South African Reserve Bank

SOUTH AFRICAN RESERVE BANK ANNUAL REPORT 2022/23

Policymaking in the interest of **balanced** and **sustainable growth**

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Online

The full annual financial statements of the SARB Group are available at **http://www.resbank.onlinereport.co.za/2023/**.

Feedback

The SARB welcomes feedback on its annual report to inform the continuous improvement of its communication to stakeholders. Your feedback, comments and/or questions can be sent to **Clivia Ulland**, the Acting Secretary of the SARB, at **Clivia.Ulland@resbank.co.za**

SARB overview

Just over a century ago, the South African Reserve Bank (SARB) was officially founded, making it the oldest central bank in Africa. When it opened its doors on 30 June 1921, the SARB was only the fourth central bank outside of Europe.

The adoption of the Constitution of the Republic of South Africa Act 108 of 1996 (Constitution), following two years of public consultation and debate, enshrined the SARB's independence.

The Constitution also bestowed a clear mandate on the SARB – to pursue and maintain price stability in the interest of balanced and sustainable economic growth.

The Financial Sector Regulation Act 9 of 2017 gave the SARB an explicit statutory mandate to protect and enhance financial stability.

The SARB effectively executes this mandate independently and acts without fear, favour or prejudice.

The SARB is not driven by a profit motive but by serving the best interest of all South Africans. After allowing for certain provisions, payments of company tax on profits, transfers to reserves and dividend payments, the surplus of the SARB's earnings is paid to the South African government (SA government).

Why the SARB exists

Primary mandate
(enshrined in the Constitution)

Pursue and maintain price stability – this protects the value of the currency in the interest of balanced and sustainable economic growth as well as protects and enhances financial stability.

Statutory mandate
(prescribed by the Financial Sector Regulation Act 9 of 2017 (FSR Act))

Protect and enhance financial stability
In South Africa, this includes identifying and mitigating systemic risks that might disrupt the financial system, while strengthening the safety, soundness and integrity of financial institutions through the Prudential Authority (PA).

The inter-relationships between price and financial stability are continually considered to ensure that decisions relating to one do not unduly prejudice the other.

Vision

The SARB leads in **serving the economic well-being of South Africans** through maintaining price and financial stability.

Values

- Accountability
- Excellence
- Integrity
- Open communication
- Respect and trust

How the SARB is governed

The Governor and three Deputy Governors are appointed by the President of the Republic of South Africa after consultation with the Minister of Finance and the SARB Board of Directors (Board). The president further appoints four other non-executive directors. The Governor and Deputy Governors are executive members of the 15-member Board.

Seven Board members are non-executive directors elected by the SARB shareholders, who help to strengthen governance. The non-executive directors have no rights or involvement in determining monetary policy, financial stability policy or regulation and supervision. The Governor is expected to serve as the Chief Executive Officer (CEO) of the SARB and the Chairperson of the Board in terms of the South African Reserve Bank Act 90 of 1989, as amended (SARB Act).

About this report

The SARB Annual Report, for the year ended 31 March 2023, provides an assessment of its ability to sustainably implement its mandate.

The report provides readers with a concise account of the SARB's strategy, performance and impact on society, and therefore focuses on material financial and non-financial information.

The intended readers of the report are principally the Members of Parliament of South Africa and specifically the Standing and Select Committees on Finance, through which the SARB is accountable to the people of South Africa, as well as the SARB's shareholders. The report is also considered relevant to a broader readership interested in how the SARB implements its mandate and strategy.

Scope and boundary

THE SARB GROUP

The South African Reserve Bank

THE SARB WHOLLY OWNED SUBSIDIARIES

Currency-producing

- **The South African Mint Company** (RF) Proprietary Limited, including its subsidiary Prestige Bullion (RF) Proprietary Limited (South African Mint)
- **The South African Bank Note Company** (RF) Proprietary Limited (SABN)

Investment services

- **The Corporation for Public Deposits** (CPD)

Deposit insurance

- **The Corporation for Deposit Insurance** (CODI)

The achievement of the SARB's mandate relies on robust relationships with many stakeholders, including government, other regulators and broader communities. These relationships are discussed throughout the report.

Note: The SARB holds a 50% shareholding in African Bank Holdings Limited (ABHL) as a result of a successful resolution process implemented in 2014. ABHL is accordingly an associate within the SARB Group at this time. At the time of reporting, the SARB planned to dispose of its holding in ABHL through an initial public offering.

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Reporting frameworks

The Constitution, read together with the amended SARB Act, provides the enabling framework for the SARB's operations. The annual report is therefore published in accordance with the SARB Act. In addition, the following reporting frameworks have been used to guide and prepare the report:

- ***The King IV™ Report on Corporate Governance for South Africa, 2016 (King IV™).[1]***
- **The International Financial Reporting Standards (IFRS)**
- **The International Integrated Reporting Council's International <IR> Framework.**

The principles of each of these frameworks are balanced against their practicality and relevance to a central bank. However, in the event of inconsistencies, legislative requirements and framework guidance, the former takes precedence.

Assurance

The summary Group annual financial statements presented in this report, and the full Group annual financial statements (available online), have been independently audited by the SARB's external auditors – PricewaterhouseCoopers Inc. (PwC Inc.) and SizweNtsalubaGobodo Grant Thornton Inc. (SNG Grant Thornton).

The SARB's Internal Audit Department (IAD) provides objective and independent assurance on the adequacy and effectiveness of the Group's governance, risk management and control processes.

Statement of responsibility

Section 4A (1c) of the SARB Act requires the Board to approve the annual report and financial statements of the SARB. The SARB Act also requires the annual report and financial statements to be submitted to the annual Ordinary General Meeting (AGM) of the SARB's shareholders, the Minister of Finance and Parliament. The information included in the annual report covers what the SARB defines as material matters (i.e. the material factors that enable it to continue to fulfil its constitutional mandate and statutory responsibilities). This information gives substance to the SARB's values and enables accountability to Parliament and South Africans. Information was provided and approved by the Heads of Department and senior specialists within the SARB. Iterations of the annual report were processed through the structures of the SARB. The Governors' Executive Committee (GEC) ensured that the report is factually correct and contains relevant and material information. The annual report was considered by the Audit Committee prior to approval by the Board. In the Board's opinion, the annual report provides a fair and balanced account of the SARB's performance, material matters and strategic direction. The Board approved the annual report and Group annual financial statements for the year ended 31 March 2023 on 8 June 2023, signed on its behalf by:

E L (Lesetja) Kganyago
Governor of the SARB

T (Terence) Nombembe
Non-executive director and Chairperson of the Audit Committee

R (Reshoketswe) Ralebepa
Group Chief Financial Officer

C (Clivia) Ulland
Acting Secretary of the SARB[2]

2 A recruitment process is underway to appoint the Secretary of the SARB.

Policymaking in the interest of balanced and sustainable growth

What we do

The SARB exists to pursue and maintain price stability in the interest of balanced and sustainable economic growth. This primary mandate is enshrined in the Constitution. The SARB is accountable to the people of the Republic of South Africa. The SARB is also tasked with protecting and enhancing financial stability, regulating and supervising financial institutions, managing the national payment system (NPS), issuing and destroying banknotes and acting as a banker of government and a lender of last resort.

The SARB has five strategic focus areas (SFAs) which are supported by enablement functions.

Inputs[3]

Social and relationship inputs

Sustained domestic, regional, international and cross-regulator stakeholder engagement and communication is aimed at improving transparency and accountability to:

- Empower role players – Parliament, civil society, business and labour formations, among other stakeholders – with knowledge and an understanding of the benefits of price and financial stability.
- Collaborate with relevant government departments, notably National Treasury, and other regulators on macroeconomic policies.
- Continually engage with financial institutions to assess risks to the financial sector as well as to exercise regulatory oversight.
- Collaborate with research and academic institutions to enhance the SARB's own research capability and inform its decision-making.
- Actively participate in international and regional multilateral forums to contribute to regional integration, inform policy and develop consistent financial sector regulatory frameworks.
- Strengthen the SARB's accessibility and accountability through social initiatives and broader stakeholder engagements.

Human and intellectual inputs

The SARB remains focused on attracting and retaining experienced and capable leaders with the relevant skills and a deep understanding of economic and financial systems.

- The SARB's employee value proposition, built on a culture that is empowering, agile, caring and collaborative, is designed to attract and retain critical skills.
- The SARB's 2 381 employees are motivated and skilled. Their diverse knowledge and skills assist the SARB in achieving its mandate and supporting objectives. Paid R2.7 billion (2021/22: R2.1 billion) in salaries.
- Training and development spend to upskill and reskill staff amounted to R69.7 million (2021/22: R68.2 million).
- The SARB remains committed to transformation with a diverse Board comprising seven women and eight men of which 87% are black. Of its 2 381 employees, 82.4% (2021/22: 80.8%) are black and 53.9% (2021/22 54.3%) are women.

Financial inputs

The SARB is not profit focused but driven by its policy function through:

- Maintaining sound financial and budgetary controls.
- Limiting spending to R2.8 billion on producing the upgraded banknotes and coin for circulation.
- Operating expenses amounted to R8 billion.
- These were funded by:
  - revenue generated from the management of official gold and foreign exchange reserves of R11 billion; and
  - interest from the management of market operations in pursuit of monetary policy implementation of R176 million.

Key functions

- Formulate and implement monetary policy.
- Protect and enhance financial stability, including acting as the lender of last resort in exceptional circumstances.
- Promote and enhance the safety, soundness and integrity of financial institutions regulated by the SARB, such as banks, insurance entities and market infrastructures (MIs).
- Enhance the country's resilience to financial shocks.
- Ensure the cost-effective availability and integrity of the currency.
- Compile economic statistics and conducting analysis and research.
- Act as banker to the government.
- Ensure the effective functioning of the national payment system (NPS).
- Administer the country's prudential and capital flow measures.
- Manage the official gold and foreign exchange reserves of the country.

Governance and risk management underpin the SARB's ability to sustainably execute its mandate

The SARB's governance practices align to the principles of good corporate governance as these pertain to a central bank. Everyone working at the institution is expected to maintain the highest level of ethics and conduct in performing the work of the SARB.

The SARB's risk management and control framework is in line with its constitutional and statutory responsibilities, as well as good governance practices.

Governance: **page 27.** Risk management: **page 36.**

3 Key resources, relationships and capabilities on which the SARB relies as a key component of its business model.

KEY FUNCTIONS *CONTINUED*

Price stability

PRIMARY MANDATE

Maintain inflation within a credible target range of

3–6%

Monetary policy: **page 41.**

Financial stability

STATUTORY MANDATE

Protect and enhance financial stability in South Africa, including identifying and mitigating systemic risks that might disrupt the financial system and strengthening the safety, soundness and integrity of financial institutions.

Financial stability: **page 47.**

Prudential regulation: **page 50.**

Primary outcomes

Low and stable inflation

- To protect the purchasing power and standard of living of all South Africans, particularly those with fixed incomes whose means of protecting themselves against continually rising prices are limited.
- To reduce uncertainty in the economy and create an environment conducive to sustainable and balanced economic growth in support of job creation over time.
- To build trust in the value of the rand and create a favourable investment landscape.
- To help maintain and improve South Africa's global competitiveness.

A stable and safe financial system

- Underpins sustainable economic growth and development, and in turn, employment creation.
- Contributes to a resilient economy that can withstand vulnerabilities and shocks, mitigating the costs of disruption.
- Promotes an efficient financial system that provides financial services to all South Africans.

Supporting outcomes

Social and relationship outcomes

- Strong relationships and collaborative partnerships with the private and public sector that underpin the development of prudent and coherent macroeconomic policies.
- Regulatory and supervisory frameworks that support financial inclusion and the integrity of the financial system.
- A credible SARB that is trusted and respected by South Africans, the country's financial institutions, international counterparts, regulators and governments.
- Academic partnerships that develop human capital and contribute to enhanced monetary policy, financial stability, economics and financial journalism skills in South Africa and Africa.

Human and intellectual outcomes

- A well-constituted Board that maintains best practice governance standards.
- Engaged and motivated employees working in a diverse and inclusive environment that meets employee expectations.
- Alignment between the SARB's employees and its strategic objectives.
- A low regrettable employee turnover, which at 1.5% for 2022/23, is well below the internal target of >4%.
- Knowledge and data sharing with stakeholders that increases transparency and credibility.
- A central bank with the technical and technological know-how to ensure financial stability and regulate rapidly digitalising financial institutions.

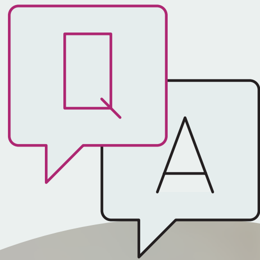
Financial outcomes

- A financially sound central bank.
- Group profit before tax of R2.1 billion (2021/22: R2.2 billion loss).
- SARB profit before tax of R0.7 billion (2021/22: R3.0 billion loss).
- Profit after tax of R0.8 billion was transferred to the contingency reserve.
- Shareholder dividend of R0.2 million (2021/22: R0.2 million) in line with the SARB Act.


87.019M
30.442M
344.602M
188.736K
16.92M
1.445M

About price and financial stability

The SARB aims to protect ordinary South Africans against inflation, which erodes the value of the money in their pockets. It is also tasked with guarding against systemic disruptions to the financial system, which threaten the functioning of the economy.



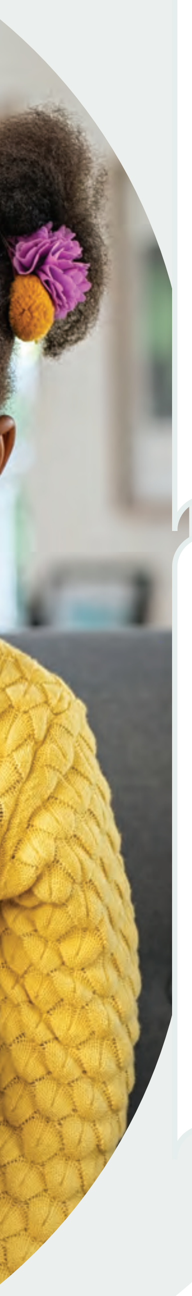
Why price stability matters

What is inflation and how is it measured?

Inflation is the general rise in prices of typical goods and services, which means that the purchasing value of money decreases. Lower long-term inflation is important for maintaining purchasing power, containing the costs of living and of doing business, and supporting South Africa's global competitiveness. The standard measure of inflation is the consumer price index (CPI), which is compiled by Statistics South Africa (Stats SA). CPI is calculated from a diverse basket of goods and services purchased by a typical consumer. Inflation is calculated by tracking the prices of these items over time.

How does the SARB work to achieve price stability?

The South African government, in consultation with the SARB, has set an inflation target of 3–6% to measure price stability. To protect the value of the currency and the purchasing power of South Africans, the SARB strives to keep inflation within the target range, preferably close to the midpoint of 4.5%.



What are the advantages of an inflation target?

A clearly articulated and credible inflation target range reduces uncertainty regarding the future level of inflation in the economy, thus managing expectations in the market. Households and firms can calculate the purchasing power of their income and make decisions about consumption and investments, knowing that inflation is likely to be between 3% and 6%. This certainty supports economic growth.

What does the SARB consider when making interest rate decisions?

When making its decision on interest rates, the main factor considered by the Monetary Policy Committee (MPC) is the future path of inflation. The MPC also considers domestic and global economic conditions in its decisions as well as how its policy decisions will impact economic growth and employment. Interest rate changes affect the economy with a lag of around 12 to 24 months, so the MPC's decisions are forward looking and aim to keep inflation within the target range over the medium term.

How does higher inflation affect South Africans?

Inflation erodes the purchasing power of money: R100 left under a mattress for 10 years will not buy you the same goods and services today that it would have allowed you to in 2013. Savings and pension plans could also lose value if the interest earned is not enough to compensate for inflation.

Inflation can raise inequality: The purchasing power of fixed incomes declines over time. The wealthy are mostly able to protect themselves against inflation by investing in assets such as shares or property, which increase in value during periods of inflation. The poor, on the other hand, are harder hit as prices for living essentials such as food, transport and fuel prices go up.

Confusing price signals: Higher and more volatile inflation creates uncertainty regarding the future purchasing power of income, interest rates and the real profitability of firms. It makes purchasing decisions such as buying a house or investment decisions such as expanding a business, more difficult, which can slow down economic growth.

Higher interest rates: When lenders expect higher inflation, they require compensation, which means interest rates are higher. By contrast, when they expect inflation to decline, interest rates can come down.

Negative impact on the rand: If the inflation rate is consistently higher than that of its major trading partners or competitors, South African producers will lose their competitive edge and consumers might be tempted to import cheaper goods instead of buying local products. As demand for South Africa's exports falls while the demand for imports rises, the need for foreign currency to pay for imports will increase, making it relatively scarce and more expensive, and the rand will lose value against other currencies.

What is the new Monetary Policy Implementation Framework?

The MPC uses an interest rate tool, the repurchase (repo) rate, to achieve the inflation target. The MPC's repo rate decisions are transmitted using the Monetary Policy Implementation Framework (MPIF). Between 1998 and 2022, the MPIF worked through creating a shortage of liquidity, causing the banks to borrow from the SARB. The new MPIF uses a surplus system. Rather than keeping liquidity scarce, the system has excess reserves, while banks have access to a deposit facility that pays the policy rate. The rationale is that an ample supply of liquidity puts downward pressure on interest rates, while the option to deposit at the SARB and earn at the repo rate creates a floor under rates, as it does not make economic sense for banks to transact below the overnight rate available at the central bank. This reform has made monetary policy implementation simpler and more robust, while also improving the liquidity of the banking sector.

What is the SARB's impact on South Africa's economic growth?

Price and financial stability support economic activity. Banks use the money of savers to lend to households and firms for consumption and investment purposes, such as buying cars and building factories. If the system is not stable, savers will not put their money in banks and firms and households will struggle to fund their expenditure. High inflation diminishes purchasing power, creates uncertainty on investment returns and reduces both investment and consumption spend over the medium term. In some cases, high inflation can generate social unrest. Price and financial stability are not only drivers of economic activity; they are necessary conditions for economic growth.

While people dislike interest rate hikes, these ensure that inflation remains low over the medium term, supporting economic growth. Lessons from the 1970s show that when central banks allow inflation to increase, the outcome in the medium term is low economic growth and stunted job creation.

Ensuring a stable financial system

Why is the stability of the financial system important?

Financial stability refers to a financial system that continues to provide efficient financial intermediation and other services when the system is hit by either a financial or non-financial shock, for example, a sudden stop in capital flows or the collapse of a bank.

The financial system enables households and businesses to save, borrow, invest and transact, while it also facilitates local and international trade. In the absence of financial stability, economic activity declines as firms and households are no longer able to transact efficiently or effectively.

How does the SARB ensure the stability of the financial system?

The SARB's financial stability mandate is to ensure that the financial system functions even under stress. This is a responsibility led by the SARB and supported by other financial sector regulators and National Treasury.

The SARB monitors global and domestic environments as well as how specific financial institutions operate to identify potential risks and vulnerabilities that may impact the financial system as a whole. It recommends policy actions using a macroprudential and micropudential policy toolkit to mitigate the build-up of vulnerabilities. It also conducts stress tests of the banking sector to assess the resilience of banks against defined adverse scenarios.

Progress against SFA 2 and the report on Financial stability: **page 18 and 47** respectively.

Why is South Africa's financial system considered safe and sound?

Financial institutions are well capitalised and perform well against a set of financial stability and microprudential indicators. These include the SARB Risk and Vulnerability Matrix (RVM), net stable funding ratio, losses linked to specific components of their balance sheets and profitability of institutions. The resilience of the financial system is illustrated by its ability to provide financial services during large economic and financial shocks, such as the COVID-19 crisis.

Progress against SFA 3 and the report on Prudential Regulation: **page 20 and 50** respectively.

What is the Corporation for Deposit Insurance?

The Corporation for Deposit Insurance (CODI) has been established as a legal entity to develop a deposit insurance scheme (DIS) for South Africa. CODI will provide protection to depositors to have access to their money should their bank fail. Depositors will be paid out up to R100 000 from a deposit insurance fund (DIF) to which banks will contribute through monthly premiums and a liquidity facility. CODI will become fully operational in April 2024. Its establishment aims to support the SARB's financial stability mandate and further enhance financial inclusion.

Delivering the SARB strategy

Governor's message

Since the previous SARB Annual Report, policymakers around the world continue to battle to contain the highest levels of inflation seen in a generation.

The large fiscal and monetary policy stimulus measures intended to soften the COVID-19 blow helped fuel large supply and demand imbalances after lockdown restrictions were rapidly relaxed. Russia's war in Ukraine, which has dragged bitterly on since its start in February 2022, has compounded disruptions to global oil and food supply chains. The consequence has been persistently high inflation that has forced central banks to increase interest rates faster and in larger increments than markets expected.

Easing oil and food prices suggest global inflation has peaked, helped along by less binding supply constraints and the demand-cooling effects of policy actions. Nevertheless, inflation remains uncomfortably sticky with high core and services inflation and overall, well above central bank targets.

Meanwhile, the global post-pandemic recovery has faded, in part a natural outcome of the size of the rebound itself, but also as new supply chain and trade headwinds emerge in the context of war and geopolitical tensions. Though recent data from advanced economies, particularly the United States (US) and Europe, show resilience in consumer spending and less binding energy constraints, global growth is expected to remain modest in 2023. The end of China's severe lockdown has benefited global growth, although this is likely to prove less dynamic and impactful than in the past.

This new pattern of growth and inflation will continue to have consequences for economic management in coming years, with tensions surfacing in the financial sector, in trade and in various kinds of price shocks – from technology to energy. For this reason, it remains critical that the SARB maintains its focus on ensuring a moderation in inflation, actively monitors the financial system for stress, and works with the broader public sector to increase the resilience of the economy to a future of persistent geopolitical and economic global shocks.

Economic update

While the South African economy grew by a moderate 2% in 2022, as the year progressed a series of headwinds to growth intensified. Primary among them was the major intensification of load-shedding in the fourth quarter, which, in addition to preventing a better growth outcome for the year, further heralded a weak start to 2023. By the SARB's January meeting of its MPC, the forecast for GDP growth for this year was revised down sharply to 0.2%, with 0.7% projected for 2024. These forecasts have since been revised up, to 0.3% and 1.0% by the time of the May meeting but continue to reflect an economy struggling to find its feet.

More load-shedding, logistics blockages and lower productivity and income growth pose the biggest downside risks to our outlook for near- and medium-term growth. The insufficiency of energy supply continues to impact on the whole economy, from economic activity levels to financial risk, and both the public and private sectors.

Despite weaker economic growth, domestic inflation has been persistently high since the release of the previous annual report. Inflation breached the upper limit of the target range in May 2022 and peaked in July, reaching a high of 7.8%. Consumer price index (CPI) inflation moderated somewhat to 6.9% by January 2023, but surprised to the upside again in February and has remained sticky at around 7% in March and April.

The MPC has raised the repo rate from a historic low of 3.5% in November 2021 to the current 8.25% as at the May 2023 MPC meeting. The actions taken so far to contain inflation have been well broadcast to the public and markets. The monetary policy actions taken are expected to moderate expectations of future inflation through the commitment to returning inflation to the target over the medium term. Failure to decisively deal with inflation early carries the prospect of much more difficult challenges to the economy down the line.

As the MPC has noted and the SARB's research shows, South Africa's growth performance and inflation trajectory are heavily affected by existing constraints to growth. Solving these supply constraints would lead to better economic outcomes and job creation.

Milestones

The most tangible way the SARB touches the lives of South Africans is through our currency. Many years in the making, the launch of South Africa's upgraded banknotes and fourth decimal coin series was a monumental milestone for the SARB and its subsidiaries alike. Launched on 3 May 2023, it was a culmination of final preparations completed during the 2022/23 financial year. Our currency is a point of pride for South Africans, and careful consideration is given to the use of national symbols, language, designs and developing features for the visually impaired. This involves extensive consultation with many organisations who play a significant role in their area of expertise. This includes the use of the 11 official languages which was signed off by the Pan South African Language Board (PanSALB), the statutory body tasked with this responsibility. The SARB received complaints that the Xitsonga word for Reserve Bank, used on the R100 banknote, is spelt incorrectly as ‘Bangikulu’. The view held by several members of the Vatsonga community is that the previous spelling used with the inclusion of an ‘n’ – ‘Banginkulu’ – is correct and that the SARB should revert to that spelling.

The decision to change the word was authenticated by the Xitsonga National Language Body – an advisory structure within PanSALB. Subsequently, the SARB held a meeting with various stakeholders from the Vatsonga community, wherein PanSALB was requested to revisit the issue and to provide a response within three months.

In September 2022, South Africa became one of the first countries on the African continent to adopt the International Organization for Standardization (ISO) financial messaging standard ISO 20022. The move to ISO 20022 will allow for better quality data, payment processing and settlements. This is a huge step towards modernising the payment ecosystem.

Following the release of the MPIF consultation paper and subsequent consultation processes during 2021, the MPIF was implemented from June 2022. The move from the shortage system to a surplus system has been operational and it is expected to facilitate a more efficient transmission of monetary policy decisions to the economy.

Strategy 2025

The SARB is approaching the final stretch of our Strategy 2025 and despite challenging global and domestic economic conditions, we remain on course to deliver against it. Our enablement focus areas (EFAs) continue to support policymaking and the implementation of our strategy.

Strategic focus areas and department highlights

We achieved three of the five strategic focus areas (SFAs) in the 2022/23 financial year. Global inflation dynamics and financial market volatility played a significant role in the SARB’s inability to achieve the target of our first SFA (SFA 1) – keeping inflation within the 3–6% range. Inflation has remained above the target range since May 2022, driven primarily by global shocks to food and energy prices, with increased load-shedding further adding to the cost structure of the economy. Enhancing our resilience to external shocks, the basis for our SFA 4, also proved challenging in the face of high levels of national government debt.

Financial stability

Globally, further monetary policy tightening, banking turmoil, volatile financial markets and downward revisions of growth projections have led to increased systemic risk. Global developments interacted with idiosyncratic domestic factors to weigh on domestic financial sector resilience.

The risk of secondary sanctions being imposed on South Africa amid the ongoing geopolitical polarisation resulting from the Russia-Ukraine war has increased. Should these risks materialise, it would exacerbate the challenge of declining domestic financial market depth and liquidity.

Although the South African financial system remained resilient amid challenging global and domestic developments, even slower and more inequitable domestic economic growth will likely test this resilience going forward.

The commencement schedule of the Financial Sector Laws Amendment Act 23 of 2021 (FSLAA) was published by the Minister of Finance on 24 March 2023. In terms of this schedule, CODI became a legal entity on 24 March 2023, and will be fully operational from 1 April 2024. The SARB became the Resolution Authority for designated institutions on 1 June 2023, on which date the resolution framework also became effective.

Prudential regulation

South Africa’s banking and insurance sector as well as market infrastructures remained sound over the past financial year. Entities that went into curatorship were not systemic and therefore did not cause disruption to the financial system.

We continued the process of implementing Basel III standards to safeguard the safety and soundness of our financial institutions. Following the completion of the Mutual Evaluation of South Africa by the Financial Action Task Force (FATF) in 2021, the PA continued to enhance the regulation and supervision of financial institutions to minimise risks related to money laundering, the financing of terrorism and proliferation financing. Remedial actions to address the FATF concerns have been embedded into our work plans.

The recent turmoil in the banking sector across various jurisdictions highlights the importance of effective supervision to vigorously manage risk within financial institutions. The PA is actively reflecting on the lessons learned and identifying where refinement is needed within the supervisory framework.

Payments

The SARB’s Cross-border Payments Coordination Group continues to work towards faster, cheaper, transparent and accessible cross-border payments. The African continent has some of the most expensive payment corridors when it comes to remittances. The drive to meet the 2027 targets of the Group of Twenty’s (G20) roadmap for enhancing cross-border payments remains an important objective that we pursue with our international counterparts.

International commitments

Global developments impact domestic policies and regulations. International organisations such as the International Monetary Fund (IMF), the Financial Stability Board (FSB) and the Bank for International Settlements (BIS) have ramped up their work programmes.

The spectacular crashes in the crypto-markets the past two years underscore why a global position is required to stem the risks arising from these instruments. The development of global standards and norms, will certainly go a long way in mitigating the risks in the crypto-ecosystem. In December 2022, the Basel Committee on Bank Supervision (BCBS) issued a standard for the prudential treatment of banks' crypto-asset exposures. Central banks and regulatory authorities need to stay the course in the pursuit of their policy objectives of safeguarding the financial system by ensuring that emerging risks remain in the regulatory purview.

In 2023, South Africa took over the BRICS Presidency from China. The first BRICS Finance Ministers and Central Bank Governors meeting was held in April 2023. The BRICS Summit will be hosted in South Africa in August 2023 where the SARB, along with National Treasury, will co-chair the BRICS Finance track. Together with the National Treasury we will continue to spearhead the country's inputs on issues such as climate finance, global payments and debt in emerging markets.

Outreach activities

Our stakeholder engagements were largely held virtually in the first half of the 2022/23 financial year. However, since the relaxation of the COVID-19 restrictions, we have resumed in person engagements with our stakeholders. The Talk to the SARB Forums, MPC Schools Challenge and Financial Stability Forums were all held in person towards the latter half of 2022. The pandemic had put a pause on physical employee volunteerism. However, we continued to provide financial support to nine schools that cater for learners with special intellectual needs, and will resume physical activities in 2023.

Our people, our future

Like many financial institutions, the pandemic compelled the SARB to find new ways of working that allow us to be more resilient and agile. Having settled into our interim offices in Irene Link in Pretoria, the SARB has embraced a hybrid way of work while endeavouring to balance productivity, workplace cohesion and staff well-being.

Staff have executed their duties diligently with integrity and excellence, as espoused by our values. We have engaged with staff through various communications and activities. Feedback received from the Employee Engagement Survey (EES) as well as a survey on the hybrid way of working, has been incorporated in departmental plans to enrich the employee experience. The SARB saw a record level of participation in the EES and retained its Platinum Seal of Achievement, the highest level an organisation can achieve in the Deloitte Best Company Survey.

The SARB began its diversity and inclusion (D&I) journey in 2020 and introduced the final phase of the three-year programme this year. Workshops about generational diversity; racial, ethnicity and culture diversity; gender diversity; sexual orientation; and sexual harassment took place throughout the organisation. The D&I programme is contributing to the development of a more diverse leadership pipeline and to build an organisation that embraces the unique-lived experiences, viewpoints and expertise of our employees.

Conclusion

Over the past year, central banks globally have once again been challenged to address matters outside the scope of their mandates. The focus of central banks to deliver on their core mandates is particularly crucial today, given the high levels of inflation across the globe. We have remained steadfast in executing our constitutional mandate, while remaining cognisant of the challenges the domestic economy is facing.

Protecting the value of the currency in the interest of balanced and sustainable growth is key to the work of the SARB. However, we do not operate in a vacuum and will continue to work closely with the fiscal policy authorities towards creating an economic climate that is conducive to growth and employment creation. Our ultimate responsibility is to the South African public and we continually strive to be transparent and accountable.

I would like to thank the Board for their hard work and dedication. Supported by the SARB Group Secretariat, we have navigated yet another year successfully and achieved what we set out to do. I would also like to thank the SARB's executive, in particular the Deputy Governors who have carried out their duties with due care and diligence. The leadership of the SARB as a whole has adapted to the new ways of working and led their teams exceptionally well during the transitionary period.

Finally, my heartfelt gratitude goes to the staff of the SARB Group for consistently producing quality work, staying motivated and being engaged while executing your duties. You have shown dedication throughout the past year and have displayed excellence in pursuit of fulfilling the mandate with which the SARB has been entrusted.

E L (Lesetja) Kganyago
Governor of the SARB

Embedding Strategy 2025

The SARB's strategy is designed to fulfil its price and financial stability mandates as well as the additional priorities that various laws assign to the organisation. The strategy is executed to serve the economic well-being of all South Africans.

This strategy is articulated through five SFAs – prioritised outcomes that the SARB considers essential to achieving its mandate. Though the SARB remained constrained by COVID-19 in this period, strategic delivery progressed alongside an ongoing emphasis on the enablement focus areas (EFAs), which contain many of the SARB's transformational programmes.

PRICE AND FINANCIAL STABILITY

Stakeholder value proposition

- **SFA 1** – **Maintain** headline inflation within the target range
- **SFA 2** – **Protect** and enhance financial stability
- **SFA 3** – **Promote** and enhance the safety, soundness and integrity of regulated financial institutions and market infrastructures
- **SFA 4** – **Enhance** South Africa's resilience to external shocks
- **SFA 5** – **Ensure** cost-effective availability and integrity of currency

Objectives unique to each SFA

SFA 1
- **Maximise** monetary policy effectiveness
- **Anchor** inflation expectations

SFA 2
- **Improve** the monitoring of existing and emerging vulnerabilities
- **Formulate** possible interventions to mitigate systemic vulnerabilities
- **Enhance** the framework to respond to shocks in the financial system
- **Enhance** the safety and efficiency of the payment system

SFA 3
- **Enhance** risk-based, outcomes-focused and forward-looking supervision
- **Implement** integrated and proportional regulatory and supervisory frameworks
- **Improve** regulatory coverage
- **Improve** monitoring and reporting of cross-border transactions

SFA 4
- **Improve** the monitoring of existing and emerging vulnerabilities
- **Enhance** the functioning of South Africa's financial system
- **Enhance** the macroeconomic and macroprudential toolkit

SFA 5
- **Optimise** the currency supply chain
- **Enhance** the integrity of banknotes and coin

ENABLEMENT STRATEGY

Cross-cutting themes

- **EFA 1** – **Improve** transparency and accountability through stakeholder engagement and communication
- **EFA 2** – **Coordinate** policymaking and implementation
- **EFA 3** – **Optimise,** integrate and leverage information and technology solutions

Organisational capability

- **EFA 4** – **Improve** strategy execution and internal efficiency
- **EFA 5** – **Attract,** develop and retain critical skills and competencies and embed the SARB culture

Target met | Target partially met | Target not met

Note: The status of an SFA is determined by the measures in its scorecard, and not the achievement of its unique objectives.

SFA 1 Maintain headline inflation within the target range

Objectives

To maintain headline inflation within the target range of 3–6% by delivering a well-structured research programme, economic analysis and policy advice. This is supported by an effective MPIF, strong information management and targeted communication and stakeholder engagement.

2022/23 performance overview

Headline inflation breached the upper end of the target range in the second quarter of 2022. For the full 2022 calendar year, headline inflation came out at 6.9%. As at March 2023, the SARB's forecast of headline inflation for 2023 is 6%, and for 2024 is slightly lower at 4.9%. The SARB expects headline inflation to return to the 4.5% midpoint of the target range in 2025.

Performance scorecard

Overall status: Target not met

Strategic measures	Target (annual)	2021/22 (annual)	2020/21 (annual)
Headline inflation versus target	3–6%	6.9% *(2022 calendar year)* 7.2% *(financial year)*	5.2%

Note: The strategic plan reports headline inflation for the 2022/23 financial year (April 2022 to March 2023). The overall headline inflation of 6.9% in the report on monetary policy (page 41) is reported for the calendar year (January to December 2022).

Unique strategic objectives for SFA 1

Maximise monetary policy effectiveness (Target met)

- Achieved intended outputs of economic research for the year. These include 14 working papers, 14 economic notes and 19 research briefs. In addition, a research programme on the impacts of prudential policy on the economy and the financial sector, consisting of 14 projects, was initiated.
- Peer review evaluation of research topics and outputs will be conducted in 2024.
- Published the ***Quarterly Bulletin*** and related statistics, and the biannual ***Monetary Policy Review*** (as per the calendar) and produced timeous MPC background packs.
- The new MPIF was implemented during the course of 2022.

https://www.resbank.co.za/en/home/publications/quarterly-bulletin1

https://www.resbank.co.za/en/home/publications/review/monetary-policy-review

Anchor inflation expectations (Target not met)

- The Q4 2022 Bureau for Economic Research (BER) survey expectations were above the target midpoint of 4.5% – at 6.1% for 2023 and 5.6% for 2024.
- Efforts to engage price setters are underway with a meeting held with the trade federation Cosatu, as well as discussions with the Minerals Council South Africa held during the year under review. Research to examine the impact of tariffs and administered prices on inflation was undertaken and is expected to be published during the course of the 2023/24 year.

Target met | Target partially met | Target not met

Monetary policy page 41.

SFA 2 Protect and enhance financial stability

Objectives

Continue developing macroprudential frameworks with an increased focus on stress testing and understanding their efficacy. Modernising the NPS and ensuring its safety.

2022/23 performance overview

There were no systemic events in the financial system during the 2022/23 financial year. Continued effort was made to develop and enhance frameworks to identify and simulate systemic events. Other initiatives are underway to improve the methodologies, indicators and frameworks to assess vulnerabilities. Research activities will focus on the development of better indicators as well as possible risk-based policy interventions. Resolution planning and crisis preparedness will be further developed to enhance the SARB's ability to respond to shocks.

Performance scorecard

Overall status

Strategic measures	Target (annual)	2022/23 (annual)
Consistently test the financial stability framework to ensure it meets international standards	Improve assessment of vulnerabilities in the financial system, development of mitigating tools and the SARB's ability to respond to shocks	The assessment framework was brought in line with the one adopted by the FSB and IMF. Further improvements were made to the stress testing framework that now includes climate change risks.

Target met   Target partially met   Target not met

Unique strategic objectives for SFA 2

Improved monitoring of existing and emerging vulnerabilities

- Reviewed financial stability heatmap and Financial Conditions Index with research fellows.
- Increased focus on non-bank financial institution (NBFI) risks.
- Finalised planning for insurance common scenario stress testing (CSST).
- Published climate risk stress test (CRST) discussion paper for consultation.
- Made material enhancements to the banking CSST process, framework and governance, including to the integrated stress testing model (ISM).

Formulate policy interventions to mitigate systemic vulnerabilities

- Proposed macroprudential interventions to address the sovereign-bank nexus.
- Developed a series of resolution discussion papers.
- Initiated the Financial Sector Contingency Forum's (FSCF) Orderly Closing and Reopening of Markets (OCARM) project.

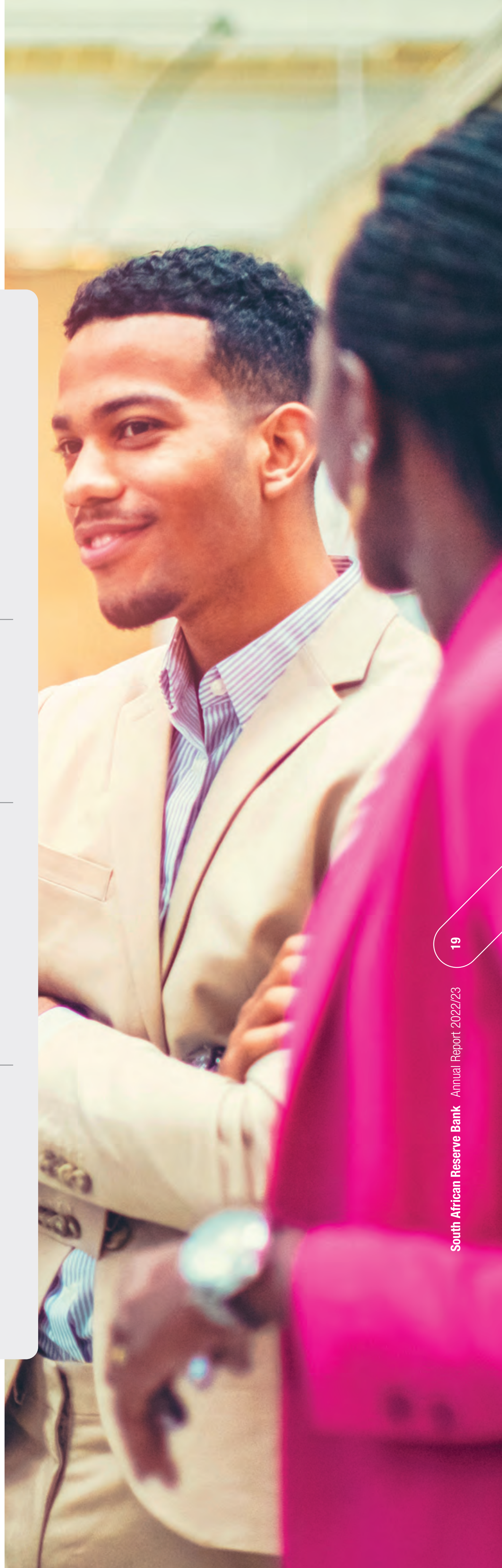
Enhance the framework to respond to shocks in the financial system

- Resolution standards, including the transfer of assets and liabilities of a designated institution in resolution and stays on early termination rights and resolution moratoria on contracts of designated institutions in resolution that were necessary for the FSLAA to become effective, have been finalised.
- The development of resolution plans commenced in May 2022. Draft plans for two of the systemically important financial institutions (SIFIs) were tabled at the Resolution Policy Panel (RPP) in March 2023.

Enhance the safety and efficiency of the payment system

- The proposed consequential amendments to the National Payment System Act 78 of 1998 (NPS Act) have been incorporated into the Conduct of Financial Institutions (COFI) Bill. National Treasury, in collaboration with the SARB's National Payment System Department (NPSD), engaged with the stakeholders on the proposed consequential amendments. National Treasury is incorporating the stakeholder comments in the COFI Bill.
- The NPSD is in the process of drafting the standards to be issued in terms of the new amendments to the NPS Act.

Target met · Target partially met · Target not met



SFA 3 Promote and enhance the safety, soundness and integrity of regulated financial institutions and market infrastructures

Objectives

Continue to embed the Prudential Authority (PA) and its enhanced regulatory and supervisory practices; and drive a proactive SARB response – the right policies, frameworks and tools – to support the rapid changes in the financial sector ecosystem.

2022/23 performance overview

The PA continued to collaborate with other regulators and entities, including National Treasury, on various issues affecting the financial sector. Systematically Important Financial Institutions (SIFIs) remain relatively sound, profitable and well capitalised, reflecting the resilience of these institutions. With no failures of SIFIs across the financial sector, the PA continues to make inroads in its supervisory processes. With regard to non-SIFIs[4], there is one insurer in curatorship, four in liquidation, one in statutory management and one bank in curatorship. None of these entities present a systemic risk to the banking and insurance industries.

Performance scorecard

Overall status: Target met

Strategic measures	Target (annual)	2022/23 (annual)	2020/21 (annual)
Percentage of financial institutions that meet or exceed the quantitative prudential standards for Systematically Important Financial Institutions (SIFIs)	100% or under adequate regulatory action	**100%**	100%
Weighted percentage of financial institutions that meet or exceed the quantitative prudential standards for non-SIFIs	90% or under adequate regulatory action	**99.53%**	90%
Compliance with sound governance and risk management practices as required by the different industry legislation for SIFIs (proportionate application of smaller banks and co-operative financial institutions)	100% of institutions fully compliant or under adequate regulatory action	**100%**	100%
Weighted percentage of non-SIFIs that comply with sound governance and risk management practices required by the different industry legislation	100% of institutions fully compliant or under adequate regulatory action	**97.27%**	90%

Target met Target partially met Target not met

4 Non-SIFIs: smaller banks or small- to medium-sized insurers.

Unique strategic objectives for SFA 3

Enhance risk-based, outcomes-focused and forward-looking supervision

Quality assurance reviews on selected supervisory guidelines kicked off in July 2021, and the outcomes have started to enable improvements to our integrated supervisory framework and guidelines (refinements to various guidelines were approved by the PA Management Committee). Improvements were made to selected supervisory frameworks and guidelines.

Implement integrated and proportionate regulatory and supervisory frameworks

- Implemented 90% of the PA's integrated supervisory framework.
- The enhanced PA Risk Framework was finalised.
- The Risk Framework was rolled out from January to August 2022 and was used to inform the 2023 supervisory calendar.

Improve regulatory coverage

- The Regulations relating to Banks dealing with interest rate risk in the banking book were implemented on 1 January 2023.
- Amendments relating to the Securitisation Regulations under the Banks Act 94 of 1990 (Banks Act) were finalised and implemented on 1 October 2022.
- The Regulations relating to Banks dealing with credit risk, market risk and output floors were published for public consultation.
- Prudential standards for mutual banks and co-operative banks are under review.
- Work is in progress to transition the regulation of medical schemes, pension funds, collective investment schemes (CIS) managers and friendly societies into the PA.

Improve monitoring and reporting of cross-border transactions

- Framework to monitor large and/or structured transactions has been developed and included in the regulations manual. Engagements with the Financial Sector Conduct Authority (FSCA) regarding over-the-counter (OTC) derivatives providers are in progress.
- Frameworks have been developed, including one for non-banks and one for the Krugerrands market.

