SOUTH AFRICAN RESERVE BANK

SOUTH AFRICAN RESERVE BANK
ANNUAL REPORT 2021/22

POLICYMAKING
FOR THE LONG TERM

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ONLINE

The full annual financial statements of the SARB Group are available at **http://www.resbank.onlinereport.co.za/2022/.**

FEEDBACK

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

SARB OVERVIEW

The South African Reserve Bank (the SARB) was officially opened on 30 June 1921. It was Africa's first central bank, and only the fourth central bank outside of Europe at the time. The advent of democracy in South Africa in 1994, and subsequent adoption of the constitution in 1996, enshrined the SARB's independence and mandate.

The Constitution of the Republic of South Africa, Act 108, (the Constitution) bestowed a clear mandate on the SARB – to achieve and maintain price stability in the interest of balanced and sustainable economic growth. The SARB, therefore, is not driven by a profit motive but by the intent of its mandate to better the lives of all South Africans. To effectively execute this mandate the SARB must retain independence and act without fear, favour or prejudice, and fulfil its duty with integrity, transparency and be accountable to its stakeholders.

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.

Why the SARB exists

PRIMARY MANDATE
(enshrined in the Constitution)

Achieve and maintain price stability – this protects the value of the currency in the interest of balanced and sustainable economic growth and contributes to the stability of the financial system.

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

STATUTORY MANDATE
(prescribed by the Financial Sector Regulation (FSR) Act 9 of 2017)

Protect and enhance financial stability in South Africa – this includes 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

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

How the SARB is governed

The Governor and Deputy Governors are appointed by the President of the Republic of South Africa after consultation with the Minister of Finance and the SARB Board of Directors (the Board). The Governor and Deputy Governors are executive members of the Board. The Board comprises 11 non-executive directors, four of whom are appointed by government and the remaining seven are elected by the SARB shareholders.

The Board is a governance board, contributing to sound corporate governance and ethical conduct. The SARB's shareholders, in addition to electing seven Board members, consider the Group's annual financial statements and appoint the external auditors and approve their remuneration. Neither the shareholders nor the Board play any role in determining monetary policy, financial stability policy or regulation and supervision.

ABOUT **THIS REPORT**

The SARB's annual report, for the year ended 31 March 2022, provides an assessment of its ability to sustainably implement its mandate.

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

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

Scope and boundary

THE SARB GROUP

The South African Reserve Bank

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)

The achievement of the SARB's mandate and its ability to create value for South Africans relies on robust relationships with many stakeholders, including government, other regulators and broader communities. These relationships are discussed throughout the report.

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

Reporting frameworks

The Constitution read together with the amended South African Reserve Bank Act 90 of 1989 (SARB Act), provides the enabling framework for the SARB's operations. The annual report is therefore published in accordance with the SARB Act, however, the reporting frameworks alongside have been used to guide and prepare the report.

The King Report on Corporate Governance in South Africa 2016[1].

The International Financial Reporting Standards.

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. Where necessary, legislative and confidentiality requirements override framework guidance.

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 – PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Thornton Inc.

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. During April to June 2022, the IAD verified the accuracy of the non-financial information.

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 Act also requires the annual report and financial statements to be submitted to the annual Ordinary General Meeting of the SARB's shareholders, the Minister of Finance and Parliament.

The information included in the annual report covers what the SARB defines as material matters; being the material factors that enable it to continue to fulfil its constitutional and statutory mandate, and material information that gives substance to the SARB's values of respect and trust, open communication, integrity, excellence and accountability to Parliament and South Africans.

Information was provided and approved by the Heads of Department and senior specialists within the SARB. Iterations of the annual report were submitted to four meetings of the Governors' Executive Committee (GEC) for consideration and approval by the Governor, Deputy Governors, Chief Operating Officer, General Counsel and Group Executive of Currency Management. During these reviews, the GEC ensured that the report is factually correct and contains relevant and material information.

The annual report was submitted to the Audit Committee on 26 May 2022, and the committee recommended it to the Board for approval.

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 2022 on 9 June 2022, signed on its behalf by:

E L (Lesetja) Kganyago
Governor of the SARB

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

R (Reshoketswe) Ralebepa
Group Chief Financial Officer

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

1 *Also known as King IV™. Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.*

2 *As a result of the passing of the Secretary of the SARB, Mr Hulisani Murovhi, on 9 June 2022 the SARB Annual Report 2021/22 has been signed by the Assistant Secretary of the SARB.*

POLICYMAKING FOR THE LONG TERM

WHAT THE **SARB DOES**

The SARB's purpose and primary outcomes as an institution beholden to the Republic of South Africa and her people, are constitutionally and statutorily defined. The mandate, as enshrined in the Constitution, bestows on the SARB the task of protecting the value of the currency in the interest of balanced and sustainable economic growth and ensuring the stability of the financial system. This mandate requires informed integrated thinking guided by the SARB's five strategic focus areas (SFAs), planning and reporting as well as consistent engagement, communication and coordination with its broader stakeholders.

Inputs[1]

Social and relationship inputs

- Continual engagement with Parliament, civil society, business and labour formations to build knowledge and understanding around the benefits of price and financial stability.
- Collaborative relationships with other regulators and government ministries, especially National Treasury, on macroeconomic policies.
- Constructive relationships with financial institutions and industry bodies that provide the information needed to properly assess risks to financial stability and exercise regulatory oversight of the financial sector.
- Relationships with research and academic institutions to enhance the SARB's own research capability and inform its decision-making.
- Active participation in international and regional forums to contribute to the development and promotion of multilateralism, regional integration and harmonised financial sector regulatory frameworks.
- Social initiatives and broader stakeholder engagements that strengthen the SARB's accessibility and accountability. Corporate social investment (CSI) spend amounted to R26.8 million (2020/21: R22.7 million).

Human and intellectual inputs

- Experienced and capable leaders and specialist teams with a deep understanding of local and international economic and financial systems.
- The SARB employs 2 305 individuals whose motivation, skills and diverse thinking assist the SARB in achieving its mandate and supporting objectives. Paid R2.1 billion (2020/21: R2.1 billion) in salaries.
- Investment in training and development, supporting careers and enhancing the skills base. Training spend amounted to R68.2 million (2020/21: R27.6 million).
- An employee value proposition that attracts and enables the SARB to retain critical skills, built on a culture that is empowering, agile, caring and collaborative.
- The SARB's transformation objectives; 80.8% (2020/21: 79%) of the SARB's workforce are black people and 54.3% are women (53% in the prior year).
- Investment in maturing the SARB's data strategy, efficient ways of working and new technologies to enhance the SARB's supervision capabilities.

Financial inputs

- Sound financial and budgetary controls.
- Cash reserves that banks are required to hold with the SARB.
- Open market operations conducted to facilitate bank lending.
- The cost of new currency decreased by 80% to R180 million (2020/21: R928 million).

Key functions

- Formulating and implementing monetary policy.
- Compiling economic statistics and conducting analysis and research.
- Acting as banker to the government.
- Promoting financial stability, which includes acting as the lender of last resort in exceptional circumstances.
- Ensuring the effective functioning of the national payment system (NPS).
- Administering the country's prudential and capital flow measures.
- Regulating and supervising financial institutions, including banks, insurance entities and financial markets infrastructures.
- Managing the official gold and foreign exchange reserves of the country.
- Issuing and destroying notes and coin.

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, and all leaders and employees are expected to maintain the highest level of ethics when conducting the work of the SARB. The SARB's risk management and control framework goes beyond identifying and mitigating risks to its operations, to include those that impact on the public good in line with its constitutional and statutory responsibilities.

Governance: page 29. Risk management: page 38.

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

WHAT THE SARB DOES continued

Key functions continued

PRICE STABILITY

OBJECTIVE

Maintain the consumer price index (CPI) inflation within a target of

3 – 6%.

Monetary policy: page 43.

FINANCIAL STABILITY

OBJECTIVE

Protect and enhance financial stability in South Africa, including strengthening the safety, soundness and integrity of financial institutions.

Financial stability: page 50.
Prudential Regulation: page 54.

Primary outcomes

PRICE STABILITY

LOW AND STABLE INFLATION

- Protects the purchasing power and living standards of all South Africans, particularly the poor who have limited means of protecting themselves against continually rising prices.
- Reduces uncertainty in the economy, creating an environment that enables stronger, sustainable and balanced economic growth and employment creation over time.
- Facilitates general trust in the value of the rand and provides a favourable environment for investment in South Africa, which in turn increases productivity.
- Helps maintain and improve South Africa's international competitiveness.

FINANCIAL STABILITY

A STABLE AND SAFE FINANCIAL SYSTEM

- Provides the foundation for sustainable economic growth and development, and in turn, employment creation.
- Contributes towards the economy's resilience to vulnerabilities and shocks, mitigating the spillover effects on the broader economy and society.
- Promotes an efficient financial system that provides financial services to all South Africans.

Supporting outcomes

SOCIAL IMPACT AND OUTCOMES

- Strong, trust-based and collaborative private and public sector relationships that underpin the development of prudent and coherent macroeconomic policies that support inclusive and sustainable economic growth.
- Regulatory and supervisory frameworks that support priorities such as transformation, competition, financial inclusion and the integrity of the financial system.
- A credible SARB brand and reputation trusted and respected by South Africans and the country's financial institutions as well as international counterparts, regulators and governments.
- Academic partnerships that deliver enhanced depth of 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.
- A stimulating, rewarding, diverse and inclusive work environment that provides sustainable income, meets employee expectations for meaningful work, enhancing the SARB's ability to compete for critical skills.
- Alignment between the SARB's employees and its strategic objectives.
- A low regrettable employee turnover (much lower than that of the financial services industry). Regrettable employee turnover of 1.6% (target: <4%) (2020/21: 1.2%).
- Economic and financial knowledge and data shared with stakeholders.
- A central bank with the technical and digital know-how to appropriately oversee and regulate the advancements being made by financial institutions.

FINANCIAL OUTCOMES

- Group loss before tax of R2.2 billion (2020/21: R4.7 billion profit) and SARB loss before tax of R3.0 billion (2020/21: R2.4 billion profit).
- Contingency reserves of R2.0 billion were released in order to absorb the current year loss after tax of R2.0 billion.
- Shareholder dividend of R0.2 million (2020/21: R0.2 million) in line with the SARB Act.
- A financially sound central bank.

Q&A

WHY PRICE AND FINANCIAL STABILITY MATTER

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

Price stability

What is inflation?

Inflation is the general rise in prices of typical goods and services, which means that the purchasing value of money decreases. Lower longer-term inflation is important for maintaining purchasing power, containing the costs of living and of doing business, and supporting South Africa's global competitiveness.

How is inflation measured in South Africa?

The standard measure of inflation is the consumer price index (CPI), which is compiled by Statistics South Africa. CPI is calculated from a diverse basket of goods and services purchased by a typical consumer. Statisticians follow the prices of these items over time, using the information to calculate inflation.

How does the SARB work to achieve price stability?

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

The SARB uses several monetary policy tools to achieve the inflation target. Its primary tool is the repo rate – the benchmark interest rate at which banks borrow from the SARB for short periods of time to manage their liquidity. Changes to the repo rate affect lending rates throughout the economy.

What are the advantages of an inflation target?

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

What does the SARB consider when making interest rate decisions?

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

The MPC also considers how its policy decisions will impact on economic growth and unemployment.

How does higher inflation affect South Africans?

Inflation erodes the purchasing power of cash savings: R100 left under a mattress for 10 years will not cover the same purchase of goods and services today that it would have done in 2012. Savings and pension plans could also lose value if the interest earned is not enough to compensate for inflation.

The purchasing power of fixed incomes diminishes over time: the wealthy are mostly able to protect themselves against inflation by investing in assets such as shares or property, which increase in value during periods of inflation. The poor, on the other hand, are harder hit as prices, including food, transport and fuel prices, go up. Inflation therefore leads to an increase in the disparity between the wealthy and the poor.

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 hinders making purchasing decisions such as buying a house or investment decisions such as expanding a business, which can slow down economic growth.

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

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

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

Price and financial stability support economic activity. Banks use the money of savers to lend to households and firms for consumption and investment purposes such as buying cars and building factories. If the system is not stable, savers will not put their money in banks and firms and households will struggle to fund their expenditure at a reasonable interest rate. Similarly, high inflation will diminish purchasing power and create uncertainty regarding purchasing power in the future, reducing both investment and consumption. In some cases, high inflation can generate social unrest. Price and financial stability are not only drivers of economic activity – these are necessary conditions for economic growth.

These necessary conditions notwithstanding the main obstacles to the slow pace of economic recovery are structural, such as electricity shortages and large skills constraints. The interventions needed to remedy these fall outside the mandate of the Reserve Bank and require a multi-pronged policy approach.

What is the SARB's outlook for inflation?

Headline inflation has accelerated and remains elevated due to intensified global and domestic supply pressures. Sharply higher food and energy prices continue to exert upward pressure that aggravate the second-round effects on core inflation. This, together with the pace of domestic economic growth rising faster than its potential over the forecast period, may cause core inflation to exceed the midpoint of the target over the medium term. Official SARB projections indicate that headline inflation will breach the upper band of the 3-6% target range in the second quarter of 2022, before easing towards the mid-point by the end of 2024. The gradual moderation of inflation towards the mid-point over the forecast period relates to an easing in oil prices and other supply bottlenecks, as well as the normalisation of monetary policy both domestically, and in main trading partner countries. While growth risks are balanced, the MPC continues to remain vigilant, and assesses inflation risks as tilted to the upside.

WHY PRICE AND FINANCIAL STABILITY MATTER continued

Financial stability

Why is the stability of the financial system important?

The role of the financial system includes intermediation, which means moving money from households and businesses that save (in return for an interest return on the money they lend) to those who need financial resources or want to invest (for an interest charge on the money they borrow). The financial system also enables households and businesses to save, invest and transact, while it also facilitates local and international trade. It therefore directly or indirectly touches the lives and livelihoods of every South African citizen.

Financial stability refers to a financial system that is resilient to large shocks, facilitates efficient financial intermediation and mitigates the macroeconomic costs of disruptions in such a way that confidence in the system is maintained.

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, and that significant financial institutions (on which the health of the national economy depends) do not fail. This is a shared responsibility with other financial sector regulators and National Treasury.

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

Progress against SFA 2 and the report on Financial stability: pages 18 and 50 respectively.

The SARB also regulates and supervises individual financial institutions and identifies and ensures the safety and soundness of significant financial institutions, as their failure could result in major economic, financial and social harm. The SARB aims to reduce the probability of such failures through prudential regulation.

Progress against SFA 3 and the report on Prudential Regulation: pages 20 and 54 respectively.

Financial sector regulation is largely about building up buffers during good times to be used during times of stress. The SARB's approach to the COVID-19 crisis has been to facilitate the orderly use of buffers to support the economy during the downturn.

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

The financial system has remained resilient during the COVID-19 pandemic and ensuing socio-economic crisis. Finance has continued to flow, access to credit has remained open for households and firms, and financial institutions have continued to operate and serve their customers. South African financial institutions have supported their customers through the crisis with new loans, restructured loans and payment holidays. Similarly, insurance claims have continued to be paid, with notably higher claims in some segments of the industry.

What does climate change mean for price and financial stability?

Climate change will impact how economies function, how assets are priced and have implications for financial stability and monetary policy. The SARB has an important role to play to adapt and mitigate against these risks, starting with improving information flows in financial markets so that climate change considerations inform investment decisions and maintain financial and price stability in the face of climate risks.

DELIVERING THE SARB STRATEGY

GOVERNOR'S MESSAGE

This year's SARB Annual Report comes at a time when the COVID-19 pandemic has largely abated, but the global economic recovery is weighed down by new troubles. Outbreaks of the virus continue to result in slower growth in some economies and the war in Ukraine has worsened global price and supply pressures.

Globally, monetary policy looks set to tighten to head off rapidly rising inflation, as economies contend with low growth, resulting in higher interest rates and market volatility around the world. These concerns increase the headwinds facing emerging economies that are still struggling to accelerate vaccinations and address high debt levels. Many emerging economies have nonetheless exhibited resilience, and higher commodity prices have improved economic outcomes for South Africa and other commodity exporters.

Economic update

South Africa continued its economic recovery from the pandemic in 2021, growing strongly by 4.9% despite an extremely poor third-quarter outcome caused by civil unrest. Economic outcomes in 2021 were shaped by the ongoing commodity price boom, increased household consumption spending and stronger-than-expected private investment. With robust tax revenues driven by commodity prices, government was able to provide ongoing support to households and reduce the fiscal deficit and borrowing needs, resulting in improved credit outlooks.

South Africa's growth will continue to moderate as the recovery fades and other constraints, such as load-shedding, prove limiting. At the time of the May 2022 MPC meeting, Gross Domestic Product (GDP) growth was forecast at 1.9% in 2023 and 2024. While our economy has benefitted from still elevated commodity prices, the global environment has become less supportive of domestic growth. Some sectors of the economy, such as tourism, transport and construction, remain slow to recover and the considerable loss of jobs and business closures are expected to persist. With the lifting of all pandemic-related restrictions, these sectors are expected to recover gradually.

During the first months of the pandemic, inflation, both globally and domestically, had reduced due to the economic slowdown caused by the pandemic. Inflationary pressures in advanced economies have spurred a number of central banks to commence their monetary policy normalisation cycles. Over the past few months, South Africa's inflation rate has breached the midpoint of the SARB's target range, in line with higher global inflation.

The SARB has achieved both its mandates for the financial year, with inflation remaining within the target range and the financial system remaining stable, despite the aftermath of the COVID-19 pandemic. Frameworks to monitor and mitigate systemic risks are being enhanced to bolster financial system stability even more.

The monetary policy stance has been, and remains, supportive of the recovery, with the repurchase rate currently at 4.75%. With inflation ticking up steadily, the MPC opted to begin the normalisation of the repurchase rate, raising it by 125 basis points since November 2021. At the May MPC the Bank's forecast of headline inflation for this year was revised higher to 5.9%, up from 5.8%, primarily due to the higher food and fuel prices. While food prices will stay high, fuel price inflation should ease in 2023, helping headline inflation to fall to 5.0%. Headline inflation of 4.7% is now expected in 2024.

Ways of work

The past two years have proven that the SARB can be agile in responding to challenges brought about by the pandemic. Our dedicated staff continued delivering on the SARB's mandates of price and financial stability, while continuing to adapt to the requirements of a remote working environment. Operating through various social media and virtual platforms, the SARB successfully delivered its MPC press conferences, Monetary Policy Review and Financial Stability Review forums, and Quarterly Bulletin releases.

In the quest to be more forward-looking and to create a pipeline of well-rounded central bankers, the GEC took the decision to rotate the deputy governors' portfolios as of 1 April 2022. This rotation saw Deputy Governor Nomfundo Tshazibana become the new Chief Executive Officer (CEO) of the PA, while Deputy Governor Kuben Naidoo moved to the Financial Stability and Currency Cluster and Deputy Governor Rashad Cassim took charge of the Markets and International Cluster. Earlier during the period under review the roles of the Chief Operating Officer and Group Executive for Currency Management were also rotated.

Major milestones

We achieved and celebrated several major historical, legislative and technological milestones in the 2021/22 financial year. In June 2021 the SARB virtually celebrated its centenary birthday – a significant milestone in its history. To mark this auspicious occasion, the SARB issued a commemorative circulation R5 coin.

In December 2021, the Financial Sector Laws Amendment Bill (FSLA Bill) was assented to by the President and was promulgated in January 2022. The FSLA Bill establishes South Africa's deposit insurance scheme through the Corporation for Deposit Insurance (CODI). This is a monumental step for South Africa as it brings the country in line with its peers in relation to deposit insurance arrangements. It also aligns with the consumer protection objectives of the Twin Peaks model of regulation by protecting vulnerable depositors.

The SARB, in collaboration with the Intergovernmental Fintech Working Group (IFWG), published the Project Khokha 2 report early in April 2022. This report is a culmination of over a year of work involving experimentation with distributed ledger technology (DLT). This comprehensive report highlights a number of legal, regulatory and policy implications when applying DLT in financial markets.

Climate change will have a profound effect on South Africa's economy and financial sector. The SARB, in collaboration with other financial regulators and National Treasury, has begun the work of understanding and mitigating against climate risks through the Intergovernmental Sustainable Finance Working Group.

Strategy

The SARB continued pursuing its strategic focus areas (SFAs), as detailed in the 2025 strategic plan. Strategy is not static, and as such we continually review our SFAs and the enablement focus areas that support these. This is a critical part of our work. As we move into the third year of the SARB's current strategy, we not only aim to close knowledge gaps on developing trends in the financial sector ecosystem, but will also identify and respond to rapid innovation in the financial sector.

SFA and core department highlights

The SARB has achieved strategic objectives for the financial year, with inflation remaining within the target range and the financial system remaining stable, despite the aftermath of the COVID-19 pandemic. Frameworks to monitor and mitigate systemic risks are being enhanced to bolster financial system stability even more.

Inflation targeting has been the monetary policy framework for the SARB for close on 22 years. During this time, plans to review the inflation target band of between 3% and 6% were put on hold in 2002 and were due to be revised at an appropriate time. In 2021, National Treasury began the process of a macroeconomic review to consider the merits of a point inflation target.

The SARB published a consultation paper during 2022 on reforming South Africa's Monetary Policy Implementation Framework (MPIF). This proposal will take South Africa from a shortage system to a surplus system, with the aim of ensuring a better and more efficient transmission of monetary policy decisions to the economy.

In this review period, the financial sector remained stable, with no failures of systemically important financial institutions (SIFIs). Supervisory processes continued to be enhanced despite the remote working conditions of many employees. As the economic situation started to normalise, some prudential measures previously extended to the sector due to the pandemic were withdrawn. Financial markets remained resilient over this period and vulnerabilities continued to be monitored closely.

Exchange control liberalisation has continued into this year as per National Treasury's 2020 *Budget Review*. The Financial Action Task Force concluded the Mutual Evaluation Report of South Africa, with its findings being taken into consideration by the SARB and other authorities.

