Bank of Communications Co., Ltd. Johannesburg Branch

Reg No 2019/571579/10

Annual financial statements for the year ended
31 December 2021

STATEMENT OF EXECUTIVE MANAGEMENT'S RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The Bank of Communications Co., Ltd. Johannesburg Branch (the Branch) officially opened on 20 November 2020. The Branch is the first Bank of Communications Co., Ltd. (the Bank / Head Office) branch to be established in Africa and it holds great significance in that it not only expands the international footprint of the Bank but it also assists the Bank in building an effective global customer service system.

The Executive Management have the pleasure of presenting the annual financial statements for the year ended 31 December 2021.

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and include disclosure notes in line with the accounting policies of the Branch. Management accepts its responsibility for the preparation and fair presentation of the annual financial statements and the related information included.

In order for management to discharge its responsibilities, a system of internal controls was developed and continues to be maintained. The internal controls provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Branch's policies and procedures.

These controls are implemented by trained and skilled staff members with appropriate segregation of duties and are monitored by management and include a comprehensive reporting system, which operates within a control framework. The Executive Management acknowledge that they are ultimately responsible for the system of internal financial control established by the Branch and place considerable importance on maintaining a strong control environment. Executive Management are responsible for establishing and calculating accounting estimates and selecting and applying accounting policies.

The annual financial statements are the responsibility of the Executive Management. The external auditors are responsible for independently auditing and reporting on the Branch's annual financial statements. Their report is presented on pages 6 to 8.

The annual financial statements set out on pages 9 to 60 were approved by the Executive Management on 29 April 2022 and are signed on its behalf by:

Mr JD Wang
General Manager

EXECUTIVE MANAGEMENT REPORT

The Executive Management of Bank of Communications Co., Ltd. Johannesburg Branch present their report for the year ended 31 December 2021.

General information

Bank of Communications Co., Ltd. Johannesburg Branch is a branch of Bank of Communications Co., Ltd., a company incorporated in the People's Republic of China. It was registered as an external company in terms of the Companies Act No 71 of 2008 on 11 November 2019.

Full name:	Bank of Communications Co., Ltd. Johannesburg Branch
Abbreviated name:	BoCom Johannesburg Branch
Physical address:	9th Floor South Tower 140 West Street Sandton Johannesburg 2196 South Africa
Postal address:	9th Floor South Tower 140 West Street Sandton Johannesburg 2196 South Africa
Telephone number:	+27 10 288 5885

Board of Directors of the Bank

The members of the Board of Directors of the Bank for the period ended 31 December 2021, are as follows:

1. Ren Deqi
2. Chen Junkui
3. Liu Jun
4. Liu Haoyang
5. Li Longcheng
6. Jason Yeung Chi Wai
7. Wang Linping
8. Raymond Woo Chin Wan
9. Chang Baosheng
10. Cai Haoyi
11. Liao, Yi Chien David
12. Shi Lei
13. Chan Siu Chung
14. Zhang Xiangdong
15. Song Hongjun
16. Li Xiaohui

Executive Committee of the Branch

The members of the Executive Committee of the Branch, at the date of this report, are as follows:

1. Wang, Jidong
2. Lin, Huanbo
3. Cao, Peng
4. Huang, Xiaofeng
5. Shao, Yufeng
6. Hua, Hui
7. Krug, Elan
8. Krieg, Cezanne
9. Fan, Hang

External Auditors

PricewaterhouseCoopers Inc. was appointed as the external auditors as from the financial period ended 31 December 2020.

Physical address of external auditors:	PricewaterhouseCoopers Inc. Waterfall City 4 Lisbon Lane Jukskei View Midrand 2090
Postal address of external auditor:	PricewaterhouseCoopers Inc. Private Bag X36 Sunninghill 2157

Nature of business

The Branch was established as a wholesale bank with no retail clients or activities, aiming at effectively promoting trade and investment between China and South Africa, serving the real economy. Its core business offerings will be corporate loans and trade finance.

Branch endowment capital

The Branch endowment capital as at 31 December 2021 and 31 December 2020 was R1 488 180 000.

Financial results

The net loss after tax for the period ended 31 December 2021 is R33 699 869 and the net profit after tax for the period ended 31 December 2020 was R11 927 724.

Material subsequent events

The subsequent events that occurred between the financial year-end of the Branch and the date of this report did not have an impact on the annual financial statements and are disclosed in note 30 to the annual financial statements.

Going concern

The Executive Management have reviewed the Branch's cash flow forecast for a period of a least 12 months from the date of approval of the annual financial statements and are satisfied that it will have access to capital and funding to continue as a going concern. The annual financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the Branch will continue to have ongoing access to capital and funding and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

Independent auditor's report

To the Executive Management of Bank of Communications Co., Ltd. Johannesburg Branch

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bank of Communications Co., Ltd. Johannesburg Branch (the Branch) as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Bank of Communications Co., Ltd. Johannesburg Branch's financial statements set out on pages 9 to 60 comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement 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 Branch in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Other information

The executive management is responsible for the other information. The other information comprises the information included in the document titled "Bank of Communications Co., Ltd. Johannesburg Branch, Reg No 2019/571579/10, Annual financial statements for the year ended 31 December 2021". The other information does not include the financial statements and our auditor's report thereon.

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Private Bag X36, Sunninghill, 2157, South Africa
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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 executive management for the financial statements

The executive management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the executive management 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 executive management is responsible for assessing the Branch'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 executive management either intend to liquidate the Branch 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 Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive management.

- Conclude on the appropriateness of the executive management's 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 Branch'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 Branch 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 executive management 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: Irwin Lim Ah Tock
Registered Auditor
Johannesburg, South Africa
29 April 2022

STATEMENT OF FINANCIAL POSITION

(All amounts in R'000 unless otherwise stated)

	Notes	Year ended 31 December 2021	Period ended 31 December 2020
Assets			
Cash and cash equivalents	*3*	240 902	433 430
Derivative financial assets	*4*	19 096	-
Loans and advances to customers	*5*	41 704	-
Financial investments at amortised cost	*6*	3 154 038	-
Financial investments at fair value through other comprehensive income	*7*	1 213 861	1 051 465
Property and equipment	*8*	25 038	38 167
Intangible assets	*9*	351	534
Deferred income tax assets	*10*	20 382	-
Other assets	*11*	4 595	3 843
Total assets		**4 719 967**	**1 527 439**
Liabilities			
Borrowings	*12*	3 182 336	-
Due to and placements from banks and other financial institutions	*13*	42 077	-
Derivative financial liabilities	*4*	22 219	-
Due to customers	*14*	1 369	-
Current tax liability	*25*	-	7 343
Deferred income tax liability	*10*	-	869
Provisions	*15*	8 009	2 947
Other liabilities	*16*	9 423	9 983
Total liabilities		**3 265 433**	**21 142**
Equity			
Endowment capital	*17*	1 488 180	1 488 180
Other reserves	*18*	(11 875)	6 189
Retained earnings		(21 771)	11 928
Total equity		**1 454 534**	**1 506 297**
Total equity and liabilities		**4 719 967**	**1 527 439**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All amounts in R'000 unless otherwise stated)

	Notes	Year ended 31 December 2021	Period ended 31 December 2020
Interest income	*19*	90 760	58 959
Interest expense	*20*	(5 042)	(1 542)
Net interest income		**85 718**	**57 417**
Net fee and commission income	*21*	16	-
Net loss arising from trading activities	*22*	(8 386)	-
Credit impairment losses	*23*	(31 017)	(3 130)
Operating expenses	*24*	(92 270)	(36 554)
Profit / (loss) before tax		**(45 939)**	**17 733**
Income tax	*25*	12 240	(5 805)
Net profit / (loss) for the reporting period		**(33 699)**	**11 928**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Financial investments at fair value through other comprehensive income			
Amount recognised directly in equity	*18*	(18 064)	6 189
Other comprehensive income (net of tax) for the reporting period		**(18 064)**	**6 189**
Total comprehensive income for the reporting period		**(51 763)**	**18 117**

STATEMENT OF CHANGES IN EQUITY

(All amounts in R'000 unless otherwise stated)

	Endowment capital	Retained earnings	Reserves	Total
Balance as at 1 January 2021	1 488 180	11 928	6 189	**1 506 297**
Loss for the year	-	(33 699)	-	**(33 699)**
Other comprehensive income	-	-	(18 064)	**(18 064)**
Balance at 31 December 2021	**1 488 180**	**(21 771)**	**(11 875)**	**1 454 534**

	Endowment capital	Retained earnings	Reserves	Total
Balance as at 1 October 2019	-	-	-	**-**
Endowment capital	1 488 180	-	-	**1 488 180**
Profit for the period	-	11 928	-	**11 928**
Other comprehensive income	-	-	6 189	**6 189**
Balance at 31 December 2020	**1 488 180**	**11 928**	**6 189**	**1 506 297**

STATEMENT OF CASH FLOWS

(All amounts in R'000 unless otherwise stated)

	Notes	Year ended 31 December 2021	Period ended 31 December 2020
Cash flow from operating activities			
Cash flow from operations	*26*	(70 176)	(20 114)
Interest received		11 106	56 602
Interest paid		(681)	(1 542)
Income tax paid	*26*	(7 343)	-
Net cash inflow / (outflow) from operating activities		**(67 094)**	**34 946**
Cash flow from investing activities			
Purchase of property and equipment	*8*	(1 374)	(41 373)
Purchase of Financial Investments at amortised cost		(3 177 990)	-
Interest received from derivative instruments		5 105	-
Purchase of Financial Investments at FVOCI		(603 530)	(1 058 214)
Coupons received from Financial Investments at FVOCI		96 475	14 608
Maturity of Financial Investments at FVOCI	*7*	380 000	-
Purchase of intangible asset	*9*	(31)	(626)
Net cash inflow / (outflow) from investing activities		**(3 301 345)**	**(1 085 605)**
Cash flow from financing activities			
Endowment capital received from Head Office	*17*	-	1 488 180
Borrowing from Head Office	*12*	3 177 980	-
Lease liability paid - principal portion	*8*	(2 016)	(4 055)
Net cash inflow / (outflow) from financing activities		**3 175 964**	**1 484 125**
Net increase / (decrease) in cash and cash equivalents	*3*	(192 475)	433 466
Cash and cash equivalents at the beginning of the financial year	*3*	433 466	-
Cash and cash equivalents at the end of the period		**240 991**	**433 466**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS INCLUDING A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the annual financial statements are set out below.

1.1. Basis of preparation

All amounts are reported in R'000.

