SOUTH AFRICAN RESERVE BANK

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ANNUAL REPORT 2023/24

PRICE AND FINANCIAL STABILITY FOR SUSTAINABLE GROWTH

Contents

Online

The full annual financial statements of the SARB Group are available at **http://www.resbank.onlinereport.co.za/2024/**.

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 Zoliswa Copiso, Secretary of the SARB, at **Zoliswa.Copiso@resbank.co.za.**

SARB overview

The South African Reserve Bank (SARB) opened its doors on 30 June 1921, making it the oldest central bank in Africa.

With the adoption of the Constitution of the Republic of South Africa (Constitution) in 1996, the SARB's independence was enshrined. The Constitution gives the SARB a clear mandate – to pursue and maintain price stability in the interest of balanced and sustainable economic growth.

The Financial Sector Regulation Act 9 of 2017, as amended (FSR Act) gives the SARB a statutory mandate to protect and enhance financial stability.

The SARB effectively executes its constitutional and statutory mandates independently and without fear, favour or prejudice.

The SARB is not profit-driven. It serves 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).

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 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).

Vision

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

Values

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

How the SARB is governed

The Governor and three Deputy Governors (DGs) are appointed by the President of the Republic of South Africa (President) 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 DGs are executive members of the 15-member Board.

Seven Board members who help to strengthen governance are non-executive directors elected by the SARB shareholders after screening by a panel in terms of section 4(1G) of the South African Reserve Bank Act 90 of 1989, as amended (SARB Act). The non-executive directors have no rights or involvement in determining monetary policy, financial stability policy or regulation and supervision. The Governor serves as the Chief Executive Officer (CEO) of the SARB and the Chairperson of the Board in terms of the SARB Act.

About this report

The SARB Annual Report for the year ended 31 March 2024 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 mainly Members of Parliament (MPs), specifically the Standing and Select Committees on Finance, through which the SARB accounts to the people of South Africa. The report is also relevant to shareholders and 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 the government, other regulators and the broader public. 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 not controlled by the SARB, accordingly it is 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.

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 in the legislative requirements and framework guidance, the former takes precedence.

1 Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

Assurance

The summarised 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 – SizweNtsalubaGobodo Grant Thornton Inc. (SNG Grant Thornton) and BDO South Africa Incorporated (BDO).

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, Parliament and Legal Deposits kept at five South African national libraries. The information included in the annual report covers what the SARB defines as material matters (i.e. the 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 (HoDs) 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 2024 on 6 June 2024, signed on its behalf by:

E L (Lesetja) Kganyago
Governor of the SARB

N B (Norman) Mbazima
Non-executive director and Chairperson of the Audit Committee

R (Reshoketswe) Ralebepa
Group Chief Financial Officer

Z (Zoliswa) Copiso
Secretary of the SARB

What we do

The SARB maintains price stability in the interest of balanced and sustainable economic growth. This mandate is enshrined in the Constitution, and 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; issuing and destroying banknotes; and acting as banker to the government, lender of last resort and the designated Resolution Authority in terms of the FSR Act. It is also the custodian of the national payment system (NPS), which is crucial to the functioning of South Africa's economy.

Delivering on these objectives requires integrated thinking, guided by the SARB's strategy and supported by enablement functions that include transparent communication and coordinated policymaking and implementation.

INPUTS

Social and relationship inputs

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

- empower Parliament, civil society, businesses, labour formations and 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 various 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; and
- 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 capable leaders with the relevant skills and a deep understanding of economic and financial systems.

- The SARB's employee value proposition, which is premised on, among other attributes, serving the public good, development opportunities and organisational stability, is designed to attract and retain critical skills.
- The SARB's 2 512 employees are motivated and skilled. Their diverse knowledge and skills assist the SARB in achieving its mandate and supporting objectives. Salaries amounted to R3.0 billion (2022/23: R2.7 billion).
- Training and development spend to upskill and reskill staff amounted to R116.3 million (2022/23: R69.7 million).
- The SARB remains committed to transformation, with its diverse Board comprising seven women and eight men, of which 87% are black. Of its total staff complement, 84.4% (2022/23: 82.4%) are black and 54.7% (2022/23: 53.9%) are women.

Financial inputs

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

- maintaining sound financial and budgetary controls; and
- limiting spending to R1.8 billion on producing the upgraded banknotes and coin for circulation.

Operating expenses amounted to R8.4 billion.

- These were funded by:
  - revenue generated from the management of foreign exchange (FX) reserves of R16 billion; and
  - interest from the management of market operations in pursuit of monetary policy implementation of R509 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 SARB-regulated financial institutions such as banks, insurance companies and market infrastructures.
- Enhance the country's resilience to financial shocks.
- Ensure the cost-effective availability and integrity of the currency.
- Compile economic statistics and conduct analysis and research.
- Act as banker to the government.
- Ensure the effective functioning of the NPS.
- Administer the country's prudential and capital flow measures.
- Manage the official gold and FX 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. All employees of the institution are expected to uphold 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.

PRIMARY OUTCOMES

KEY FUNCTIONS continued

Price stability

Primary mandate

Maintain inflation within a credible target range of

3–6%

Monetary policy: **page 39.**

Low and stable inflation

Protects the purchasing power of the currency and standard of living of all South Africans, particularly those with fixed incomes whose means of protecting themselves against continually rising prices are limited.

Reduces uncertainty in the economy and create an environment conducive to sustainable and balanced economic growth in support of job creation over time.

Builds trust in the value of the rand and create a favourable investment landscape.

Helps to maintain and improve South Africa's global competitiveness.

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 45.**

Prudential regulation: **page 50.**

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.

Contributes to functioning capital and financial markets that support real economic activity.

SUPPORTING OUTCOMES

Social and relationship outcomes

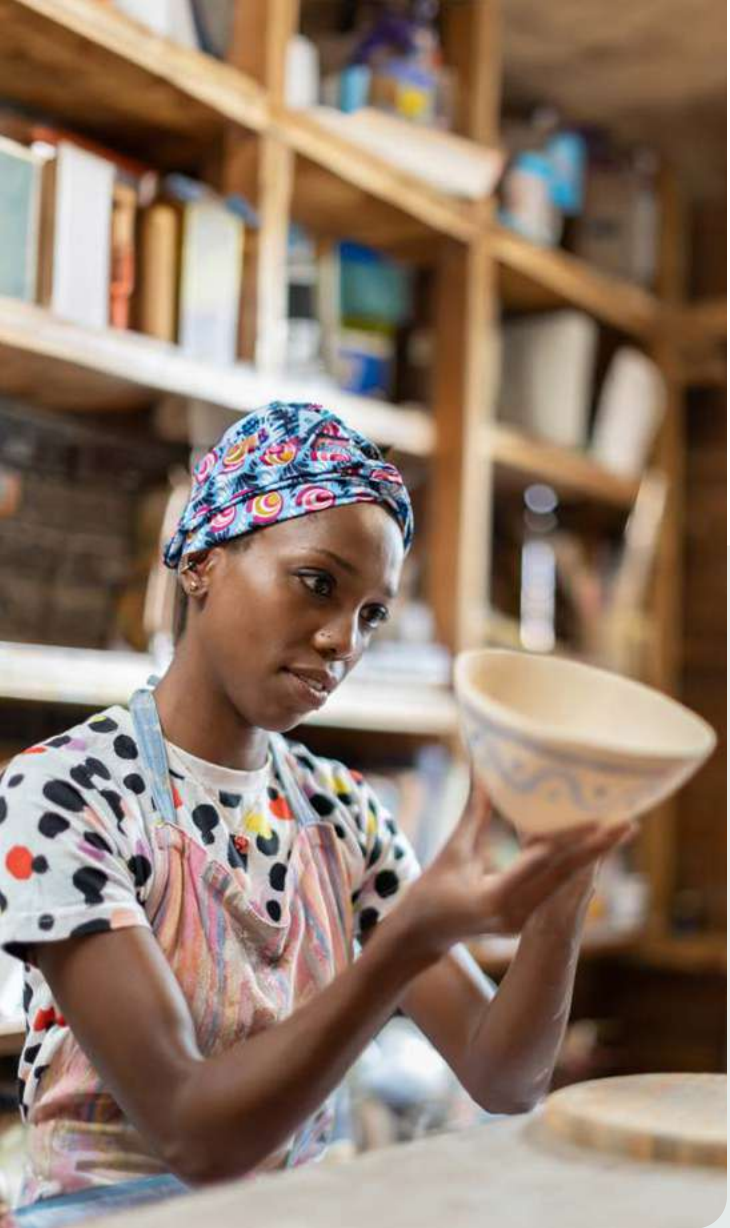
- Strong relationships and collaborative partnerships with the private and public sector that underpin the development of prudent and coherent macroeconomic policies.
- Regulatory and supervisory frameworks that support financial inclusion and the integrity of the financial system.
- A credible central bank 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.
- Alignment between the SARB's employees and its strategic objectives.
- A low regrettable employee turnover, which at 1% for 2023/24 is well below the internal target of less than 4%.
- Knowledge and data sharing with stakeholders that increases transparency and credibility.
- A central bank equipped with the technological expertise to ensure price and financial stability, regulate the rapid digitalisation of financial institutions, modernise the payment ecosystem and guarantee the integrity of the currency.

Financial outcomes

- A financially sound central bank.
- Group profit before tax of R20.0 billion (2022/23: R2.1 billion profit).
- SARB profit before tax of R18.3 billion (2022/23: R0.7 billion profit).
- Profit after tax of R13.0 billion was transferred to the contingency reserve.
- Shareholder dividends of R0.2 million (2022/23: R0.2 million) paid, in line with the SARB Act.



Q&A

ABOUT PRICE AND FINANCIAL STABILITY

The SARB serves ordinary South Africans by containing inflation, which erodes the value of the money in their pockets. It also guards against systemic disruptions that may threaten the financial system and the functioning of the economy.

Why price stability matters

Q What is inflation and how is it measured?

A Inflation is the general rise in prices of typical goods and services that erodes the purchasing power of money. Lower long-term inflation is important for protecting 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). The CPI is calculated using a basket of goods and services purchased by a typical consumer. Inflation is calculated by tracking the prices of these items over time.

Q How does the SARB work to achieve price stability?

A The 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%.

Q What are the advantages of an inflation target?

A A credible inflation target range reduces the uncertainty regarding the future level of inflation in the economy and helps manage expectations. Households and firms can calculate the purchasing power of their income and make better 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 determining interest rates, the main factor that the Monetary Policy Committee (MPC) considers is the future path of inflation. The MPC also considers domestic and global economic conditions 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 aimed at keeping 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 bought you a decade ago. Savings and pension plans 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 that increase in value during periods of inflation. The poor and those living on fixed incomes such as pensioners or grant recipients, are hit harder when prices of living essentials such as food, transport and fuel 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. This also reduces fiscal resources to provide services such as education and health, as the government must pay higher costs to borrow and service its debt. By contrast, when lenders expect inflation to decline, interest rates can come down.

Negative impact on the rand: If the inflation rate is consistently higher than that of the country's 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 the demand for South Africa's exports falls and 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.

To reduce these adverse impacts, central banks in most emerging markets have lowered their inflation targets to around 3%,* compared to the inflation targeting midpoint of 4.5% in South Africa. A lower inflation target will align South Africa's inflation rate with those of our major competitors and provide significant benefits to firms and households.

What is the Gold and Foreign Exchange Contingency Reserve Account and why did the SARB change how it is treated?

The Gold and Foreign Exchange Contingency Reserve Account (GFECRA) is an account that sits on the SARB's balance sheet. It could be a liability of the SARB and an asset of National Treasury depending on the movement in prices of underlying assets. The account reflects the losses and profits from changes on the value of gold and foreign currency reserves. The credit balance on the account has grown substantially over the past two decades to around R500 billion. Instead of selling foreign currency to realise the rand value of the underlying assets, the SARB has agreed to credit National Treasury's accounts with commercial banks. As these funds are drawn and used by the government, the SARB will pay interest on commercial banks' deposits at the central bank. To cover these interest costs, the SARB will also receive a portion of the GFECRA funds to protect its policy solvency.

What are the advantages of this change?

An immediate benefit is that National Treasury can reduce its own borrowing in the near term and save on interest costs. The new, rules-based framework for GFECRA distributions is also aimed at creating objective, prudent standards for payouts over the longer term. The framework aims to mitigate against the account turning negative in the future, which limits potential capital transfers from National Treasury to the SARB. It also provides the SARB with a claim on GFECRA funds to protect its equity position. Any additional funds are distributed to National Treasury.

* M Ehrmann, 'Point targets, tolerance bands, or target ranges? Inflation target types and the anchoring of inflation expectations', *European Central Bank Working Paper Series No. 2562,* May 2021.

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, and 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 developments as well as how specific financial institutions operate to identify potential risks and vulnerabilities that may threaten the whole financial system. It recommends policy actions using a macroprudential policy framework to protect against the build-up of vulnerabilities. It also conducts stress tests of financial institutions to assess their resilience against defined adverse scenarios.

Progress against SFA 2 and the report on Financial stability: **page 17 and 45** respectively.

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

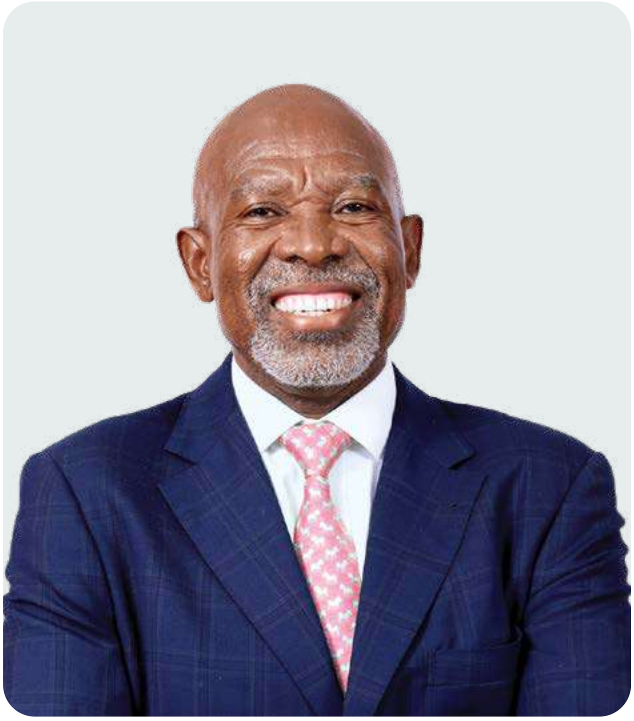
Local financial institutions are well capitalised, they can meet their obligations to depositors and policyholders, and perform well against a set of financial stability and microprudential indicators. These include the SARB Risk and Vulnerability Matrix (RVM), net stable funding ratio, losses linked to specific components of their balance sheets and the 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 coronavirus disease 2019 (COVID-19) crisis.

Progress against SFA 3 and the report on Prudential regulation: **page 18 and 50** respectively.

DELIVERING THE **SARB STRATEGY**

Governor's message

With inflation having been above 4.5% since May 2021, it is important that we rebuild confidence in our ability to achieve our target



Economic overview

Reflecting on the past year, global conditions remain strained and inflation has been higher than expected. Interest rates have likewise stayed high and the dollar remains strong, to the detriment of most other currencies including the rand. Geopolitical tensions have intensified, with conflict spreading in the Middle East. These are difficult circumstances for South Africa and other emerging markets.

The past year has also featured serious domestic challenges. Last year's electricity load-shedding was the worst on record. We also saw major disruptions to port and rail infrastructure. In these circumstances, the economy grew just 0.6%, one of the slowest growth rates in our modern history.

The labour market data show we have more jobs now than we did before the onset of COVID-19. Nonetheless, the unemployment rate in May 2024 is at 32.9%, compared to 28.7% in 2019 and 25.1% in 2014. This reflects an economy that is not absorbing a growing workforce.

We expect inflation to average

5.1%

this year, before stabilising at 4.5% in the second quarter of 2025.

Weak domestic growth, alongside high unemployment, has nonetheless not translated into markedly lower inflation. Headline inflation returned to our target range of 3–6% in June 2023, but has since then been stuck in the top half of that range, making no clear progress towards our 4.5% midpoint objective.

The food and fuel price shocks of 2022 and 2023 have largely passed, but we now confront higher core inflation, with services prices currently accelerating – a trend also reported for many other economies. This points to underlying inflationary pressures. We expect inflation to average 5.1% this year, before stabilising at 4.5% in the second quarter of 2025.

To achieve our target, the MPC has been holding rates at 8.25%, a level we consider restrictive. The forecast from our Quarterly Projection Model shows the policy rate easing this year, moving back towards 'normal' levels as inflation slows. The upside risks to this forecast, however, are prompting the MPC to keep rates on hold. These risks include persistently elevated rates from advanced economy central banks, especially the US Federal Reserve; higher and less stable inflation expectations; and new fuel and food price pressures.

With inflation having been above 4.5% since May 2021, it is important that we rebuild confidence in our ability to achieve our target. Looking back, South Africa's inflation performance has been relatively benign. We did not experience inflation rates as high as those in major advanced economies (for instance, US inflation peaked at 9.1%, compared with a South African peak at 7.8%). We have also not suffered double-digit inflation increases, in contrast to many of our emerging market peers.

However, our comparative performance has begun to deteriorate recently. In 2022, relative to the other Group of Twenty (G20) countries, we were right in the middle of the pack, ranking 10th. Last year we had the fourth highest rate of inflation in the G20, below only Turkey, Argentina and Russia – all countries with much more adverse monetary dynamics. International Monetary Fund (IMF) projections show we will slip to third-worst G20 country from 2026, leaving us ahead of only Argentina and Turkey. For all the pride we take in our monetary policy, at the SARB this is not much to boast about.

A fundamental part of the problem is our relatively high inflation target. South Africa has a mature inflation targeting regime, with the framework having been in place for nearly a quarter-century now. But we are the rare country that has never reformed the target. Going back to the establishment of inflation targeting in 2000, it was never our intention to keep the 3–6% range forever. Indeed, there was an announced reduction of the target, to 3–5%, which was unfortunately abandoned following the 2001 rand sell-off. This was a policy mistake and thus left us with unfinished business.

An inflation target of 3–6%, even where that is interpreted as an objective of 4.5%, is high relative to our peers. This affects our competitiveness. It also means a bad user experience for our people. An inflation rate around 4.5% forces everyone to adjust prices, wages and investments routinely to avoid losing buying power. Furthermore, not everyone has the knowledge or power to make these changes, so vulnerable people often fall behind as their incomes decline. A relatively high target also means that the rand will follow a weakening trend, always losing ground to currencies that hold their value better. As the *Macroeconomic Review* published by National Treasury in February 2024 argued, it is important to reconsider the target. South Africa can and should have lower inflation.

SARB leadership

While the SARB must face these challenges head on, it can now do so with a full complement of governors after Dr Mampho Modise joined us as a Deputy Governor in April. The terms of Deputy Governors Nomfundo Tshazibana and Rashad Cassim have also been renewed, as has my term. This ensures policy continuity at the SARB. I am grateful for the strong team of Deputy Governors at my side.

I would also like to thank Kuben Naidoo for the long and exemplary service he has given his country, in various policy roles, including his time as a SARB Deputy Governor. He has undoubtedly served the country in stellar fashion – with commitment and dedication.

We have also appointed Dr David Fowkes as the sixth member of the MPC which further bolsters our efforts to effectively execute our mandate of price stability.

SARB balance sheet developments

The SARB is undertaking important changes to its balance sheet, built around new arrangements governing the GFECRA. The new GFECRA framework, announced in February 2024, will provide the SARB with a stronger capital position. It will also allow the government to access some of the funds, which will be used to reduce borrowing. There will be no reduction of gold and FX reserves.

The previous GFECRA arrangements meant this account was likely to grow indefinitely, with gains or losses delivering little benefit for either the government or the SARB. We expect that the new framework will achieve better outcomes, through a rules-based system for GFECRA distributions. The new arrangements require certain legal processes to be completed, with most of the funds expected to flow in the second half of 2024.

Financial stability and prudential regulation

South Africa's financial system remains resilient. Through prudent management and regulation, financial institutions have generally avoided reckless credit extension and maintained adequate capital buffers. The financial system continues to be a source of strength for the economy, rather than a vulnerability.

A significant milestone for the year was the establishment of CODI in March 2023, with deposit insurance in place from April this year. South Africa has long been providing most depositors with implicit deposit protection, so they have not suffered significant losses such as in cases like the VBS Mutual Bank curatorship where 98% of depositors were covered. CODI provides explicit deposit insurance, funded by a levy on banks, to insure qualifying deposits up to R100 000. A deposit insurance scheme is global best practice and it is a welcome development that CODI is finally up and running.

We continue with the urgent work to remove South Africa from the Financial Action Task Force (FATF) greylist. National Treasury is leading a multi-agency effort to ensure South Africa addresses all the shortcomings highlighted by the FATF by the 2025 review period. The SARB is playing an important supporting role in this effort and many of the action items have already been largely or wholly addressed.

Finally, the Financial Stability Committee (FSC) has decided on an adjustment to bank capital buffers (specifically the countercyclical capital buffer, the CCyB). It will be phased in over 12 months. This will allow the SARB to provide regulatory relief to banks during financial downswings.

Payments

The SARB manages the national payment system. To make payments cheaper, faster and more reliable, we have embarked on a wide-ranging Payments Ecosystem Modernisation programme. This covers the renewal of the South African Multiple Option Settlement (SAMOS) system, faster payment capabilities and a new centralised public payments utility. These modernisation efforts will require the development of a digital financial identity for consumers, with a pilot expected to begin in June this year.

We also continue to invest in maintaining the existing SAMOS and regional Southern African Development Community real-time gross settlement (SADC-RTGS) system environments to ensure that these systems continue to serve the industry efficiently. This will include the move to the new global financial messaging standard ISO 20022 for the SADC region in June 2024.

Outreach

With the COVID disruptions behind us, the SARB has now resumed in-person outreach initiatives. These activities include our monetary policy and financial stability forums, our countrywide ‘Talk to the SARB’ events, and our popular MPC Schools Challenge. Employee volunteerism has also resumed, with staff giving their time at four schools for students with special learning needs.

Strategy

The SARB is heading into the final year of our five-year strategy cycle. This provides an opportunity to reflect on progress and consider how best we can position ourselves for the next five years. Accordingly, the work to plot out our Strategy 2030, under the auspices of a Strategy Deep Dive, is now underway.

Over the past year, we have achieved three of our five strategic focus areas (SFAs), while the remaining two SFAs have been partly achieved. Global and domestic economic conditions have once again impacted the achievement of SFA 1, with headline inflation still above the 4.5% midpoint, even though inflation moved back within the 3–6% target range during the year. Meanwhile, for SFA 4, the indicators for external resilience still show some shortcomings.

International commitments

Over the past year, South Africa hosted the BRICS Finance Ministers and Central Bank Governors meeting and co-chaired the BRICS Finance Track. Next year, South Africa will host the G20 and work is already underway to prepare for this global event. The G20 presidency is a prestigious role but it also comes with challenges. Given divergent views on geopolitical issues, the 2023 meetings ended without a formal communiqué. We hope we will be able to achieve progress on the many shared interests, especially on the Finance Track.

I am pleased with the steady progress of the Financial Stability Board (FSB) in implementing the G20 Roadmap to enhance cross-border payments. As co-chair of the Cross-border Payment Coordination Group, we aim to improve efficiencies in cross-border payments dealing with high costs, slow speed and limited access and transparency. We hope this will drive economic growth, investment and trade in Africa. This work has also been a focal point of the FSB’s Regional Consultative Groups (RCGs) for sub-Saharan Africa which I also co-chair. We have been hard at work to expand our efforts beyond the membership of the G20, focusing on global and regional financial stability, an increase in sovereign indebtedness and the implications of the FSB’s work programme for the respective regions.

Our people

Over the past year we continued our diversity and inclusion (D&I) journey in the quest to ensure that every employee in the SARB has a sense of purpose and belonging. We completed another crucial phase of the D&I journey and are now in the process of embedding the principles of the programme. It is only by doing that we learn; enablement and coaching will take us a step further in incorporating the D&I principles into our daily behaviour.

To improve our staff experience, in line with digital transformation, we have implemented a cloud-based human resource solution. Our Ways of Work programme has fully socialised the hybrid work principles; these practices have been fully rolled out in a way that allows us to continue meeting our commitments to the South African public.

Conclusion

These are without a doubt challenging times for South Africa and for the rest of the world. There are protracted conflicts underway in a number of regions; geopolitical fractures are spreading; extreme weather patterns are a stark reminder of the impact of climate change; global inflation is still elevated; and global interest rates are remaining high for longer.

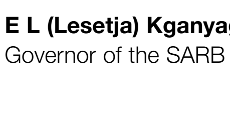
The domestic economy faces chronic challenges of high unemployment and low growth, driven mainly by supply-side problems such as load-shedding and other infrastructural gaps. At the same time, there is a silver lining that some of South Africa’s strengths are beginning to take shape.

There are serious efforts underway to stabilise government debt and raise growth, for instance by transforming the power sector. These projects are crucial to the future of this country. After many years of disappointing economic performance and fiscal outcomes, many have adapted to stagnation and rising indebtedness. There are real prospects of a turnaround.

Throughout this challenging period, the SARB has maintained its independence, fulfilled its mandates and remained a credible institution. We are accountable to the people of South Africa and will from time to time face criticism, which is normal in a democratic society like ours.

Still, I am often reminded in engagements both at home and abroad, that the SARB is the cornerstone of South Africa’s macroeconomic stability. At a time of acute global stress, good central banking is also the leading explanation for why most middle-income countries, like South Africa, have not fallen into deep crises. We have spent many years constructing an independent, credible central bank, and this effort is paying off.

The Board, Deputy Governors and staff of the SARB have much to be proud of, and I am grateful to them all for the dedication, energy and talent they display in carrying out their duties. Public service is about doing something bigger than yourself, and we all feel proud of what we do for the people of South Africa.



E L (Lesetja) Kganyago
Governor of the SARB

Advancing Strategy 2025

The SARB's strategy is formulated to fulfil its price and financial stability mandates and the additional priorities that various laws assign to the organisation. This strategy is articulated through five SFAs that the SARB considers essential in achieving its mandate. This is supported by five enablement focus areas (EFAs) that drive the strategy's execution.

During the review period, strategy formulation sessions were held to test and adapt our SFAs. The process found that the five SFAs remain relevant; however, we have reviewed how best to measure SFA 4 which assesses South Africa's resilience to external shocks. New indicators will be included in next year's reporting cycle. The indicators will be a month of import cover, the IMF's 'assessing reserve adequacy' (ARA) and an investment-grade rating.

There are two measures of foreign-exchange reserve adequacy. One is an import cover rule, drawn from the Southern African Development Community (SADC) convergence criteria. The other is the IMF's metric, a more complex measure of reserve adequacy which incorporates variables such as money supply, portfolio flows and foreign debt. For the import cover measure, the SARB aims to have reserves equal to at least six months of imports of goods and services. For the IMF metric, it aims to hold between 100% and 150% of the required amount, which is the standard range used by the IMF to test reserve adequacy.

The third metric is that South Africa should have an investment-grade credit rating from at least one of the major rating agencies.

Looking *ahead*

The 2024/25 performance cycle marks the last year of execution of Strategy 2025. The SARB's strategy framework requires that an in-depth review process is undertaken every five years to craft a five-year strategic plan. The process considers the current performance and developments in the SARB's operating environment that may warrant a shift in strategic priorities. Strategy 2030 will be launched in April 2025.

How we achieve price and financial stability

Stakeholder value proposition

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

Objectives unique to each SFA

SFA 1	SFA 2	SFA 3	SFA 4	SFA 5
Maximise monetary policy effectiveness	**Improve** the monitoring of existing and emerging vulnerabilities	**Enhance** risk-based, outcomes-focused and forward-looking supervision	**Improve** the monitoring of existing and emerging vulnerabilities	**Optimise** the currency supply chain
Anchor inflation expectations	**Assess** risks and vulnerabilities in the financial system	**Implement** integrated and proportional regulatory and supervisory frameworks	**Enhance** the functioning of South Africa's financial system	**Enhance** the integrity of banknotes and coin
	Develop and propose possible mitigating options	**Improve** regulatory coverage	**Enhance** the macroeconomic and macroprudential toolkit	
	Broaden access to payment services while promoting the safety, efficiency and integrity of the NPS	**Improve** the monitoring, reporting and surveillance of cross-border transactions		

How we enable our strategic objectives

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

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

Target met | Target partially met | Target not met

SFA 1

Maintain headline inflation within the target range

OBJECTIVE

Maintain headline inflation within the target range of 3–6% by delivering a structured research programme, economic analysis and policy advice. This is supported by an effective monetary policy implementation framework (MPIF), strong information management and targeted communication and stakeholder engagement.

2023/24 PERFORMANCE OVERVIEW

Headline inflation returned to the upper end of the inflation target range in 2023 at 6.0%. The SARB's inflation forecast is to revert to the target range at 5.0% in 2024; 4.6% in 2025 and 4.5% in 2026.

PERFORMANCE SCORECARD

Overall status: Target partially met

Strategic measures	Target (annual)	2023/24 (annual)	2022/23 (annual)
Headline inflation versus target	→ 3–6%	**6.0%** *(2023 calendar year)* **5.5%** *(financial year)*	6.9%

UNIQUE STRATEGIC OBJECTIVES FOR SFA 1

Maximise monetary policy effectiveness (Target met)

- Achieved intended outputs of economic research for the year, with the SARB research papers used to inform monetary policy thinking and referenced in the *Monetary Policy Review (MPR)*.
- Several peer evaluations of research topics were completed.
- Published the *Quarterly Bulletin (QB)* and related statistics, the biannual *MPR* and produced timeous MPC background packs.

Anchor inflation expectations (Target partially met)

- The Q4 2023 Bureau for Economic Research (BER) survey expectations returned to the broader target band, but individual groups expected inflation to stay above 6%. The aim is for expectations to be around 4.5% on a sustainable basis.
- Research on administered prices was completed and published. Further work on developing the price setter engagement approach will continue in the coming period.

Note: The strategic plan reports headline inflation for the 2023/24 financial year (April 2023 to March 2024).

Target met   Target partially met   Target not met

SFA 2

Protect and enhance financial stability

OBJECTIVE

Develop macroprudential frameworks with an increased focus on stress testing and understanding their efficacy. Modernise the NPS and ensure its safety.

2023/24 PERFORMANCE OVERVIEW

No systemic events occurred in the financial system during the 2023/24 financial year. After many years of legislative and design work, the SARB became the Resolution Authority with effect from 1 July 2023. This means the SARB now has the legal obligation to develop resolution plans for systemically important banks and insurers – or designated institutions – and in the event of a failure, to implement these resolution strategies.

PERFORMANCE SCORECARD Overall status

Strategic measures	Target (annual)	2023/24 (annual)
Consistently test the financial stability framework to ensure it meets international standards →	Improve the assessment of vulnerabilities in the financial system, development of mitigating tools and the SARB's ability to respond to shocks	Thematic focus areas were developed for the FSC. Policy proposals, supported by research and analyses, were made to the FSC. Subcommittees of the FSC made substantial improvement to financial stability resilience.

UNIQUE STRATEGIC OBJECTIVES FOR SFA 2

Improve the monitoring of existing and emerging vulnerabilities

- Revised indicators of external vulnerabilities and identified and removed inappropriate indicators.
- Improved the financial stability monitoring framework to include more appropriate assessments of external vulnerabilities.

Assess risks and vulnerabilities in the financial system

- Finalised standards for designated institutions in resolution that were necessary for the Financial Sector Laws Amendment Act 23 of 2021 (FSLAA) to become effective. These included the transfer of assets and liabilities, early termination rights and resolution moratoriums on contracts of designated institutions in resolution.

Develop and propose possible mitigating options

- Completed the first draft of the revised SARB macroprudential policy framework in collaboration with other financial sector regulators.
- Completed pilot resolution plans for two systemically important financial institutions (SIFIs) and hosted industry meetings with banks.
- Commenced the first chapter of the resolution plans, for completion by June 2024. Resolution plans for SIFIs (banks) are ongoing and a longer-term goal was set to be completed by 2028.
- Commenced the development of a resolution strategy for non-SIFIs (banks) and established the Financial Market Infrastructure (FMI) working group to develop a methodology for the designation of FMIs.

Broaden access to payment services while promoting the safety, efficiency and integrity of the NPS

- Incorporated the proposed consequential amendments to the National Payment System Act 78 of 1998 (NPS Act) into the Conduct of Financial Institutions Bill (COFI Bill).
- Engaged stakeholders on the cyber-resilience framework to be submitted for approval.

SFA 3

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

OBJECTIVE

Embed the PA's enhanced regulatory and supervisory practice and drive a proactive response through the right policies, frameworks and tools to support the evolving financial ecosystem and improve financial surveillance.

2023/24 PERFORMANCE OVERVIEW

The SARB continued to collaborate with other regulators and entities, including National Treasury, on various issues affecting the financial sector. SIFIs remain sound, profitable and well capitalised, reflecting the resilience of these institutions in a tough economic climate. The supervision of non-SIFIs[1] focused on addressing identified shortcomings in their business strategies, models, solvency and governance effectiveness. Over the past year, four entities were placed under various stages of resolution and one under judicial management. The SARB made progress in addressing the FATF greylisting action items, in line with the expectations of the FATF Joint Group (JG).

Steps have been taken to address these action items, including working closely with other agencies to proactively identify, investigate and sanction illegal money or value transfer services (MVTS).

During the year under review we continued our work on measures to give effect to the new Capital Flow Management Framework announced by the Minister of Finance in 2020. The framework for authorisations of registered crypto-asset service providers for cross-border activity is also underway. There has also been significant progress on identifying illegal MTVS through the illegal MVTS sub-working group, which forms part of the interagency working group on illicit financial flows. MVTS is a FATF greylisting action item.

PERFORMANCE SCORECARD

Overall status: Target met

Strategic measures	Target (annual)	2023/24 (annual)	2022/23 (annual)
Percentage of financial institutions that meet or exceed the quantitative prudential standards for 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	**96.9%**	99.5%
Compliance with sound governance and risk management practices 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 legislation	100% of institutions fully compliant or under adequate regulatory action	**96.4%**	97.3%

Target met   Target partially met   Target not met

1 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

- Continued refinement of the PA Risk Framework, which included training and workshops facilitated by the Toronto Centre in the year under review.

Implement integrated and proportionate regulatory and supervisory frameworks

- The SARB is on course to meet the FATF greylisting action item, in line with expectations of the FATF JG. All supervisors are required to demonstrate that they are able to impose administrative sanctions, which will be tracked via the JG process until the January 2025 deadline.
- Remedial actions are tracked quarterly against the 2020 Financial Sector Assessment Programme document.

Improve the monitoring, reporting and surveillance of cross-border transactions

- Regulated entities largely complied with financial surveillance systems and reporting standards. However, 30% did not meet the requirements and are under corrective action.[2]
- Improved the submission process of outstanding quarterly asset allocation and audit reports.
- Improved data integrity on the Portfolio Investment Reporting System (PIRS) by authenticating institutions' names with the Financial Sector Conduct Authority (FSCA), the licensing regulator for institutional investors.

2 The scoring model for monitoring compliance reporting is under review by the Financial Surveillance Department to align it with the adopted risk-based supervisory framework.

SFA 4

Enhance South Africa's resilience to external shocks

OBJECTIVE

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.

2023/24 PERFORMANCE OVERVIEW

The SARB continued to monitor external vulnerabilities, while further developing the policy toolkit used to support financial market functioning. Gross FX reserves rose to US$62.7 billion as at March 2024, up from US$61.85 billion for March 2023 and US$58.2 billion for March 2022.

PERFORMANCE SCORECARD Overall status

Strategic measures	Target (annual)	2023/24 (annual)[4]
Guidotti-Greenspan rule (GG): used to monitor reserves to cover debt should there be a sudden stop or reversal of capital flows	Foreign reserves should be at least 100% of total short-term debt	GG: 1.54 (Q3 2023)
FX debt of the total economy: (public sector, private sector)	Two standard deviations from the historical mean of R255 billion: total foreign debt of national government denominated in foreign currencies (R'bn)	R582.57 billion (October 2023)
	Two standard deviations from the emerging markets (EM) mean of US$287.58 billion: total foreign debt of private sector denominated in foreign currencies (US$'bn)	US$92.7 billion (Q3 2023)
Capital flows at risk (the degree to which capital flows could change in a risk scenario)[3]	Two standard deviations from the mean of -R148 million: net purchases of bonds by non-residents	R13.55 billion (February 2024)
	Two standard deviations from the mean of -R4.89 billion: net purchases of shares by non-residents	-R12.83 billion (February 2024)
Foreign shareholding in bonds and equities (the degree to which capital outflows could occur during a shock)	Two standard deviations from the mean of R224.78 billion: holdings of SA government bonds by non-residents	R389.18 billion (February 2024)
	Two standard deviations from the mean of R67.79 billion: holdings of SA equities by non-residents	R48.11 billion (February 2024)

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.

3 Negative figures indicate outflows of capital.

4 Figures provided are the most recently reported as at 31 March 2024.

UNIQUE STRATEGIC OBJECTIVES FOR SFA 4

Improve the monitoring of existing and emerging vulnerabilities	Target met	• Adopted the market dysfunction framework and the governance framework for financial market interventions as policies that will guide the SARB's interventions in financial markets during periods of market dysfunction or crises. • Commenced the development of architecture to support FX monitoring. Developing the technology infrastructure solution, alongside the reporting instructions for banks which is due for completion by April 2024. • A research trip to Europe was conducted and informed the development and adoption of a new market intelligence (MI) function in Market Operations of Analysis (MOA). The MOA structure was revised to make provision for the new MI team. The new structure will take effect in April 2024.
Enhance the functioning of South Africa's financial system	Target partially met	• The proposed model for a Triparty Collateral Management (TCM) system has been developed and is being socialised with stakeholders. • To improve access to the global financial safety net (GFSN), the SARB secured a FIMA[5] facility from the Federal Reserve of New York. This will provide dollar liquidity to onshore banks during periods of market stress. This facility was introduced to the private sector at the 27 June 2023 Money Market Subcommittee (MMS) meeting.
Enhance the macroeconomic and macroprudential toolkit	Target met	• A policy on the utilisation of FX reserves is under consideration.

5 The Federal Reserve established a repurchase agreement facility for foreign and international monetary authorities (FIMA Repo Facility).

Target met   Target partially met   Target not met

SFA 5

Ensure the cost-effective availability and integrity of currency

OBJECTIVE

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

2023/24 PERFORMANCE OVERVIEW

The strategic goal of ensuring 100% on-time, in-full availability of currency to the cash industry was met during the year under review. The integrity of the currency as measured by the incidence of counterfeiting stood at 4.03 parts per million (ppm), well below the threshold of 12 ppm. The currency-manufacturing subsidiaries maintained their costs in line with set targets, despite increases in commodity prices and FX volatility.