The payment and settlement system renewal programme continues and is expected to remain in development until 2025. Legislative amendments to the National Payment System Act 78 of 1998 were tabled during the year and will confer on the SARB the necessary powers to enhance the efficiency and safety of the payment system. The SARB is also participating in the international work of the Cross-border Payments Coordination Group, which aims to address the challenges of cost, speed, transparency and access for cross-border payments.

International work

The SARB's executive has continued to engage its peers through international forums and engagements. International cooperation forms a crucial part of our work, particularly as central banks around the world review their mandates in the light of fast-changing environments triggered by the pandemic. Central banks in the advanced economies are often at the forefront of proactive policymaking. Interacting with these institutions is useful to leverage off as the SARB starts exploring areas such as climate change and central bank digital currencies (CBDC).

Conclusion

As the SARB moves forward with policymaking for the future, it is important to recognise the challenges that we face. Uncertain economic conditions and rising global inflation have complicated the process of monetary policymaking. We must navigate these decisions at a time when advanced economies are firmly on the road to policy normalisation after decades of ultra-low interest rates. The SARB needs to regulate the payment ecosystem and ensure financial stability in a world of increasingly innovative and disruptive technology. We must account to market participants and the South African public transparently and in a manner that upholds the credibility of the processes we follow in executing our price and financial stability mandates.

I am grateful to the Board of Directors for its guidance, along with unflinching support from the Group Secretariat. I thank the deputy governors for their agility and gracious transition into their new portfolios in the interest of the broader South African public. The SARB's executive has once again guided our staff through extraordinary times and ensured that we achieve our mission and vision.

I would like to thank the staff of the SARB Group for upholding our values of integrity, accountability and excellence while faced with monumental challenges brought on by the pandemic. The SARB's leadership does not take your efforts for granted and we are striving to ensure that staff can collaborate safely and effectively in pursuit of our price and financial stability mandates.

E L (LESETJA) KGANYAGO

Governor of the SARB

THE 2025 **STRATEGIC PLAN**

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

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

PRICE AND FINANCIAL STABILITY

	SFA 1	SFA 2	SFA 3	SFA 4	SFA 5
Stakeholder value proposition	**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** cost effective availability and integrity of currency ✓
Objectives unique to each SFA	**Maximise** monetary policy effectiveness ✓	**Enhance** the framework for managing systemic events ✓	**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 ⊖	**Develop** and maintain frameworks to assess vulnerabilities in the financial system. Develop possible mitigating actions ✓	**Implement** integrated and proportional regulatory and supervisory frameworks ✓	**Enhance** the functioning of South Africa's financial system ⊖	**Enhance** the quality of notes and coin (not matured) ⊗
		Enhance the safety and efficiency of the payment system ✓	**Improve** regulatory coverage ⊖	**Enhance** the macroeconomic and macroprudential toolkit ✓	
			Improve monitoring and reporting of cross-border transactions ⊖		

ENABLEMENT STRATEGY

Cross-cutting themes	EFA 1	✓ **Improve** transparency and accountability through stakeholder engagement and communication
	EFA 2	✓ **Coordinate** policymaking and implementation
	EFA 3	⊖ **Optimise,** integrate and leverage information and technology solutions
Organisational capability	EFA 4	⊖ **Improve** strategy execution and internal efficiency
	EFA 5	⊖ **Attract,** develop and retain critical skills and competencies and embed the SARB culture

✓ Target met ⊖ Target partially met ⊗ Target not assessed

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

SFA 1 Maintain headline inflation within the target range

OBJECTIVES

To support the attainment of the inflation target on a continuous basis, by delivering a well-structured research programme, economic analysis and policy advice, supported by strong information management, targeted communication and stakeholder engagement strategies, and an effective policy implementation framework.

2021/22 PERFORMANCE OVERVIEW

Inflation remained within the target range during the period and is projected to remain there on average over the two-year forecast horizon. Inflation is expected to rise to 5.5% for 2022 before decreasing to 4.4% in 2023 and 2024.

PERFORMANCE SCORECARD

Overall status: Target met

Strategic measures	Target (annual)	
Headline inflation versus target	3 – 6%	2021/22 (annual) 5.2% 2020/21 (annual) 3.1%

Note: The strategic plan reports headline inflation for the financial year (April 2021 to March 2022). The overall headline inflation of 4.5% in the report on monetary policy (page 44) is reported for the calendar year (January to December 2021).

UNIQUE STRATEGIC OBJECTIVES FOR SFA 1

Maximise monetary policy effectiveness (Target met)

- The analytic quality of inputs to the MPC was improved and reviewed, and received positive feedback.
- Achieved intended outputs of the economic research themes.
- The Monetary Policy Implementation Framework (MPIF) has been under review. A consultation paper was published in November 2021 for comment.
- MPIF reform was approved by the SARB in May 2022 and implementation is expected from mid-2022.

Anchor inflation expectations (Target partially met)

- The Bureau for Economic Research (BER) expectations for inflation have increased to 5.1% in 2022 (against a target of 4.5%).
- A project to analyse and advise on administered prices has started with National Treasury.

Target met   Target partially met   Target not assessed

Monetary policy: page 43.

SFA 2 Protect and enhance financial stability

OBJECTIVES

Continue developing the macroprudential framework and understand its effectiveness, and ensure the safety of the national payment system (NPS) while modernising it.

2021/22 PERFORMANCE OVERVIEW

The SARB continued to monitor South Africa's financial system for signs of stress. Several regulatory interventions were promptly, appropriately and adequately implemented to ensure the continued safety of the financial system. The impact of COVID-19 notwithstanding, the country's financial system remained resilient, with no systemic events being recorded.

PERFORMANCE SCORECARD | Overall status ✓

Strategic measures	Target (annual)		
Consistently test the financial stability framework to ensure it meets international standards	To maintain a financial stability framework that meets international standards and benchmarks	2021/22 (annual)	The framework has been benchmarked against and meets international best practice.

✓ Target met   ⊖ Target partially met   ⊗ Target not assessed

UNIQUE STRATEGIC OBJECTIVES FOR SFA 2

Enhance the framework for managing systemic events

- Financial Sector Laws Amendment Act (FSLA Act) taken through Parliament and assented to by President of the Republic of South Africa.
- Published discussion papers on proposed requirements on key elements of resolution framework.
- Commenced with the resolution planning process, with support from World Bank experts.
- Methodology for identifying systemic insurers was approved at the April 2022 Financial Stability Committee meeting.

Enhance the safety and efficiency of the payment system

- Urgent amendments to the NPS Act have been identified and included as a schedule of the Conduct of Financial Institutions Bill (COFI Bill).
- National Treasury is finalising the COFI Bill for submission to the State Law Advisers.

Develop and maintain frameworks to assess vulnerabilities in the financial system and develop possible mitigating actions

- A paper on systemic risk assessment framework for South Africa was published in June 2021.
- Common Scenario Stress Testing (CSST) was completed successfully, as well as an exploratory insurance exercise.
- A CSST framework for insurance is in the draft stage.
- Progress has been made on G20 data gap recommendations such as securities, sectoral accounts, government finance and public sector debt statistics.

Target met   Target partially met   Target not assessed

THE 2025 STRATEGIC PLAN continued

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

OBJECTIVES

Continue to embed the PA and enhance its current regulatory and supervisory practices, drive a proactive SARB response – the right policies, frameworks and tools – to support the rapid changes in the financial sector ecosystem and enhance the capital flow management policy.

2021/22 PERFORMANCE OVERVIEW

The PA continued its intensive supervision of regulated financial institutions and their adherence to governance and risk management practices. No SIFIs failed in this year, although certain smaller institutions were placed under specific regulatory action. A capital flow management framework[1] is under development, although its rollout has been impacted by COVID-19.

PERFORMANCE SCORECARD

Overall status: Target met

Strategic measures	Target (annual)	2021/22 (annual)	2020/21 (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[2]	**90%** or under adequate regulatory action	90%	98%
Compliance with sound governance and risk management practices as required by different industry legislation for SIFIs (proportionate application of smaller banks and cooperative 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 different industry legislation	**90%** of institutions fully compliant or under adequate regulatory action	90%	90%

Target met   Target partially met   Target not assessed

[1] *Measures designed to manage capital flows to reduce systemic financial risks stemming from such flows.*
[2] *Non-SIFIs: smaller banks or small- to medium-sized insurers.*

PROMOTE AND ENHANCE THE SAFETY, SOUNDNESS AND INTEGRITY OF REGULATED FINANCIAL INSTITUTIONS AND MARKET INFRASTRUCTURES continued

UNIQUE STRATEGIC OBJECTIVES FOR SFA 3

Enhance risk based, outcomes focused and forward-looking supervision

- Notable progress on the development of the PA's supervisory frameworks.
- The risk framework has been finalised and will strengthen the PA's progress in implementing integrated supervision.
- Various surveys were issued to insurers to determine the impact of COVID-19 related claims on non-life insurers and to determine the impact of the recent unrest.
- Significant progress has been made with the implementation of Basel III regulatory reforms.

Improve regulatory coverage

- The PA launched its quarterly industry newsletter.
- An Issues Note on proposals for transitional arrangements has been developed and engagements with the NT, FSCA and Council of Medical Schemes on the approach to expand the PA's regulatory ambit to include collective investment schemes, friendly societies, pension funds and medical schemes are ongoing.
- The PA has appointed its long-term IT solution partner.

Implement integrated and proportional regulatory and supervisory frameworks

- The prudential standards for financial conglomerates (excluding the capital standard) have been finalised and the related supervisory framework has been approved.
- Various Joint Standards were proposed or issued in collaboration with the FSCA, including Margin Requirements for Non-Centrally Cleared Derivative Transactions, Outsourcing by Insurers, Cybersecurity and Cyber resilience, and Requirements for Central Counterparty Licensing.
- The PA has completed and issued its 2021-2024 Regulatory Strategy.

Improve monitoring and reporting of cross-border transactions

- 96.92% of authorised dealers are fully compliant or under specific regulatory action (September 2020 data).
- 94.05% of institutional investors are fully compliant or under specific regulatory action.
- Developed regulatory framework to monitor large and/or structured transactions (2021).
- Developed framework for Non-Banks (2021).
- Developed Krugerrand market entrance framework for Non-Banks (2021).
- Implemented Financial Market Review recommendations (2021).
- The capital flow management framework implementation was delayed due to external processes.

Target met   Target partially met   Target not assessed

Financial stability: page 50.

THE 2025 STRATEGIC PLAN continued

SFA 4 Enhance South Africa's resilience to external shocks

OBJECTIVES

Improve the monitoring of external financial and macroeconomic risks and vulnerabilities, continue to enhance the functioning of the financial system, enhance the macroeconomic and macroprudential toolkits and improve the coordination of policy responses.

2021/22 PERFORMANCE OVERVIEW

The SARB improved its monitoring of external vulnerabilities, given the significant impact of COVID-19. It is developing and implementing various tools to improve the policy toolkit and enhance the functioning of the financial system.

Gross foreign exchange reserves rose to US$58.2 billion as of March 2022, from US$53.0 billion in March 2021.

PERFORMANCE SCORECARD

Overall status: Target partially met

Strategic measures	Target (annual)	
Greenspan-Guidotti Ratio (GR): used to monitor reserves to cover debt should there be a sudden stop or reversal of flows	Greenspan-Guidotti rule of a ratio of reserves to short-term debt of one	2021/22 (annual) GR: 1.47

Target met   Target partially met   Target not assessed

ENHANCE SOUTH AFRICA'S RESILIENCE TO EXTERNAL SHOCKS continued

Strategic measures	Target (annual)	
Foreign exchange debt of the total economy: (public sector, private sector)	Two standard deviations from the historical mean of R209.6 billion: total foreign debt of national government denominated in foreign currencies (R'bn)	2021/22 (annual) **R414.2 billion** (Oct 2021)
	Two standard deviations from the emerging markets (EM) mean of US$283.4 billion: total foreign debt of private sector denominated in foreign currencies (US$'bn)	2021/22 (annual) **US$93 billion** (Q42021)
Capital flows at risk (the degree to which capital flows could change in a risk scenario)	Two standard deviations from the mean of -R0.06 billion: net purchases of bonds by non-residents.	2021/22 (annual) **R8.8 billion** (Feb 2022)
	Two standard deviations from the mean of -R3.96 billion: net purchases of shares by non-residents	2021/22 (annual) **R14.4 billion** (Feb 2022)
Foreign shareholding in bonds and equities (the degree to which capital outflows could occur during a shock)	Two standard deviations from the mean of R208.3 billion: holdings of South African government bonds by non-residents.	2021/22 (annual) **R215.2 billion** (Feb 2022)
	Two standard deviations from the mean of R67.9 billion: holdings of South African government equity by non-residents	2021/22 (annual) **R83.8 billion** (Feb 2022)

Note: Standard deviation is a statistical indicator of how dispersed variables are relative to their historical mean values. An observation of greater 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.

THE 2025 STRATEGIC PLAN continued

ENHANCE SOUTH AFRICA'S RESILIENCE TO EXTERNAL SHOCKS continued

UNIQUE STRATEGIC OBJECTIVES FOR SFA 4

Improve the monitoring of existing and emerging vulnerabilities

- Completed the back-testing of interest rate benchmarks and developing infrastructure for publication of the successor rate for Jibar for observation and adoption.
- Maintained and updated a vulnerability heat map.
- Engaging with trading venues and authorised dealers to provide data that will allow for near-real time monitoring of FX market liquidity and trading conditions.
- A framework to enhance the SARB's coordination of its response to financial market crises was developed.

Enhance the macroeconomic and macroprudential toolkit

- Published a paper on capital flow disruptions and potential policy responses. Completed a review of South Africa's measures of foreign exchange reserve adequacy and maintained accumulated official gross gold and foreign exchange reserves above planned levels.

Enhance the functioning of South Africa's financial system

- A business case for SARB to implement a triparty collateral management system was approved and work is underway to begin implementation during the course of 2022.
- The SARB has been engaging with international financial institutions and central banks to strengthen bilateral swap lines and other facilities in order to improve and enhance South Africa's access to the Global Financial Safety Net (GSFN).
- Enhanced the safety and efficiency of the payment system through an enabling legal framework and achievement of the objectives of the payment system modernisation programme.
- The SARB's Innovation Hub is supporting the development of financial technology (Fintech) and informs associated regulatory policy stances.

Target met   Target partially met   Target not assessed

Financial stability: page 50.

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

OBJECTIVES

To ensure that banknotes and coin are available and of a high quality, and to combat counterfeiting.
To explore the feasibility of a central bank digital currency.

2021/22 PERFORMANCE OVERVIEW

The SARB's subsidiaries producing banknotes and coin have fulfilled the annual orders, although there were disruptions due to COVID-19, and this resulted in an increase in production costs. Banknotes and coin buffer stock levels are sufficient to meet public demand and the reported counterfeit notes are within the threshold.

PERFORMANCE SCORECARD

Overall status: Target met

Strategic measures	Target (annual)	2021/22 (annual)	2020/21 (annual)
On-time, in-full fulfilment of orders from the cash industry	100% of orders fulfilled within agreed timelines	100%	100%
Incidents of counterfeiting measured in parts per million (ppm) (annualised)	<12 ppm or under adequate regulatory action	5.01 ppm	5.68 ppm

UNIQUE STRATEGIC OBJECTIVES FOR SFA 5

Optimise the currency supply chain (Target met)

- To maintain banknotes and coin buffer stock within 9- and 6-month targets respectively.
- To closely monitor the cost of production for both banknotes and coin.

Enhance the quality of notes and coin (Target not assessed)

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

Target met Target partially met Target not assessed

Subsidiaries: page 82.

THE 2025 STRATEGIC PLAN continued

Enablement focus areas

EFA 1 Improve transparency and accountability through stakeholder engagement and communication

Target met

OBJECTIVES

Improve and coordinate internal and external stakeholder engagement and communication, particularly as large transformational programmes increasingly impact stakeholders and require closer collaboration.

2021/22 PERFORMANCE HIGHLIGHTS

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

Informed stakeholders

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

Public stakeholders

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

The next survey will be conducted in 2024.

EFA 2 Coordinate policymaking and implementation

Target met

OBJECTIVES

Implement a more structured process for research and policy formulation to introduce better collaboration and capabilities for understanding the impacts and interactions between policies. This will enable the SARB to manage trade-offs in the interest of balanced and sustainable growth.

2021/22 PERFORMANCE HIGHLIGHTS

- Work has commenced on nine of the 11 topics. Some of the topics receiving attention include climate change, post COVID-19 reforms, financial inclusion and competition in the financial sector. The Cross Departmental Research Committee and Climate Change Steering Committee continues to meet quarterly to assess progress.
- Although progress has been slow to date, resources have been deployed and additional sourcing of technical experts is in progress.

Target met Target partially met Target not assessed

EFA 3 Optimise, integrate and leverage information and technology solutions

Target partially met

OBJECTIVES

Improved data management and analytics, and build an advanced analytics capability.

2021/22 PERFORMANCE HIGHLIGHTS

- I&T strategy implementation is ongoing and aligned to Strategy 2025.
- Tier 1 and Tier 2 achieved 79% and 87% of their respective targets.
- The development of foundational Enterprise Information Management (EIM) elements is ongoing.
- Implemented robust cybersecurity risk management measures.

EFA 4 Improve strategy execution and internal efficiency

Target partially met

OBJECTIVES

Improve strategy execution and internal efficiency.

2021/22 PERFORMANCE HIGHLIGHTS

- Further development is underway on new strategy execution capabilities such as an advanced analytics playbook and enterprise change management.
- Continued the optimisation of support departments, particularly Procurement and Human Resources.

EFA 5 Attract, develop and retain critical skills and competencies while embedding the post-pandemic SARB working culture

Target partially met

OBJECTIVES

Embed the 'new normal' SARB culture and transition the SARB to new ways of working post COVID-19. This process encompasses the employee value proposition, strategic workforce planning, diversity and inclusion.

2021/22 PERFORMANCE HIGHLIGHTS

- Improved the coverage ratio for critical roles to 88% (target: 85%). The average time to fill critical roles was 129 days (previous year 153 days), due to the scarcity of skills.
- Critical roles turnover was within the tolerance range of less than 2%.
- Maintained the Platinum Seal (highest level) in the employee engagement survey results of March 2022. Metrics show a marginal decline compared to the previous year. These are being analysed for points of intervention
- Diversity and inclusion programme phase 1 and phase 2 completed.
- 'SARB Ways of Work' Programme is being implemented, and reviewed for continuous improvement.

HOW THE SARB IS GOVERNED

SHAREHOLDING AND DIVIDEND

The SARB's shareholders

At 31 March 2022, the SARB had 816 shareholders. The shareholders have no rights or involvement in determining monetary policy, financial stability policy or regulation and supervision of the financial sector. Their rights are limited to the following activities conducted at the SARB's annual Ordinary General Meeting (AGM):

- Considering the SARB's annual financial statements.
- Electing seven of the non-executive directors of the Board of Directors (the Board), as and when vacancies arise.
- Appointing the external auditors and approving their remuneration.

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

Shareholders are allowed one vote for every 200 shares held. The amended South African Reserve Bank Act 90 of 1989 (SARB Act) restricts shareholders to owning no more than 10 000 shares, including shares held by associates, as defined.

For the second time in the SARB's history, the 2021 AGM was held on a virtual platform and not in person due to the COVID-19 pandemic.

Dividend

The SARB Act stipulates that shareholders are entitled to a 10 cents per share dividend on an annual basis paid from profits. The total dividend paid for the financial year was R0.2 million (2020/21: R0.2 million).

GOVERNANCE

The SARB supports the overarching goals of the fourth King Report on Corporate Governance in South Africa 2016 (King IV™), and has implemented the principles of responsibility, accountability, fairness and appropriate transparency, insofar as these align with the legislation governing the SARB.

Ethical culture

The SARB functions in the public interest. It is therefore critical that it is and is seen to be an institution of integrity that proactively maintains the highest ethical standards. The Board and executive management are responsible for ensuring that the SARB carries out its mandate and executes its policy responsibilities, in alignment with its values of respect and trust, open communication, integrity, accountability and excellence. Challenges to the SARB's independence and constitutional mandate are vigorously defended, to ensure that the SARB serves no interest other than that of South Africa's citizens.

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

The annual employee engagement survey is used to gain employee insight on ethics and in the 2022 survey, the SARB achieved its highest score of 75% for the culture category, which covers trust and communication.

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 fully. The hotline is available 24/7 and callers can communicate with trained operators in English, Afrikaans, isiZulu and Sesotho.

THE **BOARD**

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

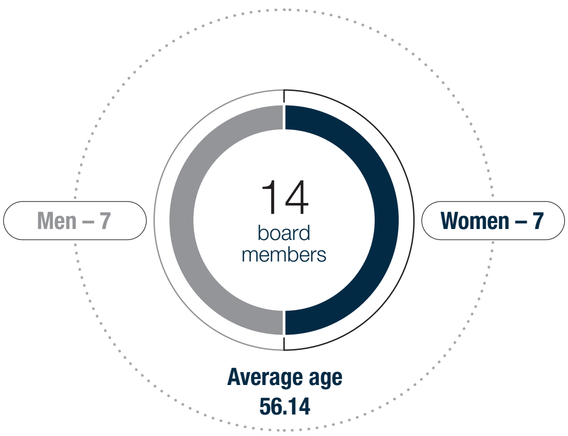
The SARB Act requires the Board to have 15 members, comprising the Governor and three Deputy Governors who serve as executive directors, as well as four non-executive directors appointed by the President (after consultation with the Minister of Finance) and seven shareholder-elected non-executive directors.

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

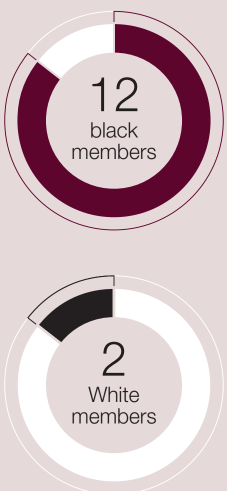
Well-constituted committees assist the Board in discharging its duties. The Board receives reports on governance and oversight matters from the GEC and the various Board committees. The Board ordinarily meets five times a year.