Target met Target partially met Target not met

Prudential regulation: **page 50.**

SFA 4 Enhance South Africa's resilience to external shocks

Objectives

Improve the monitoring of existing and emerging external financial and macroeconomic risks and vulnerabilities, continue to enhance the functioning of the financial system, enhance macroeconomic and macroprudential toolkits and improve the coordination of policy responses within the SARB and with National Treasury.

2022/23 performance overview

The SARB continued to monitor external vulnerabilities, while further developing the policy toolkit used to support financial market functioning. Gross foreign exchange reserves rose to US$61.85 billion as at March 2023, up from US$58.2 billion for March 2022 and US$53.0 billion for March 2021.

Performance scorecard

Overall status

Strategic measures	Target (annual)	2022/23 (annual)
Guidotti-Greenspan rule (GR): used to monitor reserves to cover debt should there be a sudden stop or reversal of flows.	GR of a ratio of national reserves to total short-term debt.	GR: 1.25 (Q4 2022)
Foreign exchange debt of the total economy: (public sector, private sector)	Two standard deviations from the historical mean of R236.12 billion: total foreign debt of national government denominated in foreign currencies (R'bn).	R546.24 billion (January 2023)
	Two standard deviations from the emerging markets (EM) mean of US$285.95 billion: total foreign debt of private sector denominated in foreign currencies (US$'bn).	US$92.6 billion (Q1 2023)
Capital flows at risk (the degree to which capital flows could change in a risk scenario)[5]	Two standard deviations from the mean of -R0.43 billion: net purchases of bonds by non-residents.	-R24.29 billion (March 2023)
	Two standard deviations from the mean of -R4.43 billion: net purchases of shares by non-residents.	-R12.55 billion (March 2023)
Foreign shareholding in bonds and equities (the degree to which capital outflows could occur during a shock)	Two standard deviations from the mean of R214.18 billion: holdings of SA government bonds by non-residents.	R513.02 billion (March 2023)
	Two standard deviations from the mean of R68.45 billion: holdings of South African equities by non-residents	R81.27 billion (March 2023)

Target met   Target partially met   Target not met

Note: Standard deviation is a statistical indicator of how dispersed variables are relative to their historical mean values. An observation of greater (or less) than two standard deviations from the mean is generally regarded as an outcome that occurs less than 5% of the time, indicating a probable build-up of pressure.

5 Negative figures indicate outflows of capital.

Unique strategic objectives for SFA 4

Improve the monitoring of existing and emerging vulnerabilities

- Working groups on core markets and indicators of market dysfunction have been established for local currency fixed income, foreign exchange (FX) and money markets.
- Work on principles for intervention and governance was presented to experts for review.
- Work to develop the conceptual architecture to support FX monitoring is ongoing.

Enhance the macroeconomic and macroprudential toolkit

- A draft paper on the utilisation of foreign exchange reserves is currently being considered before further steps are undertaken.

Enhance the functioning of South Africa's financial system

- Kick-off sessions were held following the approval of the business case for a triparty collateral management system in 2022.
- The SARB has been engaging with international financial institutions and central banks to strengthen bilateral swap lines and other facilities to improve South Africa's access to the global financial safety net (GSFN).
- The safety and efficiency of the payment system has been enhanced through an enabling legal framework and the achievement of the objectives of the payment system modernisation programme.

SFA 5 Ensure the cost-effective availability and integrity of currency

Objectives

To ensure the availability of high-quality banknotes and coin, combat counterfeiting and explore the feasibility of a central bank digital currency (CBDC).

2022/23 performance overview

The SARB's subsidiaries producing banknotes and coin have fulfilled the annual orders. Both the banknote and coin buffer stock levels are sufficient to meet public demand and the reported counterfeit notes are within the threshold. The research report on the feasibility of establishing a CBDC was completed and is being reviewed for further steps.

Performance scorecard

Overall status

Strategic measures	Target (annual)	2022/23 (annual)	2021/22 (annual)
On-time, in-full fulfilment of orders from the cash industry	100% of orders fulfilled within agreed timelines	100%	100%
Incidence of counterfeiting measured in parts per million (ppm) (annualised)	<12 ppm or under adequate regulatory action	2.92 ppm	5.01 ppm

Unique strategic objectives for SFA 5

Optimise the currency supply chain

- The currency manufacturing subsidiaries' supply chain unit costs were maintained within the set targets despite the fluctuating commodity prices and exchange rates.
- Both the banknote and coin buffer stock levels are above the 9- and 6-month targets respectively.

Enhance the quality of banknotes and coin

- Continued to drive the multi-year initiative to determine the quality standard for banknotes – which involves participants from the cash industry.

Subsidiaries: **page 74.**

Enablement focus areas

EFA 1 Improve transparency and accountability through stakeholder engagement and communication

Context

Improve transparency and accountability through stakeholder engagement and communication, particularly as large transformation projects impact stakeholders and require their collaboration.

2022/23 performance highlights

The following scores were achieved in the last reputation survey conducted in April 2022:

Informed stakeholders

- Citizenship: 78% (2019: 76%).
- Communication: 89% (2019: 87%).
- Image: 83% (2019: 84%).
- Relationship management: 77% (2019: 80%).
- Reputational equity: 85% (2019: 83%).

Public stakeholders

- Public awareness: 60% (2019: 66%).
- Public reputation: 72% (2019: 69%).

The next survey will be conducted in 2024.

EFA 2 Coordinate policymaking and implementation

Context

Improve our approach to research and policy formulation with the intention of driving collaboration and broad engagement across our policy areas.

2022/23 performance highlights

- Work has commenced on nine of the 11 topics. The current portfolio of cross-departmental research (CDR) topics has been split into two research programmes and seven standalone projects.

Target met   Target partially met   Target not met

EFA 3 — Optimise, integrate and leverage information and technology solutions

Context

We continue to renew our core central banking systems and establish an enterprise information management system. More focus will be placed on improving information sharing across the SARB and in the industry and building an advanced analytics capability.

2022/23 performance highlights

- iStrategy programme implementation is ongoing and aligned to Strategy 2025.
- Tier 1 and Tier 2 projects respectively achieved 57% and 88% against their respective targets.
- Foundational data management capabilities completed.
- Implemented robust cybersecurity risk management measures.

EFA 4 — Improve strategy execution and internal efficiency

Context

From the SARB's past performance assessment and the increasing quantum and rate of change, there is a need to focus on improving our strategy execution and internal efficiencies.

2022/23 performance highlights

- The phased implementation of the enterprise change capability function was concluded during 2022, and the roll-out of the function across the SARB is underway.
- Two strategy execution playbooks – on climate change and advanced analytics – have been completed.
- Procurement improvement initiative has been completed and the HR improvement processes are underway and on track.
- The Head Office Campus Redevelopment (HOCR) programme is progressing according to plan.

EFA 5 — Attract, develop and retain critical skills and competencies, and embed the SARB culture

Context

For the SARB to achieve its mandate, it requires a workforce and culture that can drive the execution of the strategy. This means closing any immediate critical skills gaps, upskilling and reskilling staff, and embedding our culture and Employee Value Proposition.

2022/23 performance highlights

- Improved the coverage ratio for critical roles to 91% (target: 85%). The average time to fill critical roles was 105 days (previous year 129 days), due to the scarcity of skills.
- Critical roles turnover was within the tolerance range of less than 4%.
- Maintained the Platinum Seal (highest level) in the EES results of March 2023, with an engagement score of 70.9%. The SARB continues with integrated action plans to address areas of improvement and sustain areas of strength.
- The majority of departments have completed the second D&I workshop, focusing on race and ethnicity. All departments have appointed project teams to drive action plans following attendance of each workshop.
- The hybrid way of working is increasingly being embraced by SARB staff. Robust change management interventions and mental wellness sessions are among the initiatives to embed hybrid work.

Target met Target partially met Target not met

How the SARB is governed

Shareholding and dividend

The SARB's shareholders

As at 31 March 2023, the SARB had 820 shareholders. The shareholders have no rights or involvement in determining monetary policy, financial stability policy or regulation and supervision of the financial sector. Their rights are limited to the following activities conducted at the SARB's annual AGM:

- considering the SARB's annual financial statements;
- electing seven of the non-executive directors of the Board, as and when vacancies arise; and
- appointing the external auditors and approving their remuneration.

SARB shares are traded on an over-the-counter (OTC) share-trading facility managed by the SARB. While some foreigners still hold shares, only the shareholders residing in South Africa are entitled to vote at the AGM.

Shareholders are allowed one vote for every 200 shares held. The amended SARB Act restricts shareholders to owning no more than 10 000 shares, including shares held by associates, as defined.

Dividend

The SARB Act stipulates that shareholders are entitled to a 10 cents per share dividend on an annual basis paid from profits.

The total dividend paid for the financial year was R0.2 million (2021/22: R0.2 million).

Governance

The SARB supports the overarching goals of *King IV™* and has implemented the following principles of responsibility, accountability, fairness and appropriate transparency, insofar as these align with the legislation governing the SARB.

Ethical culture

The SARB functions in the public interest. It is therefore critical that it proactively maintains the highest ethical standards as an institution. The Board and executive management are responsible for ensuring that the SARB carries out its mandate and executes its strategy, alongside its values of respect and trust, open communication, integrity, accountability and excellence. Challenges to the SARB's independence and constitutional mandate are vigorously defended to ensure that the SARB serves South Africa's citizens without fear, favour or prejudice.

The SARB promotes a culture of ethical conduct and compliance. The Ethics Policy, framework and procedures guard against unethical behaviour or unlawful conduct and guide the management in the event of such instances occurring. The Board Risk and Ethics Committee (BREC) oversees ethics management, while the Risk Management and Compliance Department (RMCD) manages the day-to-day aspects, including ethics and commercial crime risk assessments as well as employee declarations on outside interests and personal account trading. The Internal Audit function assists in identifying possible incidents of commercial crime and other irregularities.

The annual EES is used to gain employee insight on ethics and in the 2023 survey, the SARB saw improvements in key leadership drivers, including a commitment to diversity and inclusion which improved to 70.9% from 67.3%.

Employees and the public can use an independent external hotline to anonymously report dishonest or questionable practices and sensitive matters related to the SARB's business. All allegations are treated seriously and investigated. The hotline is available 24/7 and callers can communicate with trained operators in English, Afrikaans, isiZulu and Sesotho.

The Board

The Board is ultimately responsible for governance and oversight, ensuring that the SARB's work is done correctly and in compliance with applicable laws and standards. The SARB Act and the Board Charter define the Board's responsibilities.

The SARB Act requires the Board to have 15 members, comprising the Governor and three Deputy Governors who serve as executive directors, as well as four non-executive directors appointed by the President of the Republic of South Africa (President) – after consultation with the Minister of Finance – and seven shareholder-elected non-executive directors.

The SARB Act also sets the 'fit and proper' criteria for Board membership and prescribes that a panel evaluates nominated shareholder-elected candidates, considering skills, knowledge and diversity. This ensures that the Board operates with integrity and has the capability and diverse thinking required to fulfil its responsibility for effective governance. Well-constituted committees assist the Board in discharging its duties.

The Board receives reports on governance and oversight matters from the GEC and the various Board committees. The Board ordinarily meets five times a year. Of specific note is the Board's accountability for the governance of information and technology (I&T), which includes ensuring that the I&T strategy supports the SARB's strategic objectives. I&T investments are made within acceptable risk parameters and in line with the SARB's culture, structure and I&T maturity. Various governance structures assist the Board in this responsibility. I&T performance against an approved scorecard is reported quarterly to the Information and Technology Steering Committee, GEC and Audit Committee.

Assessing effectiveness

The Board conducts an annual assessment of the SARB's governance framework against best practice and regularly assesses whether the *King IV*™ principles can be further applied. The Board Charter and the terms of reference of all Board committees are reviewed every three years, unless otherwise required. In line with the three-year cycle, the Board Charter and the terms of reference were all reviewed in February 2023 and approved at the Board meeting during March 2023. Board members perform annual self-assessments to evaluate how the Board and its committees are functioning. The Governor meets annually with all Board members individually to discuss various issues. These discussions are also used to inform the nomination (or otherwise) of a Board member for re-election. Nomination recommendations are made after the Board has identified the skills and expertise needed to ensure its effective performance, and after the contribution of non-executive directors to the work of the Board has been assessed.

Good performance

The role of governance is to support the SARB's ability to achieve its strategy and fulfil its mandate. To be a credible and well-governed institution, the SARB must have the structures, policies and skills to manage financial performance, regulatory compliance and risk management as well as to carry out its social and ethical responsibilities. The Board committees approve the SARB's policies for which they are responsible and oversee and monitor their implementation.

Executive directors

GOVERNOR

E L (Lesetja) Kganyago (57)

Executive chairperson

Governor of the SARB[6]

APPOINTED BY THE PRESIDENT OF SOUTH AFRICA

Appointed
9 November 2014 and reappointed for a second five-year term on 9 November 2019.

Responsibilities
Executive Management Department, Communications Division, Strategy Management Office, Internal Audit, Economic Research departments, and the Human Capital and Operations Cluster.

Experience
Served as Director-General of National Treasury and then as a Deputy Governor of the SARB from 16 May 2011 to 8 November 2014. Served as the Chairperson of the International Monetary and Financial Committee, which is the primary advisory board to the IMF Board of Governors, from 18 January 2018 – 17 January 2021. Represented South Africa in international organisations, including the World Bank, the G20 and the African Development Bank.

Other current roles
- Chairperson of the Committee of Central Bank Governors (CCBG) of the Southern African Development Community (SADC).
- Co-chairs the FSB's Cross-Border Payments Coordination Group (CPC) and Regional Consultative Group for Sub-Saharan Africa (RCG-SSA).

Awards
- University of South Africa (Unisa) Chancellor's Calabash Outstanding Alumnus Award in 2015.
- Named Central Bank Governor of the Year by Central Banking Publications in 2018.
- Doctor of Commerce, honoris causa, awarded by Stellenbosch University in December 2018.
- Leadership in Practice Award in 2019 from Unisa Graduate School of Business Leadership.
- Doctor of Commerce, honoris causa, awarded by the Nelson Mandela University in December 2020.

Board composition at 31 March 2023

Board members **15**

Gender diversity

7 Women

8 Men

Race diversity

13 Black members

2 White members

Average age of Board members

57.53

DEPUTY GOVERNORS

K (Kuben) Naidoo (52)

Executive director

APPOINTED BY THE PRESIDENT OF SOUTH AFRICA

Appointed
1 April 2015 and reappointed for a second five-year term on 1 April 2020.

Responsibilities with effect from 1 April 2022
Financial Stability, Economic Statistics, National Payment System, Risk Management and Compliance departments, Financial Technology (Fintech) Unit, including the newly established Corporation for Deposit Insurance (CODI) as well as oversees the Currency Cluster.

Served as Advisor to the Governors
1 April 2013 to 31 March 2015.

Experience
Worked at the Financial and Fiscal Commission from 1995 to 1998, before joining National Treasury in 1998. Completed a two-year stint at Her Majesty's Treasury in the United Kingdom, in the Budget Division between 2005 and 2006. Headed the Budget Office at National Treasury in South Africa from 2006 to 2010 and headed the Secretariat of the National Planning Commission from 2010 to 2013 (seconded from National Treasury). Served as CEO of the Prudential Authority until 31 March 2022.

Other current roles
- Co-chairperson of the Basel Consultative Group (a sub-committee of the Basel Committee on Banking Supervision).
- Member of the Committee on Global Financial Stability (CGFS).

N (Nomfundo) Tshazibana (46)

Executive director

CEO of the Prudential Authority from 1 April 2022

APPOINTED BY THE PRESIDENT OF SOUTH AFRICA

Appointed
1 August 2019 for a five-year term.

Responsibilities
Prudential Authority and the Financial Surveillance Department.

Served as Advisor to the Governors
February 2018 to 31 July 2019.

Experience
Extensive experience in public policy analysis and formulation. Was Chairperson of the Deputies of the International Monetary and Financial Committee (IMFC), which is the primary advisory body to the IMF Board of Governors from June 2019-December 2020. Was also chairperson of the Board of the Corporation for Public Deposits from August 2019-July 2022.

Prior to joining the SARB, was Alternate Executive Director at the Board of the International Monetary Fund from 2015-2018. Served as Deputy Director General responsible for Economic Policy and Forecasting at the National Treasury from June 2011-February 2015 and prior to that served in various roles at the National Treasury since 2003. Prior to that was in policy analysis at the National Energy Regulator, having worked in the private sector.

Other current roles
- Member of the Basel Committee on Banking Supervision.
- Member of the Supervisory and Regulatory Committee of the FSB.
- Member of the Board of the Corporation for Deposit Insurance.

R (Rashad) Cassim (57)

Executive director

APPOINTED BY THE PRESIDENT OF SOUTH AFRICA

Appointed
1 August 2019 for a five-year term.

Responsibilities
Financial Markets, Legal Services and International Economic Relations and Policy departments.

Experience
Served as the Head of the SARB's Economic Research and Statistics Department and Chief Economist from March 2011 – July 2019, responsible for macroeconomic statistics, research, analysis and forecasts. Was the chairperson of the international Irving Fisher Committee on Central Bank Statistics under the auspices of the BIS for a three-year period between 2019 and 2022.

Prior to joining the SARB, served as the Deputy Director-General at Statistics South Africa, responsible for economic statistics, a professor and Head of the School of Economics and Business Sciences at the University of the Witwatersrand (Wits) from 2003 to 2006, Head of the Trade and Industrial Policy Strategies (a think tank) and held various research positions at the University of Cape Town.

Other current roles
Member of the BIS Markets Committee from 2006 to 2011.

6 The SARB Act requires the Governor to serve as both the de facto CEO of the SARB and Chairperson of the Board, with a casting and deliberative vote.

Non-executive directors

T (Terence) Nombembe (61)

Non-executive director

Audit Committee Chairperson

Government appointed
July 2014, reappointed in July 2017 and again in 2020 for a final three-year term.

Qualifications
Chartered Accountant South Africa (CA(SA)), Bachelor of Accounting Science (Hons) and Bachelor of Commerce (BCom) degrees, conferred with an Honorary Doctorate in Accounting Science by the Walter Sisulu University.

Experience
Served as Auditor General of South Africa (2006 to 2013) and as CEO of the South African Institute of Chartered Accountants (SAICA) until February 2019, when he joined the State Capture Commission as Head of Investigations.

C B (Charlotte) Buitendag (57)

Non-executive director

Shareholder elected
July 2016, re-elected in July 2019 and again in July 2022.

Qualifications
Doctorate (PhD) in Econometrics.

Experience
Is serving as Professor in Simulation and Futuristic Studies at the Thabo Mbeki Graduate School for Public and International Affairs, Unisa. Has previously served as Professor of Economics at the University of Pretoria. Has knowledge and skills in industry.

J M S D (Dudu) Msomi (52)

Non-executive director

Government appointed
July 2020

Qualifications
Bachelor of Arts (BA) degree (Psychology and English), BA (Hons) degree (Cultural and Media Studies), Postgraduate Diplomas in Advertising and Marketing and Corporate Governance, and a Master of Business Administration (MBA) from the University of Pretoria's Gordon Institute of Business Science (GIBS).

Experience
Founder and CEO of Busara Leadership Partners (with expertise in facilitating the development and effectiveness of leaders, management and entrepreneurs); adjunct faculty member at GIBS; supervisor for GIBS MBA Management Consulting; global elective partner for CEO Summit Uganda's CEO Apprentice Programme; part-time Commissioner on the KwaZulu-Natal Provincial Planning Commission; and a Fellow at the Institute of Directors in South Africa. Has expertise in strategy, corporate governance, leadership development, diversity, equity and inclusion, content creation, small, medium and micro-sized enterprises (SMMEs) and entrepreneurship as well as public speaking.

N (Nicholas) Vink (68)

Non-executive director

Shareholder elected
July 2016, re-elected in July 2019 and again in July 2022 for a final three-year term.

Qualifications
PhD in Agricultural Economics.

Experience
A non-executive director on the Rooibos Limited Board and is Past President of the International Association of Agricultural Economists (2021 to 2024). Has knowledge and skills in agriculture.

S (Shamima) Gaibie (59)

Non-executive director

Board appointed as a casual vacancy
August 2020

Shareholder elected
August 2021.

Qualifications
BA and Bachelor of Laws (LLB) degrees from Wits University and a Master of Laws (LLM) degree from the London School of Economics and Political Science (University of London, UK).

Experience
Admitted as an attorney, practising for more than 29 years in a number of niche areas including labour law, public sector law, commercial law and constitutional law. Previously served as a lecturer of law and acted as a Judge in the Labour Court and High Court and is a senior director at Cheadle Thompson & Haysom Inc. attorneys. Has written numerous articles on labour law issues and has spoken at numerous conferences.

Z (Zoaib) Hoosen (58)

Non-executive director

Board Risk and Ethics Committee Chairperson

Shareholder elected
July 2019 and re-elected in July 2022.

Qualifications
MBA and Bachelor of Science (BSc) in Computer Science and Mathematics.

Experience
30 years' experience in the information and communications technology industry and former Managing Director of Microsoft South Africa. Currently, a member of the GIBS Advisory Board and advises businesses on their digital transformation journeys. Has knowledge and skills in industry.

Y (Yvonne) Muthien (66)

Non-executive director

Remuneration Committee Chairperson

Shareholder elected
July 2018 and reappointed in August 2021.

Qualifications
PhD, Oxford University, Master of Arts, Northwestern University, BA (Hons) – cum laude, University of the Western Cape.

Experience
Currently Chairperson of Rhodes Food Group, and non-executive director of Aspen and SA SME Fund as well as Chairperson of Mavovo Capital. Former positions include CEO of Sanlam Group Services, Chairperson of BankservAfrica, Vice-President of Coca-Cola Africa and Executive Director of MTN. Has knowledge and skills in commerce and finance in the telecommunications, fast-moving consumer goods (FMCG) and financial services sectors as well as extensive executive management and board experience across sectors.

L H (Lerato) Molebatsi (53)

Non-executive director

Non-executive Directors' Committee Chairperson

Government appointed
April 2019 and reappointed in June 2022.

Qualifications
BA degree and has completed various certificate programmes.

Experience
Former CEO of a multinational company, has held positions in financial services companies such as Sanlam and Old Mutual, and now serves on the board of an infrastructure company based in Kenya and locally. Has knowledge and skills in financial services, labour, transport, mining and corporate governance as a non-executive director. Has knowledge and skills in government affairs and policy, communication and public affairs, leadership and strategy.

M M T (Tryphosa) Ramano (51)

Non-executive director

Shareholder elected
August 2020

Qualifications
CA(SA), postgraduate diploma in Accounting and BCom. Currently an Advanced Leadership Initiative fellow at Harvard University, Boston.

Experience
Co-founder and director of Magommake Limited, a strategic consultancy. Has held various positions in the public and private sectors in South Africa, previously served as the Chief Financial Officer (CFO) of PPC Limited, WIPHOLD (a black women-owned investment company) and South African Airways and was the Chief Director for Asset Liability at National Treasury. Currently serves on the boards of the International Women's Forum (South Africa) and the Solidarity Fund and is the Chairperson of the Audit and Risk Committee for both entities. Is a professional member of the South African Institute of Chartered Accountants (SAICA) and Turnaround Management Association of South Africa, and currently serves as the Chairperson of Young Leaders Connect and the Gender-based Violence and Femicide Response Fund. Is also a non-executive director of the Public Investment Corporation (PIC), Denel SOC Ltd, Eskom Holdings SOC Ltd, SA Rugby Council as well as the Chairperson of Audit and Risk Committee at the University of Pretoria. Has knowledge and skills in commerce and finance.

N B (Norman) Mbazima (64)

Non-executive Director

Board appointed as a casual vacancy
August 2020

Shareholder elected
August 2021

Qualifications
Fellow of the Association of Chartered Certified Accountants and fellow of the Zambia Institute of Chartered Accountants.

Experience
Over 18 years as a senior executive at Anglo American, including as Deputy Chairman of Anglo American South Africa and as CEO and CFO of various business units. Seventeen years' experience as a professional accountant with Deloitte & Touche, providing services to the mining, financial services and other industries. Currently the Chairperson of Anglo American Platinum Limited and Zambia Sugar Plc and serves on various other boards. Is also a trustee of Malaria No More. Has knowledge and skills in mining.

K H (Kgabo) Badimo (63)

Non-executive director

Government appointed
June 2022

Qualifications
Doctor of Philosophy (PhD) in Information Systems from the University of South Africa (UNISA); M.Sc. in data engineering from Keele University in the UK, and B.Sc. Computer Sciences from University of the North at Turfloop (University of Limpopo). Completed Executive Leadership from UNISA School of Business Leadership (SBL). Graduate Studies Programme in Business Administration at Wits Graduate School of Business Administration and SAP Winning Insights Leadership Development Programme at the Gordon Institute of Business Science (GIBS).

Experience
Currently serving in the Board of Airports Company of South Africa (ACSA) as a non-executive director. A seasoned ICT professional and Business Executive with more than 33 years' experience in the ICT Industry. Has been involved in many industries including public sector, banking, defence, rail, mining, mobile communications, telecommunications and data communications. Held a number of senior executive positions in public and private sector organisations, including being General Manager at Dr Temp, Sales Director at Oracle, Group Chief Business Development Officer at Ansys Ltd, General Manager at Neotel (Pty) Ltd, Divisional CEO at Jasco Limited, Chief Executive Officer at Spescom DataVoice (Pty) Ltd, Business Development Director and General Manager at SAP, Group Executive for Customer Services at MTN (Pty) Ltd; CEO and Executive Manager at SITA (Pty) Ltd and Divisional Manager at Denel Infoplan.

Frequency and attendance of the Board and its committee meetings from 1 April 2022 to 31 March 2023

Names of the Board members	Board (5 meetings)	Audit Committee (5 meetings)	BREC (4 meetings)	Nedcom (3 meetings)	Remco (4 meetings)	Overall total of meeting attendance for each member's allocated committees
E L (Lesetja) Kganyago† **Board Chairperson**	5/5	5/5	4/4	n/a	4/4	**18/18**
K (Kuben) Naidoo#	5/5	5/5	4/4	n/a	n/a	**14/14**
N (Nomfundo) Tshazibana#	5/5	4/5	3/4	n/a	n/a	**12/14**
R (Rashad) Cassim†	5/5	5/5	n/a	n/a	4/4	**14/14**
T (Terence) Nombembe **Audit Committee Chairperson**	5/5	5/5	4/4	3/3	n/a	**17/17**
B (Charlotte) Buitendag	5/5	n/a	4/4	3/3	n/a	**12/12**
N (Nicholas) Vink	5/5	n/a	n/a	3/3	4/4	**12/12**
Y (Yvonne) Muthien **Remco Chairperson**	5/5	n/a	n/a	3/3	4/4	**12/12**
Z (Zoaib) Hoosen **BREC Chairperson**	5/5	5/5	4/4	3/3	n/a	**17/17**
H (Lerato) Molebatsi **Nedcom Chairperson**	5/5	n/a	4/4	3/3	3/4*	**15/16**
J M S D (Dudu) Msomi	5/5	n/a	4/4	3/3	4/4	**16/16**
M M T (Tryphosa) Ramano	4/5*	3/5*	3/4*	2/3*	n/a	**12/17**
N B (Norman) Mbazima	5/5	5/5	n/a	3/3	3/4*	**16/17**
S (Shamima) Gaibie	4/5*	n/a	n/a	3/3	4/4	**11/12**
K H (Kgabo) Badimo^	5/5	4/5^,*	1/2*	2/3*	n/a	**12/15**
Numbers	73/75	41/45	35/38	31/33	30/32	**210/223**
Percentage	97.3	91.1	92.1	93.9	93.8	**94.2**

† Attend Audit Committee and Remco meetings by invitation.
# Attend Audit Committee meetings by invitation.
^ K H (Kgabo) Badimo was appointed as a member of the Audit Committee on 12 August 2022 and BREC on 1 October 2022.
* Apologised for absence(s).
n/a: not applicable.

Board committees

Non-executive directors chair all Board committees. Board and committee appointments and terms that expired during the year include:

C (Charlotte) Buitendag was re-elected for a final three-year term as a member of the Board on 30 July 2022 and reappointed to the BREC.

Z (Zoaib) Hoosen was re-elected for a second term as a member of the Board on 30 July 2022 and reappointed to the Audit Committee and BREC as well as the Chairperson of the BREC.

N (Nicholas) Vink was re-elected for a final three-year term as a member of the Board on 30 July 2022 and reappointed to the Remco.

AUDIT COMMITTEE

Has an objective, independent role and assists the Board in fulfilling its oversight responsibilities relating to financial reporting, the system of internal controls, the audit process and, as appropriate, the SARB's compliance with laws and regulations as these relate to financial reporting.

The Chairperson is a member of the audit committees of the currency-producing subsidiaries – the South African Mint and SABN – ensuring the sharing of information and alignment with the Group's policies.

The Chairperson of BREC is a member.

Membership

Chairperson

T (Terence) Nombembe

Non-executive directors

Z (Zoaib) Hoosen
N B (Norman) Mbazima
M M T (Tryphosa) Ramano
K H (Kgabo) Badimo

Attends by invitation

E L (Lesetja) Kganyago
R (Rashad) Cassim
K (Kuben) Naidoo
N (Nomfundo) Tshazibana

Key activities in **2022/23**

- Reviewed all significant internal and external audit findings and monitored management's responses to these findings. The committee was satisfied with the audit quality and independence of the external auditors.
- Received a combined assurance report in May 2023 together with the draft 2022/23 Annual Report.
- The committee was satisfied with the assurance that the SARB's control environment is sound.
- Received a compliance report in May 2023. The committee was satisfied that the areas of weakness identified are being appropriately addressed.
- Reviewed and approved the annual fee limits for non-audit work by the statutory auditors for the SARB and the Group.
- Reviewed the scope of the internal and external statutory audits.
- Assessed the SARB's internal audit and financial functions, and the external auditors.
- Reviewed the adequacy of the committee's terms of reference, for recommendation to the Board for approval.

BOARD RISK AND ETHICS COMMITTEE (BREC)

Assists the Board in discharging its responsibilities relating to risk management and good organisational citizenship behaviour, specifically social and ethics responsibilities. The committee also oversees risk and ethics matters relating to the subsidiaries.

The Chairperson of the Audit Committee is a member.

Membership

Chairperson

Z (Zoaib) Hoosen

Non-executive directors

C B (Charlotte) Buitendag
L H (Lerato) Molebatsi
J M S D (Dudu) Msomi
T (Terence) Nombembe
M M T (Tryphosa) Ramano
K H (Kgabo) Badimo

Executive directors

E L (Lesetja) Kganyago
R (Rashad) Cassim
K (Kuben) Naidoo
N (Nomfundo) Tshazibana

Key activities in **2022/23**

- Reviewed the reports from the COVID-19 Joint Operations Centre on the risk mitigating activities needed to manage the pandemic.
- Considered reports on financial, security and legal risk, current and emerging threats and insurance.
- Received reports on the internal audit work relating to risk management processes.
- Reviewed reports on ethics management which included the enhancement of ethics processes and procedures.
- Reviewed reports on the whistle-blowing hotline.
- Considered the SARB's annual corporate social investment (CSI) report.
- Reviewed the adequacy of the committee's terms of reference, for recommendation to the Board for approval.
- Considered a benchmarking report from the Institute of Risk Management on the status of risk management in the SARB to enhance the function.

NON-EXECUTIVE DIRECTORS' COMMITTEE (Nedcom)

Assists the Board in fulfilling its legal and supervisory obligations and responsibilities, enhancing corporate governance practices, ensuring ongoing director training and development, and evaluating the performance of the Governor, Deputy Governors and Secretary of the SARB.

Membership

Chairperson

L H (Lerato) Molebatsi

Non-executive directors

C B (Charlotte) Buitendag
Z (Zoaib) Hoosen
Y (Yvonne) Muthien
T (Terence) Nombembe
N (Nicholas) Vink
S (Shamima) Gaibie
J M S D (Dudu) Msomi
M M T (Tryphosa) Ramano
N B (Norman) Mbazima
K H (Kgabo) Badimo

Attends by invitation

E L (Lesetja) Kganyago

Key activities in **2022/23**

- Received presentations and discussed topics on local and global economic environments, as well as specific areas of interest as part of ongoing director training and development.
- Considered the performance of the Governor, Deputy Governors and Secretary of the SARB.
- Considered the training needs of directors and implemented an annual training schedule.
- Reviewed the adequacy of the committee's terms of reference, for recommendation to the Board for approval.

REMUNERATION COMMITTEE (Remco)

Reviews the SARB-wide human resources framework and remuneration policies and practices and recommends for the Board's consideration the remuneration packages of the Governor and Deputy Governors and the annual increases for staff.

The GEC approves the remuneration and annual fee increases for the Board's non-executive directors, which the Board notes and accepts. Recommendations follow market enquiries, benchmarking against similar organisations and surveys to determine the appropriate increase.

Membership

Chairperson

Y (Yvonne) Muthien

Non-executive directors

S (Shamima) Gaibie
N B (Norman) Mbazima
L H (Lerato) Molebatsi
J M S D (Dudu) Msomi
N (Nicholas) Vink

Attends by invitation

E L (Lesetja) Kganyago
R (Rashad) Cassim

Key activities in **2022/23**

- Monitored the implementation of various initiatives, including talent management, workforce planning, performance management, the reward strategy and the implementation of a talent management system.
- Monitored the review of certain human resources policies.
- Reviewed the EES results and associated action plans.
- Received feedback on the D&I programme.
- Agreed the annual remuneration increases for employees and the budget for the annual performance bonuses, for recommendation to the Board for approval.
- Reviewed the adequacy of the committee's terms of reference, for recommendation to the Board for approval.

Executive management

Governors' Executive Committee

In their capacity as executive directors and in line with the SARB Act, the Governor and Deputy Governors are responsible for the day-to-day policy decisions and management of the SARB, except for those areas entrusted to the Board, MPC, Prudential Committee (PruCo), Financial Stability Committee (FSC) and CODI.

The members of the GEC are the Governor as Chairperson and the Deputy Governors. The Chief Operating Officer (COO), Group Executive: Currency Management and General Counsel attend the meetings ex officio. The Secretary and Assistant Secretary of the SARB also attend the GEC meetings and maintain a record of the deliberations and resolutions for dissemination to the Group, where applicable.

The GEC meets every two weeks and considers policy and strategic issues and other executive management matters. The following subcommittees of the GEC assist it in its responsibilities:

INFORMATION AND TECHNOLOGY STEERING COMMITTEE

CHAIRPERSON

Deputy Governor
R (Rashad) Cassim

Provides strategic oversight to ensure that the I&T strategy aligns with the SARB's strategy, including:

- approving, prioritising and monitoring strategic I&T projects and initiatives;
- overseeing I&T functions to ensure that I&T projects and initiatives deliver value by meeting business objectives, providing effective support to departments; and
- driving the targeted organisational architecture.

MANAGEMENT COMMITTEE

CHAIRPERSON

Deputy Governor
K (Kuben) Naidoo

Monitors the day-to-day operational management of the SARB, including:

- approving the cross-cutting procedures and objectives for the internal operations of the SARB;
- developing and amending the SARB's administrative and operational policies; and
- providing assurance that the policies and operational systems of the SARB are aligned with best practice.

RESERVES MANAGEMENT COMMITTEE

CHAIRPERSON

Deputy Governor
R (Rashad) Cassim

Oversees the implementation of the Gold and Foreign Exchange Reserves Investment Policy and facilitates the prudent investment of South Africa's official reserves, including:

- appointing external fund managers, financial custodians and securities lending agents;
- determining the allocation of the risk budget;
- approving investment guidelines and asset classes for tranches and portfolios;
- recommending, for approval by the GEC, changes to the Gold and Foreign Exchange Reserves Investment Policy, strategic asset allocation, the size of the Securities Lending Programme, the overall risk budget, tranche sizes and currency composition of tranches;
- monitoring the parameters for the annual and periodic re-balancing of tranche sizes and currency composition, the implementation of the investment policy, management of the investment portfolios and Securities Lending Programme and the implementation of the GEC resolutions insofar as they pertain to reserves management; and
- reporting to the GEC quarterly and to the Board annually.

PROCUREMENT COMMITTEE

CHAIRPERSON

Chief Operating Officer
P (Pradeep) Maharaj

Oversees the governance of procurement and ensures that the goods and services procured by the SARB Group meet the requirements of the SARB's Procurement and Supplier Management Policy.

RISK MANAGEMENT COMMITTEE (RMC)

CHAIRPERSON

Governor
E L (Lesetja) Kganyago

Assists the GEC and BREC by overseeing and reporting on the risk management process, including:

- monitoring the implementation of the risk management strategy, policy and structure; and
- assessing and reviewing the adequacy and effectiveness of the risk management process across the Group, including the PA.

Subcommittees of the GEC | Responsibilities

Risk management

The SARB is exposed to significant inherent risks in many of its core functions. Given its unique role, the SARB's risk management and control objectives go beyond institutional risk and return considerations to include public interest in line with its constitutional mandate and statutory responsibilities.

The SARB's risk management framework ensures that the risks that may threaten the achievement of its strategic and operational objectives are identified and effectively managed within the SARB's risk tolerance levels. The risk management approach includes monitoring and appropriately responding to potential and actual political, economic and regulatory risks arising from the global and domestic environment. The risk management framework also considers, and where appropriate, incorporates the recommended risk management principles of *King IV*™.

Specialised cross-cutting risks

The coordinating role of the RMCD extends to the following cross-cutting risk categories.

Compliance

The RMCD provides a centralised management of compliance in the SARB. A compliance management policy has been developed and compliance obligations are met as follows:

- developing and maintaining a Compliance Policy and framework;
- identifying, assessing and monitoring compliance with the applicable regulatory requirements;
- monitoring new regulatory developments;
- enabling compliance with environmental, labour, Bill of Rights and anti-money laundering (AML) legislations;
- promoting a culture of compliance and ethics; and
- reporting on compliance risks to the RMC and BREC.

Business continuity

The RMCD provides centralised coordination of the SARB's Business Continuity Management Policy and framework and conducts business continuity impact assessments across departments. It is involved with the Climate Change Programme and liaises closely with the Cyber and Information Security Unit, which is responsible for ensuring governance and the management of the Group's Cyber and Information Security Programme.

Risk management framework

Group Risk Management Policy

Risk governance

HEADS OF DEPARTMENT AND MANAGING DIRECTORS

Responsible for strategic, operational and project risk management

RISK MANAGEMENT AND COMPLIANCE DEPARTMENT

Facilitates and coordinates integrated risk management in the Group, and reports thereon to risk oversight committees

RISK MANAGEMENT COMMITTEE

Oversees the full spectrum of risk management in the Group on behalf of the GEC

BOARD RISK AND ETHICS COMMITTEE

Reviews the status and effectiveness of risk management in the Group on behalf of the Board

Risk universe

RISK ASSESSMENTS

The risk management framework governs the full spectrum of risk, including strategic, policy process, operational (including business continuity, cybersecurity, information security, compliance and occupational health and safety, climate change and corporate social investment), reputational, project and financial risks.

CONTINUOUS RISK MANAGEMENT

Risk incident management, monitoring action plan implementation, day-to-day risk management activities, key risk indicators, scenario analysis, and monitoring and assessment of external risks including those that emanate from climate change.

Combined assurance

The SARB has adopted a combined assurance approach, in line with *King IV*™, to increase the effectiveness of assurance activities by the functionaries within the three lines of assurance. The combined assurance model has matured and has been subjected to ongoing enhancements, ensuring regular interaction, alignment of assessment methodologies and integrated dashboard-based reporting across the three lines of assurance.

The Group's combined assurance approach to risk management and control aims to integrate, coordinate and align its assurance processes and to optimise the levels of risk, governance and control oversight.

Combined Assurance Forum

The forum ensures the ongoing review of the combined assurance approach, model and processes, information sharing and coordination of efforts between the respective assurance providers. This approach contributes significantly towards an effective control environment and supports the integrity of information used for internal decision-making by management, the Board and its committees. Based on reports submitted by the three lines of assurance and the Combined Assurance Forum (CAF), chaired by the Chief Risk Officer (CRO), the committee considers the adopted combined assurance approach to be adequate, effective and aligned to good practices across theGroup.

Combined assurance providers aligned with the Combined Assurance Model

FIRST LEVEL OF ASSURANCE PROVIDERS

Departmental management

The managers of each department are responsible for the ongoing identification, assessment and management of their department's risks, including designing, implementing and maintaining an adequate and effective system of control.

SECOND LEVEL OF ASSURANCE PROVIDERS

Integrated risk management

The RMCD performs a centralised and integrated risk management coordination function to ensure risks are managed consistently, within internationally accepted standards and guidelines.

THIRD LEVEL OF ASSURANCE PROVIDERS

Internal Audit

The Internal Audit Department provides objective and independent assurance on the adequacy and effectiveness of the Group's governance, risk management and control processes.

Independent external assurance service providers

External audit

Independent external auditors audit the Group's annual financial statements. Where it is deemed necessary, other external assurance providers are used to obtain independent assurance on the adequacy and effectiveness of the internal processes and practices, ensuring they are aligned to international best practice.

2022/23 performance highlights

- Commenced with implementing recommendations for the benchmark exercise of the SARB's risk management policies, methodologies, processes and reports against best practices.
- Continued to enhance collaboration between risk management functions and the Strategy Management Office and other assurance providers.
- Continued to explore technology platforms that support integration.
- Adopted ISO 31000 as the risk management standard of the SARB Group.
- Prepared for Business Continuity Management (BCM) certification against the ISO 22301 BCM international standard.
- Completed an independent ethics maturity assessment and commenced with an ethics risk assessment.

LOOKING AHEAD

- Leverage risk management to be more forward looking and to support business objectives.
- Enhance and expand collaboration with internal and external stakeholders.
- Improve risk and management information and data management.

Policy implementation

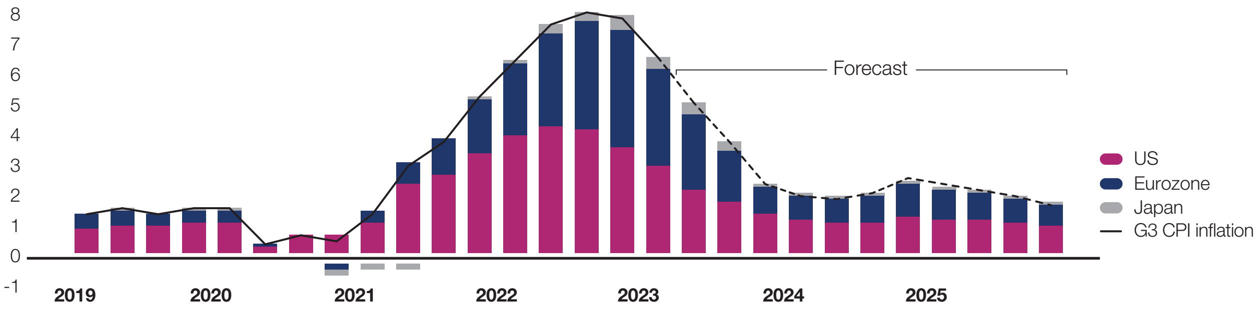
Monetary policy in a world of high inflation

Overview of the world economy

Three years since the outbreak of the COVID-19 pandemic, worldwide aftershocks continue to reverberate. Early highly expansionary policy efforts to mitigate the economic and health effects of the pandemic coincided with severely constrained supply chains and as economies reopened, sharp increases in global prices and inflation ensued. With a reduced rate of economic growth and considerable headwinds to a full recovery in supply chains, a stagflationary environment has emerged on a global scale. Central banks worldwide have moved to raise policy rates in an effort to stem the rise in inflation, led by many emerging market economies already in 2021, and followed by advanced economies in 2022 and into 2023.

Globally, inflation peaked in the third quarter of last year and has since moderated into the first quarter of 2023. This deceleration almost entirely reflects lower food and commodity prices (particularly oil), alongside less binding supply constraints and some easing demand pressures as fiscal and monetary policies become less accommodative. Nonetheless, inflation remains well above central bank targets, while forward-looking inflation-adjusted policy rates are barely in restrictive territory. Core inflation, in particular, is persistently elevated and sticky as services price inflation and wage growth remain strong in many advanced economies. With labour demand robust and supply limited, labour markets generally remain tight. The IMF projects a global inflation rate of 7.0% this year, moderating to 4.9% in 2024. The persistence of inflation despite sustained interest rate hikes by some central banks, may indicate that global neutral interest rates have risen well above their pandemic levels[7].

Contribution to G3[8] inflation
(percentage change over 12 months)



Sources: Consensus Economics, Haver, SARB

The outlook for global growth remains modest. After a robust rebound from the pandemic of 7.0% in 2021, South Africa's trading-partner growth slowed to 3.6% last year. Trading-partner growth is expected to soften further to 2.4% this year, before gradually rising to 2.7% in 2024 and 3.1% in 2025.

7 Oxford Economics, 'Why neutral rates have risen and why it matters', Research briefing, 5 January 2023. See also J-F Mercier, 'Quo vadis, r-star?', South African Reserve Bank Economic Note No. EN/2023/01, Pretoria: South African Reserve Bank, January 2023.