The annual financial statements of the Branch have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to banks reporting under IFRS. The annual financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The annual financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The preparation of annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

It also requires management to exercise its judgment in the process of applying the Branch's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in Note 1.3.

<u>New and amended standards adopted by the Branch</u>

The Branch has applied the following standards and amendments for the period commencing 1 January 2021:

Title	Key requirements	Effective Date*
Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs: • When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. • The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.	1 January 2021

Title	Key requirements	Effective Date*
	Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.	

** applicable to reporting periods commencing on or after the given date*

New and amended standards not yet adopted by the Branch

The Branch has not yet applied the following standards and amendments:

Title	Key requirements	Effective Date*	Impact
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the annual financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and	1 January 2023 (deferred from 1 January 2021)	No impact as the Branch does not issue insurance contracts.

Title	Key requirements	Effective Date*	Impact
	making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.		
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022	No impact as the Branch does not sell its PPE.
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022	No impact as the Branch does not have any "Business Combinations".
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022	The adoption of this amendment issued but not yet effective is not expected to have a material effect on the Branch's operating results, financial position or other comprehensive income.
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to	1 January 2022	IFRS 9 & 16: The adoption of this amendment issued but not yet effective is not expected to have a material effect on the

Title	Key requirements	Effective Date*	Impact
	leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.		Branch's operating results, financial position or other comprehensive income. IFRS 1: No impact as the Branch has adopted IFRS in prior year. IAS 41: No impact as the Branch does not have any agriculture.
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	1 January 2023 (deferred from 1 January 2022)	The adoption of this amendment issued but not yet effective is not expected to have a material effect on the Branch's operating results, financial position or other comprehensive income.
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.	1 January 2023	The adoption of this amendment issued but not yet effective is not expected to have a material effect on the Branch's operating results, financial position or other

Title	Key requirements	Effective Date*	Impact
	To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.		comprehensive income.
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023	The adoption of this amendment issued but not yet effective is not expected to have a material effect on the Branch's operating results, financial position or other comprehensive income.
Deferred Tax related to Assets and liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have	1 January 2023	The adoption of this amendment issued but not yet effective is not expected to have a material effect on the Branch's operating results, financial position or other comprehensive income.

Title	Key requirements	Effective Date*	Impact
	already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.		
Sale or contribution of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. ** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.	Not applicable	No impact as the Branch does not have consolidated financial statements.

** applicable to reporting periods commencing on or after the given date*

1.2. Basis for going concern

Executive Management documented the Internal Capital Adequacy Assessment Process. Taking into account the economic outlook, forecasts indicate that it is expected that the Branch will earn profits in the foreseeable future. The prudential requirements also remain in excess of the required minimum throughout the forecasted 5 years.

The Executive Management have reviewed the Branch's cash flow forecast for a period of a least 12 months from the date of approval of the annual financial statements and are satisfied that it will have access to capital and funding to continue as a going concern.

The annual financial statements have been prepared on a going concern basis. This basis presumes that the Branch will continue to have ongoing access to capital and funding and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

1.3. Critical accounting estimates and judgements in applying accounting policies

The preparation of annual financial statements in conformity with IFRS. It also requires management to exercise its judgment in the process of applying the Branch's accounting policies.

1.3.1. Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of counterparty defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Segmentation of business operations having similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and
- Management overlay adjustments due to significant uncertain factors not covered in the models.

1.3.2. Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques (e.g. discounted cash flow model). To the extent practical, models use observable data such as interest rate yield curves, foreign currency rates and implied option volatilities, however areas such as credit risk (both own and counterparty's), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

The Branch assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date.

1.3.3. Income taxes

The Branch is subject to income tax. Significant estimates are required in determining the provision for income tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Branch recognizes liabilities for anticipated issues from tax audit based on estimates of whether additional taxes will be due. In particular, the deductibility of certain items is subject to tax authority's approval. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax and current tax liabilities and deferred income tax assets and liabilities in the period during which such a determination is made.

1.3.4. Determination of the incremental borrowing rate

The Branch cannot readily determine the interest rate implicit in the lease it enters into and therefore uses its incremental borrowing rate ('IBR') to measure its lease liabilities.

The IBR is the rate of interest that the Branch would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Branch 'would have to pay' and therefore estimates the IBR using observable inputs such as yield curves, when available and is required to make certain entity-specific adjustments.

1.4. Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with original maturity of three months or less and balances with central banks.

1.5. Financial instruments

The Branch holds the following financial instruments:

Financial assets	**Year ended 31 December 2021** *R'000*	**Period ended 31 December 2020** *R'000*
Financial assets at amortised cost	3 438 030	434 816
Cash and balances with central banks	240 902	433 430
Loans and advances to customers	41 704	-
Financial investments	3 154 038	-
Trade receivables	1 386	1 386
Financial investments at FVOCI	1 213 861	1 051 465
Financial investments at FVPL	19 096	-
Derivative financial instruments used for hedging	19 096	-
Balance as at 31 December 2021	**4 670 987**	**1 486 281**

Financial liabilities	**Year ended 31 December 2021** *R'000*	**Period ended 31 December 2020** *R'000*
Financial liabilities at amortised cost	3 235 041	9 983
Borrowings	3 182 336	-
Due to and placements from banks and other financial institutions	42 077	-
Due to customers	1 369	-
Trade and other payables	9 259	9 983
Financial investments at FVPL	22 219	-
Derivative financial instruments used for hedging	22 219	-
Balance as at 31 December 2021	**3 257 260**	**9 983**

1.5.1. Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Branch commits to purchase or sell the asset.

At initial recognition, the Branch measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions.

Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance is recognised for financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

1.5.2. The method of determining fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date. For financial instruments with active markets, the Branch uses quotations from active markets to determine the fair value, and for financial instruments where there is no active market, the Branch uses valuation techniques to determine its fair value. Valuation techniques include references to prices used in recent market transactions by parties familiar with the situation and voluntary transactions, the current fair value of other similar financial instruments and the discounted cash flow method.

1.5.3. Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired (POCI) financial assets – assets that are credit-impaired at initial recognition – the Branch calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Branch revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

1.5.4. Financial assets

Classification and subsequent measurement

The Branch has classified its financial assets in the following measurement categories:

- Amortised cost; or
- Fair value through other comprehensive income (FVOCI); or

- Fair value through profit and loss (FVPL).

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured from these financial assets. According to the business category, these financial assets are presented as:

- Cash and cash equivalents;
- Due from and placements with banks and other financial institutions;
- Loans to customers;
- Financial investments at amortised costs;
- Trade receivables; and
- Other assets – lease deposit.

Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. According to the business category, respectively, these financial assets are presented as "Financial investments at fair value through other comprehensive income". When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "Net gains arising from financial investments". Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. These financial assets are the derivative financial instruments. Refer to note 1.5.6.

Business model: The business model reflects how the Branch manages the assets in order to generate cash flows. That is, whether the Branch's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at Fair Value through Profit and Loss (FVPL). Factors considered by the Branch in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Branch assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Branch considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Branch reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Impairment

On a forward-looking basis, the Branch assesses the expected credit losses (ECL) of debt instrument assets at amortised cost and FVOCI, exposures arising from loan commitments and financial guarantee contracts. The Branch recognises a loss allowance accordingly at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Regarding these judgments and estimates, please refer to note 1.3 above.

1.5.5. Financial liabilities

Classification and subsequent measurement

Financial liabilities are classified as liabilities measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in profit or loss.
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Branch recognises any expense incurred on the financial liability, when continuing involvement approach applies.

1.5.6. Derivative financial instruments and hedge accounting

Amendments to IFRS 9, IAS 39 and IFRS 7

The IASB has published amendments to IFRS 9, IAS 39 and IFRS 7 as a first reaction to the potential effects the Interest Rate Benchmark Reform (IBOR) could have on financial reporting. The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. Key changes include:

- Modifying specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;

- Under the amendments, an entity assumes that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based is not altered by IBOR reform; and
- In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis; and
- The amendment requires disclosure of the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but do not qualify for hedge accounting, changes in the fair value of these derivatives are recognised in “Net loss arising from trading activities” in the income statement.

The Branch documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Branch also documents its assessment of hedging effectiveness both at hedge inception and on an ongoing basis, that is, the extent to which changes in the fair value of the hedge instrument can offset the changes in fair values of hedged items resulting from the hedge risk.

The hedging relationship should meet all of the following hedge effectiveness requirements:

i. There is an economic relationship between the hedged item and the hedging instrument. That means the hedging instrument and hedged item have values that generally move in the opposite direction because of the same risk, which is the hedged risk.
ii. The effect of credit risk does not dominate the value changes that result from that economic relationship; and
iii. The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Branch actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Possible sources of ineffectiveness are as follows:

i. Increase or decrease in the amounts of hedged items or hedging instruments;
ii. Significant changes in counterparties’ credit risk.

The Branch discontinues hedge accounting prospectively when the hedging instrument expires or is sold, terminated or exercised (the replacement or rollover of a hedging instrument into another hedging instrument does not constitute an expiration or termination), or the hedging relationship ceases to meet the risk management objective, or to meet other qualifying criteria for hedging accounting.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Branch adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss no later than when the hedged item ceases to be adjusted for hedging gains and losses over the period to maturity and recorded as net interest income.

When a derivative contract is accounted for as a hedge of an identifiable position the cash flows of the derivative contract are classified in the same manner as the cash flows of the position being hedged.

1.5.7. Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Branch are subject to enforceable master netting arrangements or similar agreements. The agreement between the Branch and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such a mutual consent, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Branch are not offset in accordance with IFRS.

As at 31 December 2021, none of the financial assets and financial liabilities were subject to enforceable master netting arrangements or similar agreements.

1.6. Interest income and expense

The "Interest income" and "Interest expense" in the Branch's income statement are the interest income and expense calculated by using the effective interest method on the following instruments:

Interest income

- Cash and cash equivalents;
- Due from and placements with banks and other financial institutions
- Loans and advances to customers
- Financial investments at amortised cost,
- Financial investment at fair value through other comprehensive income

Interest expense

- Borrowings
- Due to and placements from banks and other financial institutions
- Due to customers
- Trade and other payables

Net interest income on interest rate contracts used for hedging is reported as "net gains / losses from trading activities".

1.7. Fee and commission income

Fee and commission income is recognised when the Branch fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service.

1.8. Property and equipment

The Branch's property and equipment mainly comprise electronic devices, furniture, equipment and leasehold improvements.

The assets purchased are initially measured at acquisition cost.