PERFORMANCE SCORECARD

Overall status: Target met

Strategic measures	Target (annual)	2023/24 (annual)	2022/23 (annual)
On-time, in-full fulfilment of orders from the cash industry	100% orders fulfilled on time	**100%**	100%
Incidence of counterfeiting measured in ppm (annualised)	<12 ppm or under adequate regulatory action	**4.03 ppm**	2.92 ppm

UNIQUE STRATEGIC OBJECTIVES FOR SFA 5

Optimise the currency supply chain (Target met)

- The operating and production costs of banknotes and coin were within budget.
- Banknote and coin buffer stock levels are above the 9- and 6-month targets respectively.

Enhance the quality of banknotes and coin (Target partially met)

- The SARB completed the rollout of the fourth decimal coin series and version 6 banknotes.

Target met | Target partially met | Target not met

Subsidiaries: **page 71.**

Enablement focus areas

EFA 1

Improve transparency and accountability through stakeholder engagement and communication

2023/24 PERFORMANCE HIGHLIGHTS

The following scores were achieved in the latest reputation survey conducted between September 2023 and January 2024:

Informed stakeholders

- Citizenship: 72% (2022: 78%).
- Communication: 83% (2022: 89%).
- Image: 82% (2022: 83%).
- Relationship management: 73% (2022: 77%).
- Reputational equity: 84% (2022: 85%).

Public stakeholders

- Public awareness: 64% (2022: 60%).
- Public reputation: 69% (2022: 72%).

The next survey will be conducted in 2025/26.

EFA 2

Coordinate policymaking and implementation

2023/24 PERFORMANCE HIGHLIGHTS

- Work on EFA 2 has been completed and a proposal outlining the approach to cross-departmental research has been drafted.
- Climate change scenario modelling on major technical outputs such as stress testing is near completion. In the supervisory and prudential areas, Pillar 2 guidance notes under the Basel III reforms have been published. Refinement and data analysis for climate risk indicators are underway.
- Sixteen of 17 research papers into the impacts of Basel III reforms on SA's financial sector are in the final review stage. Some papers dealing with micro and macroprudential research will be covered in a special issue of the *SA Journal of Economics*.

EFA 3

Optimise, integrate and leverage information and technology solutions

2023/24 PERFORMANCE HIGHLIGHTS

- Progress was made on the delivery of Tier 1 programmes. Plans are in place to convert Tier 1 projects that are Amber to Green status during the next few months.
- Tier 2 projects are progressing with 80% achieving Green status at the end of February 2024.

EFA 4

Improve strategy execution and internal efficiency

2023/24 PERFORMANCE HIGHLIGHTS

- Deployed a bank-wide single project management solution with a built-in prioritisation tool.
- Strategy training for divisional heads and managers was completed in 2023.
- The Head Office Campus Redevelopment (HOCR) programme is on track.
- Implemented the Human Capital Management (HCM) cloud solution to simplify and digitalise human resources processes.

EFA 5

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

2023/24 PERFORMANCE HIGHLIGHTS

- Improved the coverage ratio for critical roles to 91% (target: 85%). The average time to fill critical roles was 140 days (previous year 109 days).
- Critical roles turnover was within the tolerance range of less than 4%.
- Integrated action plans to address areas of improvement and sustain areas of strength identified in the 2023 Employee Engagement Survey (EES) continue to be implemented.
- The Ways of Work programme has ensured that hybrid working remains supported.
- The D&I programme continues with maximum participation and engagement. Phases 4 and 5 have commenced.

Target met Target partially met Target not met

HOW THE **SARB** IS GOVERNED

Shareholding and dividend

The SARB's shareholders

As at 31 March 2024, the SARB had 830 shareholders. The shareholders have no rights or involvement in determining monetary policy, financial stability policy or the regulation and supervision of the financial sector. Their rights are limited to the following activities conducted at the SARB's 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 organisation. 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 SARB Act restricts shareholders to owning no more than 10 000 shares, including shares held by associates, as defined in the SARB Act.

In 2023, the SARB held its first hybrid AGM, enabling shareholders to participate either in person, or remotely via a live webcast.

Dividend

The SARB Act permits the SARB to declare dividends at the rate of 10% per annum on the paid-up share capital of the SARB. An interim dividend of five cents per share was approved by the Board on 28 July 2023 and paid to shareholders on 27 October 2023. A final dividend of five cents per share was approved by the Board on 22 February 2024 and paid to shareholders on 31 May 2024. The total dividend paid for the financial year was R0.2 million (2022/23: R0.2 million).

Governance

The SARB supports the overarching goals of *King IV*™ and has implemented the principles of responsibility, accountability, fairness and appropriate transparency, in line with legislation governing the SARB.

Ethical culture

The SARB functions in the public interest. 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 accountability, excellence, integrity, open communication and respect and trust. 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 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 SARB conducted formal ethics management maturity and ethics risk assessments during the 2023/24 financial year. These were instrumental in formulating an updated ethics management strategy and policies.

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.

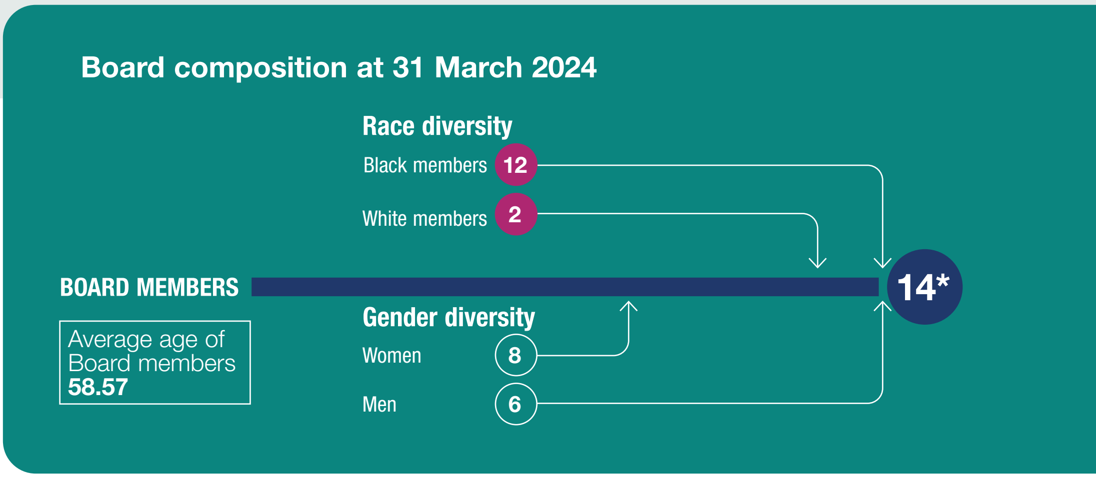
The Board

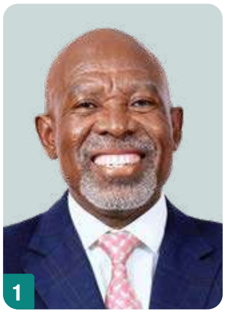
The Board is responsible for the corporate governance of the SARB. It ensures compliance with principles of good governance and adopts policies for the sound accounting, administration and functioning of the SARB. It also ensures these functions and duties are fulfilled. The SARB Act and the Board Charter define the Board's responsibilities.

The SARB Act requires the Board to have 15 members, comprising the Governor and three DGs who serve as executive directors as well as four non-executive directors appointed by the President after consultation with the Minister of Finance. It must also include 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. I&T performance against an approved scorecard is reported quarterly to the Information and Technology Steering Committee, GEC and Audit Committee.





1 E L (LESETJA) KGANYAGO[58]

Executive chairperson • Governor of the SARB[1]
Appointed by the President

Appointed: 9 November 2014 and reappointed for a second five-year term on 9 November 2019[2]

Responsibilities: Executive Management Department (EXE), Communications Division, Strategy Management Office (SMO), IAD, Economic Research Department (ERD) and the Human Capital and Operations Cluster.

Experience: Served as Director-General of National Treasury and then as a DG of the SARB from 16 May 2011 to 8 November 2014. Served as the Chairperson of the International Monetary and Financial Committee (IMFC), the primary advisory board to the IMF Board of Governors, from 18 January 2018 to 17 January 2021. During his time at National Treasury, he represented South Africa in international organisations, including the World Bank, the G20 and the African Development Bank (AfDB), including as Chair of the Development Committee Deputies and Co-chair of the G20 Working Group on the reform of the IMF.

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

Awards
- Chancellor's Calabash Outstanding Alumnus Award in 2015 from the University of South Africa (Unisa).
- Named the Global Markets Awards' Governor of the Year for sub-Saharan Africa in 2017.
- 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.
- Awarded Central Bank Governor of the Year by African Banker in 2021.

1. 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.
2. On 15 March 2024 the President announced that Governor Lesetja Kganyago has been reappointed for a third five-year term, commencing on 9 November 2024 and concluding on 8 November 2029.

* Kuben Naidoo resigned as DG with effect from 1 December 2023. The President appointed Mampho Modise as DG to a five-year term effective from 1 April 2024.

2 N (NOMFUNDO) TSHAZIBANA[47]

Executive director • Deputy Governor of the SARB

Appointed by the President

CEO of the PA from 1 April 2022

Appointed: 1 August 2019 for a five-year term[3]

Responsibilities: The SARB Financial Surveillance Department (FinSurv) and the PA.

Served as Adviser to the Governors: February 2018 to 31 July 2019

Experience: Prior to joining the SARB, she served as an Alternate Executive Director on the Board of the IMF, from 2015 to 2018. Served as Deputy Director-General responsible for Economic Policy and Forecasting at National Treasury from June 2011 to February 2015 and prior to that served in various roles at National Treasury since 2003. Before this, she was responsible for policy analysis at the National Energy Regulator of South Africa (NERSA) and worked in the private sector.

Other current roles

- Member of the Basel Committee on Banking Supervision (BCBS).
- Member of the Supervisory and Regulatory Committee of the FSB.
- Member of the CODI Board and Chairperson of the CODI Investment Committee.
- Vice Chairperson of the Network for Greening the Financial Sector (NGFS).

3 R (RASHAD) CASSIM[58]

Executive director • Deputy Governor of the SARB

Appointed by the President

Appointed: 1 August 2019 for a five-year term[4]

Responsibilities: Financial Markets, Legal Services, International Economic Relations and Policy and National Payment System departments.

Experience: Served as the Head of the SARB's Economic Research and Statistics Department and Chief Economist from March 2011 until July 2019. Before joining the SARB, he was the Deputy Director-General at Stats SA responsible for economic statistics. From 2003 until 2006 he was a professor and Head of the School of Economics and Business Sciences at the University of the Witwatersrand (Wits). Before this he was the head of Trade and Industrial Policy Strategies (a think tank) and held various research positions at the University of Cape Town (UCT). He served as the chairperson of the international Irving Fisher Committee on Central Bank Statistics (IFC) under the auspices of the Bank for International Settlements (BIS) for a three-year period between 2019 and 2022.

Other current roles

- Member of the BIS Markets Committee.
- Serve as South Africa's Central Bank Deputy at the G20 and BRICS meetings.
- Chair of the Financial Markets Liaison Group, the Market Practitioners Group (MPG) and the CPD.

4 J M S D (DUDU) MSOMI[53]

Non-executive director

Government appointed: July 2020 and reappointed in September 2023

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 (UP) Gordon Institute of Business Science (GIBS)

Experience: Founder and CEO of Busara Leadership Partners (a strategic advisory firm); adjunct faculty member at GIBS; Industry Expert for Masterstart (an online learning institute); SA partner for the CEO Summit Uganda's CEO Apprentice Programme; part-time Commissioner on the KZN Provincial Planning Commission; and a Fellow at the Institute of Directors in South Africa. Her expertise spans strategy, corporate governance, environmental, social and governance (ESG), leadership development, diversity, equity and inclusion, and small-, micro- and medium-sized enterprises (SMMEs).

5 S (SHAMIMA) GAIBIE[60]

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 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 30 years in, among other areas, labour law, public sector law, commercial law and constitutional law. She 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. She has written articles on labour law and co-authored the 7th Edition of Labour Relations Law: A Comprehensive Guide.

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3. On 15 March 2024 the President announced that DG Nomfundo Tshazibana has been reappointed for a second five-year term, commencing on 1 August 2024 and concluding on 31 July 2029.
4. On 15 March 2024 the President announced that DG Rashad Cassim has been reappointed for a second five-year term, commencing on 1 August 2024 and concluding on 31 July 2029.

6 Y (YVONNE) MUTHIEN[67]

Non-executive director • Remuneration Committee (Remco) Chairperson

Shareholder elected: July 2018 and re-elected in August 2021

Qualifications: D.Phil, Oxford University, Master of Arts, Northwestern University, BA (Hons) – cum laude, University of the Western Cape (UWC)

Experience: Currently Chairperson of Rhodes Food Group, non-executive director of Aspen and SA SME Fund as well as Chairperson of Mavovo Capital. She has extensive executive management and board experience across various sectors. Former positions include senior executive and Board roles at Sanlam, BankservAfrica, Coca-Cola Africa and MTN. Has knowledge and skills in commerce and finance, telecommunications and fast-moving consumer goods.

7 C B (CHARLOTTE) BUITENDAG[58]

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. She previously served as Professor of Economics at UP. Has knowledge and skills in industry.

8 Z (ZOAIB) HOOSEN[59]

Non-executive director • Board Risk and Ethics Committee (BREC) Chairperson

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

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

Experience: Thirty years' experience in the information and communications technology industry and the former Managing Director of Microsoft South Africa. Currently, a member of the GIBS Advisory Board, Executive-in-Residence at Sanari Capital, he advises businesses on their digital transformation journeys. Has knowledge and skills in industry.

9 N (NICHOLAS) VINK[69]

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 a former President of the International Association of Agricultural Economists (2021–2024). He has knowledge and skills in agriculture.

10 M M T (TRYPHOSA) RAMANO[52]

Non-executive director

Shareholder elected: August 2020, re-elected in July 2023

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

Experience: Co-founder and director of Magommake Limited. Has held positions in the public and private sectors, among other roles served as the Chief Financial Officer (CFO) of PPC Limited, WIPHOLD and South African Airways, and as Head of Asset Liability at National Treasury. Serves on the boards and as chairperson of the Audit and Risk Committees of the International Women's Forum (South Africa) and the Solidarity Fund.

She is a member of the South African Institute of Chartered Accountants (SAICA), 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 the Audit and Risk Committee at UP. Has knowledge and skills in commerce and finance.

11 L H (LERATO) MOLEBATSI[54]

Non-executive director • Lead Independent Non-executive Directors' Committee Chairperson

Government appointed: April 2019 and reappointed in June 2022

Qualifications: BA Psychology, University of Johannesburg, Senior Executive Leadership Programme for Africa, Harvard University, Senior Management Development Programme Diploma, Stellenbosch University

Experience: A former CEO of a multinational company, she held positions in financial services companies such as Sanlam and Old Mutual. Has over 25 years' experience in financial services, mining, government, non-profit and professional services, across a myriad of functional areas such as strategy formulation, communications, marketing, corporate social investment, black economic empowerment, governance and policy development.

While in government she led significant policy development and transformational change initiatives. She has worked across the continent with various stakeholders on highly complex projects, giving her a unique understanding of regional dynamics and an opportunity to work with decision-makers of major global institutions, such as General Electric while serving as the CEO of GE South Africa. She currently serves on several boards including as the chairperson of HR and Remco at the FSCA.

12 N B (NORMAN) MBAZIMA[65]

Non-executive director • Audit Committee Chairperson

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' exposure as a senior executive at Anglo American, including as Deputy Chairman of Anglo American South Africa and as CEO and CFO of its various business units. Seventeen years' experience as a professional accountant with Deloitte & Touche in mining, financial services and other industries. Serves as Chairperson of Anglo American Platinum Limited and various other boards. He is a trustee of Malaria No More and has knowledge and skills in mining.

13 K H (KGABO) BADIMO[64]

Non-executive director

Government appointed: June 2022

Qualifications: PhD in Information Systems from Unisa; MSc in data engineering from Keele University in the UK, and BSc Computer Sciences from University of the North at Turfloop (University of Limpopo (UL)). Completed an Executive Leadership programme at Unisa, Graduate Studies Programme in Business Administration at Wits and SAP Winning Insights Leadership Development Programme at GIBS

Experience: Serves on the Board of Airports Company South Africa (ACSA) as a non-executive director. A seasoned business executive with more than 33 years' experience in IT, banking, defence, rail, mining, mobile communications, telecommunications and data communications. Held various senior executive positions including at Dr Temp (Pty) Limited, Oracle, Ansys Limited, Neotel, Jasco Limited, Spescom DataVoice (Pty) Limited, SAP, MTN; SITA (Pty) Limited, Denel Infopla006E and FNB.

14 K W (KHOLEKA) MZONDEKI[56]

Non-executive director

Government appointed: September 2023

Qualifications: Chartered Accountant (FCCA, United Kingdom), BCom and Diploma in Investment Management

Experience: Serves on several JSE listed company boards as an independent non-executive director. She is a qualified chartered accountant and has extensive experience in the senior finance executive roles of Financial Director and CFO. She is currently chairing the Audit committee of Thungela Resources. She was formerly the Chairman of digital aggregator Trudon, was appointed as the lead independent non-executive director at Aveng, and served on the Telkom board for close to ten years. She also served on the audit committee on the United Nations World Food Programme, amongst others.

15 K (KUBEN) NAIDOO[52]

Executive director • Deputy Governor of the SARB

Appointed by the President: 1 April 2015 and reappointed for a second five-year term on 1 April 2020. Resigned with effect from 1 December 2023

Responsibilities until 31 November 2023: 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.

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. Served as co-chairperson of the Basel Consultative Group (a sub committee of the Basel Committee on Banking Supervision) and member of the Committee on Global Financial Stability (CGFS).

16 DR M (MAMPHO) MODISE[41]

Deputy Governor of the SARB

Appointed by the President: 1 April 2024 for a five-year term

Responsibilities: Financial Stability Cluster, which includes the Financial Stability Department, the newly established Corporation for Deposit Insurance (CODI), the Economic Statistics Department, the Risk Management and Compliance Department, and the Fintech Unit.

Experience: Served as the Deputy Director-General of Public Finance at National Treasury, responsible for fiscal and financing monitoring, evaluating policy proposals across national departments, and the oversight of public and state-owned entities. Prior to that, she was the chief strategy and risk management director in the Asset and Liability Management Division, and managed the relationships with global rating agencies on behalf of the government. Her previous roles include the Director of Fiscal Policy and Senior Economist in the Economic Policy Division at National Treasury.

Frequency and attendance of Board and its committee meetings from 1 April 2023 to 31 March 2024

Names of Board members	Board (5 meetings)	Audit Committee (4 meetings)	BREC (4 meetings)	Nedcom (4 meetings)	Remco (4 meetings)	Overall total of meeting attendance for each member's allocated committees
E L (Lesetja) Kganyago[>] **Board Chairperson**	5/5	3/4*	3/4*	n/a	3/4*	**14/17**
K (Kuben) Naidoo	3/5[&]	2/4[&]	2/4[&]	n/a	n/a	**7/13**
F (Nomfundo) Tshazibana[#]	5/5	4/4	4/4	n/a	n/a	**13/13**
R (Rashad) Cassim[#]	5/5	3/4*	n/a	n/a	2/4*	**10/13**
T (Terence) Nombembe **Audit Committee Chairperson until 15/07/23**	1/5[°]	1/4[°]	1/4[°]	1/4[°]	n/a	**4/17**
C (Charlotte) Buitendag	5/5	n/a	3/4	4/4	n/a	**12/13**
N (Nicholas) Vink	5/5	n/a	n/a	4/4	4/4	**13/13**
Y (Yvonne) Muthien **Remco Chairperson**	5/5	n/a	n/a	4/4	4/4	**13/13**
Z (Zoaib) Hoosen **BREC Chairperson**	5/5	4/4	4/4	4/4	n/a	**17/17**
L (Lerato) Molebatsi **Lead Independent Non-executive Director and Nedcom Chairperson**	5/5	n/a	4/4	4/4	4/4	**17/17**
J M S D (Dudu) Msomi[^]	5/5	n/a	4/4	4/4	4/4	**17/17**
M M T (Tryphosa) Ramano	5/5	1/4*	3/4*	3/4*	n/a	**12/17**
N B (Norman) Mbazima[Δ] **Audit Committee Chairperson from 16/07/2023**	5/5	4/4	3/4[Δ]	4/4	2/4[Δ]	**18/21**
S (Shamima) Gaibie	5/5	n/a	n/a	2/4*	2/4*	**9/13**
K H (Kgabo) Badimo	5/5	4/4	4/4	4/4	n/a	**17/17**
K W (Kholeka) Mzondeki[<]	2/5[<]	1/4[<]	n/a	2/4[<]	n/a	**5/13**
Numbers	**71/80**	**27/40**	**35/44**	**40/48**	**25/32**	**198/244**
Percentage	**88.75**	**67.5**	**79.54**	**83.33**	**78.12**	**81.15**

> Attends Audit Committee and Remco meetings by invitation.
Attends Audit Committee and BREC meetings by invitation.
† Attends Audit Committee and Remco meetings by invitation.
& K (Kuben) Naidoo resigned as the DG of the SARB with effect from 1 December 2023.
° T (Terence) Nombembe's third term expired on 15 July 2023.
Δ N B (Norman) Mbazima was appointed as the Chairperson of the Audit Committee on 16 July 2023, joined BREC and relinquished his Remco membership.
^ J M S D (Dudu) Msomi attended as an invitee between 1 July 2023 and 24 September 2023, as she was reappointed on 25 September 2023.
< K W (Kholeka) Mzondeki was appointed as a Board member from 25 September 2023 and appointed as member of the Audit Committee on 30 November 2023.
* Apologised for absence(s).
n/a: not applicable.

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 in 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.

Board committees

The Board has the authority to establish committees and to delegate powers to these committees, with the purpose of advancing its efficiency. The Board recognises that certain powers can be delegated to the committees. It reaffirms, however, that the ultimate accountability for such matters remains with the Board, which must exercise its decision-making responsibility accordingly.

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

T (Terence) Nombembe's term expired on 15 July 2023. He was not eligible for further reappointment, having served three terms. N B (Norman) Mbazima was subsequently appointed as the Chairperson of the Audit Committee with effect from 16 July 2023.

M M T (Tryphosa) Ramano was re-elected for a second term as a member of the Board on 29 July 2023 and reappointed to the Audit Committee and BREC.

K W (Kholeka) Mzondeki was appointed as a member of the Board on 23 September 2023 and appointed to the Audit Committee.

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.

Key activities in 2023/24

- 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.
- Facilitated the process of selecting new external auditors.
- Received a combined assurance report in May 2024 together with the draft *2023/24 SARB Annual Report*.
- The committee was satisfied with the assurance that the SARB's control environment is sound.
- Received a compliance report in May 2024. 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 as well as the external auditors.

Membership

Chairperson
T (Terence) Nombembe
Third term expired on 15 July 2023.

N B (Norman) Mbazima
Appointed as Chairperson from 16 July 2023.

Non-executive directors
Z (Zoaib) Hoosen
M M T (Tryphosa) Ramano
K H (Kgabo) Badimo
K W (Kholeka) Mzondeki
Appointed from 25 September 2023.

Attends by invitation
E L (Lesetja) Kganyago
R (Rashad) Cassim
N (Nomfundo) Tshazibana
K (Kuben) Naidoo
Resigned from 1 December 2023.

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.

Key activities in 2023/24

- Considered the status of risk management in the SARB Group, including strategic risk reports and project risk profiles.
- Considered financial risk, security and cyber-risk reports, including current and emerging threats as well as an insurance report.
- Received reports on the internal audit work relating to risk management processes.
- Received SARB Group litigation reports.
- Reviewed reports on ethics management which included the enhancement of ethics processes and procedures.
- Reviewed reports on Business Continuity Management (BCM) and Occupational Health and Safety (OHS).
- Reviewed reports on the whistle-blowing hotline.
- Considered the SARB's annual corporate social investment (CSI) report.
- Considered the SARB's compliance management reports.
- Reviewed the adequacy of the committee's terms of reference for recommendation to the Board for approval.
- Considered the status of the implementation of recommendations from the Institute of Risk Management to enhance risk management in the SARB.

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
Third term expired on 15 July 2023.

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

Executive directors
E L (Lesetja) Kganyago
N (Nomfundo) Tshazibana
K (Kuben) Naidoo
Resigned from 1 December 2023.

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, DGs and Secretary of the SARB.

Key activities in 2023/24

- Discussed topics on local and global economic environments as well as areas of interest as part of ongoing director training and development.
- Considered the performance of the Governor, DGs and Acting Secretary of the SARB.
- Considered succession planning of directors.
- Considered the training needs of directors and implemented an annual training schedule.

Membership

Chairperson
L H (Lerato) Molebatsi

Non-executive directors
C B (Charlotte) Buitendag
Z (Zoaib) Hoosen
Y (Yvonne) Muthien
T (Terence) Nombembe
Third term expired on 15 July 2023.

N (Nicholas) Vink
S (Shamima) Gabie
J M S D (Dudu) Msomi
M M T (Tryphosa) Ramano
N B (Norman) Mbazima
K H (Kgabo) Badimo
K W (Kholeka) Mzondeki
Appointed on 25 September 2023.

Attends by invitation
E L (Lesetja) Kganyago

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, DGs 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.

Key activities in 2023/24

- 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.
- Reviewed 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.

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

* N B (Norman) Mbazima joined the BREC and relinquished Remco membership when he was appointed as the Chairperson of the Audit Committee.

Executive management

Governors' Executive Committee

In their capacity as executive directors and in line with the SARB Act, the Governor and DGs are responsible for the day-to-day management of the SARB, except for those areas entrusted to the Board, Prudential Committee (PruCo) and CODI.

The members of the GEC are the Governor as Chairperson and the DGs. 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
DG R (Rashad) Cassim

Provides strategic oversight in the management of I&T, including:

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

PROCUREMENT COMMITTEE (PC)

Chairperson
COO P (Pradeep) Maharaj

Oversees the governance of the procurement process to ensure that the acquisition of goods and services by the SARB or, where applicable, by its subsidiaries is in accordance with the SARB Group Procurement and Supplier Management Policy.

The process followed by the PC to provide a reasonable level of assurance that proper governance and due diligence processes were followed is in line with prescribed policies (such as the Procurement Policy, Disclosure of personnel interest, Broad-based Black Economic Empowerment (B-BBEE) guidelines and SARB Ethics Policy).

MANAGEMENT COMMITTEE

Chairperson
DG K (Kuben) Naidoo
Resigned from 1 December 2023.

Acting Chairperson
COO P (Pradeep) Maharaj
Took over as the Acting Chairperson from 1 December 2023.

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

- reviewing cross-cutting procedures and objectives for internal operations;
- reviewing and amending administrative and operational policies;
- providing assurance that policies and operational systems are aligned with best practice;
- considering management-related issues proposed for inclusion in the organisational strategy and/or consolidated generic operational strategy;
- considering progress reports on the implementation of the SARB strategy; and
- considering progress reports on the implementation of capital expenditure projects undertaken by the SARB.

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:

- assuming responsibility for risk management oversight including business continuity, compliance, ethics and corporate citizenship, by determining how the management of risk, compliance, ethics and corporate citizenship should be approached by the Group, including the PA;
- reviewing and endorsing for approval, by the BREC and GEC, all the policies that are within the scope of the RMC's responsibilities;
- evaluating and approving key focus areas in the management of risk, compliance, ethics and corporate citizenship; and
- monitoring compliance with all policies that are within the scope of the RMC's responsibilities.

RESERVES MANAGEMENT COMMITTEE

Chairperson
DG R (Rashad) Cassim

The SARB's Gold and Foreign Exchange Reserves Management Investment Policy governs the management of reserves. Reserves are managed within the SARB's overall risk tolerance framework and the related strategic benchmarks and targets are encapsulated in Strategic Asset Allocation. External fund managers manage a portion of the FX reserves to enhance the internal reserves management capabilities and diversify risk and return. A three-tier governance structure clearly segregates the responsibilities for executive authority (GEC), strategic management (Reserves Management Committee) and portfolio management (Financial Markets Department (FMD)).

The Reserves Management Committee oversees the implementation of the Gold and Foreign Exchange Reserves Management 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;
- monitoring the overall performance of the reserves;
- overseeing quarterly Risk Reserves Management;
- recommending for approval by the GEC, changes to the Gold and Foreign Exchange Reserves Management 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 as well as the implementation of the GEC resolutions insofar as they pertain to reserves management; and
- reporting to the GEC quarterly and to the Board annually.

Risk management

The operations of the SARB continue to evolve in an economic landscape and financial system that are changing rapidly and becoming more complex.

These changes present both risks and opportunities for the SARB as it executes its price and financial stability mandates.

Operationally, the SARB is exposed to significant inherent risks in many of its core functions. These risks include strategic, policy process and operational risks – such as business continuity, cybersecurity, information security and compliance – as well as reputational, project and financial risks.

The SARB's risk management framework governs the full spectrum of these risks and ensures they are effectively managed within the SARB's risk tolerance levels. The risk management approach includes monitoring and responding appropriately to potential and actual political, economic and regulatory risks arising from the global and domestic environments.

Following the adoption of ISO 31000 as the enterprise risk management framework, the SARB has continued to implement this standard across the various business areas, aligning the Group with global best practice.

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, ensuring obligations are met by:

- implementing and maintaining a Compliance Policy and framework;
- identifying, assessing and monitoring compliance in line with regulatory requirements;
- monitoring new regulatory developments;
- enabling compliance with various legislation, including environmental, labour, constitutional and anti-money laundering (AML) legislations;
- promoting a culture of compliance and ethics; and
- reporting compliance risks to the RMC and BREC.

Business continuity

The SARB has adopted the Business Continuity Institute's Good Practice Guidelines that are based on the ISO 22301: Business Continuity Management System (BCMS) standard. The SARB and the cash centres have received formal ISO 22301 BCM certification, which places it on par with international best practice.

The SARB's BCM programme is managed centrally and is supported by a policy, framework, incident management plan and annual cycle of technical activities. The BCM Committee is fully operational.

As the SARB matures and develops its consideration of, and approach to, climate change and cybersecurity risks, the BCM team will continue to support the SARB's Climate Change Programme and liaise 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

Risk governance

GROUP RISK MANAGEMENT POLICY

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 to risk oversight committees

Risk Management Committee

Oversees risk management in the Group on behalf of the SARB executive

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 and operational risks (such as business continuity, cybersecurity, information security, compliance, OHS, climate change and CSI) as well as reputational, project and financial risks.

CONTINUOUS RISK MANAGEMENT

This includes risk incident management, monitoring action plan implementation, day-to-day risk management activities, key risk indicators, scenario analysis and the 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 within the five lines of assurance. The combined assurance model has matured and has been subjected to ongoing enhancements, alignment of assessment methodologies and integrated dashboard-based reporting across the lines of assurance.

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

Combined Assurance Forum

The Combined Assurance Forum (CAF) regularly reviews the combined assurance approach, model and processes as well as information sharing and coordination between the respective assurance providers. This 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 lines of assurance and the CAF, chaired by the Chief Risk Officer (CRO), the forum considers the adopted combined assurance approach to be adequate, effective and aligned to good practices.

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 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 IAD is an independent, objective assurance and advisory function that provides a view on whether processes for managing and controlling risks and overall governance are adequately designed and function effectively. The IAD brings a systematic approach to assessing risk management, control and governance processes, advising management in developing control solutions and monitoring management's corrective actions. The IAD works across the Group, covering all operational functions as well as information technology (IT) systems and processes. The work is carried out in accordance with the Institute of Internal Auditors' (IIA) International Professional Practices Framework.
Fourth level of assurance providers	**Independent external assurance service providers:** external audit and other independent assurance providers	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.
Fifth level of assurance providers	**Board**	The Board oversees that the Combined Assurance Model is implemented to cover significant risks and material matters through a combination of the various assurance services and functions for the Group.

2023/24 | Performance highlights

Received the formal BCM certification against the ISO 22301 BCMS international gold standard. The certification was awarded by the British Standard Institute, validating that the SARB is compliant with the requirements for setting up and managing an effective BCM system.

Completed an independent ethics management maturity assessment and an ethics risk assessment in collaboration with the Ethics Institute.

Looking *ahead*

In line with ongoing objectives, the SARB will continue to advance risk management practices that are forward-looking and support business objectives. The organisation will continue to enhance and expand collaboration and integration with internal and external stakeholders.

POLICY **IMPLEMENTATION**

Monetary policy in a world of high inflation

Stubborn inflation: Global policy rates to remain 'high for longer'

Overview of the world economy

Despite moderating from 8.7% in 2022 to 6.8% over the past year, global inflation remains high relative to the inflation targets of 2–3% that many advanced and emerging markets are trying to achieve. While monetary policy around the world has tightened and supply chains heavily impacted by the pandemic recovered, the return to inflation targets is not yet assured. Price inflation remains stubbornly elevated as reflected in the repeated setbacks that many countries, including South Africa, have experienced in recent months.

Slowing global disinflation is mainly due to inertia in core inflation, with goods price inflation high through 2023 and services price inflation sticky due to pent up demand. In emerging market economies, currency depreciation has often further delayed disinflation.

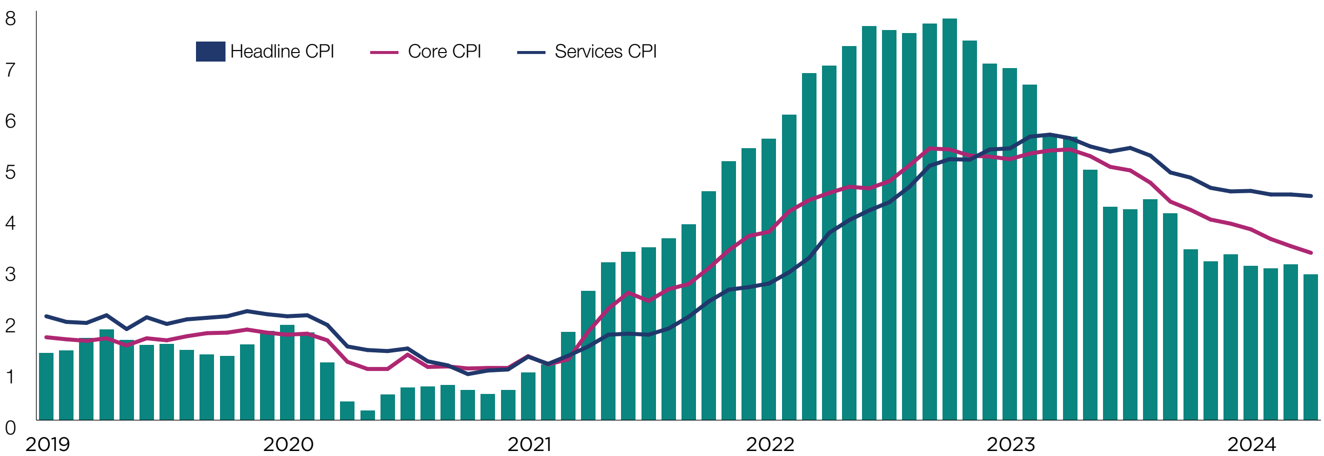
The stubbornness in inflation also reflects stronger-than-expected and sustained fiscal policy support. Inflation, and to some extent global growth at 3.2%, surprised on the upside over the past year despite high interest rates. Performance, however, varied across countries. The United States (US) outperformed its peer advanced economies. Robust growth was evident in India, while growth in China appeared to falter amid a real estate sector crisis and weak domestic demand.

Growth levels in many economies, however, still remain below pre-pandemic trends and are expected to start rising again from next year. Weaker commodities prices have impacted negatively on commodity exporting economies. The SARB projects trading-partner growth to soften this year to 2.6% (from 2.9% the previous year), before recovering to 3.1% by 2026.

Returning to the fight against inflation, restrictive monetary policy has helped moderate credit demand and signalled central banks' commitment to getting inflation back to targets. However, the apparent resilience in economic activity despite 'tight' monetary policy suggests that the neutral real interest rate may have shifted higher, raising questions regarding the current calibration of monetary policy in many jurisdictions. For many emerging markets there is the additional hurdle of currency depreciations that may add to further disinflation, implying possibly high interest rates overall.