8 The G3 economies are the US, Europe and Japan

While less accommodative global monetary and fiscal policies create headwinds to growth and will help moderate inflation, rising interest rates have also triggered banking sector stresses in the US and eurozone, bringing financial stability concerns to the fore. So far, financial stresses have been tackled with specific liquidity arrangements. Nonetheless, these stresses, and their impact on credit conditions, have also increased uncertainty around the path for the US Federal Reserve's (Fed) federal funds rate over the near term. Credit conditions have become more restrictive and could tighten further.

As global financial conditions adjust and risk-adjusted real interest rate differentials widen, portfolio flows will become less certain, affecting the availability and the cost of external funding. These rising credit costs will impair the financing of large fiscal and current account deficits in many emerging market and developing economies (EMDEs), including South Africa. As exchange rates depreciate in response to the more adverse credit conditions, imported inflation rises, a trend seen in producer prices, fuel costs and food prices, among other items. EMDEs will need to consolidate their fiscal positions over the coming years to bring fiscal balances back to sustainable levels. Credible and timeous consistent fiscal consolidation would reduce exchange rate pass-through pressures and help to reduce inflation and its wide-ranging economic costs.

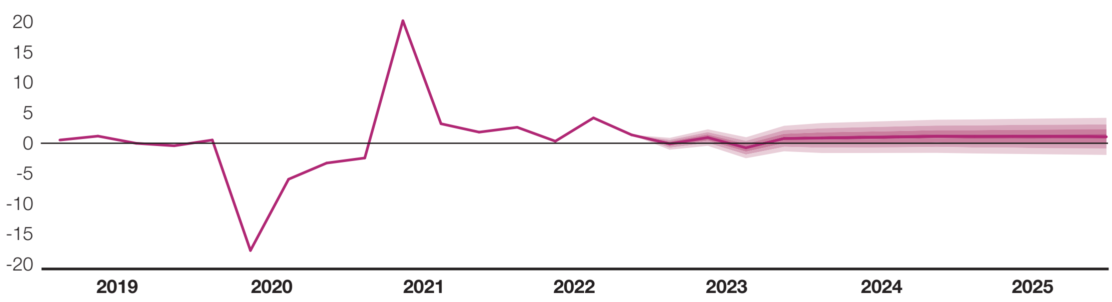
Domestic real economy developments

Following the robust growth rate of 4.9% recorded in 2021, the domestic economy slowed sharply to 2.0% in 2022. While this slowdown was expected as the rebound growth rates could not be sustained, the outcome was also a result of various rising headwinds to growth, including political unrest, strikes and especially limiting infrastructure constraints.[9]

South Africa's recovery from the COVID-19 pandemic was initially supply driven as production bounced back as soon as the pandemic-induced restrictions eased. This was supported early in the pandemic period by strong export prices and subdued import demand, which generated a prolonged current account surplus. The rand exchange rate broadly strengthened on the back of the strong terms of trade and helped to keep inflation at bay through 2021 and into 2022. However, growth in aggregate supply slowed since the beginning of 2022 as firms and households faced more intense electricity load-shedding. Despite this, credit demand, investment and consumption continued to grow reasonably well, eventually leading to rising imports. As imports rose and export prices became less favourable compared to import prices, the current account fell into a deficit late in 2022. The rising financing needs, a less benign global financial market and the decline in the terms of trade resulted in a marked depreciation in the rand exchange rate through much of the first half of 2023.

Despite the difficult operating environment, total fixed investment and household spending should remain supportive of growth in the short and medium term. Meanwhile, weaker global demand, falling export prices and near-term local logistical constraints suggest further moderation in export growth. As a result of these considerations, domestic economic conditions remain fragile and growth low. The SARB forecasts GDP growth at 0.3% in 2023, with an improvement to 1.1% in 2025. The capacity of the economy to add significantly to its potential growth remains similarly subdued until clear additions to electricity supply are evident. The shortage of energy is both raising prices and impeding economic growth, a deepening of South Africa's own stagflation problem.

Real GDP growth*
(percentage change over four quarters)



* The bands around the central projection show confidence intervals of 10%, 30%, 50% and 70%.
This chart shows seasonally-adjusted data, as used in the QPM.

Sources: Stats SA and SARB

Employment gains have continued over the past year, in some part due to better measurement and from the economic recovery. Unemployment has also declined, from 35.3% in the fourth quarter of 2021 to 32.9% in the first quarter of 2023. The ongoing energy supply deficit is expected to sap job creation and income growth this year and next year.

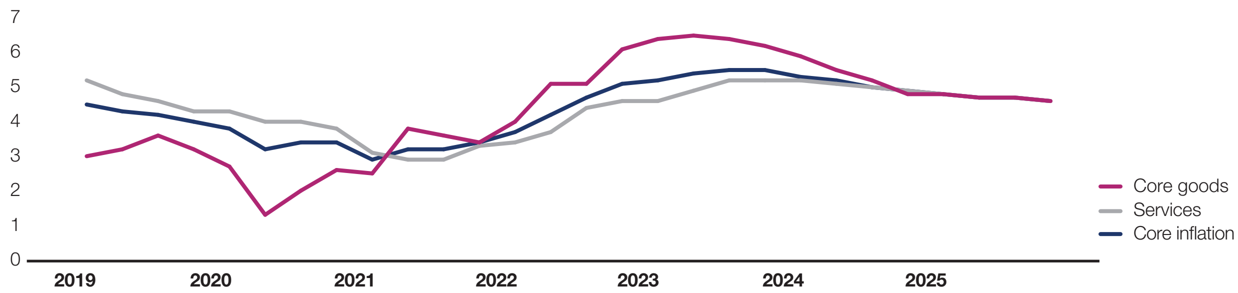
9 The SARB estimates that load-shedding alone reduced GDP growth by 0.7% in 2022.

Inflation dynamics

Headline inflation rose sharply this past year, reaching a 13-year high of 7.8% in July 2022. Inflation moderated to 6.9% in January 2023, but edged up somewhat to 7.1% in March before easing further to 6.8% in April 2023. The moderation can be attributed to lower fuel prices in recent months, a function of lower prevailing global oil prices, while food price inflation has continued higher.

Headline inflation is expected to average 6.2% in 2023, although monthly outcomes so far have been higher than expected. A more pronounced moderation in inflation is only expected in the latter years of the forecast horizon, with headline inflation expected to ease to an annual average of 5.1% in 2024 and 4.5% in 2025. On balance, risks to inflation are still assessed to be on the upside. Domestic food inflation is persistently high, pushed up by the weaker rand exchange rate, foot and mouth disease and the heavy rains over the past six months that adversely affected vegetables and other crops.[10] These upside pressures are further exacerbated by load-shedding, which is estimated to add 0.5 percentage points to headline inflation in 2023. Additional large increases in electricity prices are likely over the next few years.

Core inflation components
(percentage change over four quarters)



Sources: Stats SA and SARB

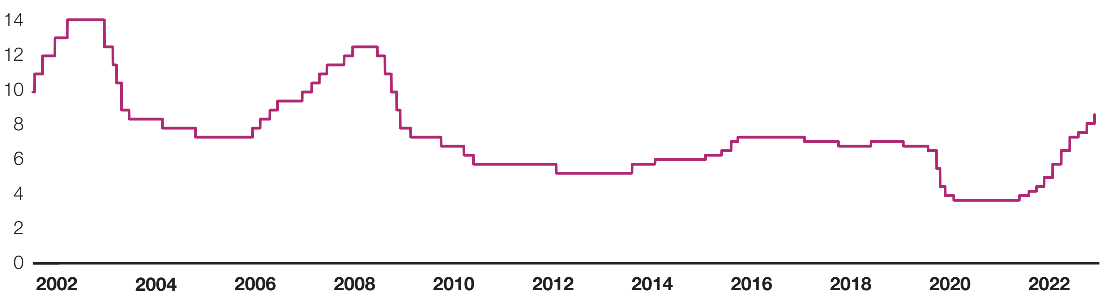
Underlying inflation has risen strongly over the past year and is expected to remain sticky over the coming months. Price inflation for imported goods remains high, worsened in rand terms by the currency depreciation. While services inflation has so far remained relatively subdued (averaging 3.9% in 2022), its various components such as medical aid inflation, are expected to move closer to higher long-term average inflation rates. Expectations of future inflation have shifted sharply higher over the past six months, reflecting how households and firms expect past inflation to inform inflation in the coming years.

Monetary policy decisions

Facing elevated and persistent inflation, the SARB's MPC stepped up the pace of repo rate normalisation over the past year, raising the repo rate by a cumulative 400 basis points since the May 2022 MPC meeting. This has brought the nominal repo rate to 8.25%. The May 2023 hike of 50 basis points has pushed the inflation-adjusted real repo rate marginally beyond its estimated neutral level of 2.5%, implying that monetary policy has now become restrictive. Despite nominal policy adjustments, repeated upward inflation surprises have, as in much of the world, implied less tightening than expected at the time of policy adjustment. The persistence of inflation has undermined the long-run effectiveness of policy. Monetary policy operates with a long lag of approximately 12 to 24 months, with peak impacts of rate hikes between three and five quarters ahead. This means monetary policy decisions must be forward looking and seek to prevent second-round effects and the risk that inflation expectations de-anchor following inflation shocks.

The MPC's withdrawal of policy accommodation has played an important role in keeping credit growth balanced, providing ballast to the currency in a volatile global environment and in the face of repeated negative local shocks, and signalling that policy will further adjust as needed to ensure inflation falls back to the midpoint of the 3–6% target band.

Repo rate
(per cent)



Source: SARB

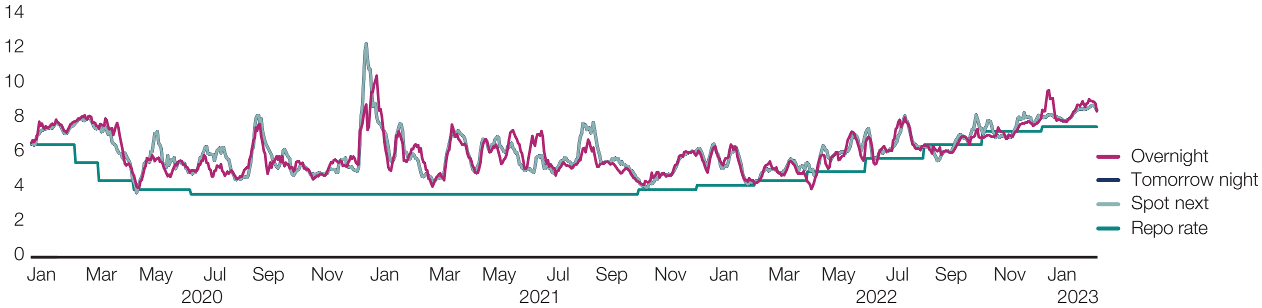
10 This is in contrast to the global trend where food inflation has been declining since the middle of 2022.

Monetary policy implementation

A key operational development during the year has been the transition to a new MPIF. Between 8 June and 24 August 2022, the SARB moved from a money market shortage to a surplus. At the same time, banks were provided with quotas, allowing them to earn the policy rate on overnight deposits of excess reserves. The new system, formally a 'tiered floor' framework, is now fully operational.

Forward rates, as implied from short-term FX swaps, have moved much closer to the SARB policy rate than they were before the reform, and rates in the repo market, an important source of liquidity for non-banks such as asset managers and corporates, have likewise compressed to the policy rate. Overall, this speaks to the effective implementation of monetary policy.

Shorter-dated FX implied rates
(per cent)



Source: SARB

In addition, survey feedback from banks received in September 2022 indicated that banks generally felt the transition had gone smoothly and viewed the reform as an improvement on the previous framework. The SARB continues to refine the new MPIF and monitors market functioning on an ongoing basis to assess the efficacy of policy transmission.

Governance structure

MONETARY POLICY COMMITTEE *(meets every two months)*

CHAIRPERSON
Governor of the SARB

Members[11]

Deputy Governors and the Head of the Economic Research Department
C (Christopher) Loewald

Responsibilities

The MPC drives the SARB's responsibilities to achieve and maintain price stability by:

- reviewing economic data, including forecasts, and deciding the appropriate interest rate needed to deliver the SARB's mandate and meet the inflation target; and
- engaging with stakeholders and the public on its monetary policy decisions in the press conference that follows each meeting and various Monetary Policy Forums.

11 Other than the Deputy Governors, the members of the MPC are appointed by the Governor after consultation with the Deputy Governors.

The implications of climate change

Climate change poses significant economic and social risks. While the primary tools for adaptation to and mitigation actions against climate change are vested with government departments, the SARB has the important role to maintain price and financial stability in the face of rising climate-related risks.

Our actions remain focused on ensuring that financial institutions and markets consider climate-related risks in their operations; understanding the impacts of climate change on inflation and financial stability and taking appropriate actions to mitigate against these risks; and greening our own operations.

The climate change workstreams at the SARB are coordinated by a steering committee and managed by different departments in the SARB.

Work programme themes

1. REGULATORY FRAMEWORK
2. SUPERVISORY FRAMEWORK
3. STRESS TESTING
4. MACROPRUDENTIAL FRAMEWORK
5. STRUCTURAL CHANGES
6. MONETARY POLICY
7. NET ZERO FOR CENTRAL BANKS

The PA is responsible for the first two streams, tasked with adjusting the regulatory and supervisory framework to incorporate climate-related risks.

During the period under review, the PA issued a communication on climate-related risks to the financial sector, signalling the intent to integrate climate-related risks into the PA's regulatory and supervisory mandate. This is a strong signal to supervised financial institutions that they need to integrate climate-related risks into their own decision and risk management frameworks.

A supervisory guideline on climate-related risks is being finalised to help supervisors assess how institutions are managing and mitigating climate-related risks and responding to the changing business environment.

The PA has also compiled a set of climate risk indicators to help identify the materialisation of certain physical and transition risks as well as the exposure of specific institutions. The indicators will be piloted in 2023. A set of benchmark climate risk scenarios has also been finalised as part of the Sustainable Finance Initiative chaired by National Treasury.

For the year ahead, the PA will develop regulatory guidance on disclosures, risk management and governance practices and undertake research on green finance and transition planning.

Streams 3 and 4, led by the Financial Stability Department (FST) and supported by the Economic Research Department (ERD), have focused on the development of tools and analysis to understand the impact of climate change-related risk on the wider financial system. Research to assess the materiality of certain transition risks for the South African banking sector has been initiated. The analysis will inform the macroprudential monitoring framework as well as the climate stress test of systemically important banks which is scheduled for 2024. A smaller climate risk add-on is also scheduled for inclusion in the macroprudential stress test of insurers in 2023/24. The SARB continues its partnerships with the International Food Policy Research Institute (IFPRI), University of Cape Town and the National Institute for Economic and Social Research in London to develop models for scenario analysis and stress testing.

Under workstream 5, led by ERD, ***four working papers*** have been released which look at, among other topics, risks and opportunities in green technology developments. Over the next year, the ERD will generate a series of short notes and working papers exploring the impacts of specific physical and transition risks on monetary policy which will help inform how climate-related risks are included in the monetary policy framework. The SARB continues to work on addressing data gaps which hinder the identification of climate risk and the design of policy responses. A report will be published in 2023, outlining how technology can help address some of these data gaps in the central banks of BRICS (Brazil, Russia, India, China and South Africa) countries.

http://www.resbank.co.za/en/home/publications/Papers/working-papers

The SARB is also taking actions to reduce its own carbon footprint under workstream 7, which is led by the Corporate Services Department (CSD) and supported by the Financial Markets Department (FMD).

Like many institutions in South Africa, the SARB's carbon footprint is driven by the use of electricity, which is mainly generated from burning coal. The SARB is currently developing a net zero strategy, which will outline ways to increase energy efficiency, improve waste management and reduce water consumption.

The work under the different streams requires new skills and additional capacity. Over the past year, the SARB has developed a comprehensive training plan and designed a Climate Change Training Hub that provides training for SARB staff as well as employees of other central banks in the region.

The SARB continues to engage in various international forums on developing global solutions to climate change risks. These include engagements within the G20, the FSB, Network for Greening the Financial System (NGFS), the Basel Committee on Banking Supervision (BCBS), the International Association for Insurance Supervisors, the Sustainable Insurance Forum and the Sustainable Banking and Finance Network. The SARB participated in different workstreams to develop technical and policy recommendations on how central banks and regulators can incorporate climate and biodiversity risks in the regulatory and supervisory frameworks. Other areas of work include climate stress tests and the development of monetary policy responses.

Maintaining financial stability

The SARB has a legislative mandate to protect and enhance financial stability, through the FSR Act. A stable financial system is resilient to systemic risks and shocks and can efficiently intermediate funds, even in adverse conditions. Like price stability, financial stability is not an end in itself but a precondition for balanced and sustainable economic growth.

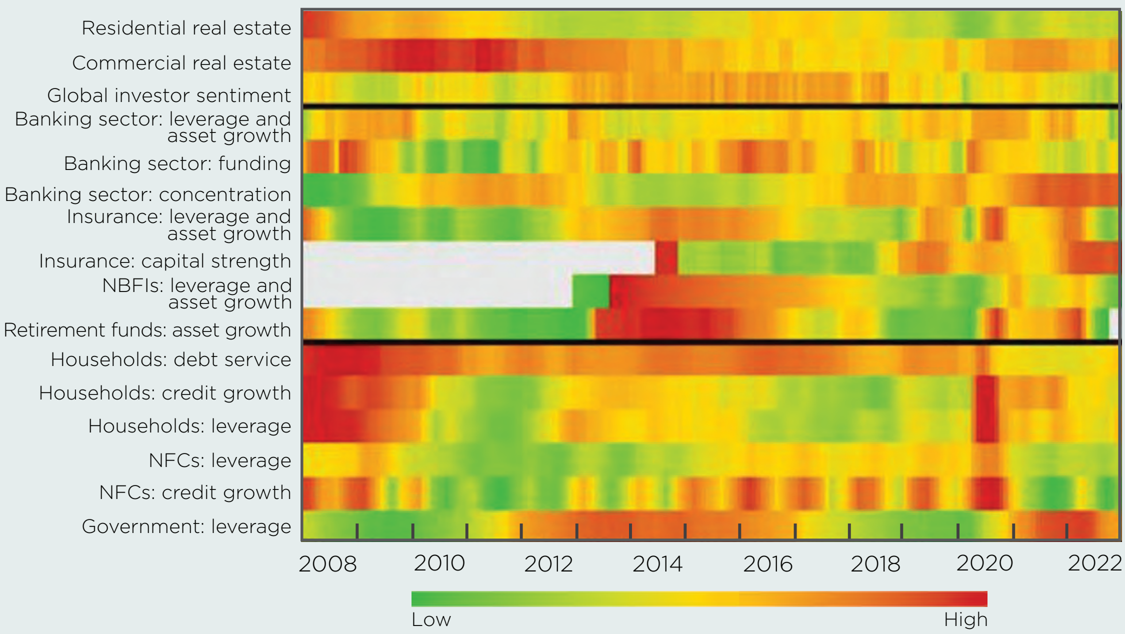
The SARB monitors and reviews risks to financial stability, including the nature and extent of those risks, as well as the strengths and weaknesses of the financial system. These risks are regularly discussed at Financial Stability Committee (FSC) meetings. The SARB's current assessment of the stability of the South African financial system is that, despite an increase in global systemic risk, the domestic financial system continued to be resilient under highly challenging global and domestic conditions.

The SARB continually assesses the stability of the South African financial system and communicates its assessment in the half-yearly ***Financial Stability Review*** *(FSR)*. Among other things, the SARB is required to include in the *FSR* its assessment of the stability of the financial system and its identification and assessment of the risks to financial stability in the next 12 months. The *FSR* is structured to provide an overview of (i) the current domestic financial stability environment based on developments over the past six months; (ii) the outlook for domestic financial stability over at least the next 12 months; and (iii) the SARB's assessment of prevailing financial stability conditions. These three areas are discussed primarily based on the financial stability heatmap (heatmap) and the SARB Risk and Vulnerability Matrix (RVM).

https://www.resbank.co.za/en/home/publications/review/financial-stability-review

The heatmap provides a consolidated view of a range of financial stability indicators across various components of the financial and non-financial sectors. It shows a range of indicators of domestic financial stability conditions against their historic averages, and is used as a basis from which to conduct more qualitative and forward-looking assessments.

The financial stability heatmap

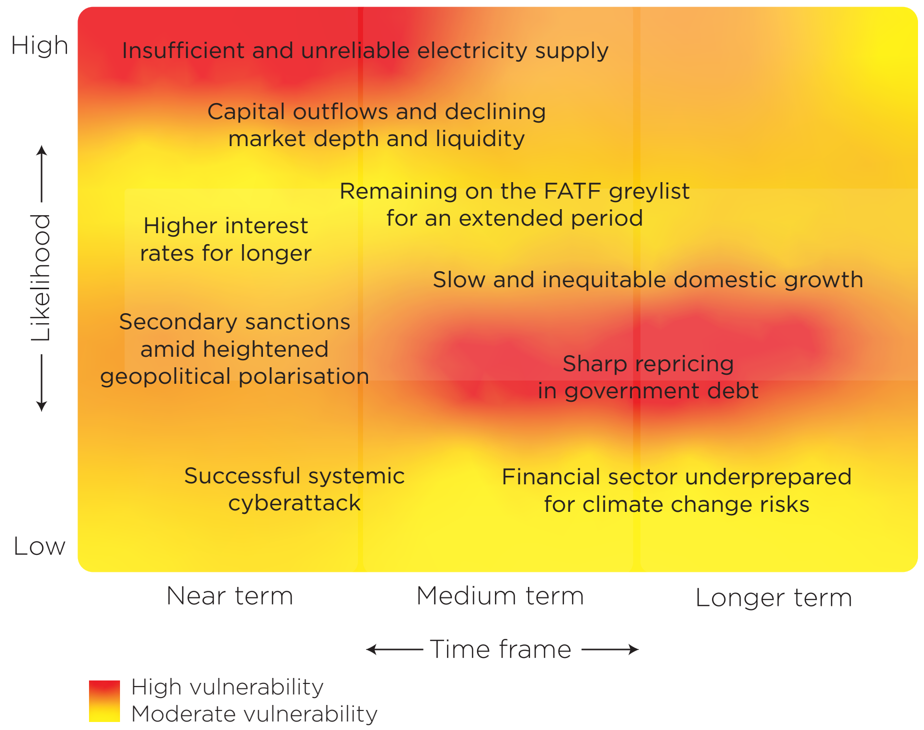


Source: SARB

The SARB RVM provides a forward-looking assessment of the key risks to financial stability in South Africa over the short, medium and longer term. The key risks are identified based on the current conjuncture, but also consider possible future developments and the vulnerability of the financial system to such developments, after considering existing mitigating factors and policy actions. The South African financial system remained resilient amid the global banking sector turmoil and the resulting volatility. However, even slower and more inequitable domestic economic growth will likely test this resilience beyond the SARB's forecast period.

The latest edition of the SARB *FSR* is available at *https://www.resbank.co.za/en/home/publications/review/financial-stability-review.*

SARB RVM



Main risks and vulnerabilities identified in 2022/23

Some of the main risks and vulnerabilities that emerged during the year under review were:

- the implications of an insufficient and unreliable electricity supply;
- slow and inequitable domestic growth;
- a sharp repricing in government debt;
- global stagflation and the rapid tightening of financial conditions;
- consequences of the adverse findings of the FATF Mutual Evaluation of South Africa;
- escalating global conflict and geopolitical polarisation;
- increased operational risks of potentially disruptive cyberattacks on financial institutions and MIs globally; and
- the continued vulnerability of financial institutions to the physical and transition effects of climate change.

Update on the SARB FSC

At its meeting of 16 February 2023, the FSC approved the establishment of the Crisis Preparedness Committee (CPC) as a standing subcommittee of the FSC, chaired by the Deputy Governor responsible for Financial Stability. The CPC as a standing FSC subcommittee brings the number of FSC subcommittees to three, along with the RPP and the Reference Rate Oversight Committee (RROC).

Stress testing

Stress testing assesses whether financial institutions have adequate levels of capital and liquidity to withstand extreme but plausible negative shocks, such as a deep recession or a financial crisis. The SARB conducts periodic macroprudential stress tests on South Africa's SIFIs.

Consistent with a biennial schedule, the 2023 CSST for banks was launched in January 2023 and the outcomes will be reported in the second *FSR* edition for 2023. Preparations for the 2024 CRST of the banking sector are also continuing, while the 2023/24 bottom-up stress test of the insurance sector will be launched later this year. Across all its stress tests, the SARB uses a formalised approach to risk identification for scenario planning and makes use of internal tools such as the RVM.

Update on establishing the SARB as the Resolution Authority

The FSLAA was signed into law by the President in January 2022, and designates the SARB as the Resolution Authority responsible for managing the failure of designated institutions. The FSLAA also established CODI as a subsidiary of the SARB with the responsibility of ensuring covered depositors retain access to their funds during a bank failure. The provisions of the FSLAA came into operation in accordance with the commencement schedule published by the Minister of Finance on 24 March 2023, with the implementation date of the resolution framework set for 1 June 2023.

Governance structures

FINANCIAL STABILITY COMMITTEE[12] *(meets four times a year)*	FINANCIAL STABILITY OVERSIGHT COMMITTEE[13] (FSOC) *(one virtual meeting during the reporting year)*	FINANCIAL SECTOR CONTINGENCY FORUM[13] (FSCF) *(four virtual meetings during the reporting year)*
CHAIRPERSON Governor of the SARB	**CHAIRPERSON** Governor of the SARB	**CHAIRPERSON** Deputy Governor responsible for Financial Stability
Committee members	**Committee members**	**Committee members**
Deputy Governors, MPC members and the heads of line departments	**SARB, National Treasury and representatives of financial sector regulators[14]**	**SARB and representatives of financial sector regulators, financial sector industry associations and organs of state**
Meetings are divided into two sessions: › an information session on developments in the global and domestic environments that may impact domestic financial stability; and › a policy session in which mitigating policy actions are considered to mitigate any adverse impact on domestic financial stability.	The FSOC: › facilitates cooperation between the financial sector regulators and the SARB on financial stability matters; › makes recommendations to the Governor on the designation of SIFIs; and › makes recommendations to other organs of state to assist in promoting, protecting, maintaining, managing or preventing risks to financial stability.	The FSCF assists the FSOC and SARB with: › identifying potential risks that may result in a systemic event occurring; and › coordinating appropriate plans, mechanisms and structures to mitigate risks. The FSCF has two subcommittees: › the Operational Risk Subcommittee, which develops contingency measures for events that could severely disrupt operational continuity in the financial sector; and › the Financial Sector Cyber Resilience Subcommittee, which focuses on industrywide efforts to increase the resilience of the financial sector to cyberattacks.

12 An internal non-statutory committee.
13 Statutory committees prescribed by the FSR Act.
14 FSCA, Financial Intelligence Centre (FIC), National Credit Regulator (NCR) and PA.

Corporation for Deposit Insurance

Establishment of a deposit insurance scheme for South Africa

In 2018, the SARB embarked on a project to establish a deposit insurance scheme (DIS) for South Africa to close the gap in the country's financial safety net and bring it in line with international best practice and other G20 countries. CODI was established as a legal entity, and subsidiary of the SARB, on 24 March 2023 and will become fully operational in April 2024. CODI's main objective is to protect depositors in the event of a bank failure, thereby contributing to customer protection, financial stability and financial inclusion.

CODI's Board has been appointed in line with the FSLAA and will oversee the activities and functioning of CODI. The President signed into law the Financial Sector and Deposit Insurance Levies Act 11 of 2022 and the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act 12 of 2022 (DI Acts) which will enable CODI to collect levies and premiums from member banks from April 2024. In addition, member banks will be required to place liquidity, in the form of a loan to CODI, in the Deposit Insurance Fund (DIF) from which depositors will be paid out in the event of their bank collapsing.

Prudential regulation

The PA Regulatory Strategy

The PA published the 2021–2024 Regulatory Strategy on 1 October 2021. The significant progress made in the implementation of the PA priorities during the 2022/23 financial period is outlined below.

Strengthening and enhancing the regulation and supervision of deposit-taking institutions

Banks

National Treasury published amendments in terms of section 90 of the Banks Act 94 of 1990 (Banks Act) to the Regulations relating to Banks, that came into effect on 1 April 2022:

- the Large Exposure (LEX) framework; and
- the total loss-absorbing capacity (TLAC) holdings standard.

On 2 August 2022, the PA published Prudential Communication 9 of 2022 on the draft Prudential Standards on Market Risk and Credit Valuation Adjustment.

On 12 September 2022, the PA issued for public consultation the proposed amendments to the Regulations relating to Banks, incorporating:

- the standardised approach for credit risk;
- the revised internal ratings-based approaches for credit risk;
- the new standardised approach for operational risk;
- the revised exposure definition of the leverage ratio framework; and
- the output floor.

These were issued by the BCBS with a proposed implementation date by member jurisdictions of 1 January 2024.

National Treasury published amendments to the Regulations relating to Banks in terms of section 90 of the Banks Act dealing with:

- the revised securitisation framework issued by the BCBS for implementation by member jurisdictions with effect from 1 October 2022; and
- the revised framework for banks' exposure to interest rate risk in the banking book, issued by the BCBS for implementation by member jurisdictions with effect from 1 January 2023.

Mutual banks

The PA has drafted prudential standards to be published in the next financial year on governance and risk management credit risk; operational risk capital; liquidity risk; interest rate risk in the banking book; and economic returns.

Co-operative financial institutions (CFIs) and co-operative banks

The PA has drafted prudential standards on governance; risk management and internal controls; financial soundness; and registration and operational requirements.

The requirements of the prudential standards are based on the nature, size, complexity and risk profile of CFIs and co-operative banks and will cater for proportional, risk-based regulation and supervision. These standards will be published for consultation during the next financial period.

Key highlights for 2022/23

Implementing the financial conglomerate regulatory and supervisory framework and effectively supervising financial conglomerates

The implementation of the Prudential Standard on intragroup transactions and exposures; auditor requirements; governance and risk management; and risk concentration for financial conglomerates came into effect on 1 January 2022.

Comments from financial conglomerates on the draft Prudential Standard FC01 Capital Requirements for Financial Conglomerates are under review.

Strengthening and enhancing the prudential regulatory and supervisory framework for market infrastructures

The SARB, National Treasury and the FSCA, are drafting amendments to the Financial Markets Act 19 of 2012 (FMA).

The PA and FSCA are developing a Joint Standard on Minimum Requirements for the recovery plans of MIs, and the related Guidance Note and Statement of Need which will be released for consultation.

Strengthening and enhancing the regulatory and supervisory frameworks for insurers

Joint Standard on Outsourcing for Insurers: The PA and FSCA updated the draft Joint Standard which sets out the minimum requirements for the outsourcing of material functions and activities by an insurer. The requirements are designed to ensure outsourcing by an insurer does not impair the prudent management and conduct of its business. It replaces the Prudential Standard – Governance and Operational Standard for Insurers (GOI 5) by providing an appropriate and comprehensive regulatory framework governing outsourcing by insurers from both a prudential and conduct perspective.

Prudential Standard on Public Disclosure for Insurers (PDI): The PA reviewed the draft prudential standard and will engage the insurance industry in 2023 for feedback on the PDI which will be published thereafter.

Prudential Standard on Cell Captives: The PA is developing a Prudential Standard on Cell Captive Insurers which is informed by the nature and characteristics of cell captive insurers and their cell structures. This standard will apply in addition to existing prudential standards. Strong governance and operational arrangements are considered necessary to ensure effective oversight of the way in which their cell structures operate and risks and governance are managed.

Other regulatory developments

- The PA, together with the FSCA, has tasked the Centre for Financial Regulation and Inclusion to assist in developing a regulatory strategy for the funeral parlour industry. During 2022, multiple workshops were held to determine a regulatory framework to formalise the sector in line with policy recommendations in the National Treasury Microinsurance Policy Paper of 2011.
- Guidance Notice 1 of 2022 (Insurance) was published for comment in November 2022, which sets out practices and guidelines aimed at assisting insurers in complying with the requirements of GOI 3: Risk Management and Internal Controls for Insurers and GOI 3.1: Own Risk Solvency Assessment for Insurers, as these standards apply to liquidity risk management for insurers.

Strengthening and enhancing the regulatory and supervisory framework for significant owners

The significant owner framework continues to be embedded by the regulated financial institutions. In 2022, the PA processed various applications for persons to become significant owners of banks.

The PA and FSCA have commenced plans to develop Joint Standard(s) applicable to beneficial owners of financial institutions, following the inclusion of beneficial ownership as prescribed in Chapter 11A of the FSR Act, which came into effect from 31 December 2022. These standards will provide clarity on the distinction and commonalities between significant and beneficial ownership.

Developing an approach for the prudential regulation of pension funds, collective investment schemes, medical schemes and friendly societies

The PA and FSCA continued their work to transition pension (retirement) funds, CISs and friendly societies into the prudential regulatory and supervisory ambit of the PA as per the FSR Act. The authorities held numerous policy discussions on the legislative construct, while considering proposals within the draft Conduct of Financial Institutions Bill. The work continues into the next financial year with the aim of rolling out an implementation plan.

Developing cross-sectoral regulatory instruments for harmonising requirements across different industries

Joint Standard on Cybersecurity and Cyber-resilience: the authorities finalised the Joint Standard in October 2022. The Statement of Need for Intended Operation and Expected Impact was also finalised. In December 2022, the authorities published the Joint Standard for Formal Consultation in terms of section 98 of the FSR Act.

Joint Standard on Information Technology Governance and Management: the PA embarked on a second round for comments on this Joint Standard. The authorities considered the comments to finalise the Joint Standard for tabling in Parliament through the Minister of Finance. The PA awaits the tabling of the documents in Parliament, in accordance with the requirements of the FSR Act.

Joint Standard on Governance Requirements for Financial Institutions: this cross-sectoral work of the PA and FSCA looks at the inherent risks associated with the existence of multiple regulatory frameworks containing governance requirements across the sectoral laws within both authorities' ambit.

Enhancing anti-money laundering and combating the financing of terrorism (AML/CFT) supervision and implementing the FATF Mutual Evaluation recommendations

The PA took significant strides towards implementing the actions required to enhance the risk-based approach to supervision, as well as addressing the key findings of the October 2021 *Mutual Evaluation Report (MER)* of South Africa. The actions included the improvement of market-entry controls, the introduction of risk returns and the automation of a risk-rating tool. The understanding of risk was enhanced through the second round of sectoral risk assessments and initiatives, such as the drafting of a subsidiary risk analysis document and a terrorist financing risk analysis report. Four sector-specific Guidance Notes were also issued by the PA in terms of the Financial Intelligence Centre Act 38 of 2001 (FIC Act) as well as seven Directives, all of which focused on AML/CFT aspects requiring attention.

The PA submitted the progress made to address the key recommendations in the FATF *MER* for inclusion in the progress report to FATF in November 2022. Subsequently, the PA addressed follow-up questions from the FATF Joint Group in December 2022 and January 2023.

The FATF Plenary held in Paris on 24 February 2023 decided to place South Africa as a jurisdiction under increased monitoring. The PA's AML/CFT Division continues to focus on embedding initiatives that have been implemented, by ensuring compliance with best practice and expectations in accordance with the standards required by FATF, thus contributing to the overall effectiveness and integrity of the financial system in South Africa.

Implementing the PA's approach to transformation, financial inclusion and competition

Financial inclusion: the PA consulted the FSCA, National Payment System Department and National Treasury on its approach to financial inclusion.

Transformation: the PA is finalising its approach to transformation and is collaborating with National Treasury.

Competition: the PA is finalising its approach to competition in the financial sector.

The PA will communicate progress on these matters to the financial sector.

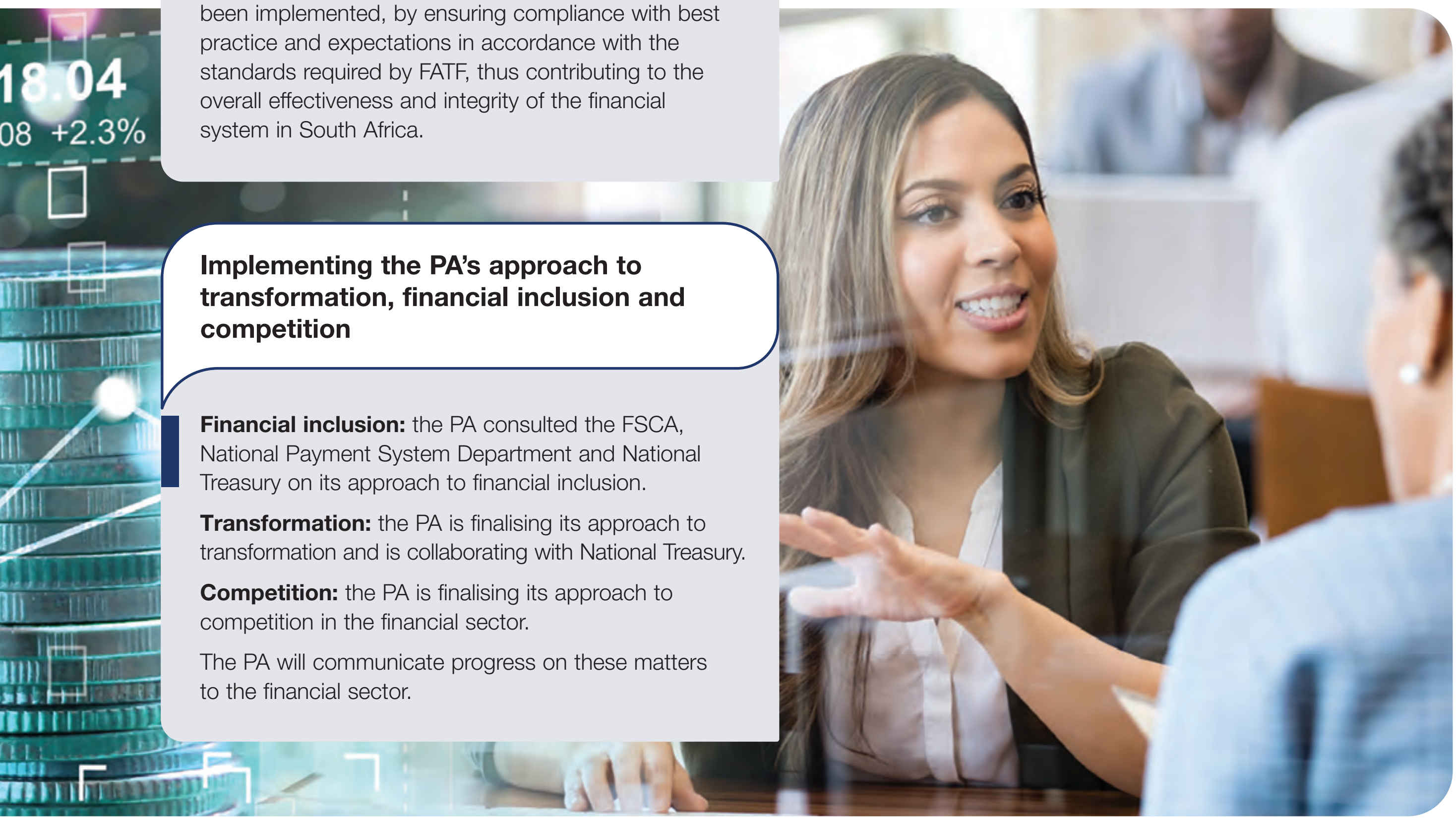
Supporting financial innovation and new technologies

The PA is an active member of the Intergovernmental Fintech Working Group (IFWG) and is monitoring developments that may affect PA policy positions.

Developing regulatory and supervisory approaches to sustainable finance and climate change

In August 2022, the PA released Prudential Communication 10 of 2022 on Climate-Related Risks with the aim to:

- provide an overview of the impact of climate change, climate risk drivers and their interconnectedness;
- highlight the role of the boards and senior management in managing risks in terms of governance and strategy; and
- outline the PA's initiatives and approach to oversight of climate-related risks.



The PA funding model

National Treasury worked with the authorities to finalise the legal basis for the imposition and collection of levies from the supervised entities to fund the operations of the authorities.

On 6 December 2022, the President assented to the Financial Sector and Deposit Insurance Levies Act 11 of 2022 as well as the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act 12 of 2022 (DI Acts). These were published respectively in *Government Gazettes* 47695 and 47696 on 9 December 2022. On 24 March 2023, *Government Gazette* 48291 determined the commencement date for Chapter 16 of the FSR Act (Chapter 16), as well as the relevant legislation related to levies, effective 1 April 2023. The PA will communicate an implementation plan to the industry.

Chapter 16 also empowers the PA to charge fees for funding the performance of specific functions under the FSR Act and other financial sector laws. The PA is finalising the Fees Determination for consultation with the industry during 2023.

Financial benchmark

Work continued within the PA and SARB on the transition of the financial benchmark rates following the International Organization of Securities Commissions publishing the Principles for Financial Benchmarks.

Johannesburg Interbank Average Rate and South African Rand Overnight Index Average Rate

Following the SARB's announcement in 2020 that the Johannesburg Interbank Average Rate (Jibar) would soon cease to exist, the Market Practitioners Group (MPG), a joint public-private body with the mandate to facilitate decisions on the choice of alternative reference rate for financial contracts, identified the South African Rand Overnight Index Average Rate (ZARONIA) as the most appropriate near risk-free rate to replace Jibar.

In February 2023, the PA collaborated with the SARB's Financial Markets Department to conduct a quantitative survey of market participants. Several enhancements were subsequently made to this survey, the most notable change being on the extended derivatives section. Most exposures typically centre on financial products that are tied to the Jibar three-month tenure rate.

London Interbank Offered Rate

The PA analysed the impact, initiatives, transition status and financial sector exposures to the London Interbank Offered Rate (LIBOR). The outcomes from the analysis were presented both internally and externally. Additionally, engagements with selected financial institutions were held to discuss their transition programmes, LIBOR exposures, the adoption and utilisation of alternative risk-free rates, fall-back language and any other concerns.

Financial Sector Assessment Programme

Since the publication of the Financial Sector Assessment Programme (FSAP) report by the IMF on 11 February 2022, the PA drafted a matrix indicating remedial actions to address the recommendations. In 2023, the PA will engage the FSCA and National Treasury to align on cross-cutting recommendations in preparation for the next FSAP.

Regulatory Consistency Assessment Programme

In 2012, the BCBS launched the Regulatory Consistency Assessment Programme (RCAP) to monitor, assess and evaluate its members' implementation of the Basel III framework. This would increase the global banking system's resilience, preserve market confidence in regulatory ratios and promote a level playing field.

The jurisdictional assessment on South Africa's net stable funding ratio (NSFR) and LEX frameworks commenced in September 2022 to examine the extent to which the domestic regulations are compliant with the BCBS' minimum Basel requirements and assist in identifying material gaps or deviations in such regulations.

The assessment consisted of three phases: (i) a self-assessment by the PA, (ii) an assessment phase, and (iii) a review phase that included a technical review of the Assessment Team's findings by a separate RCAP Review Team. The RCAP follows a four-grade scale of Compliant, Largely compliant, Materially non-compliant and Non-compliant.

As of 31 January 2023, South Africa was graded as being compliant with three of the four components of the Basel NSFR standard and was largely compliant with the fourth standard on available stable funding (ASF). The ASF grading was driven by one material deviation which currently assigns an ASF factor of 35% instead of 0% to funding received from non-bank financial institutions denominated in rand (ZAR) and with a maturity of less than six months. This deviation is being rectified by the PA through Directive 1 of 2023 and will be gradually phased out from June 2023, ahead of a grading of compliant with the Basel NSFR standard by 1 January 2028. In the absence of this rectification, the assessment would generate either a materially non-compliant or non-compliant grading. Overall, the Assessment Team assessed the NSFR regulations as largely compliant with the Basel NSFR standard.

The domestic LEX regulations were assessed to be compliant with the Basel LEX framework as of 31 January 2023. All three framework components, namely scope and definitions; minimum requirements and transitional arrangements; and value of exposures were also found to be compliant. The Assessment Team identified one non-material deviation in the scope and definitions.

The full assessment reports for both LEX and NSFR reflect the Basel Committee's viewpoint and were published on the BIS's website on 12 April 2023.[15]

15 NSFR: https://www.bis.org/bcbs/publ/d548.pdf
LEX: https://www.bis.org/bcbs/publ/d549.pdf

The PA's communication with industry

Industry engagements

The PA held its in-person annual industry engagements for banks, insurers, MIs and CFIs in February 2023. The presentations focused on supervisory interactions, climate-related risks, progress on the PA system transformation programme and key policy and supervisory matters.

PA quarterly industry newsletter

The newsletter was first issued on 30 September 2021, and has since been published quarterly to share and provide information about regulatory and supervisory matters impacting the industry.

Newsletter feedback can be sent to: PA-Programmeoffice@resbank.co.za.