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

BOARD COMPOSITION AT 31 MARCH 2022



Race diversity



EXECUTIVE DIRECTORS

at 31 March 2022

E L (LESETJA) KGANYAGO 56
GOVERNOR
Executive director

K (KUBEN) NAIDOO 51
DEPUTY GOVERNOR
Executive director

R (RASHAD) CASSIM 56
DEPUTY GOVERNOR
Executive director

N (NOMFUNDO) TSHAZIBANA 45
DEPUTY GOVERNOR
Executive director

* *Deputy Governors have been rotated to different portfolios with effect from 1 April 2022.*

GOVERNOR

1 E L (LESETJA) KGANYAGO

Chairperson of the Board

CEO of the SARB[1]

APPOINTED BY THE PRESIDENT OF SOUTH AFRICA.

Appointed

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

Responsibilities

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

Experience

Served as Director-General of National Treasury and then as a Deputy Governor of the SARB from 16 May 2011 to 8 November 2014. Represented South Africa in international organisations, including the World Bank, the International Monetary Fund (IMF), the Group of 20 (G20) and the African Development Bank.

Other current roles

- Chairperson of the Committee of Central Bank Governors of the Southern African Development Community.
- Chairperson of the Financial Stability Board's (FSB) Standing Committee on Standards Implementation.
- Co-chairperson of the FSB's Regional Consultative Group for sub-Saharan Africa.

Awards

- Doctor of Commerce, honoris causa, awarded by the Stellenbosch University in December 2018.
- Leadership in Practice Award in the 2019 University of South Africa (Unisa) Graduate School of Business Leadership.
- Doctor of Commerce, honoris causa, awarded by the Nelson Mandela University in December 2020.

5/5 **Board meeting attendance**

[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.*

DEPUTY GOVERNORS

2 K (KUBEN) NAIDOO

CEO of the Prudential Authority until 31 March 2022

APPOINTED BY THE PRESIDENT OF SOUTH AFRICA.

Appointed

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

Responsibilities with effect from 1 April 2022

Financial Stability, Economic Statistics, National Payment System, Risk Management and Compliance departments, Financial Technology (Fintech) Unit, including the newly established CODI as well as overseeing the Currency Cluster.

Responsibilities during the year under review

Prudential Authority and the Financial Surveillance Department.

Served as Advisor to the Governors

1 April 2013 to 31 March 2015.

Experience

Headed the Budget Office at National Treasury in South Africa from 2006 to 2010, including a two-year stint at Her Majesty's Treasury in the United Kingdom (working in the Budget Division) and between 2010 and 2013 headed the Secretariat of the National Planning Commission of South Africa.

Other current roles

Co-chairperson of the Basel Consultative Group.

5/5 **Board meeting attendance**

3 R (RASHAD) CASSIM

APPOINTED BY THE PRESIDENT OF SOUTH AFRICA.

Appointed

1 August 2019 for a five-year term.

Responsibilities with effect from 1 April 2022

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

Responsibilities during the year under review

Financial Stability, Economic Statistics, National Payment System, Risk Management and Compliance departments, Financial Technology (Fintech) Unit, as well as oversees the Currency Cluster.

Experience

Previously the Head of the SARB's former Economic Research and Statistics Department from 1 March 2011, responsible for macroeconomic statistics, research, analysis and forecasts. Prior to joining the SARB, served as the Deputy Director-General at Statistics South Africa (responsible for economic statistics), a professor and Head of the School of Economics and Business Sciences at the University of the Witwatersrand (Wits), Head of the Trade and Industrial Policy Strategies (a think tank) and held various research positions at the University of Cape Town.

Other current roles

- Chairperson of the international Irving Fisher Committee on Central Bank Statistics under the auspices of the Bank for International Settlements for a three-year period effective 12 September 2019.

5/5 **Board meeting attendance**

4 N (NOMFUNDO) TSHAZIBANA

CEO of the Prudential Authority from 1 April 2022

Chairperson of the Corporation for Public Deposits

APPOINTED BY THE PRESIDENT OF SOUTH AFRICA.

Appointed

1 August 2019 for a five-year term.

Responsibilities with effect from 1 April 2022

Prudential Authority and the Financial Surveillance Department.

Responsibilities during the year under review

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

Served as Advisor to the Governors

February 2018 to 31 July 2019.

Experience

Extensive experience in public policy analysis and formulation, having worked at the National Energy Regulator of South Africa, National Treasury (Deputy Director-General responsible for Economic Policy and Forecasting) and as an alternate executive director at the IMF, representing South Africa and 22 sub-Saharan African countries.

Other current roles

- Chairperson of the Market Practitioners Group on the Interest Rate Benchmark Reforms.
- Chairperson of the Financial Markets Liaison Group.

5/5 **Board meeting attendance**

GOVERNANCE continued

NON EXECUTIVE DIRECTORS

at 31 March 2022

5

T (TERENCE) NOMBEMBE 60
Audit Committee Chairperson
Non-executive director

10

Z (ZOAIB) HOOSEN 57
Board Risk and Ethics Committee Chairperson
Non-executive director

6

J M S D (DUDU) MSOMI 51
Non-executive director

11

N (NICHOLAS) VINK 67
Non-executive director

7

S (SHAMIMA) GAIBIE 58
Non-executive director

12

M M T (TRYPHOSA) RAMANO 50
Non-executive director

8

Y (YVONNE) MUTHIEN 65
Remuneration Committee Chairperson
Non-executive director

13

L H (LERATO) MOLEBATSI 52
Non-executive Directors' Committee Chairperson
Non-executive director

9

C B (CHARLOTTE) BUITENDAG 56
Non-executive director

14

N B (NORMAN) MBAZIMA 63
Non-executive director

5 T (TERENCE) NOMBEMBE

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

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

Experience
Served as Auditor General of South Africa (2006 to 2013) and as CEO of the South African Institute of Chartered Accountants (SAICA) to November 2018, when he joined the State Capture Commission as Head of Investigations.

5/5 **Board meeting attendance**

6 J M S D (DUDU) MSOMI

Government appointed
July 2020.

Qualifications
BA (Psychology and English), BA (Hons) (Cultural and Media Studies), Postgraduate Diplomas in Advertising and Marketing and Corporate Governance, and an MBA from GIBS.

Experience
Founder and CEO of Busara Leadership Partners (with expertise in facilitating the development and effectiveness of leaders, management and entrepreneurs to achieve their desired goals); public speaker; writer and content producer; Host of Wisdom Personified Conversations with Dudu Msomi on YouTube; adjunct faculty member at GIBS; supervisor for GIBS MBA Management Consulting; an MBA Lead Faculty of Business Ethics and Corporate Governance at Richfield Graduate Institute of Technology; part-time Commissioner on the KwaZulu-Natal Provincial Planning Commission; and a Fellow at the Institute of Directors in South Africa. Has knowledge in strategy, corporate governance, leadership development, diversity, equity and inclusion and entrepreneurship.

5/5 **Board meeting attendance**

7 S (SHAMIMA) GAIBIE

Board appointed as a casual vacancy
August 2020.

Shareholder elected
August 2021.

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

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

5/5 Board meeting attendance

8 Y (YVONNE) MUTHIEN

Shareholder elected
July 2018 and reappointed in August 2021.

Qualifications
PhD, Oxford University, and MA from Northwestern University and BA (Hons) cum laude, UWC.

Experience
Currently Chairperson of Rhodes Food Group, and Non-Executive Director of Aspen, and SA SME Fund. Former positions include CEO of Sanlam Group Services, Chairperson of Bankserv Africa, Vice-President of Coca-Cola Africa and Executive Director of MTN. Has knowledge and skills in commerce and finance and extensive executive management and board experience in both the public and private sectors.

5/5 Board meeting attendance

9 C B (CHARLOTTE) BUITENDAG (previously Du Toit)

Shareholder elected
July 2016 and re-elected in July 2019.

Qualifications
Doctorate (PhD) in Econometrics.

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

5/5 Board meeting attendance

10 Z (ZOAIB) HOOSEN

Shareholder elected
July 2019.

Qualifications
BSc and Master of MBA degrees and completed the Management Advancement Programme at Wits Business School.

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

5/5 Board meeting attendance

11 N (NICHOLAS) VINK

Shareholder elected
July 2016 and re-elected in July 2019.

Qualifications
PhD in Agricultural Economics.

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

5/5 Board meeting attendance

12 M M T (TRYPHOSA) RAMANO

Shareholder elected
August 2020.

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

Experience
Founder and director of Magommake Limited, a strategic consultancy. Has held various C-suite level positions in the public and private sectors in South Africa, previously served as the CFO of PPC Limited, WIPHOLD (a black women-owned investment company) and South African Airways and was the Chief Director for Asset Liability at National Treasury. Currently serves on the boards of the International Women's Forum (South Africa) and the Solidarity Fund and is the Chairperson of the Audit and Risk Committee for both entities. Is a professional member of SAICA and Turnaround Management Association of South Africa, and currently serves as the Chairperson of Young Leaders Connect and the Gender-based Violence and Femicide Fund Response 1. Has knowledge and skills in commerce and finance.

4/5 Board meeting attendance

13 L H (LERATO) MOLEBATSI

Government appointed
April 2019 and reappointed in June 2022.

Qualifications
BA degree and has completed various certificate programmes.

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

5/5 Board meeting attendance

14 N B (NORMAN) MBAZIMA

Board appointed as a casual vacancy
August 2020.

Shareholder elected
August 2021

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

Experience
Over 18 years as a senior executive at Anglo American, including as Deputy Chairman of Anglo-American South Africa and as CEO and CFO of various business units. 17 years' experience as a professional accountant with Deloitte & Touché, providing services to the mining, financial services, and other industries Currently the Chairperson of Anglo-American Platinum Limited and Zambia Sugar Plc; and serves on various other boards and is a trustee of Malaria No More. Has knowledge and skills in mining.

5/5 Board meeting attendance

* *As at 31 March 2022, there was one vacancy for a government-appointed non-executive director on the Board. The position has since been filled.*

GOVERNANCE continued

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. The last review was held in February 2021 and the next is scheduled for 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 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

All Board committees are chaired by non-executive directors. Board and committee appointments and terms that expired during the year include:

F (Firoz) Cachalia's term as a Government-appointed non-executive director expired on 17 July 2021. Having served three terms, Prof Cachalia was no longer eligible for re-appointment. The South African (SA) government has appointed K H (Kgabo) Badimo to replace him with effect from 1 June 2022 for a 3-year term.

Y (Yvonne) Muthien was re-elected as a member of the Board on 31 July 2021 and re-appointed to the Remuneration Committee and as Chairperson.

S (Shamima) Gaibie was elected as a member of the Board on 31 July 2021 and re-appointed to the Remuneration Committee (Remco).

N B (Norman) Mbazima was elected as a member of the Board on 31 July 2021 and re-appointed to the Audit Committee and Remuneration 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 the SABN – ensuring the sharing of information and alignment with the Group's policies.

The Chairperson of BREC is a member.

MEMBERSHIP AND MEETING ATTENDANCE

CHAIRPERSON	
T (Terence) Nombembe	4/4
NON-EXECUTIVE DIRECTORS	
F (Firoz) Cachalia	1/4^
Z (Zoaib) Hoosen	4/4
N B (Norman) Mbazima	4/4
M M T (Tryphosa) Ramano	4/4
ATTENDS BY INVITATION	
E L (Lesetja) Kganyago	4/4#
R (Rashad) Cassim	4/4#
K (Kuben) Naidoo	3/4#
N (Nomfundo) Tshazibana	4/4#

^ *Term expired on 17/07/2021*

\# *Attend Audit Committee by invitation*

KEY ACTIVITIES IN 2021/22

- Reviewed all significant internal and external audit findings and monitored management's responses to these findings. The committee was satisfied with the audit quality and independence of the external auditors.
- Received a combined assurance report in May 2022, together with the draft 2021/22 *Annual Report.* The committee was satisfied with the assurance that the SARB's control environment is sound.
- Received a compliance report in May 2022. The committee was satisfied that the areas of weakness identified are being appropriately addressed.
- Reviewed and approved the annual fee limits for non-audit work by the statutory auditors for the SARB and the Group.
- Reviewed the scope of the internal and external statutory audits.
- Assessed the SARB's internal audit and financial functions, and the external auditors.

Board risk and ethics committee

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 PA.

The Chairperson of the Audit Committee is a member.

MEMBERSHIP AND MEETING ATTENDANCE

CHAIRPERSON	
F (Firoz) Cachalia	1/4†
Z (Zoaib) Hoosen	4/4=
NON-EXECUTIVE DIRECTORS	
C B (Charlotte) Buitendag	3/4
L H (Lerato) Molebatsi	4/4
J M S D (Dudu) Msomi	4/4
T (Terence) Nombembe	4/4
M M T (Tryphosa) Ramano	4/4
EXECUTIVE DIRECTORS	
E L (Lesetja) Kganyago	4/4
R (Rashad) Cassim	4/4
K (Kuben) Naidoo	2/4

† *F Cachalia's term ended on 17/07/2021*

= *Z (Zoaib) Hoosen was appointed as Chairperson of the BREC, effective 1/08/2022*

KEY ACTIVITIES IN 2021/22

- Reviewed the reports from the COVID-19 Joint Operations Centre on the risk mitigating activities needed to manage the pandemic.
- Considered reports on financial, security and legal risk, current and emerging threats and insurance.
- Received reports on the internal audit work relating to risk management processes.
- Reviewed reports on the whistle-blowing hotline.
- Considered the SARB's annual corporate social investment report.

GOVERNANCE continued

Non-executive directors' committee (Nedcom)

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

MEMBERSHIP AND MEETING ATTENDANCE

CHAIRPERSON	
L H (Lerato) Molebatsi	4/4
NON-EXECUTIVE DIRECTORS	
F (Firoz) Cachalia	1/4†
C B (Charlotte) Buitendag	4/4
Z (Zoaib) Hoosen	4/4
Y (Yvonne) Muthien	4/4
T (Terence) Nombembe	4/4
N (Nicholas) Vink	4/4
S (Shamima) Gaibie	4/4
N B (Norman) Mbazima	4/4
J M S D (Dudu) Msomi	4/4
M M T (Tryphosa) Ramano	4/4

† *F Cachalia's term ended on 17/07/2021*

KEY ACTIVITIES IN 2021/22

- Received presentations and discussed various topics on local and global economic environments, as well as specific areas of interest, as part of ongoing director training and development.
- Considered the performance of the Governor, Deputy Governors and Secretary of the SARB.
- Considered the training needs of directors.

Remuneration committee

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

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

MEMBERSHIP AND MEETING ATTENDANCE

CHAIRPERSON	
Y (Yvonne) Muthien	4/4
NON-EXECUTIVE DIRECTORS	
S (Shamima) Gaibie	4/4
N B (Norman) Mbazima	4/4
L H (Lerato) Molebatsi	4/4
J M S D (Dudu) Msomi	4/4
N (Nicholas) Vink	4/4
ATTENDS BY INVITATION	
E L (Lesetja) Kganyago	4/4#
N (Nomfundo) Tshazibana	4/4#

Attend Remco by invitation

KEY ACTIVITIES IN 2021/22

- 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 employee engagement survey results and the associated action plans.
- Agreed the annual remuneration increases for employees and the budget for the annual performance bonuses, for recommendation to the Board for approval.

Subcommittees of the GEC ▼ Responsibilities

Executive management

Governors' Executive Committee

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

The members of the GEC are the Governor as Chairperson and the Deputy Governors. The 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 issues and other executive management matters. The following subcommittees of the GEC assist it in its responsibilities:

INFORMATION AND TECHNOLOGY STEERING COMMITTEE

CHAIRPERSON

Deputy Governor
N (Nomfundo) Tshazibana until 31 March 2022

Deputy Governor
R (Rashad) Cassim from 1 April 2022

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

- Approving, prioritising and monitoring strategic I&T projects and initiatives.
- Overseeing I&T functions to make sure that I&T projects and initiatives deliver value by meeting business objectives, providing effective support to business departments and driving the targeted organisational architecture.

MANAGEMENT COMMITTEE

CHAIRPERSON

Deputy Governor
R (Rashad) Cassim until 31 March 2022

Deputy Governor
K (Kuben) Naidoo from 1 April 2022

Monitor strategy implementation and the day-to-day operational management of the SARB, including:

- Approving the cross-cutting procedures and objectives for the internal operations of the SARB.
- Developing and amending the SARB's administrative and operational policies.
- Providing assurance that the policies and operational systems of the SARB are aligned with best practice.

PROCUREMENT COMMITTEE

CHAIRPERSON

Chief Operating Officer
P (Pradeep) Maharaj

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

RESERVES MANAGEMENT COMMITTEE

CHAIRPERSON

Deputy Governor
N (Nomfundo) Tshazibana until 31 March 2022

Deputy Governor
R (Rashad) Cassim from 1 April 2022

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

- Appointing external fund managers, financial custodians and securities lending agents.
- Determining the allocation of the risk budget.
- Approving investment guidelines and asset classes for tranches and portfolios.
- Recommending, for approval by the GEC, changes to the Gold and Foreign-Exchange Reserves Investment Policy, Strategic Asset Allocation, the size of the Securities Lending Programme, the overall risk budget, tranche sizes and currency composition of tranches.
- Monitoring the parameters for the annual and periodic re-balancing of tranche sizes and currency composition, the implementation of the investment policy, management of the investment portfolios and Securities Lending Programme and the implementation of the GEC resolutions insofar as they pertain to reserves management.
- Reporting to the GEC quarterly and to the Board annually.

RISK MANAGEMENT COMMITTEE

CHAIRPERSON

Governor
E L (Lesetja) Kganyago

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

- Monitoring the implementation of the risk management strategy, policy and structure.
- Assessing and reviewing the adequacy and effectiveness of the risk management process across the Group, including the Prudential Authority.

RISK **MANAGEMENT**

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

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

COVID-19

A Joint Operations Centre continued to oversee the SARB's response to COVID-19, with guidance from local authorities and internal specialists to ensure continuity of operations. The response includes the safeguarding of the SARB's assets in compliance with COVID-19 regulations, rolling out a vaccination programme, protecting the physical and mental well-being of the SARB's employees, and ensuring the safety of its external contractors and visitors.

Specialised cross-cutting risks

The coordinating role of the Risk Management and Compliance Department (RMCD) extends to the following cross-cutting risk categories.

Compliance

Group-wide initiatives to ensure compliance obligations are met by:

- Developing and maintaining an appropriate Compliance Policy and framework
- Identifying, assessing and monitoring compliance with applicable regulatory requirements
- Promoting a culture of compliance and ethics
- Reporting on compliance risks to the Risk Management Committee (RMC) and BREC.

Ethics

The SARB's Ethics Policy governs ethics management, and covers principles relating to whistleblowing, external business interests, personal account trading, the receiving and giving of gifts, commercial crime control and an annual employee declaration process. Employees are required to undertake an annual mandatory declaration that they have read and understood the policy. Employees are further required to declare their interests annually, with conflicts of interests from the declarations being managed in line with the policy.

Business continuity

The RMCD provides centralised coordination of the SARB's Business Continuity Management Policy and framework, and conducts business continuity impact assessments for all departments. It is also actively involved with the Climate Change Programme within the Bank, and liaises closely with the Cyber and Information Security Unit, which is responsible for ensuring holistic governance and management of the Group's Cyber and Information Security Programme. The appropriate backup infrastructure and facilities further strengthen the SARB's resilience to potential business disruptions.

Risk management framework

GROUP RISK MANAGEMENT POLICY

RISK GOVERNANCE

HEADS OF DEPARTMENT AND MANAGING DIRECTORS	RISK MANAGEMENT AND COMPLIANCE DEPARTMENT	RISK MANAGEMENT COMMITTEE	BOARD RISK AND ETHICS COMMITTEE
Responsible for strategic, operational and project risk management	Facilitates and coordinates integrated risk management in the Group, and reporting thereon to risk oversight committees	Oversees the full spectrum of risk management in the Group on behalf of the GEC	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 processes[1], operational (including business continuity, cybersecurity, information security, compliance and occupational health and safety), reputational, project and financial risks (including credit, market and liquidity risk).

CONTINUOUS RISK MANAGEMENT

Risk incident management, monitoring action plan implementation, day-to-day risk management activities, key risk indicators, scenario analysis, monitoring and assessment of external risks.

[1] *Risk related to the SARB's processes that support monetary and financial stability policy.*

RISK MANAGEMENT continued

Combined assurance

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

1ST LEVEL OF ASSURANCE PROVIDERS

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

2ND LEVEL OF ASSURANCE PROVIDERS

INTEGRATED RISK MANAGEMENT
The RMCD performs a centralised and integrated risk management coordination function to ensure that risks are managed in a consistent manner, within internationally accepted standards and guidelines.

3RD LEVEL OF ASSURANCE PROVIDERS

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

Independent external assurance service providers

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 internal processes and practices, while aligned to international best practice.

2021/22 PERFORMANCE HIGHLIGHTS

- Benchmarked the SARB's risk management policies, methodologies, processes and reports against best practices.
- Continued to enhance collaboration between risk management functions, the Strategy Management Office and other assurance providers.
- Continued to explore technology platforms that support integration.
- Conducted risk assessments across value chains, including the review and enhancement of the supplier risk assessment process.

LOOKING AHEAD

- Leverage risk management to be more forward looking and to support business transformation.
- Enhance and expand collaboration with internal and external stakeholders, and the risk management community.
- Expand governance, risk and control services.

THE SARB'S PERFORMANCE

MONETARY POLICY

Overview of the world economy

It is two years since the onset of the COVID-19 pandemic caused enormous economic volatility and hardship globally. The recovery, however, has been robust, as societies experimented, innovated, and learned how to best address the virus and its economic repercussions. Led by a sharp rebound in consumer demand, the recovery has been fast: occurring mostly within a period of 18 months, though tempered by supply chain bottlenecks and COVID-19 restrictions that affected production activity.

However emerging economies in particular have failed to recover as rapidly as other countries, and activity remains somewhat below 2019 levels.