Inflation in advanced economies

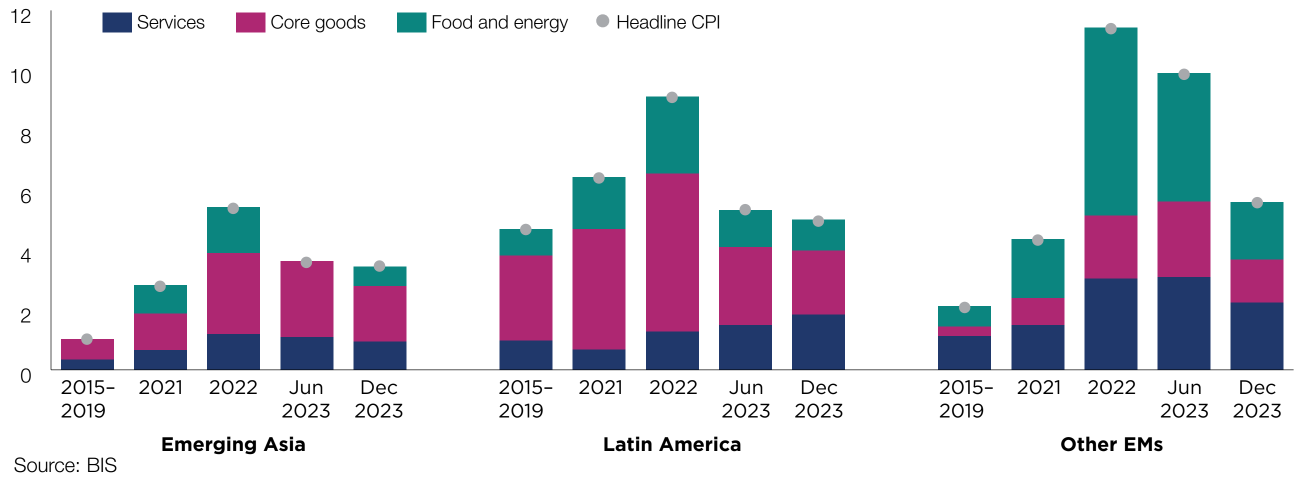
Percentage change over 12 months



Source: Haver

Contributions to headline inflation in emerging markets

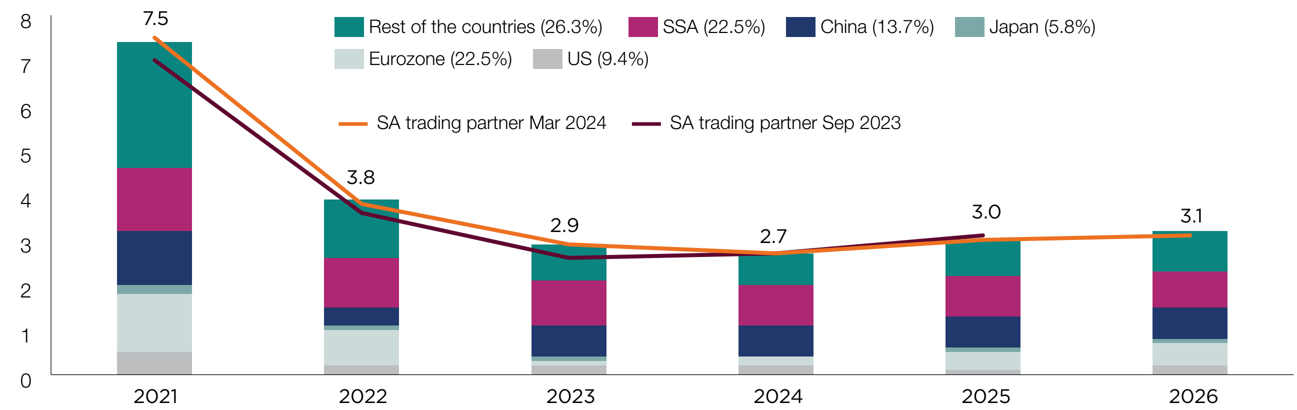
Percentage points



Source: BIS

Contribution to global growth*

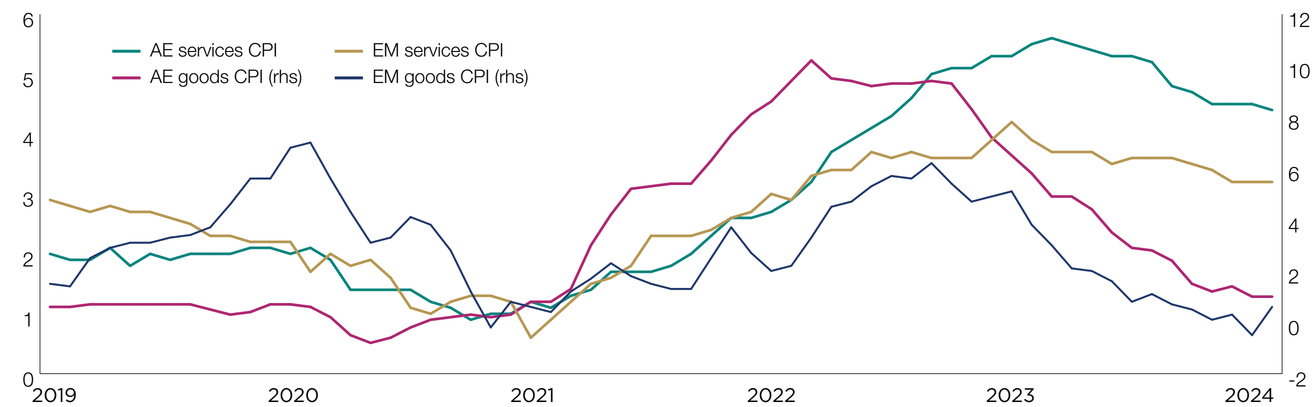
Per cent



* Weights in brackets | Source: SARB

Goods and services inflation

Percentage change over 12 months



Sources: Haver and SARB

Domestic real economy developments

Gross domestic product (GDP) growth more than halved to 0.6% in 2023, from 1.9% in 2022, as load-shedding and logistical challenges weighed on the economy. When measured against a growing population and labour force, this is a very poor outcome.

The primary sector detracted the most from GDP growth this past year, with agriculture declining by 12.2% despite favourable weather conditions and good harvests. Both load-shedding and logistical bottlenecks impacted the sector markedly, along with foot and mouth and Avian flu diseases.

In addition to supply constraints, support from the demand side was subdued as household spending and investment growth slowed in the latter half of 2023. Commodity export prices also continued to retreat from their pandemic highs, reducing the contribution of foreign demand to domestic economic activity.

Employment growth, however, remained relatively strong in 2023, finally surpassing the jobs level that existed prior to the pandemic.[1] Nevertheless, with a larger labour force, the unemployment rate remains elevated at 32.9% in the first quarter of this year.

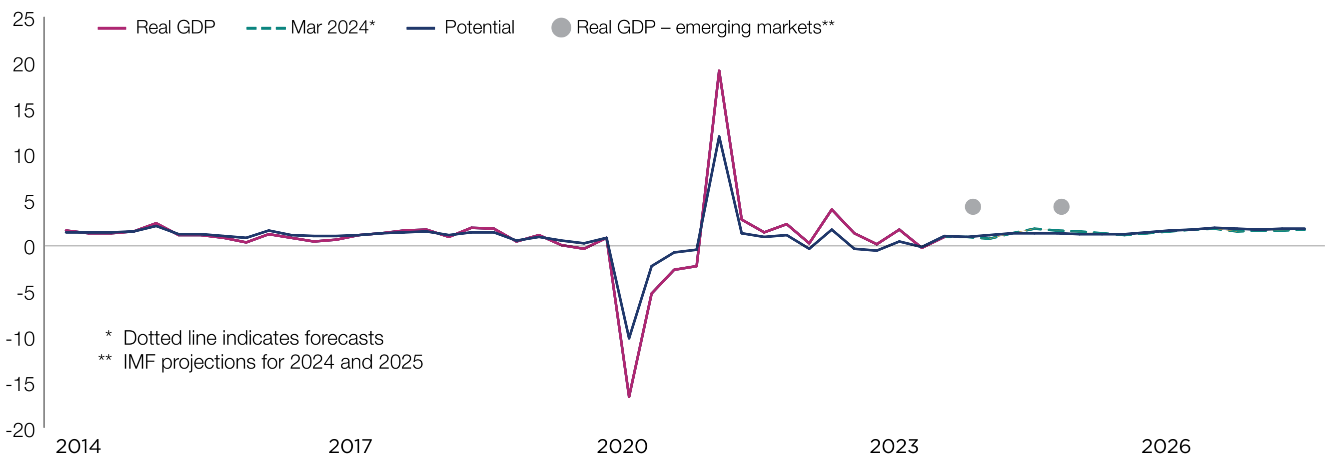
Lower commodity export receipts, combined with muted economic growth, will weigh on the fiscus, underscoring the importance of government's fiscal consolidation. Encouragingly, government managed to achieve a small primary surplus in the 2023/24 fiscal year – the first in 15 years.

Looking ahead, the domestic economy is expected to grow by 1.2% this year, rising to 1.6% by 2026. Consumption spending will be bolstered by declining inflation and the boost to real income from the two-pot pension reform. At the same time, electricity supply is also projected to improve, underpinned by the ongoing private investment in renewable-energy generation and increased maintenance by Eskom.

Meanwhile, the combination of weaker exports, improved investment and low savings rates, is expected to increase the demand for foreign savings, as reflected in a current account balance forecast that deteriorates to -3.1% of GDP by 2026, from -1.9% of GDP in 2024.

GDP

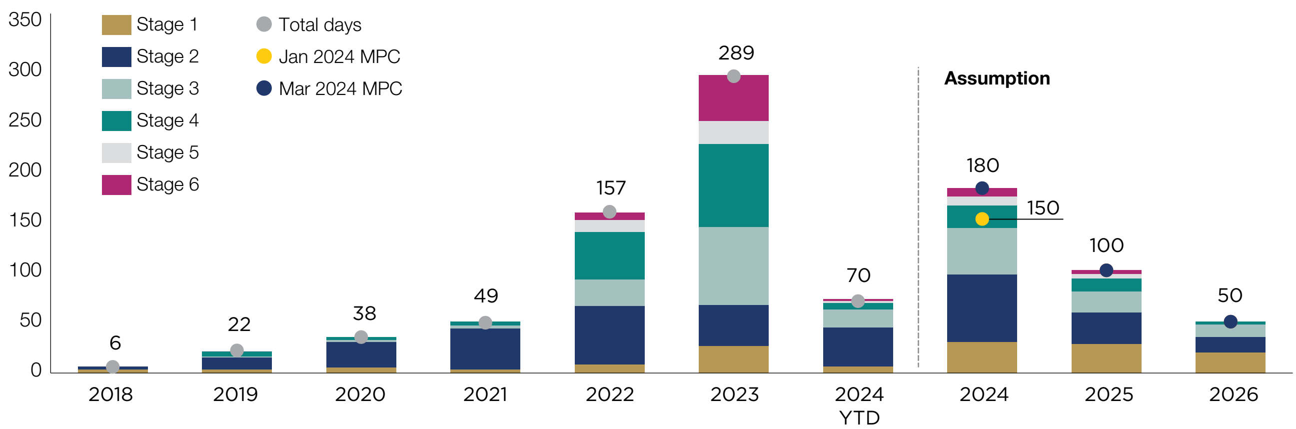
Percentage change over four quarters



Sources: IMF, Stats SA and SARB

Frequency of load-shedding

Number of days*



* Calculated as total hours of load-shedding/24.
Sources: ESP app, Eskom X account and SARB

1. Based on non-seasonally adjusted data from Stats SA.

Inflation dynamics

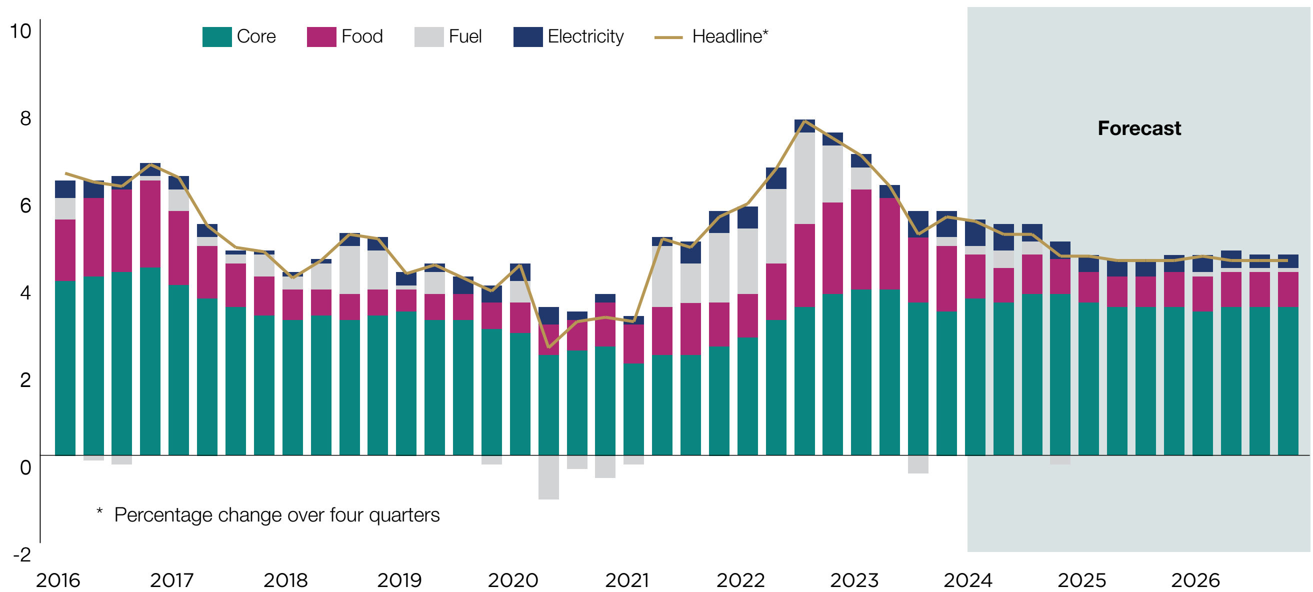
In line with the global trend, South Africa's headline inflation decelerated over the past year and averaged 6.0% in 2023, down from 6.9% in 2022. Since September 2023, however, headline inflation has fluctuated in the 5–6% range, with monthly setbacks amid slower-than-expected disinflation in food and volatility in fuel prices.[2]

Core inflation jumped 0.4 percentage points to 5.0% in February 2024 as services inflation gained momentum, but has softened somewhat since then. Core inflation is forecast to average 4.7% this year (4.8% in 2023), and to slowly revert to the target midpoint over the medium term, reflecting the normalisation of some components such as housing and medical insurance inflation.

Headline inflation is projected to be lower at 5.1% this year. However, its return to the target midpoint is only expected in the second quarter of 2025, with the slower reversion reflecting the above-mentioned core inflation pressures and elevated administered price inflation.

Contributions to headline inflation

Percentage points



Sources: Stats SA and SARB

2. Inflation moderated to 5.1% in December 2023 from 5.9% in October, before accelerating to 5.6% in February 2024.

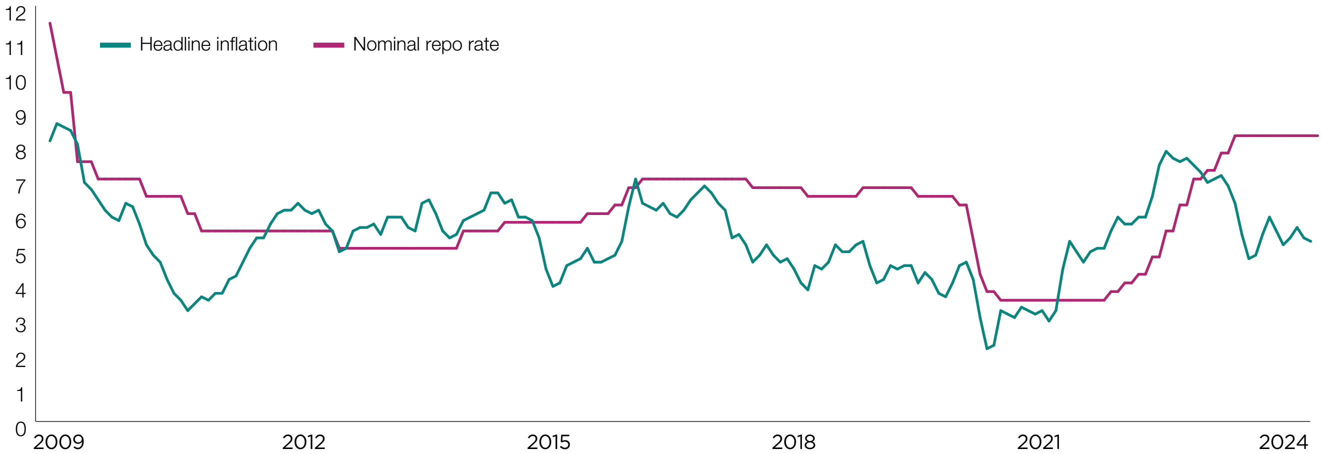
Monetary policy decisions

The MPC has kept the repurchase (repo) rate unchanged at 8.25% over the past six MPC meetings. The repo rate was last changed in May 2023 when it was raised by 50 basis points and is currently judged to be moderately restrictive.

Despite the tighter policy stance, headline inflation has remained above the target midpoint for 36 consecutive months and inflation expectations persist above 5.0%. The expectations of future inflation need to be better anchored at the midpoint of the target band, an effort that should be achieved with the current policy stance, stronger productivity growth and a moderating credit risk premium for the economy as a whole. The MPC will maintain its focus on ensuring the appropriate transmission of monetary policy to the economy and guiding inflation down to a sustainable rate.

Repo rate and headline inflation

Per cent



Sources: Stats SA and SARB

Governance structure

MONETARY POLICY COMMITTEE (meets every two months)

Chairperson
Governor of the SARB

Members[3]

DGs and the Head of ERD
C (Christopher) Loewald

Adviser to the Governors
D (David) Fowkes

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 (MPFs).

3. Other than the DGs, the members of the MPC are appointed by the Governor after consultation with the DGs.

Addressing climate change risks

Climate-related risks are increasing due to the lack of a coordinated global response by governments to combat climate change and restrict temperature increases to 1.5 degrees Celsius. Different countries are transitioning at different paces, exacerbating the risks associated with a disorderly global transition.

In this environment, central banks face higher risks to financial and price stability. There is more urgency to increase the resilience of financial systems to climate-related shocks and ensure strong monetary policy credibility to address larger and more persistent price shocks.

The SARB continues to analyse the impact of emerging global and domestic climate-related risks and develop policy responses guided by global best practices.

Over the past year, the PA published four guidance notices on climate change for public comment. These guidance notices covered climate-related disclosures as well as risk management and governance practices for banks and insurers. The PA seeks to enhance industry's climate-related risk practices and disclosures on a voluntary basis, promote comparative transparency and ensure appropriate international alignment. Following industry consultations, 45 written submissions were received from 28 entities. For the year ahead, the PA will monitor implementation through ongoing supervision, sharing best practice insights and develop case studies and training material.

The PA finalised a supervisory guideline on climate-related risk and undertook 22 engagements with boards of directors and senior management of selected financial institutions. These discussions allowed the PA to understand how institutions are responding to and managing climate-related risks, and what actions they are taking to improve their resilience. For the year ahead, the PA will develop a climate risk dashboard to identify the materialisation of certain physical and transition risks as well as the exposure of specific institutions.

The SARB has focused on developing tools to analyse the impact of climate change-related risk on the stability of the wider financial system. Preliminary research to assess the materiality of certain transition risks for the South African banking sector has been completed. The results are being assessed for potential policy and macroprudential monitoring implications. The climate stress test of systemically important banks was initiated in March 2024 and is scheduled for completion in early 2025. A smaller climate risk add-on was also included in the macroprudential stress test of insurers in 2023/24.

The SARB has published a series of short notes exploring the impacts of specific physical and transition risks. Topics include South Africa's energy transition, carbon taxation in South Africa and the risks of carbon border adjustment mechanisms; price and non-price tools for climate change; the short-term impact of physical climate risks; and the importance of rare earth metals.

As part of the 2023 South African BRICS Presidency (i.e. Presidency of the BRICS group of countries Brazil, Russia, India, China and South Africa), the SARB also published a report on how technology can be used to address climate-related data gaps. A call for research proposals by the SARB is expected to generate several working papers examining climate-related topics, including further analytical work on the implications of climate change risks for monetary policy.

The SARB continues to contribute to the global policy agenda. In January 2024, DG Tshazibana was appointed as Vice-Chair of the NGFS in recognition of the leading role the SARB plays in global policy debates in this area. The SARB and PA participate in the finance streams of the G20, the workgroups of the NGFS, the International Association of Insurance Supervisors (IAIS) and Sustainable Insurance Forum (SIF), BCBS and the Sustainable Banking and Finance Network (SBFN).

On the financial markets and investments front, the SARB's work focuses on three pillars: developing and implementing an ESG strategy for South Africa; working with peer central banks within the Common Monetary Area (CMA) and the SADC to promote the greening of the CMA and SADC financial sectors; and contributing to the NGFS.

The ESG South Africa pillar includes incorporating climate considerations into the SARB's investment management framework. To this end, the SARB has reached a significant milestone in its reserve management investment framework, where it is in the process of investing EUR150 million in a green bond. The SARB is doing further work to incorporate ESG considerations into its investment portfolios. The CODI Board has approved the incorporation of ESG considerations into the CODI investment policy and guidelines and work is underway to adopt similar policies for other portfolios such as the CPD and the SARB Pension Fund.

The SARB is progressing with the reduction of its own carbon footprint, guided by recommendations from the NGFS. It has approved a carbon footprint reduction strategy which seeks to cut the organisation's carbon emissions by 30% by 2026, before reducing them to zero by 2035.

The Climate Change Skills Hub, which covers the various work programme themes, has rolled out a range of courses. A training session on the impact of climate change and stress testing held in December 2023 was attended by delegates from regional central banks, National Treasury and the South African Revenue Service (SARS).

Maintaining financial stability

The FSR Act gives the SARB the legislative mandate to protect and enhance financial stability by ensuring that the financial system is resilient to systemic risks and shocks and can efficiently intermediate funds, even in adverse conditions. Financial stability is necessary for balanced and sustainable economic growth.

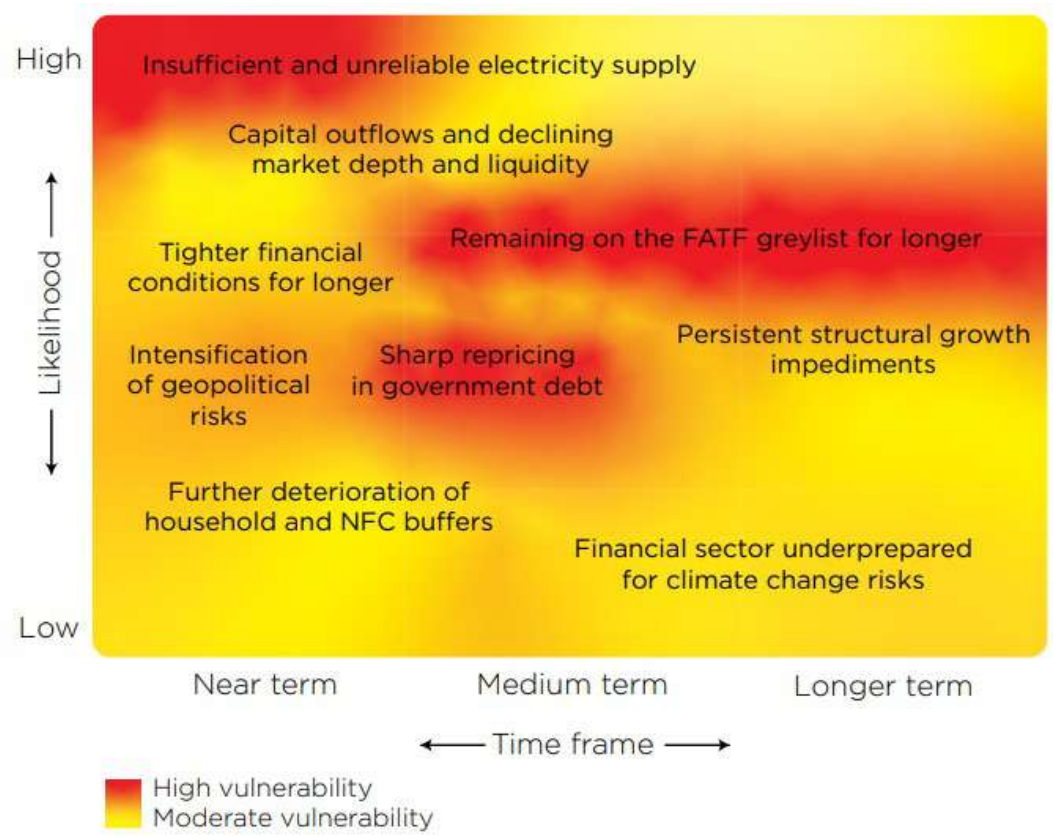
The SARB continually monitors and assesses the build-up of risks and vulnerabilities that may threaten the stability of the financial system. These risks are discussed at FSC meetings and communicated through the biannual publication of the *Financial Stability Review (FSR)*.[4]

Main risks and vulnerabilities identified in 2023/24

During the period under review, systemic risks that weighed on the financial stability outlook included country-specific factors such as the government's increasing debt levels and higher debt-servicing costs as well as domestic financial institutions' high exposure to it. The implications of being on the FATF greylist also started to materialise during the period under review, with growing evidence of domestic institutions being subjected to increased scrutiny by foreign counterparts.

At the same time, there was a marked decrease in the risk of secondary sanctions being imposed on South Africa and encouraging developments around the potential easing of electricity-supply constraints.

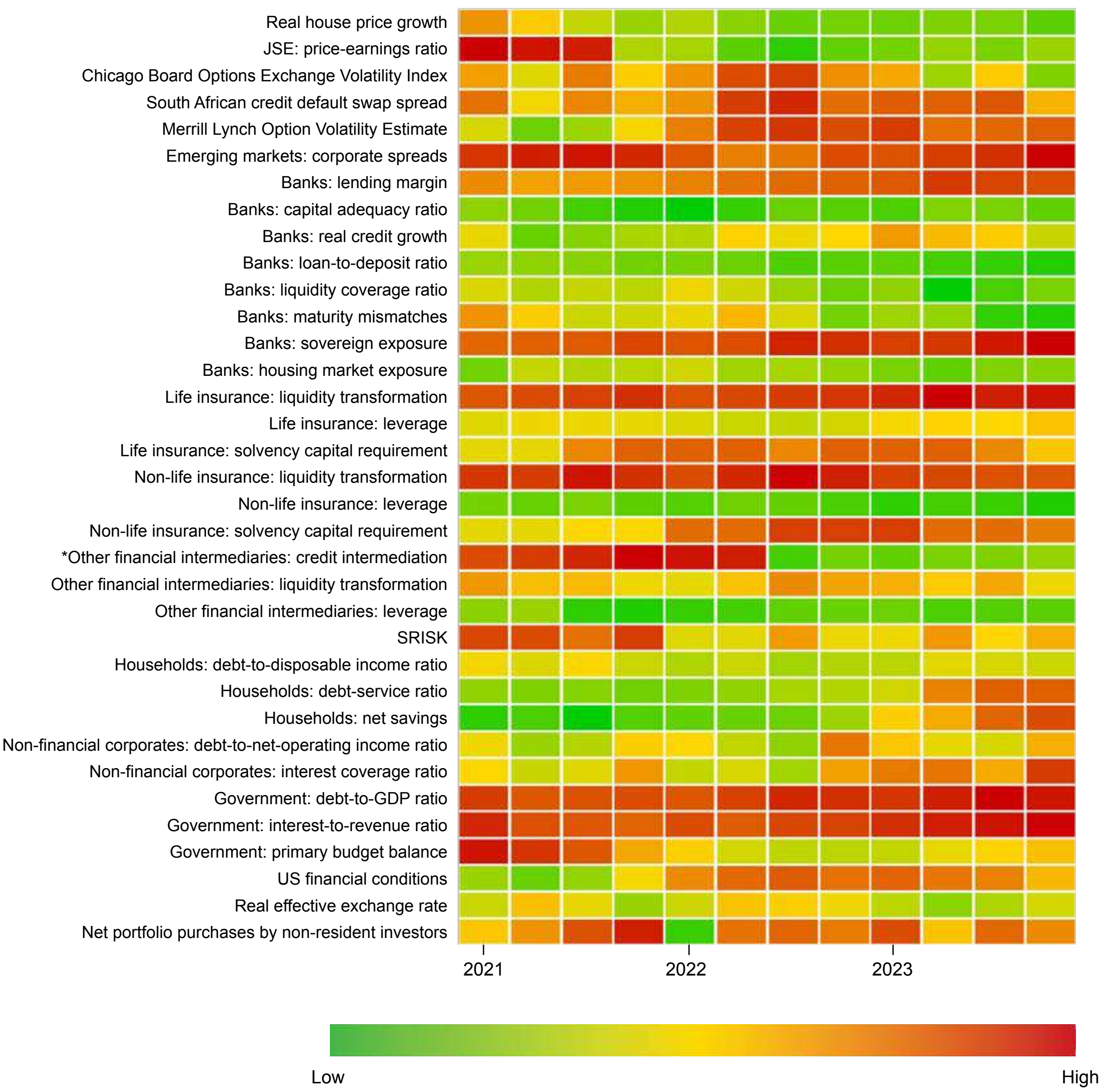
The SARB RVM is a tool that provides a forward-looking assessment of the key risks to financial stability in South Africa over the short, medium and long term. The key risks are identified based on the current state of affairs but also consider possible future developments and the vulnerability of the financial system to such developments.



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

Financial stability heatmap

The SARB uses a wide range of indicators that are designed to act as early warning signals of a potential build-up of cyclical changes in the financial system that could lead to vulnerabilities if left unattended. A snapshot of all material developments is reflected in the financial stability heatmap, which is data driven and based on historical information. It does not contain any evaluation of financial stability risks and is a tool used to flag areas for deeper analyses.



Methodology:The heatmap is based on a z-score transformation of the underlying indicators. The transformed indicators are thereafter mapped onto an empirical cumulative distribution function (ECDF). Low values from the ECDF are mapped to green while higher values are mapped to shades of red.
*OFIs:Includes unit trusts and finance companies.

Update from the SARB FSC

At its October 2023 meeting, the FSC resolved that a positive cycle-neutral (PCN) countercyclical capital buffer (CCyB) of 1% be implemented in South Africa. The phase-in period for the 1% buffer will start on 1 January 2025 and should be fully implemented by 31 December 2025. The FSC also resolved that developments around the sovereign-bank nexus did not require formal policy intervention at that stage. It resolved that the PA would develop ways to monitor and close valuation gaps in banks' holdings of SA government bonds.

Stress testing

Stress testing assesses whether financial institutions have adequate levels of capital and liquidity to withstand extreme but plausible negative shocks. The SARB conducts periodic macroprudential stress tests on South Africa's SIFIs and other potentially systemic institutions.

Stress-testing is a forward-looking macroprudential tool which offers unique insight into the strengths and vulnerabilities of the financial system. It is one of several instruments that the SARB employs to monitor and assess financial stability. Stress-testing therefore contributes significantly to the protection and enhancement of financial stability, as per the SARB mandate set out in the FSR Act.

The outcome of the 2023 Common Scenario Stress Test (CSST) for banks that was concluded in November 2023 indicated that the banking sector was resilient to a selection of severe but plausible scenarios. This included the escalation of South Africa's electricity crisis and its effect on business activity, employment and household disposable income. In particular, the 2023 CSST results confirm that SIFIs remain well capitalised, sufficiently liquid and able to withstand the severe, yet plausible, shocks simulated under the adverse scenarios of the exercise. While the banking sector's aggregate capital adequacy ratio deteriorated across the adverse scenarios, it still comfortably exceeded the regulatory minimums. Furthermore, the solvency results give a conservative assessment of banks' solvency positions under stress due to the exclusion of unappropriated profits, which provides an additional layer of safeguard. The liquidity stress-test results also confirmed that systemically important domestic banks maintained strong liquidity buffers, well in excess of the minimum prudential requirements.

The 2023/24 bottom-up stress test of the insurance sector was concluded in the second quarter of 2024 and results were reported in the first edition of the 2024 *FSR*.

The 2024/25 Climate Risk Stress Test (CRST) of the banking sector was initiated in March 2024. Results for this 'first of its kind' stress test are expected in early 2025. Across all its stress tests, the SARB uses a formalised approach to risk identification and makes use of internal tools such as the RVM.

Designation of the SARB as the Resolution Authority

The SARB has been designated as the Resolution Authority in terms of the FSR Act, read with the FSLAA. The Resolution Authority became operational on 1 June 2023 and will manage all procedures in the event where a systemically important bank or insurance company (designated institutions) is likely to fail or is failing. The FSR Act requires that the SARB develop resolution plans and take steps to ensure that resolution processes are orderly and protect financial stability.

5. An internal non-statutory committee.
6. FSCA, FIC, NCR and PA.
7. Statutory committees prescribed by the FSR Act.

Governance structure

FINANCIAL STABILITY COMMITTEE (four meetings during the reporting year)

Chairperson
Governor of the SARB

Committee members
DGs, MPC members and the heads of line departments

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 actions are considered that address any adverse impact on domestic financial stability.

FINANCIAL STABILITY OVERSIGHT COMMITTEE[5] (FSOC) (two meetings during the reporting year)

Chairperson
Governor of the SARB

Committee members
SARB, National Treasury and representatives of financial sector regulators[6]

The FSOC:
- facilitates cooperation between 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.

FINANCIAL SECTOR CONTINGENCY FORUM[7] (FSCF) (one meeting during the reporting year)

Chairperson
DG responsible for Financial Stability

Committee members
SARB and representatives of financial sector regulators, financial sector industry associations and organs of state

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 industry-wide efforts to increase the resilience of the financial sector to cyberattacks.

Protecting depositors

CODI was established as a legal entity on 24 March 2023 and became operational on 1 April 2024. CODI will manage the country's Deposit Insurance Fund (DIF) which will give qualifying bank depositors access to up to R100 000 of their covered qualifying account balances should their banking institution fail, be liquidated and placed into resolution.

South Africa introduced the 'Twin Peaks' model in 2011 in response to the 2008–09 Global Financial Crisis and to reform the regulatory and supervisory system for financial institutions and market infrastructures. The FSR Act mandates the SARB to maintain and enhance financial stability. CODI was established as part of the financial sector safety net, designed to protect vulnerable bank depositors by ensuring that they will have timeous access to their savings should a bank fail.

CODI, a wholly owned subsidiary of the SARB, is mandated to manage the DIF and to raise awareness on the benefits and limitations of depositor protection.

The FSR Act contains high-level provisions for the establishment, functions and governance of CODI. Secondary legislation, namely ministerial regulations and a prudential standard, contains detailed provisions explaining procedural and administrative matters relating to the operations of CODI and the DIF.

Primary legislation also includes the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act 12 of 2022 that provides for the collection and administration of levies, as well as the Financial Sector and Deposit Insurance Levies Act No 11 of 2022 that provides for, among other things, the imposition of a deposit insurance levy.

CODI has started to collect premiums and fund liquidity contributions from April 2024. The levies are based on 0.015% of a bank's covered deposits, the premiums on 0.2% of a bank's covered deposits and the liquidity contributions on 3% of a bank's covered deposits.

Membership to CODI is compulsory for all banks registered in terms of the Banks Act 94 of 1990 (Banks Act), Mutual Banks Act 124 of 1993 (Mutual Banks Act) and the Co-operative Banks Act 40 of 2007 (CBA). It also includes banks operating within the borders of South Africa that are regulated and supervised by the PA.

CODI becomes operational

CODI established governance structures to operate as a Deposit Insurance Scheme (DIS). The two structures, established on 24 March 2023, are the CODI Board of Directors (CODI Board) and the CODI Investment Committee. The CODI Board approved the CODI strategy that included plans for CODI to become fully operational on 1 April 2024. The strategy included finalising a target operating model, developing an IT reporting solution, providing training to banks and drafting liquidity contracts, guarantee agreements and emergency financing-undertaking agreements. CODI also joined the International Association of Deposit Insurers (IADI) as a full member, and together with the PA and National Treasury, tabled the secondary legislation (the standard and regulation). An awareness campaign was developed in collaboration with member banks and rolled out from April 2024.

Risk and Audit

CODI has, with the SARB's RMCD, completed a strategic risk assessment to identify inherent and residual risks. Risk mitigation plans have been established and approved by the CODI Board.

The SARB's IAD has performed quarterly and annual State of Control Audits. The outcome was that CODI has adequate management controls in place.

Governance

The CODI Board consisted of the following members:

- **DG Kuben Naidoo** (Chairperson until 30 November 2023), DG Rashad Cassim (Chairperson from 1 December 2023)
- **DG Nomfundo Tshazibana** (CEO of the PA)
- **Unathi Kamlana** (Commissioner of the FSCA)
- **Reshoketswe Ralebepa** (Group CFO of the SARB)
- **Bongi Kunene** (Managing Director of the Banking Association South Africa (BASA) and Independent Director of CODI)
- **Hendrik Nel** (interim CEO of CODI until 31 December 2023), Sabihah Mohamed (CEO of CODI from 1 January 2024)
- **Andre Bezuidenhout** (Independent Director)
- **Vukile Davidson** (National Treasury)

The Investment Committee is responsible for reviewing the investment portfolio of the DIF in accordance with a Board-approved policy; and for making recommendations to the CODI Board regarding the investment of the DIF. The committee consisted of the following members:

- **DG Nomfundo Tshazibana** (Chairperson of the Investment Committee)
- **Hendrik Nel** (interim CEO of CODI until 31 December 2023), Sabihah Mohamed (CEO of CODI from 1 January 2024)
- **Andre Bezuidenhout** (Independent Director)
- **Mmakgoshi Lekhethe** (National Treasury until October 2023)
- **Vukile Davidson** (National Treasury)
- **Pregasen Moodley** (CODI Operations Manager)
- **Sabihah Mohamed** (CODI Policy Manager until 31 December 2023)

Looking *ahead*

CODI will focus on, among other plans, the rollout of phase 2 of its I&T infrastructure, developing resolution support processes and promoting deposit insurance awareness. Phase 1 of CODI's IT solution included collecting aggregate deposit data from banks as well as a financial module to calculate banks' premiums, levies and fund liquidity contributions, generate invoices and support other financial transactions. Phase 2 will be rolled out and will focus on receiving and processing single customer view (SCV) calculations and on investment management. CODI will continue to provide a reporting solution to co-operative banks. An internal framework to provide resolution support in line with the resolution strategy of the SARB as the Resolution Authority, will be determined for each bank. A communication and awareness strategy, approved by the CODI Board, kicked off in April 2024 and includes an extensive press awareness campaign, as well as guidance and training on deposit insurance to enable banks to meet their public awareness obligations.

Prudential regulation

The PA continues to execute its mandate of promoting the safety, soundness and integrity of regulated financial institutions and market infrastructures and protecting financial consumers from the risk that these institutions may fail to meet their obligations.

The PA regularly assesses and reviews whether the scope of regulation and subsequent risks identified are mitigated. It continues to enhance risk-based, outcomes-focused and forward-looking supervision for the growth and sustainability of the sectors under its ambit.

For the year under review, the majority of financial institutions were well capitalised and remained resilient, despite operating in a difficult environment of stagnant economic growth, intensifying geopolitical tensions, extreme weather conditions and rapid technological change.

The PA has seen financial institutions repositioning themselves to remain competitive, including offering new financial products, becoming increasingly digital, partnering with financial technology firms and using artificial intelligence (AI) to better utilise customer information and build risk management models.

In 2023, the PA selected two flavour-of-the-year topics: organisational resilience and climate-related risks, to assess financial institutions' ability to absorb and adapt in a changing environment as well as their response to risks related to climate change.

In February 2023, the FATF added South Africa to the list of jurisdictions under increased monitoring, citing deficiencies in meeting international standards relating to the prevention of money laundering, terrorist financing and proliferation financing. Significant progress has been made towards the remediation of action items and all stakeholders are actively engaged to ensure South Africa is removed from the greylist at the earliest possible time.

Regulatory Strategy progress:

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

Banks

On 21 September 2023, following extensive consultation during 2022/23, the PA made amendments to the Regulations relating to Banks (Regulations) related to credit risk, operational risk, the exposure definition of the leverage ratio framework and the output floor.

These proposed amendments include the remaining Basel III post-crisis reforms issued by the BCBS for member jurisdictions. The implementation date of the amended Regulations is 1 July 2025.

The draft Prudential Standards on Market Risk and the draft Prudential Standard on Credit Valuation Adjustment were also issued for public comment. The PA is currently reviewing the comments received. The implementation of the draft standards is 1 July 2025.

Mutual banks

The PA plans to develop seven prudential standards for mutual banks covering governance and risk management, operational risk management, credit risk, liquidity risk, interest rate risk in the banking book, capital and economic returns. These will be published for further comment in 2024.

Co-operative financial institutions and co-operative banks

The PA drafted four prudential standards covering registration and operational requirements, governance, risk management and financial soundness.