LOOKING AHEAD

The SARB's 2025 strategic plan sets out the strategic objectives for the PA: **page 21**.

The Prudential Authority Annual Report for the year ending 31 March 2023 is available online.

Governance structures

PRUDENTIAL COMMITTEE

CHAIRPERSON
Governor of the SARB

Committee members

Deputy Governors, with one of the Deputy Governors also being the CEO of the PA

Standing invitees

The four PA Heads of Department and the Head: Financial Stability Department

The FSR Act prescribes the governance structure, including the Prudential Committee (PruCo), resources, financial management and reporting obligations, of the PA.

The PruCo met 10 times and held a strategy session for the 2023/24 financial year.

PA Management Committee

The PA Management Committee (Manco) is chaired by the CEO of the PA and comprises four Heads of Department:

The **Banking and Insurance Supervision Department** is responsible for the prudential supervision of the medium- to smaller-sized banks, insurance companies and CFIs as well as securities and derivative financial market infrastructures, on a solo or consolidated basis, as applicable.

The **Financial Conglomerate Supervision Department** is responsible for the consolidated prudential supervision of larger, more diverse and complex financial groups. These include institutions designated as financial conglomerates. It is also responsible for supervision relating to AML/CFT.

The **Risk Support Department** is responsible for providing regulatory and supervisory support on credit, operational, market, liquidity and insurance risk as well as for quantitative and actuarial analysis and financial institution statistics.

The **Policy, Statistics and Industry Support Department** oversees policy formulation and the development and implementation of regulatory and supervisory frameworks. It also provides operational support; industry analysis and technical support on capital and accounting requirements; as well as support on legal administration and enforcement responsibilities.

The following internal governance structures provide additional technical and advisory support to the PA decision-making process:

Policy Panel, Licensing Panel, Restructures and Expansions Panel, PA Regulatory Actions Committee (PARAC), Risk and Capital Review Panel and Designation Panel.

Payments for the future

The SARB is the custodian of the NPS, which is integral to the economy and financial system and impacts the lives of all South Africans. The NPS encompasses the entire payment infrastructure that allows consumers, businesses and industry players to make financial transactions, including settlement between banks.

Advancing payments digitalisation

The SARB is accelerating the implementation of initiatives that support the National Payment System Framework and Strategy – Vision 2025 through the digital payments roadmap. Vision 2025 seeks to enhance, among other things, safety, greater financial inclusion and interoperability as well as promote competition and innovation. The roadmap is aimed at driving the adoption and use of digital payments, by addressing the challenges that are preventing or slowing down the use of digital payments. It also seeks to identify new payment methods, services and technologies that can be leveraged to heighten the digitalisation of payments. The SARB has engaged selected stakeholders to solicit inputs on this initiative.

In the second quarter of 2023, the SARB will finalise and publish the digital payments roadmap and will continue to engage the relevant role players to determine initiatives for implementation.

Understanding consumer preferences

To effectively monitor and consider new developments around payments, it is important for regulators, policymakers and the industry to have access to comprehensive data on the use of payment instruments in their jurisdiction.

The SARB has commissioned a study to assess the use of instruments and consumer behaviour in the payments system. The study is expected to deliver, among other things, a comprehensive report on aggregate payment volumes in South Africa, drawing on data collected and maintained by the SARB as well as from consumer surveys which will be deployed nationwide.

Outcomes from the study will be made available to the broader payment industry and the public in the first quarter of 2024.

Retail payments modernisation – PayShap

The PayShap offering, led by BankservAfrica Limited and the Payments Association of South Africa (PASA), was launched during the first quarter of 2023. Major milestones were achieved in 2022, which included the completion of the technical build, functionality to address fraud and the provision of a simulator for testing. Further, market testing phases for the Cohort 1 banks were completed and the Payment Clearing House and Scheme rules were finalised and approved.

Real-time gross settlement system modernisation programme

The SARB real-time gross settlement system (RTGS) renewal programme aimed at improving domestic and regional settlement services remains a key strategic initiative of the NPS.

This multi-year programme, due for completion by 2026, has achieved key milestones, including the:

- successful implementation of the ISO 20022 universal messaging standard for the domestic market in September 2022;
- implementation of the Golden Copy project, providing a trusted, verified, single source of settlement data in support of a timeous recovery of the RTGS, in the event of data corruption or contamination;
- replacement of mainframe and storage infrastructure, extending the lifespan of the current RTGS for the duration of the renewal journey; and
- definition of the architectures for the future RTGS, target operating model and future Conceptual and Logical Architectures are being finalised, with a targeted completion date of June 2023.

In the second half of 2023, the focus will be on sourcing suitable technology partners for the design, development and testing of the core solution; the design and implementation of a secure integration layer; and ancillary systems to integrate with the core settlement infrastructure.

LOOKING AHEAD

The SARB remains committed to broadening access to payment services while promoting the safety, efficiency and integrity of the NPS.

The SARB will continue to implement reforms to the regulatory framework, access criteria for payment service providers and collaborate effectively with all stakeholders in the payment industry to drive key strategic initiatives contained in Vision 2025.

These include, among other initiatives, the promulgation of the amended NPS Act to allow for the participation of non-banks in the NPS; provision of leadership in the implementation of the digitalisation roadmap; and driving change based on the outcomes of the payment studies. The SARB will also engage actors in the payment ecosystem to construct a future vision of the NPS post-2025, aimed at enhancing the architecture of the payment system and driving further financial inclusion.

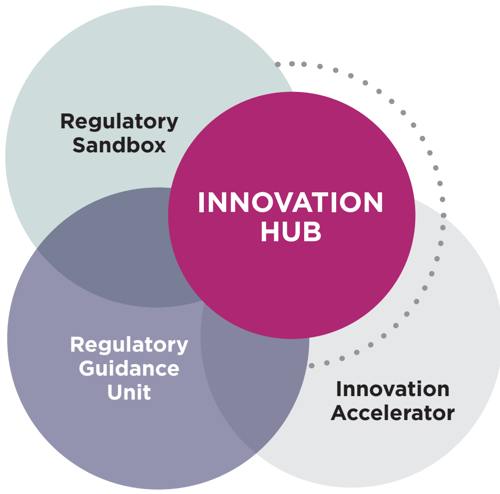
Unpacking fintech

The growing adoption and integration of technology in the financial sector, more commonly referred to as fintech, continues to drive innovative new product and service offerings, new entrants, innovative business models and new channels to access financial products and services.

The business models of regulated financial institutions, such as banks and insurers, are evolving in response to the dynamism of innovation. Underlying technologies such as distributed ledger technology (DLT); cloud computing; application programming interfaces (APIs); artificial intelligence (AI); and machine learning (ML) serve as enablers to transform payments, savings, lending, insurance and financial markets – all areas of critical importance to central banks. While the wave of innovation and the rise of the digital economy are unpredictable, public policy objectives remain relevant to ensure the continued safety and stability of the financial system. The potential scalability and network effects of fintech, underpinned by big data and high levels of interconnectedness, underscore the need for central banks to foster innovation in a safe manner, and to mitigate potential risks.

Getting closer to innovation

For the year under review, the Fintech Unit has continued to support the IFWG and the IFWG's Innovation Hub as well as build stronger and more collaborative relationships with internal SARB departments. The Innovation Hub consists of three facilitators, namely the Regulatory Guidance Unit (RGU); the Regulatory Sandbox (RSB) and the Innovation Accelerator, that aim to promote responsible innovation and demystify the regulatory landscape in South Africa.



One way to stay close to rapidly changing and emerging business models, is to create a safe space for experimentation in a controlled environment. This enables testing of innovative solutions against existing and possible future regulatory parameters. The IFWG published its inaugural feedback report on its first regulatory sandbox initiative on 12 October 2022. In addition, the IFWG opened the RSB for applications using a new approach which will see the RSB remain open for applications, subject to regulatory appetite and capacity. It is anticipated that the new approach will enable the IFWG to be more agile in responding to industry innovation and be more expedient in providing feedback to applicants. The RGU has received over 170 queries, which is another positive sign of increasing access to regulators and rulemaking for fintechs and enables the IFWG to hear more diverse and new voices.

Crypto-assets

Following the publication of the IFWG Crypto-Assets Regulatory Working Group position paper on crypto-assets in 2021, regulators have made positive strides in bringing crypto-assets within the regulatory perimeter. During 2022, the FIC and the FSCA took steps to bring greater oversight to crypto-assets to address AML/CFT risks and enhance consumer protection and market conduct outcomes. The PA issued a guidance note to its regulated entities clarifying the adequate AML/CFT controls in relation to crypto-assets and crypto-asset service providers. The Financial Surveillance Department continues to refine its approach to crypto-assets and bring service providers into its regulatory remit.

Project Khokha

The SARB continues to explore the application of DLT in financial markets. Following the publication of the Project Khokha 2 report in April 2022, we have continued our technical exploration of DLT in regulated markets to unpack the policy and regulatory implications of potential new forms of money and tokenisation.

Open finance

The application of new technologies allows for financial services to be offered in different ways, by different actors. This has enabled the evolution of the practice of 'open finance', which essentially allows customers to consent to share their financial data stored by financial service providers with third parties who can then use that data to develop unique and tailored products and services. Open finance raises a range of questions around data and privacy, APIs and competition issues. The IFWG's Open Finance Integration Working Group continues its research and analysis in these areas to inform the policy and regulatory response to open finance in South Africa.

People matters

The SARB's people are fundamental to delivering on its constitutional mandate and strategy. As an employer of choice, the SARB has developed an employee value proposition aimed at attracting and retaining staff with the necessary skills and capabilities.

By fostering a diverse and inclusive culture, where staff well-being is nurtured, the SARB continues to build a motivated and engaged workforce that delivers performance excellence for the good of all South Africans.

People strategy – performance highlights

Embed the Employee Value Proposition in people processes

- Achieved second place in the Momentum Metropolitan GradStar Students' Choice Awards in 2022. In the survey over 3 000 students choose their top five employers to work for based on their perceptions and experiences.
- Ran internal campaigns for employee segments, namely Women @ SARB and SARBConnect for under 35s.

Develop and embed a workforce plan that supports the SARB's strategy

- Developed a workforce planning framework for incorporation into plans that address the 'buy', 'build' and 'borrow' strategies to deal with demands for critical skills and competencies.
- Revised the leadership competency framework under the title Leading the SARB Way, and launched it in September 2022.

Strategic objective

2022/23 performance highlights

Continue to mature talent and succession management

- Continued to empower managers to effectively develop talent and manage succession planning.
- Enrolled people managers to participate in the revised talent management module of the Management Fundamentals programme.
- Conducted annual talent reviews and quarterly check-ins. The outcomes of talent development efforts indicated improved overall talent mobility.

Develop and implement the 'SARB Way of Work' programme to respond to a shift to hybrid working and digital advances

- Implemented hybrid working principles.
- Conducted a pulse survey to assess employee experiences and preferences with hybrid ways of working, with over 50% participating.
- Held hybrid leadership workshops to empower managers to lead effectively in a hybrid work environment.
- Developed toolkits to effectively transition to hybrid ways of working.
- Conducted webinars to support employees.

Align employee experience to foster employee engagement

- Following the 2021/22 annual EES, SARB-wide action plans were implemented such as:
  - instilling trust and psychological safety; and
  - addressing stress and burnout in the SARB.

Foster a diverse and inclusive workplace to enhance employee experience

- Introduced the third phase of the D&I programme which focuses on generational diversity, racial, ethnicity and culture diversity, gender diversity, sexual orientation and sexual harassment.
- Drove various initiatives to ensure continuous awareness of D&I matters, including the launch of the LeanIn circles mentoring programme, eLearning as an introduction to our D&I programme and video campaigns.
- Approved the D&I accountability framework as a tool to action the D&I strategy and reaffirm its commitment to transformation.

Continue to mature performance management and its alignment to reward and recognition

- Paid salary increases and performance bonuses to qualifying employees, including out-of-cycle salary adjustments to retain talent.
- Reviewed the performance management policy and toolkits.
- Enrolled managers in the Management Fundamentals programme.

Strengthen organisational culture to be empowering, agile, caring and collaborative

- Conducted Let's Learn webinars in line with strengthening a desired organisational culture.
- Implemented the Wellness Wednesday campaign aimed at strengthening a culture of caring for employees.

Simplify human resources processes and practices using digitalisation

- Approved the business case for the Human Capital Management (HCM) cloud solution for implementation in July 2023.

Employee well-being

The SARB occupational health and wellness team continues to monitor developments on the COVID-19 pandemic. Based on the scientific reports, the SARB believes that although the infection rate may rise, it is not likely to meet the technical criteria of a wave.

The SARB continually updates its risk assessments and uses a national positivity rate of 10% as the point for additional measures to be initiated to mitigate further infections.

The SARB encourages employees to vaccinate against COVID-19 to reduce transmission, the risk of hospitalisation and death, and suffering from long COVID.

2022/23 performance highlights

Improved collaboration with external health partners to help drive employee health education and awareness campaigns.

Travel health advisory services – a one-stop shop for both advice and vaccine administration – are offered to staff travelling abroad.

Renewed focus on the **medical surveillance programme** to keep employees healthy, identify early departures from normal health and advise on the treatment and prevention of long-lasting effects of ill-health.

Talent management and workforce planning

2022/23 performance highlights

Seven postgraduates

participated in the 2022/23 Graduate Development Programme. Graduates attended training aimed at developing well-rounded central bankers, including training on personal and professional skills.

Measure	2022/23	2021/22	Target
Overall employee turnover rate	7.2%	6.1%	4%
Regrettable employee turnover	1.7%	1.6%	<4%
Time to fill critical roles	109 days	129 days	90
Critical roles turnover rate	0.8%	0.5%	<4%
Coverage ratio for critical roles	85%	91%	85%

● Target

Management and leadership training

The Management and Leadership Development Programme (MLDP) focused on implementing the revised leadership competency framework, 'Leading the SARB Way'.

More than
350
senior leaders and **managers** were at the launch

168
managers received one-on-one onboarding

The MLDP also rolled out
14
management and leadership programmes

266
employees participated, with an overall satisfaction rating of
92%

Learning and development

The SARB Academy aligns all open and customised programmes to its strategy and aims to design and deliver impactful learning not only for performance improvement, but also for personal transformation.

2022/23 performance highlights

2 437

employees, or 99% of the total workforce, attended training courses
(2021/22: 2 248 employees – 98% of the workforce)
(2020/21: 1 516 employees – 67% of the workforce)

Of the employees who received training,

55%
were female

and

45%
were male

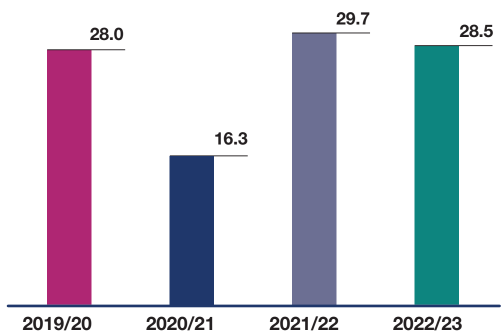
69%
were African

The total training spend was

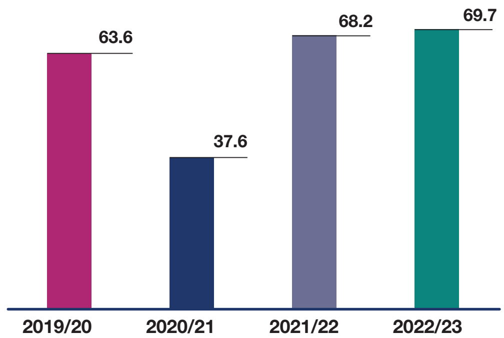
R69.7 million

which is 3.5% of the total payroll
(2021/22: R68.2 million – 3.3% of the total payroll)

Average spent on training per employee (R000)



Total training expenditure (R'm)



Although some training sessions are still hosted in external training venues, cost savings per employee have been achieved due to improvements in technology and the use of self-learning platforms such as Udemy.

Enhancing employee engagement

The SARB encourages open and transparent communication. The institution takes an integrated approach to its employee listening strategy, including more frequent engagements across the employee life cycle to respond to evolving needs and expectations. The annual EES is a key tool for gaining employee insights. Additional survey tools were deployed for insights on employee experiences on strategic initiatives, and onboarding and off-boarding.

A second pulse survey on hybrid working was conducted.

The employee listening strategy will continue to strengthen the desired culture and enable a purposeful journey in the SARB.

2022/23 performance highlights

The majority of teams are taking steps to transition from remote to hybrid working by incorporating regular in-person meetings.

53%
indicated that they have had in-person engagements 'somewhat regularly' (monthly to quarterly)

19%
have been meeting 'regularly' (a few times a month) and just over 10% have met 'very regularly' (a few times a week)

Only
11% of employees
have never had an in-person meeting

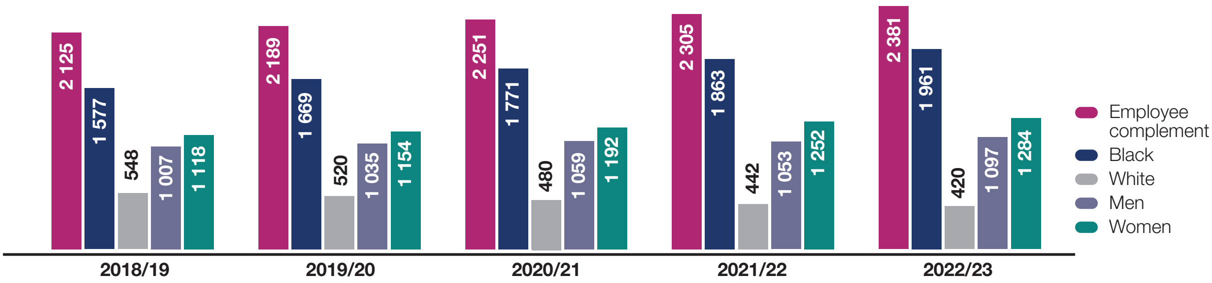
The majority of managers (78%) are focusing on their team members' performance goals and outputs rather than on monitoring their whereabouts, indicating increased levels of trust.

Most employees feel adequately equipped to learn in the hybrid way of working to support their personal and career growth.

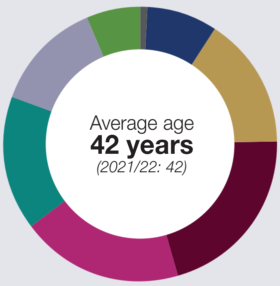
Employee statistics

Headcount over five years

(number of employees)

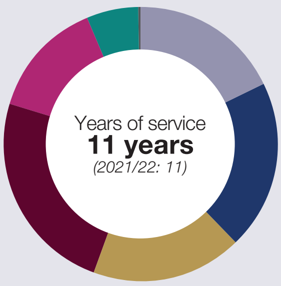


Age group breakdown (%)



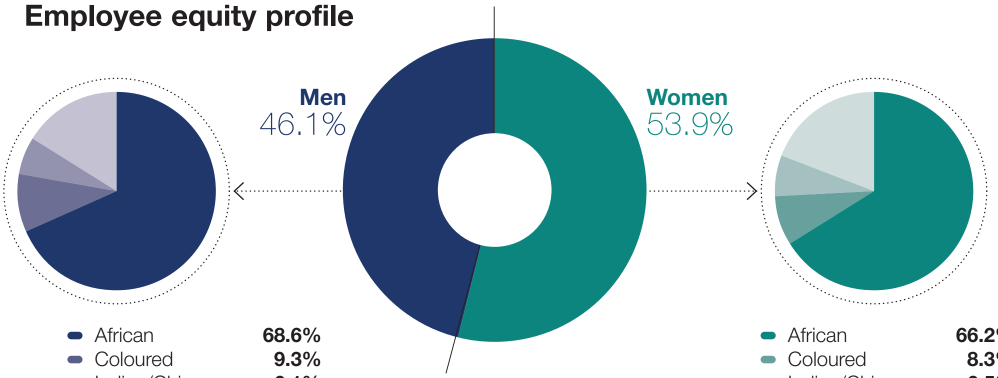
	Employees
< 25 years	24 (1.0%)
25–30 years	199 (8.4%)
31–35 years	366 (15.4%)
36–40 years	496 (20.8%)
41–45 years	460 (19.3%)
46–50 years	379 (15.9%)
51–55 years	306 (12.9%)
> 55 years	151 (6.3%)

Years of service breakdown (%)



	Employees
0–1 years	17.8%
2–4 years	20.0%
5–10 years	17.9%
11–20 years	24.1%
21–30 years	14.0%
31–40 years	5.9%
> 40 years	0.3%

Employee equity profile



Men

African	68.6%
Coloured	9.3%
Indian/Chinese	6.1%
White	16.0%

Persons with disability
0.5%

Women

African	66.2%
Coloured	8.3%
Indian/Chinese	6.5%
White	19.1%

Persons with disability
0.6%

SARB retirement fund

The SARB Retirement Fund is a single scheme that provides a full spectrum of pension benefits to the employees of the SARB, SABN and South African Mint.

At 31 March 2023, the SARB Retirement Fund had 3 221 contributing members, 143 preserved members, 1 074 life annuitants, (140 life annuities transferred from the former SARB Pension Fund and now ring-fenced within the SARB Retirement Fund), 73 living annuitants, and 15 deferred retirees (members who have retired from the Group but not from the fund). The fund's total liability amounted to R9.44 billion at year-end.

Statutory actuarial valuations are performed every three years and interim actuarial valuations annually. The last statutory actuarial valuation was as at 31 March 2021 and found the fund's financial position to be sound. The next statutory actuarial valuation will be based on the audited financial statements for the year ended 31 March 2024. An interim actuarial valuation as at 31 March 2022 is in progress and will be finalised during the year. More details regarding the fund's activities will be available with the release of the fund's annual report for the year ending 31 March 2023, expected in November 2023.

An Investment Subcommittee oversees the fund's external asset manager. The Board of Trustees actively monitors changes in the retirement industry, including any relevant legislative changes. Members are kept informed using roadshows, circulars and fund booklets. The fund's operations are regularly reviewed to ensure compliance with legislative changes and leading retirement fund practice.

LOOKING AHEAD

The Human Resources Department seeks to enhance organisational readiness, efficiency and effectiveness. To achieve this, it will:

- continue to drive a high level of employee engagement to improve employee experiences;
- continue to strengthen organisational culture and remove barriers to high performance;
- develop a digital learning strategy to support and enable evolving ways of work;
- further embed talent management, performance management and reward processes;
- define guiding principles to balance traditional ways of working with more collaborative and empowering ways; and
- simplify human resources processes using technology.

Information and technology

Information remains the foundation on which all important SARB decisions are made. The discipline of information management and governance continues to mature across all departments, with industry data taxonomies having been defined and embedded in the collection and storage of information.

The growth of technology in the SARB has been exponential across all areas of work. The ongoing execution of large transformational projects, along with the replacement of legacy systems, ensures that information and technology (I&T) enhances the business capabilities required to successfully deliver on the SARB's strategy.

The SARB conducted an internal I&T Governance review to establish whether the current governance oversight of the SARB Board and GEC is sufficient to give effect to the requirement for I&T in terms of what the SARB Act and *King IV*™ require for I&T, given the increased investments in business transformation enabled by technology solutions. The review revealed that the current governance arrangements are adequate to enable the Board and GEC to fulfil their respective mandates with regard to governance and the management of I&T in the SARB.

Key I&T objectives

1. **Partner with the SARB's business functions to develop solutions that deliver value.**
2. **Provide critical core banking platforms that are stable and secure.**
3. **Supply high-quality information and data that inform policy and business decisions.**
4. **Acquire and govern I&T solutions in line with industry best practice.**
5. **Provide collaboration tools, secure connections and robust security protocols to support hybrid working.**

I&T strategy

The I&T strategy is designed to be adaptive so that it continues to support the objectives of the SARB's 2025 strategic plan.

Progress against the I&T strategy is measured using a scorecard, which in 2022/23 covered:

- The progress of large transformational programmes that support the SARB's strategic and enablement focus areas, together with delivery on the tactical projects.
- The maturing of internal processes that assist the I&T function to deliver business value and I&T governance, risk and compliance progress.
- Key system stability, performance and continuity measures.

2022/23 performance highlights

1 Services and solutions that deliver value

Execution of strategic projects

- Made good progress on transformational programmes.
- Continued to source and grow new skills needed to implement the new technologies programmes.

Improved business capabilities

- Automation of manual processes using robotic process automation (RPA).
- Interim site enabled to meet technology needs.
- Increased supply of backup power solutions to staff.

2 System resilience

Availability of mission-critical business applications

- Proactive preventative maintenance and monitoring controls contributed positively towards the stability and availability of critical business applications systems at 99.81% against the target of 99%.
- Six planned information technology (IT) systems recovery tests were successfully conducted. IT systems were successfully recovered during unplanned outages.
- Large infrastructure (mainframe and storage) refreshes were successfully concluded.
- The progress of two critical infrastructure projects aimed at improving the resiliency of IT systems (e.g. data centre strategy and network modernisation) continued after delays in the delivery of network equipment due to supply chain shortages.

Cybersecurity

- Development of an updated cybersecurity strategy.
- Continuous improvement on key cybersecurity technologies, capabilities and operations processes, including the processes supporting the Cybersecurity Incident Response Team to deliver a speedy resolution of cyber-incidents.

3 Enterprise information management

- Execution of iStrategy, an information management strategy.
- Execution of data strategies and the provision of data services to support business functions and transformational programmes.
- Continued improvement in the overall data governance maturity levels.
- Continue engagements with regulators and the industry to embed standardised industry data taxonomies.
- Significant increase in the digitalisation of records.
- Continue to capacitate the Privacy Office and to conduct risk assessments, including third-party risk assessments.

4 I&T governance and controls

- Continuous infrastructure support for remote working.
- Provided power supply to SARB users to enable connectivity during power outages.
- Maintenance of stability in the production environment.

5 Secure and uninterrupted hybrid working

- The overall I&T control environment remains adequate and effective.

The SARB experienced an attempted cyberattack in August 2022, which was addressed expeditiously by the cybersecurity teams. The cyber-incident afforded the SARB valuable lessons in addressing identified vulnerabilities and averting future cyberthreats. A formal programme has been established to address the identified risks.

The Grow-IT IT internship programme continues to mature, and the in-take of new graduates is expected to grow for 2023 and beyond.

LOOKING AHEAD

- Continue the execution of the SARB's strategic initiatives through the transformation and tactical programmes.
- Digitalise the employee experience by transforming human capital processes using a cloud solution, scheduled to go live in the third quarter of 2023.
- Continue to improve the SARB's cybersecurity response capability and strengthen collaboration across industry to proactively mitigate threats.
- Continue to focus on improving I&T governance, risk and compliance while introducing adaptive governance for business-led cloud solutions.
- Implement the pipeline strategy to attract technology talent with new skillsets and investing in employee reskilling.

Engaging the public

The SARB engages with key stakeholder groups to ensure greater transparency, accountability and accessibility as well as to build constructive and sustainable relationships. The stakeholder strategy sets out consistent principles and communication channels to engage effectively about its 2025 strategy and policy decisions in order to foster credibility and build public trust.

As the SARB continues to navigate its way through the post-COVID era, it has been shifting back to physical engagements while enhancing its virtual, social media and online platforms to expand its reach. The work of the SARB and its leadership continues to feature prominently and positively in the media as it interacts with a broad range of stakeholders through public lectures, business forums, academic and community platforms as well as regional and international multilateral institutions.

Internal stakeholders – SARB employees

A constant and important stakeholder group is our staff. Engaging consistently and effectively ensures that staff are SARB ambassadors that embody our values and are knowledgeable on policies and programmes. Beyond effectively representing the organisation, the staff as stakeholders of the institution are given a voice on how the SARB operates. Employees are afforded various opportunities and platforms to express their concerns while being kept abreast of all organisational developments. An effectual internal communications system facilitates solid relations with staff – the SARB's greatest asset.

The general public

The SARB is mandated with achieving and maintaining price stability in South Africa. It is vital for the South African public to not only trust the SARB as an institution but to also be aware of its work. The results of the most recent Ipsos corporate reputation survey, conducted in May 2022, were published in the previous annual report. According to the survey, greater effort is required to educate the public on the work of the SARB. Now that in-person engagements have been reintroduced, the SARB has resumed its flagship CSI programme, the MPC Schools Challenge, and restarted the Talk to the SARB Forums and other public outreach programmes, among other initiatives. The SARB has also enhanced its presence on virtual, social and other digital media channels to increase public reach and engagement.

Established stakeholders

Over the years, the SARB has maintained strong relations with its established stakeholders. The 2022 Ipsos survey indicated that the SARB was favourably regarded by this stakeholder group. Regular and diverse engagements have taken place throughout the year. The bulk of these engagements are interactive and create fertile ground for a two-way flow of information.

Briefings to Parliament

On 17 August 2022, the SARB presented the annual reports of the SARB and the PA before the Parliamentary Standing Committee on Finance. Reports were tabled setting out the macroeconomic overview and outlook and highlights from both the SARB and PA's 2021/22 annual reports. The SARB briefed Parliament several times throughout the year on the FATF *MER* which led to the greylisting of South Africa in February 2023. Five briefings, led by National Treasury, were held in May and August 2022 on the establishment of CODI.

Economic Roundtable

The Economic Roundtable is a quarterly event used to engage with economists and captains of industry on topical issues affecting monetary policy and the economy. This platform facilitates discussion and debate with established stakeholders.

Economic Roundtables take place virtually and in 2022/23 they were collectively attended by

414 participants

(2021/22: 413)

Monetary Policy Forums

The SARB publishes the *Monetary Policy Review* twice a year to broaden the public's understanding of the objectives and conduct of monetary policy. It covers domestic and international economic developments that affect the monetary policy stance. The two reviews were launched at the Monetary Policy Forums (MPFs) which took place virtually in April and presented in a blended format – in person with a virtual leg – in October 2022.

703 people in total

attended the MPF events in 2022/23

(2021/22: 1 926)

International engagements

The SARB maintains its active engagement with international and regional bodies and organisations, including the G20, IMF, World Bank, BRICS, FSB, BIS, Committee of Central Bank Governors (CCBG), Association of African Central Banks (AACB) and the Common Monetary Area (CMA).

With South Africa chairing the BRICS group of countries, the SARB has co-chaired the finance track alongside National Treasury, spearheading South Africa's position on issues such as climate finance, global payments and debt in emerging and developing markets.

A SARB delegation attended the 2023 G20 meetings in India where we emphasised the need for central banks to stay committed to their goal of achieving price stability, highlighted the initiatives that are geared towards addressing the challenges of speed, cost, transparency and access in cross-border payments, and underscored the immediate need for international cooperation on crypto-asset regulation.

Financial Stability Forums

The biannual *Financial Stability Review* provides an overview of the current risks to financial stability and assesses the stability of the South African financial system. The *FSR* is launched at the Financial Stability Forums which took place in May and November 2022.

744 people in total

attended both events

(2021/22: 694)

Virtual, digital and social media

The SARB utilises social media as a tool to expand its reach and disseminate information to a broader audience on platforms such as Twitter, LinkedIn and Facebook. The SARB improved its content offering by incorporating more videos, infographics and explainers to increase raising awareness and educating and informing the public. This has made the content more accessible, expanding its audience reach significantly.

The SARB website remains the primary tool for information dissemination, and it uses social media to drive audiences to its publications on the site.

LinkedIn
162 000
(2021/22: 139 116)

Twitter
113 000
(2021/22: 100 000)

Facebook
42 000
(2021/22: 40 907)

Website

New users
1 400 000
(2021/22: 1 161 914)

Page views
7 600 000
(2021/22: 7 053 411)

LOOKING AHEAD

The SARB intends to continue using existing platforms to engage with its stakeholders while also exploring new and innovative platforms to increase visibility, ensure greater accessibility and strengthen public trust.

Investing in society

The SARB views corporate social investment (CSI) as a vehicle to improve the lives of South Africans from disadvantaged communities, broaden the understanding of monetary policy and improve and develop the quality of human capital in the fields of monetary policy and financial journalism. All this is done while remaining aligned with the SARB's mandate and key SFAs.

The initiatives embarked on for the 2022/23 financial year were the MPC Schools Challenge, the Employee Volunteerism (EV) programme, the external bursary programme and the University Chairs.

MPC Schools Challenge

The MPC Schools Challenge is the SARB's flagship CSI project which takes place across all nine provinces. The challenge is aimed at Grade 12 economics and mathematics learners and encourages their interaction with monetary policy, while broadening their understanding of the SARB's work and mandate. A total of 1 603 learners and teachers and district managers from public and private schools joined the briefing sessions during February and March 2023. Of the 102 essays that were submitted, 97 came from public schools and 5 from Independent Examinations Board (IEB) schools. Eight schools were shortlisted to present their essays to a committee of economists from the SARB. Learners from the winning school will be awarded a SARB bursary to study in South Africa.

The challenge is currently in its 11th year.

External bursary programme

Every year, the SARB grants bursaries to students from disadvantaged backgrounds who are enrolled for tertiary education – from first-year to Master's level. In 2022, 102 students were sponsored, including 15 first-year students. In 2023, the SARB is sponsoring 98 students, including the 35 first-year and 12 Master's in Data Science students who were awarded bursaries at the end of 2022.

Employee volunteerism

The SARB's EV programme provides infrastructure support and maintenance as well as donations to special-needs schools. SARB employees are afforded the opportunity to volunteer and contribute their services in support of Mandela Day. In 2022, staff participation in the programme was cancelled due to COVID-19; however, donations to aid these schools went ahead. The EV programme will resume in 2023.

University Chairs

The SARB has established partnerships with four tertiary institutions to develop research programmes and support Master's and PhD students, with a focus on monetary policy, financial stability and economic journalism.

University of Pretoria Chair of Monetary Economics

The SARB has been funding and supporting the Chair in Monetary Economics at the University of Pretoria (UP) for more than 10 years, with the aim of promoting and developing human capital in the field of monetary economics, in line with its core mandate. This Chair has made a significant contribution in sustaining sound policymaking through its strategic research collaboration with the SARB's Economic Research Department.

University of Cape Town Financial Stability Chair

Since 2019, this partnership has been supporting Master's and PhD students at the university. A postdoctoral researcher (white male), one PhD student (black male), and two Master's students (black male and black female) – all studying towards a Master's in Financial Technology – are financed through the Chair.

Rhodes University Chair for Economic and Financial Journalism

The SARB sponsors the Centre for Economic Journalism at Rhodes University to help improve the quality of economic and financial journalism in South Africa and Africa. The partnership aims to bridge the gap between traditional journalism and financial and economic literacy.

In 2022, nine SARB scholarships were allocated through this Chair to five black South African females and four black South African males. Three of the students are studying towards a Master's degree, two are doing an Honours degree and four are enrolled for a Postgraduate Diploma in Economic Journalism.

University of the Witwatersrand Journalism Chair

The SARB sponsors the Wits Journalism Programme, providing support and funding for postgraduate training and qualifications in economic and financial journalism – at certificate, Honours and Master's level.

In 2022, four Honours and two Master's students were enrolled in the Financial Journalism course. The programme also hosted a financial literacy workshop for 20 journalists from community media.

Spend table

University of Pretoria (Chair of Monetary Economics) R3 200 000 *2021: R2 000 000* *2020: R2 500 000*	**Rhodes University** SARB Centre for Economic Journalism R2 134 000 *2021: R2 000 000* *2020: R1 800 000*	**Wits** (Journalism Chair) R1 200 000 *2021: R2 300 000* *2020: R985 000*
University of Cape Town (Financial Stability Chair) R3 240 000 *2021: R3 240 000* *2020: R3 240 000*	**External bursaries** R18 400 000 *2021: R17 000 000* *2020: R7 600 000*	**Arts and culture bursary** R114 000 *2021: R100 000* *2020: R80 000*
Master's students (Data Science) R1 600 000 *2021: n/a* *2020: n/a*	**Employee volunteerism**[16] R3 000 000 *2021: n/a* *2020: n/a*	**MPC Schools Challenge** R4 100 000 *2021: R830 000* *2020: R800 000*

16 The EV programme was suspended in 2020 and 2021 due to COVID-19 restrictions.

Our subsidiaries

A new subsidiary, CODI, was established on 24 March 2023 and will become operational in April 2024. CODI must ensure that covered depositors retain access to their funds during a bank failure, thereby reinforcing confidence in the country's banking system and supporting the SARB's mandate of protecting and enhancing financial stability.

The CODI Board is appointed in terms of the FSLAA and will oversee its affairs. CODI will join the SARB's two currency-producing subsidiaries, each with its own Board. The GEC appoints these Board members. The SARB's fourth subsidiary, the Corporation for Public Deposits (CPD), provides investment services. Its Board comprises officials from the SARB and National Treasury who are appointed by the Minister of Finance. The Corporation for Public Deposits Act 46 of 1984 governs the CPD. Given its scope and risk profile, the Board alone oversees that the CDP responsibly and adequately discharges its responsibilities.

Subsidiaries of the SARB

CURRENCY-PRODUCING

South African Mint Company (RF) Proprietary Limited (South African Mint)

Produces coin and coin-related products for South Africa and the export market.

BOARD CHAIRPERSON
SARB Group Executive: Currency Management, M (Mogam) Pillay

MANAGING DIRECTOR
H (Honey) Mamabolo

South African Bank Note Company (RF) Proprietary Limited (SABN)

Produces notes for South Africa.

BOARD CHAIRPERSON
SARB Group Executive: Currency Management, M (Mogam) Pillay

MANAGING DIRECTOR
L (Liziwe) Mda

INVESTMENT SERVICES

Corporation for Public Deposits

Invests call deposits from the public sector in deposits, short-term money market instruments and special Treasury bills. The CPD may also accept call deposits from other depositors, if approved by the Minister of Finance.

All funds invested with the CPD, and the related interest earned are repayable on demand.

BOARD CHAIRPERSON
Deputy Governor
R (Rashad) Cassim

The SARB's risk management, internal audit, company secretariat, finance and security services functions also cover the currency-producing subsidiaries, ensuring operating efficiencies and consistent application of management approaches, policies and procedures across the SARB Group.

The CPD is accommodated at the SARB Head Office, where it makes use of the SARB's accounting systems and infrastructure. The SARB's Financial Services Department (FSD) and Financial Markets Department are respectively responsible for the administration and accounting of funds under the CPD's control and the management of the CPD's investment activities.

The South African Mint Company (RF) Proprietary Limited

The South African Mint was the first Mint on the African continent. It introduced the world's first gold bullion coin, the Krugerrand, and in 1989 brought new minting technology to Africa with the first electroplated coins. The South African Mint is ISO 9001 (quality management), ISO 14001 (environmental management) and ISO 45001 (Occupational Health and Safety) accredited. It is an active member of the global coin minting industry.

The South African Mint is the founding member of the Sustainability Subcommittee of the International Mint Directors Association (IMDA), formerly known as the Mint Directors Conference (MDC) and continues to participate in the Technical Committee.

The key focus for the year under review was the development and production of the refreshed fourth decimal coin series for South Africa. The South African Mint continued to deliver on its export contract commitments.

The South African Mint's business units

CIRCULATION COINS

Manufactures and supplies legal tender coins for circulation and transactional use in the local economy and for export customers.

COLLECTABLES

Manufactures, distributes and sells premium coins made of gold, silver and platinum for the local and international coin collecting and gifting markets.

PRESTIGE BULLION (RF) PROPRIETARY LIMITED (PRESTIGE BULLION)

Manufactures, distributes and sells bullion coins (in gold, silver and platinum) with legal tender status locally and internationally through its subsidiary, Prestige Bullion, which was established in 2013. In October 2022, the South African Mint exercised its option to increase its shareholding in Prestige Bullion from 60% to 80%, in line with the Shareholders' Agreement.

2022/23 performance highlights

- Successfully delivered the SARB's full order of 800 million coins and maintained healthy buffer stocks. A key highlight is the first-time delivery on the current premises in Centurion (home for the last 30 years) of a full refreshed coin series, 34 years after the last series was produced. The order was delivered cost-effectively at a lower conversion cost than budget and a lower waste rate. The South African Mint also achieved the production of unique products such as the large diameter 1kg and 5oz collectable Big 5 gold and silver coins, which helped to rally export sales.
- Achieved EBITDA of R188.7 million (2021/22: R119.0 million) against a budget of R83 million. The South African Mint, including Prestige Bullion, contributed profit before tax of R683 million (2021/22: R777 million) to the SARB Group. The factors influencing financial performance included:
  - Record sales and delivered profit in the collectables business, driven mainly by export sales (70%) and a commodity price rally. The Big 5 series continues to perform exceptionally in the export market.
  - Local demand for gold bullion remained subdued while the export market performed in line with budget. The silver Krugerrand continued to drive top- and bottom-line performance. The launch of the 24-carat Big 5 bullion series was successful and enabled market diversification into the US market.
- As part of the implementation of the governance, risk and compliance (GRC) framework, the South African Mint developed the GRC execution model to enhance the internal control environment.
- The South African Mint experienced a lost time injury frequency rate of 0.5, which is within tolerance.

LOOKING AHEAD

- Continue to improve workplace safety and employee well-being.
- Further invest in our corporate culture and values, and building trust and engagement with employees.
- Implement the HR strategy to improve talent management, training and development and transformation.
- The South African Mint continues to implement its Back to Basics business strategy to improve governance and internal controls; develop an agile operating model; optimise the production plan; and develop a long-term asset masterplan.
- Keep strengthening our people and technology capabilities to enable the strategy.
- Following the completion of the technology evaluation project and review of the enterprise architecture, the South African Mint will be developing its long-term IT strategy. This will support the outcomes of the IT Governance review as well as the Process Maturity Baseline recommendations.
- The implementation of the GRC consulting audit recommendations from the IAD of the SARB will be a key feature in improving the internal control environment.

The South African Bank Note Company (RF) Proprietary Limited

The SABN made good progress in implementing its strategy to ensure the long-term sustainability of note production at internationally competitive prices.

The SABN's strategic pillars include excellence in quality, operations and asset management. In addition to being ISO 9001, ISO 14001 and ISO 45001 accredited, the SABN also achieved ISO 22301 (business continuity management) accreditation. Furthermore, the SABN is making very good progress in implementing the asset masterplan roadmap. A screen machine was upgraded with a capability to print new security features.

An offline inspection system that uses the latest technology was integrated into the production process, while the programme to replace the banknote processing system (BPS2000) with the state-of-the-art BPSX9 system was completed. These system upgrades combine efficiency and speed to provide verified quality banknotes with guaranteed fitness for circulation.

The SABN retained Level 1 status in the Banknote Ethics Initiative (BnEI) and complies with the BnEI Council's Code of Ethical Business Practice. The BnEI was established to provide ethical business practices, with a focus on the prevention of corruption and compliance with antitrust laws within the banknote industry.

PURPOSE-LED VISION

We serve the nation by providing competitively priced quality banknotes in contribution to the economic well-being of South Africans.

We ensure the availability and quality of South African banknotes at internationally competitive prices.