Subsequent expenditures incurred for the property and equipment are included in the cost of the property and equipment if it is probable that economic benefits associated with the asset will flow to the Branch and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Depreciation is calculated on a straight-line basis to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

The estimated useful lives, depreciation rate and estimated residual value rate of electronic devices, furniture and equipment are as follows:

	Estimated useful life	Estimated residual value rate
Electronic devices	3 years	3%
Furniture & equipment	5 years	3%
Leasehold improvements	5 years	0%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1.9. Intangible assets

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

The estimated useful life and residual value rate of the Branch's intangible asset is as follows:

	Estimated useful life	Estimated residual value rate
Computer software	3 years	0%

Intangible assets are recorded at the actual cost at the time of acquisition, including the purchase price, related taxes, and other expenses incurred when the asset reaches its intended use.

Intangible assets shall be amortized evenly over the expected useful life from the month of acquisition. Once the amortization period of intangible assets is determined, it cannot be changed at will. The intangible assets increased in the current month will be amortized in the current month; the intangible assets decreased in the month will not be amortized in the current month. The amortization period of intangible assets is determined according to the following principles:

- Where the validity period and benefit period are separately stipulated in the law and the contract, they shall be determined by the legal validity period and the benefit period, whichever shorter.
- If the law does not stipulate the validity period but the contract stipulates the benefit period, it should be determined based on the contracted benefit period.

- Where the validity period is stipulated by law but the benefit period is not stipulated in the contract, it shall be determined according to the period stipulated by law.
- If neither the statutory period nor the benefit period is stipulated in the law and the contract, own judgment should be applied for the benefit period, with 10 years maximum.

The residual value of an intangible asset with a limited useful life shall be deemed to be zero, with the following exceptions: a third party promises to purchase the intangible asset at the end of the useful life of the intangible asset; the estimated residual value information can be obtained based on an active market, intangible assets are likely to exist at the end of their useful lives.

1.10. Impairment of non-financial assets

At the end of the reporting period or whenever there is an indication that the non-financial assets are impaired, the Branch reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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 in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should 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 in profit or loss immediately.

1.11. Leases

Lease refers to a contract in which the lessor transfers the right of use of the assets to the lessee for a certain period of time to obtain the consideration.

The Branch applied IFRS16 Leases for the recognition of the right-of-use asset for the premises of the Branch. In line with IFRS16, the building lease is included in Property and Equipment. The Branch recognises the right-of-use asset on the start date of the lease term and recognises the lease liability at the present value of the remaining lease payments. The lease payments include fixed payments and payments to be made when it is reasonably determined to exercise purchase option or terminate lease option. Variable rent determined based on a certain proportion of sales is not included in the lease payments and is recognised in profit or loss when incurred.

The Branch’s right-of-use assets comprise of the leased office and parking space. The right-of-use asset is initially measured at cost, which includes the initial measurement of the lease liability, the lease payments already paid on or before the lease start date, the initial direct costs etc., and deducts any lease incentives received. The leased asset is depreciated on a straight-line basis over its remaining useful life if the Branch could reasonably determine to obtain the ownership at the expiration of the lease term; if it is unsure whether the ownership of the leased asset can be obtained at the expiration of the lease term, the right-of-use asset is depreciated over the shorter of its remaining useful life and the lease term on a straight-line basis. When the recoverable value is lower than the book value of the right-of-use asset, the Branch reduces the book value to the recoverable value.

The Head Office regularly evaluates the interest rate implicit in lease. The Branch uses the interest rate implicit in the lease of the premises and parking space of the Branch as determined by the Head Office.

1.12. Provisions

Provisions are recognised when the Branch has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

1.13. Staff costs and employee benefits

Staff costs

Staff costs include salaries, bonuses, allowance and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds, labor union fees as well as staff education expenses and housing allowance. During the reporting period in which employees have rendered services, the Branch recognises the staff costs payable as a liability with a corresponding charge to profit or loss or the cost of assets where appropriate.

The Branch participates in the employee social security systems established by the government, including medical insurance, housing funds and other social securities, in accordance with relevant requirements. Related expenses are recognised in profit or loss when incurred.

Employee benefits

In the reporting period in which an employee has rendered services, the Branch recognises the employee benefits payable for those services. The employee benefits expense includes medical aid allowances, housing allowances, meal allowances and reimbursement of senior employees for shares they acquired at fair market value on the open market. The related expenditures are charged to profit or loss in the period when they are incurred.

1.14. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

1.14.1. Current income tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Branch's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

1.14.2. Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the annual financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Branch expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Branch intends to settle its current tax assets and liabilities on a net basis.

1.15. Foreign currency translation

South African Rand (R / ZAR) is the currency of the primary economic environment in which the Branch operates. Therefore, the Branch has assessed it to be appropriate to use ZAR as its functional currency.

In preparing the annual financial statements, transactions in currencies other than the functional currency of the Branch (foreign currencies) are recorded in the respective functional currency (i.e. ZAR) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

At the reporting date, foreign currency monetary items are translated into functional currency using the spot exchange rates at the reporting date. Exchange differences arising from the differences between the spot exchange rates prevailing at the reporting date and those on initial recognition or at the previous reporting date are recognised in profit or loss for the period, except that

1) exchange differences related to hedging instruments for the purpose of hedging against foreign exchange risks are accounted for using hedge accounting;
2) exchange differences arising from non-monetary items at fair value through other comprehensive income (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortised cost) of monetary items at fair value through other comprehensive income are recognised as other comprehensive income; and
3) exchange differences arising on a foreign currency monetary item that forms part of the Branch’s net investment in a foreign operation.

1.16. Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Branch. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the annual financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

2. Financial risk management

The Branch's business activities expose it to a variety of financial risks regarding analysis, evaluation, acceptance and management. The Branch's aim is to achieve an appropriate balance between risks and returns and minimise potential adverse effects on the Branch's financial performance. The main types of financial risks are credit risk, liquidity risk, operational risk and market risk and including interest rate risk.

The Branch's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, monitor the risks and to control the risk limits through reliable and up-to-date information systems. The Branch regularly reviews its risk management policies and systems to reflect changes in markets and products and the latest best practice.

The Board of Directors of Head Office sets out risk management strategies, overall risk preference and risk tolerance level. The senior management establishes risk management policies and procedures according to the strategies set by the Board of Directors. The risk management division in each operation department at Head Office, in each domestic and overseas branch and in each subsidiary undertakes specific risk management function. Internal Audit Department is responsible for independent review of risk management and control environment.

2.1. Credit risk

Credit risk is the risk of loss that a borrower or counterparty fails to or is unwilling to meet its obligations.

Credit risk arises principally from:

- financial investments at amortised cost and at FVOCI;
- loans and advances; and
- due from and placements with banks and other financial institutions.

There is also credit risk in off-balance sheet items such as loan commitments, financial guarantees, acceptances and letters of credit. Credit risk is a major risk to which the Branch is exposed. Therefore, the Branch manages and controls the overall credit risk in a prudent manner and in line with the requirements set out by the Risk Management Department at Head Office, which in turn reports regularly to the senior management and the Board of Directors of the Bank.

The table below sets out the Branch's credit exposures per credit rating:

	Year ended 31 December 2021 *R'000*	**Period ended 31 December 2020** *R'000*
A-	24 522	-
BB-	4 603 375	1 484 895
Unrated	43 090	1 386
	4 670 987	**1 486 281**

The Credit Committee of the Branch oversees the credit policies and standards, credit portfolio limits and portfolio performance. The Credit Committee of the Branch is the body that conducts credit review of the "performing corporate credit customers" and "Financial institutions subject to examination and approval as required" and provides review opinions formed through collective deliberation to the persons with approval authority. The business beyond the authority of the Branch, will be submitted to the Head Office for approval after being reviewed by the Branch Credit Committee.

2.1.1. Loans and advances to customers and off-balance sheet commitments

As for corporate loans, the Branch's relationship managers are responsible for receiving application files submitted by the applicants, conducting pre-loan investigation, assessing the credit risk, and raising the proposed rating. The Branch adopts the hierarchical approval system at the Branch and Head Office level based on the credit approval authority. Credit line is determined by taking into account the credit record, financial position, collaterals and guarantees of the applicant, overall credit risk of the credit portfolio, macroeconomic regulation and control policies and relevant laws and regulations.

The Branch keeps a close eye on the economic and financial trend and credit risk profile in the industry and provides more guidance on credit investment by formulating guidance for different industries, strengthens daily risk pre-warning, monitoring and specific risk investigation, identify customers under major risks and material potential risk points, enhances the refinement of post-loan management. The Credit Committee of the Branch will review the business within the authority of the Branch. The business beyond the authority of the Branch will be submitted to the independent Loan Granting Centre of the Head Office for approval after being reviewed by the Branch Credit Committee. The independent Loan Granting Centre shall review the compliance, completeness and effectiveness of relevant credit files before loan granting according to the applications for drawdown of credit line. The Branch's relationship managers are primarily responsible for post-loan management. The Branch adopts a series of tools and approaches, such as risk filtering, list management, risk warning and risk investigation, in daily risk monitoring of corporate loans.

The Branch manages non-performing loans mainly through (1) collection; (2) restructuring; (3) disposal of collaterals or recourse to the guarantors; (4) litigation or arbitration.

2.1.2. Treasury business

For treasury business (including debt investments), the Branch chooses banks and other financial institutions prudently and balances the credit risk and return rate of investments. By making reference to internal and external credit rating information, the Branch approves credits of different levels and uses an appropriate credit limit management system to review and adjust credit lines, aiming to manage the credit risk exposed to the treasury business.

For debt securities, internal and external ratings (such as Standard and Poor's) are used by the Branch when available for managing the credit risk exposed to debt securities and bills. The investment in those debts and bills is to have better credit quality assets while maintaining readily available liquidity resource. The bond issuers involved with the Branch are subject to the credit granting review and approval of the Head Office and credit limits are placed on such issuers.

As for derivative instruments, the Branch maintains strict limits on net open derivative investment positions (i.e., the difference between long and short contracts), by both amount and maturity. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Branch (i.e., assets where their fair value is positive), which, in relation to derivative instruments, is only a fraction of the contract's notional amount used to express the amount outstanding.

This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market fluctuations. The management has set limits of these contracts according to counterparty, and regularly monitor and control the actual credit risk when the Branch concludes foreign exchange and interest rate contracts with other financial institutions and clients.

The Branch manages the credit quality of due from and placements with banks and other financial institutions by considering the size, financial position, the internal and external credit rating of the banks and financial institutions. The Head Office monitors and reviews the credit risk of due from and placements with banks and other financial institutions by counterparties periodically. Limits are placed on different counterparties.