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

The draft Prudential Standard FC01: Capital Requirements for Financial Conglomerates is still undergoing field testing, which is expected to continue during 2024. The PA's Supervisory Framework for Financial Conglomerates is already in use and will undergo refinements to incorporate details of the capital requirements standards for financial conglomerates being FC02: Intragroup Transactions and Exposures, FC03: Auditor Requirements, FC04: Governance and Risk Management and FC05: Risk Concentration. The PA is monitoring the implementation of the prudential standards that came into effect on 1 January 2022.

Strategic policy | Key highlights for 2023/24

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

- The development of a regulatory framework for central clearing, in alignment with G20 requirements in terms of which OTC derivative transactions should be cleared through a counterparty, is in progress.
- Frameworks about the licensing of external FMIs have been published for comment.
- The draft Joint Standard on Minimum Requirements for the Recovery Plans of Market Infrastructures has been reviewed by the PA and FSCA's policy governance channels.
- Comments from the PA, SARB and FSCA on the Financial Markets Act Amendment Bill were incorporated by National Treasury.

Strengthening and enhancing the regulatory and supervisory framework for significant owners

During 2023, a number of applications for significant ownership of financial institutions were processed. The PA is monitoring the significant ownership framework and annual assessments of the fitness and propriety of significant owners of specific financial institutions.

Strengthening and enhancing the regulatory and supervisory frameworks for insurers

- The proposed **Public Disclosure Standard for Insurers**, issued in terms of section 45 of the Insurance Act 18 of 2017 (Insurance Act), requires insurers to publicly disclose prescribed quantitative and qualitative information.
- The proposed **Liquidity Risk Management Standard for Insurers** will be circulated for public consultation during 2024.
- The **Joint Standard on Outsourcing** was tabled in Parliament in December 2023.
- The PA shared with the industry a high-level, interim approach to index-based or parametric insurance. This is a form of insurance where claim payments are based on values obtained from an index that serves as a proxy for losses. The PA will consider licensing applications for index-based products under section 5(4) of the Insurance Act, which permits insurers to offer these products as business other than insurance business, provided the PA gives its approval.

Supporting financial innovation and new technologies

The PA promotes responsible innovation through its continued participation in the Intergovernmental Fintech Working Group (IFWG).

The BCBS consulted the PA on amendments to its standard on the prudential treatment of crypto-asset exposures. The amendments focus mainly on the composition of reserve assets for stablecoins and a due diligence requirement.

Implementing the PA's approach to transformation and financial inclusion

Financial inclusion:
The PA finalised its regulatory and supervisory approach to supporting financial inclusion, following the release of National Treasury's Financial Inclusion Policy Framework titled 'An Inclusive Financial Sector for All'.

Transformation:
The PA monitors insurers' adherence to their transformation plans. It has also engaged banks on their commitments and progress made under the Financial Sector Charter Code.

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

Following the greylisting of South Africa, the FATF JG issued an action plan requiring various stakeholders to address specific deficiencies. One outstanding action item within the PA's ambit is ensuring that supervised entities that are found to be non-compliant with the Financial Intelligence Centre Act 38 of 2001 (FIC Act) are issued with proportionate, dissuasive and effective sanctions.

The PA has processed several enforcement matters relating to FIC Act non-compliance, which have been presented to the Prudential Authority Regulatory Action Committee (PARAC) for final decision-making. Additionally, the PA monitors the progress of remedial action taken by banks and life insurers over the financial year to ensure that the entities are demonstrating a change in compliance behaviour.

Feedback from the FATF's regional JG responsible for reviewing and analysing progress made has been largely positive, indicating that the actions undertaken are sustainable.

The PA funding model

The SARB has been funding the PA from its resources since the PA's establishment in 2018. For the financial year under review, the PA implemented various pieces of legislation related to the collection of levies to fund its operations. The funding model of the PA is based on the principle of cost recovery and the PA only collects levies to run its operations effectively.

The PA issued assessment notices to all supervised entities, setting out the levy amount and the due date for payment. This was the first time that the PA collected levies from the industry. Even with the levies, the SARB will continue to fund an estimated 37% of the PA operations, while industry levies will fund the remaining balance.

In preparation for the 2024/25 financial year, the PA published its budget and other relevant documents for industry consultations in December 2023, marking the first time such action had been taken. The PA is in the process of finalising its fee proposals for the 2024/25 financial year. Once the PA fee has been finalised, all other fee instruments will be repealed and replaced with a single PA Fees Determination.

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

The Johannesburg Interbank Average Rate (Jibar) is being replaced by the South African Rand Overnight Index Average Rate (ZARONIA). The smooth transition from Jibar to ZARONIA is crucial for South Africa's financial markets, with over R46 trillion in various financial instruments still referencing Jibar.

Surveys conducted by the PA and the SARB's FMD in 2023 showed this significant Jibar exposure, particularly in derivatives (93% of total exposure), with the three-month Jibar being the most common referenced rate. The surveys also indicated a need for better communication and definitive timelines for the transition to ZARONIA.

For 2024, a priority is to ensure that major clearing houses can process ZARONIA-based derivatives efficiently. The MPG has endorsed market conventions for ZARONIA-linked products and is working to align market infrastructure with the new benchmark. The SARB is also publishing additional ZARONIA indices.

The PA's communication with industry

Annual industry engagements

Regular industry engagements offer a way for the PA to interact with senior executives from regulated entities; officials from its sister regulator, the FSCA; and representatives from industry bodies and auditing firms. Four engagement sessions were held during February and March 2024, bringing together over 600 people. Key issues included a progress update on the FATF greylisting action items, risks related to digitalisation, climate-related risks as well as governance trends. The PA also shared its observations on the outcomes of the two flavour-of-the-year topics for 2023.

The PA also published four newsletters focusing its work, new and upcoming activities, stakeholder engagements as well as local and global trends.

Governance structure

PRUDENTIAL COMMITTEE

Chairperson
Governor of the SARB

Members
DGs, with one of the DGs also being the CEO of the PA

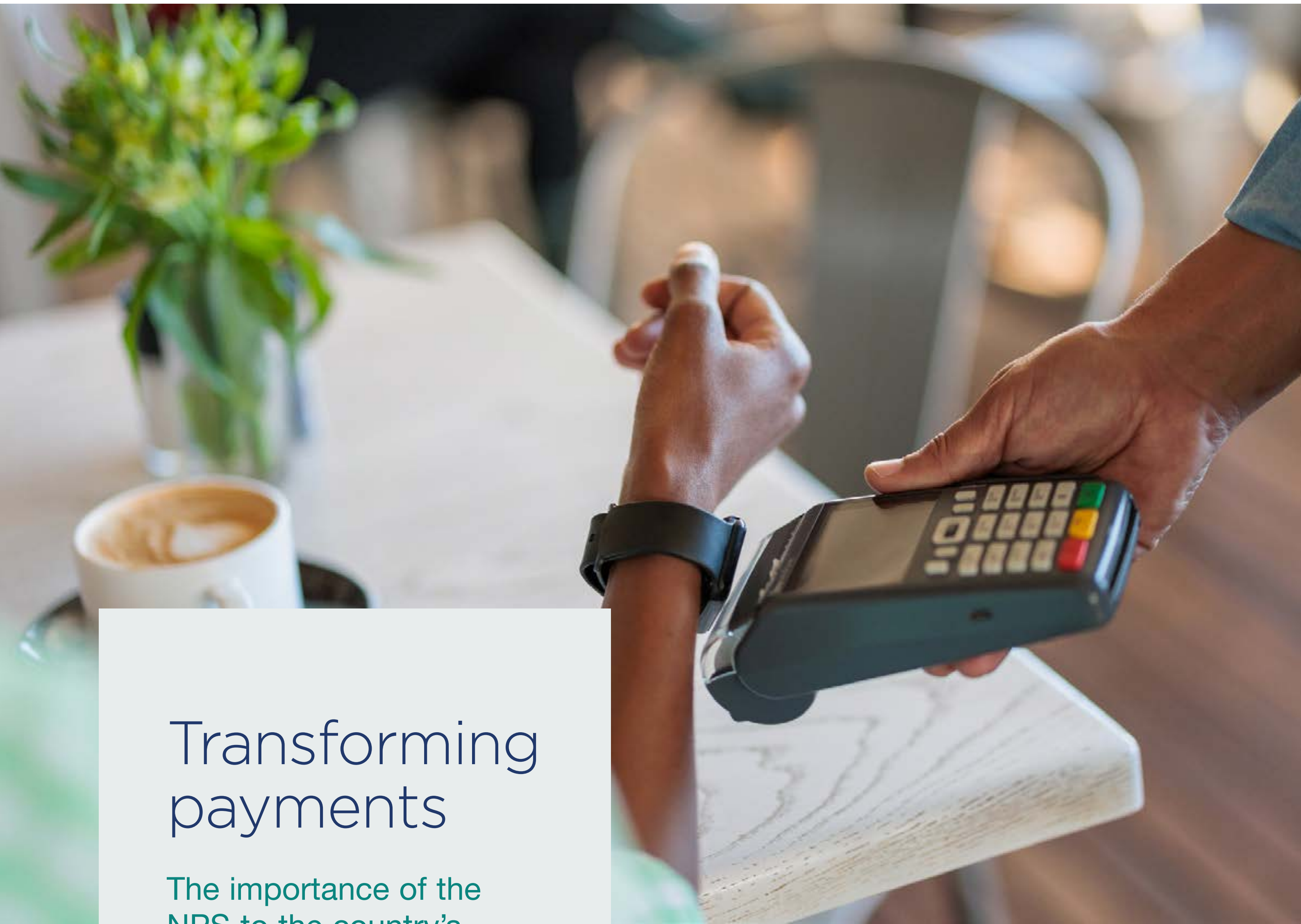
Standing invitees: The four PA HoDs and the Head: Financial Stability Department (FinStab)

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

The PruCo met 11 times and held a strategy session for the 2023/24 financial year.

Functions
The PruCo provides oversight on the management and administration of the PA. Among other key activities conducted during the reporting year, the committee:

- made the Prudential Standard RA01: Stays and Resolution Moratoria, which became effective on 1 June 2023;
- made the Prudential Standard RA02: Transfer of Assets and Liabilities of a Designated Institution in Resolution, which became effective on 1 June 2023;
- approved the proposed amendments to the CBA for inclusion in the Omnibus Bill that was prepared by National Treasury;
- approved the amended Joint Standard 2 of 2020 through Joint Standard Amendment 1 of 2023 and the making of the standard in respect of margin requirements for non-centrally cleared OTC derivative transactions, which was done in terms of section 42(b)(vi) of the FSR Act;
- approved the draft Joint Standard on Outsourcing and accompanying documents for submission by the Minister of Finance to Parliament;
- Approved, for public consultation, draft 2 of the proposed amendments to the Regulations, addressing the standardised approach for credit risk, internal ratings-based approaches to credit risk, revised operational risk framework, revised leverage ratio framework and the output floor;
- approved for public consultation the amendments to the Commercial Paper Exemption Notice 1994 and accompanying documents;
- approved the development of the Joint Standard: IT Governance and Risk Management and accompanying documents, which standard is expected to come into effect in 12 months' time from the date of publication;
- approved for public consultation the draft Prudential Standard on Market Risk and the draft Prudential Standard on Credit Valuation Adjustment;
- approved for public consultation the draft Joint Standard: Criteria applicable to an external central counterparty or external trade repository;
- approved for public consultation the draft Prudential Standard on Flac Instrument Requirements for designated institutions; and
- approved for public consultation the proposed PA budget and levies documents for the 2024/25 financial year.



Transforming payments

The importance of the NPS to the country's financial system and the greater economy places a key responsibility on the SARB to keep abreast of global payment system developments.

As the custodian of the NPS, the SARB must react in a timely and sustainable manner to meet the needs of the public and enable safe, fast, accessible, convenient and affordable payment services. To meet current and future needs, the SARB continues to implement its objectives set out in the National Payment System Framework and Strategy Vision 2025.

Payments ecosystem modernisation

In 2023, the SARB conducted an extensive review of the current payment system environment, including a scan of the global payment system landscape. As a result, it established the Payments Ecosystem Modernisation (PEM) programme with the aim to modernise and improve South Africa's payments infrastructure.

The PEM is one of the most significant strategic interventions in the payments ecosystem since the introduction of the SAMOS system and the enactment of the NPS Act nearly 30 years ago.

The programme includes the establishment of a centralised public payments utility that will form the cornerstone of this structural reform of the payments ecosystem. It will incorporate among other things a renewed RTGS system as well as better fast payment system (FPS) capabilities. It will also include enablers such as the development of a digital financial identity, an electronic Know-Your-Customer (KYC) registry, centralised business intelligence and fraud management capabilities geared to meet the demands of the financial system.

Digital Payments Roadmap

The SARB has developed a *Digital Payments Roadmap (Roadmap)* that identifies obstacles, barriers and challenges that slow down the adoption and use of digital payments. The *Roadmap* presents a multi-disciplinary and stakeholder action plan to address these obstacles and promote the inclusivity, effectiveness and sustainability of digital payments. The *Roadmap* supports Vision 2025 and focuses on the domestic payments ecosystem. It does not extend to cross-border payments. The *Roadmap* was published in April 2024.[8]

Understanding payments behaviour

During 2023, the SARB initiated its inaugural Payments Study (study) to gain insights into consumer preferences and their adoption and use of the different available payment methods and instruments. The study was two-pronged – the first part assessed the use of payment instruments and consumer behaviour in the NPS based on payments data collected and maintained by the SARB. The second consisted of data collected through the implementation of a unique nationwide consumer survey, namely the Survey of Consumer Payment Choice (SCPC) as well as data collected through a Diary of Consumer Payment Choice (DCPC), a process where identified consumers had to keep payment diaries over a fixed period. The study has generated authoritative information and insights that will, over time, inform the development and maintenance of public policies. The overall findings of the study will be made public during 2024.

Looking *ahead*

The future vision of the NPS

Vision 2025 was published in 2018 as a multi-year strategy aimed at ensuring that the NPS meets the key policy objectives of inclusion, efficiency, safety and integrity. The strategy is supported by an action plan consisting of identified initiatives which are likely to continue well past 2025. While some initiatives have been implemented, others are still in progress. Several initiatives are dependent on amendments to the NPS Act, while others are dependent on what can be achieved through the newly constituted PEM programme. We are developing another multi-year vision and related strategies and will continue collaborating with and leveraging the capabilities of the wider payments community.

8. See Digital Payments Roadmap: Towards inclusive, accessible, effective and sustainable digital payments in South Africa: https://www.resbank.co.za/content/dam/sarb/what-we-do/payments-and-settlements/regulation-oversight-and-supervision/Digital%20Payments%20Roadmap.pdf

Embracing innovation

Innovation in financial technology (fintech) continues to impact the financial system in South Africa. AI, including generative AI and machine learning (ML), distributed ledger technology (DLT), application programming interfaces (APIs) and cloud computing continue to accelerate the digitalisation of financial services and products, transforming how consumers make payments and access financial products or services.

For the period under review, the Fintech Unit continued to develop insights into fintech trends, experiment with new technologies and contribute to the advancement of knowledge in the fintech space.

Gaining deeper practical insights

The Fintech Unit continues to support the IFWG and the IFWG's Innovation Hub. The Innovation Hub has three units, namely the Regulatory Guidance Unit (RGU), the Regulatory Sandbox (RSB) and the Innovation Accelerator.

The Fintech Unit has been creating space for experimentation in a controlled environment, where innovative solutions can be tested against regulatory parameters. The RSB has two firms active in the sandbox that are testing (i) whether the regulatory framework should be amended to enable bulk, low-value payments to international merchants without undermining South Africa's exchange control framework; and (ii) whether financial services providers will be able to advance credit to individuals based on alternative data.

Areas of focus

Crypto assets

The SARB continues to support steps taken by the FSCA and the Financial Intelligence Centre (FIC) to regulate crypto assets. The increasing popularity of so-called 'stablecoins' as a particular type of crypto asset merits heightened regulatory scrutiny. Even though these so-called stablecoins are a type of crypto asset, the Fintech Unit through the IFWG's Crypto Assets Regulatory Working Group (CAR WG) continues its analytical work to inform the appropriate policy and regulatory response to stablecoins.

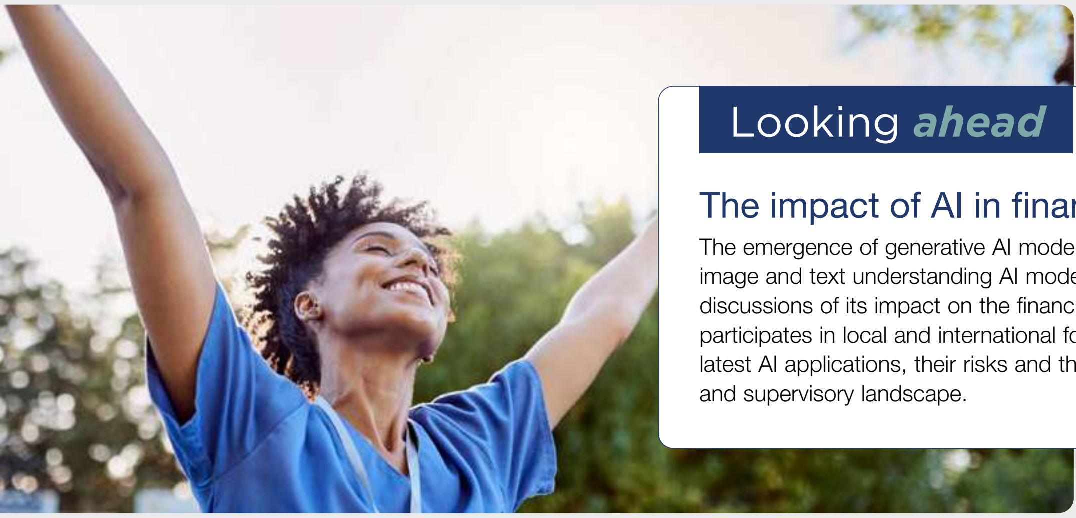
Financial markets innovation

Project Khokha 2 (PK2) explored tokenisation in financial markets – or the representation of assets such as securities and payments instruments on DLT – and its impact on the securities trading, clearing and settlement life cycle in South Africa. PK2 saw the issuing of SARB debenture tokens, enabling project participants to buy the tokenised debentures in the primary market using a wholesale central bank digital currency (wCBDC, i.e. tokenised central bank money) and a wholesale settlement token (tokenised commercial bank money) in the secondary market. The main project was completed with the launch of the project report during April 2022.

Further technical work was done through a sub-project called Project Khokha 2.x, where the participants were able to build their own applications on the PK2 infrastructure through four technical proofs of concept (PoCs). The PoCs explored a cross-border stablecoin, a domestic banking industry stablecoin, a trade finance platform and an asset tokenisation platform.

Open finance

The IFWG's Open Finance Integration Working Group (OPI WG) has continued its research and analysis to support a regulatory framework for open finance. This includes developing API standards and regulatory frameworks.



Looking *ahead*

The impact of AI in financial services

The emergence of generative AI models such as the multimodal image and text understanding AI model ChatGPT-4 has heightened discussions of its impact on the financial sector. The SARB participates in local and international forums to gain insights into the latest AI applications, their risks and their impact on the regulatory and supervisory landscape.

People matters

To achieve its price and financial stability mandates the SARB must ensure that it attracts and retains capable and skilled employees. To this end, the SARB's people strategy is geared towards building an engaged and resilient workforce, committed to delivering excellence in its service to the people of South Africa.

People strategy – performance highlights

A key highlight for the year has been the implementation of a new cloud-based solution to simplify and digitalise human resources processes. Phase one, which was implemented on 1 November 2023, included:

modernising back-office systems and capabilities; and

enhancing operational efficiency by improving staff-assisted and self-service functions.

The final phase of the cloud solution kicked off on 1 March 2024, with full implementation envisaged by 1 September 2025.

Other performance highlights include:

In driving the employee value proposition, the SARB

- was awarded the Employer of Choice in the Public Sector and Best Internship/Work Experience by the SA Graduate Employers Association; and
- successfully hosted the first Careers Day, providing career guidance for its under-35s staff cohort.

Embedding a workforce plan

- The SARB implemented programmes focused on core and emerging critical skills needs such as data science and ML capabilities.
- The Climate Change Skills Hub hosted in-person sessions quarterly.
- Other programmes such as data fluency, monetary policy and understanding CBDC are ongoing.
- Central banking masterclasses to ensure the continuity of institutional knowledge management and retention of critical skills in line with the Strategic Workforce Planning (SWP) of the SARB are in the works.

Embedding the 'SARB Way of Work' programme in response to hybrid working and digital advances

- socialised the hybrid work principles across the organisation via a host of communications activities including webinars to empower leaders and employees to work and lead effectively; and
- rolled out hybrid working practices to further embed the hybrid principles in a practical way.

Enhancing employee engagement

- The 2023 annual EES revealed high levels of stress among staff. SARB-wide action plans were implemented such as webinars and leadership development programmes, designed and delivered to address employee experience challenges emanating from the EES.
- Departments and cash centres have developed action plans to address areas of improvement in their own environments.

Creating a diverse and inclusive workplace

- The SARB completed the third phase of its D&I programme which focuses on generational diversity; racial, ethnic and cultural diversity; gender diversity; sexual orientation; and sexual harassment.
- The Women@SARB programme aimed at reaching women at various career levels to strengthen their personal skills and help them to exert greater influence in their operational environments was launched.
- The D&I accountability framework has been incorporated into the SARB's performance scorecard.

Employee well-being

The SARB's occupational health and wellness team proactively supported staff, resulting in an improvement in health status and financial protection.

2023/24 Performance highlights

Improved collaboration with external health partners through awareness campaigns about mental health and non-communicable diseases, including but not limited to diabetes, hypertension and the different types of cancer.

A renewed focus on medical surveillance such as identifying early departures from normal health and advising on the management and prevention of long-lasting ill-health has yielded positive results.

Travel health advisory services provide advice and vaccine administration to employees travelling abroad.

Talent management and workforce planning looks at developing a responsive and agile workforce in an ever-changing work environment.

Seven postgraduates participated in the Graduate Development Programme. Graduates attended training on central banking and personal and professional skills.

Time to fill critical roles
140 days
(target: < 90 days)
2022/23: 109 days

Critical roles turnover rate

0.4% | **target: < 4.0%**

2022/23: 0.8%

Overall employee turnover rate

5.6% | **target: < 4.0%**

2022/23: 7.2%

Regrettable employee turnover

1.0% | **target: < 4.0%**

2022/23: 1.7%

Coverage ratio for critical roles

91% | **target: 85%**

2022/23: 85%

Management and leadership training

Various management and leadership development programmes (MLDPs) focusing on embedding the leadership competency framework 'Leading the SARB Way' took place.

More than
180 management and senior leaders
attended the 2023 Leadership Conference

10 management and leadership development initiatives
MLDP rolled out

537 employees
participated, with an overall satisfaction rating of **90%**

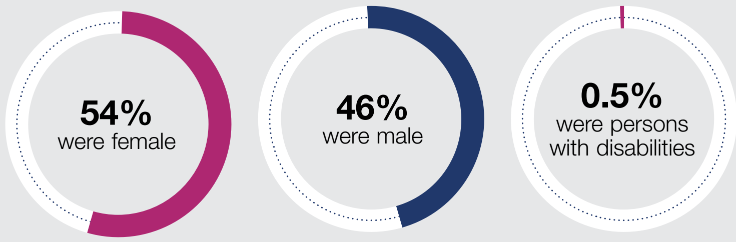
Learning and development

The SARB Academy runs customised programmes that deliver impactful learning to enhance performance as well as for personal transformation. Although some training sessions are hosted in external venues, cost savings have been achieved due to technology and self-learning platforms.

2023/24 | Performance highlights

2 681
permanent employees and contractors (95% of total workforce) attended training
(2022/23: 2 437 employees – 99% of the total workforce)
(2021/22: 2 637 employees – 98% of the total workforce)

Of the employees who received training:



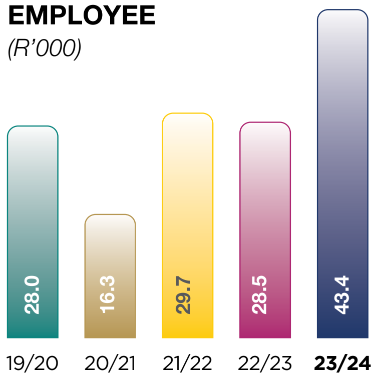
The total training spend was:
R116.3 million,
or 5.7% of the total payroll

(2022/23: R69.7 million – 3.5% of the total payroll)

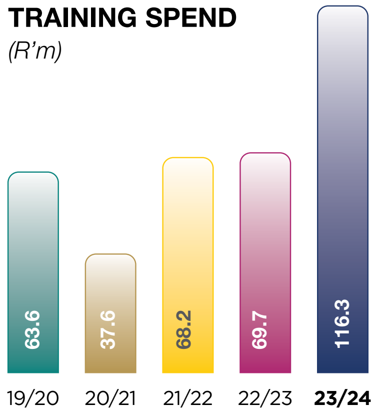
(2021/22: R68.2 million – 3% of the total payroll)

Average spend per employee:
R43 400

AVERAGE TRAINING SPEND PER EMPLOYEE
(R'000)



TOTAL TRAINING SPEND
(R'm)



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 2024, the SARB Retirement Fund had 3 341 contributing members, 173 preserved members, 1 337 life annuitants, (126 life annuities transferred from the former SARB Pension Fund and now ring-fenced within the SARB Retirement Fund), 78 living annuitants, and deferred retirees (members who have retired from the Group but not from the fund). The fund's total liability amounted to R9.82 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. This statutory valuation is expected to be finalised during the 2024/25 financial 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 2024, expected in November 2024.

The Board of Trustees actively monitors changes in the retirement industry, including any relevant legislative changes. The Board delegates several of its functions to subcommittees that are governed in line with section 7D (2)(a) of the Pension Funds Act 24 of 1956 (Pension Funds Act). Each subcommittee has its terms of reference which sets out its scope of work. 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 through continued employee engagement. The department is continuously working to strengthen the organisational culture and remove barriers to high performance as well as advance our digital learning strategy. Aligning talent and performance management with reward processes remains a focus, as are our efforts to balance traditional ways of working with more collaborative and empowering new technologies. With the rollout of the final phase of the HCM cloud solution we continue to simplify human resources processes.

Enhancing employee engagement

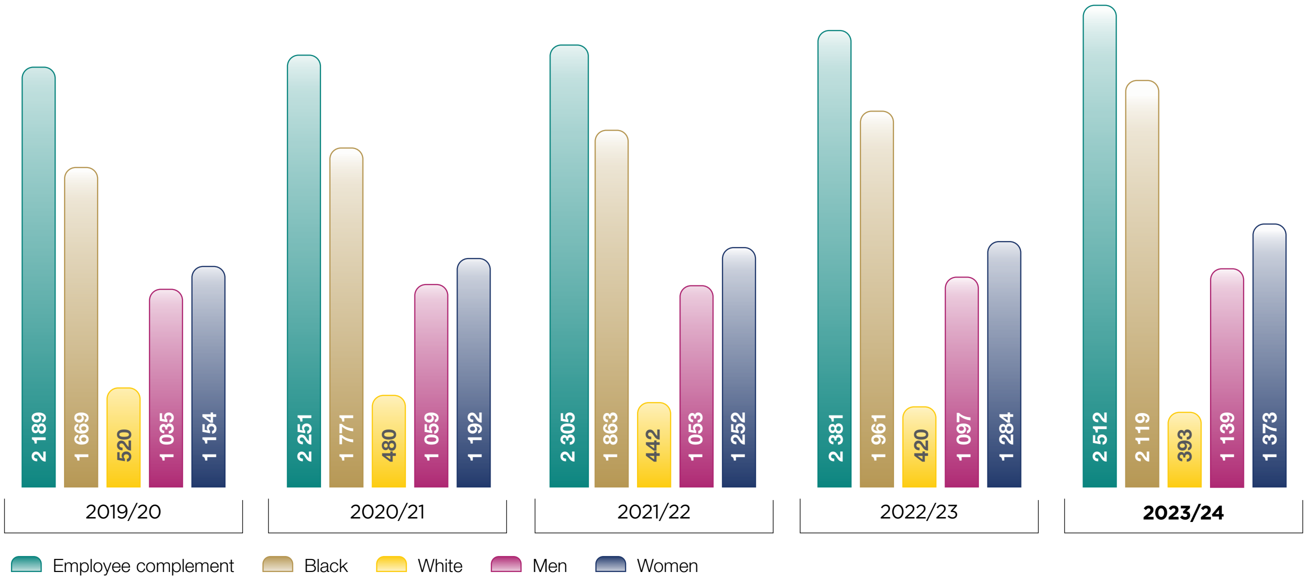
The SARB encourages open and transparent communication, receiving employee feedback through several channels such as the annual EES, pulse surveys and both on- and off-boarding interviews.

A pulse survey on meetings in the SARB was conducted with the aim to develop appropriate interventions to mitigate meeting-overload which has led to fatigue and stress. Other areas of improvement from the 2023 EES were addressed through webinars, workshops and targeted campaigns. The employee listening strategy will continue to strengthen the desired culture and enable a purposeful journey in the SARB.

Employee statistics

HEADCOUNT OVER FIVE YEARS

(number of permanent employees excluding contractors)



EMPLOYMENT EQUITY PROFILE

Men		Women
45.3%		54.7%
31.8%	African	37.7%
4.3%	Coloured	4.4%
2.7%	Indian	3.5%
6.5%	White	9.1%
0.4%	Person with disability	0.6%

AGE GROUP BREAKDOWN

Age group	%
< 25 years	1.1%
25–30 years	8.1%
31–35 years	15.6%
36–40 years	20.5%
41–45 years	19.4%
46–50 years	16.2%
51–55 years	12.4%
> 55 years	6.7%

Average age **42 years**

2022/23: 42 years

YEARS OF SERVICE BREAKDOWN

Years of service	%
0–1 year	19.3%
2–4 years	16.9%
5–10 years	21.7%
11–20 years	23.2%
21–30 years	12.8%
31–40 years	6.0%
> 40 years	0.1%

Average years of service: **11 years**

2022/23: 11 years

Information and technology

Information remains the foundation for business management and timely decisions. Changes in how we use and process information more effectively are driven by the increase in the amount of data available and the rapid pace of technological advancement.

Maturing information management and investment in appropriate technology solutions are increasingly integrated into the SARB's business strategies and objectives. As technology advances, so does our need for greater agility while maintaining sound governance.

The I&T strategy is designed to be adaptive so that it continues to align and support the strategy of the SARB. Performance is measured against the I&T scorecard, focusing on:

- the delivery of large transformational programmes that support the SARB's SFAs and EFAs, together with the execution of tactical projects and enhancement initiatives;
- process maturity with effective governance, risk and compliance management; and
- key system stability, performance availability and continuity measures.

The performance highlights for 2023/24 against key objectives are:

01 To successfully deliver the SARB's Digital Transformation strategy

Execution of strategic projects

Strategic business transformation projects, made possible through I&T, were delivered on in business areas including the PA, financial surveillance, national cash management and human capital management.

02 To secure, enable, sustain and support business systems and processes

Availability of mission-critical business applications

- Proactive maintenance and monitoring have improved the stability of mission-critical business applications, achieving an uptime of 99.89%.
- The IT systems' resilience was enhanced through the execution of infrastructure initiatives, particularly the redesign of our data centres, network modernisation and a new storage and mainframe infrastructure.
- IT System Recovery tests were successfully completed, providing assurance in restoring systems within required time periods.

03 To develop the SARB's data assets through effectively embedding information management

- Information management and governance have improved significantly in the core departments with the implementation of industry-standard data taxonomies in the collection and storage of information.
- The building of data assets to support business functions were improved through transformational programmes.
- The first phase of a data virtualisation platform was implemented to allow multiple departments to access each other's data.
- The SARB's ongoing work to digitise its physical records continues, with the set targets met for 2023/24.

04 I&T governance and controls

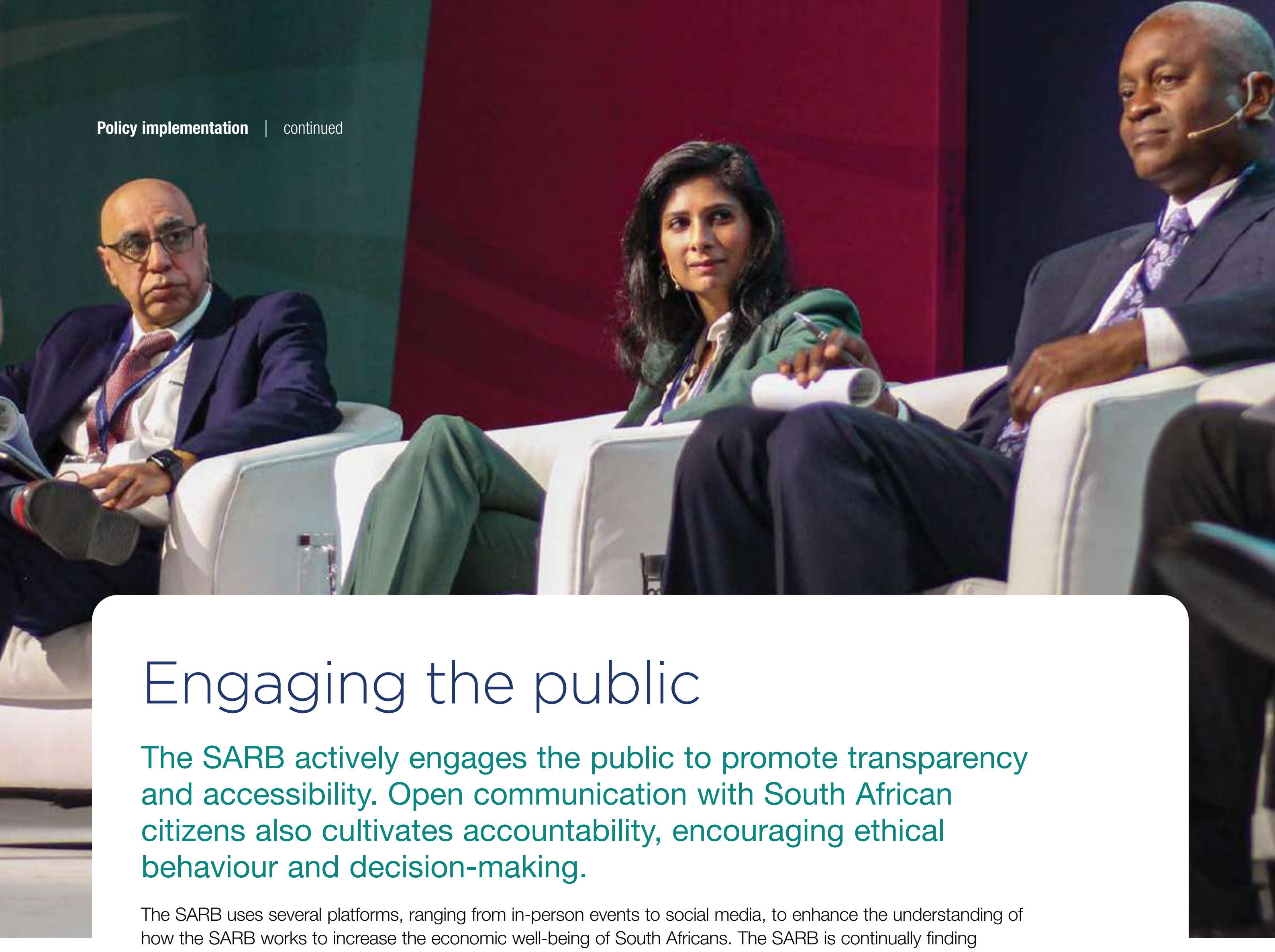
- The alignment to *King IV*™ confirmed the adequacy of our executive structures for the governance and management of I&T.
- The overall I&T control environment remains adequate and effective, with a continued focus on training and awareness.

05 To continuously future-proof the business workforce

- The capability of the cyber team is being strengthened to build local and regional resilience to cyber incidents.
- The strategy and overall security approach incorporates lessons from potential risks, improving our operating model and responsiveness.

Looking *ahead*

The 2025 I&T strategy will be reviewed. Looking to 2030, crisis resilient network connectivity across the financial sector will be a key focus as well as advanced cybersecurity resilience. Governance, risk and compliance will be strengthened through the introduction of adaptive governance for business-led cloud solutions. The execution of transformational business solutions and strategic initiatives will continue, as will the focus on skills attraction and development.



Engaging the public

The SARB actively engages the public to promote transparency and accessibility. Open communication with South African citizens also cultivates accountability, encouraging ethical behaviour and decision-making.

The SARB uses several platforms, ranging from in-person events to social media, to enhance the understanding of how the SARB works to increase the economic well-being of South Africans. The SARB is continually finding innovative ways to expand its reach and engage with new audiences as well as maintain relationships with its diverse range of stakeholders.

Internal stakeholders – SARB employees

The SARB's internal stakeholders are an integral part of effective stakeholder management. Engaging with employees ensures that teams at all levels of the organisation understand and are aligned with the SARB's strategic objectives. Engaging with internal stakeholders offers feedback and insight, which in turn allow for improved processes. Having effective internal communication channels increases motivation, boosts morale and fosters a positive work environment.

The general public

The SARB carries a constitutional mandate and therefore it is necessary for it to position itself as a trustworthy institution. Open and transparent communication fosters trust and credibility with the public. The general public is the SARB's broadest stakeholder group and it therefore engages them regularly through a number of public outreach programmes.

The SARB's Corporate Reputation Survey is conducted every two years and the sixth instalment – the survey for 2023/24 – found that there was an increase in awareness of the SARB but a decline in the knowledge of its roles and functions. Trust and advocacy – which give a view of people's trust in the organisation and the extent to which they would speak positively about it – have also declined among the general public. Overall satisfaction with the SARB has decreased from the previous 61% to the current 58%, while satisfaction with the SARB leadership fell from 58% to 54%.

Established stakeholders

Established stakeholders scored the SARB high on all reputational metrics, such as familiarity, favourability, trust and advocacy. Favourability and trust showed some improvement in the survey, while satisfaction with the SARB leadership among established stakeholders remains high.

Several engagements take place throughout the year to develop and maintain this strategic stakeholder relationship. Regularly engaging with stakeholders allows for constructive feedback and innovative solutions that have the potential to strengthen the SARB's programmes.

Briefings to Parliament

The SARB is accountable to Parliament and is required to present the SARB and PA annual reports every year to the Parliamentary SCOF. These presentations address, among other things, the overall performance of the organisation, the SARB's mandate and functions, the macroeconomic overview and outlook and financial stability as well as provide highlights from each of the annual reports. The SARB also tables its *FSR* and *MPR* publication twice a year.

Monetary Policy Forum

The SARB releases its biannual *MPR* at events known as the MPFs. The main aim of the *MPR* is to broaden the public's understanding of monetary policy as well as to provide an overview of key domestic and international economic developments.

