principle clearing bank status, and is a fully authorised dealer in foreign exchange. It fully subscribes to and supports the Code of Banking Practice and the Financial Sector Charter.

The Bank is an Authorised Financial Services Provider.

Financial Highlights

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
STATEMENT OF FINANCIAL POSITION					
Capital and reserves	293 030	276 436	267 193	257 080	286 268
Secondary capital	50 000	50 000	50 000	50 000	-
Total assets	3 321 527	2 354 763	2 265 461	2 509 951	2 283 832

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
STATEMENT OF COMPREHENSIVE INCOME					
Total income before charge for bad and doubtful advances	133 095	149 454	139 811	143 707	141 357
Net operating loss before operational loss, revaluations and taxation	(48 287)	(24 820)	(29 356)	(26 569)	(44 025)
Net operating loss before taxation	(48 287)	(25 720)	(29 356)	(26 569)	(58 190)
Attributable loss to ordinary shareholders	(48 287)	(25 720)	(29 356)	(26 569)	(58 190)

2018 will be characterised as the year in which the Bank completed one of the most significant changes in its long history, with the finalisation of the change of majority shareholding. After a challenging transition period, the long-awaited transaction completed in October 2018, and the journey towards a new future characterised by growth has now begun.

While this transition was certainly the most significant event in 2018, the Board also noted the headwinds faced by the Bank in the year. Challenges both internal and external resulted in a disappointing year from a financial performance perspective, while the delayed close meant that the opportunities and growth that our new shareholding brings have been delayed into 2019. Externally, the difficult economic environment and slow rate of growth undoubtedly had an impact on the business of the Bank, while internally the transition from one shareholder to another over an extended period reduced the ability of the business to manoeuvre and grow during this time.

The Board of Directors was very closely involved with the management team during the year and have been able to monitor the business during this period. We have noted the challenges faced and commend the management team for their efforts to ensure stability and continuity in the business during this time. In particular, we are appreciative of the engagement with customers and consequently the excellent retention of our important customer relationships during this transition.

On a positive note, the completion of the transaction and the sale process allowed the support from our new shareholders to be realised in the final stages of 2018, and the Board is delighted with the level of engagement and commitment that has already been shown. The injection of new (and commitment to additional) capital to fund growth is essential to realising the ambitions of the Bank and seeing the demonstrable commitment from our shareholders to this vision has been pleasing indeed.

Any transition of this nature brings change, and in 2018 the Board bid farewell to several of its long serving members. Messrs Grigoropoulos and Lizos, who represented the National Bank of Greece previously, both resigned from the Board of Directors once the sale process was completed and we thank them for their service.

During 2018, the Board also received the resignation of our longest serving director, Advocate George Bizos, who indicated his desire to retire from his Board activities at the Annual General Meeting. Advocate Bizos has been a most distinguished colleague who has been an important voice in our discussions. His wisdom, guidance and input will be greatly missed. The Board unanimously expressed its enormous appreciation for his years of service and we wish him well.

In addition to the departures, the Board also welcomed new members in 2018 with the addition of Mr Jawaid Mirza as an independent non-executive member, and Mr Chris Venter as a non-executive member. Both have already made strong contributions to the debate and activities of the Board and we look forward to their continued input in the years ahead.

One of the most important activities of the Board in 2018 was to consider and approve the proposed strategy and positioning of the Bank going forward. A detailed review of this was undertaken and the Board has indeed approved

Chairman's Report

these and we look forward to their implementation in 2019 and beyond. The new positioning of the Bank (and the new brand) are compelling and we welcome the decision for the Bank to focus more on its business banking roots, specifically positioning itself in the wider food and agri value chain. The importance of this value chain to some of the most critical challenges facing our country today (i.e. food sustainability and SME growth) is something that we believe can guide our strategy in years to come. We are also delighted to see that while this strategic focus has been clearly articulated, the Bank remains committed to also serving and growing its relationships with non-food related and alliance banking customers into the future.

The positioning and strategy of the business have been translated into business plans and financial forecasts which have been presented to the Board. We are comfortable with the proposed journey to return the Bank to profitability over the coming medium term and several key activities have already begun to deliver this.

In closing, it is clear that the Bank has completed the first important steps on a challenging and exciting journey ahead. The restoration of profitability, repositioning of the business, delivery of a new strategy and ultimately the growth of the business will be top priorities in 2019 and 2020. We are delighted to have begun the journey and look forward to seeing its realisation. On behalf of our Board of Directors, I would like to express sincere thanks to the CEO, his executive management team and the staff of the Bank. We truly appreciate the tireless efforts to manage the Bank, the transition and continue to deliver to our customers during this past year. We look forward to a year in which the fetters are removed, and the business is able to flourish through your efforts.

I would also like to personally thank my fellow Board and Committee members for their support, guidance and contributions during the past year. The collective effort to support the transition of the Bank through the changes of 2018 played no small role in successfully completing this process. I would like to offer special recognition to the members of the Independent Board under the chairmanship of our colleague Mr Willem Krüger. This body played an important role in supporting the shareholder transition.

To our new shareholders, we welcome you and look forward to continuing the journey begun at the end of 2016. We appreciate the support and positive commitment already demonstrated to the Bank.

I always reserve my most important thanks to last and as always, those go to our customers and business partners. We are delighted that you have chosen to remain on this journey with us, and we look forward to returning that loyalty with the growth and expanded capabilities you need to grow your business.

P Ranchod
Chairman
Johannesburg
30 April 2019

Chief Executive Officer's Report

The Bank has been through significant changes during the course of 2018. The most important change came in October, when the transfer of shares from our previous shareholder, National Bank of Greece (NBG) was completed. As expected this came very late in 2018, which meant that we missed most of the year in terms of the benefits anticipated with the change in shareholding. Nevertheless, our new shareholder, GroCapital Holdings Limited, has taken ownership of the business and, through the Board of Directors, has encouraged the management team to accelerate the changes envisaged for success in the future. This brings a number of new and exciting initiatives that will enhance the Bank's capability and capacity to becoming more competitive in its chosen markets. Amongst many things, the most notable are the launch of a new brand and market positioning, the introduction of an agricultural and food business banking offering to complement the broader business and commercial banking offering and the launch of a number of alliance banking partnerships with major players in the financial services industry.

The weaknesses experienced in our balance sheet for a number of years are already being addressed. The Bank has received both actual and committed capital injections from the new shareholder. These are earmarked to reduce exposure in inefficient and expensive capital instruments, to create capacity for organic growth and to support the potential acquisition of businesses and products that will enhance our offering and provide scale and profitability quickly.

A major programme has also been initiated to diversify our sources of funding and liquidity. While customer deposits are and will always be our most important source of liquidity, the Bank was previously unable to tap into the institutional deposit and investment market due to limitations imposed by our previous shareholder. We are now engaging with a number of institutional depositors to attract longer-term liquidity and this will give the Bank a more stable and diversified pool of funds that can be used to support growth in our chosen markets.

The key focus for 2019 will be returning the Bank to a better financial position. A five year plan has been presented to and approved by the Board of Directors. The management team is focused on delivering all of the elements of this plan, and we are confident that the results will begin to show during 2019 and early 2020. Key focus areas include:

- Restructure the Bank's balance sheet as described above. This will allow for scale, efficiencies and flexibility for the bank to operate.
- Implement the various elements of our go-to-market strategy which include the rebranding of the bank, launching a new agri-business banking offering, enhancing the reach into the Bank's traditional markets, launching of new product lines, introducing new channels and enhancing our Alliance Banking offering by introducing new partners and products.
- Assess and conclude strategic acquisitions to accelerate growth in areas such as Business and Corporate banking, Alliance Banking and Treasury and Forex activities.
- Harness opportunities that exist within the AFGRI Group of Companies.

The transition that took place in 2018 was indeed a long and challenging one. This process would not have taken place without the commitment and effort from the Board of Directors, the Bank's new shareholders and, most importantly, from the staff. I would like to offer my thanks to each of you for the support and commitment shown towards realizing this new beginning for the Bank.

Finally I would like to thank our customers for their loyalty, patience and positive engagement through this process. We have regularly engaged with you and your honest and constructive feedback has been instrumental in helping us design and plan the new path ahead for the Bank. We have realised our ambition of a new brand and new capabilities to support growth in our business and our offering to you. We are excited to introduce you to our new brand with the assurance that our commitment to you is unwavering. We look forward to building and growing our relationship with you into the future.

S Georgopoulos
Chief Executive Officer
Sandton
30 April 2019

RISK AND CAPITAL MANAGEMENT REVIEW

The Board of Directors is ultimately responsible for establishing, maintaining and monitoring the effectiveness of the Bank's process of risk management and system of internal control.

The Bank has adopted an Enterprise Risk and Capital Management approach to address as wide a spectrum of risks as possible. Grobank (formerly The South African Bank of Athens Limited) recognises that effective risk management is core to generating sustainable shareholder value and enhancing stakeholder interests.

The Bank's Risk Management business unit operates independently from other business units and monitors and reports on risks to ensure adherence to the stated risk appetite as set by the Board of Directors. Business units as the first level of defense are ultimately responsible for managing risks that arise.

The Enterprise Risk and Capital Management Committee's objectives are:

- To be the custodian of the Bank's risk management culture
- To ensure the Bank operates within the risk appetite as set by the Board of Directors
- To set, approve and monitor adherence to risk thresholds and limits
- To monitor the Bank's exposure across the agreed risk profile
- To co-ordinate risk management activities across the Bank
- To give the Board of Directors reasonable assurance that risks are identified and, to the best extent possible, managed and controlled

ENTERPRISE-WIDE RISK MANAGEMENT (ERM)

The Bank's objective in pursuing an enterprise-wide risk management strategy is to formalise and communicate the Bank's approach to ERM, which includes the identification, assessment, management, monitoring and reporting of all risks.

An ERM Framework has been developed that highlights the Bank's focus on its philosophy of ensuring that risk management is central to its decision making process. The framework has been established to ensure the efficient management of all risks as identified in the Bank's risk profile.

These objectives can be summarised by the following key principles:

- Risk-taking is a central to the Banks activity and risk management is therefore a required competency
- Focus on risk versus return
- An enterprise-wide view of risk
- Align risks with the Bank's strategic and business objectives
- Create a culture of risk awareness
- Set clear risk thresholds and loss tolerance levels for the Bank
- Effective risk monitoring provided by the Enterprise Risk Management Committee

A number of internal committees are in place to discuss, manage and determine courses of action to be taken to manage monitor and report on risks as efficiently as possible.

RISK DURING THE YEAR UNDER REVIEW

A strong risk and capital management culture is embedded in the Bank's daily activities. It is our intention to seek an appropriate balance between risk and reward in our business activities and to ensure that these are aligned to best practice

The Bank has developed a risk appetite policy and follows a conservative philosophy to ensure financial strength and integrity of the bank

Our risk management philosophies, practices and frameworks have remained unchanged during the year under review as they were found to be robust enough to handle the stresses placed on the Bank.

RISK MANAGEMENT PROCESS

All of Grobank's policies and procedure manuals are subject to annual review and are approved by the Enterprise Risk and Capital Management Committee prior to final approval by the Board of Directors. These standards form an integral part of the Bank's governance infrastructure and risk management profile.

The process and methodologies used to manage the Bank's risks are:

Risk identification and comprehension

Risk identification focuses on recognising and understanding all risks that may arise from operational requirements or from business activities. Action plans to mitigate any risks that are perceived to have a potentially significant impact on the Bank are implemented.

Risk management

Risk Management focuses on those risks that can inhibit the Bank from achieving its strategic objectives.

A complete risk assessment is carried out at least annually and presented to the members of the Enterprise Risk and Capital Management Committee.

A number of Board appointed committees and management committees are in place to monitor risk.

They are:

Board committees

- Audit and Compliance Committee
- Enterprise Risk and Capital Management Committee
- Board Credit Committee
- Social, Ethics and Transformation Committee
- IT Governance Committee
- Directors' Affairs Committee
- Remuneration Committee

Management committees

- Assets, Liabilities and Capital Committee
- Executive Committee
- Transformation Committee
- Credit Committee
- Management Committee
- Risk Committee
- Procurement Committee
- People and Talent Committee
- Projects Committee
- Alliance Banking Management Committee
- Marketing Committee

RISK MEASUREMENT AND EVALUATION

Once risks have been identified, the potential risk is measured either quantitatively or qualitatively. Quantitative risks are more easily measured than qualitative risks, but it is necessary to ascertain the magnitude of each risk. The Bank has set risk tolerance levels that are monitored.

RISK MONITORING

The monitoring of risks is undertaken by the Risk department, the Compliance and Legal department as well as the Internal Audit department. Risks are reported to the Enterprise Risk and Capital Management Committee as well as the Audit and Compliance Committee, where they are debated and addressed.

BASEL III

Basel III is intended to strengthen the global capital and liquidity rules with the goal of promoting a more resilient banking sector. The revised rules seek to improve the banking sectors' ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spill over from the financial sector to the real economy.

The additional capital requirements, Liquidity Coverage Ratio, Net Stable Funding Ratio and Leverage Ratio come into effect between 2014 and 2019 and are currently in a monitoring phase under the auspices of the South African Reserve Bank (SARB).

The 3 Pillars of Basel II are still utilised as part of the Basel III framework. These 3 pillars are:

- Pillar I: describes the regulatory capital calculation related to credit, counterparty market and operational risks, aligning minimum capital requirements more closely to a bank's risk of loss.
- Pillar II: provides for supervisory review of an institution's risk profile and activities to determine its capital adequacy and internal assessment processes, and to increase regulatory capital and institute remedial action if weaknesses are found.
- Pillar III: addresses improved market discipline and increased transparency.

To ensure the acceptable level of capital available to the Bank, an internal capital adequacy assessment process was implemented in 2016 and further enhancements have since been undertaken. An Internal ICAAP model has been developed to calculate the internal capital requirements for the Bank and this model mainly covers portfolio risk, credit risk and market risk.

Scenarios have been developed as part of the model, which include internal and external factors, to review the Bank's capital adequacy levels in circumstances where stress factors could or are having a potential impact on the Bank.

THE FOLLOWING ARE RISKS THE BANK MANAGES

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 qualitative and quantitative measures. Customers' credit worthiness is thoroughly assessed before any credit facility is recommended to or granted by the various credit committees. The credit granting philosophy is a conservative one. The Board of Directors ratifies all exposures in excess of 10% of the Bank's qualifying capital. The Bank has implemented a risk-rating model, which calculates the probability of default of customers.

LIQUIDITY RISK

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

INTEREST RATE RISK

Interest rate risk is defined as the impact that the repricing of the Bank's assets and liabilities may have on future cash flows and earnings. Interest rates have been stable for some time in South Africa and as such, the risk of interest rate movement has been low. The Bank has lending and investment rates that are linked to the prime lending rate.

Liquidity and interest rate risk management form an integral part of proactive asset and liability management, which is managed by the Bank's Assets, Liabilities and Capital Committee (ALCCO).

RISK AND CAPITAL MANAGEMENT REVIEW

MARKET RISK

The Bank does not currently have a trading desk in its Treasury and as such does not have any significant exposure to market risk.

OPERATIONAL RISK

Operational risk is defined as the risk of loss or earnings volatility arising from inadequate or failed internal processes, people and systems, or from external events.

The Bank recognises that operational risk is a significant risk category and therefore strives to manage this within set tolerance levels through the implementation of appropriate and relevant operational risk management practices.