Global inflation has been on the rise since early 2021, driven in part by the recovery in the Brent crude oil price from the lows reached in 2020, and the stronger recovery in goods demand made possible by the large fiscal stimulus in advanced economies. For most of 2021 inflation was perceived as transitory. Persistent supply constraints and robust demand growth continue to give strong impetus to inflation, which accelerated rapidly in a wide range of countries, both advanced and emerging. Price pressures have also emanated from tightening labour markets in advanced economies, along with sharply higher oil and global food prices.

The outbreak of armed conflict between Russia and Ukraine in February 2022 spiked economic uncertainty, driving oil prices above US$130 per barrel for a while. Wheat and other grains prices also surged. Higher input prices and disruptions to global production and trade occasioned by the war in Ukraine increased downside risks to global growth and raised forecasts for global inflation. The SARB expects global growth to decelerate sharply to 3.5% in 2022, down from an estimated 6.4% in 2021, and to remain modest over the medium term. The harsh lockdown restrictions in China following the recent resurgence in COVID-19 infections adds further downside risks to the global growth outlook and could dent industrial commodity prices.[1]

Acutely elevated and apparently non-transitory inflation (and the need for tighter monetary policies) remains the foremost risk to global growth in 2022. For instance, inflation for April 2022 in the Group of Three (G3) countries and in the United Kingdom (UK) more than trebled the 2% targets for these countries, with 8.3% recorded in the United States (US), 7.4% in the eurozone and 9.0% in the UK. Inflation in Japan, despite hitting a 7-year high at 2.5% in April, remains substantially lower compared to G3 peers. Some emerging markets, particularly Brazil, Mexico, and Turkey also experienced markedly higher inflation from fuel and food, as well as demand pressures. For other emerging markets, such as South Africa, the inflation build-up was less pronounced early in the recovery period but has ramped up quickly over the past year.

Global GDP growth
(yoy %)

Source: SARB

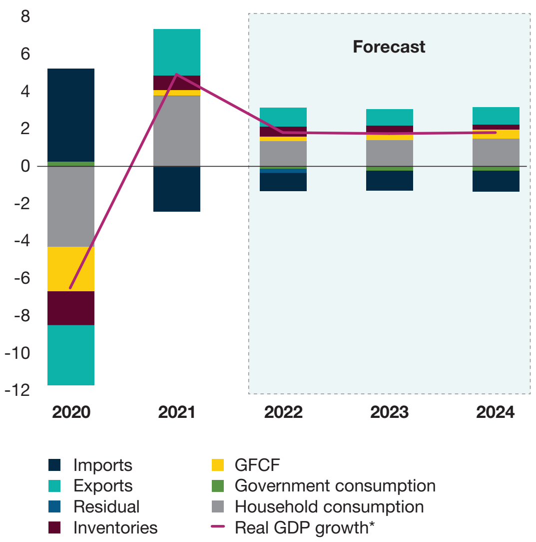
[1] *In its April 2022 World Economic Outlook (WEO) report, the International Monetary Fund (IMF) projects global growth to sharply slow to 3.6% in 2022, 0.8 percentage points lower than the 4.4% growth projected at the time of the January 2022 WEO update, and down from 6.1% estimated growth in 2021.*

As inflation increased and became less transitory, major global central banks moved to normalise rates. After raising the federal funds rate by 25 basis points in March, the US Federal Reserve (the Fed) raised the Fed's fund rate by a further 50 basis points at its May meeting, while the Bank of England has raised its policy rate by a cumulative 90 basis points since December 2021, bringing it to 1.0% in May 2022. Despite inflation being sharply higher in the eurozone, the European Central Bank is yet to initiate a rates lift off. Pressure on policy rates is also evident in emerging markets, where inflation has risen markedly while policy normalisation by advanced economies is placing at risk capital flows to emerging markets and relatively stable exchange rates.

Domestic real economy developments

South Africa's domestic economy grew by 4.9% in 2021 – its fastest pace of growth since 2007 – after the sharp contraction of 6.4% in 2020. This brought South Africa's GDP to within 2 percentage points of the 2019 level. This result was achieved despite the recovery being temporarily derailed by the steep contraction in GDP (1.7%, quarter-on-quarter) during the third quarter of 2021 prompted by the July riots in KwaZulu-Natal and Gauteng, alongside other factors. The economy grew by 1.0% and 1.3% in the first two quarters of 2021 respectively and by 1.2% in the fourth quarter, and would have surpassed pre-COVID-19 economic output in the first quarter of 2022 had the third quarter's events not transpired. South Africa's growth momentum from the fourth quarter of 2021 carried through to the first quarter of 2022, with growth projected at 0.9% q-o-q. However, the recent flooding in KwaZulu-Natal and intensification of load-shedding – and somewhat softer commodity prices – will weigh down on second quarter activity and growth. Consequently, growth for 2022 was revised lower to 1.7% in May, down from 2.0% at the March MPC meeting.

Contributions to real GDP growth
(% points)



* *Percentage change*
Sources: Stats SA and SARB

The economy's recovery from the pandemic has been underpinned by consumption spending, robust terms of trade gains from high global commodity prices and a return to positive private investment growth. Fiscal and monetary policy have been strongly accommodative, adding directly to demand and reducing debt-service costs to ease borrowers' cash flow and encourage more credit demand. Spending by households also benefitted from the rebound in wages, a recovery in net wealth and increased social transfers.

The pandemic has scarred some sectors severely. Those most impacted are the construction, transport and trade sectors, which remain well below 2019 output levels. As these sectors are more labour-intensive, reduced output levels help explain why overall employment levels have yet to recover. After losing 2.2 million jobs during the second quarter of 2020 due to the adverse impact of the lockdowns, official statistics suggest the economy had only recovered a net 396 000 jobs by the fourth quarter of 2021. Some firms appear to have delayed re-hiring as sales have been slow, while others may have achieved efficiency gains.

At the aggregate sector level, the primary sector has expanded beyond its 2019 size, benefitting from favourable weather conditions (agriculture) and elevated global commodity prices (mining). Mining could have performed significantly better, if not for transport logistics challenges and other factors. The secondary sector, at 90% of its 2019 output level, remains furthest behind. The tertiary sector has surpassed its 2019 output level, despite persistent weakness in transport and trade activity. As the pandemic fades, transport and trade are expected to rebound and help to boost employment. However, electricity supply constraints remain a major drag on sectoral growth and impedes the contribution of demand to the economy.

South Africa's trajectory through the pandemic and into the recovery phase has demonstrated the overall macroeconomic resilience of the economy – benefiting from terms of trade despite globally weak output, and able to largely finance higher public spending through greater saving and drawing on external assets. The sharp increase in private savings occasioned by the drop in consumption during the hard lockdown helped drive the current account into surplus, and together with revenue windfalls, provided relatively cheap financing to public spending. The country's current account, which reached 3.7% of GDP in 2021, supported the rand, and contributed to less inflationary pressure than had been expected when the crisis first unfolded. Recent gains in commodity prices are expected to prolong the surplus through 2023 before turning into a small deficit in 2024, even as imports continue recovering.

Despite borrowing requirements remaining high, South Africa's fiscal ratios improved markedly, underpinned by revenue overperformance. Public debt is now projected to stabilise at 75.1% in 2024/25, 3 percentage points lower than projected in the 2021 *Medium Term Budget Policy Statement (MTBPS)*.

Unlike in the recovery phase, South Africa's growth outlook now is more subdued, reflecting a return to long-term trend growth and increasingly binding constraints to growth. The country's economy is expected to grow at 1.7% in 2022 and 1.9% in both 2023 and 2024, while potential is much weaker at 0.6% in 2022, rising slightly to 0.9% in 2023 and then to 1.1% in 2024. Its much lower potential growth in 2022 reflects the adverse supply-side effects from the severe floods and infrastructure damage in KwaZulu-Natal during early April 2022 and intensified load-shedding since the start of the second quarter. Although growth over the medium-term remains disappointingly low, the economy is expanding faster than potential, and the output gap is closing faster than projected six months ago.

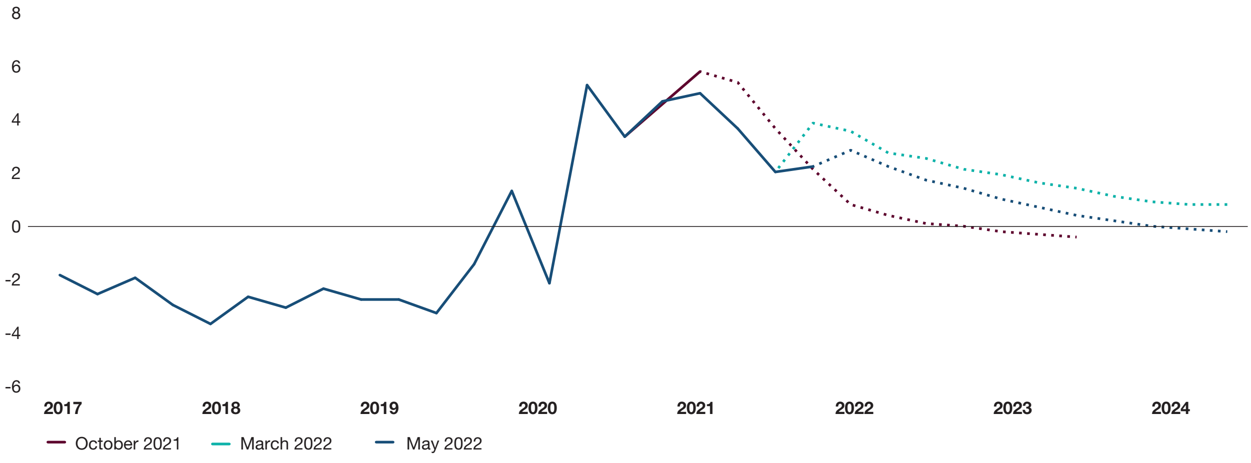
Inflation dynamics

South Africa's headline consumer price index (CPI) inflation increased to 4.5% in 2021, up from 3.3% in 2020. Inflation was helped by subdued rental and insurance inflation, despite sharply higher fuel and food inflation. Price pressures have, however, broadened. Rising core inflation has reduced disinflationary pressures, while administered prices (12.2% in 2022) exert upward pressure on headline inflation, which is projected to reach 5.9% in 2022[1]. Brent crude oil prices increased sharply over the past year and averaged US$112.7 per barrel in March, before moderating somewhat to US$104.3 per barrel in April 2022. The SARB expects oil prices to average US$103 in 2022, US$90 in 2023 and US$85 in 2024.

Food inflation, which registered 6.1% in 2021 and was driven substantially by meat inflation (8.5%), sugar (6.3%) and oils and fats (18.6%), is expected to increase to 6.6% for 2022. Price pressures are largely due to disruptions to the global supply of grains and oils and fats occasioned by the ongoing Russia-Ukraine war. Recent announcements of export bans in India and Indonesia – major global producers of wheat and oils respectively – will exacerbate food price pressures. High energy prices and rising agricultural input prices are also expected to raise food price pressures further.

Current account balance

(% of GDP)

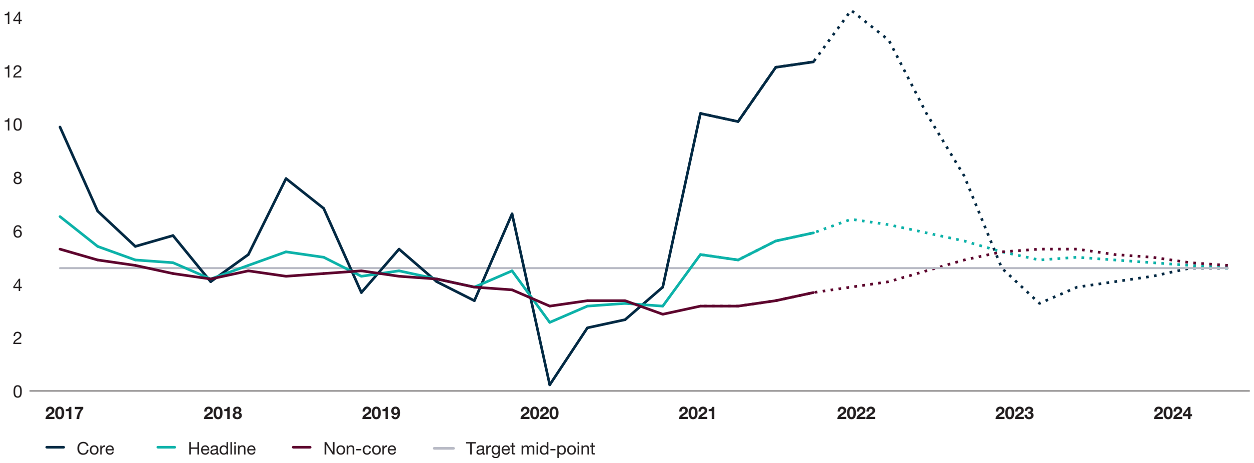


* *Dotted lines indicate forecast*
Sources: SARB

[1] *In March 2022 the Government announced a temporary R1.50 reduction in the general fuel levy for two months – April and May 2022. This lowered headline inflation by about 0.4 percentage points in April and 0.3 percentage points in May. In the near-term, the reversal of the R1.50 fuel levy relief at the beginning of June, together with the recent sharp depreciation of the rand and the further rise in oil prices, is expected to drive fuel inflation markedly higher, with likely knock-on effects to transportation costs, food prices and other commodity prices. The announcement on 31 May 2022 to further extend the reduction in the general fuel levy of R1.50 per litre in June, and 75 cents per litre in July 2022, will again provide some inflation relief.*

MONETARY POLICY continued

Core and non-core inflation
(yoy %)

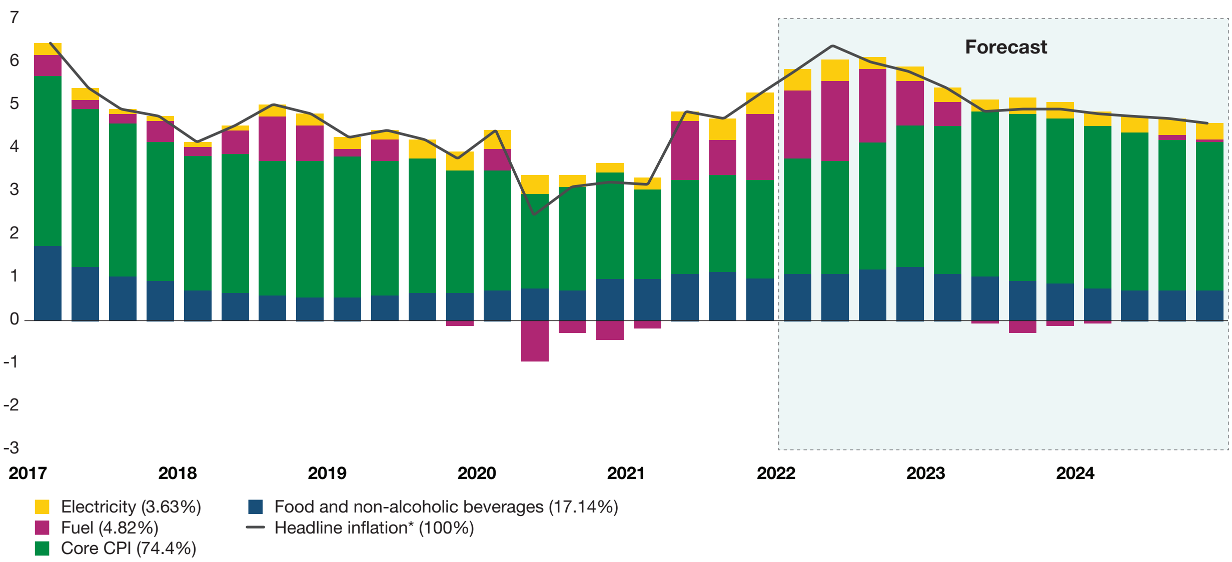


* *Dotted lines indicate forecast*
Sources: Stats SA and SARB

Core inflation (excluding food and non-alcoholic beverages, fuel and energy) remained subdued over the past year, kept down by unusually low inflation in services. It averaged 3.1% in 2021, down from 3.3% in 2020. Core inflation, however, increased to 3.6% in the first quarter of this year as both services and core goods prices have lifted, and is projected to average 3.9% in 2022, 5.1% in 2023, and 4.8% in 2024.

Looking ahead, domestic inflation could increase if hostilities in Eastern Europe intensify further, if oil and gas supplies are further constrained, or if inflation expectations continue to drift higher. Bureau for Economic Research (BER) average surveyed inflation expectations for 2023 edged higher to 5.0% during the first quarter of 2022. This was up from 4.7% in the fourth quarter of 2021 and, together with sharply higher producer prices, tilts the inflation risk further to the upside. Expectations of future inflation are important for monetary policy, as these influence price and wage setting behaviour in the economy.

Contributions to headline inflation
(% points)



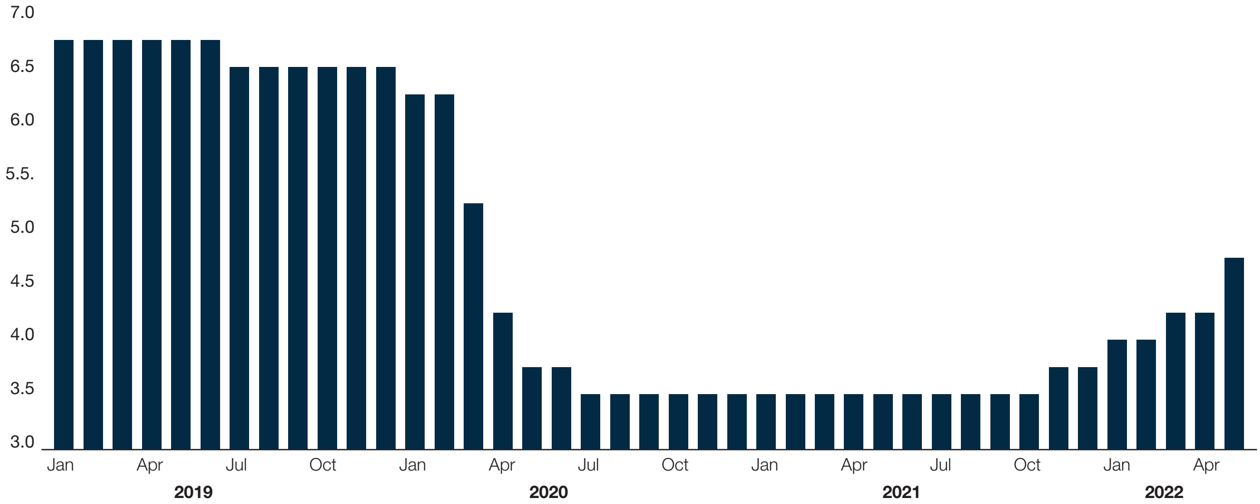
* *Percentage change over four quarters*
Sources: Stats SA and SARB

Monetary policy decisions

The effects of monetary policy decisions typically lag the economy by approximately 12-24 months, with their peak impacts expected over the three to five quarters window. Decisions are guided by the deviation of the expected rate of increase in headline CPI inflation from the midpoint of the 3–6% target range. The SARB's internal Quarterly Projection Model, which is used to forecast future inflation, generates the optimal policy rate path required to bring headline inflation to the midpoint of the target range over the forecast horizon of three years – depending on the near-term shocks buffeting the economy. This framework is flexible in that it permits temporary departures of inflation from the target in the event of supply-side shocks such as sharp oil price movements.

The MPC has raised the repurchase (repo) rate by 125 basis points since November 2021, bringing it to 4.75% by May 2022. The normalisation of the repo rate began with a 25 basis point increase at the November 2021 MPC meeting, followed by two 25 basis point hikes at the January and March 2022 meetings respectively, and a 50 basis point hike at the May MPC meeting. The pace of policy normalisation thus far has been gradual, in some contrast to the sharp rise in near-term inflation which is projected to breach the upper limit of the target range in the second quarter of 2022.

Repo rate
(%)



Source: SARB

Governance structure

MONETARY POLICY COMMITTEE
(meets every two months)

CHAIRPERSON
Governor of the SARB

Members[1]

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

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

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

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

CLIMATE **CHANGE**

Climate change mitigation and adaptation will prove to be drivers of significant structural change. Their impacts will reach deeper than many other structural drivers, and could be irreversible.

South Africa is invariably more exposed to climate change events and transition risks due to its relatively large weather-dependent sectors such as agriculture and food-processing, amplified by its high dependence on fossil fuels for energy generation.

Price and quantity adjustments from climate change will be pervasive, and will factor in the relative cost of energy, and demand for lower-carbon or more energy-efficient products and services. Relative price adjustments will complicate how to assess inflation measures. Facilitated and enabled – rather than impeded – development of new technologies and increased funding for green activities will provide new economic opportunities. This is particularly relevant for less developed economies with their relatively low levels of carbon intensive legacy investments.

Climate change will also drive an ongoing revaluation of real and financial assets, as hydrocarbon-based assets lose value relative to cleaner ones. Financial institutions will have to manage the impacts on their balance sheets of financial assets prices adjusting to reflect externalities more accurately.

The SARB has an important role to play in adapting and mitigating against climate change risks. Its immediate task is to improve information flows within financial markets so that climate change considerations inform investment decisions and maintain financial and price stability in the face of rising climate risks.

The SARB's strategy and work programme is guided by the recommendations of the Network of Central Banks and Financial Regulators for Greening of the Financial System, which are also informed by the Financial Stability Board and the G20. Locally, the SARB closely coordinates its work with National Treasury and other regulators though the Intergovernmental Sustainable Finance Group.

Figure 1 summarises the main areas of the work programme. The immediate focus is on:

1 Understanding the impact of transitional and physical risks for monetary and financial sector policy.	**2** Incorporating disclosure and taxonomy requirements in the regulatory framework and providing guidance to financial firms on how to incorporate financial risks in their risk management.	**3** Developing stress testing scenarios.	**4** Improving data sources.