Together, the two 2023 MPFs, held on 25 April and 17 October, attracted

255 attendees

(2022/23: 703)

These events are also streamed on the SARB's social media platforms to increase their reach and accessibility to the public.

Economic Roundtable

Economic Roundtables provide market economists, industry experts, research analysts, asset managers and policymakers an opportunity to exchange ideas on topical issues impacting the economy. Guest speakers are invited to present on their area of expertise, which is followed by a general discussion of the domestic and international economy.

Talk to the SARB Forums

Talk to the SARB Forums are held in all nine provinces and are hosted by senior SARB officials with the aim of developing a better understanding of monetary policy and the role of the SARB.

More than **770** delegates attended

the Talk to SARB Forums during the period under review.

Financial Stability Forum

The SARB is mandated by the FSR Act to assess the stability of the South African financial system every six months and communicate its assessment by releasing the *FSR*.

The Financial Stability Forum (FSF) is the platform used to release the *FSR* and is chaired by the Governor, with DGs and senior officials in attendance.

A total of

309 guests attended

the FSFs in the 2023/24 review period.

International and regional engagements

South Africa assumed the BRICS Presidency in January 2023 under the theme, 'BRICS and Africa: Partnership for Mutually Accelerated Growth, Sustainable Development and Inclusive Multilateralism'. The SARB and National Treasury facilitated the work of the BRICS Finance Track.

The central banks' priorities in 2023 included:

- the Contingent Reserve Arrangement (CRA);
- the BRICS Bond Fund (BBF); and
- cooperation on other key topics.

South Africa concluded the sixth CRA test run, having been the first of the BRICS countries to initiate this exercise in 2018. These test runs ensure that BRICS countries can access the CRA in the event of an emergency and enhance their access to the global financial safety net.

The SARB also facilitated cooperation in areas such as climate finance, cross-border payments and cybercrime.

A report titled 'Bridging climate data gaps through technology' was also published.

The BRICS Payment Task Force shared experiences revealing that members were at varying levels of implementation of the three building blocks from the Cross-Border Payments Roadmap of the G20.

The SARB is the Secretariat of the Committee of Central Bank Governors in SADC (CCBG) which the Governor chairs. A three-year strategy was developed to enhance cooperation in areas such as climate change, fintechs, financial stability and banking supervision, financial markets and macroeconomic policy. Similarly a new three-year strategy for the CMA was developed.

In 2024, South Africa takes on the responsibility of the G20 Presidency. The SARB, together with National Treasury, is gearing up to co-chair the Finance Track from December 2023 for a 12-month period. The SARB will focus on central bank-related issues.

Investing in society

As a caring corporate citizen, the SARB is committed to uplifting communities and improving their quality of life. Through its CSI programme, the SARB serves South Africans from disadvantaged communities, promotes knowledge and understanding of monetary policy and improves and develops human capital in the fields of monetary policy, financial stability and economic journalism.

The SARB's CSI programme is aligned to both the SARB's mandate and strategic objectives.

MPC Schools Challenge

The MPC Schools Challenge is a national competition modelled on similar initiatives by other central banks. The competition targets Grade 12 economics and mathematics learners, offering them an opportunity to expand their understanding of monetary policy and economics. Finalist teams receive cash prizes as do their schools. Winning team members receive SARB bursaries depending on their matric results.

Launched in 2012 in Gauteng, the competition has been rolled out to all provinces since 2018. The competition is run in partnership with the Department of Basic Education. In 2023, the competition was extended to include independent schools and now reaches hundreds of matric learners every year.

During the year in review, learners, educators and education officials from public and private schools attended the in-person briefing sessions across the country. One was hosted virtually to cater for schools in far-flung areas. Collectively, the briefing sessions attracted 2 105 attendees.

Employee volunteerism

Through its Employee Volunteerism (EV) programme, the SARB has over a number of years provided infrastructure support and maintenance as well as monetary donations to schools for learners with special needs.

The SARB's EV programme, which is linked to Mandela Day, is run in all provinces. This programme allows SARB staff to play an active role in the identified schools on the Saturday closest to 18 July – the birthday of former President Nelson Mandela.

The EV programme was paused in 2020 and 2021 due to the COVID-19 restrictions and restarted in 2022; however, employees did not participate immediately as an ongoing COVID-19 precaution. Instead, the SARB provided infrastructure support and maintenance to the identified schools.

Normal EV activities resumed on 22 July 2023 and a total of 188 staff and their family members participated. The 2023 EV activities took place in areas where the SARB has physical operations, namely Pretoria, Johannesburg, Durban and Cape Town.

The focus was on schools for learners with intellectual disabilities.

2023/24 CSI spend

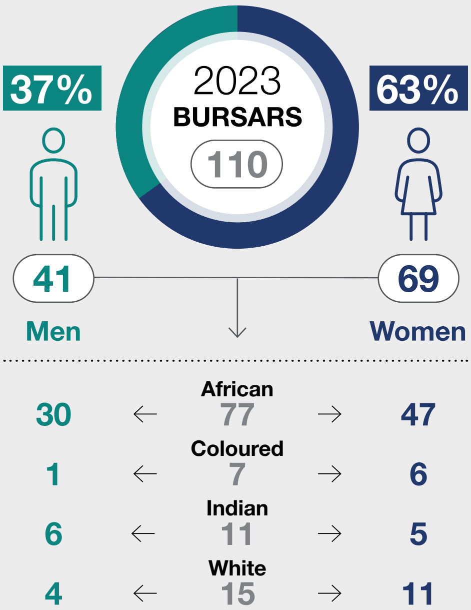
University of Pretoria (Chair in Monetary Economics) **R3 200 000** *2022/23: R3 200 000*	**University of Cape Town** (Financial Stability Chair) **R3 240 000** *2022/23: R3 240 000*	**External bursaries** **R22 000 000** *2022/23: R18 400 000*
Rhodes University/ SARB Centre for Economic Journalism **R2 300 000** *2022/23: R2 134 000*	**Wits** (Journalism Chair) **R1 200 000** *2022/23: R1 200 000*	**Master's students** (Data Science) **R3 400 000** *2022/23: R1 600 000*
MPC Schools Challenge **R5 800 000** *2022/23: R4 100 000*	**Arts and culture bursary** **-** *2022/23: R114 000*	**Employee volunteerism** **R3 400 000** *2022/23: R3 000 000*

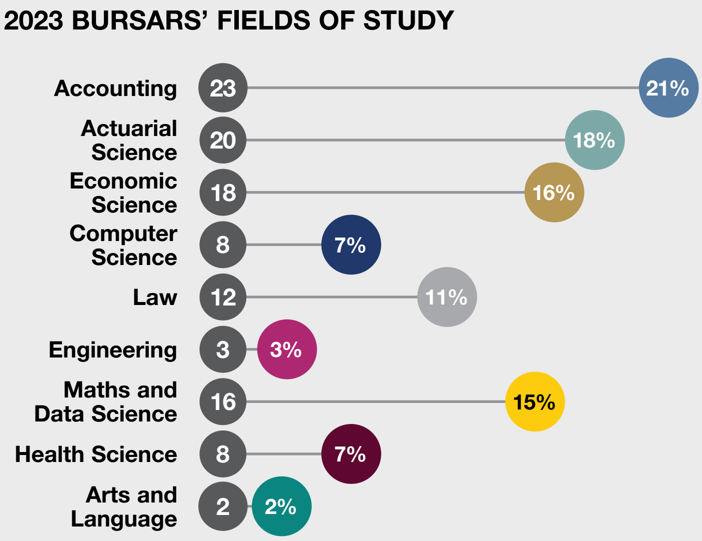
External bursary programme

The SARB bursary caters for students at tertiary institutions from first-year level to studying for postgraduate qualifications and covers registration and tuition fees, a stipend as well as the cost of books and relevant study materials.

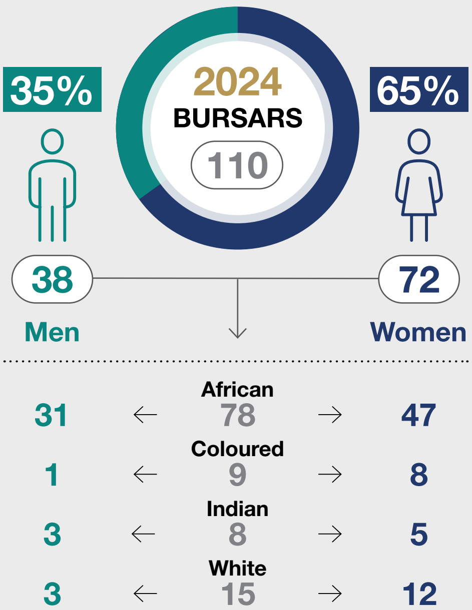
Since its inception in 2012, the SARB's bursary scheme has provided funding opportunities to 740 qualifying South Africans from disadvantaged backgrounds.

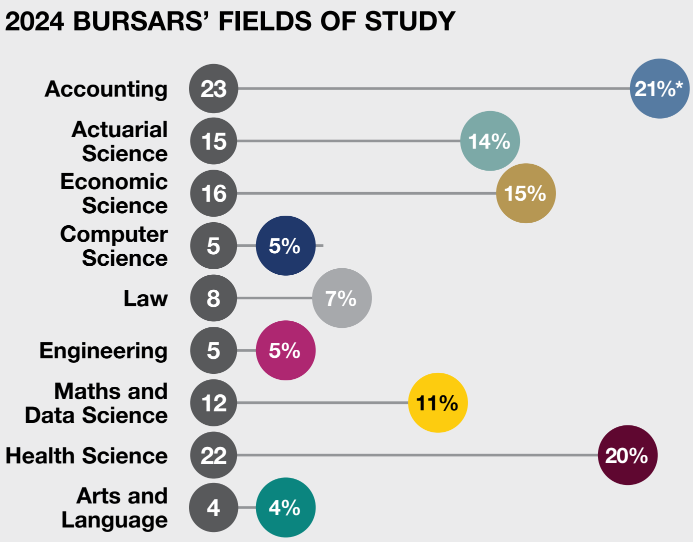
In 2023, the SARB sponsored 110 students, including 63 continuing bursars, 35 first-year bursars and 12 students studying towards their Master's in Data Science. Ninety-five (86%) of them were from previously disadvantaged backgrounds and 69 (or 63%) were female, as illustrated below.





In 2024, the SARB is sponsoring 110 students, including 35 first-years, 2 arts scholarships and 9 students studying towards their Master's in Data Science. One hundred (or 89%) are from previously disadvantaged backgrounds and 73 (or 65%) are female, as illustrated below.





* Percentages may not add up to 100 due to rounding.

Tracking of former SARB bursars

All SARB bursars who were final-year students in 2023 passed their exams and will be graduating formally at their respective institutions in 2024.

University Chairs

The SARB has established partnerships with four tertiary institutions to develop research programmes and support Master's students and those studying towards their PhDs. A Chair is appointed at each partner institution and the SARB provides financial support to programmes at these institutions, focusing on monetary policy and financial stability research as well as financial and economic journalism. Under the Chairs, a number of previously disadvantaged postdoctoral students were supervised and graduated.

University of Pretoria Chair in Monetary Economics

The SARB has been funding and supporting the Chair in Monetary Economics at the UP for more than 11 years to develop human capital in the field of monetary economics.

The SARB Chair and his team continuously produce quality research that is both academically rigorous and relevant. A significant number of PhD, Master's and Honours students are being supervised, placing economic policy and monetary policy at the centre of the UP academic curriculum. Collaboration with the SARB research department is wide and organic. Seven publications and working papers were produced during the financial year, with five research papers presented at international conferences. A further four papers will be published during 2024.

In April 2024, the new SARB-UP MacroLab will be completed. It will be a shared space where UP and SARB researchers can work, exchange ideas and deliver on its research agenda. Dr Tumisang Loate, who was previously funded by the SARB through the Chair, has opted to remain an academic and has been appointed Senior Lecturer in the economics department and Lead Researcher in the MacroLab. Eight PhD students are currently being supervised by the Chair (four African, one White, one Coloured, one Indian and one non-South African).

University of Cape Town Financial Stability Chair

The SARB Research Chair in Financial Stability Studies was established in September 2019 at UCT. The Chair was established to support Master's and PhD students' research on managing regulatory complexity, financial interconnectedness, computational models and the regulation of block chain technologies and crypto assets. In 2022, the Chair holder Associate Professor Co-Pierre George left UCT. The partnership contract expired in 2023 and was not renewed.

Rhodes University Chair in 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. In 2023, nine SARB scholarships were allocated through this Chair to six black African males and three females. Four of them were studying towards a Master's degree, with five registered for postgraduate diplomas in Economic Journalism.

University of the Witwatersrand Journalism Chair

The Wits Centre for Journalism (WCJ) programme provides funding for postgraduate training and qualifications in financial journalism. The programme enables aspirant and experienced financial journalists to improve their working knowledge of economics and finance. The financial journalism courses help journalists to develop the technical skills needed, with an emphasis on solid reporting, writing and research skills. Financial journalism courses are offered at Master's and Honours level as well as for Certificate study, alongside a programme designed for community media.

Purposeful procurement

The SARB's procurement strategy focuses on the timely delivery of goods and services in a manner that is fair, equitable, transparent, competitive and cost-effective – the five pillars of procurement outlined in the Constitution.

Accountability for delivery of procurement services in accordance with the procurement strategy and SARB Group Procurement and Supplier Management Policy is centralised to the SARB's Procurement Division; the PC approves all transactions above R5 million, while the GEC approves all procurement transactions above R50 million.

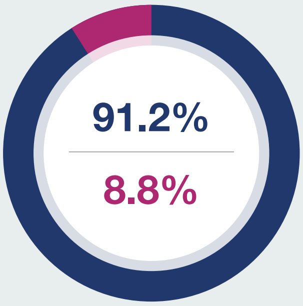
The PC is chaired by the COO and includes 10 senior employees with the right mix of skills to discharge its responsibilities.

Spending

Procurement spend with suppliers for the 2023/24 financial year was R4.7 billion excluding municipal rates and taxes, electricity and intercompany spend (as these do not follow a competitive procurement process), with the top 20 suppliers making up 60% of the total spend.

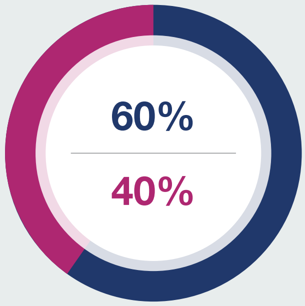
- The majority – or 91.2% – of total third-party spend was with local suppliers and 8.8% was spent with foreign suppliers.
- The split between operational expenditure and capital expenditure spend was 54% and 46% respectively.

LOCAL SPEND
R4.3 billion



FOREIGN SPEND
R416 million

TOP 20 SUPPLIERS
R2.8 billion



OTHER SUPPLIERS
R1.9 billion

Although exempt from the Public Finance Management Act 1 of 1999 (PFMA) and the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA), the SARB applies preferential procurement principles in its sourcing and procurement activities.

It has adopted specific elements of the PPPFA and has developed a three-year B-BBEE strategy to demonstrate its commitment to maintaining and improving spend with qualifying suppliers and supporting supplier development. This strategy is in its first year of implementation. Using the B-BBEE Generic Codes of Good Practice scorecard, the SARB achieved 21.6 out a possible 27 points in terms of B-BBEE recognised spend.

SARB'S B-BBEE score based on the Generic Codes of Good Practice scorecard

Category of spend	Maximum points that can be achieved	SARB score achieved in the past FY
B-BBEE recognised spend	5.0	5.0
Black-owned (BO) (spend with entities in which black people hold more than 51% of the exercisable voting rights and economic interest)	11.0	11.0
Black women-owned (BWO) (spend with entities in which black women hold more than 30% of the exercisable voting rights and economic interest)	4.0	4.0
Qualifying small enterprise (QSE) (spend with entities with revenue between R10 million and R50 million)	3.0	0.5
Exempted micro enterprise (EME) (spend with entities with revenue <R10 million)	4.0	1.1
Weighted score out of 27 points	**27.0**	**21.6**

Strategic supplier relationship management (SRM), alongside performance management, is vital for the SARB, given that the majority of our spend resides with 34 suppliers who have been categorised as strategic partners based on the criticality of their supply to us. This is done to ensure continuous service delivery, drive cost efficiencies, mitigate risk exposure and present innovative solutions to its challenges. All dealings with suppliers are based on ethical and transparent conduct, good governance and compliance with policies and procedures.

Number of strategic suppliers on the SRM Programme

34

Average supplier performance score (which means suppliers are delivering according to expectations)

70%

Our subsidiaries

With CODI becoming operational from 1 April 2024 and its official launch on 25 April, the SARB now has four subsidiaries. They are its two currency-producing arms – the SABN and South African Mint, CODI which manages the country's DIF, and the CPD which provides investment services.

The CODI Board is appointed in terms of the FSR Act as amended by the FSLAA, while the SARB's two currency-producing subsidiaries have each their own GEC-appointed Board. The CPD's Board comprises officials from the SARB and National Treasury who are appointed by the Minister of Finance, and it is governed by the Corporation for Public Deposits Act 46 of 1984 (CPD Act). Given its scope and risk profile, the Board alone oversees that the CPD 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
L (Liziwe) Mda

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
T (Takalani) Mafhiri

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

DEPOSIT INSURANCE

Corporation for Deposit Insurance

Administers the Deposit Insurance Fund to give qualifying bank depositors access to up to R100 000 of their qualifying deposits in the unlikely event of their bank being placed into resolution.

BOARD CHAIRPERSON
Deputy Governor:
M (Mampho) Modise

CEO
S (Sabihah) Mohamed

The SARB's risk management, internal audit, company secretariat, finance and security services functions also cover the currency-producing subsidiaries, ensuring operating efficiencies and the 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) is responsible for the administration and accounting of funds under the CPD's control and manages the CPD's investment activities.

South African Mint

The South African Mint Company

The South African Mint is one of the world's top exporting Mints and 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 (OHS) 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) and continues to participate in the Technical Committee. Following the successful launch of the new fourth decimal coin series in May 2023, the key focus for the 2023/24 financial year was on the delivery of the SARB's circulation coin order of 800 million coins. Full delivery was achieved with sufficient buffer stock throughout the year.

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 and sells premium precious metal products (primarily gold, silver and platinum) that cater for the collector and gift markets locally and internationally.

PRESTIGE BULLION

Manufactures and sells premium precious metal products (primarily gold, silver and platinum) that cater for the collector and gift markets. The South African Mint has an 80% shareholding in Prestige Bullion.

2023/24 Performance highlights

- The South African Mint achieved a positive financial performance despite fluctuations in commodity prices and a decline in global economic conditions. The Group achieved revenue of R3 225 million in the 2023/24 financial year (2022/23: R4 722 million). Revenue decline is largely attributable to a slowdown in Prestige Bullion's revenue, which delivered R1 815 million during the year under review (2022/23: R3 236 million).
- The SARB order was delivered in full well ahead of the financial year close.
- Collectables delivered an outstanding performance during the year under review, exceeding the sales volume budget by 160%. Coin World, the Mint's retail outlet, delivered record revenue of R75 million for collectable and bullion sales.
- The South African Mint created new product opportunities within existing Collectables ranges that were opportunistic and well-timed. Unique products such as the Oom Paul Press Privy Mark Krugerrand and individual 1/50th oz Krugerrands were created and brought to market and bolstered the Group's Collectables performance.
- The South African Mint achieved one million hours without lost-time injuries (LTIs). This is a significant improvement over the three LTIs in the prior year.
- The launch of the Leopard and Buffalo coins in the Big 5 Series II collection was completed in the year under review. The craftsmanship of these products will further showcase the creativity and technology that set the Mint apart in the market.
- The South African Mint was commissioned by the Central Bank of Eswatini to produce precious metal coins in commemoration of its 50th anniversary.

Looking *ahead*

The South African Mint is committed to ensuring a positive balance sheet to support business continuity while driving efficiencies to meet the SARB's circulation coin demand. The management team will continue to deliver on the existing strategy, including a strong focus on governance, risk and controls.

The South African Mint will launch the Big 5 Series III collection to the market in the 2024/25 financial year. Further investment in workplace safety and employee well-being will continue as well as investments in the Mint's employer brand, culture and values.

SABN

The South African Bank Note Company

Throughout the financial year, the SABN navigated global challenges. While the effects of the global pandemic continued, inflationary pressures and a shifting geopolitical landscape posed new obstacles. Supply chain disruptions and rising input costs impacted our operations. Amid these complexities, we focused on strategic cost management initiatives and innovative solutions.

Our resilience in these turbulent times underscores our drive to provide internationally competitive banknotes, contributing to the economic prosperity of South Africa.

During the review period the SABN continued to ensure the sustainable production of competitively priced banknotes.

The SABN maintains its commitment to excellence and integrity, evident through its sustained international standards accreditation for its Quality Management System, OHS Management System, Environmental Management and BCM, among other systems and processes.

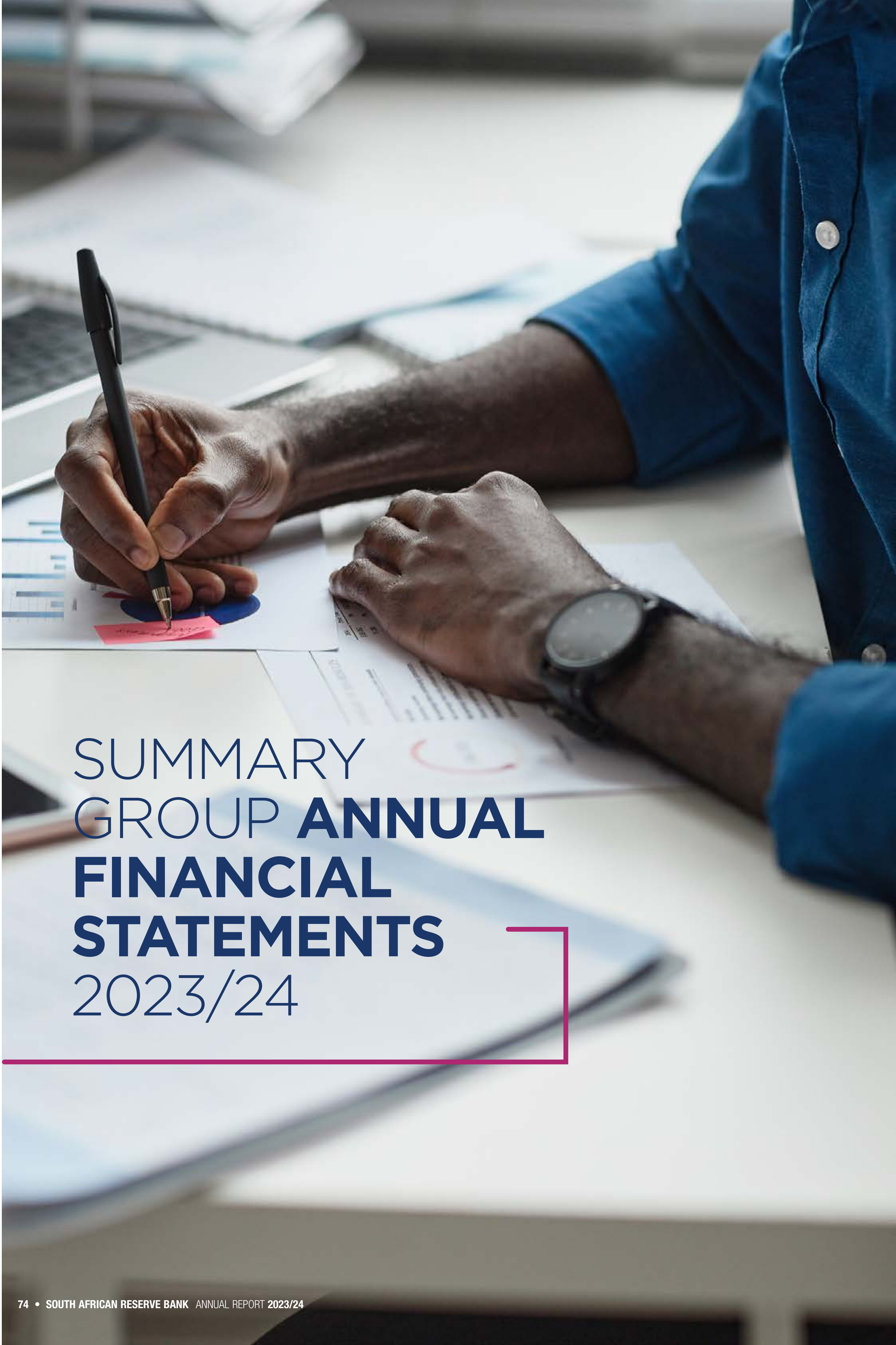
Building upon its legacy as the first banknote-printing company in Africa accredited by the Banknote Ethics Initiative (BnEI) Accreditation Council, the SABN sustains its Level 1 accreditation, upholding a Code of Ethical Business Practice to combat corruption within the industry.

2023/24 Performance highlights

- Produced 830 million banknotes for the SARB.
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) is at a loss of R122 million compared to a budgeted loss of R173 million.
- Net profit before tax is at a loss of R119 million compared to a budgeted loss of R264 million. This is mainly attributed to the COVID-19 insurance claim and higher interest received.
- Achieved a medical treatment frequency rate of 0.86, entrenching a strong focus on health, safety and environmental management systems and processes.
- Implemented the apprentice programme, capability building and leadership development programmes.

Looking *ahead*

The SABN remains focused on ensuring the availability and integrity of the currency. It remains dedicated to excellence, innovation and ethical business practices, while upholding its position as a leader in banknote printing in Africa. From an operational standpoint, the SABN will continue to implement the Asset Masterplan and periodically refresh its printing machine models to meet volume demand. The SABN continues to empower people to deliver through capability building and leadership development programmes.



SUMMARY GROUP **ANNUAL FINANCIAL STATEMENTS** 2023/24

Directors' report

for the year ended 31 March 2024

Introduction

The directors are pleased to present to stakeholders this report on the activities and financial results of the 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 present 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' and Resolution Authority; its responsibilities in the areas of price and financial stability; and its relationship with the SA government concerning FX 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 effect of the ongoing Russia-Ukraine and Israeli-Palestinian conflicts. Although the Group has no direct exposure to these countries, the conflicts continue to negatively impact financial markets in general. The directors have concluded that 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 4.

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 Company (RF) Proprietary Limited (South African Mint) which produces circulation and collectable coins, and its subsidiary Prestige Bullion which produces bullion coins.
- The South African Bank Note Company (RF) Proprietary Limited which produces banknotes.
- The Corporation for Public Deposits which receives and invests call deposits from the SA government and public entities.
- The Corporation for Deposit Insurance (CODI) which 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 17.

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

Associate

ABHL, an associate of the SARB, is the public holding company of African Insurance Group Limited and African Bank Limited (ABL).

Information on the SARB's financial interest in its associate is provided in note 17.3.

Achievement of objectives

The annual report covers the SARB's achievements against its strategic objectives, which can be found on pages 16 to 22.

Directors' report continued

for the year ended 31 March 2024

Financial results

The net investment income of the SARB, derived mainly from foreign investments and accommodation to banks, increased by R19.3 billion to R26.5 billion (2022/23: R4.4 billion increase to R7.2 billion). Operating costs increased by R0.5 billion to R8.5 billion (2022/23: R0.9 billion increase to R8.0 billion).

The investment in ABHL has been impaired by nine hundred and eighty two million rand in the current year (2022/23: R0.6 billion impairment reversal). The net result of these factors was a profit after taxation of R13.0 billion (2022/23: R0.8 billion) for the year ended 31 March 2024. For more detail refer to note 17.3.1 on page 125.

The South African Mint (including Prestige Bullion) made a profit after taxation of R0.2 billion (2022/23: R0.4 billion profit), attributable to the Group, and did not declare a dividend (2022/23: R0.3 billion) to the SARB.

The SABN's profit after taxation has decreased from the prior year to R0.1 billion loss (2022/23: R0.2 billion profit).

The CPD's profit after taxation has increased from the prior year to R0.9 billion (2022/23: R0.5 billion). For the year ended 31 March 2024, there was no amount due to the SA government (2022/23: Rnil) in accordance with the CPD Act.

ABHL made a profit after taxation of R0.2 billion (2022/23: R0.2 billion), attributable to the Group. The directors have noted the recent acquisitions of Ubank and Grindrod Bank and will continue to monitor the performance of the associate. Refer to note 17.3 for further detail.

Financial position

The SARB's total assets increased by R76.0 billion to R1.3 trillion (2022/23: R201.0 billion increase to R1.2 trillion), largely due to increases in gold and FX reserves of R86.0 billion.

The total assets of the South African Mint (including Prestige Bullion) increased by R0.4 billion to R3.0 billion (2022/23: R0.5 billion decrease to R2.6 billion), mainly attributable to a higher inventory balance at the reporting date.

The SABN's total assets decreased by R0.2 billion to R2.6 billion (2022/23: R0.2 billion increase to R2.8 billion), attributable to lower call deposit investments.

The CPD's total assets increased by R4.7 billion to R113.0 billion (2022/23: R16.5 billion increase to R108.05 billion), largely as a result of a net increase in short-term fixed deposits, offset by a decrease in money market 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 2024, the outstanding nominal value of the debt was R0.5 billion. Capital repayments of R0.2 billion were received from that counterparty during the current financial year (2022/23: 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 R85.0 billion to R1.2 trillion (2022/23: R200.0 billion increase to R1.1 trillion), largely due to a R73.0 billion increase in GFECRA.

The total liabilities of the South African Mint (including Prestige Bullion) increased by R0.2 billion to R1.4 billion (2022/23: R0.4 billion increase to R1.2 billion), mainly attributable to an increase in trade payables.

The SABN's total liabilities decreased by R0.1 billion to R0.5 billion (2022/23: remained consistent at R0.6 billion), mainly due to a decrease in accruals and accounts payable.

The CPD's total liabilities increased by R4.0 billion to R112.0 billion (2022/23: R16.0 billion increase to R108.6 billion), largely due to an increase in deposits of R4.0 billion.

The SARB's contingency reserve increased by R13.0 billion to R33.4 billion (2022/23: R0.8 billion increase to R20.4 billion) due to a transfer of the current year profit after taxation of R13.0 billion to the contingency reserve.

Further details on the Group's financial information for the year can be found on page 90.

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 27 July 2023 and paid to shareholders on 27 October 2023; and
- the final dividend of five cents per share was approved by the Board on 22 February 2024 and paid to shareholders on 31 May 2024.

The total dividend paid for the financial year was R0.2 million (2022/23: R0.2 million).

Directors

The composition of the Board at 31 March 2024 is reported in the annual report. At the annual AGM held on 28 July 2023, the term of M M T (Tryphosa) Ramano as a non-executive director with knowledge and skills in commerce and finance expired. The incumbent, being eligible for nomination and re-election, was re-elected as the non-executive director from 29 July 2023 until the day after the AGM in 2026.

The term of office of Dr T (Terence) Nombembe as an SA government-appointed non-executive director expired 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. Subsequently, the President appointed K W (Kholeka) Mzondeki as an SA government-appointed non-executive director for a period of three years with effect from 23 September 2023.

Directors' report continued

for the year ended 31 March 2024

The term of office of S (Shamima) Gaibie as a non-executive director with knowledge and skills in labour, will expire at the 2024 AGM. Ms Gaibie 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 N B (Norman) Mbazima as a non-executive director with knowledge and skills in mining, will expire at the 2024 AGM. Mr Mbazima would have completed his 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 Y (Yvonne) Muthien as a non-executive director with knowledge and skills in commerce and finance, will expire at the 2024 AGM. Ms Muthien would have completed her second term of office and is eligible and available for re-election by the shareholders for another term of three years.

The second term of office as Governor of E L (Lesetja) Kganyago would expire on 8 November 2024 and he was reappointed by the President for another five-year term with effect from 9 November 2024.

The terms of office of N (Nomfundo) Tshazibana and R (Rashad) Cassim as DGs will expire on 31 July 2024. The President has reappointed both DGs Tshazibana and Cassim to their positions for another five-year term with effect from 1 August 2024.

K (Kuben) Naidoo resigned as DG with effect from 1 December 2023. M (Mampho) Modise was appointed as DG by the President for a five-year term with effect from 1 April 2024.

As at 31 March 2024 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 17.6.

Events after reporting date

CODI guarantee

On 1 April 2024 the remaining provisions of the FSR Act and the secondary legislation for CODI governing the operations of CODI became effective. From this date the qualifying depositors of member banks were covered and CODI was able to start charging annual levies and monthly premiums to the member banks.

The SARB has issued a guarantee to commercial banks for loan amounts provided to CODI for the liquidity tier of the Deposit Insurance Fund (DIF), effective from 1 April 2024. Member banks will have to maintain a loan amount of 3% of their covered deposits' balance with CODI for as long as they are licensed. The loan will be repaid by CODI as the entity accumulates sufficient liquidity in the DIF.

The SARB has committed to provide CODI with an emergency funding loan, in the event that CODI is unable to meet its obligations as specified in section 166AA of the FSR Act. The total amount of the emergency funding loan will be mutually agreed upon by both parties when CODI makes a request for the loan.

Energy Bounce Back Scheme

In April and May 2024, a total of R203 million was advanced on the Energy Bounce Back Loan Scheme. Refer to note 18.2 for details on the scheme.

GFECRA settlement framework

In June 2024, the SARB concluded a settlement framework agreement with National Treasury for the settlement of the GFECRA liability. In terms of the agreement, the SARB will settle R250 billion of the GFECRA liability in installments over the next three financial years. National Treasury will transfer R100 billion to the SARB in the 2024/25 financial year, to promote the policy solvency of the SARB. Further settlement of the GFECRA liability may only occur if the SARB has an adequate contingency reserve level as well as an adequate estimated GFECRA balance level to absorb potential future currency reversals.

Secretary of the SARB

Z (Zoliswa) Copiso

Registered office

Business address:
370 Helen Joseph Street
Pretoria 0002

Postal address:
P O Box 427
Pretoria 0001

The Board approved the financial statements on 6 June 2024, signed on its behalf by:

E L (Lesetja) Kganyago
Governor of the SARB

N (Norman) Mbazima
Non-executive director
and Chairperson of the Audit Committee

R (Reshoketswe) Ralebepa
Group Chief Financial Officer

Z (Zoliswa) Copiso
Secretary of the SARB

Directors’ report continued

for the year ended 31 March 2024

Statement by the Secretary of the SARB

In my capacity as the 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 2024, 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.

Z (Zoliswa) Copiso
Secretary of the SARB

6 June 2024

Report of the Audit Committee

for the year ended 31 March 2024

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 as well as 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. The Audit Committee can confirm that its members were independent from the SARB for the period under review and had no other relationship with the SARB that could interfere with the fulfilment of their duties.

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 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 CAF ensures the 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. The Audit Committee approved the internal audit strategy, the annual internal audit plan, including changes to the plan, and the internal audit resources required to deliver on the plan. The Audit Committee also reviewed the IAD's quarterly reports, including their assessment of the state of the internal control environment.

The Audit Committee received feedback on the internal quality assurance and improvement process review which resulted in an overall assessment of 'generally conforms' with the IIA standards promulgated by the institute. The independent external quality assurance was conducted in May 2022 and the next review is due in 2026.

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

Report of the Audit Committee continued

for the year ended 31 March 2024

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's 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 FSD of the SARB, only to the extent of the limits that are set and approved by the Governors' Executive Committee (GEC) and the Audit Committee. Any non-audit services exceeding the limits set and approved by the Audit Committee cannot be awarded to the external auditors without prior approval by the Audit Committee.

For the past four years, the SARB Board has approved forensic investigations carried out into the alleged contravention of the Exchange Control Regulations of 1961. The assignment required specialist forensic skills and expertise. PwC Advisory Services (Pty) Limited (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 Audit Committee monitored the non-audit fees associated with these forensic investigations to ensure prior approval, a practice that ended once PwC ceased to be the SARB's external auditor. Consequently, their non-audit fees no longer necessitate approval by the Audit Committee.

PricewaterhouseCoopers Inc. (PwC Inc.) stepped down as the external auditors of the SARB Group after 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, BDO South Africa Incorporated (BDO), as the new joint external auditor of the SARB Group.

The non-audit fees for the financial year ended 31 March 2024 are well below the predetermined limits outlined in the SARB policy on the provision of non-audit services by the SARB's external auditors.

Compliance

The Audit Committee is satisfied that, for the current year, the SARB 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 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 GEC 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 RMCD and IAD at the BREC, 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.

N (Norman) Mbazima
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 FX transactions.

These sections are in conflict with the IFRS® Accounting Standards as issued by the International Accounting Standards Board. The SARB has chosen to use IFRS Accounting Standards, including IFRS Accounting Standards 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 Accounting Standards in the areas noted above and, as a result, the recognition and measurement criteria as set out in IFRS Accounting Standards 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 Accounting Standards. The significant departures from IFRS Accounting Standards 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 FX 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*. These valuation gains and losses are accumulated in GFECRA, for the account of the SA government. The GFECRA balance is therefore also not accounted for in accordance with IFRS Accounting Standards; 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 counterparty (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 84 to 129, which comprise the summary consolidated statement of financial position as at 31 March 2024, 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 2024.

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 2024. 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.

BDO South Africa Incorporated, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196
Private Bag X60500 Houghton, 2041, South Africa
T: 011 488 1700 Fax: 010 060 7000
www.bdo.co.za

Chief Executive Officer: LD Mokoena
A full list of all company directors is available on www.bdo.co.za

The company's principal place of business is at The Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg where a list of directors' names is available for inspection. BDO South Africa Incorporated, a South African personal liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Reg. no. 1995/002310/21, VAT reg.no. 4910148685
Practice number: 905526

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Victor Sekese [Chief Executive]
A comprehensive list of all Directors is available at the company offices or registered office.