		EBITDA	
Shareholder value proposition perspective	1 Guaranteed quality	2 Reliable and responsive supply	3 Competitive pricing
Strategic internal processes objectives	1 Improved quality control and assurance processes	2 Effective production management	3 Optimised production assets availability and reliability

Organisational capability, capacity and processes objectives

- Excel at the basics in quality, production, maintenance
- Enable and empower people to deliver
- Ensure seamless delivery of utilities
- Leverage technologies to enable our strategic processes

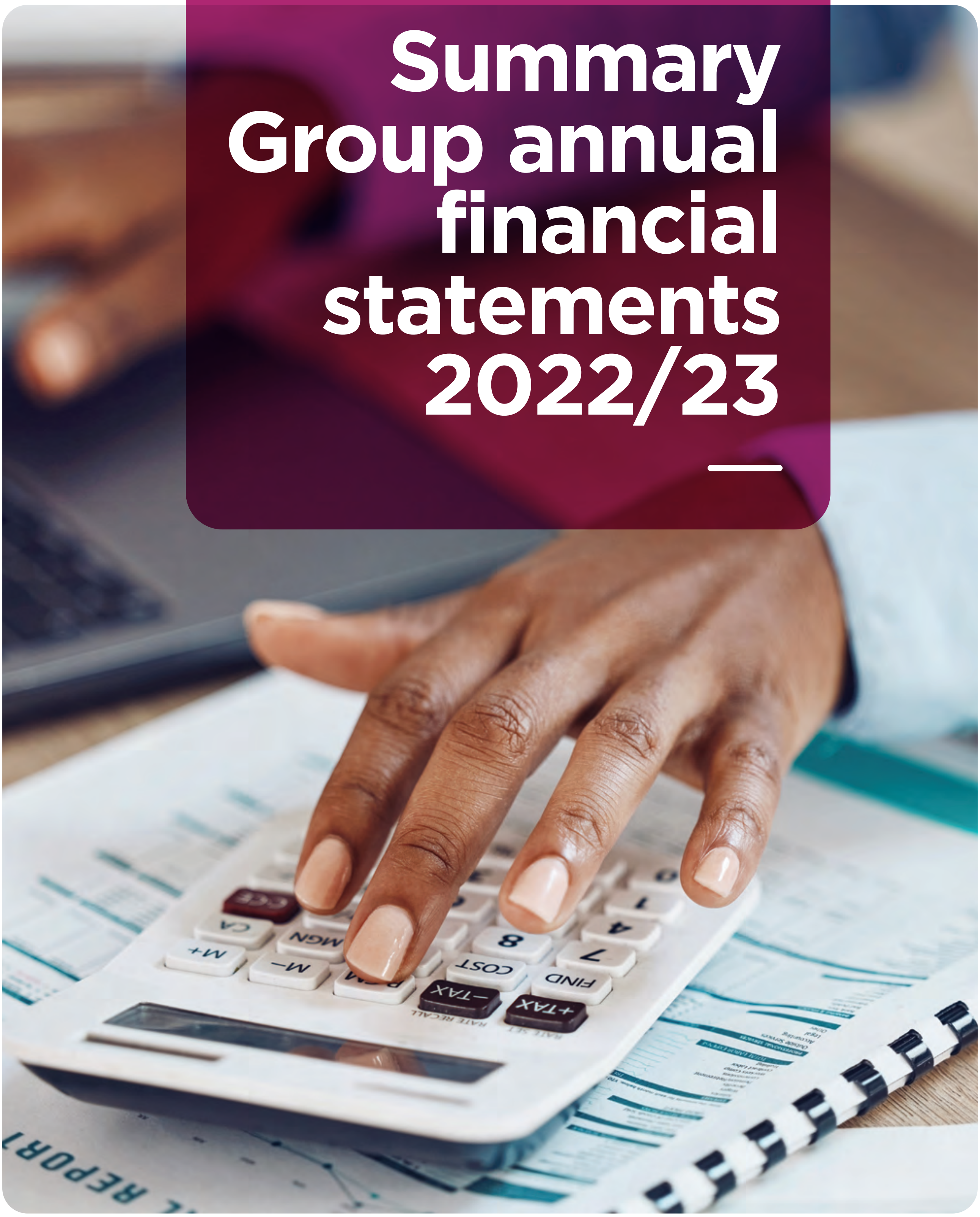
2022/23 performance highlights

- Delivered 1.097 billion notes, ensuring the availability and quality of notes that contribute to the economic well-being of South Africans.
- Achieved a net profit before tax of R221 million (2021/22: R278 million) and EBITDA of R265 million (2021/22: R327 million).
- Generated sufficient cash for self-funding the capital expenditure investment pipeline. The cash flow from operating activities was R270 million.
- Achieved the medical treatment frequency rate of 0.6 (2021/22: 0.62), entrenching a strong focus on health, safety and environmental management systems and processes.
- Built enduring capability and a talent pipeline through the apprentice programme that saw 11 learners passing their trade test – these include printer- and engineering apprentices.

LOOKING AHEAD

- Continue to implement the strategy and the asset masterplan as well as optimise across the integrated value chain.
- Implement the asset masterplan and refresh the models periodically.
- Continue the apprentice programme and capability building.

Summary Group annual financial statements 2022/23



Directors' report

for the year ended 31 March 2023

Introduction

The directors are pleased to present to stakeholders this report on the activities and financial results of the South African Reserve Bank (SARB), including its subsidiaries and associate (Group), for the year under review.

The annual report, issued in terms of the SARB Act, and its Regulations, addresses the performance of the Group and its compliance with the relevant statutory information requirements.

It is the responsibility of the directors to prepare the Group annual financial statements (financial statements) and related financial information that presents the Group's state of affairs. The financial statements have been prepared in accordance with the SARB Act and the accounting policies set out in note 1. The financial statements include appropriate and responsible disclosures and are based on accounting policies that have been consistently applied, except as specified in note 1, and which are supported by reasonable judgements and estimates.

These financial statements were prepared on a going concern basis, taking cognisance of certain unique aspects relating to the SARB's ability to create, distribute and destroy domestic currency, its role as 'lender of last resort', its responsibilities in the areas of price and financial stability, and its relationship with the South African government (SA government) concerning foreign exchange and gold transactions.

The directors have considered the impact of the volatility in financial markets, mainly as a result of interest rate hikes by central banks globally in an attempt to curb the steep rise in inflation, among other factors. The directors have also considered the impact of the ongoing Russia-Ukraine conflict. Although the Group has no direct exposure to Russia or Ukraine, the conflict continues to negatively impact financial markets in general. The directors have concluded that the impact of the volatility in financial markets has had no effect on the going concern of the SARB and its subsidiaries. The directors have considered the impact of the current energy crisis and the prospect of extended periods of load-shedding on key financial sector infrastructures and SARB operations. The directors note that the SARB will continue to take the necessary actions to minimise the impact of load-shedding on key financial sector infrastructures, SARB operations and its currency-producing subsidiaries. However, these matters will be monitored and included in considerations for forward-looking information.

The financial statements were audited by the independent external auditors who were given unrestricted access to all financial records and related data, including the minutes of all the meetings of the Board and its committees as well as the minutes of executive management meetings.

The directors are responsible for governance, which is monitored on an ongoing basis. The SARB applies the principles and guidelines of *King IV*™ where appropriate and where they do not contravene the SARB Act.

Nature of business

The SARB is the central bank of South Africa and is regulated in terms of the SARB Act. Its primary objective is to protect the value of the currency in the interest of balanced and sustainable economic growth. In pursuit of price and financial stability, the SARB performs the key activities set out on page 5.

In exceptional circumstances, as part of its central banking functions, the SARB may act as a 'lender of last resort' or provide assistance of a similar nature to financial institutions in difficulty to prevent a loss of confidence spreading through the financial system as a whole.

In some cases, confidence can best be sustained if the SARB's support is disclosed only when the conditions giving rise to a potentially systemic disturbance have improved. Accordingly, although the financial effects of such operations will be included in the financial statements in the year in which they occur, these financial statements may not explicitly identify the existence of such support. However, such support will be reported when the need for secrecy or confidentiality has ceased.

Subsidiaries

The subsidiaries of the SARB are:

- The South African Mint which produces circulation and collectable coins, and its subsidiary Prestige Bullion which produces bullion coins.
- The SABN which produces banknotes.
- The CPD which receives and invests call deposits from the SA government and public entities. The SARB has re-issued a guarantee in favour of the CPD of R0.8 billion for all amounts required by it for the due performance of its obligations under the CPD Act. This guarantee is a continuing covering security and will remain in force until 11 June 2024.
- CODI was formally established through the promulgation of the FSLAA. CODI provides deposit insurance and carries out its functions to support the SARB in fulfilling its objective of, and responsibility for, protecting and maintaining financial stability.
- Information on the SARB's financial interest in its subsidiaries is provided in note 18.

The subsidiaries did not pass any special resolutions that are material to the SARB's affairs in the reporting year.

Associate

African Bank Holdings Limited (ABHL) is the public holding company of African Insurance Group Limited (InsureCo) and African Bank Limited (ABL).

During the 2020/21 financial year, a shareholder support transaction was concluded in terms of which the SARB would provide a collateralised loan of up to R4.0 billion over a period of four years to ABL in accordance with Section 10(1)(f) of the SARB Act. The remaining shareholders would subscribe to domestic medium-term notes (DMTN) in ABL according to the respective pro rata shareholding in ABHL. The SARB committed to avail R1.0 billion each year to ABL and would advance the funds to ABL at the same time as the other shareholders subscribe to the DMTNs. The loan was secured by a cession in security of a portion of ABL's customer loan portfolio, with a collateral cover ratio of 111%. The facility remained undrawn at 31 March 2022 and was subsequently cancelled in September 2022.

Information on the SARB's financial interest in its associate is provided in note 18.3.

Achievement of objectives

The annual report covers the SARB's achievements against its strategic objectives, which can be found on pages 17 to 23.

Financial results

The net investment income of the SARB, derived mainly from foreign investments and accommodation to banks, increased by R4.4 billion to R7.2 billion (2021/22: R5.5 billion decrease to R2.8 billion). Operating costs increased by R0.9 billion to R8.0 billion (2021/22: R0.3 billion increase to R7.1 billion). A previously recognised impairment of an investment in the associate of R0.6 billion has been reversed in the current year. The net result of these factors was a profit after taxation of R0.8 billion (2021/22: R2.0 billion loss) for the year ended 31 March 2023.

The South African Mint (including Prestige Bullion) made a profit after taxation of R0.4 billion (2021/22: R0.4 billion) attributable to the Group, and declared a dividend of R0.3 billion (2021/22: R0.7 billion) to the SARB.

The SABN's profit after taxation has remained consistent from the prior year at R0.2 billion (2021/22: R0.2 billion).

The CPD's profit after taxation has remained consistent from the prior year at R0.5 billion (2021/22: R0.5 billion). For the year ended 31 March 2023, there was no amount due to the SA government (2021/22: Rnil) in accordance with the CPD Act.

ABHL made a profit after taxation of R0.2 billion (2021/22: R0.2 billion) attributable to the Group. The directors have noted the improved profitability of ABHL, as announced in its financial results presentation in November 2022, as well as the recent acquisitions of Ubank and Grindrod Bank and will continue to monitor the performance of the associate. Refer to note 18.3 for further detail.

Financial position

The SARB's total assets increased by R201.0 billion to R1.2 trillion (2021/22: R69.9 billion increase to R962.8 billion), largely due to increases in gold and foreign exchange reserves of R251.0 billion, offset by a decrease in accommodation to banks of R47.0 billion.

The total assets of the South African Mint (including Prestige Bullion) increased by R0.5 billion to R2.6 billion (2021/22: R0.2 billion decrease to R2.1 billion), mainly attributable to a higher inventory balance at the reporting date.

The SABN's total assets increased by R0.2 billion to R2.8 billion (2021/22: R0.2 billion increase to R2.6 billion), attributable to higher call deposit investments.

The CPD's total assets increased by R16.5 billion to R108.5 billion (2021/22: R9.5 billion increase to R92.0 billion), largely as a result of a net increase in short-term cash and fixed deposit investments.

During the 2020/21 financial year, a counterparty defaulted on its promissory notes which resulted in the recognition of a fair value loss. As at 31 March 2023, the outstanding nominal value of the debt was R0.7 billion. Capital repayments of R0.2 billion were received from that counterparty during the current financial year (2021/22: R0.2 billion). The directors are monitoring communication from the counterparty on the possible restructure of the debt.

The total liabilities of the SARB increased by R200.0 billion to R1.1 trillion (2021/22: R71.5 billion increase to R939.04 billion) largely due to increases in local and foreign currency deposit accounts of R96.0 billion and R144.0 billion in the gold and foreign exchange contingency reserve account (GFECRA), offset by a R40.0 billion decrease in intercompany liabilities.

The total liabilities of the South African Mint (including Prestige Bullion) increased by R0.4 billion to R1.2 billion (2021/22: R0.2 billion increase to R0.8 billion), mainly attributable to an increase in trade payables.

The SABN's total liabilities have remained consistent from the prior financial year at R0.6 billion (2021/22: R0.6 billion).

The CPD's total liabilities increased by R16.0 billion to R108.6 billion (2021/22: R18.1 billion increase to R92.6 billion), largely due to an increase in deposits of R15.0 billion.

The SARB's contingency reserve increased by R0.8 billion to R20.4 billion (2021/22: R2.0 billion decrease to R19.6 billion) due to a transfer of the current year profit after taxation of R0.8 billion to the contingency reserve.

Further details on the Group's financial information for the year can be found on page 88.

Dividends

The SARB Act permits the SARB to declare dividends from its accumulated profits (reserves). As per the SARB Act, a total dividend at the rate of 10% per annum on the paid-up share capital of the SARB was paid as follows:

- an interim dividend of five cents per share was approved by the Board on 28 September 2022 and paid to shareholders on 28 October 2022; and
- the final dividend of five cents per share was approved by the Board on 9 March 2023 and paid to shareholders on 26 May 2023.

The total dividend paid for the financial year was R0.2 million (2021/22: R0.2 million).

Directors

The composition of the Board at 31 March 2023 is reported on pages 28 to 31 of this report.

At the annual Ordinary General Meeting (AGM) held on 29 July 2022, the terms of C B (Charlotte) Buitendag and Z (Zoaib) Hoosen, as non-executive directors with knowledge and skills in industry; and the term of office of N (Nicholas) Vink as a non-executive director with knowledge and skills in agriculture expired. All three incumbents being eligible for nomination and re-election were re-elected as the non-executive directors with knowledge and skills of industry and agriculture, respectively, from 30 July 2022 until the day after the AGM in 2025.

Furthermore, the President appointed Dr K H (Kgabo) Badimo as a South African government appointed non-executive director, for a period of three years with effect from 1 June 2022.

The term of office of M M T (Tryphosa) Ramano as a non-executive director with knowledge and skills in commerce and finance, will expire at the 2023 AGM. Ms Ramano would have completed her first term of office, and is eligible and available for re-election by the shareholders for another term of three years.

The term of office of Dr T (Terence) Nombembe as a South African government appointed non-executive director, will expire on 15 July 2023. Dr Nombembe has served three terms and is no longer eligible for reappointment. The President was requested to nominate a candidate to replace Dr Nombembe.

As at 31 March 2023 and to date, none of the directors in office held any direct or indirect shareholding in the SARB. Directors' fees for services rendered during the reporting year are disclosed in note 18.6.

Events after reporting date

CPD guarantee

On 8 June 2023, the Board approved an extension to the financial guarantee issued by the SARB to the CPD for a further 12 months to 11 June 2024 as a result of the continued technical insolvency of the CPD. The guarantee was reduced from R1.2 billion to R0.8 billion due to the reduced accumulated losses in the CPD in the current financial year. The guarantee extension was also approved by the Board on 8 June 2023.

Bounce Back Scheme drawdown

In April 2023, there was an additional drawdown of R137 million on the bounce back scheme (BBS) facility. The availability period for drawdowns on the facility expired on 30 April 2023 and R262 million of the facility was not utilised.

Acting secretary of the SARB

C (Clivia) Ulland

Registered office

Business address:
370 Helen Joseph Street
Pretoria 0002

Postal address:
PO Box 427
Pretoria 0001

The Board approved the financial statements on 8 June 2023, signed on its behalf by:

E L (Lesetja) Kganyago
Governor of the SARB

T (Terence) Nombembe
Non-executive director
and Chairperson of the Audit Committee

R (Reshoketswe) Ralebepa
Group Chief
Financial Officer

C (Clivia) Ulland
Acting Secretary
of the SARB

Statement by the Acting Secretary of the SARB

In my capacity as the Acting Secretary of the SARB, I certify that all the returns required to be submitted, in terms of the SARB Act, for the year ended 31 March 2023, have been completed and are up to date.

The executive directors and management of the SARB are responsible for the controls over, and the security of, the website and specifically for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders.

C (Clivia) Ulland
Acting Secretary of the SARB

8 June 2023

* *A recruitment process is underway to appoint the Secretary of the SARB.*

Report of the Audit Committee

for the year ended 31 March 2023

Introduction

The Audit Committee is a subcommittee of the SARB Board. All its members, including the Chairperson, are independent non-executive directors. The responsibilities of the Audit Committee are set out in its terms of reference, which are approved by the Board and reviewed every three years or more frequently, if required.

The Audit Committee carried out its oversight functions independently and in full compliance with its terms of reference during the reporting year.

The SARB's executive management, internal auditors, external auditors and other assurance providers attended all the Audit Committee meetings in an ex officio capacity. Management and internal and external auditors met independently with the Audit Committee, as appropriate.

Roles and responsibilities

The Audit Committee assists the Board in fulfilling its oversight responsibilities in terms of the SARB's financial reporting processes, risks and system of internal financial controls as well as the SARB's processes for monitoring compliance with laws and regulations as they relate to financial reporting.

Internal control (including internal financial controls)

The SARB's system of internal financial controls is designed to ensure:

- the integrity and reliability of financial information;
- compliance with all applicable laws and regulations;
- the achievement of objectives;
- economy and efficiency of operations; and
- the safeguarding of assets.

The Audit Committee is satisfied that the system of internal financial controls is adequately designed and operated effectively to form a sound basis for the preparation of reliable financial reports. This assessment is based on reports from management, risk management, internal auditors and external auditors.

The Audit Committee considered, and is satisfied with, the expertise and experience of the Group Chief Financial Officer (CFO) with respect to the preparation of the annual financial statements. The finance function in the SARB has the expertise and adequate resources to support the Group CFO.

Combined assurance

The Group has adopted a combined assurance approach, in line with *King IV*™, to increase the effectiveness of assurance activities by the functionaries within the three lines of assurance. The combined assurance model has been subjected to ongoing enhancements and has reached a high level of maturity, ensuring regular interaction, alignment of assessment methodologies, and effective and integrated dashboard-based reporting across the three lines of assurance. The Combined Assurance Forum (CAF) ensures ongoing review of the approach, model and processes as well as regular discussions, information sharing and coordination of efforts between the respective assurance providers. This approach contributes significantly towards an effective control environment and supports the integrity of information used for internal decision-making by management, the Board and its committees. Based on reports submitted by the three lines of assurance and the CAF, the committee considers the adopted combined assurance approach to be adequate, effective and aligned to good practices, to ensure the achievement of the said objective of effective assurance activities across the Group.

Financial statements

After reviewing the SARB Group annual financial statements and the associated external auditors' report, the Audit Committee recommended their approval to the Board. The Audit Committee is satisfied with the going concern status of the SARB.

Internal audit

The Audit Committee reviewed and approved the Internal Audit Charter, which defines the purpose, authority and responsibility of the internal audit function, and approved the annual internal audit plan. The committee also reviewed the Internal Audit Department's (IAD) reports on the state of the internal control environment.

The Audit Committee is satisfied that the IAD is independent and appropriately resourced to provide assurance on the adequacy and effectiveness of the SARB's internal control environment. The Audit Committee received feedback from the independent external quality assurance review on the IAD. The review resulted in an overall assessment of 'Generally Conforms' with the Institute of Internal Auditors (IIA) Standards promulgated by the IIA. The maturity level of the IAD according to the IIA's Internal Audit Maturity Capability Model was assessed at Level 4, reflecting IAD as 'Progressive' and generally conforms to the IIA Standards.

The Chief Internal Auditor reports functionally to the Audit Committee and administratively to the Governor.

External audit

The Audit Committee is satisfied with the independence of the external auditors of the SARB. This assessment was made after considering the independence letters from the external auditors, continuous monitoring and approval of non-audit services as well as a formal partner rotation process and audit firm rotation. The Audit Committee reviewed the external auditors' proposed audit scope, approach and audit fees for the year under review.

Non-audit services

The Audit Committee is responsible for approving the SARB policy on the provision of non-audit services by the SARB external auditors. The SARB policy on the award of non-audit services to the external auditors is used by the Audit Committee as the primary reference point in setting and approving the limits for such awards. The non-audit services limits are set at levels that safeguard the external auditors' independence, to ensure that such non-audit services do not create a public perception of a conflict of interest for the external auditors.

The awarding of non-audit services to external auditors and their networks is delegated for approval by the Financial Services Department of the SARB, only to the extent of the limits that are set and approved by the GEC and the Audit Committee. Any non-audit services more than the limits set and approved by the Audit Committee cannot be awarded to the external auditors without prior approval by the Audit Committee.

The SARB Board approved forensic investigations carried out into the alleged contravention of the Exchange Control Regulations of 1961. PwC Advisory Services (Pty) Ltd (PwC) was appointed by Gildenhuys Malatji Incorporated (GMI) to investigate the alleged contravention of the regulations after GMI was appointed by the SARB to conduct the forensic investigation. The assignment required specialist forensic skills and expertise, and GMI appointed an independent third party – PwC – to conduct the investigation.

The assignment which was expected to end during the 2023 financial year extended into the 2024 financial year. This resulted in the total fees relating to non-audit services by PwC being increased from R65.5 million to R84.9 million, spanning four financial years (2021, 2022, 2023 and 2024). This excludes disbursements and value-added tax (VAT).

However, given the nature and scope of the investigative services performed by PwC and the safeguards applied by PwC, the Audit Committee is satisfied that the provision of the non-audit services did not affect PwC's professional judgement or integrity in respect of the audit of the SARB.

External audit firm rotation

PricewaterhouseCoopers Inc. (PwC Inc.) is due for rotation in terms of the mandatory auditor rotation rules of the Independent Regulatory Board of Auditors (IRBA). Accordingly, the SARB Board approved a resolution that PwC Inc. will step down as external auditors of the SARB Group on the completion of the audit work for the financial year ended 31 March 2023.

The Audit Committee was satisfied with the process of selecting a firm of independent external auditors that will replace PwC Inc. as the new joint external auditor of the SARB Group. The appointment of the new audit firm will be tabled for consideration and adoption by the shareholders of the SARB at the 2022/23 AGM.

Compliance

The Audit Committee is satisfied that the SARB in the current year has implemented appropriate processes and controls to ensure compliance with all applicable laws and regulations as they relate to financial reporting. This is based on the Audit Committee's review of reports received from both internal and external auditors as well as from executive management and relevant departments.

Information and technology

The Audit Committee is satisfied with the SARB's information and technology (I&T) capability and that its I&T controls are appropriate to support the integrity of financial reporting. This is based on the Audit Committee's continuous review of assurance reports from the I&T Steering Committee (at executive management level) and the internal and external auditors.

The Audit Committee notes the rapidly growing technology footprint within the SARB through the ongoing execution of large transformation projects and the replacement of legacy systems in line with the SARB's strategic objectives.

Whistle-blowing

Based on the combined submissions from the Risk Management and Compliance Department and IAD at the Board Risk and Ethics Committee, the Audit Committee is satisfied with the SARB's procedures to receive, evaluate, investigate and report on confidential and anonymous complaints regarding matters of integrity and ethics at the SARB.

T (Terence) Nombembe
Chairperson of the Audit Committee

Financial reporting framework

Reporting framework

The financial statements have been prepared in accordance with the SARB Act and the accounting policies set out in note 1.

The SARB Act is not prescriptive regarding the accounting framework that the SARB should adopt, except for sections 25 to 28, which deal with the accounting treatment of gold and foreign exchange transactions.

These sections are in conflict with the International Financial Reporting Standards (IFRS). The SARB has chosen to use IFRS, including IFRS Interpretations Committee interpretations, as a guide in deciding on the most appropriate accounting policies to adopt, and as a model for the presentation and disclosure framework followed in its financial statements.

However, the SARB Act takes precedence over IFRS in the areas noted above and, as a result, the recognition and measurement criteria as set out in IFRS have not been followed in these circumstances. In addition, the SARB considers certain recognition and measurement principles as well as disclosures inappropriate to its functions. The SARB's financial statements therefore, disclose less detail than would be required under IFRS. The significant departures from IFRS as a consequence of the above are summarised as follows:

Recognition and measurement

1. According to the SARB Act,
   a. realised and unrealised valuation gains and losses on gold, and realised and unrealised foreign exchange gains and losses on foreign denominated assets and liabilities are for the account of the SA government, and have therefore not been accounted for in profit or loss, as required by *International Accounting Standard (IAS) 21 The Effects of Changes in Foreign Exchange Rates*; and
   b. gold is valued in terms of section 25 of the SARB Act at the statutory gold price. Gold has been recognised as a financial asset of the SARB.

Presentation

In the financial statements,

1. not all information as required by *IFRS 7 Financial Instruments Disclosures* is disclosed.

   This relates specifically to:

   a. market risk for all financial assets (foreign and local): the sensitivity analysis for each type of market risk to which the SARB is exposed at the reporting date, showing how profit or loss and equity/other comprehensive income (OCI) would have been affected by changes in the relevant risk variables that were reasonably possible at that date;
   b. credit risk for foreign financial assets: the credit quality per counterpart (issuer) and per country, the historical information about the counterparty default rates and instruments per counterparty; and
   c. credit risk for local financial assets: the credit quality per counterparty (issuer) and instrument class, the historical information about the counterparty default rates and a breakdown of instruments per counterparty.

Central banking

The SARB, as the mandated central bank of South Africa, will exercise discretion on 'lender of last resort' activities as it relates to the management and oversight responsibilities of the domestic financial market operation.

Independent auditors' report on the summary consolidated financial statements to the shareholders of the South African Reserve Bank

Opinion

The summary consolidated financial statements of the South African Reserve Bank (the SARB), set out on pages 88 to 133, which comprise the summary consolidated statement of financial position as at 31 March 2023, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of the SARB for the year ended 31 March 2023.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the basis of accounting described in Note 1 to the summary consolidated financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by the basis of accounting described in Note 1 to the audited consolidated financial statements and the requirements of the South African Reserve Bank Act 90 of 1989, as amended. Reading the summary consolidated financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditors' report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 12 June 2023. That report also includes an Emphasis of Matter section that draws attention to Note 1 in the audited consolidated financial statements. Note 1 in the audited consolidated financial statements describes the basis of accounting. The audited consolidated financial statements are prepared in accordance with the SARB's own accounting policies and the requirements of the South African Reserve Bank Act 90 of 1989, as amended, to satisfy the financial needs of the shareholders.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the basis of accounting described in Note 1 to the summary consolidated financial statements.

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www.pwc.co.za*

Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.

Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

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Victor Sekese [Chief Executive]
A comprehensive list of all Directors is available at the company offices or registered office
SizweNtsalubaGobodo Grant Thornton Incorporated Registration Number: 2005/034639/21

Independent auditors' report on the summary consolidated financial statements to the shareholders of the South African Reserve Bank (continued)

Auditors' responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Lumko Sihiya
Registered Auditor
Johannesburg, South Africa
12 June 2023

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Pravesh Hiralall
Registered Auditor
Johannesburg, South Africa
12 June 2023

Summary Group statement of financial position

as at 31 March 2023

	Note	2023 R'm	2022 R'm
Assets			
Cash and cash equivalents	2	**42 426**	22 433
Accommodation to banks	3	**2 398**	49 505
Investments	4	**41 306**	5 312
Gold and foreign exchange reserves	5	**1 093 319**	842 837
Loans and advances	6	**10 069**	12 081
South African government bonds	7	**33 828**	40 503
Other assets		**27 068**	19 889
Total Assets		**1 250 414**	992 560
Liabilities			
Notes and coin in circulation	8	**171 565**	171 097
Deposit accounts	9	**452 427**	383 247
Foreign deposits	10	**127 489**	85 143
South African Reserve Bank debentures	11	**–**	3 807
Gold and foreign exchange contingency reserve account	12	**458 715**	314 283
Post-employment benefits	13	**2 655**	2 657
Other liabilities		**10 259**	6 855
Total Liabilities		**1 223 110**	967 089
Capital and reserves[1]			
Share capital		**2**	2
Accumulated profit		**2 558**	1 571
Statutory reserve		**459**	459
Contingency reserve		**20 425**	19 645
Other reserves		**3 836**	3 711
Non-controlling interest		**24**	83
Total capital and reserves		**27 304**	25 471
Total liabilities, capital and reserves		**1 250 414**	992 560

[1] *Further detail on capital and reserves is provided in the summary Group statement of changes in equity.*

Summary Group statement of profit or loss and other comprehensive income

for the year ended 31 March 2023

	Note	2023 R'm	2022 R'm
Interest revenue from amortised cost items		**6 950**	3 353
Interest revenue from fair value items		**9 049**	3 882
Interest expense		**(12 361)**	(3 695)
Net interest revenue		**3 638**	3 540
Fair value gains/(losses)		**4 172**	(293)
Dividend income		**103**	94
Operating income	14.1	**4 032**	4 952
Total income		**11 945**	8 293
Movement in credit loss allowances		**38**	80
Operating costs	14.2	**(10 694)**	(10 538)
Share of net profit of associate	18.3	**168**	228
Impairment reversal/(loss) on investment in associate	18.3	**621**	(228)
Profit/(Loss) before taxation		**2 078**	(2 165)
Taxation		**(196)**	673
Profit/(Loss) for the year		**1 882**	(1 492)
Attributable to:			
The parent		**1 767**	(1 692)
Non-controlling interest	18.1	**115**	200
		1 882	(1 492)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net (loss)/gain on equity investments designated at fair value through other comprehensive income		**(16)**	105
Revaluation of property, plant and equipment		**5**	45
Remeasurement of post-employment benefits		**184**	321
Taxation		**(48)**	(84)
Other comprehensive income for the year, net of taxation		**125**	387
Total comprehensive income/(loss) for the year		**2 007**	(1 105)
Total comprehensive income/(loss) attributable to:			
The parent		**1 892**	(1 305)
Non-controlling interest	18.1	**115**	200
		2 007	(1 105)

Summary Group statement of cash flows

for the year ended 31 March 2023

	Note	2023 R'm	2022 R'm
Net cash flows generated from/(utilised by) operating activities			
Net cash flows generated from/(utilised by) operations	15	**26 551**	(13 381)
Interest received	15	**6 950**	3 353
Interest paid	15	**(12 361)**	(3 695)
Taxation received/(paid)		**488**	(1 031)
Dividends paid		**(174)**	(249)
Dividends received	15	**103**	–
Net cash flows generated from/(utilised by) operating activities		**21 557**	(15 003)
Net cash flows utilised by investing activities			
Purchase of property, plant and equipment		**(1 434)**	(979)
Proceeds on disposal of property, plant and equipment		**156**	110
Purchase of intangible assets		**(286)**	(96)
Net cash flows utilised by investing activities		**(1 564)**	(965)
Total cash and cash equivalents movement for the year		**19 993**	(15 968)
Cash and cash equivalents at the beginning of the year	2	**22 433**	38 401
Total cash and cash equivalents at the end of the year	2	**42 426**	22 433

Summary Group statement of changes in equity

for the year ended 31 March 2023

	Share capital R'm	Accumulated profit R'm	Contingency reserve R'm	Statutory reserve R'm	Other reserves R'm	Total R'm	Non-controlling interest R'm	Total R'm
Balance at 31 March 2021	2	1 228	21 681	458	3 324	26 693	132	26 825
Loss for the year	–	(1 692)	–	–	–	(1 692)	200	(1 492)
Other comprehensive income	–	–	–	–	387	387	–	387
Total comprehensive income/(loss) for the year	–	(1 692)	–	–	387	(1 305)	200	(1 105)
Transfer (from)/to reserves	–	2 035	(2 036)	1	–	–	–	–
Dividends paid	–	–	–	–	–	–	(249)	(249)
Balance at 31 March 2022	**2**	**1 571**	**19 645**	**459**	**3 711**	**25 388**	**83**	**25 471**
Profit for the year	**–**	**1 767**	**–**	**–**	**–**	**1 767**	**115**	**1 882**
Other comprehensive income	**–**	**–**	**–**	**–**	**125**	**125**	**–**	**125**
Total comprehensive income for the year	**–**	**1 767**	**–**	**–**	**125**	**1 892**	**115**	**2 007**
Transfer (from)/to reserves	**–**	**(780)**	**780**	**–**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(174)**	**(174)**
Balance at 31 March 2023	**2**	**2 558**	**20 425**	**459**	**3 836**	**27 280**	**24**	**27 304**

Summary Group statement of changes in equity continued

for the year ended 31 March 2023

Explanatory notes

Statutory reserve

The statutory reserve is maintained in terms of section 24 of the SARB Act, which stipulates that one-tenth of the surplus of the SARB, after provisions normally provided for by bankers and payment of dividends, has to be credited to the statutory reserve.

Contingency reserve

In terms of section 24 of the SARB Act and section 15 of the CPD Act, contingency reserves are maintained to provide against risks to which the SARB and the CPD respectively are exposed.

Bank for International Settlements revaluation reserve

The shares held in the BIS are held as part of the SARB's function as a central bank and are thus long-standing in nature. Shares are only transferable with the prior consent of the BIS. The net fair value gains/losses on the revaluation of the BIS shares are recognised in OCI. Changes in value due to foreign exchange movements are transferred to the GFECRA.

Property, plant and equipment revaluation reserve

Gains and losses arising from a change in fair value of artwork, included in property, plant and equipment (PPE), are recognised in OCI. When these assets are sold, collected or otherwise disposed of, the cumulative gain or loss previously recognised in OCI will be recognised in accumulated profit.

Post-employment benefit remeasurement reserve

Actuarial gains and losses relating to the remeasurement of the post-employment benefits (PEB), and arising from experience adjustments and changes in actuarial assumptions, are charged or credited to OCI in the period in which they arise. These gains and losses are not subsequently reclassified to profit or loss.

Transfer to SA government

In terms of section 24 of the SARB Act, nine-tenths of the surplus of the SARB, after provisions normally provided for by bankers and payment of dividends, has to be paid to the SA government. For the year ended 31 March 2023 no profits (2022: Rnil) were due to the SA government by the SARB.

In terms of section 15 of the CPD Act, the balance of net profits after transfers to reserves and payment of dividends has to be paid to SA government. For the year ended 31 March 2023 no profits (2022: Rnil) were due to SA government by the CPD.

Non-controlling interest

The Group discloses non-controlling interest as a result of its 100% owned subsidiary (South African Mint) that owns 80% (2022: 60%) in Prestige Bullion.

Notes to the summary Group financial statements

for the year ended 31 March 2023

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies should be read together with the financial reporting framework on page 85.

These financial statements have been prepared on a going concern basis, in accordance with the SARB Act and the accounting policies set out in this note. The directors have considered the impact of the volatility in financial markets, mainly as a result of interest rate hikes by central banks globally, in an attempt to curb the steep rise in inflation, amongst other factors. The directors have also considered the impact of the ongoing Russia-Ukraine conflict. Although the Group has no direct exposure to Russia or Ukraine, the conflict continues to negatively impact financial markets in general. The directors have concluded that the impact of the volatility in financial markets has no material effect on the going concern of the SARB and its subsidiaries. These matters will, however, be monitored and included in considerations for forward-looking information. The use of the going concern assumption is therefore deemed to be appropriate.

These financial statements have been prepared on the historical cost basis, except where fair value basis is considered more appropriate.

These financial statements comprise the summary Group statement of financial position as at 31 March 2023, summary Group statement of profit or loss and other comprehensive income, summary Group statement of changes in equity and summary Group statement of cash flows for the year ended 31 March 2023, as well as the notes, comprising a summary of significant accounting policies and other explanatory notes.

In accordance with the Financial Sector Regulation Act 9 of 2017 (FSR Act) separate financial accounts in relation to the Prudential Authority are required. The Prudential Authority financial accounts are included on pages 137 to 139.

The Group's functional and presentation currency is the South African rand and all amounts are rounded to the nearest million, unless otherwise stated.

The preparation of the financial statements requires the use of certain key accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies of the Group. The areas with a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1.22 and the relevant notes.

The accounting policies have been applied consistently to all years presented, except for the changes described alongside.

1.2 New standards and interpretations

1.2.1 New and amended standards adopted by the Group

In the current year, the Group adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework

Minor amendments relate to the update of references to the Conceptual Framework for Financial Reporting and the addition of an exception for the recognition of liabilities and contingent liabilities within the scope of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37)* and *IFRIC 21 Levies*. The amendments also confirm that contingent assets should not be recognised at the acquisition date. The effective date of the amendment is for years beginning on or after 1 January 2022. The Group has adopted the amendment for the first time in the 2023 annual financial statements. The impact of the amendment is not material.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9 Financial Instruments

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included. The effective date of the amendment is for years beginning on or after 1 January 2022. The Group has adopted the amendment for the first time in the 2023 annual financial statements. The impact of the amendment is not material.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required. The effective date of the amendment is for years beginning on or after 1 January 2022. The Group has adopted the amendment for the first time in the 2023 annual financial statements. The impact of the amendment is not material.

1. Accounting policies continued

1.2 New standards and interpretations continued

1.2.1 New and amended standards adopted by the Group continued

Amendments to IAS 37 Onerous Contracts: Cost of fulfilling a contract

The amendment 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. The effective date of the amendment is for years beginning on or after 1 January 2022. The Group has adopted the amendment for the first time in the 2023 annual financial statements. The impact of the amendment is not material.

There are no other new or amended standards applicable to the Group for the financial year ended 31 March 2023.

1.2.2 New standards, amendments and interpretations not yet adopted by the Group

Several new standards, amendments and interpretations are effective for annual periods beginning on or after 1 January 2023 and have not been early adopted in preparing these financial statements. The Group will adopt these amendments in the relevant financial year in which they become effective. These are as follows:

Amendments to IAS 12 Income Taxes – Deferred taxation related to assets and liabilities arising from a single transaction

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred taxation asset or liability on initial recognition. Previously, deferred taxation would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences. The effective date of the amendment is for years beginning on or after 1 January 2023. It is unlikely that the amendment will have a material impact on the Group's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies

IAS 1 was amended to require that only material accounting policy information be disclosed in the financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will review the accounting policies to ensure that only material accounting policy information is disclosed. The effective date of the amendment is for years beginning on or after 1 January 2023. It is unlikely that the amendment will have a material impact on the Group's financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual financial statements that are subject to measurement uncertainty." The effective date of the amendment is for years beginning on or after 1 January 2023. It is unlikely that the amendment will have a material impact on the Group's financial statements.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The effective date of the standard is for years beginning on or after 1 January 2023. IFRS 17 will be applicable to CODI, however the Group is unable to reliably estimate the impact of the standard on the financial statements of the Group, as CODI has not commenced with operations. The Group will be able to make an assessment of the impact when the secondary legislation outlining the insurance provisions and operations of CODI has been promulgated. It is expected that the secondary legislation will be effective on 1 April 2024.

Initial application of IFRS 17 and IFRS 9: Comparative information

This amendment relates to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of IFRS 17 and IFRS 9, but where this information has not been restated for IFRS 9. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9. The effective date of the amendment is for years beginning on or after 1 January 2023. IFRS 17 will be applicable to CODI, however this amendment will not be applicable, as CODI is a new entity and will not have any comparative information to present on initial application of IFRS 17 and IFRS 9.

1. Accounting policies continued

1.2 New standards and interpretations continued

1.2.2 New standards, amendments and interpretations not yet adopted by the Group continued

Amendment to IAS 1: Classification of liabilities as current or non-current

The amendment clarifies the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current. If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions. In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances. The effective date of the amendment was originally for years beginning on or after 1 January 2023, however this has been deferred to be effective for years beginning on or after 1 January 2024. It is unlikely that the amendment will have a material impact on the Group's financial statements.

Amendments to IAS 1: Non-current liabilities with covenants

The amendment improves the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendment also provides guidance on when to classify liabilities arising from covenants as current or non-current. Additional disclosures will be required in the notes to the annual financial statements if an entity classifies liabilities arising from covenants as non-current. The effective date of the amendment is for years beginning on or after 1 January 2024. It is unlikely that the amendment will have a material impact on the Group's financial statements.

Amendments to IFRS 16 Leases: Lease liability in a sale and leaseback

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The effective date of the amendment is for years beginning on or after 1 January 2024. It is unlikely that the amendment will have a material impact on the Group's financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.3 Group accounting

1.3.1 Subsidiaries

Subsidiaries are all entities over which the SARB has control. The SARB controls an entity when the SARB is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the SARB.

The acquisition method of accounting is used to account for subsidiaries. In the separate financial statements of the SARB, investments in subsidiaries are stated at cost less impairment. Where appropriate, the cost includes loans to subsidiaries with no repayment terms, where these are considered part of the investment in subsidiaries. Impairment on investments in subsidiaries is discussed in note 1.9.

Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group, with the exception of the SARB's policy on foreign currency translation (refer to note 1.6). These foreign exchange profits or losses are for the account of SA government and are thus transferred to the GFECRA in terms of sections 25 to 28 of the SARB Act.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the summary Group statement of financial position, summary Group statement of profit or loss and other comprehensive income and summary Group statement of changes in equity respectively. Total comprehensive income of subsidiaries is attributed to the SARB and to the non-controlling interest, even if this results in the non-controlling interests having a debit balance.

1.3.2 Investment in associate

An associate is an entity over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

The Group initially recognises its investment in associate at cost and subsequently accounts for its share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in OCI of the associate in OCI.

Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. In the separate financial statements of the SARB, the investment in associate is accounted for at cost less allowance for impairment losses where appropriate.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

1. Accounting policies continued

1.3 Group accounting continued

1.3.2 Investment in associate continued

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity accounted investee have been changed where necessary to ensure consistency with the policies adopted by the Group, with the exception of the SARB's policy on foreign currency translation (refer to note 1.6). These foreign exchange profits or losses are for the account of SA government and are thus transferred to the GFECRA in terms of sections 25 to 28 of the SARB Act.

The carrying amount of an equity-accounted investment is tested for impairment in accordance with the policy in note 1.9.

1.4 Financial instruments

1.4.1 Financial assets

Financial instruments include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, investment in associate, PEB plans, provisions, property, plant and equipment, deferred taxation, intangible assets, inventories, surplus due to SA government and taxation payable or prepaid.

Classification

The Group classifies its financial assets into the following measurement categories:

- amortised cost;
- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVPL); and
- instruments measured in terms of the SARB Act.

The Group determines the classification of financial assets based on both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Classification of a financial instrument into a category occurs at initial recognition.

For debt instruments, the business model test and cash flow characteristics of solely payments of principal and interest (SPPI) test is applied by the Group in determining the category which best applies to the financial instruments that it holds and/or trades. Under the business model test the Group determines the objective for which it holds the financial instrument:

- holding the financial asset to collect the contractual cash flows;
- selling the instrument prior to its contractual maturity to realise its fair value changes; or
- holding for collection of contractual cash flows and for selling the assets.

Factors considered by the Group in determining the business model of a group of assets include past experience on how the cash flows for these assets are 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. The business model test is performed before the SPPI test.

Under the SPPI test, the Group determines whether the collection of contractual cash flows represent SPPI on specified dates. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Financial assets, excluding instruments measured in terms of the SARB Act, are classified into measurement categories as follows:

- Financial assets that are held for the collection of contractual cash flows, where those cash flows represent SPPI, are measured at amortised cost;
- Financial assets that are held for trading or to realise fair value changes prior to contractual maturity are measured at FVPL; and
- Financial assets that are held for both the collection of contractual cash flows and for sale are measured at FVOCI.

The Group reclassifies instruments 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.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not specifically excluded in terms of sections 25 to 28 of the SARB Act or designated at FVPL, are measured at amortised cost. Financial assets held at amortised cost include:

- cash and cash equivalents;
- accommodation to banks;
- investments;
- loans and advances; and
- other financial assets.

Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represents SPPI, and that are not specifically excluded in terms of sections 25 to 28 of the SARB Act or designated at FVPL, are measured at FVOCI.

If an equity instrument is held for purposes other than to generate investment returns, the Group can make an irrevocable election at initial recognition to measure it at FVOCI. The Group's policy is to designate equity instruments as FVOCI when those instruments are held for purposes other than to generate investment returns.

1. Accounting policies continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

Classification continued

The BIS shares are held as part of the SARB's function as a central bank and not to generate investment returns. In accordance with the Group's policy, these shares have been designated at FVOCI.

Fair value through profit or loss

Positive derivatives, assets that do not meet the criteria for amortised cost, FVOCI, and that are not specifically excluded in terms of sections 25 to 28 of the SARB Act are measured at FVPL. Assets can be designated at FVPL at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets held at mandatory FVPL include:

- investments;
- derivatives (forward exchange contracts (FECs), futures contracts and interest rate swaps); and
- SA government bonds.

The SARB seeks to minimise the effects of currency and interest rate risks by using such instruments to economically hedge the related risk exposures. The SARB does not enter into or trade financial instruments, including derivative financial instruments, for proprietary trading purposes.

Instruments measured in terms of the SARB Act

Sections 25 to 28 of the SARB Act prescribe the accounting treatment for specific financial assets, which takes precedent over IFRS. The accounting treatment prescribed by the SARB Act for these specific financial assets is not in line with the requirements of *IFRS 9 Financial Instruments (IFRS 9)* therefore, these instruments are not classified in accordance with IFRS 9 for reporting purposes. The financial reporting framework of the SARB specifically refers to this deviation from IFRS.

The following assets are governed by sections 25 to 28 of the SARB Act and thus not classified in terms of IFRS 9:

- gold;
- special drawing right (SDR) reserves; and
- FEC assets.

The FECs are used as part of the tools to manage monetary policy operations of the SARB and exposures for both assets and liabilities are matched economically. The Group has elected to not apply hedge accounting per IFRS 9.

Initial recognition

Financial assets are recognised when the Group becomes 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 Group commits to purchase or sell the asset. From this date, any gains or losses arising from changes in the fair value of the assets and liabilities are recognised.

Financial assets are initially recognised at fair value plus transaction costs, except those carried at FVPL. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost and FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

The best evidence of fair value on initial recognition is the transaction price, unless fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option-pricing valuation techniques whose variables include data from observable markets.

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

- When the fair value is evidenced by a quoted price in an active market for an identical asset (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred, and the timing of recognition of the 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.

Subsequent measurement

Equity instruments

All equity investments are valued at fair value with value changes recognised in profit or loss except where the Group has elected to present the fair value changes in OCI.