Figure 2
Elements of the SARB's Climate Change Programme

		Responsible department	Supporting department
POLICY AREAS			
1	Assess and amend the Regulatory Framework to account for climate change risks	PA	FST and ERD
2	Assess and amend the Supervisory Framework to account for climate change risks	PA	FST and ERD
3	Integrate climate risks into the SARB's stress testing capability	FST	PA, ERD and ESD
4	Develop the Macroprudential Monitoring Framework to increase climate resilience	FST	PA
5	Understand structural changes due to climate change and the implications for the SARB	ERD	All
6	Develop guidelines for monetary policy to respond to physical and transition risks	ERD	FMD
7	Incorporate climate considerations into the SARB investment management framework and support the development of markets for environmental, social and governance (ESG) instruments	FMD	All
SUPPORT AREAS			
1	Stakeholder engagement	SARB Climate Change Programme	IERPD
2	Build climate change-related capacity and capabilities	SARB Academy	
3	Leverage Fintech solutions to support climate change initiatives	Fintech Unit	

In the past year, the Financial Stability Department developed a drought scenario for the main systemic banks to assess its potential impact on their operations and balance sheets. These results were shared in the second edition of the 2021 Financial Stability Review. The SARB has partnered with the International Food Policy Research Institute, University of Cape Town and the National Institute for Economic and Social Research in London to develop models and scenarios for stress testing. The SARB's Economic Research Department has produced papers looking at how technology and policy developments in other countries are likely to impact financial and monetary policy. The Prudential Authority has been working with Rabia Transitions to develop climate risk indicators to be used in its regulatory framework.

While efforts are coordinated by a secretariat, each department is responsible for developing and executing its own climate related work programme. Staff members responsible for climate change related work participate in the Monetary Policy and Financial Stability Committee meetings. The GEC receives quarterly reports on the activities of the Climate Change Programme.

Over the next 12 months, the SARB will continue to develop and execute its climate change-related work drawing on the experience and knowledge of both local and international institutions. Its overarching objective will be to ensure correct sequencing of reforms and the rapid development of a financial regulatory landscape to support the transition and the maintenance of financial and price stability.

FINANCIAL STABILITY

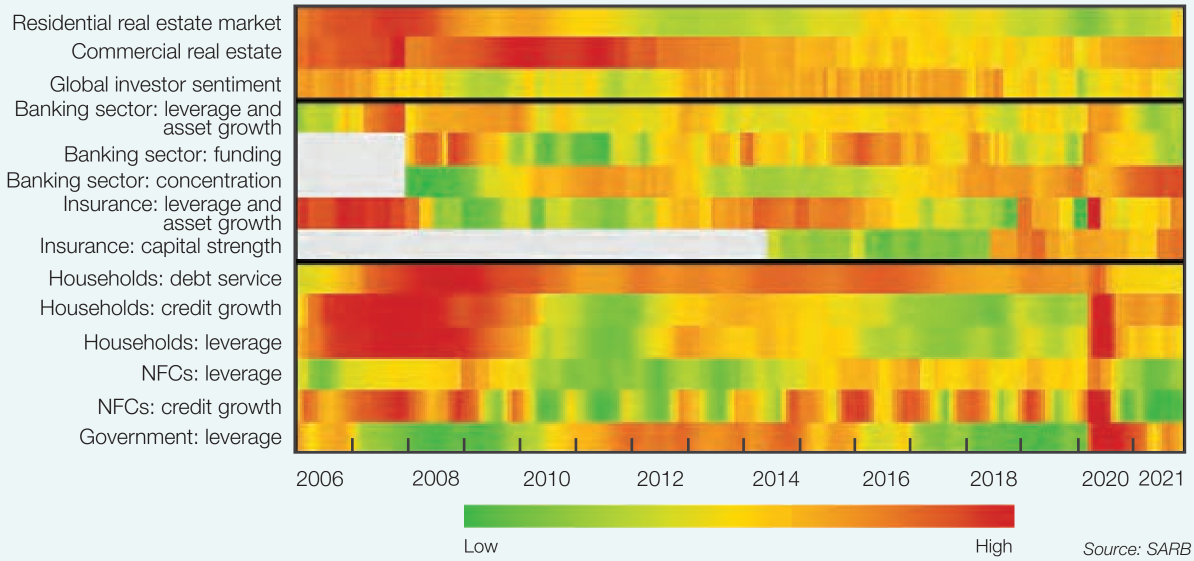
Alongside its mandate to protect the value of the rand against the effects of inflation, the SARB is also tasked with protecting and enhancing the stability of the financial system. Financial stability refers to a financial system that is resilient to systemic risks and shocks and that is able to efficiently intermediate funds, even in adverse conditions, thereby bolstering confidence in the financial system and financial institutions. Financial stability is not an end in itself, but a precondition for balanced and sustainable economic growth.

The SARB's financial stability mandate is set out in the Financial Sector Regulation Act 9 of 2017 (FSR Act) and the Financial Stability Committee (FSC) is responsible for the execution of this role.

Macroprudential analyses

The SARB monitors and analyses a large set of financial stability indicators to preemptively identify risks to financial stability. These risks are regularly discussed at the FSC meetings. The financial stability heatmap below (Figure 1) is one tool used to illustrate risks and vulnerabilities in different sectors of the domestic economy. The SARB recommends policy decisions based on these outcomes.

Figure 1: Financial stability heatmap, March 2022



Source: SARB

The SARB's macroprudential monitoring framework has been broadly aligned with the Financial Stability Board's approach. This alignment included a focus on vulnerabilities in the financial system that can potentially be mitigated through macroprudential actions. These are in addition to risks that are often outside the SARB's control.

Main risks and vulnerabilities identified in 2021/22

Some of the main risks and vulnerabilities from a financial stability perspective that emerged during the year were:

- the continued impact of COVID-19 on growth and the unequal impact on income and employment in South Africa;
- the likelihood of rising inflation and interest rates globally on the domestic financial system;
- the July 2021 unrests and its cost to the domestic financial system;
- the high level of government debt and the concentrated exposure of the financial sector to the government;
- climate change related risks; and
- the possible impact of the Russia-Ukraine conflict on financial stability.

Financial Stability Review

The SARB's Financial Stability Review (FSR) – published twice a year – is its primary tool for communicating financial stability risks and mitigating policy actions to the public. The FSR is continually enhanced to increase its effectiveness as an instrument of public communication on relevant developments and the risks and vulnerabilities impacting domestic financial stability.

The FSR typically consists of three chapters: Chapter 1 contains an overall assessment of risks and vulnerabilities to financial stability, based on the SARB's macroprudential assessment framework. Chapter 2 focuses on topical or new developments. Its two themes this year were the bank-sovereign nexus, and the new resolution and deposit insurance framework. The third chapter contains detailed discussions of sectoral developments with a potential bearing on financial stability.

Stress testing

A stress test is a forward-looking analysis tool used to assess whether financial institutions have adequate levels of capital and/or liquidity to withstand extreme but plausible negative shocks such as a deep recession or a financial crisis. The SARB conducts periodic macroprudential stress tests on South Africa's systemically important financial institutions (SIFIs), from both a top-down and bottom-up perspective.

In 2021, the SARB performed a common scenario stress test covering the six banks designated as SIFIs, as well as an inaugural sensitivity stress test of the insurance sector. This banking exercise also included, for the first time, a physical climate change risk assessment based on a drought scenario.

The outcome of the exercises indicates that the systemically important South African banks and larger insurers have sufficient financial resources to withstand the adverse scenarios they were subjected to. Results also highlighted broad alignment between the bottom-up and top-down outcomes for the banks' exercise. The detailed results were published in the second edition of the 2021 FSR.

While the SARB has made significant strides in expanding the scope of macroprudential stress tests, further improvements are envisaged over the coming years, especially for insurance and climate risk stress testing.

Crisis preparedness and resolution

The FSLA Bill, 2018, was adopted by Parliament on 14 December 2021 and in January 2022 it was signed into law by the President. The Financial Sector Laws Amendment Act (FSLA Act) designates the SARB as the resolution authority responsible for managing the failure of designated institutions. The FSLA Act will also establish CODI as a subsidiary of the SARB with the responsibility of ensuring covered depositors retain access to their funds during a bank failure. The provisions of the FSLA Act will come into operation in accordance with the commencement schedule that will be published by the Minister of Finance.

The SARB is continuing its work to prepare for the implementation of the resolution framework provided for by the FSLA Act. As part of its responsibilities the SARB will need to plan for the failure of a designated institution, regardless of the likelihood of such failure occurring. The SARB will also need to take steps to improve the resolvability of designated institutions. The SARB published discussion papers on the actions that institutions will need to take once the relevant standards are issued. These actions will aim to improve on the information provided to regulators and increasing their loss absorbency during a resolution. The SARB is also continuing work to improve its internal structures and build the necessary capacity that will support its functions as the resolution authority.

Financial market infrastructure developments

In terms of the Financial Markets Act No. 19 of 2012 (FMA) and the Financial Sector Regulation Act No. 9 of 2017 (FSR Act), the SARB has certain statutory responsibilities in relation to financial market infrastructures (FMIs). In June 2021, the SARB submitted a report to the Minister of Finance on how domestic FMIs are observing principles developed by international standard setting bodies in fulfilment of section 12(c) of the FSR Act. In terms of various sections of both the FMA and FSR Act, the approval and/or concurrence of the SARB is also required for certain applications submitted by FMIs to the local financial sector authorities. During the period under review, a SARB FMI panel was established to assess requests received from financial sector authorities.

Governance structures

FINANCIAL STABILITY COMMITTEE[1]	FINANCIAL STABILITY OVERSIGHT COMMITTEE[2] (FSOC)	FINANCIAL SECTOR CONTINGENCY FORUM (FSCF)
(meets four times a year)	(two virtual meetings during the reporting year)	(two virtual meetings during the reporting year)
CHAIRPERSON		
Governor of the SARB	Governor of the SARB	Deputy Governor (responsible for financial stability)
MEMBERS		
Deputy Governors, other MPC members and the heads of the core line departments	SARB, National Treasury and representatives of financial sector regulators[3]	SARB and representatives of financial sector regulators, financial sector industry associations and organs of state
Meetings are divided into two sessions: • An information session in which departments report on developments in the global and domestic environments that may impact domestic financial stability. • A policy session (with limited attendance) in which possible mitigating policy actions are considered to mitigate any adverse impact on domestic financial stability.	• Facilitates cooperation between the financial sector regulators and the SARB on financial stability matters. • Makes recommendations to the Governor on the designation of SIFIs. • Makes recommendations to other organs of state to assist in promoting, protecting, maintaining, managing or preventing risks to financial stability.	Assists the FSOC and SARB with: • Identifying potential risks that may result in a systemic event occurring. • Coordinating appropriate plans, mechanisms and structures to mitigate these 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. • The Financial Sector Cyber Resilience Subcommittee, which focuses on industrywide efforts to increase the resilience of the financial sector to cyberattacks.

[1] *An internal non-statutory committee.*
[2] *Statutory committees prescribed by the FSR Act.*
[3] *Financial Sector Conduct Authority (FSCA), Financial Intelligence Centre (FIC), National Credit Regulator (NCR) and Prudential Authority (PA).*

Establishment of a deposit insurance scheme for South Africa

Following the global financial crisis, the Financial Stability Board developed the Key Attributes of Effective Resolution Regimes for Financial Institutions, which require jurisdictions to have a resolution framework and privately funded depositor protection fund in place. The SARB and National Treasury decided that South Africa should establish a deposit insurance scheme (DIS) to close the gap in its financial safety net and to also bring the country in line with international best practice and other G20 countries.

The main policy objective of a DIS is to protect less financially sophisticated depositors in the event of a bank failure, thereby contributing to customer protection, financial inclusion and financial stability.

The Financial Sector Laws Amendment Act 23 of 2021, as promulgated in January 2022, provides for the establishment of CODI.

Apart from consultation with the banking sector through the publication of several discussion papers, a survey was conducted of deposits in the banking sector aimed at estimating the covered deposit balance for each bank and the sector at large, to calculate and estimate the financial contributions (levies, premiums and liquidity) of banks to CODI. This survey confirmed that the proposed coverage level of R100 000 per depositor per bank is still relevant. Other focus areas include putting in place governance structures, building a technology solution for data collection and payout, determining business requirements, and creating a target operating model.

Looking forward, at a strategic level CODI will focus on the development of a fully operational deposit insurance scheme with a sufficiently funded deposit insurance fund. CODI will also focus on improving confidence and credibility in the financial system through promotion and awareness of the DIS. In the long term, CODI aims to enhance its coverage further to support the stability of the financial system.

PRUDENTIAL REGULATION

The impact that COVID-19 had on the local and global economy tapered, with some of the recovery evidenced by the improved performance of the regulated sector.

During 2021, the banking sector began returning to pre-COVID-19 levels, demonstrated by better return on equity ratios. As the economy recovers further, the PA has been phasing out the COVID-19 relief measures granted in 2020, providing the industry with the timelines for the unwinding. The PA has made notable progress on the operational front, as well as the development of the PA regulatory and supervisory frameworks. This includes publishing its 2021-2024 Regulatory Strategy, in October 2021.

The PA continues to strengthen and enhance its relationship with industry and fellow policy makers including the Financial Sector Conduct Authority (FSCA). With the rotation of the SARB deputy governors, Deputy Governor Fundi Tshazibana took up the role as chief executive officer of the PA as of 1 April 2022.

Regulatory strategy

The 2018-21 PA Regulatory Strategy was finalised by 31 March 2021 and showed significant progress made by the PA in achieving the objectives of its regulatory priorities since its establishment in April 2018.

As required by section 47 of the Financial Sector Regulation Act 9 of 2017 (FSR Act), the PA Regulatory Strategy was revised and now sets out the PA's key priorities for the financial periods between 2021 to 2024. The Prudential Authority Regulatory Strategy 2021-2024 was published on 1 October 2021.

Below is an update of how the PA has progressed with each priority during 2021/22.

Key highlights for 2021/22

STRATEGIC PRIORITY

Strengthen the regulation and supervision of banking institutions with updated Basel III requirements, updated regulatory requirements related to mutual banks, assessing the cooperative banks framework, and developing prudential standards for cooperative financial institutions.

BANKS

- In March 2022, the National Treasury published amendments in terms of section 90 of the Banks Act, 1990 to the Regulations (the Regulations) relating to Banks. Effective from 1 April 2022 these were:
  - the Large Exposures (LEX) framework; and
  - the Total Loss Absorbing Capacity (TLAC) holdings standard.
- The PA is in the final stages of consultation on proposed amendments to the regulations in respect of banks' exposure to interest rate risk in the banking book (IRRBB).
- Issued Guidance Note 4 of 2021 (July 2021), setting out the revised proposed implementation dates for the Basel III post-crisis reforms.
- Finalised the proposed amendments to the regulations to incorporate the revised internationally agreed frameworks for public consultation in:
  - the standardised approach for credit risk;
  - the internal ratings-based approach for credit risk;
  - the operational risk framework;
  - the leverage ratio – revised exposure definition; and
  - the revised requirements related to the output floor.
- Finalised proposed amendments to the regulations for the securitisation framework, as well as a directive on the capital treatment for simple, transparent, and comparable securitisations.
- Communicated the PA's intention to phase back the COVID-19 relief measures extended during 2020 to assist banks fulfil their role in the broader economy and ensuring the effective functioning of financial markets. These measures included reduced capital and liquidity requirements, the treatment of COVID-19 distressed loans, guidance on dividend distribution and expected credit loss accounting.

MUTUAL BANKS

The PA approved a policy document for enhancing the mutual banks regulatory framework that covers three phases based on nature, size, complexity, and risk profile.

Phase 1 (currently in progress):
- Develop a policy paper on the shortcomings in the legislative and regulatory dispensation; and
- consult, draft and issue prudential standards in line with both the current Mutual Banks Act 124 of 1993 (Mutual Banks Act) and the FSR Act to close the identified gaps.

Phase 2:
- Engage the Minister of Finance via National Treasury on the gaps identified and request approval to proceed with the policy amendments; and
- upon effecting amendment of the Mutual Banks Act, review and update the prudential or joint standards to align to the amended Act.

Phase 3:
- Collaborate with National Treasury to develop and finalise a policy paper on the approach to a tiered banking sector; and
- review, and update the Mutual Banks Act and related prudential or joint standards to align with the final National Treasury policy paper.

COOPERATIVE BANKS AND COOPERATIVE FINANCIAL INSTITUTIONS

In June 2021, the PA published a set of prudential standards for CFIs and co-operative banks relating to:
- registration and operational requirements;
- governance;
- risk management and internal controls; and
- financial soundness.

The comments received are expected to be published, together with a full set of standards, for further public consultation in the second half of 2022.

PRUDENTIAL REGULATION continued

STRATEGIC PRIORITY

Implement prudential regulation and supervision of financial conglomerates to obtain a holistic view of group-wide activities, intragroup transactions and large exposures.

In December 2021, the PA finalised and published four prudential standards for financial conglomerates relating to:

- intragroup transactions and exposures
- auditor requirements
- governance
- risk management and risk concentration

The prudential standards became effective from 1 January 2022.

In January 2022, the PA released the draft Capital Standard for financial conglomerates for field testing. These commenced from February 2022 with designated financial conglomerates and financial groups that volunteered to participate. The purpose for the field testing, is inter alia, to:

- Provide an opportunity for the financial conglomerate to understand the requirements of the draft capital standard and develop systems and processes to calculate capital.
- Provide the holding company of a designated financial conglomerate with details of the technical specifications of the draft capital standard for calculating the capital requirements.
- Provide the financial conglomerate with the reporting template for sending through its calculations.
- Collate data and learnings on the application of the draft standard to identify any potential shortcomings that will assist in refining the capital standard prior to issuing it as a formal prudential standard.
- Provide an opportunity for the PA to develop systems and processes to assess the capital calculations and risk profiles.

STRATEGIC PRIORITY

Prudential regulation of market infrastructures including strengthening the resilience of MIs and adherence to international principles related to MIs.

- The first Market Infrastructure Capital Assessment Process (MICAP) assessments were concluded in December 2021. The main purpose of the MICAP is for the PA to continually assess the suitability of a Market Infrastructure's (MI's) methodologies and risk management practices utilised in quantifying the capital set aside by an entity in response to various risk types.
- The review and amendment to regulation 8 of the FMA Regulations and the Regulatory Returns continues. The amendment to the liquidity risk section of Regulatory Return is being finalised and training with the industry has been planned.
- During 2021, JSE Clear (Pty) Ltd (JSE Clear) applied for an independent clearing house licence to comply with the transitional provisions as set out in section 110 of the Financial Markets Act, 2012 (FMA). The PA, FSCA and the SARB are assessing the licence application.
- In February 2022, the PA, FSCA and the SARB published the Joint Roadmap for the development of a Regulatory Framework for Central Clearing in South Africa. The roadmap sets out:
  - timelines for the development of regulatory frameworks relating to an equivalence framework;
  - licensing of external FMIs;
  - an exemption framework; and
  - eligibility criteria for over-the-counter derivative transactions subject to mandatory clearing.
- The PA, FSCA and the SARB continue to assess the relevant MIs' observance of the Principles for Financial Markets Infrastructures issued by the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions (IOSCO).
- The continuing finalisation of the draft Joint Recovery Standard that sets out the minimum requirements for MI recovery plans.

STRATEGIC PRIORITY

Prudential regulation and supervision of insurers by embedding the insurance Solvency Assessment and Management (SAM) principles and issuing further regulatory instruments per the Insurance Act, 2017 (Insurance Act).

The PA published the following regulatory instruments in the refinement of the Insurance Regulatory Framework:

- **Prudential Communication 5 of 2021** provided clarity on the application of the Financial Soundness Standard for Insurers (FSI) and Final Position Paper III to resolve selected items with regards to the Solvency Assessment and Management Phase 2 (SAM 2). It provided guidance on the treatment of cash, cash instruments and short-term deposits, the illiquidity premium, and the requirement of maintaining the related assets set out in FSI 2.2 Section 13.4(a) as well as the treatment of short-term investment instruments as it relates to FSI 4.1.
- **Prudential Communication 8 of 2021** clarified the PA's approach to representations in respect of the licence conversion process concluded in June 2020. It sets out definitive timelines for insurers to make final representations in relation to licensing conversion matters.
- **Prudential Communication 9 of 2021** introduced prudential standards on the audit requirements for Insurers, Insurance Groups, Micro-insurers, Lloyds and Branches of Foreign Reinsurers.
- **Joint Communication 5 of 2021** introduced the draft *Joint Standard on Outsourcing by insurers*. The draft joint standard sets out the minimum requirements that an insurer should comply with when outsourcing material business functions or activities from third-party service providers.
- **Joint Communication 7 of 2021** confirmed the PA and FSCA supervisory preference for the naming convention when referencing a licensed insurer or controlling company. The uniformity in the naming convention will ensure consistency across all licensed insurers and controlling companies.
- **Guidance Notice 2 of 2021** provides details for calculating the capital requirements for underwriting risk related to non-life insurance obligations for insurers using the standardised formula to calculate the Solvency Capital Requirement. This Guidance Notice was aimed at illustrating approaches that may be adopted for the treatment of insurers' eligible risk mitigation instruments in addition to the impairment of those instruments for counterparty default risk.
- **Guidance Notice 3 of 2021** was published to assist insurers with their compliance with the capital requirements of FSI 4 relating to Incurred but Not Reported provisions.
- **Joint Guidance Notice 1 of 2021** confirmed the view of the PA and FSCA, that unless a person is licensed as a captive insurer under the Act, that person may not conclude insurance business relating to 'first party risks' in South Africa. The Joint Guidance Notice is built on regulatory principles espoused in Joint Guidance Notice 1 of 2019 and provides additional clarity on foreign domiciled captive insurers conducting insurance business related to 'first party risks'.
- **Supervisory Observation: Financial Soundness Standards for Insurers – Encumbered Assets** sets out the PA view on what an encumbered asset is, and what the PA considers when deciding if and how an insurer may recognise the encumbered asset.

STRATEGIC PRIORITY

Establish a framework for Significant Owners including the development of regulatory standards on significant ownership.

In 2021, the PA processed applications and notifications relating to Significant Owners of financial institutions it regulates (i.e. banks and insurers) and gave concurrence on applications relating to MIs that are supervised by the FSCA.