In managing this risk, the following has been implemented and is reviewed on an annual basis:

- Clearly defined policies and methodologies
- An effective system of internal controls
- Well documented procedures that are communicated across the bank
- Properly functioning and effective internal audit department
- Properly functioning and effective compliance department
- Adequate professional indemnity insurance cover
- Adequate disaster recovery plans and processes

COMPLIANCE RISK

Compliance Risk is defined as the risk of the current and prospective risk of damage to the organisation's business model or objectives, reputation and financial soundness arising from the non-adherence to regulatory requirements and expectations of key stakeholders such as customers, employees and society as a whole.

In managing compliance risk, the Bank has a fully independent compliance function that identifies, assesses, advises, monitors and reports on the regulatory compliance risk within the organisation.

FOREIGN EXCHANGE RISK

Foreign exchange risk is defined as the risk of loss that the Bank is exposed to as a result of holding unhedged positions in foreign currency assets or liabilities.

In order to eliminate the foreign currency risk, it is the Bank's policy to hedge significant foreign currency commitments.

TRANSFORMATION RISK

Transformation of the Bank to be representative of South African demographics is an essential component of the Bank's strategy. Despite limited opportunities available in a small operation, the Bank has made good progress in the hiring of high potential previously disadvantaged individuals at all levels.

STRATEGIC RISK

The Bank's strategic direction changed toward the latter part of 2018 with the sale of the Bank to GroCapital Holdings Ltd. This change has required the development of an integration plan to move the Bank into the new group as well as changes to the structures to meet the new group requirements. Adherence to the strategic direction is actively monitored and managed at committee levels and all decisions are taken within the strategic framework that has been established. The sale has had a positive influence on the Bank direction and will improve the Bank's potential to grow.

HUMAN CAPITAL RISK

The management and development of people within the Bank has always had a high priority. As a small organisation, the risk associated with a dependence on key individuals is always a factor and this actively monitored and managed. Staff turnover remains at low levels and the on-going effort to improve and enhance the Bank's reward, remuneration and retention policies is aimed at ensuring that key staff members are retained and recognised for their contribution towards the Bank's success.

The training of staff is a continuous focus; with much of the training spend for 2018 allocated to previously disadvantaged individuals.

INFORMATION TECHNOLOGY RISK

IT risk has always been seen as a significant contributor to the Banks success, as technology is core to the Bank's ability to effectively service its customer base.

Information Technology risk is being addressed and reduced via the establishment of various improvement projects and the appointment of additional permanent and contracted capacity.

A prioritisation plan has been developed and is reviewed by the Projects Committee on a regular basis. Controls over systems, licenses and upgrades are well controlled and planned for.

CAPITAL MANAGEMENT

The Bank is subject to minimum capital requirements as defined in the Banks Act and Regulations. The management of the Bank's capital takes place under the auspices of the Enterprise Risk and Capital Management Committee.

The objective of the Bank's capital management approach is to ensure the maintenance of sound capital ratios, whilst producing appropriate returns to shareholders. The Bank's objectives when managing capital are:

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

Capital adequacy and the use of regulatory capital are monitored daily by the Bank, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the South African Reserve Bank (SARB), for supervisory purposes. The required information is filed with the SARB on a monthly basis.

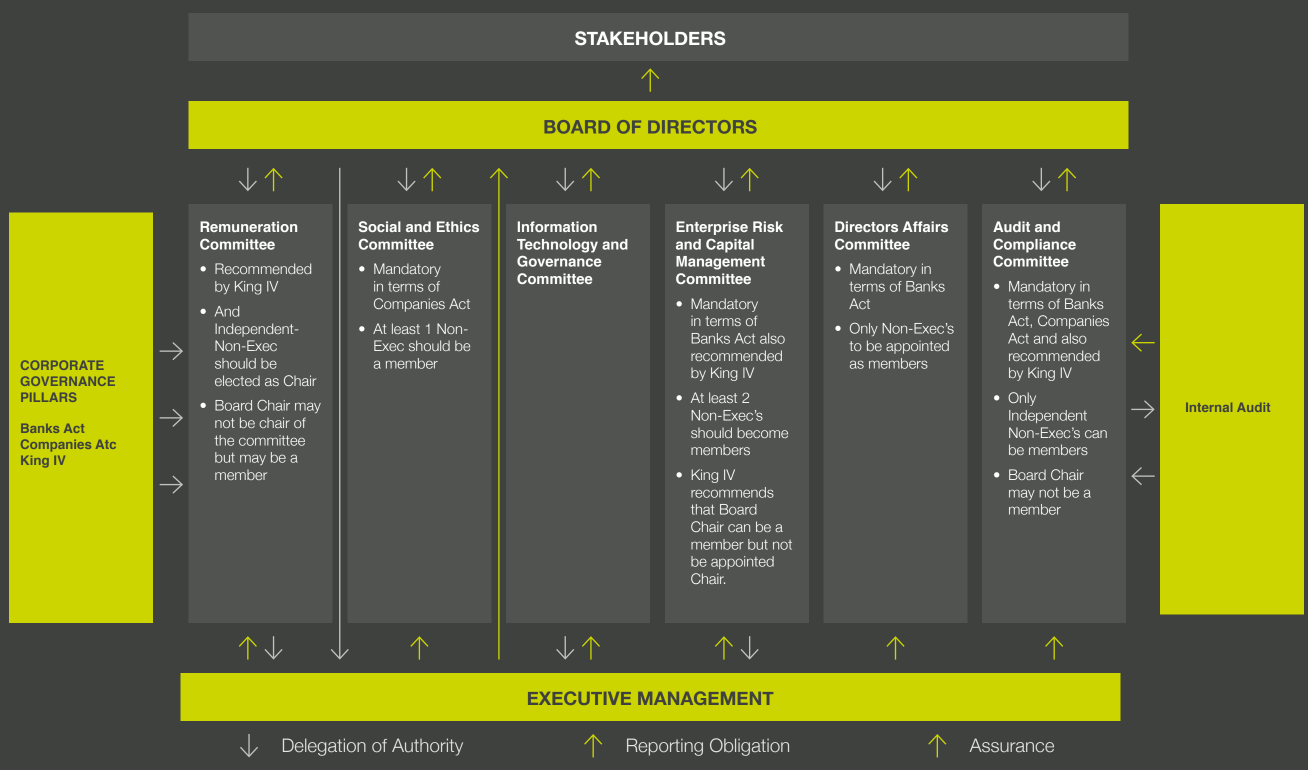
Regulatory capital requirements are strictly adhered to. The Bank's regulatory capital comprises two tiers:

- Tier 1 capital:
  Share capital and share premium, general bank reserve, statutory reserves, accumulated losses / retained income, and unrealised gains arising on the fair valuation of instruments. The book value of goodwill is deducted in arriving at Tier 1 capital
- Tier 2 capital:
  Qualifying subordinated loan capital and collective impairment allowances

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. Any eligible collateral and netting agreements are taken into account for calculating risk-weighted assets.

Corporate Governance

GOVERNANCE STRUCTURE



A sound corporate governance framework commits Grobank to high standards of business ethics. The presented framework guides the Board, as the custodian of responsible corporate governance, in the formulation and implementation of the Bank's strategy to achieve targeted performance and create sustainable value to the benefit of all stakeholders. Grobank's governance framework comprises appropriate policies, procedures and power of execution to ensure that the governance objectives are continuously implemented, managed, reviewed and adjusted. By doing this, Grobank ensures responsible corporate citizenship through adherence to regulatory and best-practice adherence, effective and ethical leadership.

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

Grobank 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 Bank is the responsibility of the Board, as directed in the Grobank Memorandum of Incorporation (MoI) and the Board Charter and Terms of Reference. This control is exercised through Grobank's governance framework, which includes a system of assurances on internal controls and detailed reporting to the Board and its Committees.

The Board Charter 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.

INTERNAL CONTROL

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. Sound risk management practices are promoted by the risk management function which is independent of operational management. The Board of Directors recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

An independent Internal Audit department reports any control recommendations to senior management, risk management

CORPORATE GOVERNANCE CONTINUED

and the Audit and Compliance committee. Appropriate processes ensure that timely corrective action is taken on matters raised by Internal Audit. Material incidents, losses and significant breaches of systems and controls are reported to the Board, Enterprise Risk and Capital Management Committee and to the Audit and Compliance Committee.

INTERNAL FINANCIAL CONTROLS

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that appropriate segregation exists between duties and that there is suitable independent review. These areas are monitored by the Board through the Audit and Compliance Committee and are independently assessed by the Internal Audit department.

Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken.

KING IV

Following the release of King IV the Bank reviewed and assessed the impact of the King IV recommendations, as well as its own readiness for these. Based on the outcomes of this assessment, Grobank applies all 16 plus one relevant principles of King IV in all spheres of the organisation. The assessment also highlighted some enhancement that needed to take place in selected principles, specifically, the principles relating to stakeholder engagement, remuneration and CSI expenditure show the need for some enhancement from King III and King IV and this will be undertaken in the year ahead.

The Board of Directors has been and remains actively involved in the implementation of the King IV principles. The introduction of a Governance Assessment Instrument (GAI) will play a pivotal role both as a measure and an enabler of good corporate governance structures, policies and procedures. The GAI generates an overall report which will be tabled for review at the Executive Committee and Board meetings. Ongoing training and review at an Executive and Board level will continue during 2019 to ensure that the Board completes its journey to full implementation of King IV.

BOARD OF DIRECTORS AND NON-EXECUTIVE DIRECTORS

Role and function of the Board

The role of the Board of Directors is regulated in a formal Board Charter and 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 Bank's activities.

The roles of the Board Chairperson and the Chief Executive Officer 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 approves the overall strategy for the Bank on an annual basis. In addition it approves all management policies and frameworks.

The Board of Directors met six times during the year under review in order to evaluate the Bank's performance, assess risk and review the strategic direction of the Bank against its overall strategy and long term goals.

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.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board including its current independent Chairman, comprised of 9 directors as at 31 December 2018, of which three are executive directors. The Chairman Mr P Ranchod, assisted by the Lead Independent Director, Mr. T Fearnhead is responsible for the effective leadership of the Board. Grobank's current Board has a strong representation of independent Non-Executive directors, as this provides the necessary objectivity that which is required to ensure its effective functioning.

The Board at its meeting held in October 2018, evaluated the independence, inclusive of the nine indicators included in King IV and tenure in excess of nine years, of two members whose tenure was nearing nine years, on a substance-over-form basis. Based on this assessment, the two non-executives were deemed independent by the Board.

Grobank's 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. Two Board appointments were made during the year 2018, that of Mr. C Venter and Mr. J A Mirza. The resignations of G Bizos (SC), A Lizos, G Grigoropoulos and D Haarhoff were noted and endorsed by the Board during 2018.

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.

DIRECTOR'S ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS 2018

BOARD MEETINGS (INCLUDING * 2 SPECIAL BOARD MEETING)	*29-Jan	21-Feb	19-Apr	26-Jul	*11-12 Oct	31 - Oct
P Ranchod*	A	✓	✓	✓	✓	✓
S Georgopoulos#	✓	✓	✓	✓	✓	✓
T J Fearnhead*	✓	✓	✓	✓	✓	✓
R A Shough*	✓	✓	✓	✓	✓	✓
W J Krüger*	✓	✓	✓	✓	✓	✓
G Bizos (SC)*	A	✓	✓	✓	-	-
A Lizos°	A	✓	✓	✓	-	-
G Grigoropoulos°	✓	✓	✓	✓	-	-
D J Adriaanzen#	✓	✓	✓	✓	✓	✓
C Michaelides#	✓	✓	✓	✓	✓	✓
D Haarhoff (Alternate)#	✓	✓	✓	✓	✓	-
C P Venter°	-	-	-	-	✓	✓
J A Mirza*	-	-	-	-	✓	✓

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

Enterprise Risk and Capital Management Committee

Members: Mr TJ Fearnhead (Chairperson), Mr RA Shough, Mr WJ Krüger, Mr JA Mirza (appointed 4 October 2018) and Mr S Georgopoulos.

ENTERPRISE RISK AND CAPITAL MANAGEMENT COMMITTEE	20-Feb	18-Apr	25-Jul	30-Oct
P Ranchod	✓	✓	✓	✓
S Georgopoulos	✓	✓	✓	✓
T J Fearnhead	✓	✓	✓	✓
R A Shough	✓	✓	✓	✓
W J Krüger	✓	✓	✓	✓
J A Mirza	-	-	-	✓

Remuneration Committee

Members: Mr T J Fearnhead (Chairperson), Mr R A Shough, Mr P Ranchod, Mr A Lizos (resigned on 04 October 2018), Mr G Grigoropoulos (resigned on 04 October 2018) and Mr C P Venter (appointed 4 October 2018)

REMUNERATION COMMITTEE	18-Apr	30-Oct
P Ranchod	✓	✓
T J Fearnhead	✓	✓
R A Shough	✓	✓
A Lizos	A	-
G Grigoropoulos	✓	-
C Venter	-	✓

CORPORATE GOVERNANCE CONTINUED

Audit and Compliance Committee

Members: Mr R A Shough (Chairperson), Mr T J Fearnhead, Mr J A Mirza (appointed 4 October 2018) and Mr W J Krüger.

AUDIT AND COMPLIANCE COMMITTEE	20-Feb	18-Apr	25-Jul	30-Oct
T J Fearnhead	✓	✓	✓	✓
R A Shough	✓	✓	✓	✓
W J Krüger	✓	✓	✓	✓
J A Mirza	-	-	-	✓

Directors' Affairs Committee

Members: Mr P Ranchod (Chairperson), Mr T J Fearnhead, Mr R A Shough, Mr W J Krüger, Adv G Bizos (retired on 04 October 2018), Mr A Lizos (Resigned on 04 October 2018), Mr G Grigoropoulos (Resigned on 04 October 2018), Mr C P Venter (appointed 4 October 2018) and Mr J A Mirza (appointed 4 October 2018).

DIRECTORS' AFFAIRS COMMITTEE	12-Apr	30-Oct
P Ranchod	✓	✓
T J Fearnhead	✓	✓
R A Shough	✓	✓
W J Krüger	✓	✓
G Bizos (SC)	A	-
A Lizos	A	-
G Grigoropoulos	A	-
J A Mirza	-	✓
C P Venter	-	✓

Social, Ethics and Transformation Committee

Members: Mr P Ranchod (Chairperson), Mr T J Fearnhead, Adv G Bizos, Mr S Georgopoulos, Mr D J Adriaanzen, Mr C P Venter (appointed 4 October 2018) and Mr W J Krüger (appointed 4 October 2018).

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE	12-Apr	30-Oct
P Ranchod	✓	✓
S Georgopoulos	✓	✓
T J Fearnhead	✓	✓
G Bizos (SC)	✓	✓
D J Adriaanzen	✓	✓
C P Venter	-	✓
W J Krüger	-	✓

Information, Communications and Technology Governance Committee

Members: Mr R A Shough (Chairperson), Mr T J Fearnhead, Mr D J Adriaanzen, Mr P Oeschger and Mr J A Mirza (appointed 4 October 2018).

INFORMATION, COMMUNICATIONS AND TECHNOLOGY GOVERNANCE COMMITTEE			
	30-Jan	12-Apr	3-Jul
T J Fearnhead	✓	✓	✓
R A Shough	✓	✓	✓
D J Adriaanzen	✓	✓	✓
P Oeschger	✓	✓	✓
J A Mirza	-	-	-

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 are evaluated annual in accordance with the Board Charter. Evaluations 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 is evaluated collectively by its members.

The evaluations undertaken in 2017/2018 indicated satisfactory levels of governance at Board and committee levels.

COMPANY SECRETARY

The Company Secretary 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.

GOVERNANCE

Grobank believes in, has implemented high standards of business practice and ethics, and maintains this through regular interaction with employees and in formal committee meetings. The Bank is committed to delivering sustainable returns to its shareholders by ensuring that Environmental, Social and Governance (ESG) principles as highlighted in King IV are adhered to. These principles are seen as essential to creating long-term value to customers, employees and the shareholders.