Where the Group has elected to designate an equity instrument at FVOCI, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss.

Debt instruments

Amortised cost

The carrying amount of these assets is adjusted by an ECL allowance recognised and measured in terms of IFRS 9. Amortised cost is calculated using the effective interest method that discounts the estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. Interest income using the effective interest method from these financial assets is included in profit or loss.

1. Accounting policies continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

Subsequent measurement continued

Fair value through profit or loss

A fair value gain or loss on a debt instrument subsequently measured at FVPL is recognised in profit or loss. Interest income using the effective interest method from these financial assets is included in profit or loss.

Fair value through other comprehensive income

Fair value movements in the carrying amount are recognised in OCI, except for the recognition of impairment losses or reversals and interest revenue on the instrument's amortised cost which are recognised in profit or loss and changes in fair value due to foreign exchange movements as explained in note 1.6. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Instruments measured in terms of the SARB Act

In terms of sections 25 to 28 of the SARB Act, all gains and losses on gold held by the SARB and foreign exchange profits or losses of the SARB (as explained in note 1.6), insofar as they arise from changes in the value of the rand compared to other currencies, are for the account of SA government. Therefore, all these profits or losses are transferred to the GFECRA.

Impairment of financial assets

The Group assesses, on a forward-looking basis, the ECL associated with its debt instruments carried at amortised cost, debt instruments carried at FVOCI and the exposure arising from loan commitments. The Group recognises a loss allowance for such losses at each reporting date. No loss allowance is recognised on equity instruments.

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.

Financial assets are only written off after all recovery options have been exhausted and in consultation with legal counsel.

ECL measurement

IFRS *9* outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition. The Group applies the same model for all financial assets and is summarised below:

- A financial instrument that has not undergone a significant increase in credit risk (SICR) since initial recognition and is not credit-impaired is classified in 'stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'stage 3'.
- Financial instruments in stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Financial instruments in stages 2 or 3 have their ECL measured on a lifetime basis.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (stage 3).

The Group uses the following key inputs in its model for measuring ECL:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (stage 3).

1. Accounting policies continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

Subsequent measurement continued

The ECL assessment in terms of the financial guarantee provided to the commercial banks under the loan guarantee scheme (LGS) and bounce back scheme (BBS) is summarised below:

- The ECL allowances calculated by the commercial banks for the portfolio of borrowings under the LGS and BBS are obtained and reviewed by the Group. Similar to the Group, the commercial banks follow a "three-stage" model for impairment based on changes in the credit quality since initial recognition and use the same key inputs in their models for measuring ECL.
- The LGS ECL allowance is reduced by the guarantee fee premium which serves as the first and second loss buffer under the waterfall for recovery of losses and thereafter by a 6% borrowers risk portion (third loss buffer) which is borne by the commercial banks. The LGS ECL allowance that remains after taking into account the first to third loss buffers will be recognised as an ECL in terms of the financial guarantee. The SARB's obligations under the LGS are covered by a full back-to-back guarantee from the SA government.
- The BBS ECL allowance is limited to the maximum amount guaranteed by the SARB, being 20.5% of the capital amount advanced to commercial banks. The SARB's obligations under the BBS are covered by a full back-to-back guarantee from the SA government.

Write off policy

- Financial assets are only written off after all recovery options have been exhausted and in consultation with legal counsel. The Group writes off financial assets when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators thereof include ceasing enforcement activities or where the collateral value indicates that there is no reasonable expectation of recovery.
- Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired, or where the Group has transferred substantially all risks and rewards of ownership.

Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

1.4.2 Financial liabilities

Classification

The Group classifies financial liabilities into the following measurement categories:

- amortised cost;
- FVPL; and
- instruments measured in terms of the SARB Act.

The Group classifies a financial instrument that it issues as a financial liability in accordance with the substance of the contractual agreement. Management determines the classification of financial liabilities at initial recognition. Due to the SARB's mandate as a central bank and 'lender of last resort', movements in financial liabilities are classified as operating activities in the statement of cash flows.

Financial liabilities at amortised cost

All financial liabilities are measured at amortised cost, except for liabilities specifically excluded in terms of sections 25 to 28 of the SARB Act and financial liabilities measured at FVPL, including derivatives.

Financial liabilities measured at amortised cost include:

- notes and coins in circulation;
- deposits; and
- other financial liabilities.

Financial liabilities at fair value through profit or loss

Negative derivatives, liabilities managed, and performance evaluated on a fair value basis and financial liabilities so designated are measured at FVPL.

Financial liabilities held at FVPL include:

- foreign deposits.

Instruments measured in terms of the SARB Act

Sections 25 to 28 of the SARB Act prescribe the accounting treatment for specific financial liabilities, which takes precedent over IFRS. The accounting treatment prescribed by the SARB Act for these specific financial liabilities is not in line with the requirements of IFRS 9, therefore, these instruments are not classified in accordance with IFRS 9 for reporting purposes. The financial reporting framework of the SARB specifically refers to this deviation from IFRS.

1. Accounting policies continued

1.4 Financial instruments continued

1.4.2 Financial liabilities continued

Classification continued

The following liabilities are governed in terms of sections 25 to 28 of the SARB Act and thus not classified in terms of IFRS 9:

› FEC liabilities; and
› the GFECRA.

Initial recognition

The Group recognises financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, generally being their issue proceeds net of transaction costs incurred, except for financial liabilities at FVPL. The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option-pricing valuation techniques whose variables include only data from observable markets.

Subsequent measurement

Amortised cost

Amortised cost is calculated using the effective interest method that discounts the estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial liability.

Instruments measured in terms of the SARB Act

In terms of sections 25 to 28 of the SARB Act, all gains and losses on gold held by the SARB (as explained in note 1.6), and foreign exchange profits or losses of the SARB insofar as they arise from changes in the value of the rand compared to other currencies, are for the account of SA government. Therefore, all these profits or losses are transferred to the GFECRA.

Fair value through profit or loss

Subsequent to initial recognition, financial liabilities are measured at fair value. All related, realised and unrealised gains or losses arising from changes in fair value, excluding changes in fair value due to foreign exchange movements as explained in note 1.6 are recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, expire or are substantially modified. The difference between the carrying amount of the financial liability derecognised, and the consideration paid and payable is recognised in profit or loss.

1.4.3 Effective interest rate

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (excluding ECL, but including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability. For purchased or originated credit-impaired financial assets, the Group 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.

Modifications

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the gross carrying amount is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). A modification gain or loss is recognised in profit or loss for the change in the gross carrying amount. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortised over the remaining term of the modified financial instrument.

1.4.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the summary Group statement of financial position where there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In addition, financial assets and liabilities arising from derivatives have been offset, provided that the condition for offsetting is met.

The fair value of all derivatives is recognised in the summary Group statement of financial position and is only netted to the extent that a legal right of setting off exists and there is an intention to settle on a net basis.

1. Accounting policies continued

1.4 Financial instruments continued

1.4.5 Unrecognised financial assets and liabilities

Guarantees

Guarantees represent contracts where the Group undertakes to make or receive specified payments to or from a counterparty, should a counterparty or the SARB suffer loss as a result of a specified debtor failing to make payment when due in accordance with the terms of a debt instrument. This amount represents the maximum exposure not recognised in the statement of financial position.

1.5 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair values are determined according to the fair value hierarchy based on the requirements in *IFRS 13 Fair Value Measurement*.

1.5.1 Derivatives

A derivative is a financial instrument, the value of which changes in response to an underlying variable that requires little or no initial investment and is settled at a future date. Fair values are obtained from quoted market prices (excluding transaction costs), dealer price quotations, discounted cash flow models and option-pricing models, which consider current market and contractual prices for the underlying instruments, as well as the time value of money.

1.5.2 Foreign marketable money market investments

The fair value of foreign marketable money market investments is based on quoted bid rates, excluding transaction costs.

1.5.3 Local and foreign portfolio investments including securities lending portfolio investments

The fair values of portfolio investments are valued using the quoted market values.

Where these instruments are bank deposits, they are valued at nominal values plus accrued interest based on market rates. These values approximate fair values.

1.5.4 SA government bonds

Listed bonds are valued using quoted fair values at year-end as supplied by the JSE Limited.

1.5.5 BIS shares

The SARB's investment in the BIS is valued at the net asset value of the BIS with a haircut of 30% applied. The net asset value of the shares is based on XDRs. XDRs are the currency in which SDRs are valued. The value of the XDR is calculated on the basis of a currency basket comprising the US dollar, Euro, Chinese renminbi, Japanese yen and pound sterling. The currency weights are adjusted each year by the IMF, in accordance with changes in bilateral foreign exchange rates. This adjustment is not subject to sensitivity. Changes in value due to foreign exchange movements are transferred to the GFECRA in accordance with the SARB Act.

1.5.6 Valuable art

The fair value of valuable art is determined based on the price at which an orderly transaction to sell the assets would take place between market participants at the measurement date under current market conditions.

Revaluations of valuable art are performed every three years by an independent, reliable valuator to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. In the absence of an official fair value assessment by an independent valuator, the insured value will be used as an indicator of fair value.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in OCI and accumulated in equity under the heading of PPE revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in OCI to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in OCI reduces the amount accumulated in equity under the heading of revaluation reserve.

The PPE revaluation reserve included in equity in respect of an item of valuable art may be transferred directly to accumulated profit when the asset is derecognised.

1. Accounting policies continued

1.6 Foreign currency - exchange gains or losses arising in entity accounts

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange profits or losses of the SARB, insofar as they arise from changes in the value of the rand compared to other currencies, are for the account of SA government and consequently all these profits or losses are transferred to the GFECRA in terms of sections 25 to 28 of the SARB Act. Investment returns on foreign exchange reserves and interest paid on foreign loans are for the account of the SARB and are accounted for in profit or loss. Gains and losses on conversion to the functional currency are recognised in profit or loss for the subsidiaries and associate.

1.7 Property, plant and equipment

Property, plant and equipment are tangible items that are held by the Group for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one period.

Property, plant and equipment are recognised as an asset when:

- it is probable that expected future economic benefits attributable to the asset will flow to the entity, and
- the cost of the asset can be measured reliably.

Property, plant and equipment are initially recognised at cost.

Freehold land and items under construction are subsequently carried at cost less accumulated impairment losses. Valuable art whose fair value can be measured reliably is carried at the revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated impairment losses. Other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is determined separately for each significant part of an item of property, plant and equipment, and is charged so as to write off the cost of the assets (other than land, valuable art and items under construction) to their residual value over their estimated useful life, using the straight-line method. Land and valuable art have indefinite useful lives and are not depreciated. Depreciation is included as part of operating costs in the statement of profit or loss and other comprehensive income.

Items under construction are not yet available for use therefore, these items are not depreciated. The residual values, useful life and the depreciation method of assets are reviewed at each reporting date and adjusted if appropriate.

The estimated average useful lives of assets are as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50
Land	Not depreciated	Indefinite
Furniture and equipment	Straight line	2 to 28
Vehicles	Straight line	5 to 7
Valuable art	Not depreciated	Indefinite
Work in progress	Not depreciated	

Work in progress consists of items under construction and is measured at cost. Work in progress is transferred to the related category of assets and depreciated accordingly when the asset is completed and available for use.

Subsequent costs are included in the carrying amount of the asset only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to profit or loss when incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss.

1.8 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which the Group holds for its own use, and which are expected to be used for more than one year. This includes internally generated assets and purchased computer software. Internally generated assets are disclosed separately.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Purchased software and the direct costs associated with the customisation and installation thereof are capitalised.

Expenditure on internally developed software is capitalised if it meets the criteria for capitalising development expenditure. Other software development expenditure is charged to profit or loss when incurred.

1. Accounting policies continued

1.8 Intangible assets continued

Research expenditure relating to gaining new technical knowledge and understanding is charged to profit or loss when incurred. All intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values. The residual value of an intangible asset with a finite useful life is assumed to be zero, unless it is expected that the intangible asset will be disposed of before the end of its economic life. Amortisation is included as part of operating costs in the statement of profit or loss and other comprehensive income. The residual values, amortisation period and the amortisation method for intangible assets are reviewed at each reporting date and adjusted if appropriate. The estimated average useful lives of the assets are as follows:

Item	Depreciation method	Average useful life
Purchased computer software	Straight line	2 to 10
Internally generated computer software	Straight line	2 to 10
Work in progress	Not amortised	

Work in progress consists of items under development and is measured at cost. Work in progress is transferred to the related category of assets and amortised accordingly when the asset is completed and available for use.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from use or disposal. Any gain or loss arising from the derecognition of an intangible asset is included in profit or loss.

1.9 Impairment on non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment, in which case their recoverable amount is estimated. Irrespective of whether there is any indication of impairment, intangible assets not yet available for use are tested for impairment annually.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

The discounted cash flow analysis is used to determine the recoverable amount of the investment in subsidiary or associate and estimated future cash flows are based on management's best estimates. The assumptions used in the forecast are based on available historical information, taking management opinion and experience into consideration. Cash flow projections are approved by the relevant subsidiary or associate board of directors. A five-year forecasting period is used for cash flow projections and where available forecasts fall short of the five-year forecasting period, nominal growth in line with inflation is assumed.

Investments in subsidiaries and associate are also tested for impairment when dividends are declared to the holding company. An impairment loss is recognised in profit or loss whenever the subsidiary or associate declares dividends to the holding company and evidence is available that:

- the carrying amount of the investment in the separate financial statements of the holding company exceeds the carrying amount in the consolidated financial statements of the investee's net assets; or
- the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared.

Non-financial assets that suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

A previously recognised impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised.

1. Accounting policies continued

1.10 Gold

Gold is held by the SARB as part of its foreign reserves. In terms of section 25 of the SARB Act, gold is recorded at the prevailing rates at initial recognition, including transaction costs. Subsequent to initial measurement, it is valued at the statutory price. The statutory price is the quoted price at the reporting date. Gold loans are measured at the quoted price at the reporting date. In terms of section 25 of the SARB Act, all gains or losses on gold, held by the SARB, are for the account of the SA government and, transferred to the GFECRA.

1.11 Taxation

The taxation expense for the period comprises current and deferred taxation. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

The charge for current taxation is based on the results for the year as adjusted for items that are non-assessable or disallowed for taxation purposes. It is calculated using taxation rates that have been enacted or substantially enacted by the reporting date, and any adjustment for taxation payable for previous years.

Deferred taxation is provided using the liability method, based on temporary differences. However, deferred taxation liabilities are not recognised if they arise from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation laws enacted or substantively enacted at the reporting date. Deferred taxation is charged to profit or loss, except to the extent that it relates to a transaction that is recognised in OCI or in equity. In this case, the taxation is also recognised in OCI or in equity. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity or OCI.

Deferred taxation assets are recognised for all deductible temporary differences, the carry forward of unused taxation losses and the carry forward of unused taxation credits.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associate except for deferred taxation where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities, and when the deferred taxation assets and liabilities relate to income taxation levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 Employee benefits

1.12.1 Pension and retirement funds

Group companies operate various pension schemes. The schemes are funded through employer and employee contributions to insurance companies or trustee-administered funds. All funds in which the Group participates are defined contribution funds, however, there is an element within the SARB retirement fund which is deemed to be defined benefit in nature. This element is treated according to the principles of a defined benefit plan.

1.12.1.1 Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The expected costs of post-employment defined benefits are charged to profit or loss over the expected service life of the employees entitled to these benefits according to the projected unit credit method. Costs are actuarially assessed, and expense adjustments and past-service costs resulting from plan amendments are amortised over the expected average remaining service life of the employees.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised actuarial gains or losses and past-service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in OCI in the period in which they arise. Remeasurements are not classified to profit or loss in subsequent periods. Past- service costs are recognised in profit or loss at the earlier of the following dates: (i) when the plan amendment or curtailment occurs or, (ii) when the entity recognises related restructuring costs or termination benefits.

1. Accounting policies continued

1.12 Employee benefits continued

1.12.1.2 Defined contribution plans

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due.

1.12.2 Post-employment benefits

The SARB provides post-employment medical and group life benefits to qualifying employees and retired personnel by subsidising a portion of their medical aid and group life contributions.

Entitlement to these benefits is based on employment prior to a certain date and is conditional on employees remaining in service up to retirement age. The expected costs of post-employment defined benefits are charged to profit or loss over the expected service life of the employees entitled to these benefits according to the projected unit credit method. Costs are actuarially assessed, and expense adjustments and past-service costs resulting from plan amendments are amortised over the expected average remaining service life of the employees.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the period in which they arise. Past-service costs are recognised immediately in profit or loss, to the extent that they relate to retired employees or past-service.

The liability is provided for in an actuarially determined provision.

1.12.3 Leave pay accrual

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees.

The leave pay accrual at the reporting date represents the present obligation to employees as a result of employees' services provided up to the reporting date. The accrual is measured as the amount that is expected to be paid as a result of the unutilised leave entitlement that has accumulated at the reporting date.

1.13 Sale and repurchase agreements

The Group enters into sale and repurchase (repo) agreements with external counterparties as part of its monetary policy activities. Where securities are sold under agreement to repurchase at a specific future date, at a specific future price, in exchange for cash, the securities sold are not derecognised. A liability for the amount received is recognised in deposits and measured at amortised cost.

Where the Group purchases securities under agreement to resell at a specific future date, at a specific future price, in exchange for cash, the securities purchased are not recognised by the Group. These transactions are, in substance, collateralised advances. The advances are recognised as part of accommodation to banks and measured at amortised cost.

The differences between the purchase and sale prices are treated as interest and amortised over the expected life of the instruments using the effective interest method.

Standing facilities are available daily on an automated basis in the form of a bilateral repo or reverse repo transactions, maturing on the following business day. The respective interest rates are set at a spread of 100 basis points above or below the prevailing repo rate for the standing facility repo and reverse repo transactions, respectively. The SARB may change the spread from the repo rate at any time at its discretion.

1.14 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Redundant and slow-moving inventories are identified and written down to their estimated economic or realisable values. Raw materials are valued at cost according to the first-in, first-out basis by subsidiaries. Some raw materials are valued at standard cost, which closely approximates actual cost on a first-in, first-out basis.

Consumable stores are valued at the weighted-average cost price. Maintenance spares are valued at average cost.

Finished goods and work in progress are valued at direct costs of conversion and production overheads on a first-in, first-out basis. Production overheads are included in the cost of manufactured goods, based on normal operating capacity.

Note-printing and coin-minting expenses include ordering, printing, minting, freight, insurance and handling costs. These costs are recorded as part of work in progress for the SABN and South African Mint and are released to profit or loss when the currency is sold to the SARB.

1. Accounting policies continued

1.15 Cost of new currency

The SARB recognises the cost of new currency in profit or loss when the banknotes and coin are delivered, and the significant risks and rewards of ownership are transferred to the SARB.

1.16 Cash and cash equivalents

Cash and cash equivalents comprise of deposits with banks and other short-term highly liquid money market investments with original maturities of three months or less (91 days and less). Where the maturity date falls on a weekend or a public holiday, the next business day convention will apply; however, the investment will still be considered a 91-day investment. In the separate financial statements, no cash and cash equivalents are reflected due to the SARB's role as a central bank in the creation of money.

The statement of cash flows includes cash on hand, bank deposits and money market instruments. This has been presented on the indirect method of preparation.

1.17 Provisions

Provisions are liabilities of uncertain timing or amount and are recognised when the Group has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at management's estimate of the expenditure required to settle that obligation at the end of each reporting period, and are discounted (at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability) to present value where the effect is material. Provisions are not recognised for future operating losses.

Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1.18 Revenue recognition

1.18.1 Net interest income

Interest income is recognised using the effective interest method, taking into account the principal outstanding and the effective interest rate over the period to maturity. Interest income is recognised in profit or loss for all financial assets measured at amortised cost and debt instruments measured at FVOCI.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The original effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Interest income includes the amortisation of any discount or premium, or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

Interest income for all financial assets measured at FVPL is presented separately from interest income from financial assets measured at amortised cost and debt instruments measured at FVOCI.

1.18.2 Non-interest revenue

Non-interest revenue consists of revenue from contracts with customers within the scope of *IFRS 15 Revenue from Contracts with Customers (IFRS 15)* and non-interest revenue arising from financial instruments to which the SARB is party to. All non-interest revenue is included in operating income except where stated otherwise.

1.18.2.1 Revenue from contracts with customers

The Group assesses if a contract falls within the scope of IFRS 15 and follows the five-step model to recognise revenue from contracts with customers:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the performance obligations are satisfied.

The Group recognises revenue in a manner that depicts the transfer of promised services to customers in an amount that reflects the consideration to which the group expects to be entitled in exchange for those services.

Revenue from contracts with customers comprises the following items:

Settlement commission income

The SARB provides settlement services for both the National Payment System (NPS) and the Southern African Development Community real-time gross settlement (SADC-RTGS) system. The performance obligation of the SARB is to receive and process settlement instructions on behalf of NPS and SADC-RTGS participants. Revenue is recognised at the point in time when the performance obligation has been satisfied i.e. settlement instruction has been executed.

1. Accounting policies continued

1.18 Revenue recognition continued

1.18.2 Non-interest revenue continued

Bulk cash service fees

The SARB earns fees on banknote deposit and banknote withdrawal services provided to users of bulk cash services. The performance obligation of the SARB is the distinct service of accepting a deposit or performing a withdrawal of bulk cash. The consideration is variable depending on the number of notes being deposited or withdrawn and the penalties charged on the condition of the banknotes on deposit. The performance obligation is satisfied when the SARB has successfully processed a deposit or withdrawal. Revenue is recognised at a point in time when the deposit or withdrawal is accepted.

Licence fees

The annual licence fees are fees charged by the SARB to any institution to obtain a licence either to operate as a bank, to establish a branch for an existing bank or to operate a business of insurance. The performance obligation is the provision of supervisory services by operation of law. Fees are payable in advance on an annual basis and are non-refundable. Revenue is recognised at the point when the fees are due.

Bank charges

The SARB provides banking services to the SA government on a monthly basis and earns revenue in the form of bank charges. The performance obligations of the SARB is to provide banking services which include, but are not limited to, electronic funds transfers (EFTs), foreign and local payments and deposits from commercial banks. The performance obligations are satisfied when the SARB executes the specific transaction. The bank charges are recognised at a point in time when the service has been rendered.

Management fees

The Bank receives management fees from the CPD, SARB Retirement Fund, SABN and South African Mint.

A fee is charged to the SABN and South African Mint for the secretariat support provided by the SARB Group Secretariat, which includes meeting facilitation, minute taking, circulation of resolutions and the fulfilment of certain legislative requirements in terms of the Companies Act 71 of 2008 and overall governance services and support.

A fee is charged to the SARB Retirement Fund for the provision of consulting support services and administrative and accounting duties.

A fee is charged to the CPD for the functions that the SARB carries out for the CPD. The SARB carries out all the CPD functions, as the CPD has no employees of its own.

These performance obligations are satisfied over time. The fees are payable monthly. Revenue is recognised each month.

Sundry income

Sundry income relates to canteen services and commission on the money market internet system. Revenue on sundry income is recognised at a point in time when the performance obligations are satisfied.

1.18.2.2 Non-interest financial instrument revenue

Commitment fees

Commitment fees are charged on the ABHL loan facility. The fees are calculated based on the facility amount made available in a particular period and are therefore recognised over the period to which they relate.

1.19 Dividends paid

In terms of the SARB Act, the SARB is permitted to declare dividends from its accumulated profits. This is capped at a total dividend rate of 10% per annum on the paid-up share capital of the SARB.

1.20 Related parties

As per *IAS 24 Related Party Disclosures*, the financial statements contain the disclosures necessary to draw attention to the possibility that the Group's financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

Related parties include, but are not limited to subsidiaries, the associate, members of management who hold positions of responsibility within the Group including those charged with governance in accordance with legislation, and members of management that are responsible for the strategic direction and operational management of the Group and are entrusted with significant authority. Their remuneration may be established by statute or by another body independent of the Group. Their responsibilities may enable them to influence the benefits of office that flow to them, their related parties or parties that they represent on the governing body.

1.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of taxation, from the proceeds.

1.22 Key accounting estimates and judgements

In preparing the summary Group financial statements, management applies judgement and makes estimates. Estimates and judgements are reviewed on an on-going basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Other than the items listed below, there were no significant changes to the Group's estimates and assumptions in the current or prior year.

1. Accounting policies continued

1.22 Key accounting estimates and judgements continued

1.22.1 Fair value of financial instruments

Financial instruments are priced with reference to quoted market prices in an actively traded market.

If the market for a financial asset is not active or an instrument is an unlisted instrument, the fair value is estimated using valuation techniques. These include reference to other instruments that are substantially the same, discounted cash flow analysis and option-pricing models.

When a discounted cash flow analysis is used to determine the value of financial assets, estimated future cash flows are based on management's best estimates, and the discount rate at the reporting date is a market-related rate for a financial asset with similar terms and conditions.

Where option-pricing models are used, inputs based on observable market indicators at the reporting date are only recognised to the extent that they relate to changes in factors that market participants will consider in setting a price.

1.22.2 Measurement of 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 complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of counterparties defaulting and the resulting losses).

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

- determining criteria for significant increase in credit risk (SICR);
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward looking scenarios for each type of product or market and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

1.22.3 Fair value of unlisted investments

Judgement is exercised in assessing the fair value of unlisted investments held by the Group. A discounted cash flow analysis is used by the Group to determine the value of its unlisted investments by applying an appropriate discount rate to the best estimate of future cash flows of the investee. The key assumptions applied in the discounted cash flow valuation method are the equity market risk premium, SA risk free rate, the alpha and beta to determine the overall discount rate. Free cash flows for a period of 3-5 years are provided by the investee and further assessed by management.

1.22.4 Post-employment benefits

The cost of the defined-benefit pension plans and other benefit plans and the present value of the benefit obligations are determined using actuarial valuations. An actuarial valuation involves using various assumptions determined by management and reviewed annually by the actuary that may differ from future developments.

These assumptions include:

- discount rates;
- inflation rates;
- rates of compensation increases;
- rates of pension increases;
- medical cost trends; and
- mortality rates.

Statutory actuarial valuations are performed triennially with the 31 March 2021 valuation having found the fund to be in a sound financial position. Interim actuarial valuations are concluded annually (except in years where a statutory valuation is performed).

1.22.5 Inventory valuations

The group's currency-producing subsidiaries measure inventory at the lower of cost and net realisable value. The determination of net realisable value is an entity-specific estimate and requires the use of judgement.

1.22.6 Property, plant and equipment

Judgement is required when determining:

- the costs that are attributable to the asset;
- for assets where valuation is applied, the fair value of the valuable art;
- the appropriate useful life over which the assets should be depreciated or amortised;
- the depreciation method; and
- whether the existing assets are subject to impairment.

1. Accounting policies continued

1.22 Key accounting estimates and judgements continued

1.22.7 Recognition of deferred tax assets

Deferred taxation assets are recognised for unused taxation losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised, which requires judgement. Although the list is not exhaustive, the following was considered in determining the appropriateness of recognising deferred taxation assets:

- The Group's history of profitability.
- Forecasts of future profits, incorporating forward-looking information.
- The Group's investment strategy in local and foreign markets.
- Significant local and global events when appropriate, such as the impact of global interest rate hikes and the Russia-Ukraine conflict.

1.22.8 Order of liquidity

As a financial institution, the Group presents its assets and liabilities on the statement of financial position in order of liquidity. This provides information that is reliable and more relevant than a current or non-current presentation, because the entity does not supply goods or services within a clearly identifiable operating cycle.

The order of liquidity requires judgement, particularly in light of the nature of the SARB's operations and mandate as the central bank of South Africa. The SARB's mandate regarding the management and oversight of the domestic financial market results in regular changes to the liquidity of the SARB assets and liabilities, in response to the liquidity requirements of the market. The SARB continuously monitors and actively manages its liquidity requirements.

1.23 Leases

The Group assesses whether a contract is, or contains a lease, at the inception of the contract. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In certain circumstances the determination of whether the contract is or contains a lease requires significant judgement. In particular, the Group has assessed that through the SARB's control of the SABN and South African Mint, the SARB can direct the production of the banknotes and coin respectively. For this reason a lease arrangement exists between the SARB and its subsidiaries. The contracts are for 12 months, renewable annually. Although permitted under *IFRS 16 Leases (IFRS 16)* to exclude leases with a term of 12 months or less, there is a reasonable expectation that the yearly contracts between the SARB and its subsidiaries would be renewed on an annual basis, thereby constituting lease agreements over a period beyond 12 months. Fixed payments on these contracts cannot be determined reliably. The SARB was therefore unable to recognise a right of use asset and lease liability from the date of initial application of IFRS 16 to the current year. This will be reconsidered should the lease payments become determinable based on either fixed payments or an index or rate.

Group as lessee

A lease liability and corresponding right of use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

1. Accounting policies continued

1.23 Leases continued

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Group under residual value guarantees;
- the exercise price of purchase options, if the Group is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability (or right of use asset). The related payments are recognised as an expense in the period incurred and are included in operating costs.

The lease liability is presented within Other liabilities on the summary Group statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in interest paid.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; and
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

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

Right of use assets

Right of use assets are presented within property, plant and equipment.

Lease payments included in the measurement of the right of use asset comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right of use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Group expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right of use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right of use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

2. Cash and cash equivalents

	2023 R'm	2022 R'm
Amortised cost		
Bank and cash balances	**18 879**	516
Short-term South African fixed deposits	**7 075**	18 084
South African money market investments	**16 472**	3 833
Total cash and cash equivalents	**42 426**	22 433

Cash equivalents comprise short-term highly liquid financial instruments with an original maturity of less than three months that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term commitments as reflected above.

Annual interest rates range between 7.68% – 7.70% (2022: 4.00% – 5.15%) on short-term South African fixed deposits with financial institutions and 7.40% – 7.70% (2022: 4.37% – 5.00%) on South African money market investments.

Cash and cash equivalents exclude local and foreign short-term investments held to implement monetary policy or as part of foreign reserves. These reserves are disclosed in detail in notes 3 and 5.

	2023 R'm	2022 R'm
Maturity structure of financial assets		
Within 1 month	**37 377**	17 417
Between 1 and 3 months	**5 050**	5 016
Total financial assets	**42 426**	22 433

Included in South African money market investments are repo agreements, the following table presents details thereof:

	2023	2022
Fair value of repo agreements	**16 472**	3 833
Fair value of collateral received	**16 480**	3 867
Fair value of collateral permitted to sell or repledge at the reporting date	**16 480**	3 867
Collateral cover	**100.05%**	100.89%
Maturity date	**7 April 2023**	7 April 2022

The counterparties are exposed to interest rate risk on the various securities pledged as collateral for the repo agreements. The Group has the ability to sell or repledge these securities in the event of default. When the underlying investments mature, the Group has the obligation to return the collateral.

3. Accommodation to banks

	2023 R'm	2022 R'm
Amortised cost		
Advances under repurchase agreements	**1 800**	40 950
Standing facility	**598**	8 545
Accrued interest	**–**	10
Total accommodation to banks	**2 398**	49 505

Accommodation to banks represents short-term lending to commercial banks.

Repo agreements

The standard repo agreements yields interest at the repo rate (2022: repo rate) of the SARB. There were no 90-day repo agreements during the year ending 31 March 2023 (2022: none).

Standard repo agreements	**7.75%**	4.25%

The following table presents details of collateral received for repo agreements (including accrued interest):

Fair value of collateral received	**1 804**	40 978
Fair value of collateral permitted to sell or repledge at the reporting date	**1 804**	40 978
Collateral cover	**100.20%**	100.05%

The collateral received consists of various SA government bonds and Treasury Bills with maturities ranging from one to 26 years (2022: one to 26 years).

At the reporting date, there were no changes in the fair value associated with the collateral (2022: Rnil).

During the year under review, no defaults were experienced (2022: no defaults). The expected credit loss for repo agreements has been assessed to be immaterial.

The counterparties are exposed to interest rate and other risks on the various securities pledged as collateral for the repo agreements. The SARB has the ability to sell or repledge these securities in the event of default. When the underlying repos are settled, the SARB has the obligation to return the collateral.

Standing facility

The standing facility lending rate, the rate at which the SARB provides liquidity to commercial banks, yields interest at the repo rate of the SARB plus 1% (2022: repo plus 1%).

Standing facility	**8.75%**	5.25%

The following table presents details of collateral received for the standing facility (including accrued interest):

Fair value of collateral received	**598**	8 545
Fair value of collateral permitted to sell or repledge at the reporting date	**598**	8 545
Collateral cover	**100%**	100%

The collateral received consists of SA government bonds and Treasury bills with maturities ranging from 16 to 35 years (2022: 2 to 10 years).

At the reporting date, none of the collateralised advances were past due or impaired (2022: none). During the year under review, no defaults were experienced (2022: no defaults). The expected credit loss for the standing facility has been assessed to be immaterial.

The counterparties are exposed to interest rate and other risks on the various securities pledged as collateral for the standing facility. The SARB has the ability to sell or repledge these securities in the event of default. When the underlying facility is settled, the SARB has the obligation to return the collateral.

4. Investments

	2023 R'm	2022 R'm
Amortised cost		
Short-term South African fixed deposits	**38 364**	5 063
Short-term South African money market investments	**2 636**	73
Mandatory FVPL		
Short-term South African money market investments	**306**	176
Total investments	**41 306**	5 312
Maturity structure of financial assets		
Within 1 month	**22 128**	4 309
Between 1 and 3 months	**12 138**	1 003
Between 3 and 12 months	**7 040**	–
Total financial assets	**41 306**	5 312

For investments that meet the definition of financial assets at fair value through profit or loss:

Maximum exposure to credit risk	**306**	176

Short-term South African money market investments comprise of instruments that have an original maturity of more than 91 days or three months.

In terms of investment guidelines, approved by the Boards of the respective subsidiaries, all investments are placed with reputable financial institutions. The CPD utilises banking institutions with a minimum credit rating of BBB- by at least two of the agencies: Standard and Poor's, Fitch or Moody's.

5. Gold and foreign exchange reserves

	Note	2023 R'm	2022 R'm
Mandatory FVPL			
Money market instruments and fixed deposits	5.1	**197 567**	103 625
Securities	5.2	**632 510**	523 303
Derivatives	5.3	**(83)**	135
SARB Act			
Gold coin and bullion	5.4	**141 896**	113 364
IMF SDR assets	5.5	**121 429**	102 410
Total gold and foreign exchange reserves		**1 093 319**	842 837

5.1 Money market instruments and fixed deposits

	2023 R'm	2022 R'm
Cash and money market accounts	**2 534**	2 108
Fixed deposits	**195 033**	101 517
Total money market instruments and fixed deposits	**197 567**	103 625

	CURRENT					NON-CURRENT	
Maturity structure	Redeemable on demand R'm	Up to 1 month R'm	1 – 3 months R'm	4 – 6 months R'm	7 – 12 months R'm	More than 1 year R'm	Total
2023							
Cash and money market accounts	**–**	**2 534**	**–**	**–**	**–**	**–**	**2 534**
Fixed deposits	**–**	**195 033**	**–**	**–**	**–**	**–**	**195 033**
Total money market instruments and fixed deposits	**–**	**197 567**	**–**	**–**	**–**	**–**	**197 567**
2022							
Cash and money market accounts	–	2 108	–	–	–	–	2 108
Fixed deposits	–	101 517	–	–	–	–	101 517
Total money market instruments and fixed deposits	–	103 625	–	–	–	–	103 625

The foreign exchange balances yield investment returns achievable in the various currencies in which they are invested. It is not practicable to calculate effective yields on the portfolios due to the volatility caused by exchange rate fluctuations.

5. Gold and foreign exchange reserves continued

5.2 Securities

	2023 R'm	2022 R'm
Asset backed securities	**1 645**	526
Certificate of deposits	**62 775**	46 230
Commercial papers	**25 029**	98
Corporate bonds	**5 405**	4 651
Financial bonds	**787**	606
Government agency, state, supranational bonds	**212 585**	157 436
Government bonds	**246 860**	239 089
Mortgage backed securities	**18 552**	13 503
Other investments	**155**	127
Treasury Bills	**58 718**	61 037
Total securities	**632 510**	523 303

	CURRENT					NON-CURRENT	
Maturity structure	Redeemable on demand R'm	Up to 1 month R'm	1 – 3 months R'm	4 – 6 months R'm	7 – 12 months R'm	More than 1 year R'm	Total
2023							
Financial assets at mandatory FVPL	**–**	**50 832**	**50 113**	**125 929**	**141 164**	**264 472**	**632 510**
Total securities	**–**	**50 832**	**50 113**	**125 929**	**141 164**	**264 472**	**632 510**
2022							
Financial assets at mandatory FVPL	–	36 425	33 100	101 870	104 947	246 961	523 303
Total securities	–	36 425	33 100	101 870	104 947	246 961	523 303

5. Gold and foreign exchange reserves continued

5.3 Derivatives

The SARB utilises financial derivative products for portfolio management purposes, and seeks to minimise the effects of currency and interest rate risks by using such instruments to economically hedge the related risk exposures. The use of financial derivatives is governed by the SARB's policies approved by the Governors' Executive Committee (GEC), which provides written principles on the use of derivative financial instruments. Compliance with policies and exposure limits is reviewed by management on a continuous basis. Risk management practices also include regular reporting to the Risk Management Committee (RMC) and Board Risk and Ethics Committee (BREC). The SARB does not enter into or trade financial instruments, including derivative financial instruments, for proprietary trading purposes.

	Net fair value R'm	Fair value of assets R'm	Fair value of liabilities R'm	Contract/ notional amount[1] R'm
2023				
FECs	**(40)**	**18**	**(58)**	**25 438**
Futures contracts	**(43)**	**34**	**(76)**	**9 258**
Total derivatives	**(83)**	**52**	**(134)**	**34 696**
2022				
FECs	58	78	(20)	14 657
Futures contracts	76	102	(26)	7 032
Total derivatives	134	180	(46)	21 689

[1] *The notional amount of a financial instrument is the nominal or face value that is used to calculate payments made on that instrument. The amount generally does not settle between the counterparties.*

5.3.1 Offsetting financial assets and financial liabilities relating to gold and foreign exchange reserves

The SARB is subject to an enforceable master netting arrangement with its derivative counterparties. Under the terms of this agreement, offsetting of derivatives is permitted only in the event of bankruptcy or default of either party to the agreement. There is no intention to settle on a net basis or realise the asset and settle the liability simultaneously. The following table presents details of this:

				Related amounts not set off in derivatives		
	Gross amounts presented in derivatives R'm	Offset R'm	Net amounts presented in derivatives R'm	Instruments which offset on default R'm	Collateral amount received R'm	Net amount R'm
2023						
FEC assets	**18**	**–**	**18**	**(1)**	**–**	**17**
FEC liabilities	**(58)**	**–**	**(58)**	**1**	**–**	**(57)**
2022						
FEC assets	78	–	78	(14)	–	64
FEC liabilities	(20)	–	(20)	14	–	(6)

5. Gold and foreign exchange reserves continued

5.4 Gold coin and bullion

	R'm	Fine ounces
As at 31 March 2022	**113 364**	**4 029 765**
Purchases during the year	**541**	**17 890**
Sales during the year	**(474)**	**(15 732)**
Change in the statutory price	**28 465**	**–**
As at 31 March 2023	**141 896**	**4 031 923**

	R'm	Fine ounces
As at 31 March 2021	100 472	4 029 584
Purchases during the year	367	13 722
Sales during the year	(362)	(13 541)
Change in the statutory price	12 887	–
As at 31 March 2022	113 364	4 029 765

Gold coin and bullion consists of 4 031 923 fine ounces of gold at the statutory price of R35 192.87 per ounce (2022: 4 029 765 fine ounces at R28 131.63 per ounce).

5.5 IMF SDR assets

In accordance with the SARB Act, the SARB acts as fiscal agent of the SA government in its dealings with International Financial Institutions (IFI), transactions with the IFI and the undertakings of financial agency work for the SA government. In compliance with the SARB Act the accounts with the IMF, which records all transactions with the IMF, have been included in these financial statements.

The IMF has created an international reserve asset called the SDR. All rights in, and commitments to the IMF are denominated in XDRs. The value of the XDR is calculated on the basis of a currency basket comprising the US dollar, Euro, Chinese renminbi, Japanese yen and pound sterling. The currency weights are adjusted each year in accordance with changes in bilateral foreign exchange rates. As at 31 March 2023, XDR 1.00 was equal to R23.91 (2022: R20.15).

The various rights are disclosed below:

	2023 R'm	2022 R'm
SDR Holdings[1]	**105 783**	89 104
IMF New Arrangements to Borrow financial transactions plan account	**47**	159
IMF SDR reserve tranche position account	**15 599**	13 147
Total IMF SDR assets	**121 429**	102 410

[1] *The SDR asset carries interest at an effective rate of 3.46% (2022: 0.32%). SA government PNs have been pledged as collateral against these SDR's.*

The following table presents details of collateral held:

Fair value of collateral received	**42 897**	39 576
Collateral cover	**40.55%**	44.42%

At the reporting date, none of the collateralised advances were past due or impaired (2022: none). During the year under review, no defaults were experienced (2022: no defaults).

6. Loans and advances

	2023 R'm	2022 R'm
Amortised cost		
Interest-bearing local loans		
IGCC loan	**–**	9
LGS loan	**9 251**	12 072
BBS Loan	**818**	–
Total loans and advances	**10 069**	12 081

Interest-bearing local loans

Inter-Governmental Cash Co-ordination loans

The loans are advanced as part of the national government's Inter-Governmental Cash Co-ordination loans (IGCC) arrangement, in terms of which some state-owned entities and treasuries of provincial governments deposit excess funds with the CPD to form a pool of funds from the public sector. The national and the provincial treasuries are allowed to borrow money from the IGCC pool of funds. The SA government guarantees that the deposits will be made available to depositors on demand.

The IGCC loans are unsecured, short-term in nature and callable on demand. The loans earn interest at a repo plus 0.25%, which was 8% (2022: 91-day Treasury Bill yield which was 4.35%) at the reporting date.

At the reporting date, none of the IGCC loans were past due or impaired (2022: none). However, an ECL allowance relating to the undrawn portion of the facility was raised to the amount of R0.7 billion (2022: R0.7 billion). During the year under review, no defaults were experienced (2022: no defaults).

Loan Guarantee Scheme

The SARB entered into a Loan Guarantee Scheme (LGS) with participating commercial banks for the purpose of assisting qualifying small and medium-sized businesses severely impacted during the COVID-19 pandemic. Drawdowns by qualifying businesses, under the LGS, were available for an 11-month period commencing from the effective date (moratorium period), which was extended by a further three months to July 2021. The outstanding balance at the end of the moratorium period is repayable over a repayment period of 60 months. A facility of R100.0 billion was approved, of which R89.6 billion was allocated to nine commercial banks.

The total outstanding balance (including interest) of R9.3 billion (2022: R12.1 billion) is guaranteed by the SARB. The guarantee is limited to the R9.3 billion allocated to the commercial banks. In turn National Treasury has guaranteed the SARB for losses incurred under the scheme. Due to the integral nature of the guarantee, it is taken into account in the ECL calculation.

The loan accrues interest at the prevailing repo rate (2022: repo rate). Any default interest that accrues as a result of the commercials banks failing to repay the SARB at the interest repayment date will be accounted for at the default interest rate of repo rate plus 2%.

At the reporting date none of the LGS loans were past due or impaired (2022: none). During the year under review, no defaults were experienced (2022: no defaults).

Bounce Back Scheme

In April 2022, the Bounce Back Scheme (BBS) was established to assist eligible small businesses to recover from the impact of COVID-19, the recent floods and riots in the country. In terms of the scheme, the SARB advanced loans to participating commercial banks who advanced bounce back loans to eligible businesses. The SARB has approved facilities of R1.2 billion, of which R0.8 billion had been utilised as at 31 March 2023. The scheme availability period ends on 30 April 2023.

The loan accrues interest at the repo rate. Any default interest that accrues as a result of the commercial banks failing to repay the SARB at the interest repayment date will be accounted for at the default interest rate of repo rate plus 2%.

The SARB has issued a financial guarantee to the commercial banks under the facility, limited to 20.5% of the capital amount advanced. National Treasury has guaranteed the SARB for losses incurred under the scheme up to an amount of R8.0 billion. The guarantee is considered to be an integral part of the scheme therefore it is included in the determination of ECL.

At the reporting date none of the BBS loans were past due or impaired. During the year under review, no defaults were experienced.

7. South African government bonds

	2023 R'm	2022 R'm
Mandatory FVPL		
Interest-bearing listed bonds	**32 827**	37 784
Coupon interest accrued	**392**	437
Fair value adjustments	**609**	2 282
Total SA government bonds	**33 828**	40 503
Effective interest rate	**10.48%**	9.87%

There were no purchases of SA government bonds during the current year.