STRATEGIC PRIORITY

Conclude Memoranda of Understanding (MoUs) with financial sector regulators such as the FSCA, National Credit Regulator (NCR), Financial Intelligence Centre (FIC) and the SARB.

The PA collaborated with other financial sector regulators to review respective MoUs. The PA also entered into an MoU with the Bank of Zambia.

ADDITIONAL PRIORITIES

Focus area

Transformation of the broader financial sector.

The FSR Act defines "transformation of the financial sector" as envisaged by the Financial Sector Code for Broad-Based Black Economic Empowerment issued in terms of section 9 (1) of the Broad-Based Black Economic Empowerment Act, 2003.

Transformation is a national objective and is reinforced through the FSR Act. The PA supports transformation within the financial sector and in 2020 finalised its approach in terms of the objective of the FSR Act and specific mandate in terms of the Insurance Act.

The PA considered the transformation plans of financial institutions that submitted licensing applications during 2021 and engaged with the boards of financial institutions on progress made in relation to commitments to the financial sector code.

Focus area

Support financial inclusion by:

- Providing clarity and guidance on establishing member-based financial institutions (CFIs, cooperative and mutual banks as well as micro-insurers).
- Addressing regulatory barriers that hinder innovation needed to facilitate financial inclusion.

Section 34 (1) (e) of the FSR Act requires the PA to support financial inclusion.

During the financial period, the PA developed its approach to supporting financial inclusion based on its mandate. The PA also considered the draft policy paper by National Treasury titled 'An inclusive financial sector for all', the principles for innovative financial inclusion published by the Global Partnership for Financial Inclusion, and the findings and recommendations from the Financial Sector Assessment Programme.

The PA will approach its statutory duty to support financial inclusion through regulatory and supervisory interventions, data collection from institutions, intense scrutiny of impending licence applications, collaboration with stakeholders and participation in transformation initiatives. These focus areas will be further explored through working groups set up within the PA and will include the FSCA where relevant.

Focus area

Integrity in terms of compliance with the anti-money laundering (AML) and combating the financing of terrorism (CFT) provisions of the Financial Intelligence Centre Act, 2001 (FIC Act).

The PA is responsible for AML/CFT (anti-money laundering and combating the financing of terrorism supervision in respect of banks, mutual banks and life insurers as empowered by the FIC Act. The PA follows a risk-based approach to supervision, ensuring that adequate risk mitigation measures and controls are in place to protect financial institutions from being exploited by criminals.

In 2019, the Financial Action Task Force (FATF) conducted a mutual evaluation of the PA's AML/CFT division, as well as other regulators, supervised entities, and law enforcement agencies. The FATF's Mutual Evaluation (ME) report had an adverse rating under technical compliance and effectiveness. The recommendations provided by the assessors required concerted effort and work across various stakeholders within the AML/CFT spectrum in South Africa. These recommendations include the requirement for adequate preventative measures and strengthening the use of intelligence to inform investigations which ultimately lead to prosecutions, convictions, and confiscation of assets.

The PA is particularly focused on Immediate Outcome 3 and 4 of the report which pertains to supervision and preventative measures, and has identified the following areas requiring improvement:

- the understanding of Terrorism Financing (TF) risk;
- the market entry requirements pertaining to licensing and beneficial owners;
- the application of a risk-based approach to supervision whereby the frequency, intensity and degree of supervision is informed by risk for a specific supervised entity;
- the ability to improve compliance through administrative sanctions; and
- introducing specific licensing requirements in respect of money value transfer services (MVTS) domestically. Currently all banks are regarded as domestic MVTSs and entities wishing to offer similar services must partner with a bank.

Focus area

Transitional arrangements for medical schemes, pension funds, collective investment schemes and friendly societies in relation to section 291 and section 292 of the FSR Act.

Sections 291 of the FSR Act requires the PA to concur on prudential functions carried out by the Council for Medical Schemes (CMS) for the regulation and supervision of medical schemes.

Section 292 of the FSR Act requires the prudential regulation and supervision of Pension Funds, Collective Investment Schemes and Friendly Societies to transition into the PA by 1 April 2024.

During this financial period, discussions between the PA, FSCA and CMS continued to look at how the transition will be carried out ahead of the deadline set by the Minister of Finance. This process entails developing regulatory and supervisory frameworks that would enable the relevant authorities to achieve their respective mandates, while complying with the objectives the Twin Peaks regulatory model.

Focus area

Sustainable finance, including climate change.

The PA Climate Think Tank (PACTT) was established in 2020 to promote, develop and coordinate regulatory and supervisory responses to climate risks that impact regulated and supervised entities. Progress made during 2021 includes:

- identifying climate risk-related strategic interventions for capacity building;
- enhancing regulatory and supervisory frameworks; and
- strengthening internal and external coordination.

These interventions are aligned to recommendations made in the National Treasury Technical Paper 'Financing a sustainable economy' published in May 2020, and subsequently reviewed in October 2021 to support assessments of sustainable finance and climate risk. Internal PACTT work streams were constituted to focus on climate risk indicators, supervisory guidance, climate-related financial disclosures, and Pillar II guidance.

In October 2021, the PA published the climate survey report and gauged climate risks across all registered banks, mutual banks, insurers, and MIs. The PA engaged with the banking and insurance sectors on the climate survey report and broader climate risk issues under consideration by the PA.

The PA held workshops on climate risk indicators and National Treasury's Green Finance Taxonomy.

The PA is represented on numerous international climate risk committees such as the International Association of Insurance Supervisors (IAIS), the Basel Committee on Banking Supervision (BCBS), the Financial Stability Board (FSB), the Sustainable Insurance Forum and the Network for the Greening of the Financial System.

The PA funding model

As previously reported, the PA has started the preparatory work for implementing the collection of fees and levies in anticipation of the commencement of Chapter 16 of the FSR Act.

In February 2021, National Treasury released for public consultation the proposed Financial Sector Levies Bill, which allows the PA to impose levies on the regulated financial institutions to fund its operations. The Bill was revised after considering public comments, as well as incorporating the proposed imposition of the deposit insurance levy. In November 2021, Cabinet approved that the Financial Sector and Deposit Insurance Levies Bill, which was accompanied by the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Bill, be submitted to Parliament.

On 15 December 2021, National Treasury invited public comments on both Bills, which were introduced in Parliament during January 2022.

In February 2022, National Treasury, the PA and the FSCA briefed Parliament's Standing Committee on Finance (SCoF) on the Bills.

As at 31 March 2022, the PA, working with National Treasury and the FSCA was still in the process of analysing the public comments received.

The SCoF invited public comments on the Bills, and public hearings were scheduled for May 2022.

The commencement date of Chapter 16 of the FSR Act and consequently the Bills was initially set for 1 April 2022. This was changed, through Government Notice No. 257 of 25 March 2022, to a date that will be determined in the future once the Bills currently before Parliament are finalised.

Once the Bills are passed and promulgated, the PA will communicate a detailed implementation process to the industry. Until then, the SARB will continue to fund the PA.

Interbank offered rates

During 2021 the London Interbank Offered Rate (LIBOR) transition remained a significant priority in the international arena for financial sector regulatory and supervisory authorities, standard-setting bodies, and market participants.

The PA undertook measures to conduct detailed studies relating to the impact, initiatives, transition statuses and measures, and financial sector exposures to LIBOR.

The PA released a detailed report that highlighted the results of the studies for industry consumption, and devised a monitoring template as an additional mechanism to elicit institutional-level data from selected market participants. The outcomes from this analysis were presented to the Association of Savings and Investment South Africa, Banking Association of South Africa and the South African Insurance Association. Furthermore, the PA held engagements with selected financial institutions to discuss their transition programmes; LIBOR exposures; the adoption and utilisation of alternative risk-free rates (RFRs) and fall-back languages; as well as concerns observed.

The emphasis on continued self-initiated efforts from financial institutions, in conjunction with the application of supervisory guidance and global best practices, remained as critical measures to support the LIBOR transition efforts towards global and jurisdictional financial stability.

The International Monetary Fund (IMF) and World Bank Financial Sector Assessment Programme (FSAP)

During 2020 and 2021, the IMF and World Bank jointly conducted a Financial Sector Assessment Programme (FSAP) on South Africa. The purpose of the FSAP is to assist countries reduce the likelihood and severity of a financial sector crisis. The IMF and World Bank teams concluded the FSAP and on 11 February 2022 published the report including findings and recommendations for the PA, other financial sector regulators, the SARB and the National Treasury.

Governance structure

PRUDENTIAL COMMITTEE

CHAIRPERSON
Governor of the SARB
MEMBERS
Deputy Governors, with one of the Deputy Governors being the CEO of the PA
STANDING INVITEES
The four PA Heads of Department and the Head: Financial Stability Department

The Financial Sector Regulation Act, 2017 (the FSR Act) prescribes the governance structure including the Prudential Committee, resources, financial management and reporting obligations of the PA.

The Prudential Committee (Pruco) (met 11 times and held a strategy session for the 2022/23 financial year).

Functions

During this financial period, the Pruco provided oversight on the management and administration to ensure that the PA is efficient and effective.

In addition, the Pruco, among others:

- approved the 2021-2024 PA Regulatory Strategy;
- authorised the PA to enter into Memoranda of Understanding with the Banco Central do Brasil and the Bank of Zambia;
- made two sets of prudential standards, namely:
  - prudential standards relating to financial conglomerates; and
  - prudential standards relating to audit requirements for insurers.
- determined the effective date for the joint standard on margin requirements:
- Approved amendments to the following Acts for inclusion in the Omnibus Bill 2:
  - Insurance Act
  - Banks Act
  - Mutual Banks Act
  - Co-operative Banks Act
  - the FSR Act
- Approved the following regulatory frameworks for submission to the Minister of Finance and publication by the National Treasury:
  - Large exposures (LEX) framework
  - Total loss absorbing capacity (TLAC)
- Approved the PA Annual Report for the period ending 31 March 2021 for tabling at the National Assembly.

NATIONAL PAYMENTS

The national payment system (NPS) encompasses the entire payment infrastructure that allows consumers, businesses and other entities to make financial transactions, and includes settlement between banks. The NPS impacts the lives of all South Africans. The SARB oversees the NPS to manage associated risks that may cause systemic risk in the financial system.

Regulatory reforms

The review of the National Payment System Act 7 of 1998

National Treasury and the SARB agreed on their approach to undertake the amendments to the NPS Act. The Conduct of Financial Institutions (COFI) Bill set out consequential amendments that will confer on the Financial Sector Conduct Authority the mandate to regulate national payment services from a conduct perspective. Further, these amendments will provide the SARB with the necessary powers to regulate, licence, oversee and supervise payment services from an efficiency, safety and integrity of the national payment system (NPS). This includes removing the payment system management body (PSMB) model and allocating the appropriate PSMB functions to the SARB.

National Treasury shared the draft amendments with industry stakeholders including the Payments Association of South Africa (PASA) and Banking Association South Africa (BASA), as well as relevant regulatory authorities. The NPS industry and stakeholders will be afforded an opportunity to comment on the NPS Act amendments during a parliamentary process that is facilitated by National Treasury.

The payment system modernisation programme

The payment system modernisation programme for our jurisdiction is undertaken as a holistic reform initiative aimed at addressing the broader national payment system encompassing both the retail (low value) and wholesale (large value) systems.

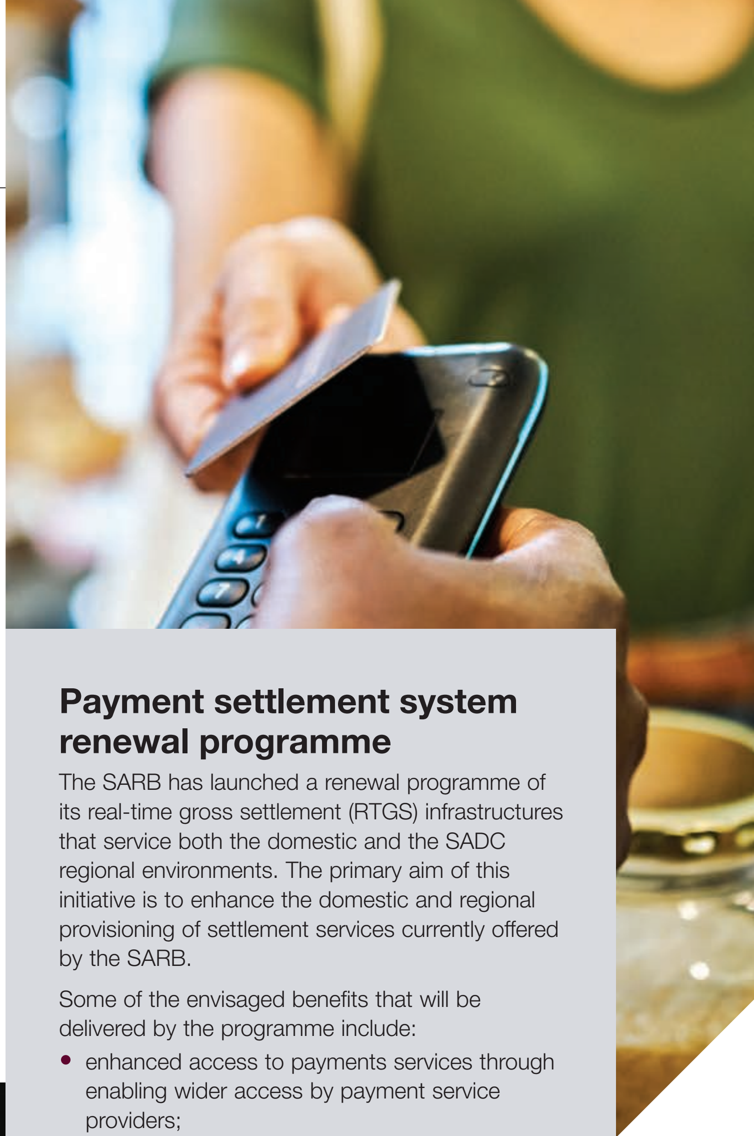
Authenticated Collections/ DebiCheck

In the initial phase, the focus was placed on the retail debit system and specifically the early debit order system that runs immediately after the salary credits to consumer accounts. This is called the authenticated collections (AC/DebiCheck) project that has reached its third and final key milestone on 31 October 2021, as per the Second Amendment of the Directive for Conduct within the National Payment System in Respect of the Collection of Payment Instructions for Authenticated Collections: First Amendment of Directive 1 of 2017.

The system has been stabilised and prioritisation of outstanding requirements and enhancements is being agreed. The parties are finalising dispute rules that will balance the rights of consumers as well as those of debit collecting entities and firms. This system aims to improve the safety and efficiency of the debit order collections system. A related service for mandates that are not authenticated has also been implemented to manage the transition to the new system. This service will be implemented to replace the conventional debit order system that runs late after salary credits.

Rapid Payments Programme

The Rapid Payments Programme (RPP) has been launched as an industry-led payments modernisation initiative in response to the SARB's Vision 2025. This RPP, when fully implemented, will offer a cost-effective instant payment service across banks, a proxy service to embed user banking details, a request to pay service, as well as support for several known retail payment use cases. The payment industry under the leadership of the PASA and BankServ Africa have developed the legal construct, namely the formation of the Payment Clearing House and the establishment of the RPP scheme. BankServ Africa is working with several bank participants to build the technology solution that form the backbone of the RPP solution. It is currently in the testing phase with its implementation planned for the second half of 2022.



Payment settlement system renewal programme

The SARB has launched a renewal programme of its real-time gross settlement (RTGS) infrastructures that service both the domestic and the SADC regional environments. The primary aim of this initiative is to enhance the domestic and regional provisioning of settlement services currently offered by the SARB.

Some of the envisaged benefits that will be delivered by the programme include:

- enhanced access to payments services through enabling wider access by payment service providers;
- leveraging technology advances that improve the efficiency of the system (that would encompass high speed, enhanced transparency, and lower cost of transactions); and
- enhanced system security to address cyber threats.

The current phase of this programme aims to review and enhance the SARB's overall payment settlement service offering including the target operating model and related architectures underpinning its infrastructure. These include the business, conceptual and logical architectures. This initiative is aligned to the broader modernisation journey for the South African payments industry which had adopted an ISO 20022 universal messaging standard that should facilitate seamless integration with domestic, regional, and global infrastructures. The next phase will include the design and implementation of a secure and effective integration layer to be made available for participants and ancillary systems to integrate with the core settlement infrastructure. Lastly, and closely related to the integration layer will be the delivery, testing and implementation of the core settlement application. This includes the requisite integration with the related infrastructures used by the system participants and applicable ancillary systems.

This is a multi-year programme and is envisaged for completion in 2025.

FINTECH

Advancements in technology continue to have a significant impact across industries including the financial sector. New entrants are finding innovative ways to provide financial services to consumers, while existing incumbents are looking for new ways to reduce costs, drive efficiencies and deliver value to their customers. Financial technology (Fintech) is transforming the financial ecosystem and impacting regulated financial entities; consumers; regulatory agencies and central banks.

Central banks have to respond to these market developments, while continuing to play their role as a monetary anchor in a rapidly changing technological landscape. They must consider the appropriateness of regulatory frameworks to respond to increasingly digitised and borderless financial products and services, while at the same time mitigating potential risks.

The risks notwithstanding, Fintech is also recognised as a key enabler of financial inclusion and reaching underserved segments of society. In this regard, the SARB continues shaping policy debates about the future of money and its continued role in maintaining price and financial stability.

The SARB's Fintech Unit

The Fintech Unit participates in the Intergovernmental Fintech Working Group (IFWG) (comprising representatives from National Treasury, the SARB, South African Revenue Services, Financial Sector Conduct Authority, Prudential Authority, Financial Intelligence Centre, National Credit Regulator and Competition Commission), an inter-agency group that seeks to develop a co-ordinated and coherent approach to fintech. The IFWG provides regulatory guidance on new and emerging technologies and activities given that fintech cuts across different regulatory frameworks.

Project Khokha 2

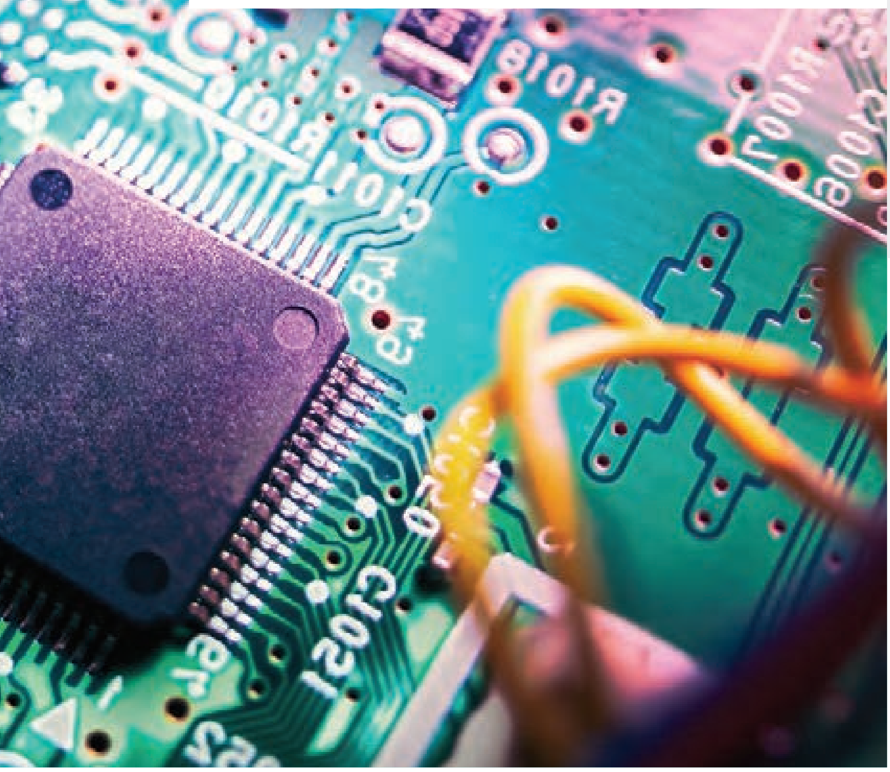
The second phase of Project Khokha (PK2) was concluded in April 2022. As an experimental project, PK2 does not reflect any specific policy stance. PK2 explored the impact of tokenisation through the issuance of a SARB debenture on distributed ledger technology (DLT) and enabling trading, clearing and settlement with two payment instruments – a wholesale central bank digital currency (as a liability of the SARB), and a wholesale settlement token issued by commercial banks. PK2 highlights several policies, legislative and regulatory matters that the SARB will continue to explore, in collaboration with other regulators, industry and relevant stakeholders.

The PK2 report was released on 6 April 2022 and is available on the SARB website. **https://www.resbank.co.za/en/home/publications/publication-detail-pages/media-releases/2022/Project-Khokha-2-Report-Release**

Project Dunbar

The SARB participated in Project Dunbar, which brings together the Reserve Bank of Australia, Central Bank of Malaysia, Monetary Authority of Singapore and Bank for International Settlements Innovation Hub to test the use of central bank digital currencies (CBDCs) for international settlements. Project Dunbar explored the potential benefits of multi CBDCs and how it can make cross-border payments cheaper, faster and safer. The project released its findings on 22 March 2022. It identified the challenges of implementing a multi-CBDC platform shared across central banks and proposes practical design solutions to address them.

The Project Dunbar report can be found can be found at: **https://www.bis.org/about/bisih/topics/cbdc/dunbar.htm**



Exploring new areas of work

The SARB in collaboration with other local authorities continues to explore the impact of Open Finance on the way consumers use financial services. Open Finance enables customers to share their financial data stored by financial service providers with third-party providers who can then use that data to develop products and services. The IFWG Paper on articulating the policy rational and imperatives for Open Finance in South Africa was published on 21 November 2021.

The IFWG Position Paper on Crypto Assets was published on 11 June 2021, which confirms that crypto assets will be brought into the South African regulatory purview in a phased and structured manner. The paper reiterates that with or without regulation, crypto assets remain inherently risky and volatile, bearing in mind that investments in crypto assets remain high.