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SizweNtsalubaGobodo Grant Thornton Incorporated
Registration Number: 2005/034639/21
Practice number: 946016

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.*

BDO South Africa Inc.
BDO South Africa Inc. (Jun 12, 2024 20:37 GMT+2)

BDO South Africa Inc.
Director: Alethia Chetty
Registered Auditor
Johannesburg, South Africa
12 June 2024

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Pravesh Hiralall
Registered Auditor
Johannesburg, South Africa
12 June 2024

Summary Group statement of financial position

as at 31 March 2024

	Note	2024 R mil	2023 R mil
Assets			
Cash and cash equivalents	2	**61 743**	42 426
Accommodation to banks	3	**451**	2 398
Investments	4	**23 637**	41 306
Gold and foreign exchange reserves		**1 179 025**	1 093 319
Loans and advances	6	**7 080**	10 069
South African government bonds	7	**32 007**	33 829
Other assets	5	**22 284**	27 067
Total Assets		**1 326 227**	1 250 414
Liabilities			
Notes and coin in circulation	8	**169 504**	171 565
Deposit accounts	9	**474 272**	452 427
Foreign deposits	10	**101 224**	127 489
Post-employment benefits	12	**2 685**	2 655
Gold and foreign exchange contingency reserve account	11	**531 989**	458 715
Other liabilities		**4 567**	10 258
Total Liabilities		**1 284 241**	1 223 109
Equity			
Share capital		**2**	2
Accumulated profit		**2 935**	2 557
Statutory reserve		**458**	458
Contingency reserve		**34 258**	20 423
Other reserves		**4 267**	3 840
Non-controlling interest		**66**	25
Total capital and reserves		**41 986**	27 305
Total liabilities, capital and reserves		**1 326 227**	1 250 414

Summary Group statement of profit or loss and other comprehensive income

for the year ended 31 March 2024

	Note	2024 R mil	2023 R mil
Interest revenue from amortised cost items		**10 697**	6 950
Interest revenue from fair value items		**14 674**	9 049
Interest expense		**(18 339)**	(12 360)
Net interest revenue		**7 032**	3 639
Fair value gains		**20 164**	4 172
Dividend income		**112**	103
Operating income	13.1	**3 370**	4 031
Total income		**30 678**	11 945
Movement in credit loss allowances		**337**	38
Operating costs	13.2	**(10 561)**	(10 694)
Share of net profit of associate	17.3	**154**	168
Impairment (loss)/reversal on investment in associate	17.3	**(982)**	621
Profit before taxation		**19 626**	2 078
Taxation		**(5 372)**	(196)
Profit for the year		**14 254**	1 882
Attributable to:			
The parent		**14 213**	1 767
Non-controlling interest	17.1.1	**41**	115
		14 254	1 882
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net gain/(loss) on equity investments designated at fair value through other comprehensive income		**417**	(16)
Revaluation of property, plant and equipment		**–**	5
Remeasurement of post-employment benefits		**139**	184
Taxation		**(128)**	(47)
Other comprehensive income for the year net of taxation		**428**	126
Total comprehensive income for the year		**14 682**	2 008
Total comprehensive income attributable to:			
The parent		**14 641**	1 893
Non-controlling interest	17.1.2	**41**	115
		14 682	2 008

Summary Group statement of cash flows

for the year ended 31 March 2024

	Note	2024 R mil	2023 R mil
Net cash flows generated from operating activities			
Net cash flows generated from operations	14	**32 835**	26 550
Interest received	14	**10 697**	6 950
Interest expense	14	**(18 339)**	(12 361)
Taxation (paid)/received		**(3 700)**	488
Dividends paid*		**–**	(174)
Dividends received	14	**112**	103
Net cash flows generated from operating activities		**21 605**	21 557
Net cash flows utilised by investing activities			
Purchase of property, plant and equipment		**(2 185)**	(1 433)
Proceeds on disposal of property, plant and equipment		**235**	155
Purchase of intangible assets		**(338)**	(286)
Net cash flows utilised by investing activities		**(2 288)**	(1 564)
Total cash and cash equivalents movement for the year		**19 317**	19 993
Cash and cash equivalents at the beginning of the year	2	**42 426**	22 433
Total cash and cash equivalents at the end of the year	2	**61 743**	42 426

* *SARB dividends paid for the 2023/24 financial year amounted to R0.2 million (2023: R0.2 million).*

Summary Group statement of changes in equity

for the year ended 31 March 2024

	Share capital R mil	PEB remeasurement reserve R mil	PPE revaluation reserve R mil	Contingency reserve R mil	BIS revaluation reserve R mil	Statutory reserve R mil	Accumulated profit/(loss) R mil	Total R mil	Non-controlling interest R mil	Total R mil
Balance at 31 March 2022	2	478	123	19 642	3 112	458	1 571	25 386	84	25 470
Profit for the year	–	–	–	–	–	–	1 767	1 767	115	1 882
Other comprehensive income	–	135	5	–	(13)	–	–	127	–	127
Total comprehensive income for the year	–	135	5	–	(13)	–	1 767	1 894	115	2 009
Transfer (from)/to reserves	–	–	–	781	–	–	(781)	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	(174)	(174)
Balance at 31 March 2023	**2**	**613**	**128**	**20 423**	**3 099**	**458**	**2 557**	**27 280**	**25**	**27 305**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**14 213**	**14 213**	**41**	**14 254**
Other comprehensive income	**–**	**100**	**–**	**–**	**327**	**–**	**–**	**427**	**–**	**427**
Total comprehensive income for the year	**–**	**100**	**–**	**–**	**327**	**–**	**14 213**	**14 640**	**41**	**14 681**
Transfer (from)/to reserves	**–**	**–**	**–**	**13 835**	**–**	**–**	**(13 835)**	**–**	**–**	**–**
Dividends paid*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2024	**2**	**713**	**128**	**34 258**	**3 426**	**458**	**2 935**	**41 921**	**66**	**41 986**
Note	21									

* *Dividends paid for the 2023/24 financial year amounted to R0.2 million.*

Summary Group statement of changes in equity
continued

for the year ended 31 March 2024

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 other comprehensive income (OCI). Changes in value due to foreign exchange movements are transferred to the GFECRA. Refer to note 11 for more details.

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 2024, no profits (2023: 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 the SA government. For the year ended 31 March 2024 no profits (2023: Rnil) were due to the 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% of Prestige Bullion.

Notes to the summary Group financial statements

for the year ended 31 March 2024

1. Accounting policies

1.1 Basis of preparation

The material 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 81. The accounting policies applied in the summary annual financial statements are the same as those applied in the complete annual financial statements.

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, among other factors.

The directors have also considered the impact of the ongoing Russia-Ukraine and Israeli-Palestinian conflicts. Although the Group has no direct exposure to the affected countries, the conflicts continue 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 the 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 consolidated and separate statement of financial position as at 31 March 2024, consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year ended 31 March 2024, as well as the notes, comprising a summary of significant accounting policies and other explanatory notes.

In accordance with the FSR Act separate financial accounts in relation to the Prudential Authority are required. The PA financial accounts are included on pages 133 to 135.

The Group's functional and presentation currency is the South African rand and all amounts presented for the current and comparative years are rounded to the nearest million, unless otherwise stated. The amounts in the prior year financial statements were rounded to the nearest thousand and this was changed in the current year.

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 1.21 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 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 has reviewed the accounting policies and ensured that only material accounting policy information is disclosed. The effective date of the amendment is for years beginning on or after 1 January 2023. The Group has adopted the amendment for the first time in the 2024 consolidated and separate annual financial statements and updated the disclosures to only include information considered to be material.

Amendments to IAS 8: 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. The Group has adopted the amendment for the first time in the 2024 annual financial statements and the impact of the amendment is not material.

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. Management has assessed the requirements of the standard and its applicability to CODI and concluded that the standard is not applicable. Furthermore, IFRS 17 is not relevant to any contracts within the Group.

Amendments to IAS 12: 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. The Group has adopted the amendment for the first time in the 2024 consolidated and separate annual financial statements and the impact of the amendment is not material.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

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 12: International Tax Reform: Pillar Two Model rules

The amendments incorporate into IAS 12, taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model rules published by the Organisation for Economic Co-operation and Development. As an exception, deferred tax assets and liabilities related to Pillar Two income taxes should not be recognised, nor information about them disclosed. An entity is required to disclose that this exception has been applied and any current tax income or expense related to Pillar Two income taxes is required to be disclosed separately. In addition, where the legislation is not yet effective, disclosure is required for known or reasonably estimable information of the entity's exposure to Pillar Two taxes arising from that legislation.

The effective date of the amendment is for years beginning on or after 1 January 2023. The Group has adopted the amendment for the first time in the 2024 consolidated and separate annual financial statements however, there is no impact in the current financial year as the South African government has not yet enacted legislation relating to the Pillar Two model rules.

Management has reviewed the draft bill published by the SA government for public comment and concluded that the legislation will not be applicable to the Group. However, updates to the draft bill will be monitored until the legislation is final.

There are no other new or amended standards applicable to the Group for the financial year ended 31 March 2024.

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 2024 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 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 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 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: 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.

Amendments to IAS 7 and IFRS 7: Disclosures: Supplier Finance Arrangements

The amendment applies to circumstances where supplier finance arrangements exist. These are arrangements where finance providers pay the suppliers of the entity, thus providing the entity with extended payment terms or the suppliers with early payment terms. The entity then pays the finance providers based on their specific terms and conditions. The amendment requires the disclosure of information about supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows as well as on the entity's exposure to liquidity risk. 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.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

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

Amendments to IAS 21: Lack of exchangeability

The amendments apply to currencies which are not exchangeable. The definition of exchangeable is provided as being when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The amendments require an entity to estimate the spot exchange rate at measurement date when a currency is not exchangeable into another currency. Additional disclosures are also required to enable users of financial statements to understand the impact of the non-exchangeability on financial performance, financial position and cash flow. The effective date of the amendment is for years beginning on or after 1 January 2025. It is unlikely that the amendment will have a material impact on the Group's financial statements.

There are no other IFRS Accounting Standards 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.

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 17.

Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated on consolidation.

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.

1.4 Financial instruments

1.4.1 Financial assets

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 are 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.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

1. Accounting policies continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

Classification continued

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 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 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.

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. Refer to note 11 for further disclosure.

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. Refer to note 6 for further disclosure

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 Accounting Standards. 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 Accounting Standards.

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 rights (SDR) reserves; and
- FEC assets.

The FECs are used for 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. Refer to note 8 for further disclosure.

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. After initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost and FVOCI, as described in note 28.2.2, 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.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

1. Accounting policies continued

1.4 Financial instruments continued

1.4.1 Financial assets continued

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.

Debt instruments

Amortised cost

The carrying amount of these assets is adjusted by an ECL allowance recognised and measured as described in note 28.2.2. 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.

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 the 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.

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 experienced 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 SICR since initial recognition is evident, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit impaired. Please refer to annual report note 28.2.2.1 for a description of how the Group determines when a SICR has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'stage 3'. Please refer to annual report note 28.2.2.2 for a description of how the Group defines credit impaired and default.
- 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).

Please refer to note 28.2.2.3 in the complete annual financial statements for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. The annual report note 28.2.2.4 includes an explanation of how the Group has incorporated this in its ECL models.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

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 guarantees provided to the commercial banks under the loan guarantee scheme (LGS), bounce back scheme (BBS) and energy bounce back scheme (EBBS) are summarised below:

- The ECL allowances calculated by the commercial banks for the portfolio of borrowings under the LGS, BBS, and EBBS 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 and EBBS 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 and EBBS are covered by a full back-to-back guarantee from the SA government.

Write-off policy

- 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.
- The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed in the annual report note 28.2.2.1.

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

Liabilities managed, and whose performance is 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 Accounting Standards. 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 Accounting Standards.

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.

1. Accounting policies continued

1.4 Financial instruments continued

1.4.2 Financial liabilities continued

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 the 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 consolidated and separate 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.

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 incur 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*. Refer to note 30 for further details.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

1. Accounting policies continued

1.5 Fair value continued

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 United States 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.

1.6 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 the 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 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.

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.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

1. Accounting policies continued

1.7 Property, plant and equipment continued

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.

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.

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.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values. 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.

1.9 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.

1.10 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. 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.

1.11 Employee benefits

1.11.1 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, as detailed in note 19.3, is treated according to the principles of a defined benefit plan.

1.11.1.1 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.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

1. Accounting policies continued

1.11 Employee benefits continued

1.11.1 Pension and retirement funds continued

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.

1.11.1.2 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.

1.11.2 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.

1.11.3 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.

1.12 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.

1.13 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 the South African Mint and are released to profit or loss when the currency is sold to the SARB.

1. Accounting policies continued

1.14 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.

1.15 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.

1.16 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.

1.17 Revenue recognition

1.17.1 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.

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.

1.17.2 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.

1.17.2.1 Revenue from contracts with customers

For contracts within the scope of IFRS 15, 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 NPS and the SADC-RTGS. 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).

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 bank notes 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.

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 are to provide banking services which include, but are not limited to electronic funds transfers, 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.

Sale of bank notes and coin

The SABN and the South African Mint produce and sell banknotes and coin to the SARB and other third parties. The timing of revenue recognition is either at a point in time when (or as) the related performance obligations are satisfied by transferring the promised goods to customers.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

1. Accounting policies continued

1.17 Revenue recognition continued

1.17.2 Non-interest revenue continued

Management fees

The SARB receives management fees from the CPD, the SARB Retirement Fund, the SABN and the South African Mint.

A fee is charged to the SABN and the South African Mint for the secretariat support provided by the SARB Group Secretariat, which includes meeting facilitation, minute taking, circulation of resolutions, and fulfilment of certain legislative requirements in terms of legislation 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 all the functions that the Bank carries out for the CPD. The Bank 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.

1.17.2.2 Other income

Other income relates to amounts received that are outside the scope of IFRS 15 and comprises of the following items:

Licence fees

Annual licence fees are fees charged by the SARB in accordance with legislation, to institutions that have been granted licences to operate as a bank, or as an insurance business. Fees are charged on an annual basis on the date prescribed by legislation and are non-refundable. Revenue is recognised immediately on the license fee date prescribed by legislation.

Sundry income

Sundry income relates mainly to recoveries of expenses previously incurred. These amounts are recognised as income when it is probable that the amount will be received.

1.18 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.

1.19 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.

1.20 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.

1.21 Key accounting estimates and judgements

In preparing the Group's 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.

1.21.1 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. Accounting policies continued

1.21 Key accounting estimates and judgements continued

1.21.2 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). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 28.2.2 which also sets out key sensitivities of the ECL to changes in these elements.

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

- determining criteria for 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.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 28.2.2.

1.21.3 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. Detailed information about the estimates made by the Group in the above areas are set out in note 33.

1.21.4 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). The next statutory valuation will be performed within the 2024 calendar year.

1.21.5 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.

1.21.6 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.

1.21.7 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 and Israeli-Palestinian conflict.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

1. Accounting policies continued

1.21 Key accounting estimates and judgements continued

1.21.8 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.

1.22 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 certain circumstances the determination of whether the contract is or contains a lease requires significant judgement. In particular, the Group has assessed that despite the SARB's control of the SABN and the South African Mint, the SARB cannot separately identify a lease with regard to the banknote and coin sales agreements.

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).

Details of leasing arrangements where the Group is a lessee are presented in note 12.

Right of use assets

Right of use assets are presented within property, plant and equipment on the consolidated and separate statement of financial position.

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.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

2. Cash and cash equivalents

	2024 R mil	2023 R mil
Amortised cost		
Bank and cash balances	**16 034**	18 879
Short-term South African fixed deposits	**31 347**	7 075
South African money market investments	**14 362**	16 472
Total cash and cash equivalents	**61 743**	42 426

Owing to its role in the creation and withdrawal of money, the SARB has no cash and cash equivalent balances in its statement of financial position.

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 8.50% – 8.63% (2023: 7.68% – 7.70%) on short-term South African fixed deposits with financial institutions and 7.11% – 8.50% (2023: 7.40% – 7.70%) 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 6.

Maturity structure of financial assets

	2024 R mil	2023 R mil
Within 1 month	**34 480**	37 377
Between 1 and 3 months	**27 263**	5 049
Total financial assets	**61 743**	42 426

Included in South African money market investments are repo agreements, the following table presents details thereof:

	2024	2023
Fair value of repo agreements	**14 362**	16 472
Fair value of collateral received	**14 409**	16 480
Fair value of collateral permitted to sell or repledge at the reporting date	**14 409**	16 480
Collateral cover	**100%**	100%
Maturity date	**04 April 2024**	07 April 2023

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.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

3. Accommodation to banks

	2024 R mil	2023 R mil
Amortised cost		
Advances under repurchase agreements	**450**	1 800
Standing facility	**–**	598
Accrued interest	**1**	–
Total accommodation to banks	**451**	2 398

Accommodation to banks represents short-term lending to commercial banks.

Repo agreements
The standard repo agreements yield interest at the repo rate (2023: repo rate) of the SARB. There were no 90-day repo agreements during the year ended 31 March 2024 (2023: none).

Standard repo agreements	**8.25%**	7.75%

The following table presents details of collateral received for repo agreements (including accrued interest):

Fair value of collateral received	**450**	1 804
Fair value of collateral permitted to sell or repledge at the reporting date	**450**	1 804
Collateral cover	**100%**	100%

The collateral received consists of various SA government bonds and Treasury Bills with maturities ranging from one to 26 years (2023: one to 26 years).

At the reporting date, there were no changes in the fair value associated with the collateral (2023: Rnil).

During the year under review, no defaults were experienced (2023: no defaults). The expected credit loss for repo agreements has been assessed to be immaterial (2023: 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 through which the SARB provides liquidity to commercial banks, yields interest at the repo rate of the SARB plus 1% (2023: repo plus 1%).

Standing facility	**9.25%**	8.75%

The following table presents details of collateral received for the standing facility (including accrued interest):

Fair value of collateral received	**–**	598
Fair value of collateral permitted to sell or repledge at the reporting date	**–**	598
Collateral cover	**–**	100%

The collateral received consists of SA government bonds and Treasury Bills with maturities ranging from 16 to 35 years (2023: 16 to 35 years).

At the reporting date, none of the collateralised advances were past due or impaired (2023: none). During the year under review, no defaults were experienced (2023: no defaults). The expected credit loss for the standing facility has been assessed to be immaterial (2023: immaterial).

The counterparties are exposed to interest rate and other risks on the various securities pledged as collateral for the standing facility. Refer to note 28.2 for further disclosure on interest rate risk. 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.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

4. Investments

	2024 R mil	2023 R mil
Amortised cost		
Short-term South African fixed deposits	**19 153**	38 364
Short-term South African money market investments	**4 133**	2 636
Mandatory FVPL		
Short-term South African money market investments	**351**	306
	23 637	41 306
Maturity structure of financial assets		
Within 1 month	**2 465**	22 128
Between 1 and 3 months	**19 148**	12 138
Between 3 and 12 months	**2 024**	7 040
Total financial assets	**23 637**	41 306

For investments that meet the definition of financial assets at mandatory fair value:

Maximum exposure to credit risk	**351**	306

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.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

5. Gold and foreign exchange reserves

	Note(s)	2024 R mil	2023 R mil
Mandatory at FVPL			
Money market instruments and fixed deposits	5.1	**214 896**	197 567
Securities	5.2	**667 242**	632 511
Derivatives	5.3	**166**	(83)
SARB Act			
Gold coin and bullion	5.4	**169 535**	141 895
IMF SDR assets	5.5	**127 186**	121 429
Total gold and foreign exchange reserves		**1 179 025**	1 093 319

5.1 Money market instruments and fixed deposits

	2024 R mil	2023 R mil
Cash and money market accounts	**9 129**	2 534
Fixed deposits	**205 767**	195 033
Total money market instruments and fixed deposits	**214 896**	197 567

	CURRENT		
Maturity structure	Redeemable on demand R mil	Up to 1 month R mil	Total R mil
2024			
Cash and money market accounts	**–**	**9 129**	**9 129**
Fixed deposits	**–**	**205 767**	**205 767**
Total money market instruments and fixed deposits	**–**	**214 896**	**214 896**
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

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.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

5. Gold and foreign exchange reserves continued

5.2 Securities

	2024 R mil	2023 R mil
Asset backed securities	**2 816**	1 645
Certificate of deposits	**45 973**	62 775
Commercial papers	**58 008**	25 029
Corporate bonds	**4 581**	5 405
Financial bonds	**5 328**	787
Government agency, state, supranational bonds	**182 042**	212 585
Government bonds	**260 609**	246 860
Mortgage backed securities	**16 839**	18 552
Other investments	**166**	155
Treasury Bills	**90 880**	58 718
Total securities	**667 242**	632 511

	NON-CURRENT							
Maturity structure	Up to 1 month R mil	1 – 3 months R mil	4 – 6 months R mil	7 – 12 months R mil	1 – 3 years R mil	3 – 5 years R mil	More than 5 years R mil	Total R mil
2024								
Financial assets at mandatory FVPL	**46 202**	**118 325**	**95 154**	**129 846**	**190 131**	**66 967**	**20 617**	**667 242**
Total securities	**46 202**	**118 325**	**95 154**	**129 846**	**190 131**	**66 967**	**20 617**	**667 242**
2023								
Financial assets at mandatory FVPL	50 832	50 113	125 929	141 164	180 593	62 035	21 845	632 511
Total securities	50 832	50 113	125 929	141 164	180 593	62 035	21 845	632 511

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 mil	Fair value of assets R mil	Fair value of liabilities R mil	Contract/ notional amount[1] R mil
2024				
FECs	**170**	**177**	**(7)**	**26 430**
Futures contracts	**(4)**	**26**	**(29)**	**30 627**
Total derivatives	**166**	**203**	**(36)**	**57 057**
2023				
FECs	(40)	18	(58)	25 438
Futures contracts	(43)	34	(76)	9 258
Total derivatives	(83)	52	(134)	34 696

[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 details are presented in the table below:

				Related amounts not set off in derivatives		
	Gross amounts presented in derivatives R mil	Offset R mil	Net amounts presented in derivatives R mil	Instruments which offset on default R mil	Collateral amount received R mil	Net amount R mil
2024						
FEC assets	**177**	**–**	**177**	**(6)**	**–**	**171**
FEC liabilities	**(7)**	**–**	**(7)**	**6**	**–**	**(1)**
2023						
FEC assets	18	–	18	(1)	–	17
FEC liabilities	(58)	–	(58)	1	–	(57)

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

5. Gold and foreign exchange reserves continued

5.4 Gold coin and bullion

	R mil	Fine ounces
2024		
As at 31 March 2023	**141 895**	**4 031 923**
Purchases during the year	**469**	**12 754**
Sales during the year	**(438)**	**(11 939)**
Change in the statutory price	**27 609**	**–**
As at 31 March 2024	**169 535**	**4 032 738**
2023		
As at 31 March 2022	113 364	4 029 765
Purchases during the year	540	17 890
Sales during the year	(474)	(15 732)
Change in the statutory price	28 465	–
As at 31 March 2023	141 895	4 031 923

Gold coin and bullion consists of 4 032 738 fine ounces of gold at the statutory price of R42 039.55 per ounce (2023: 4 031 923 fine ounces at R35 192.87 per ounce).

5.5 IMF SDR assets

In accordance with the SARB Act, the SARB acts as a fiscal agent for 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, transactions with the IMF have been included in these financial statements. Refer to note 9 for the corresponding deposit liability.

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 2024, XDR 1.00 was equal to R25.18 (2023: R23.91).

The various rights are disclosed below:

	2024 R mil	2023 R mil
SDR Holdings[1]	**110 760**	105 783
IMF New Arrangements to Borrow financial transactions plan account	**–**	47
IMF SDR reserve tranche position account	**16 426**	15 599
Total IMF SDR assets	**127 186**	121 429

[1] *The SDR asset carries interest at an effective rate of 4.11% (2023: 3.46%). 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	**62 063**	42 897
Collateral cover	**56.03%**	40.55%

At the reporting date, none of the collateralised advances were past due or impaired (2023: none). During the year under review, no defaults were experienced (2023: no defaults).

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

6. Loans and advances

	2024 R mil	2023 R mil
Interest-bearing local loans		
LGS loan	**6 268**	9 251
BBS loan	**812**	818
Total loans and advances	**7 080**	10 069

Interest-bearing local loans

Loan guarantee scheme

The SARB entered into a 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 60 months. A facility of R100 billion was approved, of which R89.6 billion was allocated to nine commercial banks.

The total outstanding balance (including interest) of R6.3 billion (2023: R9.3 billion) is guaranteed by the SARB. The guarantee is limited to the R6.3 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. Refer to note 16 for further details.

The loan accrues interest at the prevailing repo rate (2023: 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 (2023: none). During the year under review, no defaults were experienced (2023: no defaults).

Bounce back scheme

In April 2022, the 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 approved facilities of R1.2 billion, of which R262 million was not utilised at the end of the availability period for drawdowns on 30 April 2023.

The loan accrues interest at the prevailing repo rate (2023: 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, limited to the amount advanced to the commercial banks. The guarantee is considered to be an integral part of the scheme therefore it is included in the determination of ECL. Refer to note 16 for further details. At the reporting date none of the BBS loans were past due or impaired (2023: none). During the current financial year, no defaults were experienced (2023: no defaults).

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

7. South African government bonds

	2024 R mil	2023 R mil
Mandatory FVPL		
Interest-bearing listed bonds	**32 827**	32 827
Coupon interest accrued	**747**	393
Fair value adjustments	**(1 567)**	609
Total SA government bonds	**32 007**	33 829
Effective interest rate	**10.21%**	10.48%

There were no purchases of SA government bonds during the current year (2023: none).

8. Notes and coin in circulation

	2024 R mil	2023 R mil
Amortised cost		
Notes	**161 827**	164 141
Coin	**7 677**	7 424
Total notes and coin in circulation	**169 504**	171 565

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

	2024 R mil	2023 R mil
Amortised cost		
Non-interest-bearing	**283 925**	268 038
Banks' reserve accounts	**151 508**	143 051
Other current accounts	**3 872**	2 832
SA government accounts	**128 545**	122 155
Interest-bearing	**190 347**	184 389
Banks' current accounts	**80 095**	77 651
Call deposits	**110 252**	106 738
Total deposit accounts	**474 272**	452 427
Maturity structure of deposit accounts		
On demand	**322 764**	309 376
Within 1 month	**151 508**	143 051
Total deposit accounts	**474 272**	452 427

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 R0.9 billion (2023: R0.1 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 accounts

The IMF allocates Special Drawing Rights to member countries based on the member's IMF quota shares. SA Government accounts is the allocation received on behalf of and payable to the SA Government.

Call deposits

In terms of the current interest rate policies approved by the CPD Board, call deposits earn interest at the repo rate (2023: repo rate plus 0.15%). The prevailing rate at year-end for call deposits was 8.40% (2023: 7.90%). 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 the repo rate (2023: repo rate less 0.15%). The prevailing rate at year-end for margin call deposits was 8.25% (2023: 7.60%).

10. Foreign deposits

	2024 R mil	2023 R mil
Designated FVPL		
Foreign deposits	**101 224**	127 489

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.

11. Gold and Foreign Exchange Contingency Reserve Account

	2024 R mil	2023 R mil
SARB Act		
Opening balance	**458 714**	314 283
Profit on gold price adjustment account[1]	**27 606**	28 463
Loss on FEC adjustment account	**(14 291)**	(39 556)
Profit on foreign exchange adjustment account	**59 915**	153 629
Movement in unrealised gains/(losses) on FECs	**(7)**	1 842
	531 937	458 661
Payments from the SA government	**52**	54
Closing balance	**531 989**	458 715
Balance composition		
Balance currently due to the SA government	**531 895**	458 613
Net unrealised (losses)/gains on FECs	**94**	102
	531 989	458 715

1 *The gold price adjustment account includes the changes in 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 R52 million was settled by the SA government (2023: R54 million).

12. Post-employment benefits

The SARB and SABN provide the following post-employment benefits to its employees:

	Note(s)	2024 R mil	2023 R mil
Amounts recognised in the statement of financial position			
Post-employment medical benefits	12.1	**2 610**	2 583
Post-employment group life benefits	12.2	**75**	72
Total post-employment benefits		**2 685**	2 655
Maturity structure of post-employment benefits			
Within 12 months		**424**	389
More than 12 months		**2 261**	2 266
Total post-employment benefits		**2 685**	2 655

12. Post-employment benefits

12.1 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 the SABN since 2003. The liability reflected the accumulated post-employment medical benefit liability at the end of the financial year.

12.2 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 reflected below represents the accumulated post-employment group life benefit liability at the end of the financial year.

12.3 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.

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. As at 31 March 2024, there were 1 253 life pensioners (2023: 1 227 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 R3 billion (2018: R2 billion) with plan assets of R3 billion (2018: R2 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.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

13. Profit before taxation

	2024 R mil	2023 R mil
13.1 Operating income includes:		
Bank charges	**291**	240
Commission on banking services	**716**	177
Rental income	**65**	8
Sales of bank notes and coin to third parties	**2 193**	3 541
Sundry income	**105**	65
Total operating income	**3 370**	4 031

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

13. Profit before taxation continued

13.2 Operating costs include:

	2024 R mil	2023 R mil
Depreciation and amortisation		
Buildings	**55**	45
Computer software	**297**	46
Plant, vehicles, furniture and equipment	**492**	395
Total depreciation and amortisation	**844**	486
Net (profit)/loss on disposal of:		
Property, plant and equipment	**(4)**	27
Impairment loss on:		
Tangible and Intangible assets	**325**	14
Write-down of inventories		
Write-down of inventories	**25**	19
Auditor's remuneration – external		
Audit fees	**37**	23
Consulting fees		
Consulting fees	**387**	305
Employee costs		
Director's remuneration	**37**	35
Remuneration and recurring staff costs	**3 627**	3 407
Contribution to funds – Normal	**310**	300
Contributions to funds – Additional	**3**	–
Movement in provision for post-employment medical benefits	**317**	307
Movement in provision for post-employment group life benefits	**10**	9
Movement in provision for post-employment retirement benefit fund benefits	**–**	14
Premiums paid – Medical aid	**144**	147
Premiums paid – Group life	**9**	8
Total employee costs	**4 457**	4 227
Other		
Cost of new currency	**19**	7
Manufacturing costs	**2 468**	3 696
IT infrastructure	**579**	434
Other operating costs[1]	**1 424**	1 456
Total operating expenses	**10 561**	10 694

[1] *Other operating costs comprise mainly business systems and technology costs, repairs and maintenance, building maintenance costs, travel and accommodation, and training expenses.*

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

14. Net cash generated from operations

	2024 R mil	2023 R mil
Reconciliation of profit before taxation to cash generated from operating activities		
Profit before taxation for the year	**19 626**	2 079
Adjustments for:		
Interest revenue	**(10 697)**	(6 950)
Interest expense	**18 339**	12 361
Fair value adjustments on investments	**(223)**	(303)
Dividends received	**(112)**	(103)
Depreciation, amortisation and impairment	**1 169**	500
Net profit/(loss) on disposal of fixed assets	**(4)**	27
Profit from associate	**(154)**	(168)
Impairment (reversal) loss on investment in associate	**982**	(621)
Credit impairment reversal	**(337)**	(38)
Unrealised foreign exchange gains	**1**	–
Post-employment benefits	**171**	182
Interest accrued on taxation	**(45)**	(20)
Net cash generated from operating activities	**28 716**	6 944
Changes in operating assets and liabilities:		
Accommodation to banks	**1 947**	47 107
Investments	**17 892**	(35 691)
Other assets	**5 388**	(4 571)
Gold and foreign exchange reserves	**(85 706)**	(250 482)
Inventories	**(801)**	(439)
FEC assets	**65**	(107)
Loans and advances	**2 989**	2 012
South African government bonds	**1 822**	6 675
Equity investment in BIS	**(322)**	(912)
Notes and coin in circulation	**(2 061)**	468
Deposit accounts	**21 845**	69 180
Foreign deposits	**(26 265)**	42 346
Other liabilities	**(5 891)**	5 130
SARB debentures	**–**	(3 807)
FEC liabilities	**(57)**	(1 735)
GFECRA	**73 274**	144 431
Net cash generated from/(utilised by) changes in working capital	**4 119**	19 607
Net cash generated from operations	**32 835**	26 551

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

15. 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 (2023: none).

15.1 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.

15.2 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.

15.3 Valuation techniques used to derive Level 3 fair values

The equity investment in the BIS is classified as Level 3. It is valued at the net asset value adjusted by 30%. This adjustment is not subject to sensitivity. The adjusted net asset value of the shares is based on SDRs. No active market exists for these shares.

The revaluation of valuable art is classified as Level 3. Revaluations will be performed every three years by independent, reliable valuators. 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. These fair value adjustments are not subject to sensitivity.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

15. Fair value hierarchy disclosures continued

	Note(s)	Level 1 R mil	Level 2 R mil	Level 3 R mil	Total R mil
2024					
Items measured at fair value					
Non-financial assets					
Property, plant and equipment		**–**	**–**	**198**	**198**
Investment in associate	17.3	**–**	**3 429**	**–**	**3 429**
Financial assets					
Investments	4	**–**	**351**	**–**	**351**
Gold and foreign exchange reserves	5	**392 245**	**786 780**	**–**	**1 179 025**
Gold coin and bullion		**169 535**	**–**	**–**	**169 535**
Money market instruments and deposits		**–**	**214 896**	**–**	**214 896**
Securities		**222 714**	**444 528**	**–**	**667 242**
Derivatives		**(4)**	**170**	**–**	**166**
IMF SDR assets		**–**	**127 186**	**–**	**127 186**
FEC assets		**–**	**118**	**–**	**118**
SA government bonds	7	**32 007**	**–**	**–**	**32 007**
Equity investment in BIS		**–**	**–**	**6 605**	**6 605**
Financial liabilities					
FEC liabilities		**–**	**24**	**–**	**24**
Foreign deposits	10	**–**	**101 224**	**–**	**101 224**
Items measured at amortised cost					
Financial assets					
Cash and cash equivalents	2	**–**	**61 743**	**–**	**61 743**
Accommodation to banks	3	**–**	**451**	**–**	**451**
Investments	4	**–**	**23 286**	**–**	**23 286**
Other financial assets		**–**	**1 686**	**–**	**1 686**
Loans and advances	6	**–**	**7 080**	**–**	**7 080**
Financial liabilities					
Notes and coin in circulation	8	**–**	**169 504**	**–**	**169 504**
Deposit accounts	9	**–**	**474 272**	**–**	**474 272**
Other financial liabilities		**–**	**3 354**	**–**	**3 354**
GFECRA	11	**531 989**	**–**	**–**	**531 989**

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

15. Fair value hierarchy disclosures continued

	Note(s)	Level 1 R mil	Level 2 R mil	Level 3 R mil	Total R mil
2023					
Items measured at fair value					
Non-financial assets					
Property, plant and equipment		–	–	198	198
Investment in associate	17.3	–	4 257	–	4 257
Financial assets					
Investments	4	–	306	–	306
Gold and foreign exchange reserves	5	601 297	492 022	–	1 093 319
Gold coin and bullion		141 895	–	–	141 895
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
FEC assets		–	183	–	183
SA government bonds	7	33 828	–	–	33 828
Equity investment in BIS		–	–	5 866	5 866
Financial liabilities					
FEC liabilities		–	81	–	81
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
Other financial assets		–	1 187	–	1 187
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
Other financial liabilities		–	2 553	–	2 553
GFECRA	11	458 715	–	–	458 715

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

16. Commitments and guarantees

16.1 Energy bounce back scheme

In May 2023, the Energy Bounce Back Scheme (EBBS) was established to alleviate the impact of sustained loadshedding on small and medium enterprises and households. In terms of the scheme, the SARB will advance loans to commercial banks who advanced Energy Bounce Back loans to eligible businesses and households. The SARB-approved facilities of R11.6 billion remained undrawn at 31 March 2024. 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 May 2023 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 EBBS. The commercial banks indicated their intention to participate in the scheme by 31 March 2024. Each participating commercial bank may drawdown on the facility for a period of 18 months from the signature date of their respective agreements.

16.2 Loan guarantee scheme

In May 2020, the SARB entered into a LGS with various participating banks to provide funding to assist businesses to 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 R6.2 billion (2023: R9.3 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 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 billion to R12 billion in April 2022.

16.3 Bounce back scheme

In April 2022, the BBS 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 approved facilities of R1.2 billion, of which R960 million was utilised. The availability period for drawdowns ended on 30 April 2024. 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, 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 BBS. In May 2023, the SA government reduced the guarantee of R8 billion to equal the BBS loans advanced of R938 million, to the extent of the current exposure of R812 million.

16.4 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. The CPD has since recovered from technical insolvency and the existing guarantee of R800 million, expiring in June 2024 will not be renewed.

16.5 CODI guarantee

The SARB issued a guarantee to commercial banks for loan amounts provided to CODI for the liquidity tier of the deposit insurance fund, effective from 1 April 2024. This will allow banks to recognise the guarantee in the risk-weighting of these assets for regulatory capital purposes. Member banks will have to maintain a loan amount of 3% of their covered deposits' balance with the CODI for as long as they are licenced.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

16. Commitments and guarantees continued

16.6 Restricted-use committed liquidity facility

In January 2024, the SARB approved a Restricted-Use Committed Liquidity facility of R15 billion to commercial banks effective from 1 February 2024. The facility is intended to assist commercial banks to manage compliance with the liquidity coverage ratio required by Basel III and must be used for liquidity management purposes. Any drawdowns on the facility will be repayable within 31 days, at an interest rate of repo plus 1%. The facility was undrawn as at 31 March 2024.

16.7 Inter-Governmental Cash Co-ordination

Loans are advanced by the CPD as part of the national government's Inter-Governmental Cash Co-ordination (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 0.10%, which was 8.35% (2023: repo plus 0.25% which was 8%) at the reporting date. As at 31 March 2024, the IGCC loan balance was Rnil (2023: Rnil).

The CPD and the SARB concluded updated IGCC legal agreements with National Treasury and the provincial treasuries effective from 31 March 2024. The updated agreements clarify repayment terms for the facility and outlines the procedures in the event of default.

The agreements further clarify that the CPD and SARB are administrative parties in the IGCC arrangement and will not be liable for any losses on the facility. As a result, the ECL allowance for the current financial year excludes amounts attributable to the provincial treasuries. The legal agreements relating to state-owned entities are in the process of being updated and were not finalised by 31 March 2024.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

17. Related party information

17.1 Investment in subsidiaries

The contribution to the Group profit attributable to the parent (pre-elimination of intercompany transactions) is as follows:

	2024 R mil	2023 R mil
CPD	**929**	537
SABN	**(87)**	161
South African Mint	**229**	381
CODI	**(1)**	–
Total contribution to Group profit	**1 070**	1 079

17.1.1 Investment in Prestige Bullion

Prestige Bullion is a subsidiary of the South African Mint. The South African Mint holds a 80% (2023: 80%) 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.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

17. Related party information continued

17.1 Investment in subsidiaries continued

17.1.1 Investment in Prestige Bullion continued

Summary financial information of Prestige Bullion

	PRESTIGE BULLION	
	2024 R mil	2023 R mil
Statement of financial position		
Current assets	**1 326**	825
Total assets	**1 326**	825
Total equity	**365**	157
Current liabilities	**961**	668
Total liabilities	**961**	668
Total equity and liabilities	**1 326**	825
Statement of comprehensive income		
Revenue	**1 815**	3 236
Gross profit	**315**	551
Operating expense	**(35)**	(33)
Profit before tax	**284**	526
Total comprehensive income	**207**	384

17.1.2 Transactions with non-controlling interests

Rand Refinery

Rand Refinery has a 20% interest, and therefore holds a non-controlling interest in Prestige Bullion.

	2024 R mil	2023 R mil
Profit attributable to non-controlling interest	**41**	115
Accumulated non-controlling interest at year-end	**66**	25
Dividends paid to non-controlling interest	**–**	174

No significant restrictions exist on the SARB's ability to access or use the assets to settle the liabilities of the Group.