2.1.3. *Credit-related commitments*

Credit risk exposures to financial guarantees are the same as that of loans. However, commercial letters of credit are usually pledged by the relevant shipped goods, and therefore are subject to lower risk compared with direct loans.

Credit-related commitments are included in the management of overall credit line granted to the applicant. For customers with transactions beyond the credit limit or infrequent transactions, the applicant shall be requested to provide relevant guarantee in order to reduce credit risk exposures.

2.1.4. *Credit risk quality*

The Branch has established a loan credit risk classification system and performs credit risk management based on loan classification in one of the following 3 stages:

- The stage 1: Overdue for 30 days or less and the internal rating is less than 11.
- The stage 2: Special Mention stage or overdue for more than 30 days or internal rating no less than 11 or relative rating change of more than 2 grades.
- The stage 3: Loss stage or overdue for more than 90 days.

2.1.5. *Expected credit loss (ECL)*

The Branch measures the ECL of financial instruments at amortised cost or debt investments at fair value through other comprehensive income. The Branch divides them into 3 stages by assessing whether there has been a significant increase in credit risk since initial recognition.

The Branch measures the ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money;
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.1.6. *Stage classification*

The Branch divides them into 3 stages. Stage 1 is “financial assets without significant increase in credit risk since initial recognition”, at which the Branch only needs to measure ECL in the next 12 months. Stage 2 is “financial assets with significant increase in credit risk” and stage 3 is “credit-impaired financial assets”, at both of which the Branch needs to measure lifetime ECL.

2.1.7. *Definition of credit-impaired*

The Branch considers a financial instrument is default, when it is credit-impaired. In general, the financial instruments that are more than 90 days past due are identified as in default.

The Branch considers a financial instrument to be credit-impaired when one or more of the following criteria have been met:

- Principal (including advances, applies to below) or interest of the asset is more than 90 days past due;
- The issuer or obligor is in significant financial difficulty, or has already become insolvent
- It is becoming probable that the obligor will enter bankruptcy;
- An active market for that financial asset has disappeared because of financial difficulties of issuers; and / or

- Other objective evidence indicating impairment of the financial asset.

2.1.8. *A significant increase in credit risk*

The Branch assesses quarterly whether the credit risk on a financial instrument has increased significantly since initial recognition. In determining the stage classification of a financial asset, the Branch considers all reasonable and supportable information which reflects whether there have been significant changes in credit risk, including that which is forward-looking.

Based on an individual financial instrument or a portfolio of financial instruments with similar credit risk characteristics, the Branch compares risk of default occurring at reporting date as with initial recognition, in order to determine possible changes in risk of default occurring during the expected life of the financial instrument. The Branch considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

- Principal or interest of the instrument is more than 30 days past due;
- Credit rating of obligor changes significantly. Credit rating is based on both internal and external rating results, and the criteria are as follow: (a) a significant increase in credit risk is determined when internal and external rating during the reporting period is below the Branch's credit acceptance standards; (b) When the borrower's internal rating is downgraded to a certain level, there has been a significant increase in credit risk. Criteria to determine significant increase in credit risk varies based on the original internal rating upon initial recognition;
- Significant adverse issues have negative impacts on obligator's repayment ability;
- Other circumstances of significant increase in credit risk. For example, appearance of other risk alarm indicators which imply growing potential risk, and could cause losses of financial assets to the Branch.

The financial assets are moveable between stages. For instance, financial instruments originally classified at stage 1 should be downgraded to stage 2 if events occur such as a significant increase in credit risk. Financial instruments at stage 2 could be upgraded to stage 1 if credit risk decreases and the criteria for the determination of "a significant increase in credit risk" are no longer met.

2.1.9. *Description of parameters, assumptions and estimation techniques*

The Branch recognises a loss allowance to different financial instruments at an amount equal to 12-month or lifetime expected credit loss based on whether there has been a significant increase in credit risk and whether the financial instrument is credit-impaired. ECL is the result of discounted product of the weighted average of "probability of default (PD)", "loss given default (LGD)", "exposure at default (EAD)" under the three scenarios, which are defined as follows:

- Probability of default (PD) is the probability of default occurring of a client and its assets in a given period of time in the future.
- Exposure at default (EAD) represents the total amount of on-balance sheet and off-balance sheet exposure at the time of default by debtor, reflecting the total amount of possible losses likely to be incurred. In general, this includes the utilised credit limit, interest receivable, the anticipated usage of unused credit facilities as well as the related expenses to be incurred.
- Loss given default (LGD) represents the percentage of amount of loss to be incurred in the event of default to the total risk exposure. It is expressed as the loss percentage per unit of exposure which typically varies by nature of debtor, type and seniority of claim and the availability of collaterals or other credit enhancements.
- Definition of default has been consistently applied to model establishment of probability of default (PD), exposure at default (EAD), loss given default (LGD) in ECL calculation throughout the Branch.
- Forward-looking information: scenarios and weights of economic indicators - The Bank has established a macro-economic forecast model driven by Gross Domestic Product (GDP) growth rate to forecast values of macro-economic indicators in multiple categories including national accounts, price index, foreign trade, fixed asset investment, money supply, and interest

under three economic scenarios (i.e., Optimistic scenario, Basic scenario, and Pessimistic scenario) annually. The forecasts, after evaluation and confirmation by economic experts of the Bank, are used in the impairment model. Basic scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better or worse than basic scenario respectively, and can also become a source of sensitivity analysis. These three scenarios apply to all portfolios.

- Estimation of ECL: the impairment models - The impairment models adopt a top-down approach. Through grouping, the models cover the risk exposures of financial institutions, companies and retailers and reveal the regressive relationship between different macro-economic indicators (such as national accounts, price index, foreign trade, fixed asset investment, money supply, and interest) and risk parameters. The result of macro-economic indicator forecasts will form the basis for impairment calculation and represent "forward looking" elements of credit risk allowance in different scenarios. Where impairment models cannot be established due to lack of data support, the Branch endeavours to select appropriate methods in order to make prospective estimation.
- Grouping of instruments with similar risk characteristics - To calculate the relevance between ECL allowance modelled on a collective basis and macro-economic indicators, a grouping of exposure is performed on the basis of shared risk characteristics, so that risk exposures within a group are homogenous. In performing this grouping, there must be sufficient information for the Branch to be statistically credible. Where sufficient information is not available internally, the Branch has considered benchmarking internal/external supplementary data for modelling purposes. Non-retail assets of the Branch are mainly grouped according to industries.

2.1.10. Derivative instruments

Derivatives are only used for economic hedging purposes and not as speculative investments. The Branch entered into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. As all critical terms matched during the year, there is an economic relationship.

Derivative instruments are presented as non-current assets and liabilities to the extent they are not expected to be settled within 12 months after the end of the reporting period.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

Actual credit risk exposures are regularly monitored and controlled by the management. The credit risk-weighted amount is zero and is calculated with reference to the guidelines issued by the South African Prudential Authority.

2.1.11. Credit concentration risk

Concentration risk is a factor during the credit review process. Large exposure limits required by the Prudential Authority for branches are based on the capital of the Bank, instead of the Branch. Any exposure to a non-bank or a public sector entity greater than 10% of the Bank's capital and reserves, requires Head Office Credit Committee approval and exposures greater than 25% of the Bank's capital and reserves requires the prior approval of the Prudential Authority. Collateral is not taken into account in the calculation of the above-mentioned thresholds. Furthermore, the total of all large exposures exceeding 10% of the Bank's qualifying capital and reserve funds may not exceed 800% of the Bank's qualifying capital and reserve funds. The key internal limits are highlighted below:

Indicator	Description of the indicator	Internal limit
Large exposure limit for non-	The Branch sets the internal large exposure limit for non-financial	100% of the

Indicator	Description of the indicator	Internal limit
financial institutions	institution client must not exceed 100% of the Branch´s qualifying capital.	eligible capital
Large exposure limit for financial institutions	Unsecured exposure to a financial institution and/or its connected entities in the non-trading book of the Branch must not exceed 200% of the Branch´s qualifying capital.	200% of the eligible capital

For supra-national entities, sovereign bonds and government agencies, the Branch adopts a name-list access approach. This list is provided by the Head Office. Counterparties contained in the list are de facto authorised, and the limit above does not apply to them.

As at the end of the reporting period, the Branch's gross credit exposures were as follows:

Counterparty type	**R'000**	**% of Branch qualifying capital**
Central banks	19 070	1.61%
Sovereign exposures	4 367 899	368.38%
Financial institutions	240 928	20.32%
Corporate entities	41 704	3.52%
Other	1 386	0.12%
Total gross exposures as at 31 December 2021	**4 670 987**	

Counterparty type	**R'000**	**% of Branch qualifying capital**
Sovereign exposures	1 051 465	70.39%
Financial institutions	433 466	29.02%
Other	1 386	0.09%
Total gross exposures as at 31 December 2020	**1 486 317**	

The carrying amounts of the financial assets above represent their maximum exposure to credit risk.

The credit exposures per geographical location for the year-end 31 December 2021 are as follows:

Financial assets	**South Africa** *R'000*	**China** *R'000*	**Other** *R'000*	**Total** *R'000*
Financial assets at amortised cost	3 432 604	-	5 426	**3 438 030**
Cash and balances with central banks	235 476	-	5 426	**240 902**
Loans and advances to customers	41 704	-	-	**41 704**
Financial investments	3 154 038	-	-	**3 154 038**
Trade receivables	1 386	-	-	**1 386**
Financial investments at FVOCI	1 213 861	-	-	**1 213 861**
Financial investments at FVPL	-	19 096	-	**19 096**
Derivative financial instruments used for hedging	-	19 096	-	**19 096**
Balance as at 31 December 2021	**4 646 466**	**19 096**	**5 426**	**4 670 987**

The credit exposures for the period ended 31 December 2020 were all located in South Africa.

2.2. Market risk

Market risk is risk of loss on the Branch's on-balance sheet banking book, which is originated from the unfavourable changes and fluctuations in interest rates and foreign exchange rates.

The Branch does not have a trading book. A significant portion of the Branch's balance sheet is currently denominated in USD. Certain foreign transactions are also conducted in EUR and CNY. Exchange rate risk results from currency mismatch between foreign currency assets and liabilities.

The Branch established an integrated market risk management system, formed a market risk management structure with the separation of front and middle-end platforms and specified the responsibilities, the division of labor and the reporting route of the Executive Management and other relevant departments to ensure the compliance and effectiveness of market risk management.

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Net foreign exchange gain included in net gains arising from trading activities	2 016	-
Total net foreign exchange gain recognised in loss before tax	**2 016**	**-**

With regard to the exchange rate risk, the Branch controls exchange rate risk by setting relevant limits, taking the initiative to adjust the structure of foreign currency assets for a proper matching of currency structure of assets and liabilities.