Journeying with innovators

The IFWG's Regulatory Sandbox provides market innovators with an opportunity to test new products and services that push the boundaries of existing legislation and regulation under the supervision of relevant regulators. Since the Regulatory Sandbox was established in 2020, a total of 52 applications were received. Inclusion in the sandbox does not necessarily translate into regulatory relief and the relevant regulators must consider the appropriate regulatory approach to what is being tested.

HUMAN RESOURCES

The SARB's employees are critical to ensuring that the overall statutory and constitutional mandate of the Bank is achieved.

The SARB's approach to its people is designed to continuously improve performance, create an inclusive environment that promotes employee engagement and attracts and retains talent and expertise.

In 2021 the SARB was again named one of South Africa's more sought-after employers. Its Employee Value Proposition (EVP) works to create an organisation where staff can achieve personal goals and career aspirations, take advantage of learning opportunities, build diverse relationships, and do so while delivering meaningful work that benefits all South Africans.

People strategy – performance highlights

Embed the Employee Value Proposition in people processes

- Embedded EVP messages into social media platforms such as LinkedIn to enhance our employer branding efforts.
- Developed tools to enhance onboarding experience.
- Developed the ambassador programme to promote our EVP.
- Continued to drive the SARB employment brand – 'A purposeful journey' through various campaigns.
- Confirmed as one of the most attractive employers in 2021 for the Business/ Commerce field of employment in South Africa.

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

- Embedded our strategic workforce plan framework to ensure that core and future critical skills and competencies are identified.
- Designed workforce solutions to ensure that HR processes support action plans.

Continue to mature talent and succession management

- Enrolled people managers to participate in the revised performance management module of the Management Fundamentals programme.

Strategic objective

2021/22 performance highlights

Develop and implement the 'SARB Ways of Work' Programme to respond to the shift to remote working and digital advances

- Developed hybrid working principles which have been endorsed by the relevant structures.
- Conducted a pulse survey among employees to assess experiences and preferences with hybrid ways of working. Over 50% of employees participated in the survey.
- Facilitated discussions with management teams to gather managers' specific experiences, concerns and expectations around the hybrid ways of working.
- Developed a Change Management strategy for the adoption of hybrid ways of working.

Align employee experience to foster employee engagement

- Following the 2020/21 annual employee engagement survey, bank-wide action plans were implemented, focusing on key areas of improvement from the survey.

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

- Let's Learn Webinars (in collaboration with the SARB Academy) were conducted in line with strengthening a desired culture. These included: 'Strengthening a culture of integrity' and 'The Springboks' Inspirational Leadership Webinar and Toolkit'.
- Implemented wellness campaigns aimed at strengthening a culture of caring for employees.

Foster a diverse and inclusive workplace to enhance employee experience

- Implemented Phase 1 and 2 of the three year Diversity and Inclusion programme.
- Ensured women are included in key decision making and positions of influence by adopting preferential and fair bias in recruitment and assignments.
- Provided mentoring and training programmes, as well as engagements with key employee segments – women, employees under 35 years of age and persons with disabilities.
- Held awareness campaigns to address unconscious bias and engaged men in conversations via structured programmes.

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

- Salary increases and performance bonuses were paid to qualifying employees, including out-of-cycle salary adjustments for retention of talent.
- Reviewed the performance management policy and developed toolkits to ensure an integrated approach to performance management.

Simplify human resources processes and practices using digitisation

- The Business Case for the Human Capital Management (HCM) Cloud Solution for the Bank was endorsed and approved for implementation.

Employee well-being

The SARB occupational health and wellness team was instrumental in the fight against COVID-19 pandemic and continued to provide support in screening, medical support, contact tracing and proactive mass testing drives across the SARB.

The following measures were implemented in compliance with the COVID-19 government directives:

- Online pre-screening and onsite physical assistance in reducing the risk of on-site infections.
- Withdrawal of vulnerable employees on-site when the positivity rate was above 10% and reassessing the situation when the positivity rate was below 10%.

2021/22
PERFORMANCE HIGHLIGHTS

Through collaboration with government and other private entities, the SARB has managed to vaccinate employees and their families (dependents and children of family/household members), and members of the community. The occupational health and wellness team continued to:

Implement COVID-19 communications and awareness campaigns around mental health, diabetes and breast cancer.

Administer vaccines across the SARB Group for staff and family members, with over 70% of employees fully vaccinated.

Facilitate awareness sessions on the benefits of vaccination.

Maintain Wellness Wednesday as a communication tool on health and wellness issues.

2021/22
PERFORMANCE HIGHLIGHTS

Talent management and workforce planning

9 postgraduates
participated in the SARB's 2021/22 Graduate Development Programme. The graduates attended various training interventions aimed at developing well-rounded central bankers, including training on personal and professional skills (2020/21: 19).

Time to fill critical roles
129 days
(target: <60 days)
2020/21: 153 days

Critical roles turnover rate
0.5%
2020/21: 0.5%

Overall employee turnover rate
6.1%
(target: 4%)
2020/21: 4.5%

Regrettable employee turnover
1.6%
(target: <4%)
2020/21: 1.2%

Coverage ratio for critical roles
90.8%
(target: 85%)
2020/21: 88%

Management and leadership training

275 managers and team leaders (2020/21: 167) were developed across all levels and attended at least one of the undermentioned programmes:

- **Management Fundamentals Programme: developed 186 managers and team leaders** (2020/21: 107).
- **Transitions Programme: developed 29 managers who experienced a change in their role** (2020/21: 13).
- **Emerging Leaders Programme: developed 60 newly appointed managers and team leaders** (2020/21: 49).

The SARB Management and Leadership Development Programme (MLDP) is aimed at developing leaders across different levels. It further aims to strengthen the leadership bench across the different levels. During the period under review, eight management and leadership programmes have been rolled out with 419 managers participating. An overall average of 84.3% satisfaction was achieved across all programmes confirming that participants found that it aligned to their needs as new and existing leaders.

There have been numerous benefits noted by participants in these programmes. A new impact assessment framework was piloted to evaluate the effectiveness of the leadership programmes. According to 88.6% of participants they are able to use the acquired skills to lead their team effectively following The Emerging Leaders Programme. Some 77% of participants reported that to a great or very great extent the programme has had a positive impact on their performance as a SARB leader. This pilot confirmed a 90% satisfaction level for *The Emerging Leaders Programme*, with 68% reporting that it addressed their development needs in terms of competencies to be developed, and 90% reporting a noticeable shift in their leadership behaviour post the intervention.

Learning and development

The SARB Academy aligns all open and customised programmes to the five strategic focus areas and aims to design and deliver impactful learning not only for performance improvement, but also for personal transformation.

2021/22 PERFORMANCE HIGHLIGHTS

2 248
employees attended training courses, which is 98% of the workforce
(2020/21: 1 516, i.e. 67% of the workforce)

Of the employees who received training,
50% were female, and
0.7% were disabled

The total training spend was
R68.2 million
which is 3% of the total payroll
(2020/21: R27.6 million i.e. 1.7% of total payroll)

Although some training sessions are still hosted in external training venues, significant cost savings have been achieved due to improvements in technology and a worldwide online learning trend via MS Teams, Zoom or through other self-learning platforms such as Udemy.

Employee engagement

The SARB continues to drive a culture that encourages open and transparent communication. As part of improving the experience of employees, an integrated and continuous approach has been taken via its employee listening strategy. This entails collecting employees' sentiments more frequently across the employee lifecycle in response to their evolving needs and expectations. The annual employee engagement survey continues to be a key tool for gaining employee insights. The SARB deployed additional survey tools to gain further insights on specific topics such employee experiences on strategic initiatives and onboarding and off boarding. The employee listening strategy will continue to provide insights into how to strengthen the desired culture and enable a purposeful journey in the SARB.

2021/22 PERFORMANCE HIGHLIGHTS

AREAS TO CELEBRATE

Participation
84,7%
2020/21: 84,1%

Overall engagement score
remains in the **Platinum Seal category** at the score of
70,6%
2020/21: 72,3%

Four categories assessed

Culture	Leadership	Human experience	Talent
75%	**67%**	**71%**	**65%**
2020/21: 76%	2020/21: 70%	2020/21: 73%	2020/21: 67%

AREAS OF STRENGTH

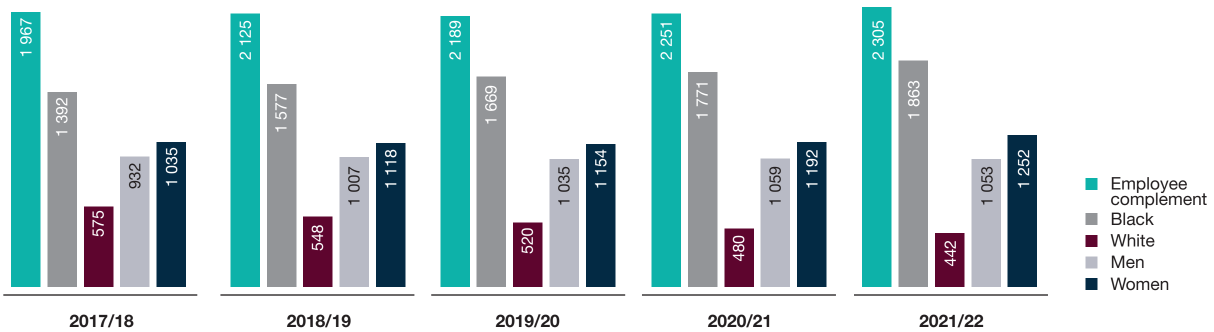
- **Commitment**
- **Quality focus**
- **Inclusion, collegiality**
- **Learning culture**
- **Meaningful work and purpose**
- **Work environment (flexibility)**
- **Collaboration**

AREAS OF IMPROVEMENT

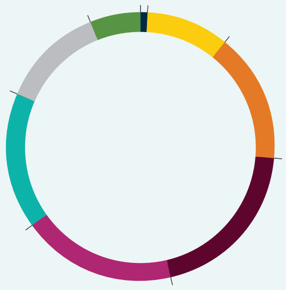
Trust and communication	Equal Opportunity/ career advancement	Performance management
Rewards (market competitiveness and pay parity)	Employee **stress levels and workload**	Leadership role modelling

Employee statistics

Headcount over five years
(number of employees)



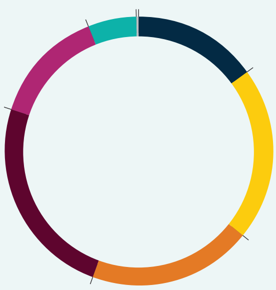
Age group breakdown (%)



Years	Employees
<25	20 (1.0%)
25-30	231 (10.0)
31-25	359 (15.6)
36-40	459 (19.9%)
41-45	429 (18.6%)
46-50	381 (16.5%)
51-55	289 (12.5%)
>55	137 (5.9%)

Average age 42 years 2019/20: 42 years

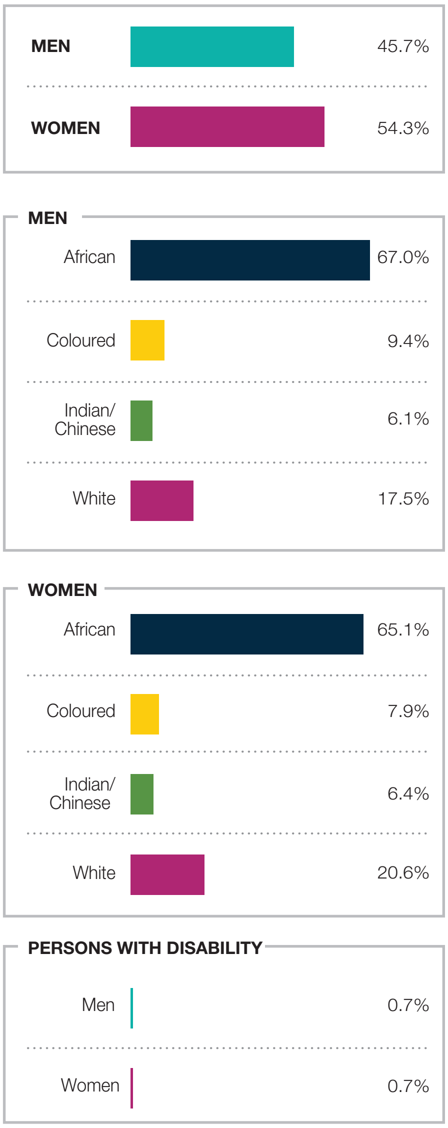
Years of service breakdown (%)



Years	Employees
0-1	15.1%
2-4	21.0%
5-10	19.7%
11-20	24.2%
21-30	14.1%
30-40	5.7%
>40	0.2%

Average years of service 11 years 2019/20: 11 years

Employee equity profile



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 2022, the SARB Retirement Fund had 3 097 contributing members, 128 preserved members, 1 038 life annuitants, (158 life annuities transferred in from the former SARB Pension Fund, and now ring fenced within the SARB Retirement Fund), 72 living annuitants, and 13 deferred retirees (members who have retired from the SARB Group but not from the fund). The fund's total liability amounted to R8 960 million at year-end.

Statutory actuarial valuations are performed every three years and interim actuarial valuations annually. The last statutory actuarial valuation was as at 31 March 2021 and found the fund's financial position to be sound. The next statutory actuarial valuation will be based on the audited financial statements for the year ended 31 March 2024. An interim actuarial valuation as at 31 March 2022 will be performed during the year. More details regarding the actuarial calculation and the administration of the fund will be available with the release of the Fund's *Annual Report* expected in November 2022.

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

LOOKING **AHEAD**

The Human Resources Department will continue to:

- Drive a high level of employee engagement to improve the employee experience.
- Continue to strengthen organisational culture and remove barriers to high performance.
- Simplify human resources processes using technology.
- Further embed talent management performance management and reward processes.
- Define guiding principles and develop a framework and support structures to balance traditional ways of working with more collaborative and empowering ways, enabling hybrid ways of working.

INFORMATION AND TECHNOLOGY

Technology is growing exponentially and its continued integration into every aspect of the SARB's work ensures that the SARB remains at the forefront of new developments and harnesses the benefits of digitisation. The ongoing execution of large transformational projects, along with the replacement of legacy systems ensures that I&T enhances the business capabilities required to successfully deliver on the SARB's strategy and mandate.

Key I&T objectives

01 **Partner with the SARB's business functions to develop solutions that deliver value.**

02 **Provide mission critical core banking platforms that are stable and secure.**

03 **Supply high-quality information and data that informs policy and business decisions.**

04 **Acquire and govern technology solutions and programmes in line with industry best practice.**

05 **Provide collaboration tools, secure connections, and robust security protocols to support remote working.**

I&T strategy

The I&T strategy is designed to be adaptive so that it continues to support the objectives of the SARB's 2025 strategic plan. Progress against the I&T strategy is measured using a scorecard, which in 2021/22 covered:

- The progress of large transformational (Tier 1) programmes that support the SARB's strategic and enablement focus areas, together with delivery on the tactical projects (Tier 2).
- Focus on continuous improvement in I&T Governance, Risk and Compliance.
- Stable and reliable service delivery that enables the SARB to perform its core functions.
- Improvement of internal processes and capabilities needed to enable the SARB strategy.

Investment in new solutions was significantly increased due to replacement of legacy technologies; the increased number of strategic projects required to address business challenges; and the growth in business-driven cloud solutions. The SARB's I&T operating model was revised to mitigate the execution risks of transformational programmes and create appropriate senior leadership capacity to deal with an increase in demand for new I&T solutions. The SARB's I&T governance forums are mature and play an active role in approving business cases and new technology solutions.

Our strategy is to select strategic technology development partners to provide the necessary expertise to implement new digital solutions for the delivery of strategic programmes. The Procurement Committee oversees these appointments and processes are in place to actively develop and manage these strategic relationships.

The SARB's Cyber and Information Security Unit (CISU) provides strategic direction on cyber governance, information security strategy, risk and compliance with ongoing focus on awareness training. It drives the Financial Sector Cybersecurity Resilience Workgroup, a collaboration across financial sector entities in South Africa, and is a member of the Operational Security Situational Awareness Committee of the G20.

The SARB's Cyber Security Operations (CSO) processes and capabilities have matured over the past year resulting in improved processes relating to the confidentiality, integrity and availability of the SARB's technology and information assets.

With the change in the way of work emanating from the COVID-19 pandemic, progress has been made in implementing various technologies to enable SARB staff to work remotely and improve collaboration.

Information Management is showing continued progress through embedding information management and governance capabilities across the SARB's core departments. Digitisation of archived records has continued albeit slower due to COVID-19 restrictions. The compliance with the Protection of Personal Information Act 4 of 2013 has been achieved and will be an ongoing process. See further details as follows:

2021/22 PERFORMANCE HIGHLIGHTS

01

SERVICES AND SOLUTIONS THAT DELIVER VALUE

Execution of strategic projects

- Made good progress on Tier 1 and Tier 2 programmes with 79% and 87% of targets met respectively.
- Continued to source and grow new skills needed to implement the new technologies for Tier 1 and Tier 2 programmes.

Improved business capabilities

- Enhanced the National Cash Management System capabilities.
- Upgraded the Core Banking Solution (Flexcube).
- Deployed an interim solution for the Prudential Authority to manage information on institutions' profiles.
- Continued enhancements to the payments systems to cater for multi-currency and other operational and legislative requirements.
- Implemented measures for strengthening the Johannesburg Interbank Average Rate, which is operational in the market.

02

SYSTEM RESILIENCE

Critical system availability

- Proactive preventative maintenance and monitoring resulted in the availability of critical systems being maintained at 99.97%, above the scorecard target of 99%.
- Successfully conducted three planned I&T systems recovery tests.
- Continued with the long-term projects to redesign the SARB's network, data centres and critical 'always on' business applications.

Cybersecurity

- Established a Privacy, Cyber and Information Security Committee to oversee the SARB Group privacy, cyber and information capabilities and governance.
- Improved key cyber security operations processes including the processes supporting the Cyber Security Incident Response Team to deliver speedy resolution of cyber incidents.

03

ENTERPRISE INFORMATION MANAGEMENT

- Continued to develop data strategies and provide data services to support business functions and Tier 1 programmes.
- Continued improvement in overall data governance maturity levels.
- Development of advanced analytics use cases.
- Coordinated engagements with regulators and the industry to develop a standardised industry data taxonomy.
- Progressed significantly with the digitisation of vital records held at corporate archives.
- Achieved the targets to ensure that the SARB is fully compliant with the Protection of Personal Information Act 4 of 2013 and capacitated an interim Privacy Office.

04

I&T GOVERNANCE AND CONTROLS

- The overall I&T control environment remains adequate and effective.
- Provided executive training on I&T governance, focusing on the King Report on Corporate Governance in South Africa, 2016.

05

SECURE AND UNINTERRUPTED REMOTE WORKING

- Continued to provide the tools and supporting infrastructure to support remote working.
- Completed the Microsoft Office 365 implementation including multifactor authentication and secure collaboration tools.

LOOKING **AHEAD**

- Continue the execution of the SARB's strategic initiatives through the Tier 1 and Tier 2 programmes.
- Digitise our employee experience by transforming our human resource processes and moving our human capital processes to a cloud solution.
- Progress the I&T Strategy to deliver robust I&T capabilities.
- Embed a seamless hybrid working environment by integrating secure onsite and remote working capabilities.
- Improve the SARB's cybersecurity posture and strengthen collaboration across industry to proactively mitigate threats.
- Continuous focus on improving I&T governance, risk and compliance while introducing adaptive governance for business-led cloud solutions.
- Attract technology talent that bring new skillsets while also investing in employee re-skilling.

STAKEHOLDER ENGAGEMENT

Stakeholder activities remain a cornerstone for communicating the policies of the SARB. For these policies to have impact, the public, stakeholders and employees need to understand what the SARB does and the policy decisions that it makes.

To ensure greater accountability to the public, the SARB transparently and consistently engages stakeholders to enhance their understanding of its policy decisions and 2025 strategy to build constructive and sustainable relationships and to foster credibility and public trust.

The SARB's stakeholder engagement strategy sets out consistent principles and communications channels to engage effectively with key stakeholder groups. The SARB continues to leverage social media and online platforms to modernise its engagement and expand its reach with external stakeholders. It uses a number of networks to engage with stakeholders across various platforms.

This approach allows the SARB to proactively manage market expectations and correct any policy misconceptions. It was particularly important during COVID-19, as its main stakeholder engagement activities shifted during the year to digital formats. The virtual Monetary Policy and Financial Stability forums, economic roundtables, analyst briefings and outreach programmes managed to proceed reasonably well despite the turmoil brought on by the pandemic.

The SARB engages with the following three broad groups of internal and external stakeholders: SARB employees; the general public; established stakeholders.

SARB employees

The primary objectives of staff engagement is to promote staff cohesion, ensure employees are effective ambassadors for the SARB and support its purpose, and to build cross-departmental partnerships for effective collaboration and consistent messaging. Employee engagement surveys over the past two years indicate that employees are increasingly satisfied with the SARB's engagement with them. Various channels are used to engage employees, including staff meetings hosted by the Governor (three held virtually during the year), a staff blog, the SARB's internal magazine and regular communication through the SARB intranet, as well as emailers. Employees can express their views and raise concerns in both the Governor's meetings and staff blog.

The general public

The policies of the Bank impact all citizens in South Africa, yet the public remains mostly unaware of the SARB's work. According to the most recent Ipsos Corporate Reputation Survey (2022), just six out of 10 people in South Africa know about the SARB and only four out of 10 know what it does.

Many of the public outreach initiatives about the role and functions of the SARB could not be implemented in a physical format in 2021 due to COVID-19. The MPC Schools Challenge resumed virtually in 2021, and outreach to rural communities, schools and universities also re-started in 2021. Only one outreach to learners and teachers was conducted in-person towards the end of 2021/22 as COVID-19 restrictions were eased.

Established stakeholders

The Ipsos Corporate Reputation Survey (2022) showed that the SARB's established stakeholders have a high awareness of the SARB and are satisfied with its engagement with them. Most of the planned interactions with these stakeholders during the year proceeded with minimal disruptions despite COVID-19.