Highly competent people, strong leadership and effective implementation of governance and controls are seen as the foundation to the reduction of risk to the Bank and its long-term success. Grobank corporate standards are maintained under the leadership of senior management and oversight by our independent Board of Directors. The Bank expects all employees to act with integrity, fairness and accountability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD OF DIRECTORS

An independent and engaged Board is important to our company's success and to meet the King IV principles, which Grobank ascribes to. The Independent Non-executive Directors bring a strong combination of experience and expertise in all relevant fields to the board. The Board has established a number of committees such as the Audit and Compliance committee, the Enterprise Risk and Capital committee, the IT Governance committee, the Remuneration committee, the Social, Ethics and Transformation committee and the Directors Affairs committee, to ensure that they are able to monitor and perform their duties as required. Through these committee's the Bank is able to monitor and approve policies on Audit, Risk, and IT governance of the Bank and remuneration of the employees.

The Directors Affairs committee is where the Board engages in considering potential Board candidates. The Board considers candidates experience to ensure that the board has the appropriate levels of experience on the Board and its committees.

The average tenure of our independent non-executive Directors is 8.7 years. Changes were made to Board committee membership in October 2018 with the departure of those directors appointed as representatives by the previous majority shareholder.

The Board must be viewed as independent as this is essential for effective governance and also serves to protect the interests of the shareholder, by effectively carrying out its obligation of oversight as per the Banks Act and King IV.

Of the total of nine Board members, five are considered independent, one is non-executive, and representing the shareholder of reference and three are executive members. A Lead Independent Director, who is appointed annually by the independent Non-Executive Directors, supports the Chairman of the Board as required.

LEADERSHIP AND MANAGEMENT

Senior management has developed the Bank's strategic direction and this has been approved by the Board of Directors which also provides oversight of management's performance against these goals. The Board and the senior management team are responsible for ensuring that employees adhere to the governance principles as outlined by the Bank.

The Bank's management team has been able to show that they have the capability and knowledge to lead the company effectively and in a manner that allows the Bank to grow and enhance the corporate culture in line with King IV.

The CEO, Chief Financial Officer (CFO), Chief Operating Officer (COO), Chief Risk Officer (CRO), Head of Human Resources, Head Business and Commercial Banking form the executive committee (EXCO), Head Alliance Banking, Head Treasury, Head Internal Audit (Invitee) and Head Legal and Compliance (invitee), which is responsible for the overall management of the Bank. It is important to point out that the Internal Audit and Compliance Functions are independent, reporting directly to the Chairman of the Audit and Compliance committee. However, they play an active role in ensuring that Exco carries out its duties according to all regulatory and good governance principles.

REMUNERATION POLICY AND STRUCTURE

The salient objective of the Remuneration Policy is to address remuneration throughout Grobank. This Policy forms a key component of the HR strategy and is fully aligned to the overall business strategy of the Bank. The main functions of the Remuneration Policy are to:

- Support Grobank's strategy by helping to build a competitive, high performance and innovative Bank with an entrepreneurial culture that attracts, retains, motivates and rewards high-performing employees;
- Promote the achievement of strategic objectives whilst taking cognisance of the Bank's risk appetite;
- Promote and support positive outcomes across the economic and social context in which Grobank operates;
- Promote an ethical culture and responsible corporate citizenship.

The Remuneration Policy must support and facilitate the achievement of the Human Resource strategy in attracting, developing and retaining employees within the Bank. The principles, values and objectives outlined in the Remuneration Policy are intended to guide all Reward decisions within the bank. It is essential that the manner by which employees are rewarded, always reflects the dynamics and intricacies of the financial market sector and the context within which the bank operates. Grobank strives to adopt a flexible Reward system that will be used as a tool to reinforce, encourage and promote superior performance, thereby fully utilising and engaging the Bank's Human Capital.

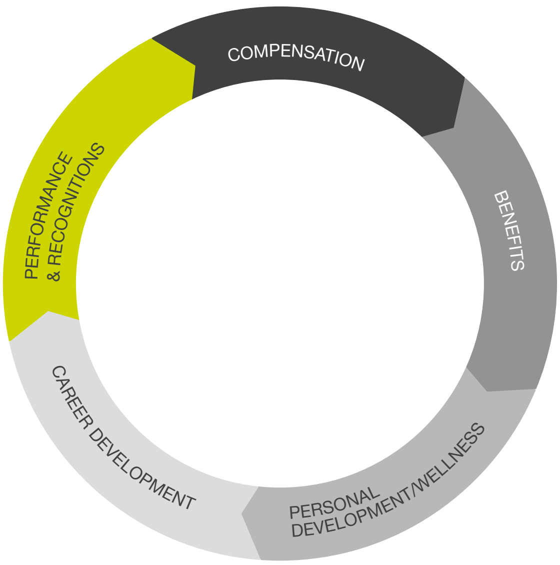
An integral role and function of the Remuneration Policy is to facilitate the objective of constantly striving to enhance the Employee Value Proposition ("EVP") to ensure that the bank is considered an Employer of Choice in the financial sector. The enhancement of the Bank's EVP has the following desired outcomes:

- Drive Grobank's business performance through a suitable and comprehensive Reward system that attracts, retains, engages, enthuses and inspires top talent to strive to reach their optimal level of performance; and
- Build Grobank's brand as a highly desirable company to work for, that will make a meaningful contribution to the employee's career growth; and
- Provides a market related EVP that reflects the reputation of the Bank and targets and retains the right type of employee; and
- Foster employee pride to be associated with Grobank and to play a meaningful role in delivering on the vision, strategy and objectives; and

- Create meaningful wealth for employees so that they value the partnership with the Bank rather than considering their job as an employee-employer relationship only.

The EVP would encompass the following components:

Grobank follows a strict process regarding remuneration of employees and directors. Section 43 of the Banks Act (94 of 1990) requires that the following seven matters are reported on with regards to remuneration:



Relevant governance and/or committee structures:

The Bank has a Board appointed Remuneration Committee (Remco), whose members are all independent non-executive directors of the Board. The Chairman of the Committee is the Lead independent non-executive Director of the Board, Mr. Tim Fearnhead. Remco approves all remuneration related items which are then ratified at Board level. Remco meets at least twice a year, but can convene more often on special requirements.

Design and operation of the Bank's remuneration structure and the frequency of review:

The Bank awards increases annually, effective in April of each year. The remuneration process involves a series of events as follows:

- Performance reviews of all employees by their relevant managers.
- For non-managerial and junior/middle management, a scorecard approach is used to assess performance, competency and behavior. The scores and comments are brought to Exco for moderation.
- Salary negotiations are also held on an annual basis with the Union for all non-managerial employees.
- For senior management the CEO together with relevant independent non-executive directors carries out the reviews and these are moderated by Remco. The final results are taken to Remco for approval.
- The remuneration policy is reviewed annually by Remco.

The independence of remuneration for risk and compliance staff:

The performance and remuneration appraisals of Chief Risk Officer, Head: Compliance and Legal and the Head: Internal Audit are carried out jointly by the Chair of the Enterprise Risk and Capital Management Committee, Chair Audit and Compliance Committee and the CEO. These results are sent to Remco for approval.

Risk adjustment methodologies:

The Bank uses a balanced scorecard system to adjust for risk. Key metrics areas include performance based on the job description, competency improvement over the period and behavioural assessment.

Link between remuneration and performance:

There is a direct link at both company wide and individual performance and remuneration. Employees are assessed twice yearly on performance with a formal remuneration/ performance moderation process in April of each year.

EXECUTIVE COMPENSATION

Remuneration is an important tool to attract talent to the Bank as well as to motivate the existing talent within the Bank to ensure that the Bank's goals are achieved, thereby enhancing shareholder value. Remuneration is reviewed and decided on by the Remuneration Committee which has an independent oversight role. In determining individual compensation, the committee assesses performance against each individual's Key Performance Indicators.

The remuneration structure is such that individuals are held accountable for adherence to actions or issues that have a negative influence on the business performance. To do this the Bank maintains policies and procedures that enable it to take prompt and appropriate action with respect to accountable individuals. This can also include termination of employment.

CUSTOMER SERVICE

Serving customers

The Bank's model is centered on Relationship Managers, supported by centralized services and enhanced by digital enablers. In doing this, we ensure that the customers achieve their banking objectives thereby encouraging expanded use of the Bank's products.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Bank has established its strategic focus on customers who operate in the food and agricultural value chain of the South African market. This focus is not exclusive however and the Bank will continue to support and grow its services to non-food and agri-businesses as well as to its alliance banking customers. In all areas where the Bank interacts with customers, it strives to deliver outstanding customer service and build long-term relationships.

The Bank believes in providing innovative solutions to meet the changing needs of our market. This includes increased digital offerings that support the service offering provided by the relationship managers.

The Alliance Banking business model has matured over the last few years, with Grobank positioned as a leading supplier of alliance banking services across a number of sectors including Retail, Insurance, Financial and Technology. The Bank has carefully selected and developed relationships with a number of fintech companies, banks and retailers through a solution that is able to provide highly customizable banking solutions. This capability supports the customer value proposition of non-financial services companies by enabling them with payment solutions across traditional payments and a range of valued-added services.

The Bank has built an environment that is able to facilitate the sponsorship of ideas, payment streams, new technologies and interconnected products where the Bank's agility and open eco-systems rapidly enables an alliance partner's financial services business strategy.

Solutions are developed in partnership where the Bank manages the interoperable banking back office focused on complex regulatory compliance, settlement and banking standards whilst the alliance partner maintains and grows its relationship with customers, creating a business that is fit for purpose, seeing the alliance partner through the evolution of financial services.

Treating customers fairly

Grobank recognises that customers expect to be treated fairly and honestly and this must be the foundation of the Bank's relationship building process. To make sure it lives up to this standard, the Bank has created policies and procedures to help with fair and transparent marketing and disclosures, products and services, and operations. Furthermore, enhanced privacy safeguards have been introduced.

SUSTAINABILITY

Managing risk and Sustainable Financing

Through its new shareholding structure, the Bank has close involvement with the agricultural industry. It is therefore of importance that the Bank provides assistance in strengthening this industry and, in so doing, support food sustainability. The agricultural industry is vulnerable to environmental impacts that are influenced by other industries such as a mining. Agriculture is also impacted by environmental issues such as pollution, wind and water and as such, the Bank believes in supporting a sustainable market for the improvement of this sector.

The Bank is aware of the importance of ensuring the sustainability of the environment, and supports lending to firms within industries which will maintain or improve the quality of the environment or society as a whole. The Bank is clear on its approach to lending and as such, will not get engage in activities that are harmful the environment or society. Should it consider that such a risk exists, the Bank would undertake a social or environmental due diligence prior to engaging in such a project. The responsibility for ensuring that the Bank lends to the appropriate firms and industries is within the ambit of the Risk department.

Social and Environmental risks are reviewed on a regular basis by the Risk department who also strictly monitor the Bank's lending portfolio's to ensure correct implementation of the Bank policy.

Managing risk is at the core of the Bank's business model. Risk management is overseen and managed on an enterprise wide risk basis. When assessing the Bank's risk profile, a broad spectrum of risks, such as credit, market, liquidity, country, environment, governance, reputation and others are considered.

The Bank has adopted an Enterprise Risk and Capital Management approach to address as wide a spectrum of risks as possible. The Bank recognizes that effective risk management is core to generating sustainable shareholder value and enhancing stakeholder interests.

The Bank's Risk Management business unit operates independently from other business units and monitors and reports on risks to ensure adherence to the stated risk appetite as set by the Board of Directors. Business units as the first level of defense are ultimately responsible for managing risks that arise.

An ERM Framework has been developed that highlights the Bank's focus on its philosophy of ensuring that risk management is central to its decision making process. The framework has been established to ensure the efficient management of all risks as identified in the Bank's risk profile. A number of internal committees are in place to discuss, manage and determine courses of action to be taken to manage monitor and report on risks as efficiently as possible.

Risk Management focuses on those risks that can inhibit the Bank from achieving objectives. Risk complete risk assessment is carried out at least annually and presented to the members of the Enterprise Risk and Capital Management Committee. A number of Board appointed committees and management committees are in place to monitor risk.

Independent functions such as the Head Internal Audit and Head Compliance and Legal each report directly to the Chair of the Board Audit and Compliance committee, which is an independent body. This allows for an independent unbiased view on risk management in the organisation.

Environment

Grobank is focused on increasing energy efficiency and promoting renewable energy. The Bank has implemented the following:

- High-efficiency LED lighting – the head office is illuminated using high-efficiency LED lighting fixtures.

- Building Management Systems – the Bank's head office Green approved lighting and ventilation systems.
- Grobank contributes directly towards the environment through carbon emission in the day-to-day operations in terms of paper usage, electricity, lighting, air conditioning and electronic equipment.
- Identifying opportunities for innovation to go greener.
- Encouraging employees to switch off lights & electrical appliances when not in use.
- Recycling & Refiling ink cartridges of printers.
- Promoting use of "webinars" for meetings to reduce travel
- Encouraging car-pool among employees
- Using emails and e-memos internally instead of written memos

CULTURE AND EMPLOYEES

Integrity

The quality and integrity of employees at every level is key to long-term success. The Bank strives to attract employees from the broadest available pool of talent within the country.

Creating a diverse and inclusive environment is ingrained in the Bank's culture and it is deeply committed to hiring, retaining and promoting employees from the diverse backgrounds within the country. This means that respect, trust and an understanding of diversity are seen as a vital part of the Bank's culture.

The Bank's success starts with its ability to attract the best people. This means finding people who not only have the skills and expertise it needs, but also share in the values and are committed to upholding the highest standards of ethics and integrity.

SUPPORTING HEALTH AND WELLNESS

The Bank continually reviews programs and benefits to enhance and support employee health and well-being. Through the Bank's medical aid, free health assessments and preventive screenings are offered to employees.

Work-life balance is an important contributor to the health and well-being of all employees and their families. The Bank offers flexible work hour options to support employees. The Bank has collaborated with Bankmed Medical Scheme who run wellness days where various exhibitors are also invited to participate, for example, optometrist, dentist, gym, spa, etc.

DIVERSITY/B-BBBEE

The Bank continues to build on BBB-EE initiatives, which seeks to attract, retain and advance black talent across the Bank.