The Branch conducts stress tests on hypothetical scenarios in the consideration of the Branch's major market risk factors.

	Position as at 31 December 2021	Mild stress scenarios (5%)	Moderate stress scenarios (10%)	Severe stress scenarios (15%)
	R'000	*R'000*	*R'000*	*R'000*
USD exposure	26 165	27 473	28 782	30 090

The USD position is the only significant position and is immaterial relative to the overall banking book. The assets and liabilities denominated in USD are matched and therefore will not result in a significant impact if the exchange rates fluctuate.

Carrying amounts of the Branch's financial assets and liabilities categorised by the original currency as at the date of statement of financial position are as follows:

	ZAR	USD	Other	Total
Financial assets	*R'000*	*R'000*	*R'000*	*R'000*
Financial assets at amortised cost	236 862	3 159 294	41 874	**3 438 030**
Cash and balances with central banks	235 476	5 256	170	**240 902**
Loans and advances to customers	-	-	41 704	**41 704**
Financial investments	-	3 154 038	-	**3 154 038**
Trade receivables	1 386	-	-	**1 386**
Financial investments at FVOCI	1 213 861	-	-	**1 213 861**
Financial investments at FVPL	-	19 096	-	**19 096**
Derivative financial instruments used for hedging	-	19 096	-	**19 096**
Balance as at 31 December 2021	**1 450 723**	**3 178 390**	**41 874**	**4 670 987**

Financial liabilities	ZAR R'000	USD R'000	Other R'000	Total R'000
Financial liabilities at amortised cost	10 628	3 182 336	42 077	**3 235 041**
Borrowings	-	3 182 336	-	**3 182 336**
Due to and placements from banks and other financial institutions	-	-	42 077	**42 077**
Due to customers	1 369	-	-	**1 369**
Trade and other payables	9 259	-	-	**9 259**
Financial investments at FVPL	-	22 219	-	**22 219**
Derivative financial instruments used for hedging	-	22 219	-	**22 219**
Balance as at 31 December 2021	**10 628**	**3 204 555**	**42 077**	**3 257 260**

The Branch's financial assets and liabilities for the period ended 31 December 2020 were all denominated in ZAR.

2.3. Liquidity risk

2.3.1. Overview

Liquidity risk is the risk that occurs when the Branch cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfill other payment obligations, or meet other funding needs in the normal course of business. The Branch's liquidity risk mainly comes from depositors' early or centralised withdrawals, borrowers' deferred repayment of loans, the amount of assets and liabilities and maturity mismatches.

2.3.2. Liquidity risk management process

The Branch implements centralised management of liquidity risk and, on the basis of forecasting liquidity requirements, formulates corresponding liquidity management plans and actively manages the liquidity of the Bank. The specific measures mainly include:

- Pay close attention to changes in the macroeconomic situation, central bank monetary policy, capital market dynamics, etc.
- Enhance weighting of core deposits as a percentage of liabilities, so as to improve the stability of liabilities;
- Monitor and manage liquidity position bank-wide by implementing a series of indicators and restrictions;
- Liquidity position management and cash utilisation functions are centralised by the Head offices;
- Maintain an appropriate level of central bank reserves, overnight inter-bank transactions, highly liquid debt investment, actively involved in capital management through open market, monetary market and bond market in order to ensure optimal financing capability at market places;
- Minimise liquidity risk by proper management of asset maturity structures and multi-level liquidity portfolios.

The table below analyses the Branch's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Contractual maturities of financial liabilities as at 31 December 2021	Less than 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Financial liabilities at amortised cost						
Borrowings	12 649	12 790	25 439	3 254 366	-	**3 305 244**
Due to and placements from banks and other financial institutions	42 077	-	-	-	-	**42 077**
Due to customers	1 369	-	-	-	-	**1 369**
Trade and other payables	3 630	1 531	3 484	614	-	**9 259**
Financial investments at FVPL						
Derivative financial instruments used for hedging	18 773	-	-	3 446	-	**22 219**
Total undiscounted cash flows	**78 498**	**14 321**	**28 923**	**3 258 426**	**-**	**3 380 168**

Contractual maturities of financial liabilities as at 31 December 2020	Less than 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Lease liabilities	1 053	1 579	3 382	4 289	-	10 303
Accounts payable	106	800	-	-	-	906
Total financial liabilities	**1 159**	**2 379**	**3 382**	**4 289**	**-**	**11 209**

The following table analyses the Branch's assets, liabilities and equity based on discounted amounts.

Contractual maturities of assets as at 31 December 2021	Less than 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Non-contractual *	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Cash and cash equivalents	240 991	-	-	-	-	(89)	**240 902**
Hedging derivative instruments	8 826	-	-	10 270	-	-	**19 096**
Loans and advances to customers	41 928	-	-	-	-	(224)	**41 704**
Financial investments at amortised cost	38 885	11 927	24 806	808 994	2 298 154	(28 728)	**3 154 038**
Financial investments at FVOCI	25 234	15 215	553 086	620 326	-	-	**1 213 861**
Property and equipment	-	-	-	-	-	25 038	**25 038**
Intangible assets	-	-	-	-	-	351	**351**
Deferred income tax assets	-	-	-	-	-	20 382	**20 382**
Other assets	-	-	-	-	-	4 595	**4 595**
Total assets	**355 864**	**27 142**	**577 892**	**1 439 590**	**2 298 154**	**21 325**	**4 719 967**

** Non-contractual bucket includes stage 1 Expected Credit Losses which are not specific to any asset.*

Contractual maturities of liabilities as at 31 December 2021	Less than 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Non-contractual	Total
	R'000	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*
Borrowings	4 356	-	-	3 177 980	-	-	**3 182 336**
Due to and placements from banks and other financial institutions	42 077	-	-	-	-	-	**42 077**
Hedging derivative instruments	18 773	-	-	3 446	-	-	**22 219**
Due to customers	1 369	-	-	-	-	-	**1 369**
Provision	-	-	-	-	-	8 009	**8 009**
Other liabilities	3 630	1 531	3 484	614	-	164	**9 423**
Endowment capital and reserves	-	-	-	-	-	1 454 534	**1 454 533**
Total liabilities and equity	**70 205**	**1 531**	**3 484**	**3 182 040**	**-**	**1 462 707**	**4 719 967**

Contractual maturities of assets as at 31 December 2020	Less than 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Non-contractual	Total
	R'000	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*
Cash and cash equivalents	433 430	-	-	-	-	-	**433 430**
Financial investments at FVOCI	402 533	8 630	18 136	311 317	310 849	-	**1 051 465**
Property and equipment	-	-	-	-	-	38 167	**38 167**
Intangible assets	-	-	-	-	-	534	**534**
Other assets	-	-	-	-	-	3 843	**3 843**
Total assets	**835 963**	**8 630**	**18 136**	**311 317**	**310 849**	**42 544**	**1 527 439**
Lease liabilities	722	1 294	2 964	4 097	-	-	**9 077**
Accounts payable	106	800	-	-	-	-	**906**
Current tax liability	-	-	-	-	-	7 343	**7 343**
Deferred tax liability	-	-	-	-	-	869	**869**
Provision	-	-	-	-	-	2 947	**2 947**
Endowment capital and reserves	-	-	-	-	-	1 506 297	**1 506 297**
Total liabilities and equity	**828**	**2 094**	**2 964**	**4 097**	**-**	**1 517 456**	**1 527 439**

Assets available to repay all of the liabilities and fulfill loan commitments include "due from and placements with banks and other financial institutions". In addition, financial investments at fair value through other comprehensive income can also be disposed of when necessary to obtain funds for repayment of matured debts or, in stressed scenarios, to meet unexpected cash flows.

2.4. Fair value of financial assets and liabilities

2.4.1. Determination of fair value and valuation techniques

Certain financial assets and liabilities of the Branch are measured at fair value or with fair value disclosed for financial reporting purposes. The fair value has been determined using appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the valuation techniques and the inputs to the fair value measurements are reviewed by the Branch Asset and Liability Management Committee (ALCO) periodically.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of financial instruments with unadjusted quoted prices for identical instruments in active markets is determined by the open market quotations. These instruments are classified as level 1.

The financial assets and liabilities measured at fair value on a recurring basis by the three levels for the year ended 31 December 2021 are analysed below:

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets	*R'000*	*R'000*	*R'000*	*R'000*
Financial assets at amortised cost	-	3 436 644	1 386	**3 438 030**
Cash and balances with central banks	-	240 902	-	**240 902**
Loans and advances to customers	-	41 704	-	**41 704**
Financial investments*	-	3 154 038	-	**3 154 038**
Trade receivables	-	-	1 386	**1 386**
Financial investments at FVOCI	1 213 861	-	-	**1 213 861**
Financial investments at FVPL	-	19 096	-	**19 096**
Derivative financial instruments used for hedging	-	19 096	-	**19 096**
Balance as at 31 December 2021	**1 213 861**	**3 455 740**	**1 386**	**4 670 987**

	Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities	*R'000*	*R'000*	*R'000*	*R'000*
Financial liabilities at amortised cost	-	3 225 782	9 259	**3 235 041**
Borrowings*	-	3 182 336	-	**3 182 336**
Due to and placements from banks and other financial institutions	-	42 077	-	**42 077**
Due to customers	-	1 369	-	**1 369**
Trade and other payables	-	-	9 259	**9 259**
Financial investments at FVPL	-	22 219	-	**22 219**
Derivative financial instruments used for hedging	-	22 219	-	**22 219**
Balance as at 31 December 2021	**-**	**3 248 001**	**9 259**	**3 257 260**

The financial assets and liabilities measured at fair value on a recurring basis by the three levels for the year ended 31 December 2020 are analysed below:

Financial assets	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial investments at FVOCI	1 051 465	-	-	**1 051 465**
Cash and cash equivalents at amortised cost	-	433 430	-	**433 430**
Other assets – lease deposit	-	-	1 386	**1 386**
Balance as at 31 December 2020	**1 051 465**	**433 430**	**1 386**	**1 486 281**

Financial liabilities	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Other liabilities	-	-	9 983	**9 983**
Balance as at 31 December 2020	**-**	**-**	**9 983**	**9 983**

The amortised cost of cash and cash equivalents approximates the fair value as it is available on demand. The amortised cost of the following assets and liabilities approximates their fair values:

- Due from and placements with banks and other financial institutions
- Loans and advances to customers
- Financial investments
- Trade receivables
- Borrowings
- Due to and placements from banks and other financial institutions
- Due to customers
- Trade and other payables

There was no transfer between the three levels during the reporting period.