8. Notes and coin in circulation

	2023 R'm	2022 R'm
Amortised cost		
Notes	**164 141**	164 010
Coin	**7 424**	7 087
Total notes and coin in circulation	**171 565**	171 097

The liability for notes and coin issued is the net liability after offsetting notes and coin held by the SARB and not yet issued into circulation as cash held by the central bank does not represent currency in circulation.

9. Deposit accounts

	2023 R'm	2022 R'm
Amortised cost		
Non-interest-bearing	**268 038**	231 191
Banks' reserve accounts	**143 051**	126 875
Other current accounts	**2 832**	2 651
SA government accounts	**122 155**	101 665
Interest-bearing	**184 389**	152 056
Banks' current accounts	**77 651**	19 372
Call deposits	**106 738**	91 527
SA government special deposit	**–**	41 157
Total deposit accounts	**452 427**	383 247
Maturity structure of deposit accounts		
On demand	**309 376**	195 843
Subject to negotiation with the SA government	**–**	41 157
Within 1 month	**143 051**	146 247
Total deposit accounts	**452 427**	383 247

9. Deposit accounts continued

Banks' reserve accounts

Commercial banks are required to maintain a minimum cash reserve balance with the SARB into which they are able to deposit at least such amounts as may be necessary to comply with the SARB Act. The banks' reserve accounts do not accrue interest. In addition, the commercial banks can utilise the cash reserve accounts to either fund short positions or deposit surplus funds. As at year-end, the balance was below the required minimum reserve balance by an amount of R0.1 billion (2022: R1.7 billion). The commercial banks concerned are afforded an opportunity, subject to conditions as the Governor may determine, to comply with the relevant provision within a specified period.

SA government special deposit

The SA government special deposit bears interest at a rate equivalent to the return earned on foreign exchange investments made by the SARB. The interest accrued and the outstanding capital was settled during the year under review.

Call deposits

In terms of the current interest rate policies approved by the CPD Board, call deposits earn interest at a repo rate plus 0.15% (2022: 91-day Treasury bills yield less 0.10%). The prevailing rate at year-end for call deposits was 7.90% (2022: 4.25%). Margin call deposits are held on behalf of participants of the Johannesburg Stock Exchange Bond Electronic Trading Platform. The SARB does not trade on the platform, but rather holds the deposits for participants of the platform. The margin call deposits earn interest at a repo rate less 0.15% (2022: repo less 0.15%). The prevailing rate at year-end for margin call deposits was 7.60% (2022: 4.10%).

10. Foreign deposits

	2023 R'm	2022 R'm
Designated FVPL[1]		
Foreign deposits	**127 489**	85 143

Foreign deposits relate to cash placed with the SARB by subscribers of foreign currency bonds issued by the SA government. The deposits are managed by the SARB as part of the foreign exchange reserves portfolio until such time when these deposits are withdrawn by National Treasury.

[1] *The classification was corrected in the current year from mandatory FVPL to designated FVPL to better reflect the SARB accounting policy and operating model. The change has no financial impact.*

11. South African Reserve Bank debentures

	2023 R'm	2022 R'm
Amortised cost		
Capital	**–**	3 805
Accrued interest	**–**	2
Total SARB debentures	**–**	3 807

The debentures are issued to the market on tender, normally on a 7-, 14-, 28- or 56-day term. At the reporting date, the SARB had no outstanding unsecured SARB debentures (2022: R3.8 billion).

12. Gold and Foreign Exchange Contingency Reserve Account

	Note	2023 R'm	2022 R'm
SARB Act			
Opening balance		**314 283**	315 584
Profit on gold price adjustment account[1]		**28 463**	12 885
Loss on FEC adjustment account		**(39 556)**	(2 446)
Loss on foreign exchange adjustment account		**153 629**	(17 899)
Movement in unrealised gains on FECs		**1 842**	6 084
		458 661	314 208
Payments from the SA government		**54**	75
Closing balance		**458 715**	314 283
Balance composition			
Balance currently due to the SA government		**458 613**	316 023
Net unrealised gains/(losses) on FECs		**102**	(1 740)
		458 715	314 283

[1] *The gold price adjustment account includes the changes in the gold statutory price as well as income and expenses relating to gold transactions.*

The GFECRA, which is operated in terms of section 28 of the SARB Act, represents net revaluation gains and losses incurred on gold and foreign exchange transactions, which are for the account of the SA government. Settlement of this account is subject to agreement, from time to time, between the SARB and the SA government and consists mainly of the exchange margin. During the reporting year under review, a net amount of R53.7 million was settled by the SA government (2022: R74.8 million).

13. Post-employment benefits

The SARB and SABN provide the following post-employment benefits to its employees:

	Note	2023 R'm	2022 R'm
Amounts recognised in the statement of financial position			
Post-employment medical benefits	13.1	**2 583**	2 594
Post-employment group life benefits	13.2	**72**	63
Total post-employment benefits		**2 655**	2 657

13.1 Post-employment medical benefits

Post-employment medical benefits are provided to retired staff in the form of subsidised medical aid premiums. This benefit has been closed to all new employees at the SARB since 1 September 2011 and SABN since 2003. The liability represents the accumulated post-employment medical benefit liability at 31 March 2023.

13.2 Post-employment group life benefits

Post-employment group life benefits are provided to retired staff in the form of subsidised group life premiums. This benefit has been closed to all new employees at the SARB since 1 September 2017 and SABN since 1 October 2017. The liability represents the accumulated post-employment group life benefit liability at 31 March 2023.

13. Post-employment benefits continued

13.3 Post-employment retirement fund benefits

The Group has made provision for pension and provident plans substantially covering all employees. All employees are members of the retirement fund administered by the Group or are members of funds within the various industries in which they are employed. The assets of these plans are held in administered trust funds separate from the Group's assets and the funds are governed by the Pension Funds Act 24 of 1956.

Statutory actuarial valuations are performed triennially with the 31 March 2021 valuation having found the fund to be in a sound financial position. Interim actuarial valuations are concluded annually (except in years where a statutory valuation is performed). Where a surplus in the fund is calculated, it is for the benefit of the members, and accordingly no asset is recognised in the financial statements of the SARB. The retirement fund is regulated by the Financial Sector Conduct Authority and is a single scheme which caters for active members, pensioners on a living annuity, pensioners on a life annuity, and pensioners from the former defined benefit fund.

Active members participate on a defined contribution basis. The market risk lies fully with the active members until retirement. On retirement, former employees can commute up to one-third of their share of funds. They may use the remaining funds to buy either a living annuity or a life annuity (or a combination of both) from the fund. They may also choose to transfer their share of funds to another registered retirement annuity. The value of assets under management for active members as at 31 March 2023 was R6.0 billion (2022: R5.7 billion).

Living annuity pensioners bear the entire market risk on their funds; however, they also fully benefit from positive market returns.

The life pension quoted by the retirement fund is based on the amount of capital available to the employee, as well as marital status, gender and age. There are currently 1 074 life pensioners (2022: 1 034 life pensioners). Once quoted a life pension, the rules of the fund stipulate that it will not be reduced, and thus, although the pensioner bears the market risk with regard to the annual increase granted, the employer will contribute if there is a shortage in the pension account which supports maintaining pensions at their existing level. This is in effect the only uncovered 'defined benefit' element in the fund. The risk for the retirement fund, and ultimately the SARB, in meeting this defined benefit, is market risk and life expectancy. As the SARB is the sponsor of the fund, the full defined benefit liability resides within the SARB.

Since inception in 1995, there has not been a shortage in the pension account for any given year. The most recent statutory valuation at 31 March 2021 found the fund to be fully funded, with the actuarial liability of pensions to be R2.8 billion (2018: R2.4 billion) with plan assets of R2.8 billion (2018: R2.4 billion). The trustees of the retirement fund and the management of the SARB do not foresee a statutory liability for the SARB in terms of these pensioners.

14. Profit before taxation

	2023 R'm	2022 R'm
14.1 Operating income includes:		
Bank charges	**240**	234
Commission on banking services	**177**	281
Rental income	**8**	9
Sales of bank notes and coin to third parties	**3 541**	4 389
Sundry income	**66**	39
Total operating income	**4 032**	4 952

14. Profit before taxation continued

14.2 Operating costs include:

	Note	2023 R'm	2022 R'm
Depreciation and amortisation			
Buildings		**45**	35
Computer software		**46**	264
Plant, vehicles, furniture, and equipment		**395**	354
Total depreciation and amortisation		**486**	653
Impairment loss on:			
Intangible assets		**14**	–
Net loss on disposal of:			
Property, plant and equipment		**27**	110
Write-down of inventories			
Write-down of inventories		**19**	31
Auditor's remuneration – external			
Audit fees		**23**	23
Fees for other services		**–**	–
Total auditors' remuneration		**23**	23
Consulting fees			
Consulting fees		**305**	287
Employee costs			
Director's remuneration		**35**	33
Remuneration and recurring staff costs		**3 407**	2 601
Contribution to funds – Normal		**300**	280
Contributions to funds – Additional		**–**	3
Movement in provision for post-employment medical benefits		**307**	305
Movement in provision for post-employment group life benefits		**9**	8
Movement in provision for post-employment retirement benefit fund benefits		**14**	31
Premiums paid – Medical aid		**147**	130
Premiums paid – Group life		**8**	20
Total employee costs		**4 227**	3 411
Other			
Cost of new currency		**7**	180
Manufacturing costs		**3 696**	4 852
IT infrastructure		**434**	264
Other operating costs[1]		**1 456**	727
Total operating expenses		**10 694**	10 538

[1] *Other operating costs comprise mainly business systems and technology costs, repairs and maintenance, building maintenance costs, travel and accommodation, and training expenses.*

15. Net cash generated from/(utilised by) operations

	2023 R'm	2022 R'm
Reconciliation of profit before taxation to cash generated from operating activities		
Profit/(loss) before taxation for the year	**2 078**	(2 165)
Adjustments for:		
Interest revenue	**(6 950)**	(3 353)
Interest expense	**12 361**	3 695
Fair value adjustments on investments	**(303)**	(167)
Depreciation, amortisation and impairment	**499**	653
Net loss on disposal of fixed assets	**27**	110
Profit from associate	**(168)**	(228)
Impairment (reversal) loss on investment in associate	**(621)**	228
Credit impairment reversal	**(38)**	(80)
Dividends received[1]	**(103)**	–
Unrealised foreign exchange gains	**–**	(1)
Post-employment benefits	**182**	203
Interest accrued on taxation	**(20)**	15
Net cash generated from/(utilised by) operating activities	**6 944**	(1 090)
Changes in operating assets and liabilities:		
Accommodation to banks	**47 107**	(4 643)
Investments	**(35 691)**	1 156
Other assets	**(4 571)**	(340)
Gold and foreign exchange reserves	**(250 482)**	(63 899)
Inventories	**(439)**	(172)
FEC assets	**(107)**	(4)
Loans and advances	**2 012**	1 725
South African government bonds	**6 675**	(1 237)
Equity investment in BIS	**(912)**	97
Notes and coin in circulation	**468**	2 758
Deposit accounts	**69 180**	78 976
Foreign deposits	**42 346**	(8 141)
Other liabilities	**5 132**	18
SARB debentures	**(3 807)**	(11 204)
FEC liabilities	**(1 735)**	(6 080)
GFECRA	**144 431**	(1 301)
Net cash generated from/(utilised by) changes in working capital	**19 607**	(12 291)
Net cash generated from/(utilised by) operations	**26 551**	(13 381)

[1] *This disclosure has been updated to reflect dividends received separately for the current year to provide more relevant information.*

16. Fair value hierarchy disclosures

The tables below analyses the assets and liabilities of the Group carried at fair value and amortised cost by the level of fair value hierarchy. The fair value hierarchy depends on the extent to which quoted prices are used in determining the fair value of the specific instruments. The different levels are defined as follows:

Level 1: Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily available in the market and are normally obtainable from multiple sources.

Level 2: Fair value is based on input other than quoted prices included within Level 1 that is observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value is based on input for the asset or liability that is not based on observable market data (i.e. unobservable inputs).

The Group's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. During the year under review, there were no transfers between any of the levels (2022: none)

16.1 Valuation techniques used to derive Level 1 fair values

The fair value of financial instruments traded in active markets are based on quoted market prices as obtained from the custodians at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer broker or pricing services, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the SARB is the current price as per the custodian's pricing hierarchy. These instruments are included in Level 1.

16.2 Valuation techniques used to derive Level 2 fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Specific valuation techniques used to value financial instruments include the following:

- quoted market prices or dealer quotes for similar instruments are used for gold and foreign exchange and investments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of FECs is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value; and
- the fair value of all other instruments are derived with reference to yields.

16.3 Valuation techniques used to derive Level 3 fair values

Immaterial Level 3 items are detailed in the Group annual financial statements and have been excluded from this report.

16. Fair value hierarchy disclosures continued

	Notes	Level 1 R'm	Level 2 R'm	Level 3 R'm	Total R'm
2023					
Items measured at fair value					
Financial assets					
Investments	4	–	306	–	306
Gold and foreign exchange reserves	5	601 298	492 021	–	1 093 319
Gold coin and bullion		141 896	–	–	141 896
Money market instruments and deposits		–	197 567	–	197 567
Securities		459 445	173 065	–	632 510
Derivatives		(43)	(40)	–	(83)
IMF SDR assets		–	121 429	–	121 429
SA government bonds	7	33 829	–	–	33 829
Financial liabilities					
Foreign deposits	10	–	127 489	–	127 489
Items measured at amortised cost					
Financial assets					
Cash and cash equivalents	2	–	42 426	–	42 426
Accommodation to banks	3	–	2 398	–	2 398
Investments	4	–	41 000	–	41 000
Loans and advances	6	–	10 069	–	10 069
Financial liabilities					
Notes and coin in circulation	8	–	171 565	–	171 565
Deposit accounts	9	–	452 427	–	452 427
GFECRA	12	458 715	–	–	458 715

16. Fair value hierarchy disclosures continued

	Notes	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2022					
Items measured at fair value					
Financial assets					
Investments	4	–	176	–	176
Gold and foreign exchange reserves	5	509 966	332 871	–	842 837
Gold coin and bullion		113 364	–	–	113 364
Money market instruments and deposits		–	103 625	–	103 625
Securities		396 525	126 778	–	523 303
Derivatives		77	58	–	135
IMF SDR assets		–	102 410	–	102 410
SA government bonds	7	40 503	–	–	40 503
Financial liabilities					
Foreign deposits	10	–	85 143	–	85 143
Items measured at amortised cost					
Financial assets					
Cash and cash equivalents	2	–	22 433	–	22 433
Accommodation to banks	3	–	49 505	–	49 505
Investments	4	–	5 136	–	5 136
Loans and advances	6	–	12 081	–	12 081
Financial liabilities					
Notes and coin in circulation	8	–	171 097	–	171 097
Deposit accounts	9	–	383 247	–	383 247
SARB debentures	11	–	3 807	–	3 807
GFECRA	12	314 283	–	–	314 283

17. Commitments and guarantees

17.1 ABL guarantee

In prior year, the SARB issued a R3.0 billion guarantee to ABL, undertaking to settle unrecoverable loans that Residual Debt Services Limited (under curatorship) (RDS) could not settle in terms of an indemnity agreement. In turn, a guarantee of R3.0 billion was issued by the SA government to the SARB. As at 31 March 2022 the guarantee had not been called upon. The guarantee was subsequently cancelled in November 2022.

17.2 Loan guarantee scheme

In May 2020, the SARB entered into a LGS with various participating banks to provide funding to assist businesses recover from the impact of COVID-19. The SARB provided a guarantee to the commercial banks in respect of the COVID-19 LGS to the extent of the current exposure of R9.3 billion (2022: R12.1 billion). The participating banks may claim losses under the scheme subject to a waterfall arrangement. A claim under the SARB guarantee is only possible after the participating banks exhaust the margin entitlement account, the credit premium account and the borrowers risk portion. In turn, the SA government issued a guarantee of R100.0 billion, in favour of the SARB in respect of any losses which may be incurred by the SARB in respect of the COVID-19 LGS. The government reduced this guarantee from R100.0 billion to R12.0 billion in April 2022.

17.3 Bounce back scheme

In April 2022, the Bounce Back Scheme was established to assist eligible small businesses to recover from the impact of COVID-19, the recent floods and riots in certain parts of the country. In terms of the scheme, the SARB advanced loans to commercial banks who advanced Bounce Back loans to eligible businesses. The SARB has approved facilities of R1.2bn, of which R0.4 billion remained undrawn at 31 March 2023. Any undrawn amounts under the facility will be foregone at end of the respective availability periods. The SARB also issued a guarantee to the commercial banks in respect of losses incurred under the scheme. The SARB guarantee is limited to 20.5% of the total capital amount advanced to the commercial banks. In turn, in April 2022, the SA government issued a guarantee of up to R8 billion in favour of the SARB, to compensate for losses which may be incurred by the SARB in respect of the Bounce Back Scheme.

17.4 CPD guarantee

In June 2020, the SARB provided a guarantee of R3.5 billion to the CPD, a wholly-owned subsidiary of the SARB, in order to cover the CPD for the impact of significant expected credit losses recognised, following the downgrade of the sovereign, as well as losses related to defaults by a certain counterparty and associated impairments recognised for the financial year. Due to the technical insolvency of the CPD, the guarantee has been renewed annually, with the guarantee amount being adjusted in line with the accumulated losses of the CPD. In May 2023, the guarantee was extended for a further 12 months until 11 June 2024 and the guarantee amount was reduced from R1.2 billion in 2022 to R800 million due to the reduced accumulated losses.

17.5 ABHL loan facility

During 2021, a shareholder support transaction was concluded in terms of which the SARB committed to provide a collateralised loan to ABHL of up to R4.0 billion over a four year period in accordance with section 10(1)(f) of the SARB Act. The other shareholders would subscribe to DMTNs in ABHL in accordance with the respective pro rata shareholding in ABHL. The SARB committed to avail R1.0 billion per year to ABHL and advance the funds to ABHL at the same time as the other shareholders subscribe to DMTNs. The loan was secured by a cession in security of a portion of ABHL's customer loan portfolio, with a collateral cover ratio of 111%. The facility was undrawn at 31 March 2022 and was subsequently cancelled in September 2022.

17.6 CODI guarantee

The SARB will provide a guarantee for the deposits that banks will place with the CODI for the liquidity tier of the deposit insurance fund once the Financial Sector Laws Amendment Bill (FSLAB) is in operation. This will allow banks to recognise the guarantee in the risk-weighting of these assets for regulatory capital purposes. Member banks will provide an interest-bearing loan of 3.00% of their covered deposits balance to CODI for as long as they are licensed. The interest payable will be linked to the investment returns earned on these funds. The collection of funds will begin when the FSLAB is in operation and the secondary legislation for the CODI has been promulgated, outlining the deposit insurance provisions and operations of the CODI. It is expected that the secondary legislation will be effective on 1 April 2024.

18. Related party information

18.1 Investment in subsidiaries

The contribution to the Group profit attributable to the parent (pre elimination of intercompany transactions) is as follows:

	2023 R'm	2022 R'm
CPD	**537**	455
SABN	**161**	193
South African Mint	**381**	360
Total contribution to Group profit	**1 079**	1 008

18.1.1 Investment in Prestige Bullion

Prestige Bullion is a subsidiary of the South African Mint. The South African Mint holds a 80% (2022: 60%) interest in Prestige Bullion. Prestige Bullion distributes, and sells bullion Krugerrand coins to local and international markets. The South African Mint is responsible for the manufacturing while the marketing and distribution of the coins is done by Rand Refinery Proprietary Limited (Rand Refinery).

Main business	Manufacturing of blanks, marketing and distribution of legal tender Bullion coin
Country of incorporation	South Africa
Interest held as non-controlling	20%
Percentage voting rights held by non-controlling interest	20%

Rand Refinery holds the 20% non-controlling interest in Prestige Bullion.

Summary financial information of Prestige Bullion

	PRESTIGE BULLION	
	2023 R'm	2022 R'm
Statement of financial position		
Current assets	**825**	619
Total assets	**825**	619
Total equity	**158**	209
Current liabilities	**667**	410
Total liabilities	**667**	410
Total equity and liabilities	**825**	619
Statement of comprehensive income		
Revenue	**3 236**	4 320
Gross profit	**551**	724
Operating expense	**(33)**	(27)
Profit before tax	**526**	694
Total comprehensive income	**384**	500

18. Related party information

18.1 Investment in subsidiaries continued

18.1.2 Transactions with non-controlling interests

Rand Refinery

Rand Refinery has a 20% interest, and therefore holds a non-controlling interest in Prestige Bullion.

	2023 R'm	2022 R'm
Profit attributable to non-controlling interest	**115**	200
Accumulated non-controlling interest at year-end	**25**	83
Dividends paid to non-controlling interest	**174**	249

No significant restrictions exist on the SARB's ability to access or use the assets to settle the liabilities of the Group.

18.2 Inventory held on behalf of the SARB by the South African Mint

At year-end coin inventory of R566.0 million (2022: R157.7 million) was held on behalf of the SARB.

18.3 Investment in associate

	Authorised and issued share capital			
	Number of shares '000	% held	2023 R'm	2022 R'm
Cost	500 000	50	**5 000**	5 000
Accumulated profit attributable to Group			**1 212**	1 044
Accumulated impairment losses			**(1 955)**	(2 577)
Carrying value of investment in associate			**4 257**	3 467

18.3.1 Impairment on investment in associate:

An impairment test for the investment in associate is only required when there is an indicator of impairment. However, due to the purpose of this investment being linked to the mandate of the SARB, an impairment test is performed periodically to closely monitor the investment.

The recognition of the impairment losses in prior years was mainly as a result of the large scale economic impact of the COVID-19 pandemic on the expected cashflows of ABHL. The performance of ABHL has significantly improved and demonstrated positive returns post the pandemic. In addition, ABHL has recently acquired Grindrod Bank and Ubank as part of their growth and turnaround strategy. These events have positively impacted the future estimated cashflows of ABHL. As a result, the estimated recoverable amount of the investment increased in the current year and an impairment reversal of R621 million was recognised in profit or loss.

The recoverable amount of R4.1 billion (2022: R3.5 billion) was calculated by means of the 'fair value less costs to sell' method, using the discounted cash flow technique.

Management made the following key assumptions in its determination of fair value less costs to sell:

- ABHL is a going concern and would be able to continue operating for the foreseeable future.
- Future cash flows were based on financial budgets approved by ABHL management covering a five-year period.
- The growth rate for cash flows into perpetuity was calculated with reference to the SARB published inflation target range of 3%-6%.
- A discount rate of 18.34% (2022: 15.74%) was used to calculate the present value of future cash flows. The discount rate was determined using the Capital Asset Pricing Model, based on the below key inputs in various scenarios at the time of the valuation:
  - South African risk free rate of 11.12% based on the daily average yield on government bonds with an outstanding maturity of 10 years and longer.
  - Beta of 0.83 and equity market risk premium of 7.37% based on quoted indicators of similar listed entities.
  - Alpha risk adjustment of 1% to adjust for the inherent uncertainty in long-term cash flow forecasts.

18. Related party information continued

18.3 Investment in associate continued

18.3.2 Sensitivity analysis

	2023 Rm	2022 Rm
The effect of a 1% increase and decrease in the discount rate is as follows:		
ABHL carrying value		
1% decrease	**4 329**	3 545
Valuation basis	**4 257**	3 467
1% increase	**4 187**	3 391
Impairment reversal/(loss)		
1% decrease	**693**	(151)
Valuation basis	**621**	(228)
1% increase	**551**	(304)
The effect of a 10% increase and decrease in the cash flow forecast is as follows:		
ABHL carrying value		
10% decrease	**3 848**	3 284
Valuation basis	**4 257**	3 467
10% increase	**4 666**	3 650
Impairment reversal/(loss)		
10% decrease	**213**	(411)
Valuation basis	**621**	(228)
10% increase	**1 030**	(46)

18.4 Amounts due by/to related parties

	2023 R'm	2022 R'm
Amounts due by related parties[1]		
African Bank Limited (equity accounted, not consolidated)	**–**	150
SA government	**–**	9
Amounts due to related parties[1]		
SA government	**669 138**	536 235
GEFCRA	**458 613**	316 023
Deposits		
Non-interest-bearing	**122 154**	101 665
Interest-bearing	**88 571**	118 184
Other liabilities	**–**	363
SARB Retirement Fund	**23**	17

[1] *The prior year disclosure has been corrected to reflect the elimination of the Group intercompany balances.*

18. Related party information continued

18.5 Transactions between the SARB and its related parties

	2023 R'm	2022 R'm
Dividends received[1]		
African Bank Limited (equity accounted, not consolidated)	**50**	–
	50	–
Interest revenue[1]		
African Bank Limited (equity accounted, not consolidated)	**18**	1
SA government	**7**	32
	25	33
Interest paid[1]		
African Bank Limited (equity accounted, not consolidated)	**1**	–
SA government	**7 442**	3 672
SARB Retirement Fund	**3**	1
	7 446	3 673
Administration and management fees received[1]		
SARB Retirement Fund	**6**	5
	6	5
Other income[1]		
African Bank Limited – SAMOS fees	**1**	1
	1	1
Pension fund contributions		
SARB Retirement Fund	**295**	277

[1] *The prior year disclosure has been corrected to reflect the elimination of the Group intercompany balances.*

All other significant balances are shown in the statement of financial position under the appropriate headings.

Notes to the summary Group financial statements continued

for the year ended 31 March 2023

18. Related party information continued

18.6 Directors' remuneration

	2023 R'000	2022 R'000
Executive directors: Remuneration for services		
Governor E L Kganyago		
Remuneration and recurring fringe benefits	**8 708**	8 309
Other fringe benefits	**115**	140
	8 823	8 449
Deputy Governor K Naidoo		
Remuneration and recurring fringe benefits	**6 215**	5 935
Other fringe benefits	**2**	9
	6 217	5 944
Deputy Governor N Tshazibana		
Remuneration and recurring fringe benefits	**6 215**	5 935
Other fringe benefits	**33**	28
	6 248	5 963
Deputy Governor R I Cassim		
Remuneration and recurring fringe benefits	**6 207**	5 927
Other fringe benefits	**41**	93
	6 248	6 020
Total remuneration of executive directors	**27 536**	26 376
Non-executive directors: Remuneration for services		
C B Buitendag (previously du Toit)	**513**	489
D J M S Msomi	**617**	576
F Cachalia	**–**	208
K Badimo	**483**	–
L H Molebatsi	**629**	608
N Vink	**492**	473
N B Mbazima	**598**	578
M M T Ramano	**573**	568
S Gaibie	**476**	473
T Nombembe	**1 298**	1 249
Y G Muthien	**602**	576
Z Hoosen	**720**	651
Total remuneration of non-executive directors	**7 001**	6 449
Retirement fund Chair		
T Khangala	**84**	238
Total remuneration of retirement fund Chair	**84**	238
Total remuneration of directors	**34 621**	33 063

19. Events after the reporting period

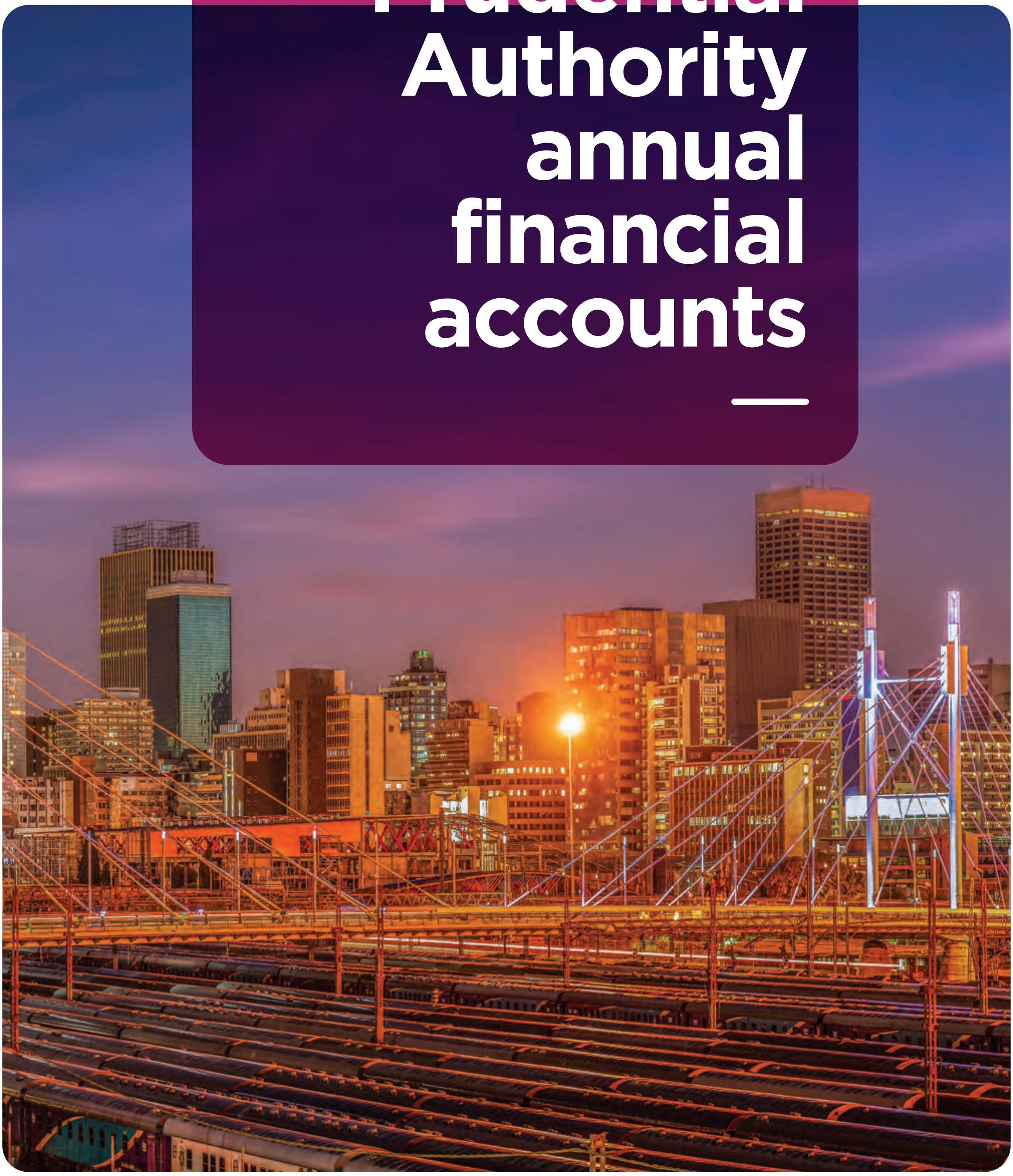
CPD Guarantee

On 15 May 2023, the GEC approved an extension to the guarantee issued by the SARB to the CPD for a further 12 months to 11 June 2024, as a result of the continued technical insolvency of the CPD. The guarantee was reduced from R1.2 billion to R800 million due to the reduced accumulated losses. The guarantee extension was also approved by the Board on 8 June 2023.

Bounce Back Scheme drawdown

In April 2023, there was an additional drawdown of R137 million on the bounce back scheme facility. The availability period for drawdowns on the facility expired on 30 April 2023 and R262 million of the facility was not utilised.

Prudential Authority annual financial accounts



Independent auditors' report to the shareholders of the South African Reserve Bank

Our opinion

In our opinion, the financial accounts of the Prudential Authority (the PA) are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the financial accounts and the requirements of section 55 of the Financial Sector Regulation Act 9 of 2017.

What we have audited

The PA's financial accounts are set out on pages 137 to 139. The PA's financial accounts comprise the statement of financial position at 31 March 2023, and the statement of profit or loss and other comprehensive income for the year then ended and the notes to the financial accounts, which include significant accounting policies and other explanatory information.

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 *Auditors' responsibilities for the audit of the financial accounts* 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 PA 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)*.

Emphasis of Matter - Basis of accounting

We draw attention to Note 1 to the financial accounts, which describes the basis of accounting. The financial accounts are prepared for the purpose described therein. As a result, the financial accounts may not be suitable for another purpose.

The financial accounts do not comprise a full set of financial statements prepared in accordance with the basis of accounting described in Note 1 to the financial accounts and the requirements of section 55 of the Financial Sector Regulation Act 9 of 2017. Our opinion is not modified in respect of this matter.

Independent auditors' report to the shareholders of the South African Reserve Bank (continued)

Responsibilities of the directors for the financial accounts

The directors are responsible for the preparation of these financial accounts in accordance with Note 1 to the financial accounts and the requirements of section 55 of the Financial Sector Regulation Act 9 of 2017, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of the financial accounts that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial accounts

Our objectives are to obtain reasonable assurance about whether the financial accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 accounts.

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 accounts, 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 PA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial accounts 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 auditors' report. However, future events or conditions may cause the PA to cease to continue as a going concern.

We communicate with those charged with governance 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: Lumko Sihiya
Registered Auditor
Johannesburg, South Africa
12 June 2023

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Pravesh Hiralall
Registered Auditor
Johannesburg, South Africa
12 June 2023

Prudential Authority annual financial accounts

The PA is the regulator responsible for setting policy and prudential regulatory requirements and supervisor responsible for overseeing compliance with the regulatory requirements of financial institutions that provide financial products, securities services and market infrastructures in South Africa. Established on 1 April 2018 in terms of the FSR Act, the PA is a juristic person operating within the administration of the SARB. Refer to the SARB Annual Report on the Prudential Authority which can be found at https://www.resbank.co.za/en/home/publications/reports/annual-reports for more detail.

Basis of preparation

In terms of section 55 of the FSR Act, the SARB is required to prepare financial accounts for the PA for each financial year in a manner that reflects the direct costs that accrue to the PA. As the PA is a department within the SARB, it follows the same Financial Reporting Framework and basis of presentation as the SARB. Refer to note 1 of the SARB financial statements for more detail.

Statement of financial position at 31 March 2023

	Note	Prudential Authority 2023 R'm	2022 R'm
Assets			
Other assets		**16**	24
Liabilities			
Income received in advance		**15**	–
Other liabilities		**1**	10
Unclaimed balances		**–**	14
Total liabilities		**16**	24

Statement of profit or loss and other comprehensive income for the year ended 31 March 2023

	Note	2023 R'm	2022 R'm
Operating income			
Levies	2.1	**–**	–
Fees	2.2	**8**	13
Penalties	2.3	**–**	–
Other operating income		**14**	–
Expenditure			
Personnel costs	2.4	**(351)**	(306)
Operational costs	2.4	**(124)**	(90)
Total expenditure	2.4	**(475)**	(396)
Amount funded by SARB	2.5	**453**	383
Profit for the year		**–**	–

Prudential Authority annual financial accounts continued

1. Accounting policies

1.1. Other assets

Other assets relate to the notional balance at the end of the reporting period, which represents the difference between cash inflows and outflows during the year in respect of prudential regulatory activity, as well as prepaid expenses. Prepaid expenses relate to operating costs paid before they are due. The prepaid expenses are measured at cost and are recognised when the amount is paid. The prepaid expense balances are subsequently measured at cost and are derecognised in the period in which the related expense is recognised.

1.2. Other liabilities

Other liabilities relate to operating income received in advance. The liabilities are measured at the transaction cost, being the amount actually received and recognised when the amount is received. The balance is subsequently measured at cost and is derecognised in the period in which the related income is recognised.

1.3. Unclaimed balances

Unclaimed balances relate to amounts recovered from an illegal deposit-taking scheme. The amounts recognised are owed to unidentified investors of the scheme who are yet to claim the amounts due to them. The unclaimed balances are recognised when the amounts are recovered from the scheme and are measured at the amount payable to the investors, being the amount actually recovered. The unclaimed balances are subsequently measured at cost and are derecognised when the amounts are paid to the relevant investors or upon expiry of the right to claim.

1.4. Operating income

Operating income consists of levies, fees and penalties charged to financial institutions. The levies, fees and income are charged and measured in accordance with the relevant legislation. Operating income is recognised per the amount invoiced to the financial institution, in the period in which the amount relates.

1.5. Personnel and operating costs

Personnel and operating costs relate to direct costs incurred for the administration of the PA. These costs are measured at the transaction amount and are recognised as expenses in the period incurred.

1.6. Amounts borne by the SARB

Net costs incurred for the administration of the PA, borne by the SARB. These costs are measured at the transaction amount and are recognised as expenses in the period incurred, net of recoveries.

2. Explanatory notes

2.1. Levies will be charged once the new Financial Sector Levies Bill (Levies Bill) is operational to collect the necessary levies on the regulated financial institutions, as envisaged in the FSR Act. Levies will serve as the basis to recover the direct operating cost of running the PA and not in return for any direct service or goods that will be supplied.

2.2. Fees are “transaction-based” and are charged to fund the PA’s performance of specific functions under the FSR Act and the relevant sector laws it regulates.

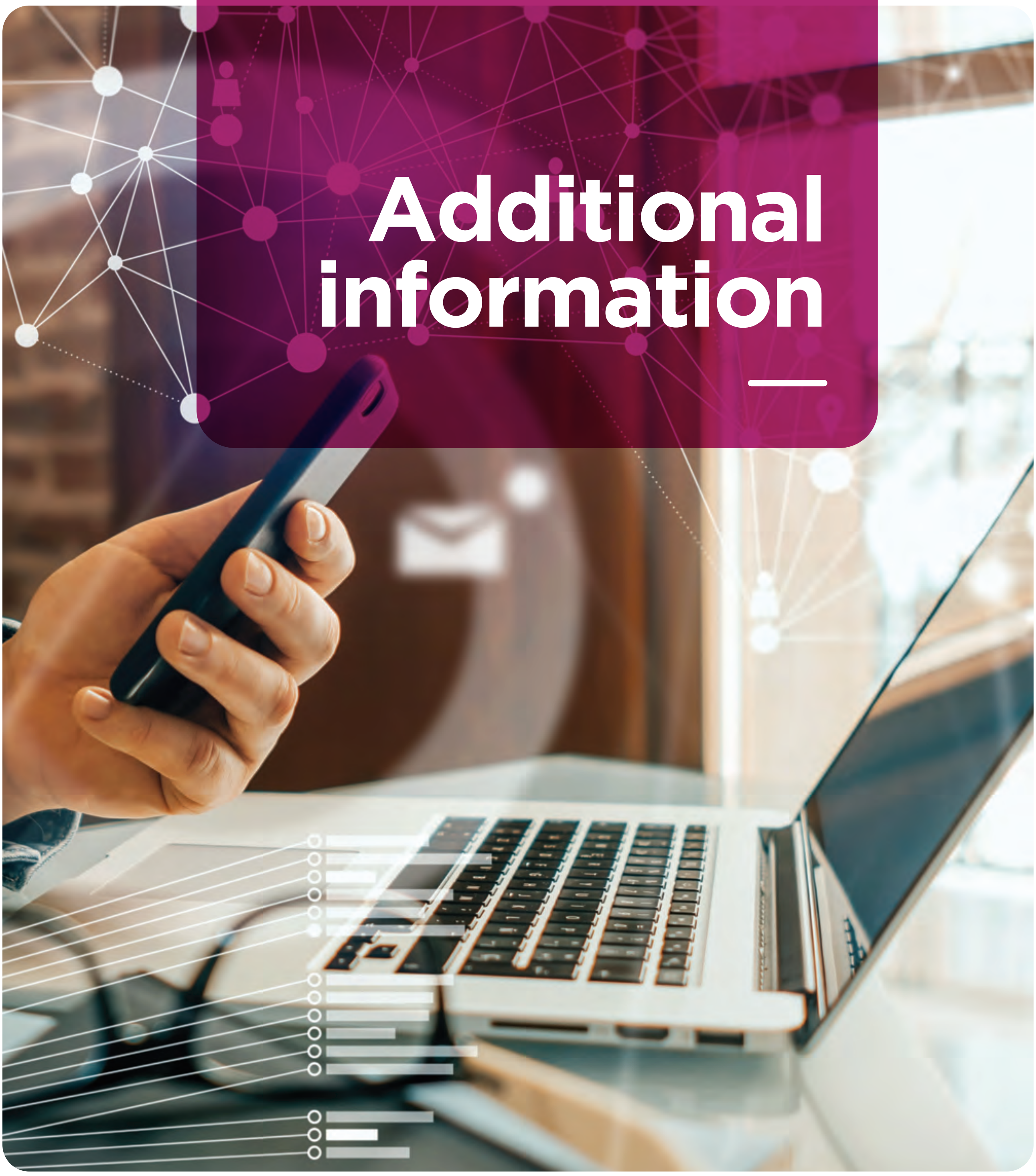
2.3. Penalties are raised for non-compliance by persons within the regulated sector should they be found guilty of contravening a financial sector law or an enforceable undertaking accepted by the PA. The PA deducts from this total all costs incurred in making and enforcing the administrative penalty order. The remaining balance after applying this deduction is paid into the National Revenue Fund (if any). The SARB also has a responsibility in terms of the FIC Act to ensure that banks and life insurance companies comply with the FIC Act. The SARB has authority in terms of the Section 45C of the FIC Act to impose administrative sanctions on these entities if and when they fail to comply with a provision, order, determination or directive made in terms of this act. The SARB issues notices with the said penalties to the relevant entities but does not account for the penalties in its financial statements as the penalties imposed are paid directly to the NRF. Total penalties issued on behalf of the SA government in this regard amounted to R4.1 million (2022: R 12.8 million).

2.4. Personnel and operating costs consist of only the direct costs related to the administration of the PA. Although the PA uses the various support departments of the SARB and incurs costs from these services (such as legal services, IT, risk management, compliance, internal audit, HR, international economic relations and policy, security and facilities), these costs are borne by the SARB.

	Prudential Authority	
	2023 R'm	2022 R'm
Operating costs include:		
Professional fees	**100**	84
Donations	**–**	–
Membership fees	**2**	2
Official functions	**3**	1
Training (foreign and local)	**1**	1
Travel expenses (foreign and local)	**13**	–
Other operating costs	**5**	3
	124	91

2.5. Amount funded by SARB consists of both direct and indirect expenses (net of recoveries) borne by the SARB for the administration of the PA.

Additional information



Minutes of the 102nd annual Ordinary General Meeting

of the shareholders of the South African Reserve Bank was held on 29 July 2022, at 10:00 on an online platform.

The Chairperson, SARB Governor Lesetja Kganyago, extended a warm welcome to all who had joined the virtual meeting, and declared the 102nd annual Ordinary General Meeting (AGM) duly constituted in terms of the Regulations to the South African Reserve Bank Act 90 of 1989, as amended (SARB Act).

The Chairperson advised the shareholders that the SARB had once again taken the considered decision to hold the AGM of its shareholders as a virtual meeting to protect the health and safety of its shareholders, the Board of Directors (Board), guests, SARB staff members and other AGM participants against possible infections of COVID-19.

The Chairperson advised that the proceedings of the meeting were being recorded for future reference, if it became necessary. The meeting complied with the Protection of Personal Information Act 4 of 2013 (POPIA), as shareholders were requested during registration on the LUMI Technologies SA Proprietary Limited (LUMI) platform to give consent to the SARB/LUMI to collect, collate, process and store their data for the purposes of this meeting. He reminded shareholders that they would be able to ask written questions related to the business of the meeting by following the instructions provided in the Notice of the Meeting. In addition, shareholders would be afforded an opportunity to participate and ask questions through a virtual microphone. The Chairperson confirmed that registered shareholders had been provided with the information and a video tutorial on how to use the microphone facility. He confirmed that messages could be submitted at any time prior to a matter being put to a vote.

The Chairperson mentioned that shareholders' questions would be answered during the meeting, and that both the questions and the answers would be recorded in the minutes. However, should questions from shareholders be received after the closing of the poll and question time, they would be responded to directly via their registered email address.

All shareholders attending the meeting who held 200 or more SARB shares, and who were entitled to vote in accordance with the provisions of the SARB Act and its Regulations, would be allowed to vote at any time, before the polls were closed.

The Chairperson introduced the following persons who were online to answer any questions that the shareholders might have on the matters before the meeting:

- **SARB Deputy Governors,** Dr Rashad Cassim, Mr Kuben Naidoo and Ms Nomfundo Tshazibana;
- **Chairperson of the Audit Committee,** Mr Terence Nombembe;
- **Chairperson of the Remuneration Committee,** Dr Yvonne Muthien;
- Chairperson of the Board Risk and Ethics Committee, Mr Zoaib Hoosen;
- Chairperson of the Non-executive Directors' Committee, Ms Lerato Molebatsi;
- SARB's General Counsel, Mr Chris van der Walt; and
- Acting Secretary of the SARB, Ms Clivia Ulland.

The Chairperson confirmed that the President had made the following government appointed Non-executive Director appointments on the SARB Board:

- Ms Lerato Molebatsi for a further period of three years with effect from 1 June 2022; and
- Dr Kgabo Hendrik Badimo for a period of three years with effect from 1 June 2022.

The Chairperson presented his address, which for record purposes follows these minutes and is marked as Annexure A.