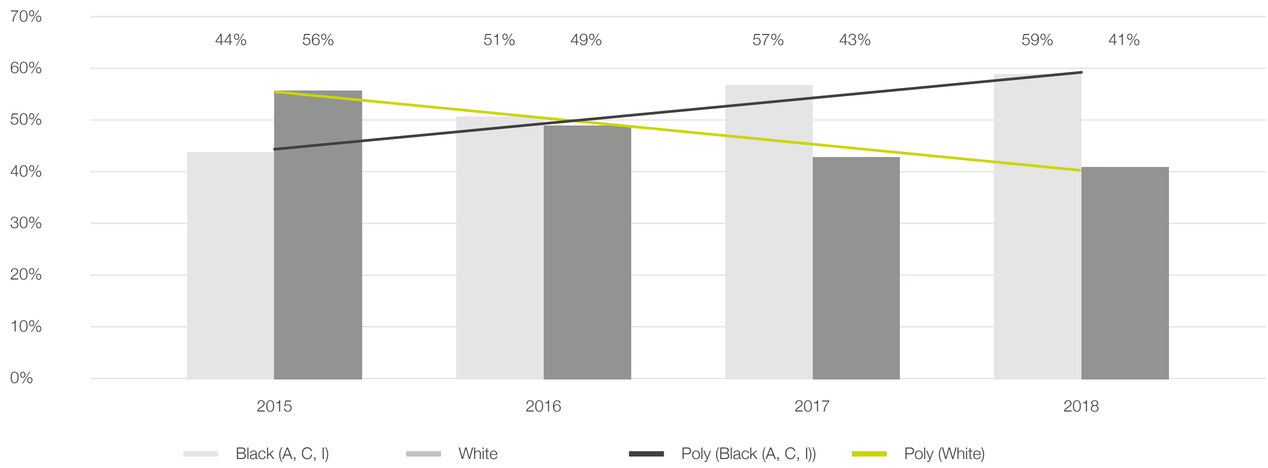
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OCCUPATIONAL LEVEL	Dec 15		Dec 16		Dec 17		Dec 18	
	Black (A,C,I)	White	Black (A,C,I)	White	Black (A,C,I)	White	Black (A,C,I)	White
1. Top Management	0%	100%	0%	100%	0%	100%	13%	87%
2. Senior Management	8%	92%	30%	70%	30%	70%	33%	67%
3. Middle Management	21%	79%	27%	73%	41%	59%	42%	58%
4. Junior Management	50%	50%	61%	39%	61%	39%	64%	36%
5. Semi-skilled	70%	30%	73%	27%	85%	15%	84%	16%
6. Unskilled	100%	0%	100%	0%	100%	0%	100%	0%
TOTAL	**44%**	**56%**	**51%**	**49%**	**57%**	**43%**	**59%**	**41%**

	2015	2016	2017	2018
Black (A,C,I)	44%	51%	57%	**59%**
White	56%	49%	43%	**41%**

A = African C = Coloured I = Indian

TREND ANALYSIS



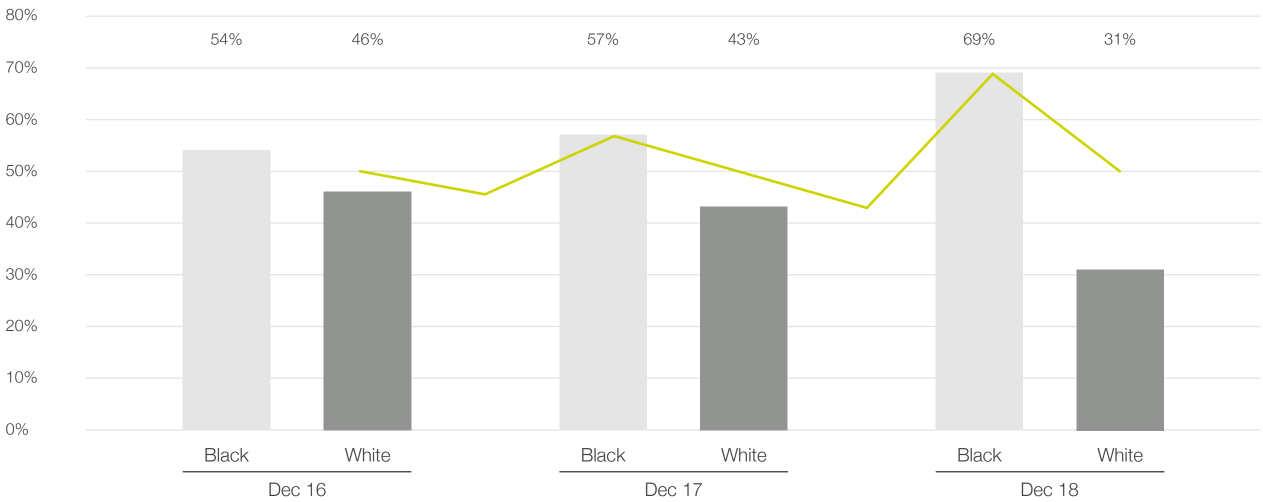
TRAINING AND CAREER DEVELOPMENT

The Bank has invested in training programs and collaborated with various service providers such as Bank seta to support employees' development and skills enhancement.

Regular performance reviews are an important methodology used to support employees' development and career advancement. The Bank provides managers with career and performance assessment tools to facilitate ongoing, productive discussions with their employees on achieving objectives, performance outcomes and areas for development, including acquisition of new skills and potential career paths. The review process looks at performance, soliciting input from other stakeholders, including peers and subordinates. These 360-degree reviews also assess employees' adherence to the highest standards of ethics and integrity.

Developing leaders who reflect the Bank's corporate culture and uphold standards of excellence is a key focus of training efforts.

TRAINING INTERVENTIONS



Note **Black employees refers to African, Coloured and Indian employees**

2016 149 employees received training in 2016 i.e 81 (54%) black employees and 68 (46%) white employees. Staff compliment - 154

2017 168 employees received training in 2017 i.e 95 (57%) black employees, and 73 (43%) white employees. Staff compliment = 168

2018 81 employees received training thus far, 56 (69%) black employees and 25 (31%) white employees. Staff compliment = 178

Product Portfolio and Management

PRODUCTS

With the repositioning of the Bank from The South African Bank of Athens Limited to Grobank Limited, a review of the product portfolio is being performed to ensure delivery against the new positioning of the Bank.

In particular, a new set of agri-specific products are being developed to complement the existing banking products listed below. These products will be announced to market as and when they are developed.

Products currently available include:

Financing

- Overdraft facilities
- Asset Finance
- Property loans
- Commercial loans
- Home loans
- Leasing
- Letters of guarantee

Deposit and Investing

- Current accounts
- Savings accounts
- Call deposit accounts
- Notice deposit accounts
- Fixed deposit accounts

Foreign Exchange

- Documentary letters of credit
- Foreign bills for collection
- Overseas remittance
- Customer foreign currency accounts
- Foreign currency accounts
- Bills / cheques negotiated

Other services

- Cash handling solutions
- Electronic banking solutions
- ATM / Debit cards
- Cheque book facilities
- Bulk Payment Services

Alliance banking services

- White-labelled and co-branded banking products, including account hosting
- Pre-paid card issuing
- Payments and collections aggregation
- Value-added services

Administration

Grobank Limited
(formerly The South African Bank of Athens Limited)
Registration number 1947/025414/06

Registered Office

Building 3, Inanda Green Business Park
54 Wierda Road West, Wierda Valley
Sandton, 2196
P.O. Box 784921, Sandton, 2146.
South Africa

Contact Details

Tel: (+27 11) 634-4300
Fax (+27 11) 838-1001
SWIFT Address BATHZAJJ
Telex 4 86976 SA
Website www.grobank.co.za
Customer Care Centre: 0861 102 205
info@grobank.co.za

Company Secretary
Thandokuhle Buthelezi

Chief Executive Officer
Spiro Georgopoulos

Chief Financial officer
Chrisanthi Michaelides

Chief Risk Officer
David Haarhoff

Chief Operating Officer
Darryl Adriaanzen

Head: Business and Commercial Banking
Paul de Bruyn

Head: Credit
Roy Scott

Head: Operations
Michael Schwark

Head: Legal and Compliance Services
Hermann Krull

Head: Internal Audit
Karin Klein

Head: Human Resources
Cessy Frazao

Head: Alliance Banking
Helder Marques

Head: Information Technology
Peter Oeschger

Head: Business Intelligence
Brendan van Zyl

Index To Annual Financial Statements

Directors' Responsibility and Approval for the Annual Financial Statements

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

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

The Annual Financial Statements for the year ended 31 December 2018 were approved by the Board of Directors on the 18th of April 2019 and are signed on its behalf by:

P Ranchod
Chairman
Johannesburg
30 April 2019

S Georgopoulos
Chief Executive Officer
Johannesburg
30 April 2019

Company Secretary's Certificate

The Company Secretary of the South African Bank of Athens Limited (now known as Grobank Limited) certifies that, in terms of section 88(2)(e) of the Companies Act, No.71 of 2008 as amended, The South African Bank of Athens 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 THE SOUTH AFRICAN BANK OF ATHENS LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The South African Bank of Athens Limited (the Company) as at 31 December 2018, its financial performance and its 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

The South African Bank of Athens Limited's financial statements set out on pages 35 to 91 comprise:

- the statements of financial position as at 31 December 2018;
- the statements of comprehensive income for the year then ended;
- the statements of changes in shareholders equity for the year then ended;
- the 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 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 Company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to

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 Bank of Athens' annual report 2018, which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. Other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

PricewaterhouseCoopers Inc.

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

Directors' Report

For the year ended 31 December 2018

NATURE OF THE BUSINESS

The Bank continued to service its customer base as a long standing commercial and clearing bank through its head office and 7 business suites spread throughout the country. Its focus during the year under review remained on medium sized entrepreneurial businesses and small corporates, as well as the related personal banking requirements of these businesses. The Bank was also focused on its Alliance Banking offering including branded offerings and technical partnerships with Amber Fintech, Olympus Mobile, Edcon Moova Money, Holland Money and Tutuka. Alliance Banking partners operate as an authorised distribution partner of the Bank. During the latter part of the year under review, the Bank embarked on a new strategic direction, targeting the Food and Agriculture sector of the market as its core focus, while also committing to continuing to service and grow its business banking and alliance banking offerings.

CAPITAL STRUCTURE

There has been no change in the structure of authorised share capital for the year under review. The unissued shares are under the control of the Directors subject to the notification to and specific approval by GroCapital Holdings Limited, until the next Annual General Meeting.

During the year four capital raising exercises totalling R61.966 million were undertaken.

- August 2018 R4 999 215 of share capital was raised by issuing 607 438 shares at R8.23.
- September 2018 R4 999 848 of share capital was raised by issuing 614 232 shares at R8.14.
- October 2018 R 9 997 820 of share capital was raised by issuing 1 243 510 shares at R8.04.
- November 2018 R41 968 990 share capital was raised by issuing 5 326 014 shares at R7.88 (see note 11 and 12)

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

DIVIDENDS

No dividends have been proposed or declared for the year under review (2017: Nil).

HOLDING COMPANY

The holding company is GroCapital Holdings Limited, incorporated in South Africa, effective 4 October 2018, which is the date on which National Bank of Greece S.A. (NBG) which is incorporated in Greece sold it shares in the Bank after all regulatory approvals were received. The holding company has committed to continue its support to the Bank and the Directors have no reason to believe otherwise.

GOING CONCERN

After making due enquiries and having carefully considered the factors impacting the Bank's going concern, including the Bank's capital adequacy and liquidity for the next 12 months, the Directors consider that the Bank has adequate resources to continue operating for the foreseeable future. The financial statements have therefore been prepared on the going concern basis. The holding company has committed capital in 2019 for growth and acquisitions.

The Bank has made a loss in 2018 of R48.2million and in 2017 of R 25.7million however, the Bank is solvent and has a current net asset value of R293million and R276million in 2017.

POST BALANCE SHEET EVENTS

During January 2019, additional common equity capital totalling R50million was raised with GroCapital Holdings Limited, in order to meet the requirements as required by the regulations to early redeem the debentures in issue. In January 2019, the debenture instruments were redeemed. In April 2019 the Bank changed it's name to Grobank Limited.

DIRECTORATE AND SECRETARY

Details of the Directors and the company secretary of the Bank are provided on the inside cover and page 22 respectively. The Directors of the Bank as at 30 April 2019 are:

Non-executive:

- G Grigoropoulos (resigned 4 October 2018)
- A Lizos (resigned 4 October 2018)
- C P Venter (appointed 4 October 2018)

Independent, Non executive:

- P Ranchod
- G Bizos (resigned 4 October 2018)
- T J Fearnhead
- R A Shough
- W J Krüger
- J A Mirza (appointed 4 October 2018)

Executive:

- S Georgopoulos (Chief Executive Officer)
- D J Adriaanzen
- C Michaelides
- D Haarhoff (resigned 4 October 2018)

Registered address:

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

Report From The Chairman Of The Audit And Compliance Committee

REPORT FROM THE CHAIRMAN OF THE AUDIT AND COMPLIANCE COMMITTEE

This report provides an overview of the SABA Audit and Compliance Committee (ACC) and its activities, and how it has discharged its responsibilities for the financial year ended 31 December 2018.

The ACC is an independent and formal statutory committee appointed by the shareholders. Further duties are delegated to the ACC by the board of directors of the Bank. This report includes both these sets of duties and responsibilities.

TERMS OF REFERENCE

The ACC has adopted a formal terms of reference which is reviewed annually and updated where necessary, and which has been approved by the Board of Directors. The Committee has conducted its affairs in compliance with its terms of reference and according to its annual workplan, and has discharged its responsibilities contained therein. The terms of reference are available on request from the Company Secretary.

COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

Members of the ACC satisfy the requirements to serve as members of an audit committee as provided in section 94 of the Companies Act and have adequate knowledge and experience to carry out their duties.

The ACC operates independently of management and of the shareholders, is free of any organisational restraint or pressure and acts in accordance with its statutory duties and the Board's delegated authority. Its composition meets the requirements of the Companies Act, the Banks Act and King IV. Members during the period under review were, and are at the date of this report, Mr RA Shough (Chairman), Mr TJ Fearnhead and Mr W Krüger, and Mr JA Mirza who was appointed on 04 October 2018, all of whom are independent non-executive directors of the Bank. During the year under review four meetings were held, which all members attended.

The Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Head of Internal Audit, Head of Compliance and Legal Services, External Auditor, and other risk and related assurance providers attend meetings by invitation only. The ACC Chairman meets with the Head Internal Audit and External Auditors separately between ACC meetings. The Head Internal Audit and External Auditors have direct access to the committee including closed sessions without management.

The Chairman of the Board is not a committee member and attends ACC meetings at his discretion.The Company Secretary serves as secretary to the committee.

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

ROLE AND RESPONSIBILITIES

Statutory and other duties

The ACC's role and responsibilities include statutory duties per the Companies Act, 2008, and further responsibilities assigned to it by the board, and is accountable to Shareholders and the Board, and relevant regulatory bodies. The ACC executed its duties in terms of the requirements of King IV.

External auditor appointment and independence

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

The committee reviewed and agreed to the auditor's terms of engagement, audit plan and budgeted audit fees for the 2018 year, and is satisfied with the results of its appraisal of PwC's expertise and audit quality. Feedback was provided to PwC regarding our appraisal of their performance in completing the 2018 audit. During the year the committee met confidentially with the external audit partners without management being present.

Our established procedure that governs the consideration and approval of non-audit services provided by the auditor, was followed. During 2018 PwC provided non-audit services of an immaterial value relating to the sale of the Marshall Street property, which does not impair PwC's independence, and was approved by the committee.

Annual financial statements and accounting practices

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

Internal financial controls

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

Internal audit

The ACC is responsible for ensuring that the Bank's Internal Audit function is independent and has the necessary resources, standing and authority within the Bank to enable it to discharge its duties. Furthermore, the committee oversees cooperation between the internal and external auditors, and serves as a link between the Board of Directors and these functions. The ACC considered and recommended the internal audit charter for approval by the Board. The Internal Audit function's annual audit plan was approved by the ACC.

The Internal Audit function has responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the Bank's operations. The Head of Internal Audit reports the findings of the internal audit work against the agreed internal audit plan to the ACC on a regular basis.

The Head of Internal Audit reports directly to the ACC, and meets regularly with the chairman of the ACC to report back on the function's status, progress and findings.

During the year the committee met with the Head of Internal Audit without management being present.

Compliance

The Bank's compliance plan for the year is reviewed and approved by the ACC to ensure adequate coverage of all the key areas. Findings are reported regularly to the ACC to ensure that the compliance function effectively discharges its responsibility. The Head of Compliance and Legal Services reports directly to the ACC, and meets regularly with the chairman of the ACC to report back on the function's status, progress and findings.