* The interest rate associated with the borrowing from Head Office is variable in nature and approximates prevailing market interest rates for instruments with similar terms and characteristics. As such, the carrying amount in the balance sheet is a reasonable approximation of fair value. In addition, the amortised cost of the "financial instruments at amortised cost" has been adjusted as part of the application of hedge accounting. As such, the carrying amount is a reasonable approximation of the fair value. Refer to note 12.

The Branch uses valuation techniques to determine the fair value of financial instruments when an open market quotation in active markets is not obtainable. If the key parameters used in valuation techniques for financial instruments are substantially observable and obtainable from active open market, the instruments are classified as level 2.

2.5. Interest rate risk in the banking book

The Branch's interest rate risk mainly arises from interest rate repricing and maturity mismatching of assets and liabilities, and the fluctuation of market interest rates.

The interest risk of banking book, net interest income simulation and gap analysis are the major tools used by the Branch to monitor the interest risk of its overall businesses. In addition, through adequate repricing management and interest rate contracts for significant assets and liabilities, the Branch strives to maximise its rate of return while keeping its risks under control.

By using the gap analysis system, the Branch regularly monitors the repricing maturity gap of interest rate-sensitive assets and liabilities throughout the Branch, takes the initiative to adjust the proportion of interest-bearing assets at floating interest rates and fixed interest rates.

During the reporting period, the Branch closely monitored the interest rate trend, conducted specific management of risk limits, and strengthened comprehensive operations and limit monitoring.

The Branch has USD funding that is linked to LIBOR, as well as an interest rate contract used for hedging, but following the financial crisis, the reform of London Interbank-Offered Rate (LIBOR) has become a priority for global regulators. In March 2021, the Financial Conduct Authority (FCA) announced that after 2021, LIBOR in Sterling, Euro, Swiss Franc and Japanese Yen, as well as one-week and two-month LIBOR rates in US Dollar will be stopped and the remaining term LIBOR rates in US Dollar will cease to be provided in the middle of 2023. Regulatory authorities and working groups on benchmark interest rate reform of all nations are actively promoting LIBOR reform.

On 31 August 2020, the People's Bank of China (PBOC) has published the Paper – "Participating in International Benchmark Interest Rate Reform and Improving China's Benchmark Interest Rate System".

Based on international consensus and best practices, China is in line with the progress of the reform of international benchmark interest rates, simultaneously promoting the design and application of new benchmark contracts and the transition of benchmark interest rates of legacy LIBOR contracts, so as to promote the transition of international benchmark interest rates in a steady and orderly manner. The alternative benchmark for USD will be replaced by SOFR. The major difference between USD LIBOR and the alternative rate SOFR is that the former, as a term rate, which means that it is published for a borrowing period, and it is "forward-looking" as USD LIBOR is published at the beginning of the borrowing period. Alternative interest rate SOFR is "backward-looking" rate, it's based on overnight rates from actual transactions, and are published on the next trade day. In addition, the alternative benchmark SOFR is risk-free, while LIBOR includes a credit spread over the risk-free rate. Therefore, the USD LIBOR reform will bring about great changes to the interest rate rules of various financial products.

The Group has established a task force consisting of key finance, risk, information technology, treasury, business, legal and compliance personnel and representatives of overseas branches, to speed up the implementation of the Group's LIBOR reform. The Group has put in place a reform implementation scheme, covering multiple aspects such as exposure monitoring, system updates, contract amendments, data procurement, risk management, model optimisation, internal training, client communication and accounting issues etc., so as to ensure an orderly transition to the new benchmark interest rate and to minimise the risks arising from transition.

Overall, the reform progress of the Group is consistent with the market. The Group has initially established a relatively complete interest rate risk monitoring system. By using the gap analysis system, the Group regularly monitors the repricing maturity gap of interest rate-sensitive assets and liabilities throughout the Group, takes the initiative to adjust the proportion of interest-bearing assets at floating interest rates and fixed interest rates, and adjusts the repricing term structure of interest rate and manages interest rate risk by applying appropriate derivatives such as interest rate swaps based on allocation strategy of assets and liabilities.

The Branch will follow the Group's transition process as described above. The transition from LIBOR to SOFR will not have a material impact on the Branch's margin and the positions of these financial instruments will remain unchanged.

The Branch has hedged the interest rate risk in the financial investments at amortised cost to match the funding floating rate. Refer to note 4.

The following tables categorise the Branch's assets and liabilities by repricing date or maturity date (whichever is earlier).

Static repricing gap as at 31 December 2021	**Up to 1 month**	**1 - 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
	R'000	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*
Variable rate items	-	-	-	-	-	-	**-**
Fixed rate items	263 850	31 518	60 513	2 031 180	2 273 416	-	**4 660 477**
Non rate sensitive items	-	-	-	-	-	59 490	**59 490**
Total assets	**263 850**	**31 518**	**60 513**	**2 031 180**	**2 273 416**	**59 490**	**4 719 967**
Adjustable rate items	1 591 742	1 590 595	42 077	-	-	-	**3 224 414**
Fixed rate items	1 369	-	5 161	4 098	-	-	**10 628**
Non rate sensitive items	-	-	-	-	-	1 484 925	**1 484 925**
Total liabilities and equity	**1 593 111**	**1 590 595**	**47 238**	**4 098**	**-**	**1 484 925**	**4 719 967**
Net repricing gap before hedging	**(1 329 261)**	**(1 559 077)**	**13 275**	**2 027 082**	**2 273 416**	**(1 425 435)**	**-**
Swaps							
Pay fixed	-	-	-	(738 245)	(2 284 481)	-	(3 022 726)
Receive floating	1 975 456	1 047 270	-	-	-	-	3 022 726
Net repricing gap after hedging derivatives	**646 195**	**(511 807)**	**13 275**	**1 288 837**	**(11 065)**	**(1 425 435)**	**-**

Static repricing gap as at 31 December 2020	**Up to 1 month**	**1 - 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
	R'000	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*
Variable rate items	433 466	-	-	-	-	-	**433 466**
Fixed rate items	-	397 977	13 186	329 453	310 849	-	**1 051 465**
Non rate sensitive items	-	-	-	-	-	42 508	**42 508**
Total assets	**433 466**	**397 977**	**13 186**	**329 453**	**310 849**	**42 508**	**1 527 439**
Fixed rate items	-	-	-	9 077	-	-	**9 077**
Non rate sensitive items	-	106	800	-	-	1 517 456	**1 518 362**
Total liabilities and equity	**-**	**106**	**800**	**9 077**	**-**	**1 517 456**	**1 527 439**
Net repricing gap	**433 466**	**397 871**	**12 386**	**320 376**	**310 849**	**(1 474 948)**	**-**

Sensitivity

Profit or loss is sensitive to higher / lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity change as a result of an increase / decrease in fair value of financial investments at fair value through other comprehensive income.

As at 31 December 2021	Impact on post-tax profit *R'000*	Impact on other components of equity *R'000*
Interest rates – increase by 70 basis points	2 087	217 592
Interest rates – increase by 100 basis points	2 981	308 396

As at 31 December 2020	Impact on post-tax profit *R'000*	Impact on other components of equity *R'000*
Interest rates – increase by 70 basis points	5 912	13 791
Interest rates – increase by 100 basis points	8 446	19 577

2.6. Capital management

The "capital" in capital management is a broader concept than "equity" on the statement of financial position. The Branch's objectives in capital management are:

- To comply with the capital requirements set by the regulators of the Branch;
- To ensure the Branch's ability to maintain a stable operation so as to continue to provide returns for the Bank and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Branch management adopts the regulatory requirements for minimum capital and capital conservation buffer as follows:

- Minimum regulatory requirements for Common Equity Tier 1 Capital adequacy ratio, Tier 1 Capital adequacy ratio and Capital adequacy ratio are 4.5%, 6% and 8%, respectively, and
- Capital conservation buffer requires an additional 2.5% on Common Equity Tier 1 Capital adequacy ratio.

The Branch's capital consists of the following:

- Common Equity Tier 1 Capital – Endowment capital from Head Office and reserves;
- Additional Tier 1 Capital – The Branch does not have any Additional Tier 1 Capital instruments; and
- Tier 2 Capital – Excess loan loss provisions, limited to 1.25% of credit risk weighted assets.

The Branch's deductible item from Common Equity Tier 1 Capital includes intangible assets relating to computer software.

	Year ended 31 December 2021	Period ended 31 December 2020
Common Equity Tier 1 Capital Adequacy Ratio	33.16%	521.22%
Tier 1 Capital Adequacy Ratio	33.16%	521.22%
Capital Adequacy Ratio	34.20%	521.23%

	R'000	R'000
Common Equity Tier 1 Capital	1 476 305	1 494 369
Common Equity Tier 1 deductions	(319 221)	(534)
Qualifying Common Equity Tier 1 Capital	**1 157 084**	**1 493 835**
Additional Tier 1 Capital	-	-
Qualifying Tier 1 Capital	**1 157 084**	**1 493 835**
Tier 2 Capital	28 626	36
Total Qualifying Capital	**1 185 710**	**1 493 871**

3. Cash and cash equivalents

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	R'000
Mandatory reserve deposit	19 070	-
Cash balances placed with banks		
- operating in South Africa	216 048	431 750
- operating outside South Africa	5 426	-
Accrued interest	447	1 716
Allowance for credit impairment	(89)	(36)
	240 902	**433 430**

The carrying amount of cash and cash equivalents approximates its fair value. The Branch places mandatory reserves with the South African Reserve Bank. The Branch has placed its cash in a bank account at a BB- rated bank in South Africa, as well as intragroup branches in New York, Frankfurt and Hong Kong. All balances are classified as stage 1. There were no movements between stages for this asset class during the reporting period. Cash balances placed with banks are repayable within 30 days and therefore are all current.

4. Derivative financial instruments

The derivative financial instruments are utilised by the Branch for hedging purposes.

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (i.e. fixed-for-floating swaps).

The Branch's credit risk associated with the interest rate contracts is nil, as the hedge is entered into with Head Office. The notional amounts provide a reference of the amounts recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Branch's exposure to credit risks.

The derivative financial instruments may become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative financial instruments held are set out in the table below:

		Fair values	
	Notional amount	**Assets**	**Liabilities**
	R'000	R'000	R'000
Interest rate contracts	3 024 611	19 096	(22 219)
Derivative financial instruments recognised as at 31 December	**3 024 611**	**19 096**	**(22 219)**

The table above provide a breakdown of the contractual or notional amounts and the fair values of the Branch's derivative financial instruments outstanding at year-end. These instruments, comprising interest rate derivatives allow the Branch to transfer, mitigate or reduce its interest rate fluctuation risk.