The Chairperson then turned to the formal business of the day and confirmed the agenda for the AGM as follows:

- Receive and accept the minutes of the AGM held on 30 July 2021.
- Receive and consider the SARB's annual financial statements for the financial year ended 31 March 2022, including the directors' report and the independent external auditors' report.
- Approve the remuneration of the SARB's independent external auditors – PricewaterhouseCoopers Inc. (PwC) and SizweNtsalubaGobodo Grant Thornton Inc. (SNG Grant Thornton) – for completing the audit for the 2021/22 financial year (in terms of regulation 22.1(b), read with regulation 7.3(c) of the Regulations to the SARB Act).
- Approve the appointment of PwC and SNG Grant Thornton as the SARB's independent external auditors for the 2022/23 financial year.
- Elect three non-executive directors to serve on the SARB Board.
- Consider any further business arising from the items mentioned above (in terms of regulation 7.3(e) of the Regulations to the SARB Act).

The Chairperson confirmed that the Acting Secretary of the SARB had not received any requests for special business to be placed on the agenda of this AGM in terms of regulation 7.3(d) of the Regulations to the SARB Act.

The Acting Secretary of the SARB confirmed the shareholder representation at this virtual AGM as follows:

- the total number of shares in the issued share capital of the SARB held by its shareholders was 2 000 000 (two million);
- 24 shareholders were present in person online;
- five shareholders were represented by proxy; and
- 463 votes were exercisable by the shareholders present online or those holding duly certified proxy forms for this purpose.

The shareholders were advised that voting on each of the matters under consideration at the AGM would take place by means of a poll conducted electronically and facilitated by LUMI, an independent external party.

The Chairperson then invited the shareholders to submit any questions related to the first four resolutions.

No questions were raised regarding the first four resolutions, which were then put to the vote on a poll, as follows:

Acceptance of the minutes of the 2021 AGM

The Chairperson proposed that the minutes of the 101st AGM held on 30 July 2021, (included in the SARB Annual Report 2021/22) be taken as read and accepted.

There were no objections or corrections to the minutes. Based on the results of the poll, the Chairperson declared that the minutes of the 2021 AGM were accepted by 99.19% of the votes cast, while 0.81% had abstained from voting.

Acceptance of the annual financial statements for the financial year ended 31 March 2022, including the directors' report and the independent external auditors' report.

The Chairperson formally presented the annual financial statements of the SARB for the financial year ended 31 March 2022, including the directors' report and the independent external auditors' report.

The summarised SARB Group annual financial statements were included in the SARB Annual Report 2021/22, which was published on the SARB website and posted to the shareholders on 28 June 2022. The full set of the 2021/22 annual financial statements was also made available on the SARB website on the same day.

Based on the results of the poll, the Chairperson declared that the SARB's audited annual financial statements for the financial year ended 31 March 2022 were accepted by 84.85% of the votes cast, while 15.15% had abstained from voting.

Remuneration of the SARB's independent external auditors

The Chairperson proposed that the remuneration of the SARB's independent external auditors in respect of the general statutory audit of the SARB for the financial year ended 31 March 2022 be confirmed and approved.

Based on the results of the poll, the Chairperson declared that the remuneration of the SARB's independent external auditors for the general statutory audit for the financial year ended 31 March 2022, amounting to R18 793 621 excluding VAT, was approved by 99.45% of the votes cast, while 0.55% voted against the motion.

Appointment of independent external auditors

The Chairperson then turned to the appointment of the SARB's independent external auditors for the 2022/23 financial year.

It was reported that the Board had recommended that PwC and SNG Grant Thornton be reappointed as the SARB's independent external auditors for the 2022/23 financial year, and it was confirmed that the mandatory audit partner rotation did take place every five years.

Based on the results of the poll, the Chairperson declared that PwC and SNG Grant Thornton were reappointed as the SARB's independent external auditors for the 2022/23 financial year, by 84.85% of the votes cast in favour, while 15.15% voted against the motion.

The auditors were congratulated on their reappointment.

Election of non-executive directors

The Chairperson turned to the election of three non-executive directors to fill the vacancies for shareholder-elected non-executive directors, that would become available the day after the AGM. The terms of office of Prof. Charlotte Buitendag (previously Du Toit) and Mr Zoaib Hoosen as non-executive directors with knowledge and skills in industry; and the term of office of Prof. Nicholas Vink as a non-executive director with knowledge and skills in agriculture, would expire the day after the 2022 AGM. All three incumbents were eligible and available for re-election by the shareholders.

The candidates to be considered for these positions had been confirmed by the Panel appointed in terms of section 4(1C) of the SARB Act. This Panel comprised the Governor; retired former Constitutional Court Judge Ms Yvonne Mokgoro; Chief Executive Officer of the Public Investment Corporation Mr Abel Sithole (both nominated by the Minister of Finance); and Messrs Kaizer Moyane, Thulani Tshefuta and Bheki Ntshalintshali (all three nominated by the National Economic Development and Labour Council (Nedlac)).

The Panel had confirmed three candidates in terms of section 4(1G) of the SARB Act for consideration for the three vacancies and was satisfied that all three candidates were eligible and fit and proper to stand for election as directors of the SARB. The curricula vitae for these three candidates had been sent to shareholders together with the Notice of the Meeting.

The Chairperson then invited the shareholders to submit any questions related to the three resolutions to elect the non-executive directors. No questions were raised regarding the three resolutions.

Prof. Buitendag had been the only candidate selected by the Panel with knowledge and skills in industry to fill the first position for a non-executive director. Prof. Buitendag was re-elected as the non-executive director with knowledge and skills in industry, with 100% of the votes cast.

Mr Hoosen had been the only candidate selected by the Panel with knowledge and skills in industry to fill the second position for a non-executive director. Mr Hoosen was re-elected as the non-executive director with knowledge and skills in industry, with 85.49% of the votes cast in favour, and 13.19% voted against, while 1.32% had abstained from voting.

Prof. Vink had been the only candidate selected by the Panel with knowledge and skills in agriculture to fill the position for a non-executive director. Prof. Vink was re-elected as the non-executive director with knowledge and skills in agriculture, with 64.74% of the votes cast in favour, while 35.26% had abstained from voting.

The Chairperson congratulated all three persons on their re-election as non-executive directors. In terms of section 5 of the SARB Act, their appointments would be effective from 30 July 2022 to the day after the AGM in 2025.

Special business to be considered at this AGM

The Chairperson reiterated his earlier confirmation that the Acting Secretary of the SARB had not received any requests for special business to be placed on the agenda of this AGM. However, he invited the shareholders to raise any questions arising from the matters under consideration at the AGM.

A shareholder, Ms Myeni, mentioned that the basic income grant of R350 (based on the current social relief of distress (SRD) grant) had been approved, and asked about the range in which inflation would be required to be maintained to preserve the purchasing power of that grant, and alternatively, whether the basic income grant would be increased should inflation continue to rise.

The Chairperson explained that the decision to provide the basic income grant to its citizens was government's prerogative. The SARB's responsibility was to protect the buying power of the country's citizens, not only of salaries and/or wages, but also of any form of social grants. The level at which the social grant had been paid was beyond the remedy of the SARB.

Ms Myeni remarked that the South African youth were being negatively impacted by unemployment and the probability existed that in 10 to 20 years' time these youth would not be able to contribute to the economy if interventions were not introduced to address the skills gap.

The Chairperson mentioned that the youth are a valuable resource to South Africa, and as a country, relevant stakeholders had to devise ways to harness that resource and shape it to the benefit of the broader economy. Government skills and development programmes were designed to deal with those interventions to address the youth skills gap. These interventions had to be done through the relevant education policies that were driven by the appropriate authorities.

Ms Myeni asked whether the renewable energy sources should be subjected to the same inflationary pressures as fossil fuels during war.

The Chairperson stated that the renewable energy programme was still growing, and still in the preliminary stages, making it difficult to predict how far it would still go. The price of providing these renewable energies had been declining and the competition in the energy market might assist in moderating future electricity price increases, but the Chairperson noted that it was not something that was being recorded at this time, because of the low scale of the country's renewable energy industry.

Ms Myeni enquired as to how the SARB Head Office would be optimised to minimise the use of electricity (i.e. air conditioners and lighting). The Chairperson stated that the SARB was considering its own carbon footprint and was in the process of making the building environmentally sustainable through its greening project, including changing the utilisation of electricity in the building.

A shareholder, Mr Lawal, enquired as to measures that the SARB had considered to alleviate the financial burden on South African citizens in light of the global economic situation as a result of the COVID-19 pandemic and the Russia-Ukraine war.

The Chairperson explained that the pressure of rising inflation was eroding the buying power of South African citizens and thus it was important for the SARB to act with resolve to contain inflation.

A shareholder, Mr Duerr, asked about the timeline for the introduction of the CBDC.

The Chairperson explained that no timelines had been set at this stage for CBDC as it was still a learning journey for the SARB. The SARB was working on several collaborative efforts under the auspices of the IFWG initiatives such as Project Dunbar. There were still regulatory and legislative matters that had to be resolved in various jurisdictions and central banks were learning from each other.

Responding to a question from Mr Duerr regarding the feedback in respect of a political decision regarding the SARB's nationalisation, the Chairperson stated that the question should be referred to the relevant political party and government.

A shareholder, Mr Manyala, asked about the contribution of the SARB in addressing high unemployment and the high indebtedness of citizens, and whether increasing interest rates was the only solution to curb inflation, considering the status of the country.

The Chairperson stated that the interest rate was the only instrument the SARB had to deal with inflation. To the extent that there were other measures that could be taken that had to do with the structural functioning of the markets, those decisions would be dealt with through other policies in government. The SARB's responsibility was to curb inflation and stabilise the output fluctuations. Regarding the indebted citizens, the Chairperson stated that the SARB encouraged South African citizens to live within their means. Historically, South Africa had low interest rates and the current interest rates were still low compared to the beginning of the COVID-19 pandemic in 2020.

A shareholder, Ms Nxumalo, requested clarification regarding the statement made in 2020 by the former Minister of Finance, Mr Tito Mboweni, who had indicated that clause five of the Financial Sector Laws Amendment Bill (FSLAB) had amended section 10(1)(d) of the SARB Act. This amendment empowers the SARB to form a company (i.e. bridge institution) in which it could accept shares. In addition, clause seven of the FSLAB makes amendments to section 10(1)(c) of the SARB Act. This amendment renders the SARB incapable of incorporating or forming a clearing, payment and settlement systems company specifically.

The SARB's General Counsel, Mr Van der Walt, explained that the FSLAB had been enacted and that there had been no changes of section 10(1)(c) and (d) or any other sections of the SARB Act.

Ms Nxumalo stated that the primary mandate of the SARB was to achieve and maintain price stability in the interest of balanced and sustainable economic growth in South Africa, but the country was failing to achieve this balanced and sustainable economic growth. Since the SARB's actions were limited, it might be an opportune time to revisit its mandate to include or expand its development objectives.

The Chairperson explained that the SARB's contribution to the development objectives was by maintaining price stability, which was in the interest of balanced and sustainable growth in South Africa. The authors of the Constitution of the Republic of South Africa (Constitution) understood that price stability was a necessary tool, but not a sufficient condition for balanced and sustainable growth. The SARB mandate emanates from the Constitution, which was consistent with the mandate of other central banks globally. The requirement to expand the SARB mandate to include developmental objectives, was pointing to a failure of some of the agencies that had been tasked with particular developmental mandates. To increase the SARB's mandate to address other failures, would set up the central bank for failure, as it was not designed for that purpose.

Mr Manyala further enquired whether the SARB was planning to issue digital certificates to shareholders to replace paper certificates.

The Chairperson stated that the SARB Act would have to be amended to allow for digital certificates as the current SARB Act stipulated the issuance of a paper shareholder certificate.

A shareholder, Dr Rossouw, requested clarity on the sales item referred to on page 129 of the SARB Annual Report – sales of bank notes and coin to third parties, amounting of R4 389 million.

The Group Executive: Currency Management Cluster, Mr Mogam Pillay, explained that the amount referred to on page 129 of the SARB Annual Report was a consolidated number of intercompany sales of bank notes and coin to the SARB.

Dr Rossouw further asked about the amount of the annual seigniorage revenue of the SARB and enquired whether it was possible that in future the annual seigniorage revenue be reported as a note in the annual financial statements. Dr Rossouw further asked whether the SARB could publish in future annual reports the details of the seigniorage sharing agreement with the Common Monetary Area (CMA) countries.

Mr Pillay mentioned that seigniorage was not a calculation that the SARB specifically do, but it was regarded as one of those calculations that were not consistently defined across the central banks and across the world. From a consistency point of view, any such disclosure would require an extensive exercise in terms of it being defined.

Given the response as to the difficulty in calculating and disclosure of seigniorage, Dr Rossouw asked the SARB to explain how seigniorage sharing with the CMA was then calculated.

The Chairperson explained that seigniorage between the CMA was a payment coming from National Treasury in terms of an international treaty and was therefore reflected in the accounts of National Treasury. The revenue derived from the seigniorage could not be disclosed separately as per the SARB Act stipulations.

Dr Rossouw remarked that the Chairperson, in his capacity as the Governor, had previously spoken about an inflation target of 2–4%, and enquired whether the statement implied 2–4%, or 2–4% with a focus on 3%, or a 3% target with a range of one percentage point on either side.

The Chairperson provided context by stating that former Minister of Finance, Mr Trevor Manuel, and the eighth Governor of the SARB, Mr Tito Mboweni, decided on an inflation target range of 2–4%, which would be interpreted as 3% with a tolerance of plus or minus one, and would still give a range 2–4%. In communication, it becomes preferable to have a midpoint of the inflation target range.

Dr Rossouw remarked that in the last MPC meeting, the voting was 1–3–2 in favour of a 75-basis-point rate increase and enquired what would the position be if the voting was a deadlock, for instance 1–2–2 for 50, 75 and 100 basis points, or 2–2–1 on the same basis.

In response, the Chairperson stated that the MPC terms of reference stipulates that the MPC should strive for sufficient consensus when making its decisions, but should consensus not be achieved, then such decisions would be taken by a majority vote of all those members present at the meeting. In an event of a tie/deadlock, the Chairperson of the MPC had a casting vote.

A shareholder, Mr Gama, enquired whether it was sensible for the SARB to curb imported inflation by raising interest rates, especially in a country with such a high cost of living.

The Chairperson clarified that inflation was not imported, but was driven by the rise in food and fuel costs. As a result, the SARB had attempted to look through the potential second-round effects, which was core inflation (inflation excluding food and fuel). The SARB’s inflation forecast had shown that core inflation was starting to rise, suggesting to the SARB that inflationary pressures were going beyond food and fuel. It was thus incumbent on the SARB to recalibrate its monetary policy to deal with rising inflation. The Chairperson emphasised that the SARB had to protect the income of South Africans, because high inflation erodes the income of South Africans. The delay by the SARB to act speedily in curbing rising inflation, would result in even higher interest rates. For a country to operate in an environment of low interest rates, it would require low inflation, as ‘higher inflation begets higher interest rates’. He further clarified that bringing inflation down was a communication mechanism to the price-setters to understand that there was an authority in the country tasked with a constitutional responsibility of protecting the value of the currency, and that authority, which was the SARB, had been acting through its mandate to curb inflation.

Ms Nxumalo requested feedback regarding the SARB's 50% stake in ABHL that was for sale.

The Chairperson mentioned that the SARB had gone to market and could not find a successful bidder with credible funding to take up the shareholding. As a result, the SARB had changed its strategy to dispose of its holding in ABHL through an initial public offering (IPO) process, when the market and trading conditions were favourable. The IPO process carried the ‘Come Along’ and ‘Tag Along’ clauses, which meant that whatever proportion the SARB sells, the other parties who hold shares in ABHL would also sell their shares in the same proportion.

Regarding a question raised by Ms Nxumalo on the Absa loan, which according to the Public Protector in South Africa was never repaid to the SARB, the Chairperson stated that the judgment on the matter had been done through the South African courts and finalised.

Ms Myeni enquired about the implication of Zimbabwe issuing gold coin to tackle high inflation, and whether South Africa would consider the option should it find itself in a similar situation.

The Chairperson stated that the question regarding Zimbabwe should be addressed to the Governor of the Central Bank of Zimbabwe. South Africa does not have to issue gold coin, as South African banknotes and coin have a good standing in the country and globally.

The Chairperson then gave Mr Paul Hanratty, the Chief Executive Officer (CEO) of Sanlam Limited, the opportunity to propose a vote of thanks to the SARB on behalf of his organisation, the financial services sector and the shareholders.

Mr Hanratty conveyed his sincere appreciation to the SARB executives and all the SARB staff and on behalf of the SARB shareholders, for the work that the SARB was continuing to do during this time. Sound monetary policy and strong pragmatic regulation were vital to ensure that South Africa and its economy could flourish and prosper, even in challenging times. South Africa had entered 2022 with the hope that it would be a benign year, although there were fault lines and risks in the global economy and the political and social tensions in the world had since been elevated. The meltdown in markets, disruptions to logistics supply chains and realignment of political forces globally had created a worrying and volatile environment. The impact of COVID-19 appeared to be much more severe – economically and from a healthcare standpoint. Although the loss of life attributable to COVID-19 had been huge, he believed the longer-term hidden impacts from social and economic impacts of the COVID-19 pandemic were much more severe. These impacts had been exacerbated by the current economic woes the world was currently facing. The macro impacts of the current situation were not evenly spread. South Africa had been severely impacted, as consumers had been facing tremendous cost of living pressures at a time when jobs were scarce, and many South Africans faced hunger on a daily basis.

Mr Hanratty stated that the leadership within the SARB had to make crucial decisions in the fast-changing environment and against an agonising backdrop of human tragedy for most of our population. It also had to maintain discipline and stay focused on the long term, and this was far from easy. He had observed how other well-known central banks had to revise inflation forecasts multiple times and had been embarrassingly wide off the mark on each occasion. Some of these central bankers had open disputes with their respective political leadership over policy and the execution of policy. Governor Kganyago and his team, by contrast, had been highly professional and the independence of judgement had been apparent even at this most trying of times.

Mr Hanratty mentioned that although it was not clear when the current situation would dissipate, it seemed that South Africa would face a difficult economic period. He added that it was not known how the human spirit and the invisible hand always triumphed. Collectively, South Africans would triumph; on behalf of the shareholders, the SARB would triumph, and the Governor could count on the shareholders' full support as they discharged their roles. There had been a rotation of executives within the SARB over the past year. He thanked the Governor and his team in the manner in which the rotation was carried out as there had been no disruption or uncertainty. The SARB would be strengthened by giving fresh insight into the various responsibilities that fall under the Governor.

Concluding his vote of thanks, Mr Hanratty wished the SARB Board, Governor Kganyago, Deputy Governors, executive management and all the SARB staff well for the year ahead and stated that he had no doubt that the SARB would remain a beacon for the country and an example of excellence for all the citizens of South Africa.

In the absence of further questions, the Chairperson expressed sincere appreciation to the Minister of Finance, Mr Enoch Godongwana; Deputy Minister of Finance, Mr David Masondo; National Treasury Acting Director-General, Mr Ismail Momoniat; the former Director General, Mr Dondo Mogajane; and all the staff of National Treasury for their ongoing support of the SARB.

Sincere thanks were expressed to the members of the SARB Board for their continued contributions and support, and for ensuring appropriate corporate governance at the SARB.

Sincere appreciation was also expressed to Deputy Governors Naidoo, Cassim and Tshazibana for sharing the workload as well as the entire management and staff of the SARB for their continued dedication and support during what was once again a challenging year. The Chairperson thanked them for their contributions and stated that he was confident that their continued efforts would ensure that the coming year would be even more successful.

In conclusion, the Chairperson thanked all the shareholders and guests for their attendance and participation in this AGM and expressed that he trusted that the SARB could continue to count on their support in future.

The Chairperson then declared the proceedings closed.

E L Kganyago
Chairperson

Annexure A

An address by Lesetja Kganyago, Governor of the SARB, to the 102nd AGM of the SARB shareholders held on Friday, 29 July 2022

Introduction

We convene our annual Ordinary General Meeting virtually for the third time in a row – and hopefully for the last time in this format.

We have managed our way through the severe and tragic global calamity of COVID-19. Mobility and activity restrictions, public health, fiscal and monetary efforts, in South Africa and abroad, have been unprecedented. In the early days of the pandemic, the South African Reserve Bank cut the repurchase rate to an all-time low of 3.5%, pulling the prime rate down to a 54-year low of 7.0%.

The successful vaccine roll-out, the repeal of COVID-19 protocols and the opening of borders have propelled the economic recovery forward, recreating jobs and raising output back to above pre-pandemic levels.

Given the size of the pandemic shocks to our economies, with hindsight, it should not surprise us that the aftermath has been tumultuous.

Recovery has not progressed in a neat, linear way, but rather has been slowed by unforeseen constraints. The reconnection of global supply chains has been halting and subject to shifting policies and priorities, contributing to high prices for many goods and commodities.

Political surprises have also emerged in the form of heightened geopolitical risks that, together with the ever-present threat of new COVID-19 variants, cast a pall over the rosy recovery of much of the past year.

During the year under review, even as our domestic recovery progressed, a range of setbacks occurred, contributing to economic and financial market volatility, weaker than expected growth outcomes and higher inflation.

As we cross the midpoint of 2022, the IMF warns of further downside expectations for economic growth. Fiscal authorities, having extended policy aggressively during the crisis to support their economies, face limited policy space caused by high debt levels and rising debt service costs. And central banks around the world focus more intently on the need to return inflation to much lower rates.

Our response to the inflation threat has been measured, taking into account the moderate inflation of the past year and the acceleration of inflation that we see now. The repo rate was raised gradually from November 2021. In the May and July meetings, larger repo rate steps were taken to ensure that we prevent inflation expectations from becoming unanchored and generating much higher future inflation. South Africans must be protected from the threat to living standards and jobs that inflation causes. This is, after all, our constitutional mandate.

Let me now reflect on recent economic developments.

The global economy largely weathered the COVID-19 pandemic, making a good recovery in 2021 and into 2022. The initial recovery phase was underpinned by supportive fiscal and monetary policies as well as widespread vaccination. Advanced economies experienced the strongest growth over the past year, while the recovery in emerging markets has been more mixed.

At a global level, fully extended fiscal and monetary policies pushed recovery forward, with expansionary policies extended through 2021 and into this year. In tandem with a build-up of savings, aggregate demand expanded aggressively, eventually adding fuel to the fire of supply shortages, and giving fresh impetus to the inflation shock that currently besets the world economy.

The fiscal expansions and accommodative monetary policies that underpinned the 2021 recovery boosted demand for goods at a time when supply chains remained constrained due to COVID-19-related lockdowns.

The pandemic-induced mobility restrictions meant that demand shifted from services to goods, exacerbating the demand-supply imbalance in the goods markets. Together with the strong recovery in oil and food prices, as well as tightening labour markets, this created a perfect storm for global inflation, which rose sharply during the second half of 2021 and into 2022.

Inflationary pressures were spurred further by the renewed lockdowns in China as well as the Russia-Ukraine war, which not only heightened uncertainty, but also exacerbated supply bottlenecks and disrupted food and energy markets. Oil prices rose sharply in response to the invasion, touching above 130 US dollars per barrel in early March before subsiding somewhat. As a result, inflation has risen to levels last seen in the 1980s in some of the advanced economies.

The combination of these adverse shocks is expected to markedly slow global growth. Prospects are worsened by the expected high global interest rates as central banks respond to keep inflation expectations anchored.

Although the IMF's July 2022 *World Economic Outlook (WEO)* expects the global economy to have registered robust growth of 6.1% in 2021, the IMF has adjusted its forecasts for global growth lower to 3.2% in 2022 and 2.9% in 2023. This is 0.4 and 0.7 percentage points lower for 2022 and 2023 respectively than was projected in the April 2022 *WEO*. With inflation more persistent, the US Fed has moved to tighten monetary policy. After raising rates by 25 basis points in March, the Fed ramped up the pace, increasing the Fed funds rate by 50 basis points in May and by 75 basis points in both June and July. It also began quantitative tightening in June. Fed communication points to further large rate hikes this year. The market now expects the Fed funds rate to peak around 3.4% early in 2023. The pace of monetary policy normalisation is much faster than was expected last year.

Inflation dynamics have been somewhat different in the European Union. Inflation in the EU has been largely supply-driven. The war in Ukraine and the resulting economic sanctions on Russia have led to an energy crisis in Europe, where gas prices have soared more than 400%. The European Central Bank raised its policy rate by 50 basis points for the first time in over a decade at its July meeting as it works to contain inflation of 8.6% – well above its 2% target rate.

Emerging economies, including sub-Saharan Africa economies, will be impacted by these global developments on multiple fronts.

First, higher food and oil prices pose risks to inflation and social stability. Second, slower global growth softens demand and the prices of export commodities from the region, and emerging markets in general, with adverse impacts on growth. And third, faster policy normalisation in the advanced economies influences capital flows and puts pressure on emerging markets exchange rates, and thus inflation.

On the domestic front through 2021 and into 2022, South Africa's economic recovery was underpinned by buoyant consumption spending, robust terms of trade gains from high global commodity prices and a return to positive private investment growth. The domestic economy grew by 4.9% in 2021 – its fastest pace of growth since 2007 – after the sharp contraction of 6.4% in 2020.

An even better growth outcome for the year might have been achieved had local shocks not obstructed growth in July of last year and through much of April, May and June of this year.

Social and political unrest in July 2021 in Gauteng and KwaZulu-Natal, as well as the subsequent catastrophic floods in KwaZulu-Natal this year, caused immeasurable damage and added to the plight of communities in the hardest-hit areas. These weather-related events also impacted on insurers and brought to the fore the challenges that the financial sector faces in relation to climate change. In recent months, load-shedding became more extensive and intensive, imposing high costs on economic activity levels.

Fiscal and monetary policy throughout the year supported economic activity through positive real spending and rising credit demand. Spending by households also benefitted from a rebound in wages, a recovery in net wealth and increased social transfers.

The sharp increase in private savings occasioned by the drop in consumption during the hard lockdown helped drive the current account into surplus, and together with revenue windfalls, provided relatively cheap financing to public spending. The country's current account, which reached 3.7% of GDP in 2021, supported the rand and contributed to less inflationary pressure than had been expected when the crisis first unfolded.

Despite borrowing requirements remaining high, South Africa's fiscal ratios improved markedly, underpinned by revenue overperformance. Commodity export prices and a strong terms of trade have played a critical role in the economy's adjustment to the pandemic and recovery.

As a result of these developments, domestic output has now recovered to pre-pandemic levels, surpassing the 2019 GDP level in the first quarter of 2022, on the back of strong growth during the quarter. Our economy grew by 1.9% of the quarter-on-quarter seasonally adjusted rate in the first quarter of 2022. This followed an upwardly revised 1.4% growth in the fourth quarter.

The first-quarter growth was broad-based, underpinned by manufacturing, trade and the finance sector. The broad-based growth reflects the easing of lockdown restrictions during the period as well as improving domestic demand. Nonetheless, important sectors of the economy – construction, tourism and hospitality – remain well below 2019 levels of output, with major consequences for employment levels. These sectors will recover, but it will take time, and some of their recovery depends on further weakening of the economic costs of the pandemic.

Continuing with our sectoral view of the economy, we have also seen ongoing volatility in output in mining, construction and manufacturing, reflecting load-shedding, logistical bottlenecks and blockages, and other shocks. From a production point of view, South Africa has struggled to capitalise on sharply higher export commodity prices. Unfortunately, the growth momentum from the first quarter is not expected to carry through to the second quarter. The flooding in KwaZulu-Natal in April heavily impeded economic activity and load-shedding has intensified.

Additional headwinds to growth include a sharp correction in commodity prices, rising inflation and increased strike activity. South Africa's commodity export price basket has moderated in recent weeks as metals prices have declined. Despite the implied weakening of the terms of trade, we still expect the current account surplus to extend into 2023 as import demand continues to recover slowly.

A critical determinant of South Africa's economic fortunes in recent years has been an ongoing weakening in investment spending, across the private and public sectors. Gross fixed capital formation in the past year reached 14% of GDP. For this reason, it is encouraging that private investment has strengthened by more than expected in the rebound from the pandemic. However, increasing the potential growth rate of the economy requires a sustained further improvement in all forms of investment. Recent moves to open the energy sector to investment by private firms are to be encouraged, accelerated and hopefully replicated in other network industries.

GDP is projected to contract by 1.1% in the second quarter but to expand again by 0.7% in the third quarter. Though growth for 2022 has been revised higher to 2.0%, the SARB's expectations for economic growth in 2023 and 2024 have been revised downward to 1.3% and 1.5% respectively as these adverse supply side effects take their toll.

Total employment has continued to recover, although at a slower pace than GDP. The official unemployment rate fell by nearly a full percentage point to 34.5% in the first quarter of 2022, as total employment increased by 370 000 while unemployment declined by 60 000. As noted earlier, some labour-intensive sectors have been slow to recover from the pandemic as they depend critically on high levels of human mobility, such as international travel, among other factors.

Household spending has been a key driver of the recovery, growing by about 2.5% in real terms in 2021 on the back of rising disposable income. With rising inflation, however, consumption by households is likely to come under increasing pressure.

Inflation breached the upper limit of the target range in May, accelerating to 6.5%. Early impetus came from food and fuel, but inflation pressures have since broadened. Goods inflation has risen sharply over the past few months, reflecting high global inflation, rising production and distribution costs, and a weaker rand exchange rate. Services price inflation still remains moderate, but has about doubled in recent months and poses a risk to the inflation outlook.

After several years of subdued pass-through of intermediate costs to consumer prices, margin pressure appears to be reversing. Alongside stronger economic growth than expected, these developments raise the prospect that higher import prices feed through more directly to consumer prices. Wage settlements during the first half of this year have come in above inflation, further squeezing margins of firms and raising the prospect of more entrenched wage inflation.

The SARB's MPC has moved to normalise rates, raising the repo rate by a cumulative 200 basis points since November 2021. The hiking cycle began gradually with a 25 basis point adjustment at the November MPC meeting, but has since accelerated to include a 50 basis point increase in May, and a 75 basis point increase in July, as inflationary pressures intensified. The path for the repo rate, however, remains supportive of credit demand in the near term, even as rates rise in line with the current view of inflation risks. When adjusting for inflation, real interest rates relative to real productivity and income growth remain low.

Monetary policy needs to be forward-looking to maximise its effectiveness. For that reason, policy needs to respond to future expectations of inflation held by economic agents and the inflation forecast served to the MPC by SARB staff. The MPC will continue to monitor inflation developments closely and will respond appropriately to ensure that inflation expectations remain anchored.

Let me now focus on the SARB's other mandate and operational matters.

On securing financial stability, besides ensuring price stability, the SARB is also tasked with maintaining stability in the financial system. Despite the shock of the COVID-19 pandemic, South Africa's financial sector remains resilient.

During the year under review, a few financial stability risks and vulnerabilities emerged. These included the low growth environment, rising inflation, the cost implications of the July 2021 unrest for the financial sector, climate-related risks and the geopolitical tensions between Russia and Ukraine.

Work towards crisis preparedness and resolution is continuing. The FSLAA was enacted earlier this year. The FSLAA gives the SARB the powers to act as a Resolution Authority and establishes CODI. The establishment of a deposit insurance scheme will contribute to improving confidence in the country's banking institutions. This will also put South Africa on par with its international peers and further align its financial sector to the principles of international standard-setting bodies.

Let me now move to operational matters.

The national payment system forms a core part of the financial intermediation infrastructure that enables financial institutions, businesses and consumers to make payments and settle their obligations seamlessly. The review of the applicable legislation and the modernisation of payment system infrastructure has been in the pipeline and forms part of the payment system's Vision 2025.

The evolution of payment technologies over the last few years has made the modernisation of both retail and wholesale system infrastructures a key priority. A number of initiatives are currently underway, including a review of the NPS Act and the payment system modernisation initiative. This initiative encompasses the payment settlement system renewal programme and the retail payment system reforms that include the rapid payments programme.

The launch of the RTGS system renewal programme aims to reform and modernise both domestic and regional payment settlement services. The programme will facilitate wider access to the payments system, improve efficiency by leveraging new technology and address the security risks posed by cyberthreats. It will also enhance payment services provision and address the challenges of access, speed, cost and transparency of payments for both payment service providers and consumers.

Fintech has advanced significantly, and we are seeing a wave of innovation in the provision of financial services that in many instances falls outside of the purview of regulatory agencies. Responding to these developments is a fine balancing act, and while continuing to focus on their monetary policy and financial stability mandates, central banks also need to respond to market developments that can potentially introduce risk into the broader financial system.

In a quest to embrace innovation in the fintech space, the SARB is working on several collaborative efforts under the auspices of the IFWG. Initiatives include participation in exploratory work on 'open finance', collaboration with innovators in the 'Regulatory Sandbox', and work on multiple CBDCs for international settlement through Project Dunbar.

The SARB is also committed to bringing crypto-assets into the regulatory ambit given the growth and proliferation of these assets and resulting risks they pose in the form of illicit financial flows, among other factors. In June 2021, the IFWG released a position paper on the need to regulate crypto-assets in a phased and structured manner. As a member of the FSB, we have been participating in discussions for the need to coordinate these efforts globally.

In April 2022, the Project Khokha 2 report was released, the culmination of work involving experimentation with distributed ledger technology or DLT. It explores the impact of tokenisation of financial assets through the issuance of a SARB debenture, or debt security, on DLT, and highlights a number of legal, regulatory and policy implications when applying this technology in financial markets.

Climate change has emerged as a key threat to economic and financial stability and a lived reality for millions of people, domestically and globally. The floods that wreaked havoc in KwaZulu-Natal in January of this year and again in April represent a tiny fraction of the climate-related destruction visited on the global economy in the year under review. Greater rainfall in the eastern parts of South Africa and less in the west are clear developments to which our economy will need to adjust. Catastrophic weather events occur more frequently, and with greater damage.

Important projects on climate change are taking place within the SARB. These projects are being implemented through various policy and support areas. The Economic Research Department is assessing the implications of climate-related shocks for monetary policy execution and implementation. Climate change and the transition to a greener economy have the potential to generate larger, longer and often more frequent economic and financial shocks, with disruptive effects for economic activity and high inflation.

Financial institutions play an important role in climate change adaptation and mitigation through the provision of funding. The work of the PA and the Financial Stability Department is focused on improving the resilience of the financial sector to climate-related risks and on incorporating climate-related information in funding and insurance decisions. Climate change indicators, disclosure and taxonomy rules will become part of the prudential framework.

During 2021, an inaugural sensitivity stress test was conducted of the insurance sector. The results of the stress test were encouraging – an indication that large insurers would have sufficient financial resources in the event of an adverse scenario.

The hybrid way of working that the SARB initiated during the pandemic will stand us in good stead as we kick-start the renovation of the Head Office building in Pretoria.

The renovations are necessary to overhaul ageing infrastructure and perform a much-needed upgrade of our facilities. With the planned addition of a museum, the expanded precinct is intended to enhance public accessibility and become a place of knowledge-sharing and a window onto our country's economic and financial history.

The SARB has started with these renovations, and has appointed a contractor for the redevelopment and secured temporary office space. It is envisaged that the temporary office space will be ready for occupation by 1 October 2022. A project of this nature does not come without hurdles. With key project and stakeholder management processes in place, we anticipate project completion of the Head Office precinct by the end of 2024.

Our vaccination programme has yielded some positive results, with a total of 61% of SARB Group staff, including the currency-producing subsidiaries and three cash centres, having received the primary dose of the available vaccines. A total of 11% of staff are considered to be fully vaccinated under the new definition, which includes the primary dose and a booster shot.

In a quest to create a workplace that is more representative of the public we serve, we embarked on a Diversity and Inclusion journey in September 2020. Fostering a more inclusive workplace allows people from all walks of life to thrive, for diverse views to flourish and builds a more resilient organisation, founded on a richer set of skills and expertise.

Let me conclude

Our staff are the 'engine room' of this institution, and employee well-being is of utmost importance. Since the pandemic, we have put in place interventions to assist those impacted by the disruption caused by the pandemic and working from home.

I would like to express my sincere gratitude to all the staff members in the SARB Group. They have soldiered on under difficult conditions, and their agility and resolve in continuing to deliver high-quality outputs through virtual platforms and supporting each other while discovering new ways to collaborate is testament to living the SARB values of integrity, accountability, respect and trust, open communication and excellence daily.

Despite the challenges we have faced in the past year, the achievements have been heartening. We are now in year three of our strategy, and although we have achieved our strategic objectives for the year, we cannot rest on our laurels. Central banks are faced with new challenges which require us to be proactive and responsive.

We remain committed to serving the economic well-being of South Africans by delivering on our mandates of price stability and financial stability. We have made great strides in engaging our stakeholders through investor sessions, monetary policy and financial stability forums, economic roundtables and publications.

Our monetary policy stance is shifting to better confront the challenges of higher inflation and to guide inflation back to the midpoint of the target band. Monetary policy alone is not capable of solving the deep-seated constraints to economic growth, but it can create an enabling environment and the stability needed for other policies to have a greater impact.

We remain acutely aware that our role in rebuilding this economy is but part of a broader agenda that is supported by other government institutions as well as the private sector. We remain resolute in delivering on our mandates without fear or favour in the interest of the citizens of South Africa.

As we continue on our purposeful journey, it is incumbent on each one of us to remain hopeful. We have pulled through the most severe pandemic since the early 1900s. We will ultimately recover and rebuild from the current storm in which we find ourselves.

Abbreviations

AACB: Association of African Central Banks
ABHL: African Bank Holdings Limited
ABL: African Bank Limited
AGM: annual Ordinary General Meeting
AGR: Augmented Guidotti Ratio
AI: artificial intelligence
AML/CFT: anti-money laundering and combating the financing of terrorism
API: application programming interface
ASF: available stable funding
BA: Bachelor of Arts
BASA: The Banking Association South Africa
BCBS: Basel Committee on Banking Supervision
BCom: Bachelor of Commerce
BER: Bureau for Economic Research
BIS: Bank for International Settlements
BnEI: Banknote Ethics Initiative
Board: Board of Directors
BREC: Board Risk and Ethics Committee
BRICS: Brazil, Russia, India, China and South Africa
CAF: Combined Assurance Forum
CA(SA): Chartered Accountant South Africa
CBDC: central bank digital currency
CCBG: Committee of Central Bank Governors
CDR: cross-departmental research
CEO: Chief Executive Officer
CFI: cooperative financial institutions
CFO: Chief Financial Officer
CIS: collective investment schemes
CMA: Common Monetary Area
CODI: Corporation for Deposit Insurance
COFI: Conduct of Financial Institutions
Constitution: Constitution of South Africa Act 108 of 1996
COO: Chief Operating Officer
CRST: climate risk stress test
CPC: Crisis Preparedness Committee
CPD: Corporation for Public Deposits
CPD Act: Corporation for Public Deposits Act 46 of 1984
CPI: consumer price index
CRO: Chief Risk Officer
CSI: corporate social investment
CSST: common scenario stress testing
DI Acts: Financial Sector and Deposit Insurance Levies Act 11 of 2022 and the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act 12 of 2022
D&I: diversity and inclusion
DIF: deposit insurance fund
DIS: Deposit Insurance Scheme
DLT: distributed ledger technology
DMTN: domestic medium-term notes
EBITDA: earnings before interest, taxes, depreciation, and amortisation
ECL: expected credit loss
EES: Employee Engagement Survey
EFA: enablement focus area
EFT: electronic funds transfers
EMDE: emerging market and developing economy
ERD: Economic Research Department
ex officio: by virtue of one's position or status (Latin)
FATF: Financial Action Task Force
FEC: forward exchange contract
Fed: US Federal Reserve
FIC: Financial Intelligence Centre
FIC Act: Financial Intelligence Centre Act 38 of 2001
fintech: financial technology
FMA: Financial Markets Act 19 of 2012
FMD: Financial Markets Department
FMIs: financial market infrastructures
FSAP: Financial Sector Assessment Programme
FSB: Financial Stability Board
FSC: Financial Stability Committee
FSCA: Financial Sector Conduct Authority
FSCF: Financial Sector Contingency Forum
FSD: Financial Services Department
FSLAA Act: Financial Sector Laws Amendment Act 23 of 2021
FSOC: Financial Stability Oversight Committee
FSR: Financial Stability Review
FSR Act: Financial Sector Regulation Act 9 of 2017
FST: Financial Stability Department
FVOCI: fair value through other comprehensive income
FVPL: fair value through profit or loss
FX: foreign exchange
G20: Group of Twenty
GDP: gross domestic product
GEC: Governors' Executive Committee
GFECRA: gold and foreign exchange contingency reserve account
GIBS: Gordon Institute of Business Science
GOI: Governance and Operational Standard for Insurers
GR: Guidotti-Greenspan rule
GRC: governance, risk and compliance
GSFN: global financial safety net
HCM: Human Capital Management
Hons: Honours (degree)
I&T: information and technology
IAD: Internal Audit Department
IAS: International Accounting Standards
IAS 1: IAS 1 Presentation of Financial Statements
IAS 37: IAS 37 Provisions, Contingent Liabilities and Contingent Assets

i.e.: id est (that is to say) (Latin)
IEB: Independent Examinations Board
IERPD: International Economic Relations and Policy Department
IFPRI: International Food Policy Research Institute
IFRS: International Financial Reporting Standards
IFRS 9: IFRS 9 Financial Instruments
IFRS 15: IFRS 15 Revenue from Contracts with Customers
IFRS 16: IFRS 16 Leases
IFWG: Intergovernmental Fintech Working Group
IGCC: Inter-Governmental Cash Coordination loans
IIA: Institute of Internal Auditors
IMDA: International Mint Directors Association
IMF: International Monetary Fund
InsureCo: African Insurance Group Limited
IPO: initial public offering
IRBA Code: Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors
ISM: integrated stress testing model
ISO: International Organization for Standardizsation
Jibar: Johannesburg Interbank Average Rate
JOC: Joint Operations Centre
King IV™: *King Report on Corporate Governance in South Africa (2016)*
LEX: Large Exposure
LGS: Loan guarantee scheme
LIBOR: London Interbank Offered Rate
LLB: Bachelor of Laws
LLM: Master of Laws
MBA: Master of Business Administration
MDC: Mint Directors Conference
MER: *Mutual Evaluation Report*
MI: market infrastructure
ML: machine learning
MLDP: Management and Leadership Development Programme
MPC: Monetary Policy Committee
MPF: Monetary Policy Forum
MPG: Market Practitioners Group
MPIF: Monetary Policy Implementation Framework
MPR: *Monetary Policy Review*
NBFI: non-bank financial institution
NCR: National Credit Regulator
Nedcom: Non-executive Directors' Committee
NFSR: net stable funding ratio
NGFS: Network for Greening the Financial System
NPS: national payment system
NPS Act: National Payment System Act 78 of 1998
NPSD: National Payment System Department
NRF: National Revenue Fund
OCI: other comprehensive income
OTC: over the counter
PA: Prudential Authority
PASA: Payments Association of South Africa
PDI: Public Disclosure for Insurers
PEB: post-employment benefits
PhD: Doctor of Philosophy/Doctorate
PPE: property, plant and equipment
Prestige Bullion: Prestige Bullion (RF) Proprietary Limited
PruCo: Prudential Committee
PwC Inc.: PricewaterhouseCoopers Inc.
QPM: quarterly projection model
QB: Quarterly Bulletin
RCAP: Regulatory Consistency Assessment Programme
Remco: Remuneration Committee
Repo: repurchase
repo: sale and repurchase agreements
repo rate: repurchase rate
RGU: Regulatory Guidance Unit
RMC: Risk Management Committee
RMCD: Risk Management and Compliance Department
RROC: Reference Rate Oversight Committee
RPA: robotic process automation
RPP: Resolution Policy Panel
RSB: Regulatory Sandbox
RTGS: real-time gross settlement
RVM: Risk and Vulnerability Matrix
SA: South Africa(n)
SA government: South African government
SABN: South African Bank Note Company (RF) Proprietary Limited
SADC: Southern African Development Community
SAICA: South African Institute of Chartered Accountants
SAMOS: South African Multiple Option Settlement
SARB: South African Reserve Bank
SARB Act: South African Reserve Bank Act 90 of 1989, as amended
SARB Amendment Act: South African Reserve Bank Amendment Act 4 of 2010
SDR: special drawing right
SFA: strategic focus area
SICR: significant increase in credit risk
SIFIs: systemically important financial institutions
SNG Grant Thornton: SizweNtsalubaGobodo Grant Thornton Inc.
Stats SA: Statistics South Africa
South African Mint: South African Mint Company (RF) Proprietary Limited
SPPI: solely payments of principal and interest
the Group: South African Reserve Bank Group, including its subsidiaries and associate, referred to in the summary annual financial statements
TLAC: total loss absorbing capacity
US: United States
VAT: value-added tax
Wits: University of the Witwatersrand
ZARONIA: South African Rand Overnight Index Average Rate

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