During the year the committee met with the Head of Compliance and Legal Services without other members of management being present.

Governance of risk

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

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

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

Combined assurance

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

The ACC is satisfied that it has fulfilled its statutory, regulatory and other responsibilities in accordance with its terms of reference.

R A Shough
30 April 2019
Chairman: Audit and Compliance Committee

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018 R'000	2017 R'000
ASSETS			
Cash and cash equivalent	1	296 293	300 691
Derivative financial instruments	2	5 593	22 380
Short-term negotiable securities	3	1 126 023	135 788
Other investments	4	15	15
Accounts receivable	5	26 961	13 339
Loans and Advances	6,7	1 765 003	1 772 553
Investment Property	8	-	9 500
Property and equipment	9	15 417	16 767
Intangible assets	10	86 222	83 730
TOTAL ASSETS		**3 321 527**	**2 354 763**
EQUITY & LIABILITIES			
EQUITY			
Share capital	11	39 572	31 781
Share premium	12	460 579	406 404
Revaluation reserves	13	-	4 597
Accumulated loss		(207 121)	(166 347)
TOTAL EQUITY		**293 030**	**276 435**
Derivative financial instruments	2	5 794	20 400
Deposits and current accounts	15	2 917 007	1 941 563
Accounts payable	16	55 696	66 365
Long term debt instruments	14	50 000	50 000
TOTAL LIABILITIES		**3 028 497**	**2 078 328**
TOTAL EQUITY AND LIABILITIES		**3 321 527**	**2 354 763**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	2018 R'000	2017 R'000
Interest income	18.1	220 391	215 882
Interest expense	18.2	(140 399)	(127 284)
Net interest income		**79 992**	**88 598**
Net release (charge) for bad and doubtful advances	7	5 575	(11 181)
Non-interest income	18.3	53 103	60 856
Operating income		**138 670**	**138 273**
Staff cost	18.4	(80 733)	(75 745)
Depreciation and amortisation	18.4	(15 537)	(12 578)
Operating lease expenses	18.4	(11 577)	(10 690)
Other operating expenses	18.4	(79 110)	(64 080)
Loss before taxation		**(48 287)**	**(24 820)**
Loss on revaluation of Investment property		**-**	**(900)**
Income tax expense	19	-	-
LOSS FOR THE YEAR		**(48 287)**	**(25 720)**
OTHER COMPREHENSIVE LOSS NET OF TAXATION			
Net profit (loss) on short term negotiable instruments (reclassification)	3	137	(38)
Total comprehensive loss for the year		**(48 150)**	**(25 758)**
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Holding company		(48 252)	(25 675)
Minority shareholders		(35)	(45)
		(48 287)	**(25 720)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Holding Company		(48 115)	(25 713)
Minority Shareholders		(35)	(45)
		(48 150)	**(25 758)**

CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018

	Share Capital R'000	Share premium R'000	Short term negotiable instruments R'000	Properties revaluation reserve R'000	Accumulated loss R'000	Total R'000
BALANCE AT 1 JANUARY 2017	**28 019**	**375 166**	**(99)**	**4 734**	**(140 627)**	**267 193**
Issue of ordinary shares	3 762	31 238	-	-	-	35 000
Loss for the year	-	-	-	-	(25 720)	(25 720)
Other comprehensive loss for the year	-	-	(38)	-	-	(38)
BALANCE AT 31 DECEMBER 2017	**31 781**	**406 404**	**(137)**	**4 734**	**(166 347)**	**276 435**
IFRS 9 ECL Adjustment	-	-	-	-	2 779	2 779
Restated total equity at the beginning of the financial year	**31 781**	**406 404**	**(137)**	**4 734**	**(163 568)**	**279 214**
Issue of ordinary shares	7 791	54 175	-	-	-	61 966
Revaluation reserve recognised on sale of Investment property	-	-	-	(4 734)	4 734	-
Loss for the year	-	-	-	-	(48 287)	(48 287)
IFRS 9 reclassification of short term negotiable instruments to amortised cost	-	-	137	-	-	137
BALANCE AT 31 DECEMBER 2018	**39 572**	**460 579**	**-**	**-**	**(207 121)**	**293 030**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 R'000	2017 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	24.1	249 541	282 449
Cash paid to customers, suppliers and employees	24.2	(308 002)	(277 799)
Cash (utilised) generated from operations	**24.5**	**(58 461)**	**4650**
Net increase in income earning assets	24.3	(985 348)	(43 993)
Net increase in deposits and other accounts	24.4	964 771	74 849
Net cash (outflow) / inflow from operating activities		**(79 038)**	**35 506**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(13 948)	(16 393)
Purchase of equipment		(3 719)	(6 842)
Proceeds on sale of property and equipment		6 795	1 892
Net cash outflow from investing activities		**(10 872)**	**(21 343)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity instruments of the Bank		61 966	35 000
Net cash inflow from financing activities		**61 966**	**35 000**
NET CASH (OUTFLOW) INFLOW FOR THE YEAR		**(27 944)**	**49 163**
Net cash flow effect of exchange rate movements		**23 546**	**(5 033)**
Cash and cash equivalents at the beginning of the year		300 691	256 561
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**296 293**	**300 691**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As at 31 December 2018

1. STATEMENT OF COMPLIANCE

The Financial Statements of the Bank have been prepared in accordance with International Financial Reporting Standards

("IFRS") and are stated in South African Rands, rounded to the nearest thousand (unless otherwise stated).

2. BASIS OF PREPARATION

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

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 Bank 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 R20m and increase financial liabilities by R20.2million and 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 Bank has assessed the impact of IFRS 15 and the impact is not material. The Bank 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 Bank adopted IFRS 9 on 1 January 2018 and the effect is disclosed in note 29 of the financial statement.

4. FOREIGN CURRENCY TRANSLATION

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

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

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

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

5. FINANCIAL INSTRUMENTS

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

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

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

- Doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost.
- A book of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided internally on that basis to key management personnel, for example the Board of Directors and the Chief Executive Officer;

The fair value designation, once made, is irrevocable.

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

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

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 on the priciple amount outstanding are measured at amortised cost.
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

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

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

6. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

7. SHORT TERM NEGOTIABLE SECURITIES/ INVESTMENT SECURITIES

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

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

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

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

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

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

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

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

8. RECLASSIFICATION OF FINANCIAL INSTRUMENTS

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

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

If there is a change in intention or ability to hold a debt financial Instrument to maturity, the Bank reclassifies such instruments out of the held for trading category and into the held-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 Bank reassesses at the reclassification date whether the embedded derivatives need to be separated from the host contract, on the basis of the circumstances that existed when the Bank became a party to the contract.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

10. 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 Bank initially recognises a financial instrument at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. Such a difference between the transaction price and the model value is commonly referred to as “Day 1 profit or loss”. The Bank does not recognise that initial difference, immediately in profit or loss.

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

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

11. LOANS AND ADVANCES

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

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

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

11.1. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

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

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

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

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

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

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

Credit impaired (stage 3)

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

Quantitative Indicators:

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

Qualitative guidelines:

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

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

Write-off

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

Renegotiation

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

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

Loan modifications that are not credit impaired

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

Stage 2

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

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

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

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

RISK GRADING	LOWER 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%

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

In Arrears:

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

DAYS SINCE LAST DEPOSIT / 30.4375	ARREARS RATIO
<1	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 Bank is aware that the borrower is experiencing difficulty servicing other borrowings.
- The Bank becomes aware of any significant deterioration in the credit record of the borrower.
- There is a significant deterioration in the borrower's financial position.
- The advance has been restructured due to distress and 6 consecutive payments need to be met before the loan is removed from the watch list.
- Any event that is perceived as a change in the risk to the Bank for the worse.

Managed Accounts

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

Quantitative indicators:

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

Qualitative indicator:

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

Future Economic variables

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

Stage 1

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

Movement between stages

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

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%

they no longer exhibit any evidence of credit impairment as described above.

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 advances and is not recognised as part of profit and loss.

Credit Risk

Credit risk is defined as the posslblllty 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 22.7 in the notes of the financial statements.

12. ACCOUNTING POLICIES APPLIED UNTIL 31 DECEMBER 2017 WHICH MATERIALLY CHANGED ON 1 JANUARY 2018 DUE TO IFRS 9 IMPLEMENTATION

Loans and advances

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

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 interest income over the life of the loan using the effective interest rate method, unless they are designated as at "fair value through profit or loss".

Impairment losses on loans and advances

The Bank assesses at each reporting date whether there is objective evidence that a loan (or bank of loans) is impaired. The Bank assesses whether objective evidence of impairment exists for loans that are considered individually significant (Specific Provision) and collectively for loans that are not considered individually significant (General Provision).

A loan (or bank of loans) is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan ("loss event") and that loss event (or events) has an impact on the estimated future cash flows of the loan (or bank of loans) that can be reliably estimated. A credit risk provision for loan impairment is established if there is objective evidence that the Bank will be unable to collect all amounts due on a claim according to the original contractual terms.Objective evidence that a claim is impaired includes observable data that comes to the Bank's attention about the following loss events, but not restricted to:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments (in arrears for a period over 90 days);
- the Bank, for economic or legal reasons relating to the borrower's financial difficulty;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a bank of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank, including:
  - adverse changes in the payment status of borrowers in the Bank (e.g. an increased number of delayed payments); or
  - national or local economic conditions that correlate with defaults on the assets in the Bank.

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 non-performing loans and is not recognised as part of profit and loss.

In determining impairment losses the bank applies judgement whether there is any information indicating that there may be a measurable decrease in the expected cash flow from a certain portfolio of loans, prior to the identification of a possible single impaired loan contained in a specific portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects and conditions in the historical period that do not currently exist.

Management utilises estimates based on historical loss experience for assets with similar credit attributes and any other evidence collected during normal course of business in the calculation of the different credit portfolios expected future cash flows. Management regularly reviews the methodologies and assumptions applied in the calculation of the estimated future cash flows, the timing thereof and the amount. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income as part of impairment losses on loans and advances to customers.

Financial instruments

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

Financial assets and liabilities at fair value through profit and Loss

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

- Doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost such as loans and advances to customers or banks and debt securities in issue;
- A book of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided internally on that basis to key management personnel, for example the Board of Directors and the Chief Executive Officer;
- The financial instruments contain one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments and would have to be separated if not in this category.

The fair value designation, once made, is irrevocable.

Measurement

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value and subsequently measured at fair value. Gains and losses on disposal or redemption and unrealised gains and losses from changes in the fair value are included in fair value gains and losses.

Dividend income is recognised in the income statement when the right to receive payment is established. This is the ex-dividend for equity securities and is separately reported and included in "Net other income / (expense)".

The amount of change during the period, and cumulatively, in the fair values of designated financial liabilities and loans and advances to customers that is attributable to changes in their credit risk is determined as the amount of change in the fair value that is not attributable to changes in market conditions that give rise to market risk.

Investment securities

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

Available for sale 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 are determined by applying recognised valuation techniques such as price/earnings or price/cash flow ratios, refined to reflect the specific circumstances of the issuer. Unquoted equity instruments whose fair value cannot be reliably estimated are carried at cost. Unrealised gains and losses arising from changes in the fair value of available for sale investment securities are reported in shareholders' equity, net of taxes (where applicable), until such investment is sold, collected or otherwise disposed of, or until such investment is determined to be impaired.

Available for sale investment securities may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or equity prices. When an available for sale 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.

Held-to-maturity investment securities consist of nonderivative, 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 investment securities consist of non-derivative investment securities with fixed or determinable payments that are not quoted in an active market.

Held-to-maturity and loan and receivable 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.

Impairment: The Bank assesses at each reporting date whether there is objective evidence that an investment security or a Bank is impaired of such securities. Particularly for equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered, among other factors, in determining whether the assets are impaired.

If any objective evidence of impairment exists for available for- sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Statement of Comprehensive Income.The amount of the impairment loss for held to maturity and loans and receivable investment securities, which are carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

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.

13 DERECOGNITION

13.1. FINANCIAL ASSETS

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

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

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

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

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

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

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 Bank 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 Bank estimates cash flows, considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

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

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 Bank for use in the supply of services or for administrative purposes. Property and equipment are initially recorded at cost, which includes all costs that are required to bring an asset into operating condition.

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

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

Depreciation of an item of property and equipment begins when it is available for use and ceases only when the asset is derecognised. Therefore, the depreciation of an item of property and equipment that is retired from active use does not cease unless it is fully depreciated, but its useful life is reassessed. Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows: At each reporting date the Bank assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Where property is revalued, the write down is first applied to the

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

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 Bank that are anticipated to generate future economic benefits exceeding costs beyond one year. Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Computer software development costs recognised as assets, are amortised using the straight-line method over their useful lives, not exceeding a period of 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 Bank is recognised as an expense when it is incurred.

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

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

18.1. IMPAIRMENT OF INTANGIBLE ASSETS

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

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

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

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

19. INVESTMENT PROPERTY

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

20.1.1. FINANCE LEASE:

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

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

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

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.

20.2. THE BANK IS THE LESSOR

20.2.1. 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.

20.2.2. 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.

21. CASH AND CASH EQUIVALENTS

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

22. PROVISIONS

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

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

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

23. EMPLOYEE BENEFITS

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

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

23.1. DEFINED CONTRIBUTION PLANS

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

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

23.2. OTHER POST-RETIREMENT BENEFIT PLANS

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

24. 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.

25. 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.

26. SHARE CAPITAL

26.1. 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.

27. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Introduction

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

Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the Bank. The assumptions and estimates applied for fair value measurement is included in note 21.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

As at 31 DECEMBER 2018

1. Cash And Cash Equivalents

	2018 R'000	2017 R'000
1. CASH AND CASH EQUIVALENTS		
Coin and bank notes	33	33
Local currency deposits with other banks	58 615	57 017
Foreign currency balances	167 941	100 373
Balances with the Central Bank	69 704	143 268
	296 293	**300 691**
The mandatory South African Reserve Bank reserve requirement is included in the above figures.	57 013	48 861

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%.

		2018 R'000	2017 R'000
Foreign currency balances		**167 941**	**100 373**
US Bank, New York	USD	2 031	-
Wespac Bank Corp, Sydney	AUD	-	140
Deutsche Bank, Frankfurt	CAD	4 301	669
Standard Chartered Bank Botswana, Botswana	BWP	-	13
Inteso Saint Paolo (previously Banca Commerciale Italiana), Milano	EUR	1 651	2 521
Deutsche Bank, Frankfurt	EUR	54 696	25 211
National Bank of Greece, Athens	EUR	71	1 034
National Bank of Greece, London	GBP	-	888
Deutsche Bank, London	GBP	7 708	6 449
Bank of Tokyo, Tokyo	JPY	15 036	12 675
Deutsche Bankers Trust, New York	USD	60 298	25 754
United Overseas Bank, (Collateral)	USD	-	15 137
Stanbic Bank, Botswana	BWP	27	-
Standard Bank of South Africa, Johannesburg (Collateral)	USD	22 122	9 882

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 26.

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.

	2018 R'000	2017 R'000
ASSETS		
FOREIGN EXCHANGE CONTRACTS		
Notional	286 013	273 810
Fair value	**5 593**	**22 380**
LIABILITIES		
FOREIGN EXCHANGE CONTRACTS		
Notional	266 614	277 249
Fair value	**5 794**	**20 400**

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.

	2018 R'000	2017 R'000
INVESTMENTS HELD TO MATURITY		
At 1 January	**135 788**	153 026
Purchased Treasury Bills and Debentures	1 768 685	404 435
Proceeds from sale of Treasury Bills and Debentures	(792 379)	(431 090)
Interest earned	13 792	9 455
Reclassification to amortised cost	137	(38)
At 31 December	**1 126 023**	**135 788**

4. 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.