	Assets	Liabilities
Fair values	*R'000*	*R'000*
Current	8 826	(18 773)
Non-current	10 270	(3 446)
Balance as at 31 December 2021	**19 096**	**(22 219)**

The Branch undertakes its transactions in interest rates contracts with Head Office. Related risks are regularly monitored and controlled by management.

Notional amounts of derivative financial instruments by original currency:

	Year ended 31 December 2021
	R'000
USD	3 024 611
Total	**3 024 611**

Hedge accounting

The derivative financial instruments designated as hedging instruments by the Branch are as follows:

		Fair values	
	Notional amount	Assets	Liabilities
	R'000	*R'000*	*R'000*
Interest rate contracts	3 024 611	19 096	(22 219)
Derivative financial instruments recognised as at 31 December 2021	**3 024 611**	**19 096**	**(22 219)**

The Branch uses interest rate swaps to hedge against changes in fair value arising from changes in interest rates. The interest rate swap contracts are designated as hedging instruments and the terms are identical with those of the corresponding hedged items regarding interest rate, maturity and currency. The Branch uses regression analysis to evaluate the effectiveness of hedging. With the support of testing results, the Branch's management considers the hedging relationship to be highly effective. The hedged items are Financial Investments at Amortised Cost.

The following table shows the profit or loss effects of the fair value hedges:

	Year ended 31 December 2021
	R'000
Net gains / (losses) from fair value hedges:	
Hedging instruments	5 276
Hedged items attributable to hedged risk	(10 402)
Total	**(5 126)**

During the transition period of interest rate benchmark reform, interest rate benchmarks are assumed to continue being unaltered for the purposes of hedge accounting until such time as the uncertainty is resolved. Significant judgement will be required in determining when uncertainty is expected to be resolved and therefore when the temporary exceptions will cease to apply. However, the Branch has determined that the uncertainty continued to exist at 31 December 2021 and so the temporary exceptions apply to the hedge accounting relationships that are subject to benchmark reform.

5. Loans and advances to customers

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Current		
Loans and advances to customers	41 704	-
	41 704	**-**

Movements of gross carrying amount - Corporate loan at amortised cost:

	Stage 1	Stage 2	Stage 3	Total
	R'000	*R'000*	*R'000*	*R'000*
Addition	41 928	-	-	41 928
As at 31 December 2021	**41 928**	**-**	**-**	**41 928**

Movements of ECL allowance - Corporate loan at amortised cost:

	Stage 1	Stage 2	Stage 3	Total
	R'000	*R'000*	*R'000*	*R'000*
Addition	224	-	-	224
As at 31 December 2021	**224**	**-**	**-**	**224**

6. Financial investments at amortised cost

The financial investments comprise of South African Government Bonds carried at amortised cost.

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Nominal amount	3 024 611	-
Amortised premium and accrued effective interest	135 902	-
Accrued coupon	32 655	-
Basis adjustment in fair value hedge	(10 402)	-
Allowance for impairment losses	(28 728)	-
Balance at the end of the reporting period	**3 154 038**	**-**
Current	32 655	-
Non-current	3 121 383	-
Balance at the end of the reporting period	**3 154 038**	**-**

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	R'000
Balance as at beginning of the reporting period	-	-
Purchased	3 177 990	-
Basis adjustment in fair value hedge	(10 402)	-
Interest income	15 178	-
Allowance for impairment losses	(28 728)	-
Balance at the end of the reporting period	**3 154 038**	**-**

7. Financial investments at fair value through other comprehensive income

The financial investments comprise of South African Government Bonds carried at fair value through other comprehensive income (FVOCI).

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	R'000
Current		
Nominal amount	-	380 000
Accrued coupon	15 709	6 535
Amortised premium and accrued effective interest	-	2 871
Change in fair value through OCI	-	(243)
	15 709	**389 163**
Non-current		
Nominal amount	1 120 000	580 000
Accrued coupon	-	8 262
Amortised premium and accrued effective interest	101 737	68 294
Change in fair value through OCI	(23 585)	5 746
	1 198 152	**662 302**
Balance at the end of the reporting period	**1 213 861**	**1 051 465**

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	R'000
Balance as at beginning of the reporting period	1 051 465	-
Purchased	603 530	1 058 214
Coupons	(96 475)	(14 608)
Redemptions	(380 000)	-
Movement in fair value through OCI	(29 087)	4 360
Interest income	64 428	3 499
Balance at the end of the reporting period	**1 213 861**	**1 051 465**

8. Property and equipment

The Branch leases office and parking space under a lease contract with an extension option to renew the lease. This extension option is exercisable by the Branch up to 12 months before the end of the non-cancellable contract period. The extension of the lease is at the option of the Branch. The lease term is 5 years. Lease payments are made monthly and have an escalation clause of 8.5% per annum. The Branch used an Incremental Borrowing Rate of 7.54%. The Branch did not enter into any sub-lease arrangements for the office space.

	Electronic devices and equipment	Furniture	Right-of-use asset	Leasehold improvement	Total
	R'000	*R'000*	*R'000*	*R'000*	*R'000*
Cost					
As at 1 January 2021	26 985	4 558	13 132	9 830	54 505
Additions	1 317	57	-	-	1 374
As at 31 December 2021	**28 302**	**4 615**	**13 132**	**9 830**	**55 879**
Accumulated depreciation					
As at 1 January 2021	(7 708)	(1 033)	(4 815)	(2 782)	(16 338)
Charge for the period	(8 761)	(890)	(2 626)	(2 226)	(14 503)
As at 31 December 2021	**(16 469)**	**(1 923)**	**(7 441)**	**(5 008)**	**(30 841)**
Net book value as at 31 December 2021	**11 833**	**2 692**	**5 691**	**4 822**	**25 038**

	Electronic devices and equipment	Furniture	Right-of-use asset	Leasehold improvement	Total
	R'000	*R'000*	*R'000*	*R'000*	*R'000*
Cost					
Additions	26 985	4 558	13 132	9 830	54 505
As at 31 December 2020	**26 985**	**4 558**	**13 132**	**9 830**	**54 505**
Accumulated depreciation					
Charge for the period	(7 708)	(1 033)	(4 815)	(2 782)	(16 338)
As at 31 December 2020	**(7 708)**	**(1 033)**	**(4 815)**	**(2 782)**	**(16 338)**
Net book value as at 31 December 2020	**19 277**	**3 525**	**8 317**	**7 048**	**38 167**

Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Right-of-use assets		
Building	10 606	10 606
Parking	2 526	2 526
	13 132	**13 132**
Depreciation charge of right-of-use assets		
Building	(6 010)	(3 889)
Parking	(1 431)	(926)
	(7 441)	**(4 815)**
Carrying amount at the end of the reporting period	**5 691**	**8 317**

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Lease liabilities		
Current	2 963	2 016
Non-current	4 098	7 061
	7 061	**9 077**

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Depreciation charge of right-of-use assets		
Building	(2 121)	(3 889)
Parking	(505)	(926)
	(2 626)	**(4 815)**

9. Intangible assets

	Year ended 31 December 2021 R'000
Cost	
As at 1 January 2021	626
Additions	31
As at 31 December 2021	**657**
Accumulated amortisation	
As at 1 January 2021	(92)
Charge for the period	(214)
As at 31 December 2021	**(306)**
Net book value as at 31 December 2021	**351**

	Period ended 31 December 2020 R'000
Cost	
Additions	626
As at 31 December 2020	**626**
Accumulated amortisation	
Charge for the period	(92)
As at 31 December 2020	**(92)**
Net book value as at 31 December 2020	**534**

10. Deferred income tax assets

	Year ended 31 December 2021 R'000	Period ended 31 December 2020 R'000
Property and equipment	315	187
Provisions	2 811	825
Allowance for impairment losses	5 667	526
Changes in fair value of financial assets at FVOCI	6 604	(2 407)
Amounts received in advance	46	-
Temporary differences	**15 443**	**(869)**
Carry forward of unused tax losses	4 939	-
Deferred tax asset / (liability) at end of the period	**20 382**	**(869)**

Movements	Year ended 31 December 2021 R'000	Period ended 31 December 2020 R'000
As at beginning of reporting period	(869)	-
Credited to profit or loss	12 240	1 538
Property and equipment	128	187
Provisions	1 986	825
Allowance for impairment losses	5 141	526
Amounts received in advance	46	-
Tax loss	4 939	-
Credited / (charged) to other comprehensive income	9 011	(2 407)
Changes in fair value of financial assets at FVOCI	9 011	(2 407)
Deferred tax asset / (liability) at the end of the period	**20 382**	**(869)**

Deferred tax assets are considered non-current as they are non-contractual.

11. Other assets

	Year ended 31 December 2021 R'000	Period ended 31 December 2020 R'000
Current		
Pre-paid annual fee for IT maintenance	2 544	2 200
Pre-paid annual license fees	665	257
	3 208	**2 457**
Non-current		
Lease deposit	1 386	1 386
	1 386	**1 386**
Total other assets	**4 595**	**3 843**

The carrying amount of other assets approximates their fair value.

The lease deposit is held by Zenprop Property Holdings (Pty) Ltd and relate to guarantees on the leases for the Branch premises and parking spaces.

12. Borrowings

The Branch has entered into a long-term loan agreement with Head Office and borrowed USD200m. The maturity of the loan amount is in 2026, while the interest repayments are on a quarterly basis. The interest rate is 3 month LIBOR plus 0,65%. There are no debt covenants and are unsecured.

	Year ended 31 December 2021			Period ended 31 December 2020		
	Current	Non-current	Total	Current	Non-current	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Unsecured						
Loan from Head Office	4 356	3 177 980	3 182 336	-	-	-
Total borrowings	**4 356**	**3 177 980**	**3 182 336**	**-**	**-**	**-**

	R'000
Balance as at 1 January 2021	-
Additions	3 182 336
Capital amount	3 177 980
Accrued interest	4 356
Balance as at 31 December 2021	**3 182 336**

13. Due to and placements from banks and other financial institutions

An intragroup branch has placed R42m with the Branch at a fixed interest rate of 0.3%. R19m mature in June 2022 and R23m mature in July 2022.

There are no debt covenants and are unsecured.

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Current		
Placement from intragroup financial institution	42 077	-
	42 077	**-**

14. Due to customers

The South African branch of a large corporate entity operating in China has opened a ZAR deposit account at the Branch. The deposit matures in March 2023 and earns monthly interest at a rate of 5.65%. Early withdrawals, however, are at a rate of 3%.