17.2 Inventory held on behalf of the SARB by the South African Mint

At year-end, coin inventory of R671 million (2023: R566 million) was held on behalf of the SARB.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

17. Related party information continued

17.3 Investment in associate

African Bank Holdings Limited (ABHL) is the public holding company of African Insurance Group Limited (AIG) and African Bank Limited (ABL). The ABHL Group's business operations consist primarily of retail banking and the provision of insurance products to banking clients. ABHL's registered office is 59 16th Road, Midrand, South Africa.

	Authorised and issued share capital			
African Bank Holdings Limited	Number of shares '000	% held	**2024 R mil**	2023 R mil
Cost	500 000	50	**5 000**	5 000
Accumulated profit attributable to Group			**1 366**	1 212
Accumulated impairment losses			**(2 937)**	(1 955)
Carrying value of investment in associate			**3 429**	4 257

17.3.1 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 annual impairment test is performed periodically to closely monitor the investment.

The performance of ABHL declined in the current financial year and resulted in a more conservative outlook on estimated future cash flows. As a result, the estimated recoverable amount of the investment decreased in the current year and an impairment loss of R982 million (2023: R621 million reversal) was recognised in profit or loss.

The recoverable amount of R3.1 billion (2023: R4.1 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 four-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 18.62% (2023: 18.34%) 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 12.27% based on the daily average yield on government bonds with an outstanding maturity of 10 years and longer.
  - Beta of 0.78 and equity market risk premium of 5.56% based on quoted indicators of similar listed entities.
  - Alpha risk adjustment of 2% to adjust for the inherent uncertainty in long-term cash flow forecasts.

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

17. Related party information continued

17.3 Investment in associate continued

17.3.2 Sensitivity analysis

	2024 R mil	2023 R mil
The effect of a 1% increase and decrease in the discount rate is as follows:		
ABHL carrying value		
1% decrease	**3 494**	4 329
Valuation basis	**3 429**	4 257
1% increase	**3 366**	4 187
Impairment (loss)/reversal		
1% decrease	**(917)**	693
Valuation basis	**(982)**	621
1% increase	**(1 044)**	551
The effect of a 10% increase and decrease in the cash flow forecast is as follows:		
ABHL carrying value		
10% decrease	**3 118**	3 848
Valuation basis	**3 429**	4 257
10% increase	**3 740**	4 666
Impairment (loss)/reversal		
10% decrease	**(1 293)**	213
Valuation basis	**(982)**	621
10% increase	**(671)**	1 030

17.4 Amounts due by/to related parties

	2024 R mil	2023 R mil
Amounts due by related parties		
Loans and advances		
Grindrod Bank Limited (subsidiary of ABHL)	**26**	–
Other assets		
Grindrod Bank Limited (subsidiary of ABHL)	**2**	–
Amounts due to related parties		
Deposits		
SA government		
Non-interest-bearing	**128 544**	122 155
Interest-bearing	**91 139**	88 571
African Bank Limited (equity accounted, not consolidated)	**2 463**	1 134
Grindrod Bank Limited (subsidiary of ABHL)	**2 528**	–
Other liabilities		
SA government (GFECRA liability)	**531 895**	458 613
SARB Retirement Fund	**71**	23

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

17. Related party information continued

17.5 Transactions between the SARB and its related parties

	2024 R mil	2023 R mil
Dividends received		
African Bank Holdings Limited (equity accounted, not consolidated)	**50**	50
	50	50
Interest revenue		
African Bank Limited (equity accounted, not consolidated)	**86**	18
Grindrod Bank Limited (subsidiary of ABHL)	**85**	–
SA government	**401**	7
	572	25
Interest paid		
African Bank Limited (equity accounted, not consolidated)	**1**	1
Grindrod Bank Limited (subsidiary of ABHL)	**4**	–
SA government	**11 074**	7 442
SARB Retirement fund	**5**	3
	11 084	7 446
Administration and management fees received		
SARB Retirement Fund	**5**	6
	5	6
Administration and management fees paid		
SARB Retirement Fund	**5**	6
	5	6
Other income		
African Bank Limited (equity accounted, not consolidated) – SAMOS fees	**1**	1
Grindrod Bank Limited (subsidiary of ABHL)	**1**	–
	2	1
Pension fund contributions		
SARB Retirement Fund	**325**	295

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 2024

17. Related party information continued

17.6 Directors' remuneration

	2024 R'000	2023 R'000
Executive directors: Remuneration for services		
Governor E L Kganyago		
Remuneration and recurring fringe benefits	**9 324**	8 708
Other fringe benefits	**396**	115
	9 720	8 823
Deputy Governor K Naidoo (Resigned in December 2023)		
Remuneration and recurring fringe benefits	**6 638**	6 215
Other fringe benefits	**2**	2
	6 640	6 217
Deputy Governor N Tshazibana		
Remuneration and recurring fringe benefits	**6 638**	6 215
Other fringe benefits	**54**	33
	6 692	6 248
Deputy Governor R I Cassim		
Remuneration and recurring fringe benefits	**6 613**	6 207
Other fringe benefits	**45**	41
	6 658	6 248
Total remuneration of executive directors	**29 710**	27 536
Non-executive directors: Remuneration for services		
C B Buitendag	**547**	513
D J M S Msomi	**671**	617
K Badimo	**644**	483
L H Molebatsi	**666**	629
N Vink	**529**	492
N B Mbazima	**1 158**	598
M M T Ramano	**628**	573
K W Mzondeki	**253**	–
S Gaibie	**513**	476
T Nombembe	**426**	1 298
Y G Muthien	**629**	602
Z Hoosen	**752**	720
Total remuneration of non-executive directors	**7 416**	7 001
Retirement fund Chair		
T Khangala (term ended 30 September 2022)	**–**	84
Total remuneration of retirement fund Chair	**–**	84
Total remuneration of directors	**37 126**	34 621

Notes to the summary Group financial statements continued

for the year ended 31 March 2024

18. Events after the reporting period

18.1 CODI operations and guarantee

On 1 April 2024 the relevant provisions of the FSR Act and the secondary legislation for CODI, governing the operations of CODI became effective. From this date the depositors of member banks were covered and CODI was able to start charging annual levies and monthly premiums to the member banks.

The SARB has issued a guarantee to commercial banks for loan amounts provided to CODI for the liquidity tier of the deposit insurance fund (DIF), effective from 1 April 2024. Member banks are required to maintain a loan amount of 3% of their covered deposits' balance with CODI for as long as they are licenced. The loan will be repaid by CODI as the entity accumulates sufficient liquidity in the DIF.

The SARB has committed to provide CODI with an emergency funding loan, in the event that CODI is unable to meet its obligations as specified in section 166AA of the FSR Act. The total amount of the emergency funding loan will be mutually agreed upon by both parties when CODI makes a request for the loan.

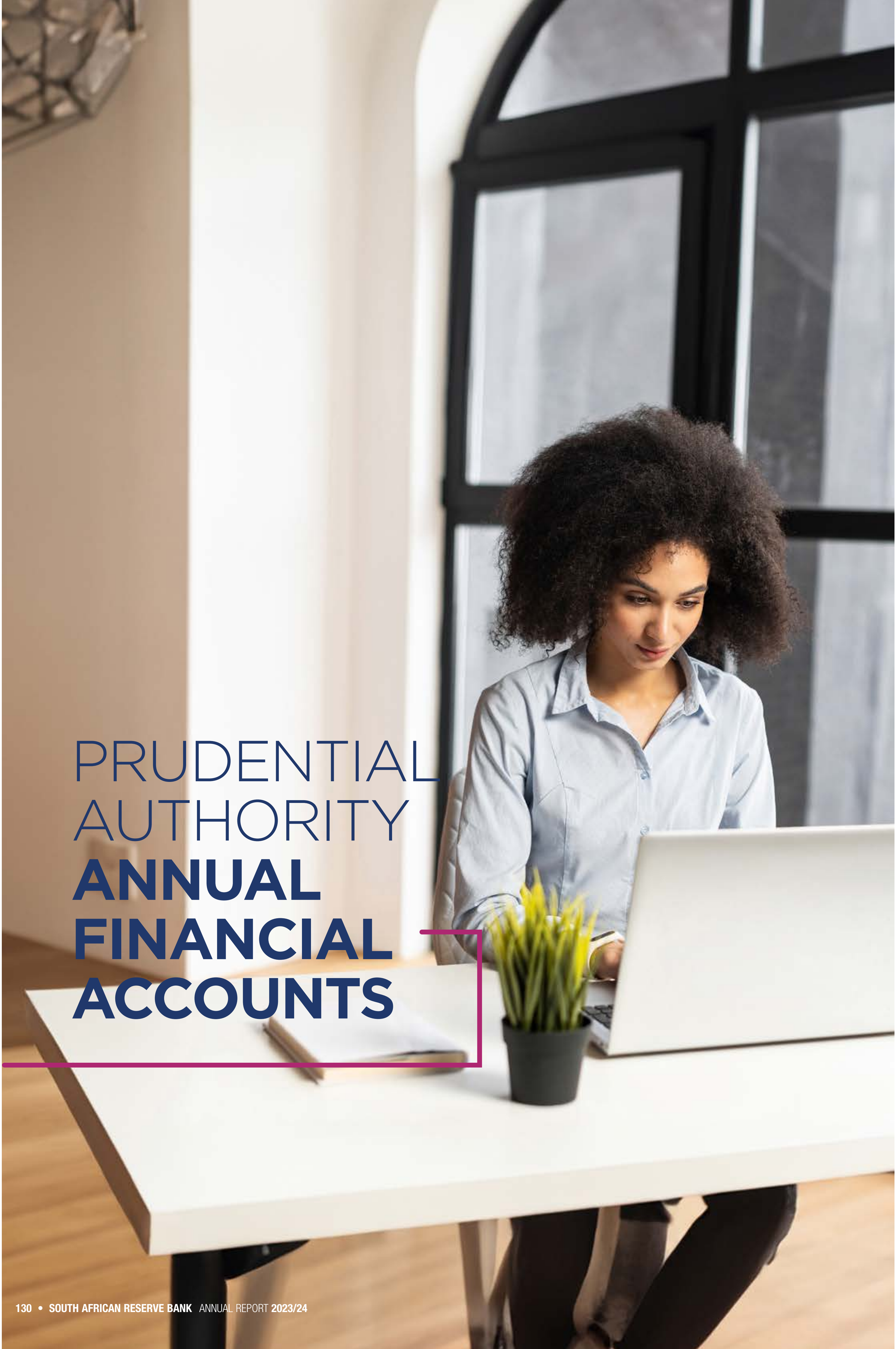
18.2 Energy Bounce Back Scheme

In April and May 2024, a total of R203 million was advanced on the Energy Bounce Back Loan Scheme. Refer to note 16 for details on the scheme.

18.3 GFECRA settlement framework

In June 2024, the SARB concluded a settlement framework agreement with National Treasury for the settlement of the GFECRA liability. In terms of the agreement, the SARB will settle R250 billion of the GFECRA liability in installments over the next 3 financial years. National Treasury will transfer R100 billion to the SARB in the 2024/25 financial year, to promote the policy solvency of the SARB. Further settlement of the GFECRA liability may only occur if the SARB has an adequate contingency reserve level as well as an adequate estimated GFECRA balance level to absorb potential future currency reversals.

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 133 to 135. The PA's financial accounts comprise the statement of financial position at 31 March 2024, 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 and are 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.

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Chief Executive Officer: LD Mokoena
A full list of all company directors is available on www.bdo.co.za

The company's principal place of business is at The Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg where a list of directors' names is available for inspection. BDO South Africa Incorporated, a South African personal liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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Practice number: 905526

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Victor Sekese [Chief Executive]
A comprehensive list of all Directors is available at the company offices or registered office.

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Registration Number: 2005/034639/21
Practice number: 946016

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 skepticism 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.

BDO South Africa Inc.
BDO South Africa Inc. (Jun 12, 2024 20:37 GMT+2)

BDO South Africa Inc.
Director: Alethia Chetty
Registered Auditor
Johannesburg, South Africa
12 June 2024

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Pravesh Hiralall
Registered Auditor
Johannesburg, South Africa
12 June 2024

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 as at 31 March 2024

	Note	Prudential Authority	
		2024 R mil	2023 R mil
Assets			
Other assets		**47**	16
Liabilities			
Income received in advance		**17**	15
Other liabilities		**28**	1
Unclaimed balances		**2**	–
Current liabilities		**47**	16
Total liabilities		**47**	16

Statement of profit or loss and other comprehensive income for the year ended 31 March 2024

	Note	2024 R mil	2023 R mil
Operating income			
Levies	2.1	**550**	–
Fees	2.2	**7**	9
Operating income		**6**	14
Total operating income		**563**	23
Expenditure			
Personnel costs	2.4	**(393)**	(352)
Operational costs	2.4	**(212)**	(125)
Total expenditure		**(605)**	(477)
Amount funded by the SARB	2.5	**42**	454
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 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 are applicable for the current financial year since the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act 12 of 2022, as well as certain provisions of the FSR Act became effective from 1 April 2023. This legislation permits the PA to charge levies to regulated financial institutions in order to cover the direct operating costs of 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 (NRF) (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 into the NRF. Total penalties issued on behalf of the SA government in this regard amounted to R1.0 million (2023: R4.1 million).

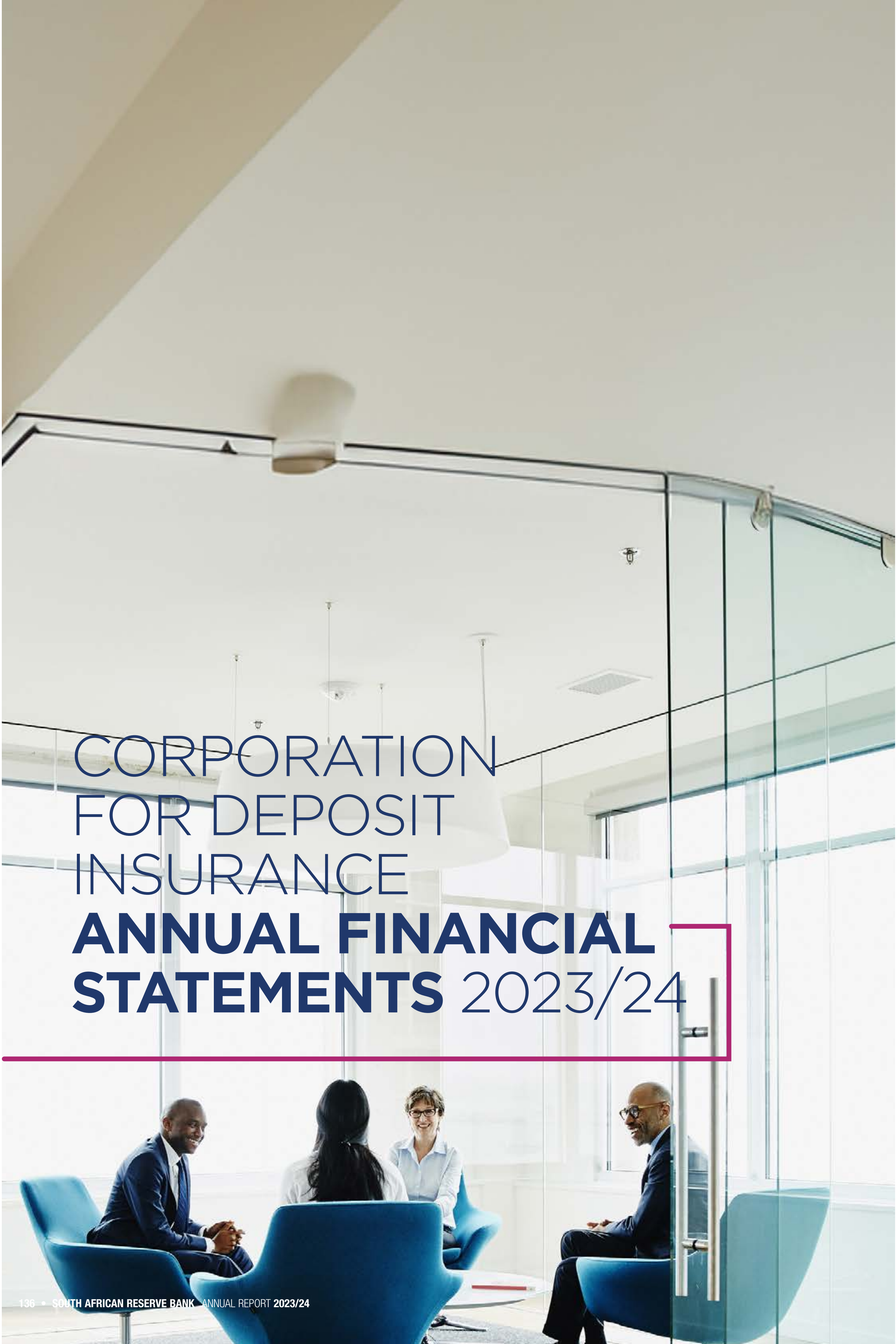
Prudential Authority annual financial accounts

continued

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	
	2024 R mil	2023 R mil
Operating costs include:		
Professional fees	**170**	100
Membership fees	**4**	2
Official functions	**6**	3
Training (foreign and local)	**4**	1
Travel expenses (foreign and local)	**23**	13
Other operating costs	**5**	5
	212	124

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.



CORPORATION FOR DEPOSIT INSURANCE **ANNUAL FINANCIAL STATEMENTS** 2023/24

Approval and statement of responsibility

The CODI Board is responsible for the maintenance of adequate accounting records, as well as the preparation and integrity of the annual financial statements and related information. The external auditors are responsible for the independent auditing of, and reporting on, the presentation of the annual financial statements in conformity with the basis of accounting described in Note 1 of the annual financial statements and the requirements of the FSR Act.

The annual financial statements are prepared in accordance with the reporting framework as set out on page 2 and in the manner required by the FSR Act on a going concern basis. The Board has every reason to believe that CODI has adequate resources in place to continue operating for the foreseeable future. The annual financial statements are based on appropriate accounting policies and supported by reasonable and prudent judgements and estimates. The Board is satisfied that the information contained in the annual financial statements presents the results of operations for the period under review and the financial position of CODI at the reporting date, in conformity with the basis of accounting described in Note 1 to the annual financial statements and the requirements of the FSR Act.

The Board is also responsible for ensuring that adequate systems of internal financial control exist for CODI. These systems are designed to provide reasonable, not absolute, assurance as to the reliability of the annual financial statements; to safeguard, verify and maintain accountability of assets and liabilities; and to prevent and detect misstatement and loss.

Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the year under review.

The annual financial statements have been audited by BDO SA, an independent auditing firm which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board and of the shareholder, being the SARB. The Board believes that all representations made to the independent auditors during the audit were valid and appropriate.

The annual financial statements were approved by the Board and are signed on its behalf by:

M (Mampho) Modise
Chairperson of the Board

A (Andre) Bezuidenhout
Independent Non-executive Director

Pretoria

6 June 2024

Directors' report

for the year ended 31 March 2024

The CODI Board is pleased to present CODI's first annual financial statements.

Nature of business

CODI, a wholly owned subsidiary of the SARB, is a juristic person established in terms of the FSR Act.

CODI has been established as South Africa's deposit insurance scheme. CODI provides protection to depositors to have access to their covered deposits should their bank fail. In the event of a bank failure, qualifying depositors will be paid out up to R100 000 from the deposit insurance fund, to which banks will contribute through monthly premiums and liquidity loans. CODI's objective is to support the SARB's financial stability mandate.

Board of Directors

The activities of CODI are managed and controlled by the Board. The Board assumes ultimate responsibility for CODI. In accordance with the FSR Act, the Board comprises eight persons, namely a representative from National Treasury, a SARB DG, the CEO of the PA, CODI's CEO, the Commissioner of the FSCA, the Group CFO of the SARB and no more than two persons appointed by the Governor as directors, with the concurrence of the Minister of Finance.

The term of office of the directors appointed by the Governor is five years, and these directors are eligible for reappointment for one further term of no more than five years.

The Chairperson of the Board is appointed by the Governor, with the concurrence of the Minister.

The Board meets at such times as the Board or the Chairperson of the Board may determine to consider matters of CODI. During the current financial year, the Board continued to provide oversight over the operationalisation of CODI.

The Board may establish committees as it considers necessary; and sub-section 166AO(2) of the FSR Act requires that the Board must at least establish an investment committee to review the investment portfolio of the DIF and make recommendations to the Board regarding the investment of the DIF. An investment committee was established in the current financial year and it consists of directors selected by the Board.

CODI Board of Directors in 2023/24

		Board meeting attendance		
Directors	**Appointment date**	**23 June 2023**	**11 October 2023**	**7 March 2024**
Executive Directors				
H Nel[1] (Interim Chief Executive Officer)	24 March 2023	✓	✓	N/A
S Mohamed (Chief Executive Officer)	1 January 2024	N/A	N/A	✓
Non-executive directors				
K Naidoo[2]	24 March 2023	✓	✓	N/A
R Cassim[3]	1 December 2023	N/A	N/A	✓
N Tshazibana	24 March 2023	X	✓	✓
R Ralebepa	24 March 2023	✓	X	✓
U Kamlana	24 March 2023	✓	✓	✓
M Lekhethe[4]	19 June 2023	✓	X	N/A
V Davidson	8 November 2023	N/A	N/A	✓
Independent non-executive directors				
A Bezuidenhout	19 June 2023	✓	✓	✓
B Kunene	19 June 2023	✓	✓	✓

✓ *Attended*
X *Absent*
N/A *Not applicable*

1 *Dr H Nel retired as Interim CEO of CODI and, since he was appointed to the Board on an ex officio basis, automatically as director of the Board with effect from 31 December 2023.*

2 *Mr K Naidoo resigned as Deputy Governor of the SARB and, since his appointment to the Board was on an ex officio basis, automatically as director and Chairperson of the Board with effect from 1 December 2023.*

3 *Dr R Cassim was appointed as a director and interim Chairperson of the Board following the resignation of Mr K Naidoo, until 31 March 2024. Dr M Modise was appointed as a director and Chairperson of the Board with effect from 1 April 2024.*

4 *Ms M Lekhethe resigned from the Board with effect from 8 November 2023.*

Directors’ report continued

for the year ended 31 March 2024

Accountability

The annual financial statements of CODI are required to be submitted to the SARB and Minister within six months after the end of the financial year, whereafter the Minister tables them in Parliament. The annual financial statements for the year ended 31 March 2024 were authorised for issue in accordance with a resolution passed by the Board.

Internal controls

The Internal Audit Department of the SARB evaluates the internal controls in place to ensure the integrity and reliability of CODI’s financial information, compliance with all applicable laws and regulations, the accomplishment of objectives, the efficiency of operations, and the safeguarding of assets. The Risk Management and Compliance Department (RMCD) of the SARB assesses the risk management processes of CODI. The Audit Committee of the SARB is responsible for monitoring and evaluating the internal controls of CODI.

Administration and accounting

CODI is accommodated in the SARB’s Head Office and as prescribed by the FSR Act, uses the SARB’s staff, accounting systems, assets, resources and other services. As at the reporting date, the SARB has incurred approximately R241 million to establish CODI.

The administration and accounting of funds under the control of ODI is performed by the Financial Services Department (FSD) and the investment of funds is the responsibility of the Financial Markets Department (FMD), both of which are departments of the SARB.

Financial results and performance

The financial results and performance of CODI are set out in the annual financial statements. The total comprehensive loss for the year amounted to R1 million (2023: Rnil). There were no surplus funds available for transfer to the Deposit Insurance Fund (DIF) (2023: Rnil).

Share capital

The authorised and issued share capital is set out in the annual financial statements.

Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The Board believes that the corporation will continue as a going concern in the year ahead and, consequently, adopted the going concern basis in preparing the annual financial statements. The Board is not aware of any new material changes that may adversely impact the corporation. The Board is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the corporation.

Events after the reporting date

On 1 April 2024, some of the remaining provisions of the FSR Act and the secondary legislation for CODI, governing the operations of CODI became effective. From this effective date the depositors of member banks were covered and CODI was able to start charging annual levies and monthly premiums to the member banks.

In April 2024, each member bank of CODI (licensed banks) provided an interest-bearing loan to CODI, based on 3% of their covered deposits, which will form part of the liquidity tier of the DIF. The loan will be repaid by CODI as the entity builds up sufficient liquidity in the DIF. The SARB has issued a guarantee, in favour of each licensed bank, for the repayment of the loan amount.

The SARB has committed to provide CODI with an emergency funding loan, in the event that CODI is unable to meet its obligations as specified in section 166AA of the FSR Act. The total amount of the emergency funding loan will be mutually agreed upon by the SARB and CODI when CODI makes a request for the loan.

The above events after the reporting date are not adjusting events as they became effective after 31 March 2024.

M (Mampho) Modise
Chairperson

Registered office

South African Reserve Bank

370 Helen Joseph Street, Pretoria Republic of South Africa, 0002

Reporting framework

The annual financial statements have been prepared in accordance with the FSR Act and the accounting policies set out in Note 1.

CODI has chosen to use IFRS® Accounting Standards 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 annual financial statements. However, due to the sensitivity around certain disclosures and as a result of CODI being a wholly owned subsidiary of the SARB, CODI considers certain IFRS Accounting Standards disclosures inappropriate to its functions. CODI's annual financial statements therefore disclose less detail than would be required under IFRS Accounting Standards.

The significant departures from IFRS Accounting Standards are summarised as follows:

Presentation

In the annual financial statements, not all the information required by IFRS 7: Financial Instruments Disclosures, is disclosed. This relates specifically to:

- market risk: the sensitivity analysis for each type of market risk to which CODI is exposed at the reporting date, showing how profit or loss would have been affected by any changes in the relevant risk variables that were reasonably possible at that date; and
- credit risk: the credit quality per counterparty (issuer) and instrument class, the historical information about the counterparty default rates, and a breakdown of instruments per counterparty.

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Independent Auditor's Report

To the shareholder of The Corporation for Deposit Insurance

Opinion

We have audited the financial statements of the Corporation for Deposit Insurance (the entity) set out on pages 143 to 147, which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the Corporation for Deposit Insurance for the year ended 31 March 2024 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1.1 to the financial statements and the requirements of the Financial Sector Regulation Act 9 of 2017.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the entity in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1.1 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the entity's own accounting policies and the requirements of the Financial Sector Regulation Act 9 of 2017 and to satisfy the financial information needs of the South African Reserve Bank. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "the Corporation for Deposit Insurance Annual Financial Statements for the year ended 31 March 2024". The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with the basis of accounting described in Note 1.1 and the requirements of the Financial Sector Regulation Act of South Africa, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report

To the shareholder of The Corporation for Deposit Insurance continued

In preparing the financial statements, the directors are responsible for assessing the entity'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 intends to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

BDO South Africa Inc.
BDO South Africa Inc. (Jun 12, 2024 20:37 GMT+2)

BDO South Africa Incorporated
Registered Auditors

Alethia Chetty
Director
Registered Auditor
Date: 11 June 2024

Statement of financial position

as at 31 March 2024

	Note	2024 R'000
Total assets		**–**
Capital and reserves		
Share capital	2	**1 000**
Accumulated loss		**(1 000)**
Total capital and reserves		**–**

Statement of profit or loss and other comprehensive income

for the year ended 31 March 2024

	Notes	2024 R'000
Operating costs	3	**(1 000)**
Loss for the year		**(1 000)**
Taxation	4	**–**
Total comprehensive loss for the year		**(1 000)**

Statement of changes in equity

for the year ended 31 March 2024

	Share capital R'000	Accumulated loss R'000	Total R'000
Balance at 31 March 2023	–	–	–
Equity contribution	1 000	–	1 000
Total comprehensive loss for the year	–	(1 000)	(1 000)
Balance at 31 March 2024	**1 000**	**(1 000)**	**–**

Notes to the annual financial statements

for the year ended 31 March 2024

1. Accounting policies

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. The accounting policies have been applied consistently for the year presented, unless otherwise stated. Owing to the sensitivity around the disclosure and as a result of CODI being a wholly owned subsidiary of the SARB, the reporting framework of CODI is aligned to that of the SARB. Refer to the reporting framework.

1.1 Basis of preparation

These accounting policies should be read together with the reporting framework on page 140. These annual financial statements have been prepared in accordance with the recognition and measurement requirements of IFRS Accounting Standards (except for the significant departures in the reporting framework), and in the manner required by the FSR Act and the accounting policies set out below, on a going concern basis. The annual financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets at initial recognition. The preparation of annual financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies of CODI. The annual financial statements of CODI are presented by order of liquidity, in South African rand, which is the functional currency of CODI, and the amounts are rounded to the nearest thousand unless otherwise stated.

1.2 New standards and interpretations

1.2.1 New and amended standards adopted by CODI

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

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. CODI has adopted the amendment for the first time in the 2024 annual financial statements and the impact of the amendment is not material.

Amendments to IAS 8: 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. CODI has adopted the amendment for the first time in the 2024 annual financial statements and 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 2024.

1.2.2 New and amended standards not yet adopted by CODI

Several new standards, amendments and interpretations are effective for annual periods beginning on or after 1 January 2024 and have not been early adopted in preparing these financial statements. CODI will adopt these amendments in the relevant financial year in which they become effective. These are as follows:

Amendments 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 12 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 12 months of the reporting period. Additional disclosures would be required in such circumstances. 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 CODI’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 12 months is subject to compliance with covenants. The amendment also provide 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 CODI’s financial statements.

Amendments to IFRS 16: 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 CODI’s financial statements.

Amendments to IAS 7 and IFRS 7: Disclosures: Supplier Finance Arrangements

The amendment applies to circumstances where supplier finance arrangements exist. These are arrangements where finance providers pay the suppliers of the entity, thus providing the entity with extended payment terms or the suppliers with early payment terms. The entity then pays the finance providers based on their specific terms and conditions. The amendment requires the disclosure of information about supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity’s liabilities and cash flows as well as on the entity’s exposure to liquidity risk. 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 CODI’s financial statements.

Amendments to IAS 21: Lack of exchangeability

The amendments apply to currencies which are not exchangeable. The definition of exchangeable is provided as being when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The amendments require an entity to estimate the spot exchange rate at measurement date when a currency is not exchangeable into another currency. Additional disclosures are also required to enable users of financial statements to understand the impact of the non-exchangeability on financial performance, financial position and cash flow. The effective date of the amendment is for years beginning on or after 1 January 2025. It is unlikely that the amendment will have a material impact on CODI’s financial statements.

1.3 Related parties

As per IAS 24: Related Party Disclosures, the annual financial statements contain the disclosures necessary to draw attention to the possibility that CODI’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, the holding company, fellow subsidiaries and members of management who hold positions of responsibility within CODI, including those charged with governance in accordance with legislation, National Treasury, and members of management who are responsible for the strategic direction and operational management of CODI and are entrusted with significant authority. Directors or alternate directors may receive remuneration or allowances in respect of their services as directors. Their responsibilities, however, may enable them to influence the benefits of office that flow to them and their related parties or the parties they represent on the governing body.

1.4 Share capital

Ordinary shares are classified as equity and are recorded at the cost stipulated by the FSR Act.

1.5 Operating costs

Operating costs are recognised in profit or loss in the period to which they relate.

1.6 Key accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of annual financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies of CODI. Owing to CODI not being fully operational in the current financial year, there were no significant accounting estimates or judgements.

Notes to the annual financial statements continued

for the year ended 31 March 2024

2. Share capital

	2024 R'000
Authorised	
1 000 000 ordinary shares at R1 each	
Issued	
1 000 000 ordinary shares at R1 each[1]	**1 000**

1 The shares were issued by means of an expense allocation for CODI-related expenses, which were settled by the SARB. Refer to note 3 for the expenses allocated.

3. Operating costs

	2024 R'000
Travel and accommodation	**56**
Conference fees	**16**
Consulting fees[1]	**402**
Business forums	**12**
Membership fees[2]	**514**
Total operating costs[3]	**1 000**

1 Consulting fees relate to fees incurred for the target operating model of CODI.

2 Membership fees relate to CODI's membership to the International Association of Deposit Insurers.

3 Total operating costs for the current financial year relate to expenses settled by the SARB and allocated to CODI for shares issued. Refer to note 2.

4. Taxation

No provision has been made for taxation since CODI is exempt from taxation.

5. Events after the reporting date

On 1 April 2024, the remaining provisions of the FSR Act and the secondary legislation for CODI, governing the operations of CODI became effective. From this effective date the depositors of member banks were covered and CODI was able to start charging annual levies and monthly premiums to the member banks.

In April 2024, each member bank provided an interest-bearing loan to CODI, based on 3% of their covered deposits, which will form part of the liquidity tier of the DIF. The loan will be repaid by CODI as the entity builds up sufficient liquidity in the DIF. The SARB has issued a guarantee, in favour of each licensed bank, for the repayment of the loan amount.

The SARB has committed to provide CODI with an emergency funding loan in the event that CODI is unable to meet its obligations as specified in section 166AA of the FSR Act. The total amount of the emergency funding loan will be mutually agreed upon by both parties when CODI makes a request for the loan.

The above events after the reporting date are not adjusting events as they became effective after 31 March 2024.

6. Related party disclosures

Name	Relationship
South African Reserve Bank	Holding company
Corporation for Public Deposits (CPD)	Fellow subsidiary
South African Mint Company (RF) Proprietary Limited	Fellow subsidiary
South African Bank Note Company (RF) Proprietary Limited	Fellow subsidiary
SARB Retirement Fund	Retirement fund of holding company
National Treasury	Significant influence
R Cassim	Interim Chairperson of the Board
N Tshazibana	Non-executive director
R Ralebepa	Non-executive director
S Mohamed	Key management personnel[1]
A Bezuidenhout	Independent non-executive director
B Kunene	Independent non-executive director
U Kamlana	Non-executive director
M Lekhethe (Resigned)	Non-executive director
V Davidson	Non-executive director
K Naidoo (Resigned)	Chairperson of the Board
H Nel (Retired)	Key management personnel[1]

1 Key management personnel were not remunerated by CODI.

The table below provides a summary of the transactions that were entered into with related parties during the relevant financial year:

	2024 R'000
TRANSACTIONS BETWEEN CODI AND ITS RELATED PARTIES	
Operating costs	
South African Reserve Bank	**1 000**
Share capital	
South African Reserve Bank	**1 000**

ADDITIONAL **INFORMATION**

Minutes of the 103rd annual Ordinary General Meeting

of the shareholders of the South African Reserve Bank – held on 28 July 2023

The Chairperson, South African Reserve Bank (SARB) Governor Lesetja Kganyago, extended a warm welcome to all who had joined the hybrid meeting, and declared the 103rd annual Ordinary General Meeting (AGM) of the shareholders of the SARB 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 it was the first time that the SARB AGM was being held as a hybrid meeting. The SARB was currently embarking on a renovation and construction project of its Head Office in Pretoria and had temporarily relocated to an office in Centurion. However, due to the limited space available for conference facilities at the temporary venue, the SARB had considered the venue of the Council for Scientific and Industrial Research (CSIR) as a suitably conducive and accessible venue in the Pretoria vicinity. The Chairperson thanked the shareholders for their understanding.

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 (POPI Act), as the shareholders had been 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 the shareholders joining online 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, the shareholders would be afforded an opportunity to participate and ask questions through a virtual microphone.

The Chairperson confirmed that the registered shareholders had been provided with the information and a tutorial video on how to use the microphone facility. He also confirmed that messages could be submitted at any time prior to a matter being put to a vote.

All the shareholders present in person and online who held 200 or more shares in the SARB, and who were entitled to vote in accordance with the provisions of the SARB Act and its Regulations, 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 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.

The Chairperson introduced the following persons who joined him on the podium and were 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, Dr 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 mentioned that the term of office of Dr Terence Nombembe had expired on 15 July 2023. Dr Nombembe had completed his three terms of office as the non-executive Director representing government. Dr Nombembe joined the meeting as the Chairperson of the Audit Committee during the year under review. The Chairperson thanked Dr Nombembe for his attendance.

The SARB's Board of Directors (Board) had appointed Mr Norman Mbazima to replace Dr Nombembe as the Chairperson of the Audit Committee with effect from 16 July 2023.

The Chairperson extended a special word of appreciation to Dr Nombembe for the dedicated and valuable service he had rendered to the SARB Board over his three terms of office and as the Chairperson of the SARB Audit Committee from 2020 until the end of his term.

He mentioned that Dr Nombembe was a good servant for the citizens of the Republic of South Africa who had been committed to the accounting profession, having served as the Deputy Auditor-General and later the Auditor-General in South Africa and having participated in high-level investigations in the country. He wished Dr Nombembe well in his future endeavours.

The Chairperson stated that the President of the Republic of South Africa would advise of his decision regarding this vacant Board position in due course.

The Chairperson presented his address which, for record-keeping 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 29 July 2022.
- Receive and consider the SARB's annual financial statements for the financial year ended 31 March 2023, 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 2022/23 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 BDO SA Inc. (BDO) and SNG Grant Thornton as the SARB's independent external auditors for the 2023/24 financial year.
- Elect one non-executive director to serve on the SARB's 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 hybrid 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).
- 43 shareholders were present in person and online.
- 4 shareholders were represented by proxy.
- 585 votes were exercisable by the shareholders present in person or online, and 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 2022 AGM

The Chairperson proposed that the minutes of the 102nd AGM held on 29 July 2022 (included in the SARB Annual Report 2022/23) 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 2022 AGM were accepted by 99.62% of the votes cast, while 0.38% had abstained from voting.

Acceptance of the annual financial statements for the financial year ended 31 March 2023, 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 2023, including the directors' report and the independent external auditors' report.

The summarised South African Reserve Bank Group (SARB Group) annual financial statements were included in the SARB Annual Report 2022/23, which was published on the SARB website and posted to the shareholders on 28 June 2023. The full set of the 2022/23 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 2023 were accepted by 99.05% of the votes cast, while 0.95% 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 2023 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 2023, amounting to R22 980 039 excluding value-added tax (VAT), was approved by 93.94% of the votes cast, while 5.11% had voted against the motion and 0.95% had abstained from voting.

Appointment of independent external auditors

The Chairperson then turned to the appointment of the SARB's independent external auditors for the 2023/24 financial year.

In accordance with the principles relating to the rotation of auditors, the Chairperson stated that PwC was due for rotation. Accordingly, the SARB's Board had approved a resolution that PwC would step down as an external auditor of the SARB Group on the completion of the audit work for the financial year ended 31 March 2023.

The SARB's Audit Committee had satisfied itself with the process of selecting an external auditor that would replace PwC as a new joint external auditor of the SARB Group. Should the shareholders approve the appointment of BDO, the new external auditor would conduct the audit jointly with the existing and remaining audit firm, SNG Grant Thornton, until 31 March 2025. Thereafter, a replacement firm for SNG Grant Thornton would be recommended to the shareholders for appointment.