	2018 R'000	2017 R'000
FINANCIAL ASSET CARRIED AT FAIR VALUE		
Unlisted - Dandyshelf 3 (Pty) Ltd		
Fair value	**15**	**15**

5. Accounts Receivable

Accounts receivable	3 727	2 030
Prepaid expenses	8 954	2 992
Other receivables	14 145	8 317
Receiver of revenue	135	-
	26 961	**13 339**

6. Loans And Advances

All the loans and 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)	(158)
	1 798 289	**(33 286)**	**1 765 003**

	Gross loans R'000	Expected Credit Loss (ECL) R'000	Net Loans R'000
2017			
Business and Commercial Banking	1 823 713	(51 160)	1 772 553
Guarantees	-	-	-
	1 823 713	**(51 160)**	**1 772 553**

6. Loans And Advances Continued

LOAN PRODUCT BY CREDIT QUALITY	OVERDRAFTS Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2018 Total R'000	2017 Total R'000
Standard monitoring	133 269	19 835	-	153 104	128 577
Special monitoring	-	4 738	-	4 738	4 522
Default	-	-	4 228	4 228	7 137
Gross carrying amount	133 269	24 573	4 228	162 070	140 236
Loss allowance	(602)	(952)	(1197)	(2751)	(7 229)
	132 667	**23 621**	**3 031**	**159 319**	**133 007**

LOAN PRODUCT BY CREDIT QUALITY	PROPERTY, COMMERCIAL AND OTHER TERM LOANS Stage 1 12 month ECL	Sage 2 Lifetime ECL	Stage 3 Lifetime ECL	2018 Total R'000	2017 Total R'000
Standard monitoring	564 782	23 185	-	587 967	632 145
Special monitoring	-	9 588	-	9 588	12 476
Default	-	-	68 794	68 794	55 073
Gross carrying amount	564 782	32 773	68 794	666 349	699 694
Loss allowance	(1 294)	(410)	(12 381)	(14 085)	(14 227)
	563 488	**32 363**	**56 413**	**652 264**	**685 467**

LOAN PRODUCT BY CREDIT QUALITY	HOME LOANS Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2018 Total R'000	2017 Total R'000
Standard monitoring	667 829	36 847	-	704 676	685 834
Special monitoring	-	22 891	-	22 891	24 907
Default	-	-	44 722	44 722	51 574
Gross carrying amount	667 829	59 738	44 722	772 289	762 315
Loss allowance	(2 165)	(2 249)	(6 274)	(10 688)	(13 930)
	665 664	**57 489**	**38 448**	**761 601**	**748 385**

LOAN PRODUCT BY CREDIT QUALITY	INSTALMENT CREDIT AND LEASE AGREEMENTS Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2018 Total R'000	2017 Total R'000
Standard monitoring	152 580	35 875	-	188 455	204 430
Special monitoring	-	4 123	-	4 123	7 128
Default	-	-	5 003	5 003	9 910
Gross carrying amount	152 580	39 998	5 003	197 581	221 468
Loss allowance	(600)	(936)	(4 068)	(5 604)	(15 774)
	151 980	**39 062**	**(934)**	**191 977**	**205 694**

LOAN PRODUCT BY CREDIT QUALITY	LOANS AND ADVANCES			2018 Total R'000	2017 Total R'000
Standard monitoring	1 518 460	115 742	-	1 634 202	1 650 987
Special monitoring	-	41 340	-	41 340	49 032
Default	-	-	122 747	122 747	123 694
Gross carrying amount	1 518 460	157 082	122 747	1 798 289	1 823 713
Loss allowance	(4 661)	(4 547)	(23 920)	(33 128)	(51 160)
NET LOANS AND ADVANCES	**1 513 799**	**152 535**	**98 827**	**1 765 161**	**1 772 553**

6. Loans And Advances Continued

LOAN PRODUCT BY CREDIT QUALITY	GUARANTEES AND LETTERS OF CREDIT Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2018 Total R'000	2017 Total R'000
Standard monitoring	69 657	4 851	-	74 508	82 286
Special monitoring	-	570	-	570	457
Default	-	-	-	-	-
Gross carrying amount	69 657	5 421	-	75 078	82 743
Loss allowance	(135)	(23)	-	(158)	-
	69 522	**5 398**	**-**	**74 920**	**82 743**

	2018 R'000	2017 R'000
CATEGORY ANALYSIS		
Overdrafts	157 842	133 099
Property, commercial and other loans	597 555	644 621
Home loans	727 567	710 741
Instalment credit and lease agreements	192 578	211 558
Non-Performing Loans	122 747	123 694
	1 798 289	**1 823 713**

Included in ECL is suspended interest amounting to R8,859,004 (2017: R 12,751,474). The Bank continues to accrue interest, where appropriate on doubtful debts when there is a realistic prospect of recovery.

This interest is not recognised in the income statement but allocated to the 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	2017 R'000
Less: Expected credit loss (ECL) - Refer Note 7	(33 286)	(51 160)
Overdrafts	(2 751)	(7 229)
Property, commercial and other loans	(14 085)	(14 227)
Home loans	(10 688)	(13 930)
Instalment credit and lease agreements	(5 604)	(15 774)
Guarantees	(158)	-
NET LOANS AND ADVANCES	**1 765 003**	**1 772 553**
SECTORIAL ANALYSIS		
Agriculture	390	77
Financial, Building and property development	835 672	802 919
Individuals	528 297	542 114
Manufacturing and commerce	119 810	128 708
Transport and communication	74 339	80 823
Electricity and Water	4 083	2 369
Mining	5 030	-
Other services	230 668	266 703
	1 798 289	**1 823 713**
MATURITY ANALYSIS		
Maturing within one year	**350 400**	**381 329**
Maturing after one year but within five years	**709 746**	**700 396**
Maturing after five years	**738 143**	**741 988**
	1 798 289	**1 823 713**

6. Loans And Advances Continued

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

NON PERFORMING LOANS AND ADVANCES BY CATEGORY 2018	As a % of Advances	Credit Risk R'000	Securities and other expected recoveries R'000	Impairment allowance R'000
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**

NON PERFORMING LOANS AND ADVANCES BY CATEGORY 2017	As a % of Advances	Credit Risk R'000	Securities and other expected recoveries R'000	Impairment allowance R'000
Overdraft	0,39%	7 138	2 471	4 666
Commercial and property loans	3,02%	55 073	45 178	9 895
Instalment sale	0,54%	9 910	4 500	5 410
Home loans	2,83%	51 574	41 381	10 193
TOTAL 2017	**6,78%**	**123 694**	**93 530**	**30 164**

NON PERFORMING LOANS AND ADVANCES BY SECTOR				
Individuals	1,81%	33 071	24 495	8 576
Manufacturing	2,52%	45 911	36 915	8 996
Transport	0,02%	454	-	454
Financial and Real Estate	1,81%	32 937	26 822	6 115
Other services	0,62%	11 321	5 297	6 023
TOTAL 2017	**6,78%**	**123 694**	**93 530**	**30 164**

6. Loans And Advances Continued

MORTGAGE PORTFOLIO - LTV DISTRIBUTION	Credit impaired (Gross Carrying amount) 2018 R'000	Credit impaired (Gross Carrying amount) 2017 R'000
Less than 50%	-	-
50% to 60%	1 714	-
60 to 70%	681	2 201
70 % to 80%	2 121	2 019
80% to 90%	5 884	1 337
90%to 100%	14 676	19 331
Greater than 100%	19 646	26 686
	44 722	**51 574**

EXPECTED CREDIT LOSS PROVISION: RECONCILIATION OF MOVEMENT	LOANS AND ADVANCES INCLUDING GUARANTEES			
	Stage 1 12 month ECL R'000	Stage 2 Lifetime ECL R'000	Stage 3 Lifetime ECL R'000	2018 R'000
Balance as at 1 January 2018	8 641	12 353	30 166	51 160
IFRS 9 opening balance adjustment	(2 779)	-	-	(2 779)
Movements with P&L impact				
New loans and advances originated	2 104	-	-	2 104
New loans and advances originated moved from stage 1 to stage 2	(515)	515	-	-
Settlement of loans and advances	(915)	(1 765)	(1 195)	(3 875)
Amounts written off	-	-	(9 232)	(9 232)
Transfers:				
Transfer from Stage 1 to Stage 2	(387)	1 663	-	1 276
Transfer from Stage 1 to Stage 3	(4)	-	4	-
Transfer from Stage 2 to 3	-	(1 093)	1 093	-
Transfer from Stage 2 to 1	342	(4 595)	-	(4 253)
Transfer from Stage 3 to 2	-	118	(1 180)	(1 062)
Transfer from Stage 3 to 1	14	-	(940)	(926)
Changes in PD's/LGD's/EAD	(1 706)	(2 626)	5 205	873
	4 795	**4 570**	**23 921**	**33 286**

6. Loans And Advances Continued

SECURITIES IN RESPECT OF LOANS AND ADVANCES	2018 R'000	2017 R'000
Overdrafts, property and commercial loans		
- Cash Investments	15 079	19 085
- Guarantees	4 759	-
- Mortgage Bonds	661 491	707 216
- Ceded Insurance Policies	460	130
- Other Securities	257	412
- Secondary Security	14 088	17 250
	696 134	**744 093**
Home Loans		
- Mortgage Bonds (Residential)	**727 277**	**710 617**
Instalment credit and lease agreements	**192 578**	**211 558**
Non-performing loans:		
- Mortgage Bonds (residential and commercial)	97 892	89 053
- Assets Financed in respect of Instalment Credit Agreement	933	4 499
	98 825	**93 552**
Total secured loans and advances	1 714 814	1 759 820
Total unsecured loans and advances	83 475	63 893
TOTAL LOANS AND ADVANCES	**1 798 289**	**1 823 713**

7. Credit Impairment For Loans And Advances

	2018 R'000	2017 R'000
7. CREDIT IMPAIRMENT FOR LOANS AND ADVANCES		
Balance at 1 January	51 160	130 895
IFRS 9 General impairment adjustment to opening balance	(2 779)	-
Amounts written off against provisions	(9 232)	(91 849)
	39 149	**39 046**
Charge to the Statement of Comprehensive Income	(5 575)	11 181
Specific impairment: raised in the current year	8 350	20 115
Specific provisions: recoveries of balances raised in current year	(3 824)	(8 001)
Portfolio impairment reversal	(8 850)	-
Recoveries of Balance previously written off	(1 251)	(933)
Recoveries of Balance previously written off	1 251	933
Interest in Abeyance raised deducted against interest income	6 870	-
Interest on Abeyance recovered included in interest income	(8 409)	-
Balance at 31 December	**33 286**	**51 160**
ANALYSIS		
Specific Impairment (Stage 3)	23 921	30 166
General Impairment (Stage 1 and Stage 2)	9 365	20 994
	33 286	**51 160**
SECTORIAL ANALYSIS		
Individuals	6 272	14 862
Manufacturing	10 803	9 998
Transport and communication	1 130	1 447
Financial and real estate	9 271	15 525
Mining	26	-
Electricity and water	-	29
Other Services	5 784	9 299
	33 286	**51 160**

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.

8. Investment Property

	2018 R'000	2017 R'000
Opening Balance	9 500	10 400
Revaluation	-	(900)
Sale of property	(9 500)	-
CARRYING AMOUNT	**-**	**9 500**

Investment Properties, comprising of erf 1139, Marshalltown, was sold in December 2018 for R6.7million.

9. Property And Equipment

COST OR VALUATION	Land and Buildings (R'000)	Motor Vehicles (R'000)	Properties Brought in (R'000)	Furniture and Fittings (R'000)	Office Equipment (R'000)	Computer Equipment (R'000)	Total (R'000)
Balance as at 1 January 2017	-	1 307	79	27 071	5 141	12 505	46 103
Additions	-	323	-	4 945	734	840	6 842
Disposals	-	(245)	-	(7 561)	(490)	(2 507)	(10 803)
Revaluation	-	-	-	-	-	-	-
Transfer to Investment Property	-	-	-	-	-	-	-
Balance as at 1 January 2018	**-**	**1 385**	**79**	**24 455**	**5 385**	**10 838**	**42 142**
Additions	-	-	-	2 819	237	663	3 719
Disposals	-	(202)	-	(1 020)	(3 031)	(5 196)	(9 449)
Revaluation	-	-	-	-	-	-	-
Transfer to Investment Property	-	-	-	-	-	-	-
At 31 December 2018	**-**	**1 183**	**79**	**26 254**	**2 591**	**6 305**	**36 412**
ACCUMULATED DEPRECIATION							
Balance as at 1 January 2017	**-**	(1 307)	(79)	(14 101)	(4 349)	(10 726)	(30 562)
Depreciation charge for the year	-	(48)	-	(2 823)	(397)	(1 010)	(4 278)
Eliminated on disposal	-	245	-	6 236	484	2 500	9 465
Balance as at 1 January 2018	**-**	**(1 110)**	**(79)**	**(10 688)**	**(4 262)**	**(9 236)**	**(25 375)**
Depreciation charge for the year	-	(65)	-	(3 526)	(337)	(914)	(4 842)
Eliminated on disposal	-	202	-	829	3 013	5 178	9 222
At 31 December 2018	**-**	**(973)**	**(79)**	**(13 385)**	**(1 586)**	**(4 972)**	**(20 995)**
CARRYING AMOUNT							
At 31 December 2017	-	275	-	13 767	1 123	1 602	16 767
At 31 December 2018	**-**	**210**	**-**	**12 869**	**1 005**	**1 332**	**15 417**

10. Intangible Assets

	Cost R'000	Amortisation R'000	Carrying Amount R'000
At 31 December 2016	115 909	(39 974)	75 935
Additions	16 393	-	16 393
Disposals	(9 376)	9 078	(298)
Amortisation for the year	-	(8 300)	(8 300)
At 31 December 2017	**122 926**	**(39 196)**	**83 730**
Additions	13 948	-	**13 948**
Disposals	(7 679)	6 918	**(761)**
Amortisation for the year	-	(10 695)	**(10 695)**
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.

11. Share Capital

	2018 R'000	2017 R'000
Authorised		
100 000 000 ordinary shares of R1 each (par value)	100 000	100 000
ISSUED AND FULLY PAID		
At the beginning of the year 31 781 000 shares of R1 each	31 781	28 019
Shares issued at R1 each during the year	7 791	3 762
At the end of the year 39 572 223 (2017: 31 781 029) shares of R1 each	**39 572**	**31 781**

The Bank has one class of ordinary shares which carry no right to fixed income. The un-issued shares are under the control of the Directors subject to the notification to and specific approval by GroCapital Holdings Ltd., until the next AGM.

12. Share Premium

	2018 R'000	2017 R'000
Balance at beginning and end of the year	406 404	375 166
Shares issued during the year	54 175	31 238
Balance at end of the year	**460 579**	**406 404**

13. Revaluation Reserves

	Short term negotiable instruments (R'000)	Property revaluation reserve (R'000)	Total (R'000)
Balance at 1 January 2017	**(99)**	**4 734**	**4 635**
Decrease in fair value of available for sale investment	(38)	-	(38)
Balance at 1 January 2018	**(137)**	**4 734**	**4 597**
.			
Reclassification to amortised cost	137	-	137
Sale of property	-	(4 734)	(4 734)
Balance as at 31 December 2018	**-**	**-**	**-**

14. Long Term Debt Instruments

LONG TERM DEBT INSTRUMENTS	2018 R'000	2017 R'000
7 year Debentures - Issued 30 November 2016	20 000	20 000
7 year Debentures - Issued 30 December 2016	30 000	30 000
	50 000	**50 000**

Comprises of 2 unsecured debentures issued in 2015. The debentures issued on 30 November 2015 bears interest at the aggregate of the applicable 6 month JIBAR plus a margin of 10.39 percent per annum with a maturity of 7 years. The debentures issued on 31 December 2015 bears interest at the aggregate of the applicable 6 month JIBAR plus a margin of 10.87 percent per annum with a maturity of 7 years. The capital amount is repayable on maturity. The debentures at the sole discretion of the Reserve Bank can be converted into ordinary shares on the occurrence of an event. The debentures qualified as Tier 2 capital in terms of the Bank Regulations. The future discounted cashflows are disclosed in note 20. The debenture instruments were redeemed in January 2019, with Reserve Bank approval.