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Current		
Due to customers	1 369	-
	1 369	**-**

15. Provisions

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Current		
Balance as at beginning of reporting period	2 738	-
Additions		
Bonus payments	7 320	2 738
Utilisation	(2 738)	-
	7 320	**2 738**
Non-current		
Balance as at beginning of reporting period	209	-
Additions		
Bonuses payable	480	209
	689	**209**
	8 009	**2 947**

16. Other liabilities

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Current		
Lease liability for premises of the Branch	2 963	2 016
Accrued auditor's fees	2 029	800
Fees payable to service providers	142	106
Value added tax payable	27	-
Fee and commission received in advance	164	-
	5 325	**2 922**
Non-current		
Lease liability for premises of the Branch	4 098	7 061
	4 098	**7 061**
Total other liabilities	**9 423**	**9 983**

The carrying amount of other liabilities approximates their fair values.

17. Endowment capital

An amount of R1 488 180 000 has been provided by Head Office to the Branch, which has been set aside as endowment capital of the Branch and is held in the Republic. The endowment capital is unencumbered and is not subject to repayment by the Branch to Head Office. There was no movement during the year.

18. Other reserves

The following table shows a breakdown of the statement of financial position item “other reserves” and the movements in these reserves during the reporting period. All of the movements in the table below relate to the financial investments at FVOCI.

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Change in fair value of financial investments through other comprehensive income	(18 478)	8 596
Deferred tax	6 604	(2 407)
Total other reserves	**(11 875)**	**6 189**

	Year ended 31 December 2021	Year ended 31 December 2020
	R'000	*R'000*
Balance as at beginning of reporting period	6 189	-
Movement in fair value of financial investments through other comprehensive income	(27 074)	8 596
Movement in deferred tax	9 011	(2 407)
Balance as at end of reporting period	**(11 875)**	**6 189**

19. Interest income

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Financial assets at amortised cost		
Cash and cash equivalents	11 106	55 460
Loans and advances to customers	48	-
Financial investments	15 178	-
Financial investments at fair value through other comprehensive income	64 428	3 499
Total interest income	**90 760**	**58 959**

20. Interest expense

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Financial liabilities at amortised cost		
Borrowings from Head Office	4 356	
Due to and placements from banks and other financial institutions	48	-
Due to customers	22	-
Interest expense on lease liability	616	1 542
	5 042	**1 542**

21. Fee and commission income

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Settlement services	16	-
	16	**-**

22. Net loss from trading activities

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Fair value adjustments of foreign exchange assets and liabilities	2 016	-
Interest rate contracts used for hedging	(10 402)	-
	(8 386)	**-**

23. Credit impairment losses

	Stage 1	Stage 2	Stage 3	Total
	R'000	*R'000*	*R'000*	*R'000*
Gross exposure as at 31 December 2021				
Cash and cash equivalents	240 991	-	-	240 991
Loans and advances to customers	41 928	-	-	41 928
Financial investments at FVPL	19 096	-	-	19 096
Financial investments at amortised cost	3 182 766	-	-	3 182 766
Financial investments at FVOCI	1 218 967	-	-	1 218 967
Other	1 386	-	-	1 386
	4 705 134	**-**	**-**	**4 705 134**

	Stage 1	Stage 2	Stage 3	Total
	R'000	*R'000*	*R'000*	*R'000*
Expected credit loss as at 31 December 2021				
Cash and cash equivalents	89	-	-	89
Loans and advances to customers	224	-	-	224
Financial investments at amortised cost	28 728	-	-	28 728
Financial investments at FVOCI	5 106	-	-	5 106
	34 147	**-**	**-**	**34 147**

	Stage 1	Stage 2	Stage 3	Total
	R'000	*R'000*	*R'000*	*R'000*
Gross exposure as at 31 December 2020				
Financial investments at FVOCI	1 051 465	-	-	1 051 465
Cash and cash equivalents	433 466	-	-	433 466
	1 484 931	**-**	**-**	**1 484 931**

	Stage 1	Stage 2	Stage 3	Total
	R'000	*R'000*	*R'000*	*R'000*
Expected credit loss as at 31 December 2020				
Financial investments at FVOCI	3 094	-	-	3 094
Cash and cash equivalents	36	-	-	36
	3 130	**-**	**-**	**3 130**

The expected credit loss (ECL) for the period ended is detailed below:

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Cash and cash equivalents	89	36
Loans and advances to customers	224	-
Financial investments at amortised cost	28 728	-
Financial investments at FVOCI	5 106	3 094
	34 147	**3 130**

The movements in expected credit loss (ECL) through profit and loss for the year ended 31 December 2021 is detailed below:

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Cash and cash equivalents	53	36
Loans and advances to customers	224	-
Financial investments at amortised cost	28 728	-
Financial investments at FVOCI	2 012	3 094
	31 017	**3 130**

24. Operating expenses

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Staff costs	54 895	13 212
Computer processing	9 176	2 355
Communication and travel	1 251	310
Marketing	903	368
Office equipment and consumables	45	48
Depreciation and amortisation	14 717	16 430
Auditor remuneration	2 029	1 000
VAT unclaimed	2 231	1 800
Other	7 023	1 031
	92 270	**36 554**

25. Income tax

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
South Africa normal taxation	**(12 240)**	**5 805**
South Africa normal tax comprising of:		
Current tax	-	(7 343)
Current period deferred tax	12 240	1 538
Credit / (debit) to statement of profit or loss	**12 240**	**(5 805)**
Profit / (loss) before tax	(45 939)	17 733
Tax rate reconciliation		
South Africa normal tax standard rate	28,00%	28,00%
Permanent differences - expenses not deductible	(1.36%)	4,74%
Effective rate	**26,64%**	**32,74%**

26. Cash generated from operations

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Profit / (loss) before tax	(45 939)	17 733
Adjustments for:		
Net interest income	(85 718)	(57 417)
Net losses arising from trading activities	8 386	-
Depreciation and amortisation	14 717	16 430
Credit impairments	31 017	3 130
Changes in operating assets and liabilities:		
Increase in loans to customers	(41 880)	-
Increase in other assets	(752)	(3 843)
Increase in intragroup deposits	42 072	-
Increase in customer deposits	1 369	-
Increase in other liabilities	1 456	906
Increase in provisions	5 062	2 947
Other non-cash flow items	34	-
Cash inflow / (outflow) from operations	**(70 176)**	**(20 114)**

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Tax payable at beginning of the reporting period	7 343	-
Current tax charge	-	7 343
Tax paid	(7 343)	-
Tax payable at the end of the reporting period	**-**	**7 343**

27. Commitments and contingent liabilities

The Branch had unutilised revocable facility to amounting to R48m (31 December 2020: Rnil).

28. Related party transactions

	Year ended 31 December 2021	Period ended 31 December 2020
	R'000	*R'000*
Key management personnel compensation		
Short term benefits:		
Remuneration	20 197	6 407
Company contributions	1 353	73
Bonus payments	2 371	-
Other	464	245
	24 385	**6 725**

Key management personnel are considered to be the Executive Committee members of the Branch, as well as the Head of Branch Internal Audit.

	Relationship	Year ended 31 December 2021	Period ended 31 December 2020
		R'000	*R'000*
Amounts due from			
Cash and cash equivalents			
Bank of Communications New York Branch	Fellow branch	5 256	-
Bank of Communications Frankfurt Branch	Fellow branch	168	-
Bank of Communications Hong Kong Branch	Fellow branch	2	-
Derivative financial assets used for hedging			
Bank of Communications Co., Ltd.	Head Office	19 096	-
Reimbursement in respect of property and equipment, intangible asset and lease payments			
Bank of Communications Co., Ltd.	Head Office	-	48 832
Balance at the end of the reporting period		**24 522**	**48 832**
Amounts due to			
Borrowings			
Bank of Communications Co., Ltd.	Head Office	3 182 336	-
Placements from banks and other financial institutions			
Bank of Communications Frankfurt Branch	Fellow branch	42 077	-
Derivative financial liabilities used for hedging			
Bank of Communications Co., Ltd.	Head Office	22 219	-
Balance at the end of the reporting period		**3 246 632**	**-**
Equity			
Endowment capital			
Bank of Communications Co., Ltd.	Head Office	1 488 180	1 488 180
Balance at the end of the reporting period		**1 488 180**	**1 488 180**
Amounts received from			
Interest received from derivative instruments			
Bank of Communications Co., Ltd.	Head Office	5 105	-
Balance at the end of the reporting period		**5 105**	**-**
Amounts paid to			
Interest expense on borrowings			
Bank of Communications Co., Ltd.	Head Office	4 356	-
Interest expense on placements from banks			
Bank of Communications Frankfurt Branch	Fellow branch	48	-
Net loss arising from Interest rate contracts used for hedging			
Bank of Communications Co., Ltd.	Head Office	10 402	-
Balance at the end of the reporting period		**14 806**	**-**

29. Going concern

The Executive Management have reviewed the Branch's cash flow forecast for a period of at least 12 months from the date of approval of the annual financial statements and are satisfied that the Branch will have access to capital and funding to continue as a going concern. The annual financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the Branch will continue to have ongoing access to capital and funding and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

30. Subsequent events

The following subsequent events occurred between the financial period end of the Branch and the date of this report:

- On 23 February 2022, the Minister of Finance announced in the Budget Speech that there will be a reduction in the corporate income tax rate from 28% to 27% for years of assessment ending on or after 31 March 2023 (i.e. for years of assessment beginning on or after 1 April 2022). This corporate income tax rate change is considered to be substantively enacted from the announcement date.
- The Russia / Ukraine conflict started on 24 February 2022. The conflict has severely strained relations between Russia and the United States of America (US). It has also increased the risk of a wider European conflict. Several sanctions have been imposed, which impact the financial markets.

  Currently, the Branch does not have direct or indirect business with any entities in Russia or the Ukraine. The Branch's exposures are mainly concentrated in the Asia-Pacific Region (mainly in China) and Africa. The Branch will continue to monitor the situation and will adhere to the Sanctions Policy.

  If the conflict between Russia and Ukraine continues for an extended period of time, it will inevitably affect the overall liquidity of the financial market and increase the price of funds. As the Branch currently has excess liquidity, there is minimal impact on its business. The Branch will, as far as possible, avoid the corresponding risks and appropriately extend the maturity of liabilities under the premise of controllable costs, will adopt floating interest rate pricing or switch fixed interest rate to floating interest rate via interest rate swap on the assets side.

The above-mentioned events do not have an impact on annual financial statements of the Branch for the year ended 31 December 2021.