It was reported that the SARB Audit Committee, supported by the Board, had recommended the appointment of BDO and the reappointment of SNG Grant Thornton as the SARB's independent external auditors for the 2023/24 financial year. The appointment of BDO for the provision of joint external audit services for the financial year ending 31 March 2024, was subject to the annual re-election process that would be followed at the SARB's AGM, for a potential maximum period of 10 years.

Based on the results of the poll, the Chairperson declared that BDO and SNG Grant Thornton were appointed as the SARB's independent external auditors for the 2023/24 financial year, by 100% of the votes cast.

The Chairperson congratulated BDO for their appointment and SNG Grant Thornton for their reappointment.

Election of a non-executive director

The Chairperson turned to the election of a non-executive director to fill the vacancy for a shareholder-elected non-executive director, which would be available the day after the AGM.

The Chairperson mentioned that the term of office of Ms M M T (Tryphosa) Ramano as a non-executive director with knowledge and skills in finance and commerce would expire the day after the 2023 AGM, being 29 July 2023. Ms Ramano was eligible and available for re-election by the shareholders.

The Panel, appointed in terms of section 4(1C) of the SARB Act, had considered the nominations for this vacancy. This Panel comprised:

- the Governor of the SARB;
- retired Constitutional Court Judge Baaitse Elizabeth Nkabinde and Prof. Deon Rossouw, the Chief Executive Officer (CEO) of the Ethics Institute of South Africa (both nominated by the Minister of Finance); and
- Mr Kaizer Moyane, Mr Thulani Tshefuta and Ms Lebogang Mulaisi (all three nominated by the National Economic Development and Labour Council (Nedlac)).

The Panel was satisfied that Ms Ramano had been the only candidate selected by the Panel with knowledge and skills in commerce or finance to fill the position of a non-executive director of the SARB. The curriculum vitae of Ms Ramano had been sent to the shareholders together with the Notice of this AGM.

The Chairperson then invited the shareholders to submit any questions related to the resolution.

No questions were raised regarding the resolution, which was then put to a vote on a poll.

Based on the results of the poll, Ms Ramano was re-elected as a non-executive director, with 53.92% of the votes cast in her favour and 28.61% of the votes cast against, while 17.47% had abstained from voting.

The Chairperson congratulated Ms Ramano on her re-election as a non-executive director. In terms of section 5 of the SARB Act, Ms Ramano's appointment would be effective from 29 July 2023 until the day after the AGM in 2026.

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 and from his speech.

A shareholder, Mr Mamahlodi, asked the Chairperson whether the SARB had any legislative or policy statement regarding crypto-currency in South Africa to protect the public from crypto-currency scams.

The Chairperson stated that the SARB had previously issued a cautionary statement warning the South African public to be careful with crypto-currency trade and investment, since there was no legislative or regulatory framework in place underpinning them. However, through engagements between the SARB, National Treasury (NT) and the Financial Sector Conduct Authority, crypto-assets had been declared as financial products and accordingly would be regulated in terms of applicable legislation. The Chairperson stated that the crypto-environment was an evolving area in the country and globally, and there was polarisation varying from banning crypto-currencies to warning the public about them. He further mentioned that there was a strong case on how crypto-assets were used in money laundering, the financing of terrorism and the financing of proliferation.

A shareholder, Dr Rossouw, referred to the new banknotes and asked for the reasons why the 'new feel' of the new series was different from the previous series of banknotes.

The Chairperson explained that the SARB had consulted extensively on a feel of the new banknotes and confirmed that the new banknotes had a distinctive feel. The advanced technology used on the substrate had enhanced the integrity, quality and durability of the banknotes.

Regarding a monetary policy matter, Dr Rossouw remarked that whenever the SARB increased the interest rates, the most-affected people would be those individuals with debt as they would have to pay higher interest on their serviced debt. However, he proposed that, at the time of adjusting the interest rates upwards, the SARB should consider adding in its statement that the upward interest rates would be beneficial to people who had savings and deposits in banks as well as those people who were earning interest. Reporting inclusively on the impact of inflation would provide clarity to the public that the higher interest rates were not a loss to the economy, but were detrimental only to those with debt. Such a statement would reflect a more balanced debate around the interest rate stance.

The Chairperson expressed appreciation for the suggestion made by Dr Rossouw.

Another shareholder stated that few of the central banks around the world were encouraging sustainable investment in greening projects through the banking system by providing a level of accommodation to banks through lending to sustainable investment projects and asked whether the SARB had considered greening the financial system.

The Chairperson stated that the SARB did not invest much in greening projects. The SARB had a responsibility to invest in reserves and those investments had to be of assets that were liquid. The SARB had to make sure that when those reserves were needed, the SARB would be able to access them.

However, the Chairperson stated that the SARB was not oblivious to the challenges caused by climate change, and as such the SARB was participating in two forums, namely the Task Force on Climate-related Financial Disclosures for Central Banks (Task Force) and the network for the greening of the financial sector. The Task Force enables central banks to ask the regulated sector, in their supervisory processes, to take account of climate risk in its activities and the extent to which it might pose a challenge for its capital and liquidity.

The other growing forum was the network for the greening of the financial sector. Domestically, an assessment of the impact of climate change on the financial sector had revealed that the insurance industry showed readiness for any eventualities. The frequency in which extreme weather events occurred, such as droughts and floods, had increased and had become erratic. The SARB had tested the resilience of the financial sector to climate shocks to ensure a price stability mandate as these shocks led to extreme price movements. Climate shocks were previously a one-off occurrence in at least 20 years, but if these shocks happened with increased frequency, they would become embedded in the price formation process of the price-setters. Once that decision had been taken, climate change would move from being just a physical risk to becoming a risk of financial stability and a risk to economic activities.

A shareholder, Ms Myeni, suggested that geomorphologists might be suitable to assist with tracking the impact of climate change, particularly in densely populated and rural areas where the social and financial risks were the highest.

It was mentioned that the work of the Prudential Authority (PA) and the SARB's Financial Stability Department was focused on improving the resilience of the financial sector to climate-related risks and incorporating climate-related information in funding and insurance decisions. Climate change indicators, disclosure and taxonomy rules would become part of the prudential framework.

A shareholder, Mr Moganwa, referred to the 10 cents dividend cap for the SARB shareholders and enquired whether it was fair that the 10 cents did not reflect the time value of money. He mentioned that the 10 cents of 1921, with the South African rand pegged to the British pound, was not the same as the 10 cents of 2023. He enquired whether there was a possibility for the SARB to obtain a legal opinion regarding the matter.

Another shareholder, Mr Ahmed, suggested that the SARB should consider increasing the dividends to its shareholders considering inflation over the past decade and should allow the dividends to be more material, which would add to the value of shareholders' investments. The current dividend policy was not conducive to the value of the underlying shares attaining proper growth. The legislation could not be amended to increase the dividends, and the shareholders felt prejudiced.

The Chairperson stated that there was no legal opinion required regarding the 10 cents capped dividend. The law was written in such a way that the dividend per share was capped at 10 cents per annum.

Ms Nxumalo, a shareholder, asked whether the research on language regarding the new banknotes was not supposed to have been addressed before the commissioning of the banknotes. She enquired whether the approach undertaken by the SARB was unprofessional and wasteful expenditure.

The Chairperson explained that the SARB had consulted extensively with expert organisations on the use of national symbols, languages and designs on the currency, including the Pan South African Language Board (PanSALB), which was the statutory authority on South Africa's 12 official languages. The SARB had reached out to PanSALB to revisit the matter and was awaiting feedback. More broadly, the SARB's recent campaign to educate the public on the new security and design features had helped to cement public trust and confidence in the country's currency.

A shareholder, Mr Dhawraj, asked about the status on the nationalisation of the SARB, as demanded by some politicians, and whether there was anything that the shareholders should be concerned about regarding the matter.

The Chairperson stated that questions on the nationalisation of the SARB should be directed to government.

Responding to a question from a shareholder, Ms Myeni, regarding the pre-2024 general elections scenarios, the Chairperson stated that the question was political and should be directed to political authorities.

Ms Myeni also asked if there was possibility that the high unemployment rate would be reduced through the implementation of structural reforms on condition that government tenders were suspended.

The Chairperson advised Ms Myeni to direct her question to National Treasury.

Ms Myeni indicated that gold mining around the Witwatersrand Basin had started approximately 200 years ago and she strongly felt that a ground stability study around the Gauteng province should be undertaken considering the recent frequency of tremors, surface subsidence and uncontrolled illegal mining. Gauteng being the economic hub of South Africa, ground stability was a major risk.

The Chairperson advised that the matter fell outside of the ambit of the SARB and should be referred to the relevant government authorities.

Ms Myeni asked if inflation in South Africa were to be as high as 80% due to factors outside of the SARB's control and what could be done now to prevent a situation similar to Argentina. Alternatively, she further enquired if inflation were to become as low as 0.5%, how would all South Africans benefit for long-term and sustained growth.

The Chairperson stated that de-anchoring inflation would mean that the SARB had disregarded its constitutional mandate. The reason for the SARB having acted as early as November 2021 to adjust the interest rates was to contain inflation.

A shareholder, Ms Nxumalo, stated that the primary mandate of the SARB, as stated in the Constitution of the Republic of South Africa – Act 108 of 1996 (Constitution), was to achieve and maintain price stability in the interest of balanced and sustainable economic growth in South Africa. She enquired whether this mandate did not, however, include how banks engaged with their clients, thereby monitoring the movement of funds coming in and out of banking accounts. The Judicial Commission of Inquiry into Allegations of State Capture and Corruption and Fraud in the Public Sector had resulted in revealing that banks were involved in state capture, corruption and fraud.

The Chairperson stated that the engagement of banks with their clients had not been included as part of the price stability mandate. The Financial Sector Regulation Act 9 of 2017 (FSR Act) gave the SARB another responsibility with respect to financial institutions; to ensure safe and sound banks. Concerns relating to the alleged ill-treatment of customers by their respective banks should be directed to the Market Conduct Division of the Banking Association South Africa, as they advocated for the interests of the banking industry regarding legislation and regulation affecting their customers and clients.

Another shareholder posed questions on the following three matters: i) the SARB's agenda around the transformation of financial services in general and the stance of the current SARB Board approaching the transformation agenda in relation to the barriers of entry in the financial services and banking sectors; ii) the SARB's developmental agenda with regard to the supplier developmental programme in addressing the imbalances in South Africa, for example BDO which, earlier in the meeting, had been approved as a joint external auditor for the SARB, indicating that BDO was a white-owned construction company and enquiring about the reasons why a black-owned company had not been considered; and iii) the development of scarce skills in the financial sector, specifically the SARB's stance in ensuring that banks developed those skills for historically disadvantaged individuals.

The Chairperson explained that the SARB Board had no responsibility in respect of prudential regulation and the issuing of licences to banks but was rather responsible for strengthening the SARB's governance. The implementation of the Monetary Policy was the responsibility of the Governor and the three Deputy Governors. The Chairperson further clarified that BDO provided accounting services and was not a construction company. The other independent external auditor for the SARB was SNG Grant Thornton, which was a black-owned firm. There was no legislation that required the SARB to have two external auditors, but it did so for transformation reasons. He emphasised that there was no legislation that precluded the black race from conducting business with the SARB. Regarding the skills in the financial sector, banks operated under licences and had to meet the set requirements to qualify for licensing and providing capacity to do the job. Nothing in the licensing conditions required skills development and such, skills development was covered in another piece of legislation outside of the SARB. The Chairperson stated that he would find it odd to find any financial sector that would not have a responsibility to develop its own human resources.

Deputy Governor Tshazibana, in her capacity as the CEO of the PA, explained that, in terms of the FSR Act, the SARB was responsible for ensuring the safety and soundness of the financial system, whereas the PA considered the individual institutions. Within that, the PA considered, albeit very broadly, the issues of financial inclusion, competition and transformation, and all of these activities were within the context of safety and soundness. The policy mandate for the PA sat within NT, and the PA was the law implementer for the issuance of licences to qualifying institutions. Deputy Governor Tshazibana further explained that the PA regulated different deposit-taking institutions but indicated that NT had embarked on determining whether South Africa had sufficient variety of deposit-taking institutions.

South Africa had co-operative financial institutions (the entry level of deposit-taking institutions), co-operative banks, mutual banks and commercial licensing banks. All of these entities could accept deposits, and the PA ensured that those deposits were kept safe. The difference was the other types of business that these entities could embark on in addition to accepting deposits. Those other types of activities occasionally brought risk to depositors. During the licensing of these institutions, the PA considered the capabilities of those institutions, including their management and Board capabilities. The PA did not limit the number of banks that could enter the market, but the PA verified whether the applicant met the set criteria for licensing. The PA had observed an increase of the number of multi-players entering the market in the country; and there was room for different product offerings catering for different customers' needs. To complement the work being done by the PA in this area, the SARB's National Payment System Department was considering the multiple payment methods competing with the banks. On the transformation agenda, banks had direct obligations, which were linked to employment equity legislation, which was the responsibility of the Department of Labour. The PA engaged with these entities on an ongoing basis to understand how they were managing talent broadly and whether they were taking transformation into account.

Deputy Governor Naidoo mentioned that the SARB was not a public entity in terms of the Public Finance Management Act 1 of 1999 (PFMA). As such, the Preferential Procurement Policy Framework Act 5 of 2000 (PPPF Act) did not apply to the SARB. The SARB did, however, embrace socio-economic transformation and applied preferential procurement principles in its sourcing and procurement activities through the adoption of specific elements of the PPPF Act. The SARB was committed to maintaining the transformation of the supplier development programme and supplier network, which improved spend with qualifying suppliers and contributed to supplier development. The two largest areas of procurement within the broader SARB Group were in the currency field as most of the substrate was not produced in South Africa and there was an extensive process to increase the proportion of goods and services being procured from historically disadvantaged companies. During the 2022/23 financial year, the SARB's overall score for the supplier and enterprise development element of the scorecard was 22.2 points out of a maximum of 27 points.

As there were no further questions or comments from the shareholders, the Chairperson then gave Mr Fani Titi, Group Chief Executive of Investec Limited, the opportunity to propose a vote of thanks to the SARB on behalf of his organisation, the financial services sector and the SARB shareholders.

On behalf of the SARB shareholders and the entities that the SARB regulates, Mr Titi expressed the deepest gratitude to the SARB for its outstanding and globally recognised work.

Over the past year, the SARB had steered South Africa's inflation rate back to within the target range, achieving this challenging task earlier than many developed economies.

He thanked the highly competent regulation by the PA, which had resulted in South Africa's financial system being well-capitalised and a model of disciplined risk management.

Mr Titi stated that, in the face of extreme global and domestic uncertainty, the SARB had focused squarely on its mandate and had maintained its independence, while consulting regularly with government. Indeed, the competence and autonomy of the SARB underpinned the country's credit ratings and would support even higher ratings if not for the structural impediments to economic growth.

Furthermore, Mr Titi mentioned that the declining productivity over the past decade – the effect of state capture, poor governance and the hollowing out of state institutions – had been exacerbated by a sharp increase in government debt. High bond yields had crowded out fixed investments that typically carried higher risk and often lower returns, particularly in a low-growth economy.

In stark contrast, the period between 1999 and 2008 had seen rapid expansion of the private sector and declining unemployment – evidence of what could be achieved through sound policies that supported productive investment. Successful infrastructure investment, free of corruption and bureaucratic inefficiencies, had a two-fold benefit: increasing the productive capacity of the economy, while contributing directly to growth and employment through build programmes. The just transition to renewable energy, was crucial for South Africa's sustainable development, presented an opportunity for such large-scale productive investment. The SARB was at the leading edge of facilitating this through its participation in the Network of Central Banks and Supervisors for Greening the Financial System.

South Africa's greylisting by the Financial Action Task Force had highlighted the need for improved measures to prevent money laundering, the financing of terrorism and proliferation financing. The SARB's progress in risk-based supervision of designated non-financial businesses, and its invaluable assistance to law enforcement agencies seeking to bring financial criminals to book, was applauded.

Mr Titi mentioned that looking ahead, the partnership between the South African presidency and the private sector to address the crises in energy, freight transport and high crime levels was key to removing impediments to economic growth. Equally critical was the need to bolster investor confidence. To achieve this, property rights had to be strengthened, not undermined. As an institution with a deep understanding of long- and short-term risks, the SARB served as a critical bellwether, calling out the unintended consequences of proposed policies such as land expropriation without compensation and the proposed nationalisation of private health care under the National Health Insurance.

The SARB's sterling performance in the past year highlighted its standing as one of the country's proudest and most capable institutions. Mr Titi thanked the Board, Governor Kganyago, the Deputy Governors and the staff of the SARB for their leadership, integrity and resilience. Their dedication set an inspiring example to all institutions serving the people of South Africa.

Following the vote of thanks by Mr Titi, the Chairperson confirmed that all the business included in the agenda had been transacted.

The Chairperson took the opportunity to thank President Ramaphosa and Deputy President Mashatile, government and Parliament for their continued support. He also expressed sincere appreciation to the Minister of Finance, Mr Enoch Godongwana; Deputy Minister of Finance, Mr David Masondo; NT Acting Director-General, Mr Ismail Momoniat; the former NT Director-General, Mr Dondo Mogajane; and all the staff of NT 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 to 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.

The Chairperson then thanked the shareholders for their attendance and participation and confirmed that the SARB would continue to count on the shareholders' support in future.

The Chairperson declared the proceedings closed.

E L Kganyago
Chairperson

Annexure A

An address by Lesetja Kganyago, Governor of the SARB, to the 103rd AGM of the SARB shareholders held on Friday, 28 July 2023

Introduction

I am very pleased to be here with you, in person, for the first time since 2019, even if the world has changed significantly since the last time I stood before the shareholders of the South African Reserve Bank (SARB).

We have survived the onslaught of COVID-19, but South Africa now faces multiple challenges of high inflation, low economic growth and a difficult external environment.

Despite the easing supply chain pressures and lower commodity prices, globally inflation remains well above many central banks' targets and monetary policy remains tight.

These conditions, including rising uncertainty and weak confidence, have been a drag on growth for many emerging market economies, including South Africa, whose post-pandemic recovery has been comparatively weak.

Electricity shortages, infrastructure challenges, high public debt levels and weak investment continue to weigh on growth over the medium term in South Africa.

Lower commodity prices have supported disinflation, and headline inflation returned to the target range in mid-2023. However, inflation remains sticky and the risk to the medium-term inflation outlook remains to the upside. Monetary policy continues to remain focused on returning inflation to 4.5% over the medium term, yet this goal will be complicated by challenges such as the ongoing geopolitical tensions and climate change.

Global conditions

Early in the pandemic, aggressive fiscal and monetary easing was aimed at mitigating the economic effects of the pandemic. As economic activity slowly resumed, supply chains remained severely constrained, prompting a sharp increase in global prices. The inflationary impulse was worsened by Russia's invasion of Ukraine, which raised the prices of important commodities such as food and oil. In response to elevated inflation, most central banks raised policy rates.

Global inflation peaked in the third quarter of last year and has since moderated into the third quarter of 2023. This deceleration almost entirely reflects lower food and oil prices, alongside less binding supply constraints and tighter macroeconomic policies. However, inflation remains above central bank targets, and in the advanced economies, core inflation remains uncomfortably high, reflecting sustained spending on services, tight labour markets and robust wage growth.

While the rising interest rates triggered some banking sector volatility in the United States (US) and Eurozone, this appears to have diminished in recent months. These market-related stresses were not enough to derail the hiking cycles of the advanced economies, with the US Federal Reserve and European Central Bank hiking by an additional 75 and 100 basis points respectively since March 2023. The persistence of inflation despite the sustained interest rate hikes by some central banks suggests that global neutral interest rates have risen well above their pandemic levels. As we move towards 2024, central banks around the world will be watching carefully for additional evidence of changes in neutral real rates.

With global financial conditions adjusting and risk-adjusted real interest rate differentials widening, portfolio flows will become less certain, affecting the availability and the cost of external funding. These rising credit costs will further impair the financing of large fiscal and current account deficits in many emerging market and developing economies (EMDEs), including South Africa. Many economies have experienced sustained increases in public debt levels, which, with higher inflation, create serious headwinds to economic growth. As exchange rates depreciate in response to the more adverse credit conditions, imported inflation tends to rise – a trend already seen in producer prices, fuel costs and food prices, among other items. EMDEs will need to consolidate their fiscal positions over the coming years helping indirectly to reduce exchange rate pass-through pressures and inflation and its wide-ranging economic costs.

Domestic conditions

South Africa's recovery from the COVID-19 pandemic was driven by demand expansion and a supply rebound following the easing of pandemic-induced restrictions. This generated a strong, but incomplete, recovery from the 6.0% contraction experienced during 2020. While growth rebounded by 4.9% in 2021, activity subsequently slowed to 2.0% in 2022, and by 2023 even lower growth was expected as the energy crisis facing the country worsened. The SARB forecasts gross domestic product (GDP) growth at 0.4% this year, and expects it to average about 1% over the next two years.

South Africa's post-COVID-19 recovery reflects various domestic idiosyncrasies such as political unrest, disruptive strikes, extreme weather conditions and failing infrastructure. Although load-shedding entered the South African lexicon 15 years ago, it has intensified over the past two years, placing a binding constraint on growth. The SARB estimates that growth over the 2023–2025 period would be closer to 2% in the absence of load-shedding.

South Africa's underwhelming economic performance is not new; the country's chronic low-growth problem predates the pandemic. In the five-year period before COVID-19, growth averaged just 1% – compared to the 3.5% growth achieved by a typical emerging market economy.

One of the main challenges to achieving higher growth is weak investment levels. South African investment lingers close to 16% of GDP compared to the 25% level achieved by comparative peers. From a macroeconomic perspective, a key constraint to achieving higher investment levels in South Africa is persistent fiscal dissaving. High public debt levels raise the risk premium, pushing up the cost of borrowing to around 11% today.

The low-investment problem is worsened by the composition of public spending, which is geared more towards current consumption than infrastructure.

The reversal of the economy's terms of trade risks worsening the fiscal outlook. Between January 2020 and March 2022, the prices for South Africa's major commodities – such as gold, iron ore, platinum group metals and coal – doubled. Since then, however, these prices have been falling consistently and by as much as 23.8% over six months alone. As funding needs grow, and as domestic saving remains weak, the need for foreign savings has widened. The current account deficit is now expected to expand from 0.5% in 2022 to 3.3% by 2025.

Headline inflation rose sharply this past year, surpassing the upper end of the 3–6% inflation target band in April 2022 and reaching a 13-year high of 7.8% in July 2022. Inflation has since moderated, albeit with some volatility, and finally returned to the target band in June 2023, when it reached 5.4%. The moderation can largely be attributed to lower global food and fuel prices in recent months, as well as lower imported inflation due to easing supply chain disruptions and easing demand conditions.

A more pronounced moderation in inflation is expected in the latter years of the forecast horizon, with headline inflation expected to ease to an annual average of 5.0% in 2024 and 4.5% in 2025.

The risks to inflation are still assessed to be on the upside. Rising services inflation and elevated administered price inflation continue to put upward pressure on prices. These pressures are exacerbated by elevated and rising inflation expectations by key price-setters over the medium term. For example, the survey of inflation expectations by the Bureau for Economic Research shows that two-years-ahead expectations have steadily trended up from around 4.5% in 2021 to 6.3% and 5.9% for businesses and trade unions respectively. These elevated expectations by key price-setters risk feeding into the recent wage negotiations and embedding in higher core inflation.

Facing this elevated and persistent inflation, the SARB's Monetary Policy Committee (MPC) stepped up the pace of repurchase (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%. At these levels, monetary policy in South Africa is now considered restrictive.

The MPC continues to assess the impact of previous interest rate hikes on the economy. Monetary policy operates with a lag of approximately 12–24 months, with peak impacts of rate hikes between three and five quarters ahead.

To date, the rate hikes have had a moderately slowing effect on credit demand, which continues to rise even after adjusting for prices.

Total loans and advances to the private sector are, so far this year, 2.0% higher than they were over the first half of 2022. Credit growth to corporates remains relatively robust at 3.5%, while credit to households has slowed to real growth of 0.5%. Households' credit demand is typically comprised of mortgages, which have slowed since the robust growth experienced during the COVID-19 era ultra-low interest rate environment. The rise in interest rates has pushed households' debt-service cost as a share of their annual disposable income back up to its 2010–2019 average of about 8.5%.

The broader environment in which monetary policy is made presents additional challenges to central banks. Geopolitical tensions, changes to established global value chains and the intensifying problems of climate change are all likely to present challenges to long-term growth and relative price shocks.

Russia's invasion of Ukraine has been an unpleasant reminder of how rising commodity prices spill over into imported inflation for various economies. These tensions continue to pose an upside risk to the inflationary outlook, which is exemplified by the recent collapse of the Black Sea grain deal. Ongoing volatility in global oil and food prices risks delaying inflation back to target for many countries.

While pandemic-related shocks to global supply chains continue to ease and revert to more normal conditions, established global value chains will continue to adapt to a changing global trade, industrial and technology policy landscape. 'Nearshoring' will likely reverse the disinflationary impulse of globalisation, and is expected to put upward pressure on manufactured goods vis-à-vis services over the long term. The effects on emerging markets like South Africa will be significant, as deglobalisation lowers productivity growth, slows the diffusion of technology and makes it harder for economies to maintain competitiveness.

Major climate events such as floods and droughts have an immediate impact on local food prices. South Africa has experienced numerous climate events, including the flooding in KwaZulu-Natal in 2022 and the Western Cape droughts of 2015–2018. The El Niño event of 2015/2016 pushed food inflation up to about 11% in 2016, and its reappearance later this year risks delaying the food disinflation process. Despite the challenges of forecasting and modelling, a repeat of the 2015/2016 drought (which is a once-in-20-years event) could increase food prices by as much as 10%. For now, however, such a risk lies outside of the SARB's baseline view.

In a world this volatile, it has been more important than ever that the SARB hold fast to its mandate of ensuring price stability in the interest of balanced and sustainable economic growth. Monetary policy is focused on preventing second-round effects and the risk that inflation expectations de-anchor following inflation shocks. Though the MPC has paused the hiking cycle, it will act decisively to quell any inflationary pressures should they strengthen over the medium term. The priority remains that inflation reaches the midpoint of the 3–6% target band (4.5%) – and stays there – to best ensure balanced and sustainable economic growth in the interest of all South Africans.

Financial stability

The SARB's role does not end with monetary policy. Let me now turn to our other legislative mandate: that of securing financial stability.

The South African financial system has remained resilient amid challenging global and domestic developments. However, that resilience has been tested by global monetary policy tightening, turmoil in the developed markets' banking sectors, volatile financial markets and downward revision to growth projections.

Over the past year, the SARB has been highlighting the financial stability risks associated with ongoing electricity-supply shortages, an upward repricing in government debt, South Africa's greylisting by the Financial Action Task Force (FATF) and the impact of escalating geopolitical tensions, notably between Russia and Ukraine.

The SARB has, however, marked some key milestones in the past year that will bolster confidence and trust in our financial system, starting with the establishment of the Corporation for Deposit Insurance (CODI) as a legal entity on 24 March 2023. As the newest subsidiary of the SARB, which will become fully operational in April 2024, CODI will protect covered depositors in the event of a bank failure. Alongside this, the SARB became the Resolution Authority for Designated Institutions on 1 June 2023, which will help protect the financial system in the event of failures of systemically important financial institutions.

Prudential regulation

Another cornerstone of financial stability is effective regulation of our financial institutions. Several local institutions facing particular circumstances were put under curatorship in the past year. South Africa's banking and insurance firms, as well as its market infrastructures, remain sound. In the wake of FATF greylisting the country, the PA continues to work with other regulators and law enforcement agencies to address the remaining gaps in South Africa's oversight of money laundering, the financing of terrorism and proliferation financing.

Operational matters

At an operational level, the SARB met several milestones during this past year, which serves as a testament to our values of accountability, excellence and integrity.

The SARB's role as the steward of our country's national payment system (NPS) is too often overlooked. The NPS is, however, a critical infrastructure of the economy, and the SARB works hard to modernise the NPS and make it more secure, more efficient and more accessible.

In September 2022, we successfully migrated to the International Organization for Standardization's (ISO) financial messaging standard: ISO 20022. The adoption of ISO 20022 enables richer, better-quality data in payment processing and settlements, and is a significant step in the modernisation of our payments ecosystem.

A key operational development during the year was the transition to a new monetary policy implementation framework (MPIF). Between 8 June 2022 and 24 August 2022, the SARB moved from a money market shortage to a money market 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. The reform has made monetary policy implementation simpler and more robust, while also improving the liquidity of the banking sector.

We have also successfully rolled out South Africa's upgraded banknotes and fourth decimal coin series – the first new series in 34 years. The upgraded currency continues to pay homage to our first democratically elected president Nelson Mandela, who signed into law the very Constitution that gives life to the SARB's mandate and protects our independence.

The SARB consults extensively with expert organisations on the use of national symbols, languages and designs on our currency, including the Pan South African Language Board (PanSALB), which is the statutory authority on our 12 official languages. Having received complaints from members of the Vatsonga community over the spelling of the Xitsonga word for 'Reserve Bank', used on the upgraded R100 note, the SARB has reached out to PanSALB to revisit the matter, and we await feedback. More broadly, the SARB's recent campaign to educate the public on the new security and design features helps to cement public trust and confidence in our currency.

In light of the ongoing power crisis in the country, the SARB is taking the necessary actions to minimise the impact of load-shedding on its operations and key financial system infrastructures.

Staff matters

The SARB's ability to achieve its strategic and operational milestones is only possible because of its staff. The SARB's employee value proposition is designed to attract and retain professionals of the highest calibre – with the skills and the commitment – to ensure that the SARB continues working for the economic well-being of all South Africans. Our Diversity & Inclusion (D&I) Programme, now in its third year, is helping us build a more diverse leadership pipeline and an organisation that embraces the unique lived experiences of its employees. The SARB continues to embed hybrid-working principles as the Head Office Renovation Project gathers pace.

In this final phase of the D&I Programme, organisation-wide workshops are underway to tackle issues around generational diversity; racial, ethnic and cultural diversity; gender diversity; sexual orientation; and sexual harassment. As we know, diverse organisations are more resilient and more responsive, and better placed to serve the public.

That spirit of public service extends to our engagements with stakeholders through our economic roundtables, publications, investor sessions, monetary policy and financial stability forums, as well as our corporate social investment (CSI) work.

Our CSI efforts are geared towards broadening the understanding of monetary policy, growing the pool of skills in areas such as economics and finance, and supporting people from disadvantaged communities. This includes bursaries for 102 students from first-year to master's level, and partnerships with four universities, to develop programmes that focus on monetary policy, financial stability and economic journalism.

Conclusion

As the SARB is approaching the final stretch of its Strategy 2025, I am pleased that significant progress has been made in its implementation. Despite the prevailing global and domestic economic conditions, we remain on course to deliver against our five strategic focus areas (SFAs) and the enablement functions that support our strategy.

As I indicated earlier, high inflation remains a concern and played a significant role in the SARB's inability to achieve its target set out in its SFA 1: keeping inflation within the target range of 3–6%. Appropriate monetary policy actions have contributed to an easing of inflation, with the consumer price index at 5.4% in June 2023. This again underscores the SARB's commitment to price stability.

Enhancing resilience to external shocks, the basis of SFA 4, also proved challenging in the face of high government debt levels.

Despite the many challenges to central banking that have emerged in recent years, both globally and domestically, I am confident that we have the human capacity to analyse those challenges and to work together with our partners in the public and private sectors to increase the resilience of our economy and financial system to meet any challenges head-on.

In this ongoing process, central banks need to remain focused on their core mandates as the best way to ensuring that the economy can grow. We must hold fast to our mandate of ensuring price stability in the interest of balanced and sustainable economic growth – and we must do so without fear, favour or prejudice. In doing so, we will ensure that the economy has a stable foundation – one that is resilient and flexible in addressing the many challenges we will undoubtedly continue to face.

I would like to express a heartfelt 'thank you' to all the staff of the SARB and its subsidiaries because they have done, and continue to do, just that. Their commitment and dedication mean that we can count a number of successes achieved during the past year, despite all the challenges.

We can expect that the months ahead will test us in new ways. But with this team of dedicated individuals, I know we will uphold our century-long legacy of working for the good of South Africa.

Abbreviations

ABHL	African Bank Holdings Limited
ABL	African Bank Limited
ACSA	Airports Company South Africa
AfDB	African Development Bank
AGM	Ordinary General Meeting
AI	artificial intelligence
AML	anti-money laundering
API	application programming interface
ARA	assessing reserve adequacy
BA	Bachelor of Arts
Banks Act	Banks Act 94 of 1990
BASA	Banking Association South Africa
B-BBEE	Broad-based Black Economic Empowerment
BBS	bounce back scheme
BCBS	Basel Committee on Banking Supervision
BCMS	Business Continuity Management System
BDO	BDO SA Inc.
BER	Bureau for Economic Research
BIS	Bank for International Settlements
BnEI	Banknote Ethics Initiative
Board	Board of Directors
BREC	Board Risk and Ethics Committee
BSc	Bachelor of Science
CAF	Combined Assurance Forum
CAR WG	Crypto Assets Regulatory Working Group
CBA	Co-operative Banks Act 40 of 2007
CBDC	central bank digital currency
CCBG	Committee of Central Bank Governors
CCyB	countercyclical capital buffer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMA	Common Monetary Area
CODI	Corporation for Deposit Insurance
CODI Board	CODI Board of Directors
COFI Bill	Conduct of Financial Institutions Bill
Constitution	Constitution of the Republic of South Africa
COO	Chief Operating Officer
CPC	Cross-Border Payments Coordination Group
CPD	Corporation for Public Deposits
CPI	consumer price index
CRO	Chief Risk Officer
CRST	climate risk stress test
CSI	corporate social investment
D&I	diversity and inclusion
DCPC	Diary of Consumer Payment Choice
DG	Deputy Governor
DIF	Deposit Insurance Fund
DIS	Deposit Insurance Scheme
DLT	distributed ledger technology
EES	Employee Engagement Survey
EFA	enablement focus area
EM	emerging market
ERD	Economic Research Department
ESG	environmental, social and governance
EV	Employee Volunteerism
FATF	Financial Action Task Force
FATF JG	Financial Action Task Force Joint Group
FEC	forward exchange contract
FIC	Financial Intelligence Centre
FIC Act	Financial Intelligence Centre Act 38 of 2001
FIMA	Foreign and International Monetary Authorities
FinStab	Financial Stability Department
FinSurv	Financial Surveillance Department
fintech	financial technology
FMD	Financial Markets Department
FMI	Financial Market Infrastructure
FPS	fast payment system
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FSC	Financial Stability Committee
FSCF	Financial Sector Contingency Forum
FSLAA	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, as amended
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
GFSN	global financial safety net
GIBS	Gordon Institute of Business Science
GMI	Gildenhuys Malatji Incorporated
GG	Guidotti-Greenspan rule
HCM	Human Capital Management
HOCR	Head Office Campus Redevelopment
HoD	head of department [plural HoDs – heads of department]
IAD	Internal Audit Department
IADI	International Association of Deposit Insurers
IAIS	International Association of Insurance Supervisors
IAS	International Accounting Standard
IGCC	Inter-Governmental Cash Co-ordination
I&T	information and technology
IFC	Irving Fisher Committee on Central Bank Statistics
IFRS	International Financial Reporting Standards

IFWG	Intergovernmental Fintech Working Group
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
InsureCo	African Insurance Group Limited
ISO	International Organization for Standardization
Insurance Act	Insurance Act 18 of 2017
Jibar	Johannesburg Interbank Average Rate
King IV™	*King IV™ Report on Corporate Governance for South Africa, 2016*
LGD	loss given default
LGS	loan guarantee scheme
LLB	Bachelor of Laws
LLM	Master of Laws
MBA	Master of Business Administration
MI	market infrastructure / market intelligence
ML	machine learning
MLDP	management and leadership development programme
MMS	Money Market Subcommittee
MOA	Market Operations of Analysis
MP	Member of Parliament
MPC	Monetary Policy Committee
MPG	Market Practitioners Group
MPIF	monetary policy implementation framework
MPR	*Monetary Policy Review*
Mutual Banks Act	Mutual Banks Act 124 of 1993
MVTS	money or value transfer services
NERSA	National Energy Regulator of South Africa
NGFS	Network for Greening the Financial Sector
NPS	national payment system
NPS Act	National Payment System Act 78 of 1998
OCI	other comprehensive income
OPI WG	Open Finance Integration Working Group
OTC	over-the-counter
PA	Prudential Authority
PARAC	Prudential Authority Regulatory Action Committee
PCN	positive cycle-neutral
PEB	post-employment benefit
PD	probability of default
PEM	Payments Ecosystem Modernisation
PFMA	Public Finance Management Act 1 of 1999
PIC	Public Investment Corporation
PIRS	Portfolio Investment Reporting System
PoC	proof of concept [plural PoCs – proofs of concept]
POPI Act	Protection of Personal Information Act 4 of 2013
ppm	parts per million
PPPFA	Preferential Procurement Policy Framework Act 5 of 2000
President	President of the Republic of South Africa
PruCo	Prudential Committee
PwC	PwC Advisory Services (Pty) Limited
PwC Inc.	PricewaterhouseCoopers Inc.
QB	*Quarterly Bulletin*
Regulations	Regulations relating to Banks
repo rate	repurchase rate
RGU	Regulatory Guidance Unit
RMC	Risk Management Committee
RMCD	Risk Management and Compliance Department
RSB	Regulatory Sandbox
RTGS	real-time gross settlement (system)
RVM	Risk and Vulnerability Matrix
SA	South Africa
SABN	South African Bank Note Company (RF) Proprietary Limited
SADC	Southern African Development Community
SA government	South African government
SAICA	South African Institute of Chartered Accountants
SA Mint	South African Mint Company (RF) Proprietary Limited
SAMOS	South African Multiple Option Settlement (system)
SARB	South African Reserve Bank
SARB Act	South African Reserve Bank Act 90 of 1989, as amended
SARS	South African Revenue Service
SBFN	Sustainable Banking and Finance Network
SCOF	Parliamentary Standing Committee on Finance
SCPC	Survey of Consumer Payment Choice
SCV	single customer view
SDR/XDR	special drawing right
SFA	strategic focus area
SICR	significant increase in credit risk
SIF	Sustainable Insurance Forum
SIFI	systemically important financial institution
SNG Grant Thornton	SizweNtsalubaGobodo Grant Thornton Inc.
SRM	supplier relationship management
Stats SA	Statistics South Africa
SWP	Strategic Workforce Planning
TCM	Triparty Collateral Management (system)
UCT	University of Cape Town
UFS	University of Free State
Unisa	University of South Africa
UP	University of Pretoria
US	United States
UWC	University of the Western Cape
wCBDC	wholesale central bank digital currency
Wits	University of the Witwatersrand
ZARONIA	South African Rand Overnight Index Average Rate

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