15. Deposits And Current Accounts

DEPOSITS AND CURRENT ACCOUNTS	2018 R'000	2017 R'000
Demand deposits	1 693 067	699 218
Customer foreign currency deposits (demand deposits)	154 483	112 888
Term deposits	706 185	412 831
	2 553 735	**1 224 937**
Deposits from banks	363 272	716 626
	2 917 007	**1 941 563**

INCLUDED IN DEPOSITS FROM BANKS ARE:	2018 R'000	2017 R'000
Amounts due to holding company	-	715 727
Amounts due to fellow subsidiaries	-	899
Amounts due to other banks	363 272	-
	363 272	**716 626**

15. Deposits And Current Accounts Continued

MATURITY ANALYSIS	2018 R'000	2017 R'000
On demand	1 878 527	827 763
Maturing within one month	5 289	13 393
Maturing after one but within six months	347 455	367 040
Maturing after six months but within twelve months	685 737	733 367
	2 917 007	**1 941 563**

16. Accounts Payable

ACCOUNTS PAYABLE	2018 R'000	2017 R'000
Accruals	23 042	22 176
Sundry creditors	32 654	44 189
	55 696	**66 365**

17. Contingencies And Commitments

	2018 R'000	2017 R'000
17.1 CONTINGENCIES		
Letters of credit	3 259	2 026
Liabilities under guarantees	71 819	80 717
Revocable unutilised facilities	109 906	109 891
Irrevocable unutilised facilities	105 286	87 648
EFT Debit services	2 200	1 000
Legal claim instituted by borrowers	45 000	47 500
Committed capital expenditure	3 244	9 408
	340 714	**338 190**

17.2 COMMITMENTS UNDER OPERATING LEASES	2018 R'000	2017 R'000
Within 1 year	12 263	11 218
2 to 5 years	18 402	29 818
After 5 years	-	-
	30 665	**41 036**

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

18. Profit / (Loss) From Operations

	2018 R'000	2017 R'000
18.1 INTEREST INCOME		
Balances with banks and short-term funds	14 055	8 337
Short-term negotiable securities	13 792	9 455
Loans and advances - performing	184 125	189 601
Loans and advances - interest in abeyance	-	8 425
Recovery of interest in abeyance	8 409	-
Other interest earned	10	64
	220 391	**215 882**
18.2 INTEREST EXPENSE		
Deposits from banks	2 173	53 012
Current and call deposit accounts	32 319	21 397
Savings accounts	6 430	9 290
Other term deposits	90 365	34 286
Interest bearing long-term debt	9 112	9 299
	140 399	**127 284**
18.3 NON - INTEREST INCOME		
Fee Income	39 960	44 139
Foreign exchange profit	10 977	12 789
Profit (Loss) on sale of equipment	119	255
Other income	2 047	3 673
	53 103	**60 856**
18.4 OPERATING EXPENSES		
Staff costs	**80 733**	**75 745**
Salaries, wages and allowances	54 534	48 441
Contributions to provident fund and other staff funds	11 965	11 164
Directors' emoluments	12 503	12 161
Other	1 731	3 979
Depreciation and amortisation	15 537	12 578
Motor vehicles	65	48
Furniture and fittings	3 526	2 823
Office equipment	337	397
Computer equipment	914	1 010
Depreciation properties brought in	-	-
Computer software	10 695	8 300
Operating lease charges premises	11 577	10 690
Loss on disposal of assets	3 816	-
Other operating expenses	75 294	64 080
	186 957	**163 093**

19. Taxation

The Bank is in a tax assessed loss position of R216 867 888 as at 31 December 2017.
A deferred tax asset has not been recognised. The raising of a deferred tax asset will be considered based on future profitability.

	2018	2017
	%	%
Standard Rate of income tax	28.00	28.00
Disallowed expenditure	4.33	10.76
Unused portion of assessed tax losses not recognised	(32.33)	(38.76)
Effective tax rate	**0.00**	**0.00**

20. Undiscounted Cash Flows Of Financial Liabilities

	Carrying Amount	Subject to notice	Up to 1 month	1-3 months	3 - 12 months	1 - 2 years	2 - 5 years	5+ years
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2018								
Derivative financial instrument	5 794	-	3 645	1 976	173	-	-	-
Due to customers	2 553 734	244 925	1 846 600	73 348	388 861	-	-	-
Due to banks	363 272	363 272	-	-	-	-	-	-
Long term debt instrument	86 573	-	-	2 272	6 942	9 214	68 145	-
Accounts payable	50 596	-	22 766	2 391	12 753	1 558	3 856	7 272
	3 059 969	**608 197**	**1 873 011**	**79 987**	**408 729**	**10 772**	**72 001**	**7 272**

	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
2017								
Derivative financial instrument	20 400	-	3 936	13 392	3 072	-	-	-
Due to customers	1 225 836	282 269	825 520	57 456	69 051	-	-	-
Due to banks	756 704	-	14 805	-	741 899	-	-	-
Long term debt instrument	95 576	-	-	-	9 172	9 172	77 232	-
Accounts payable	59 049	-	29 385	953	11 671	1 724	709	14 607
	2 157 565	**282 269**	**873 646**	**71 801**	**834 865**	**10 896**	**77 941**	**14 607**

21. Categories And Fair Values Of Financial Instruments

	2018 Carrying Value	2017 Carrying Value
ASSETS	**R'000**	**R'000**
Held to Maturity	1 126 023	135 788
Short term negotiable securities	1 126 023	135 788
Loans and receivables	2 088 257	2 086 583
Cash and cash equivalents	296 293	300 691
Loans and advances	1 765 003	1 772 553
Other accounts receivables	26 961	13 339
Held for trading	5 593	22 380
Derivative financial instrument	5 593	22 380
Held at fair value	15	15
Other investments	15	15
LIABILITIES		
Held for trading	5 794	20 400
Derivative financial instruments	5 794	20 400
Other financial liabilities	3 022 703	2 057 928
Deposits and current accounts	2 917 007	1 941 563
Long term debt instruments	50 000	50 000
Accounts payable and provisions	55 696	66 365

	2018			2017		
FAIR VALUE LEVELS	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Asset						
Short term negotiable securities		-			135 788	
Derivative Financial Instrument		5 593			22 380	
Other investments			15			15
Liabilities						
Derivative Financial Instruments		5 794			20 400	

21.1 Fair Value Measurements

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

FINANCIAL ASSETS / FINANCIAL LIABILITIES	FAIR VALUE HIERARCHY	VALUATION TECHNIQUES AND KEY INPUTS
1. Foreign currency forward contracts (note 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 4)	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 un-listed investment equates to the fair value which approximates cost as defined in IFRS 13 fair value measurement, these fall within level 3 classifica-tion. If one had to participate in Dandyshelf as a new shareholder a similar amount would be paid for said participation.

22. Financial Risk Management

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

22.1 Market Risk

The Bank seeks to minimise market risk by using derivatives to economically hedge market risk - currency risk. The use of financial derivatives is governed by the Bank's policy approved by the board of directors, which provides written principles on foreign exchange risk, interest rate and credit risk. The Bank does not enter into or trade financial instruments, including derivative instruments for speculative risk purposes.

The Bank's activities expose it primarily to the financial risks of change in foreign currency exchange rate (see note 22.6) and interest rate risk (note 22.4).

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

22.2 Capital Management

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

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

22.2 Capital Management Continued

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

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

- Tier 1 capital: share capital, share premium, general bank reserve and statutory reserves. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: 7 year debentures and collective impairment allowances.

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

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

	2018 R'000	2017 R'000
TIER 1 CAPITAL		
Share capital	39 572	31 781
Share premium	460 579	406 404
Revaluation reserves	-	4 596
Deductions against capital and reserve funds	(207 121)	(166 344)
Less: intangible assets	(86 222)	(83 731)
TOTAL QUALIFYING TIER 1 CAPITAL	**206 808**	**192 706**
TIER 2 CAPITAL		
Term debt instruments	30 000	40 000
Collective impairment allowance	9 365	18 768
TOTAL QUALIFYING TIER 2 CAPITAL	**39 365**	**58 768**
TOTAL REGULATORY CAPITAL	**246 173**	**251 474**
RISK-WEIGHTED ASSETS:		
Credit risk	1 450 577	1 475 433
Counter party risk	14 173	31 660
Market risk	1 327	2 007
Equity risk	15	15
Operational risk	213 875	215 497
Other risk	42 227	39 341
TOTAL RISK-WEIGHTED ASSETS	**1 722 194**	**1 763 953**
CAPITAL ADEQUACY RATIO	**14.29%**	**14.26%**

22.3 Liquidity Risk

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

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

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

	CURRENT				NON CURRENT		
2018	**Up to 1 month R'000**	**1-3 months R'000**	**3 - 6 months R'000**	**7 - 12 months R'000**	**1- 5 years R'000**	**Over 5 years R'000**	**Total R'000**
ASSETS							
Cash and cash equivalents	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	25 192	443	92	55	1 179	-	26 961
Property and equipment	-	-	-	-	-	15 417	15 417
Investment property	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	86 222	86 222
	1 402 827	**221 316**	**50 390**	**139 983**	**612 322**	**894 689**	**3 321 527**
LIABILITIES							
Long term debt instruments	-	-	-	-	50 000	-	50 000
Deposits, current and other accounts	1 883 816	312 018	35 437	685 736	-	-	2 917 007
Derivative financial liabilities	3 645	1 976	125	48	-	-	5 794
Other liabilities	22 765	2 391	7 622	5 134	5 414	12 370	55 696
	1 910 226	**316 385**	**43 184**	**690 918**	**55 414**	**12 370**	**3 028 497**
Contractual liquidity mismatch	**(507 399)**	**(95 069)**	**7 206**	**(550 935)**	**556 908**	**882 319**	**293 030**

22.3 Liquidity Risk Continued

	CURRENT				NON CURRENT		
2017	Up to 1 month R'000	1-3 months R'000	3 - 6 months R'000	7 - 12 months R'000	1- 5 years R'000	Over 5 years R'000	Total R'000
ASSETS							
Cash and cash equivalents	300 691	-	-	-	-	-	300 691
Derivative financial assets	5 726	13 471	2 980	203	-	-	22 380
Short-term negotiable securities	4 995	87 361	43 432	-	-	-	135 788
Other investments	15	-	-	-	-	-	15
Advances*	190 438	47 031	53 561	99 717	632 087	800 879	1 823 713
Other accounts receivable	11 015	755	179	316	1 075	-	13 340
Property and equipment	-	-	-	-	-	16 767	16 767
Investment property	-	-	-	-	9 500	-	9 500
Intangible assets	-	-	-	-	-	83 730	83 730
	512 880	**148 618**	**100 152**	**100 236**	**642 662**	**901 376**	**2 405 924**
LIABILITIES							
Long term debt instruments	-	-	-	-	50 000	-	50 000
Deposits, current and other accounts	841 158	333 925	33 114	733 366	-	-	1 941 563
Derivative financial liabilities	3 936	13 392	2 870	202	-	-	20 400
Other liabilities	29 385	953	2 670	9 001	2 433	21 923	66 365
	874 479	**348 270**	**38 654**	**742 569**	**52 433**	**21 923**	**2 078 328**
Contractual liquidity mismatch	**(361 599)**	**(199 652)**	**61 498**	**(642 333)**	**590 229**	**879 453**	**327 596**

22.4 Interest Rate Risk

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

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

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

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

22.4 Interest Rate Risk Continued

2018	Fixed R'000	Floating R'000	Non-interest sensitive R'000	Total R'000
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	-	-	26 961	26 961
Investment property	-	-	-	-
Property and equipment	-	-	15 417	15 417
Intangible assets	-	-	86 222	86 222
	1 126 023	**1 845 740**	**349 764**	**3 321 527**
LIABILITIES				
Long term debt instruments	-	50 000	-	50 000
Deposits, current and other accounts	450 320	2 466 687	-	2 917 007
Derivative financial liabilities	-	-	5 794	5 794
Other liabilities	-	-	55 696	55 696
	450 320	**2 516 687**	**61 490**	**3 028 497**

2017	Fixed R'000	Floating R'000	Non-interest sensitive R'000	Total R'000
ASSETS				
Cash and cash equivalents	-	66 898	233 793	300 691
Derivative financial assets	-	-	22 380	22 380
Short-term negotiable assets	135 788	-	-	135 788
Other investments	-	-	15	15
Advances	-	1 772 553	-	1 772 553
Other accounts receivable	-	-	13 339	13 339
Investment property	-	-	9 500	9 500
Property and equipment	-	-	16 767	16 767
Intangible assets	-	-	83 730	83 730
	135 788	**1 839 451**	**379 524**	**2 354 763**
LIABILITIES				
Long term debt instruments	-	50 000	-	50 000
Deposits, current and other accounts	231 668	1 709 895	-	1 941 563
Derivative financial liabilities	-	-	20 400	20 400
Other liabilities	-	-	66 365	66 365
	231 668	**1 759 895**	**86 765**	**2 078 328**

22.5 Interest Rate Sensitivity Analysis

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

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

If interest rates increased/decreased by 200 basis points and all other variables remained constant, the Bank's net profit and equity at year-end would increase by R7.3 million and decrease by R7.3 million (2017: increase by R1.7 million and decrease by R8.8million)

2018	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5+ years	Non Interest Bearing	Total R'000
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	-	-	-	-	-	26 961	26 961
Investment property	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	15 417	15 417
Intangible assets	-	-	-	-	-	86 222	86 222
	2 740 564	**183 699**	**-**	**47 500**	**-**	**349 764**	**3 321 527**
LIABILITIES							
Due to other Banks	30 960	-	332 312	-	-	-	363 273
Due to customers	1 852 856	312 018	388 861	-	-	-	2 553 735
Long term debt instruments	-	-	50 000	-	-	-	50 000
Derivative financial liabilities	-	-	-	-	-	5 794	5 794
Other liabilities	-	-	-	-	-	55 696	55 696
	1 883 816	**312 018**	**771 173**	**-**	**-**	**61 490**	**3 028 497**

22.5 Interest Rate Sensitivity Analysis Continued

2017	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5+ years	Non Interest Bearing	Total R'000
ASSETS							
Cash and cash equivalents	66 898	-	-	-	-	233 793	300 691
Derivative financial assets	-	-	-	-	-	22 380	22 380
Short-term negotiable assets	4 995	87 361	43 432	-	-	-	135 788
Other investments	-	-	-	-	-	15	15
Advances	1 772 553	-	-	-	-	-	1 772 553
Other accounts receivable	-	-	-	-	-	13 339	13 339
Investment property	-	-	-	-	-	9 500	9 500
Property and equipment	-	-	-	-	-	16 767	16 767
Intangible assets	-	-	-	-	-	83 730	83 730
	1 844 446	**87 361**	**43 432**	**-**	**-**	**379 524**	**2 354 763**
LIABILITIES							
Due to other Banks	14 727	-	701 000	-	-	-	715 727
Due to customers	1 103 254	57 102	65 480	-	-	-	1 225 836
Long term debt instruments	-	-	50 000	-	-	-	50 000
Derivative financial liabilities	-	-	-	-	-	20 400	20 400
Other liabilities	-	-	-	-	-	66 365	66 365
	1 117 981	**57 102**	**816 480**	**-**	**-**	**86 765**	**2 078 336**

22.6 Foreign Currency Risk Management

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

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

FOREIGN CURRENCY EXPOSURE	ZAR R'000	USD R'000	EURO R'000	Other R'000	Total R'000
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	26 961	-	-	-	26 961
Investment Property	-	-	-	-	-
Property and equipment	15 417	-	-	-	15 417
Intangible assets	86 222	-	-	-	86 222
	3 147 993	**87 702**	**58 622**	**27 210**	**3 321 527**

22.6 Foreign Currency Risk Management Continued

FOREIGN CURRENCY EXPOSURE	ZAR R'000	USD R'000	EURO R'000	Other R'000	Total R'000
2018 LIABILITIES					
Deposits, current and other accounts	2 762 524	88 207	54 906	11 370	2 917 007
Long term debt instruments	50 000	-	-	-	50 000
Derivative financial liabilities	-	2 902	2 115	777	5 794
Other liabilities	55 696	-	-	-	55 696
	2 868 220	**91 109**	**57 021**	**12 147**	**3 028 497**
2017 ASSETS					
Cash and cash equivalents	200 318	50 770	28 767	20 836	300 691
Derivative financial assets	-	16 840	3 633	1 907	22 380
Short-term negotiable assets	135 788	-	-	-	135 788
Other investments	15	-	-	-	15
Loans and advances	1 772 553	-	-	-	1 772 553
Other accounts receivable	13 339	-	-	-	13 339
Investment Property	9 500	-	-	-	9 500
Property and equipment	16 767	-	-	-	16 767
Intangible assets	83 730	-	-	-	83 730
	2 232 010	**67 610**	**32 400**	**22 743**	**2 354 763**
2017 LIABILITIES					
Deposits, current and other accounts	1 828 676	77 901	27 389	7 597	1 941 563
Long term debt instruments	50 000	-	-	-	50 000
Derivative financial liabilities	-	16 822	3 482	96	20 400
Other liabilities	66 364	-	-	-	66 364
	1 945 040	**94 723**	**30 871**	**7 693**	**2 078 327**

22.7 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 11 for definitions and criteria used to allocate loans in stage 1, stage 2 or stage 3.

Refer to note 6 (Loans and advances) and note 7 (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.

Refer to note 29 for the IFRS 9 impact on Financial assets and liabilities

23. Retirement Fund

All permanent employees of the Bank are members of The South African Bank of Athens Provident Fund, a defined contributed fund administered by 10X Investments.

24. Cash Flow From Operating Activities

	2018 R'000	2017 R'000
24.1 CASH RECEIVED FROM CUSTOMERS		
Interest income	218 852	215 882
Non-interest income	30 808	66 822
	249 660	282 704
Profit on sale of assets	(119)	(255)
	249 541	282 449
24.2 CASH PAID TO CUSTOMERS AND EMPLOYEES		
Interest expenditure	(140 399)	(127 284)
Operating expenditure	(186 957)	(163 093)
	(327 356)	(290 377)
Adjusted for:		
Depreciation	4 843	4 278
Amortisation	10 695	8 300
Loss on sale of assets	3 816	-
	(308 002)	**(277 799)**
24.3 INCREASE IN INCOME-EARNING ASSETS		
Negotiable securities and other assets	(990 099)	17 200
Loans and advances	16 192	(49 896)
Net derivative instruments	2 181	(12 925)
Other accounts receivable	(13 622)	1 628
	(985 348)	**(43 993)**
24.4 INCREASE IN DEPOSITS AND OTHER LIABILITIES		
Deposits and current accounts	975 444	47 996
Other accounts payable and provisions	(10 672)	26 853
	964 772	**74 849**
24.5 RECONCILIATION OF (LOSS) / PROFIT TO NET CASH FLOWS FROM OPERATING ACTIV TIES		
Loss from operations	(48 287)	(24 820)
Adjusted for non cash items:		
- Depreciation	4 843	4 278
- Amortisation of intangible assets	10 695	8 300
- Impairment charges	(5 575)	11 181
- Bad debts recovered previously written off	1 251	933
-Interest in Abeyance raised deducted against interest income	(1 539)	-
- (Profit)/loss on sale of asset	3 697	(255)
Adjustment for exchange rate effect on cash and cash equivalents	(23 546)	5 033
CASH GENERATED FROM OPERATIONS	**(58 461)**	**4 650**

25. Related-Party Transactions

RELATED PARTY TRANSACTIONS

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

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

25.1 Identification Of Related Parties

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

25.2 Related-Party Transactions With Holding Company And Its Associated Companies

	Amounts owed by related parties at 31 December 2018 R'000	Amounts owed to related parties at 31 December 2018 R'000
HOLDING COMPANY		
GroCapital Holdings Ltd (Bank holding entity)		
- Rand deposits	-	334 960
- Debentures	-	50 000
Other related parties		
AFGRI (Pty) Ltd (Related to shareholder of Bank holding entity)	-	37 577
AFGRI Group Holdings (Pty) Ltd (Related to shareholder of Bank holding entity)	-	2
Fairfax Africa Investments (Pty) Ltd (Related to Bank holding entity)	-	791 643
AFGRI Operations (Pty) Ltd (Related to shareholder of Bank holding entity)	3 951	-

	Amounts owed by related parties at 31 December 2017 R'000	Amounts owed to related parties at 31 December 2017 R'000
HOLDING COMPANY		
NBG, Athens		
- Foreign currrency deposits	1 034	-
- Rand deposits	-	765 727
- Debentures	-	50 000
SUBSIDIARIES OF NBG		
NBG London	888	-
NBG Malta	-	899

25. Related-Party Transactions Continued

25.2 Related-Party Transactions With Holding Company And Its Associated Companies Continued

	2018 R'000	2017 R'000
Interest Received		
AFGRI Operations (Pty) Ltd	139	-
Fees Received		
AFGRI Operations (Pty) Ltd	1	-
AFGRI Group Holdings (Pty) Ltd	1	-
AFGRI (Pty) Ltd	2	-
Interest paid		
NBG Athens	54 702	57 840
NBG Malta	-	-
NBG Cairo	-	527
AFGRI (Pty) Ltd	633	-
AFGRI Group Holdings (Pty) Ltd	-	-
GroCapital Holdings Ltd	8 847	-
Fairfax Africa Investments (Pty) Ltd	5 349	-
Operational Costs		

25.3 Compensation Of Key Management

The remuneration of directors during the year was as follows:

	2018 R'000	2017 R'000
DIRECTORS' EMOLUMENTS	**12 503**	**12 161**
Independent non-executives	**1 954**	**1 861**
G Bizos	79	103
T J Fearnhead	475	470
P Ranchod	619	591
R Shough	402	421
W Kruger	267	276
J Mirza	79	-
C Venter	33	-
Executive Directors	10 550	10 300
S Georgopoulos	5 395	5 194
D J Adriaanzen	2 056	1 949
C Michaelides	1 954	1 850
D Haarhoff	1 145	1 307

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

25.3 Compensation Of Key Management Continued

	Cash Salary R'000	Travel Allowance and use of company car R'000	Cellphone and data Allowances R'000	Medical Aid contributions R'000	Provident fund contributions R'000	Total R'000
2018 Executive directors salary composition	**8 924**	**352**	**70**	**442**	**762**	**10 550**
S Georgopoulos	4 557	304	19	213	302	5 395
D J Adriaanzen	1 715	48	18	125	150	2 056
C Michaelides	1 707	-	18	-	229	1 954
D Haarhoff	945	-	15	104	81	1 145

	Cash Salary R'000	Travel Allowance and use of company car R'000	Cellphone and data Allowances R'000	Medical Aid contributions R'000	Provident fund contributions R'000	Total R'000
2017 Executive directors salary composition	**8 667**	**352**	**71**	**313**	**897**	**10 300**
S Georgopoulos	4 376	304	20	122	372	5 194
D J Adriaanzen	1 621	48	17	82	181	1 949
C Michaelides	1 610	-	17	-	222	1 849

25.4 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.

	Amounts owed by related parties At 31 December 2018 R'000	Amounts owed to related parties At 31 December 2018 R'000
S Georgopoulos	12 181	-
D Haarhoff	2 319	-
C Michaelides	-	727
D J Adriaanzen	-	2

	Amounts owed by related parties At 31 December 2017 R'000	Amounts owed to related parties At 31 December 2017 R'000
S Georgopoulos	11 734	-
D Haarhoff	2 035	-
C Michaelides	-	782
D J Adriaanzen	-	1

26. Principal Foreign Currency Conversion Rates

Principal Foreign Currency Closing Conversion Rates	2018	2017
Pound Sterling	18.392	16.694
United States of America	14.365	12.351
Euro	16.458	14.815
Australian Dollar	10.143	9.652
Botswana Pula	1.342	1.255
Japanese Yen	0.131	0.110
Canadian Dollar	10.547	9.845

27. 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.

28. Subsequent Events

During January 2019, additional common capital, totalling R50million, was raised with GroCapital Holdings Limited. The capital was used to redeem the debenture instruments post Reserve Bank approval. In January 2019 the R50million debenture instruments were redeemed

29. Impact of IFRS 9 Implementation on 1 January 2018 financial assets and liabilities.

	IAS 39 as at 31 December 2017 R'000	IFRS 9 ECL adjustment R'000	IFRS 9 at 1 January 2018 R'000
ASSETS			
Cash and cash equivalent	300 691	-	300 691
Derivative financial instruments	22 380	-	22 380
Short-term negotiable securities	135 788	-	135 788
Other investments	15	-	15
Accounts receivable	13 339	-	13 339
Loans and Advances	1 772 553	(2 779)	1 769 774
Investment property	9 500	-	9 500
Property and equipment	16 767	-	16 767
Intangible assets	83 730	-	83 730
TOTAL ASSETS	**2 354 763**	**(2 779)**	**2 351 984**

29. Impact of IFRS 9 Implementation on 1 January 2018 financial assets and liabilities Continued

	IAS 39 as at 31 December 2017 R'000	IFRS 9 ECL adjustment R'000	IFRS 9 at 1 January 2018 R'000
EQUITY & LIABILITIES			
EQUITY			
Share capital	31 781	-	31 781
Share premium	406 404	-	406 404
Revaluation reserves	4 597	-	4 597
Accumulated loss	(166 347)	2 779	(163 568)
TOTAL EQUITY	**276 435**	**2 779**	**279 214**
TOTAL LIABILITIES	**2 078 328**	**-**	**2 078 328**
TOTAL EQUITY AND LIABILITIES	**2 354 763**	**-**	**2 357 542**

29.1 Impact on financial instrument classification on 1 January 2018

	IAS 39 31 December 2017 R'000	Fair Value through profit and loss R'000	Held for trading R'000	Amortised Cost R'000	IFRS 9 at 1 January 2018 R'000
FINANCIAL ASSETS					
Held for trading – derivative financial instruments	22 380	-	22 380	-	22 380
Held at fair value – other investments	15	15	-	-	15
Loans and receivables	2 086 583	-	-	2 086 583	2 086 583
Short term negotiable securities	135 788	-	-	135 788	135 788
TOTAL FINANCIAL ASSETS	**2 244 766**	**15**	**22 380**	**2 222 371**	**2 244 766**
FINANCIAL LIABILITIES					
Held for trading derivative financial instruments	20 400	-	20 400	-	20 400
Other amortised cost	2 057 928	-	-	2 057 928	2 057 928
TOTAL FINANCIAL LIABILITIES	**2 078 328**	**-**	**20 400**	**2 057 928**	**2 078 328**

Notice Of The Annual General Meeting

Notice is hereby given that the seventieth Annual General Meeting of Grobank Limited (formerly known as the South African Bank of Athens Limited) will be held in the Boardroom of Grobank Limited, Block 3 Inanda Greens Business Park, 54 Wierda Road West, Wierda Valley, Sandton, on Tuesday, 25 June 2019, at 09h00 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 are set in the integrated annual report. A copy of the full Audited Annual Financial Statements is available on the Company's website at www.grobank.co.za.

1.2 To present the report of the Social and Ethics Committee.

2. Ordinary Resolutions

2.1 Re-election of non-executive directors retiring by rotation
To vote on the re-election, each by way of a separate vote, of the following non-executive directors who are required to retire by rotation in accordance with section 6.2.3.5 of the MoI and being eligible, offer themselves for re-election:

2.1.1 W J Krüger

The Directors Affairs Committee of the Company has conducted an assessment of the performance of the retiring director(s) and the Board endorsed the results of the assessments. Accordingly, the Board recommends the re-election to the shareholders.

2.2 Election of member of the Audit and Compliance Committee
To vote on the election of Mr. JA Mirza, an independent non-executive director of the Company as a member of the Audit and Compliance Committee until the end of the next Annual General Meeting of the Company.

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 Election of the members of the Audit and Compliance Committee
To vote on the re-election in terms of Section 94 of the Companies Act, each by way of a separate vote, the following non-executive directors of the Company, as members of the Audit and Compliance Committee to hold office until the end of the next Annual General Meeting of the company:

2.4.1 Mr T J Fearnhead

2.4.2 Mr W J Krüger

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

2.5.1 The re-appointment of PwC as independent auditors of the Company, to hold office until the next Annual General Meeting.

2.5.2 The re-appointment of Mr. V Tshikhovhokhovho as designated audit partner, to hold office until the next Annual General Meeting.

2.6 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 they 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.

2.7 General Authority for Directors to Allot and Issue shares for Cash

Resolved that and subject to ordinary resolution number 2.6 being approved, the directors of the Company be and are hereby authorised, in accordance with the Banks Act and the Companies Act Requirements to allot and issue shares for cash, on such terms and conditions as they may deem fit, all or any of the ordinary shares in the authorised unissued share capital of the company, which they shall have been authorised to allot and issue subject to the following conditions:

1. This authority is valid until the company's next annual general meeting, provided that it will not extend beyond fifteen months from the date that this authority is given;

2. The ordinary shares, which are the subject of the issue for cash, must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into or represent options in respect of a class already in issue;

3. The number of shares issued for cash will not in aggregate exceed ten percent of the company's ordinary shares (excluding treasury shares) as at the date of the notice of AGM;

4. Any ordinary shares issued under this authority during the period of its validity must be deducted from the above number of ordinary shares and the authority shall be adjusted accordingly to represent the same allocation ratio on the event of a sub-division or consolidation of equity securities during the same period;

5. The maximum discount permitted at which ordinary shares may be issued is ten percent of the weighted average traded price of those shares over the thirty business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities.

3. Special Resolutions

3.1 Approval of the non executive directors fees - per annum.
Resolve that the fees payable to the non executive directors of the company, members and chairman of the board committees for the period 1 July 2019 to 30 June 2020 be approved.

3.2 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.

3.3 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.

3.4 Ratification of Name change and Amendments to the MoI
Resolved that, a written shareholders' resolution dated 29 January 2019 authorising the name change of the Company and also authorising the Company to amend the MoI be and is hereby ratified.

4. Non-binding advisory vote

4.1 Confirmation of the Company's remuneration policy
Resolved that, as a non-binding advisory vote, the company's remuneration policy be and is hereby confirmed. A copy of this policy is available from the Company Secretary on request. In terms of the King Report on Governance for South Africa, 2016 (King IV), an advisory vote should be put to the shareholders relating to the group remuneration policy. The vote allows the shareholders to express their views on the remuneration policy adopted and implemented, but is not binding on the company.