Other highlights

The Governor and Deputy Governors delivered virtual public lectures/talks at various universities and institutions.

The SARB proactively used social media, radio, television, online and print media to communicate the SARB's centenary, release of publications as well as other strategic focus areas. The SARB's following increased across all key social media platforms.

Twitter
followers exceeded
100 000
(2020/21: 89 688)

Facebook
followers reached
40 907
(2020/21: 36 322)

LinkedIn
followers went up to
139 116
(2020/21: 128 483)

Briefings to Parliament

As an independent public entity, the SARB is accountable to Parliament. In August 2021, SARB executives appeared before a virtual joint sitting of the Standing and Select Committees on Finance. The SARB and the PA tabled their annual reports for discussion, and the SARB explained its monetary policy stance and responded to queries.

Economic roundtable sessions

Economic roundtable sessions are used to engage with economists and market analysts on various topics impacting the South African economy. It provides the SARB with valuable insights on the practical experiences of these stakeholders. In 2021/22, the SARB hosted four virtual sessions attended by 413 participants (2020/21: 315).

Monetary Policy Forums

The SARB's Monetary Policy Review is published twice a year and aims to develop public understanding of monetary policy. The review is launched at the Monetary Policy Forums (MPFs), normally hosted across South Africa's nine provinces. Due to the national COVID-19 lockdown, provincial forums were cancelled and incorporated into the national event. A total of 1 926 people attended the two virtual MPFs (2020/21: 2 300).

Financial Stability Forums

The SARB's Financial Stability Review is also published twice a year and aims to identify and analyse potential risks to financial system. The Financial Stability Forum is used to launch the review. Two virtual forums were held during the year and were attended by 694 people.

LOOKING **AHEAD**

- Continue to broaden engagement and enhance the general public's accessibility to the SARB. This will include improving the quality and relevance of the SARB's communication materials.
- Continue to enhance alternative platforms to effectively implement its stakeholder agenda and address the need for new content and different channels of engagement brought about by COVID-19.

CORPORATE SOCIAL INVESTMENT

The SARB's CSI initiatives focus on education, with the aim to expand the understanding of monetary policy at high school level, develop human capital in the fields of monetary policy and financial stability, improve quality of economic and financial journalism, support students with funding, and to provide support to special-needs schools.

In 2021, the MPC Schools Challenge was held in a virtual format due to the COVID-19 pandemic. The SARB will continue with the employee volunteerism programme when pandemic restrictions ease sufficiently.

Corporate social investment objectives	2019/20 spend	2020/21 spend	2021/22 spend
Develop human capital in the fields of monetary policy and financial stability.	R5.7 million 64 beneficiaries	R5.7 million 73 beneficiaries	**R5.2 million 43 beneficiaries**
Improve the quality of economics and financial journalism in South Africa and on the continent.	R2.6 million 52 beneficiaries	R2.8 million 31 beneficiaries	**R4.4 million 46 beneficiaries**
Grow the understanding of monetary policy at high school level.	R3.7 million 1 770 beneficiaries	R777 000[1]	**R828 000 1 407 beneficiaries**
Support tertiary students with funding	*R10.8 million 82 beneficiaries	*R13.4 million 95 beneficiaries	**R16.4 million 104 beneficiaries**
Provide support to special needs schools	R2.6 million	0	**0**
TOTAL CSI SPEND	**R25.4 million**	**R22.7 million**	**R26.8 million**

* *Erratum: the budget for 2019/20 and 2020/21 has been corrected to reflect actual spend.*

1 *The MPC Schools Challenge was cancelled due to COVID-19, however, workshops were conducted prior to cancellation.*

University Chairs

The SARB has partnerships with several academic institutions, providing financial support to various programmes (referred to as Chairs) that relate to its mandate, and key central banking and economic issues. Under these Chairs, a number of previously disadvantaged students have advanced their studies, mainly through Master's and PhD programmes.

Monetary Policy and Financial Stability Research

UNIVERSITY OF PRETORIA CHAIR OF MONETARY ECONOMICS

For more than 10 years, the SARB's partnership with this Chair at University of Pretoria has brought the relationship between academia and policymaking closer and connected the national research community with international trends. The strategic research collaboration between the SARB's Economic Research Department and the Chair directly contributes to sound policymaking.

This strategic partnership has enabled:

- Over 60 young South Africans, 50% of whom are black, to specialise in a key area of policy and complete Doctorates (PhDs), Master's and international degrees through the Fordham University in New York.
- Two students received an Economic Society of South Africa Founders' Medal for the best PhD research paper. Dr Tumisang Loate, the first black female to receive this award, was subsequently appointed as Senior Research Fellow with the Chair.

UNIVERSITY OF CAPE TOWN FINANCIAL STABILITY CHAIR

The Chair in Financial Stability Studies at UCT supports Master's and PhD research on regulatory complexity, financial interconnectedness, computational models and the regulation of blockchain technologies and crypto assets. The Chair also facilitates postgraduate internships at the SARB. For the year under review, 10 students are registered in the Master of Philosophy (MPhil) of Financial Technology. Of the 10 students, six are black African and five are female.

The SARB Chair created a new online short course on 'Central Bank Digital Currencies', which has been one of the most successful short courses from UCT, with at least 300 students having enrolled.

This strategic partnership is assisting the SARB with:

- Research on privacy-preserving data storage methods for the newly established central credit register.
- The development of additional indicators for non-bank financial intermediary activity.

Journalism

Rhodes University SARB Centre for Economic Journalism

The SARB Centre for Economic Journalism at Rhodes University helps to improve the quality of economic and financial journalism in South Africa and Africa. Financial and economics journalism is critical for a healthy economy, holding decision makers to account and keeping the public informed. The SARB's sponsorship has contributed to the pool of skilled, insightful financial journalists, and aims to bridge the gap between traditional journalism and financial and economic literacy.

This strategic partnership has enabled:

- Over 67 students and aspiring professionals to obtain postgraduate journalism qualifications since 2007. These alumni occupy positions in top media houses, government, leading non-governmental organisations and financial institutions.
- Postgraduates to raise financial and economic literacy in local Eastern Cape communities.

University of the Witwatersrand Journalism Chair

The SARB funds postgraduate training and qualifications in the University of the Witwatersrand's financial journalism programme, which provides aspirant and experienced financial journalists with a working knowledge of economics and finance.

Courses in this programme are offered at Master's, Honours and Certificate level and cater for all journalists, whether they work in print, online, radio or television.

Thirty-eight students took classes in the financial journalism programme in 2021, with another four requiring supervision for their Honours and Master's theses.

Monetary Policy Committee Schools Challenge

The MPC Schools Challenge targets Grade 12 learners in all nine of South Africa's provinces who are studying Economics and Mathematics, and deepens their understanding of the SARB's mandate. In collaboration with the Department of Basic Education, the programme has interacted with over 4 700 learners and educators since its inception in 2012. Teams shortlisted in the competition present their MPC decision on interest rates, with supporting economic data, to a panel of SARB experts.

Owing to restrictions imposed by COVID-19 regulations, the 2021 MPC Schools Challenge was conducted virtually. The use of online platforms negatively affected learner participation levels, which had been increasing over the years. In 2021 the SARB invited independent schools to also participate in the MPC Schools Challenge.

External Bursaries

The SARB offers external bursaries from first year to Honours level to qualifying South African learners drawn mainly from black disadvantaged communities. Bursaries cover registration and tuition fees, books and other study materials as well as a monthly stipend. The bursary scheme:

Provided over
600
black South African students with funding since its inception in 2012.

Sponsored over
100
students in 2021 in recognition of the SARB's centenary year.

Granted new bursaries to
102
students in 2022, of which 88 are previously disadvantaged and 62 are women.

Expanded its art scholarship programme to all provinces in 2021.

Employee Volunteering

The SARB's Employee Volunteerism Programme gives its employees the opportunity to provide their time or donate to schools with special needs scholars. The programme is linked to Mandela Day and supports schools in districts where the SARB's facilities are located.

SUBSIDIARIES

A key aspect of achieving the SARB's price stability mandate is ensuring a sufficient supply of trusted coins and banknotes.

The SARB has two currency-producing subsidiaries, each with its own Board of Directors. The Governors' Executive Committee (GEC) appoints these Board members. The SARB's third subsidiary, the CPD, provides investment services. Its Board comprises officials from the SARB and National Treasury who are appointed by the Minister of Finance. The Corporation for Public Deposits Act 46 of 1984 governs the CPD. Given its scope and risk profile, the Board alone oversees that the CDP responsibly and adequately discharges its responsibilities.

Subsidiaries of the SARB

SOUTH AFRICAN RESERVE BANK

CURRENCY PRODUCING

SOUTH AFRICAN MINT COMPANY (RF) PROPRIETARY LIMITED

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

BOARD CHAIRPERSON

Group Executive
Currency Management,
M (Mogam) Pillay

Managing director
H (Honey) Mamabolo

SOUTH AFRICAN BANK NOTE COMPANY (RF) PROPRIETARY LIMITED

Produces banknotes for South Africa.

BOARD CHAIRPERSON

Group Executive
Currency Management,
M (Mogam) Pillay

Managing director
L (Liziwe) Mda

INVESTMENT SERVICES

CORPORATION FOR PUBLIC DEPOSITS

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

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

BOARD CHAIRPERSON

Deputy Governor
N (Nomfundo) Tshazibana

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

The CPD is accommodated at the SARB's head office, using the SARB's accounting systems and infrastructure. The SARB's Financial Services Department is responsible for the administration and accounting of funds under the CPD's control, and the SARB's Financial Markets Department manages the CPD's investment activities.

The full and summarised annual financial statements of the SARB Group consolidate the audited financial results of the SARB's subsidiaries.

SUBSIDIARIES continued

SOUTH AFRICAN MINT

The South African Mint Company (RF) Proprietary Limited

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 holds ISO 9001:2015 (quality management) accreditation – first awarded in 1996, ISO 14001:2002 (environmental management accreditation – first awarded in 2010 and ISO 45001:2018 (Occupational Health and Safety) – first awarded in 2018. It is an active member of the global coin minting industry and has an unconstrained production capacity of two billion coins per annum.

Following the successful implementation of safety protocols that ensured the safety of its employees, the focus in the year under review was in ensuring business continuity; building buffer stocks and improving the internal control environment. The South African Mint continued to deliver to its export contract commitments amidst workforce and capacity constraints.

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.

PRESTIGE BULLION (RF) PROPRIETARY LIMITED (PRESTIGE BULLION)

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

2021/22 PERFORMANCE HIGHLIGHTS

- Continued to successfully deliver on strategic objectives while managing the operational impact of the pandemic and observing regulatory requirements in line with the national State of Disaster Act.
- Delivered the SARB's full order of 800 million coins despite workforce capacity constraints, and maintained healthy buffer stocks. Successful launch and delivery of commemorative RSA-R5 circulation coin in celebration of the SARB's centenary in June 2021.
- Achieved EBITDA of R119 million against a budget of R82 million. The South African Mint contributed profit before tax of R777 million (2020/21: R672 million), including Prestige Bullion, to the SARB Group. The factors influencing financial performance included:
  - COVID-19 related workforce and supply chain challenges, which hampered export delivery, resulting in force majeure and reduced revenue.
  - Record sales and gross profit in the collectables business driven mainly by export sales (70%) and the successful launch of the Big Five Series Two. The business unit also delivered healthy (cost to serve) profits.
  - Local demand for gold bullion remained subdued while the export market performed in line with budget. The silver Krugerrand continued to drive top and bottom line performance.
- The overall safety performance of the company has been good, with no lost time injury (LTI) experienced in the last 17 months. The South African Mint achieved LTI free hours of 1 591 289 for the year. Since the inception of this measure in 2011, this is the highest LTI free hours achieved. The previous highest achievement was in 2018 at 1 339 290 hours. The lost time injury frequency rate (LTIFR) dropped to zero in October 2021 and remained at zero, below the tolerance of 0.50.
- To date, 76% of SA Mint employees have been vaccinated, of which 16% have already received a booster dose.

LOOKING AHEAD

- The South African Mint continues to implement its Back to Basics business strategy comprising four strategic focus areas – improving governance and internal controls, developing an agile operating model, optimising the production plan and developing a long-term asset masterplan.
- Strengthening the people capability and enhancing the technology capability will enable the strategy.
- The qualification of the 24ct gold coin was successfully completed and the Platinum Big 5 bullion coin is in its final stages which will enable growth into new markets.
- The development and delivery of the fourth decimal coin series is a key focus area.

The South African Bank Note Company (RF) Proprietary Limited

The SABN delivered a strong year despite the tough trading conditions presented by the COVID-19 pandemic. Two years into the pandemic, the SABN continued to implement its business continuity plans with the strategic intent to protect people, manage operations and the supply chain, as well as rolling out vaccinations.

The SABN continued its purpose led vision to ensure availability of competitively priced quality banknotes, underpinned by the strategic pillars of excellence in quality, operations, and asset management.

SABN is ISO 9001, ISO 14001, ISO 45001 and ISO 22301 (business continuity management) accredited.

The SABN retained Level 1 status in the Banknote Ethics Initiative following the audit by KPMG Brussels. The SABN complies with the council's Code of Ethical Business Practice.

The SABN is making good progress in implementing its strategy to ensure the long-term sustainability of note production at internationally competitive prices. During the year it finalised a long-term asset masterplan that included scenarios and options to meet the projected future demand of notes over the next 10 years.

A purpose led vision

We serve the nation by providing competitively priced quality notes to contribute to the economic well-being of South Africans

Value proposition perspective

What we do to serve our stakeholders

Guaranteed quality → Reliable and responsive supply → Competitive pricing

Strategic internal process objectives

How we deliver our value proposition

Improved quality control and assurance processes → Effective production management → Optimised production assets availability and reliability

2021/22 PERFORMANCE HIGHLIGHTS

- Produced 1.012 billion notes, ensuring the availability and quality of notes that contribute to the economic well-being of South Africans.
- Achieved net profit before tax of R278 million (2020/21: R84 million) and EBITDA of R327 million, (2020/21: R153 million).
- The business generates sufficient cash for self-funding the capital expenditure investment pipeline. Cash flow from operating activities was R401 million.
- The medical treatment frequency rate was 1:1. There is a strong focus on health, safety and environmental management systems and critical processes, including contractor management.
- Installed two state-of-the-art Banknote Processing System (BPSX-9) machines.
- Continued to roll out the learnership programme for printers, artisans and technicians, which provides a pipeline of talent to build enduring capability and provides learners with workplace experience. Approximately 13 learners participated in the programme.

LOOKING AHEAD

The SABN's long-term asset masterplan was formally reviewed and approved by the Board of Directors.

SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS 2021/22

Directors' report

for the year ended 31 March 2022

Introduction

The directors are pleased to present to stakeholders this report on the activities and financial results of the South African Reserve Bank (the SARB), including its subsidiaries and associate (the Group), for the year under review. This annual report, issued in terms of the South African Reserve Bank Act 90 of 1989, as amended (SARB Act), and its Regulations, addresses the performance of the Group and its compliance with relevant statutory information requirements.

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

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

The directors considered the impact of COVID-19 on the going concern of the Group and did not consider it to be material.

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 of Directors (the Board), the Board's committees and executive management meetings.

The directors are responsible for governance, which is monitored on an ongoing basis. The SARB applies the principles and guidelines of the King Report on Corporate Governance in South Africa 2016 (King IV™), where appropriate, and where they do not contravene the SARB Act.

Nature of business

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

In exceptional circumstances, as part of its central banking functions, the SARB may act as '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 conditions giving rise to 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 (RF) Proprietary Limited (Prestige Bullion), which produces bullion coins.
- South African Bank Note Company (RF) Proprietary Limited (SABN), which produces notes.
- The Corporation for Public Deposits (CPD), which receives and invests call deposits from the SA government and public entities. The SARB has re-issued a guarantee in favour of the CPD of R1.2 billion for all amounts required by it for the due performance of its obligations under the Corporation for Public Deposits Act 46 of 1984 (CPD Act). This guarantee is a continuing covering security and will remain in force until 11 June 2023.
- The Corporation for Deposit Insurance (CODI) was formally established through the promulgation of the Financial Sector Laws Amendment Act 23 of 2021. CODI provides deposit insurance and carries out its functions to support the SARB in fulfilling its objective of, and responsibility for, protecting and maintaining financial stability.

Information on the SARB's financial interest in its subsidiaries is provided in note 18.

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

Associate

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

In the prior financial year, a shareholder support transaction was concluded in terms of which the SARB will provide a collateralised loan of up to R4.0 billion over a period of four years to ABL in accordance with Section 10(1)(f) of the SARB Act. The remaining shareholders will subscribe to domestic medium-term notes (DMTN) in ABL according to the respective pro rata shareholding in ABHL. The SARB will avail R1.0 billion each year to ABL and will advance the funds to ABL at the same time as the other shareholders subscribe to DMTNs. The loan is secured by a cession in security of a portion of ABL's customer loan portfolio, with a collateral cover ratio of 111.00%. The facility remained undrawn at 31 March 2022.

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

Achievement of objectives

The annual report covers the SARB's achievements against its strategic objectives, which can be found on pages 17 to 25.

Financial results

The significant movement in the yields in the markets where the SARB invests the foreign exchange reserves had a negative effect on the SARB's investment income.

The net investment income of the SARB, derived mainly from foreign investments and accommodation to banks, decreased by R5.5 billion to R2.8 billion (2021: R6.0 billion decrease to R8.3 billion). Operating costs increased by R0.3 billion to R7.1 billion (2021: R0.8 billion decrease to R6.8 billion). The net result of these factors was a loss after taxation of R2.0 billion (2021: R1.7 billion profit) for the year ended 31 March 2022.

The South African Mint (including Prestige Bullion) made a profit after taxation of R0.4 billion (2021: R0.3 billion) attributable to the Group and declared a dividend of R0.7 billion (2021: Rnil) to the SARB. Refer to note 18.1 for further detail.

SABN made a profit after taxation of R0.2 billion (2021: R0.1 billion) attributable to the Group, mainly due to higher banknote sales and an improvement in the under-recovery of overheads. Refer to note 18.1 for further detail.

The CPD made a profit after taxation of R0.5 billion (2021: R1.5 billion). The prior year higher profit was attributable to a reversal of expected credit loss allowance of R1.5 billion. For the year ended 31 March 2022, there was no amount due to the SA government (2021: Rnil) in accordance with the CPD Act. Refer to note 18.1 for further detail.

ABHL made a profit after taxation of R0.2 billion (2021: R0.1 billion) attributable to the Group. An impairment loss of R0.2 billion (2021: R0.1 billion), limited to the Group's share of profit for the year, was recognised for the Group with no impairment for the SARB (2021: Rnil). The directors have noted the improved profitability of ABHL, as announced in their interim results presentation in May 2022, and will continue to monitor the performance of the associate. Refer to note 18.3 for further detail.

Financial position

The SARB's total assets increased by R69.9 billion to R962.8 billion (2021: R170.2 billion decrease to R892.9 billion), largely due to increases in gold and foreign exchange reserves of R63.9 billion, accommodation to banks of R4.6 billion.

The total assets of the South African Mint (including Prestige Bullion) decreased by R0.2 billion to R2.1 billion (2021: R0.2 billion increase to R2.3 billion), attributable to lower call deposit investments.

SABN's total assets increased by R0.2 billion to R2.6 billion (2021: R0.1 billion increase to R2.4 billion), attributable to higher call deposit investments.

The CPD's total assets increased by R9.5 billion to R92.0 billion (2021: R12.7 billion increase to R82.5 billion), largely as a result of higher cash and cash equivalents. During the prior financial year, the counterparty defaulted on its promissory notes which resulted in the recognition of a fair value loss. As at 31 March 2021, the outstanding nominal value of the debt was R0.9 billion. In addition to the capital repayments of R0.2 billion that the counterparty made the during the current financial year, a capital repayment of R0.2 billion was received during May 2022. The directors are monitoring communication from the counterparty on the possible restructure of the debt.

The total liabilities of the SARB increased by R71.5 billion to R939.0 billion (2021: R171.8 billion decrease to R867.4 billion) largely due to increases in deposit accounts of R68.7 billion and R1.0 billion in other liabilities.

The total liabilities of the South African Mint (including Prestige Bullion) increased by R0.2 billion to R0.8 billion (2021: R0.2 billion decrease to R0.6 billion), mainly attributable to an increase in trade payables.

SABN's total liabilities have remained consistent from the prior financial year (2021: R0.1 billion increase to R0.6 billion).

The CPD's total liabilities increased by R18.1 billion to R92.6 billion (2021: R11.1 billion increase to R83.5 billion), largely due to an increase in deposits of R10.2 billion, offset by a decrease of R1.0 billion in other liabilities.

The SARB's contingency reserve decreased by R2.0 billion to R19.6 billion (2021: R1.6 billion increase to R21.7 billion) due to a release of contingency reserves in order to absorb the loss after tax of R2.0 billion for the current financial year.

Further details on the Group's financial information for the year can be found on page 96.

Impact of the COVID-19 pandemic

The COVID-19 pandemic continues to have a lasting and detrimental effect on the economy and has had a significant impact on the SARB's functions and operations. Throughout the financial year, the SA government continued to impose varying levels of lockdown to mitigate the spread of the virus. The SARB's employees have adjusted to the new ways of work, with the majority of the workforce continuing to work remotely.

The SARB has ensured that all critical functions and activities continue to operate. The measures taken by the SARB to mitigate COVID-19 related risks include:

- Continuous support provided to equip employees to comply with pandemic-related regulations. Productivity is monitored to ensure business continuity.
- The Joint Operations Centre continues to provide critical support and directives aligned to the Department of Health's COVID-19 Guidelines.
- Meeting the demand for information and communications technology equipment to support remote work. The back-up power requirements for essential staff were identified and addressed to minimise the impact of load shedding (power outages).
- The SARB continues to enhance its cybersecurity measures using various technologies for remote working capabilities, including policy and procedure development, security assessments, security design work and the roll out of training and targeted awareness initiatives.

The National State of Disaster was lifted in April 2022. Going forward, the pandemic will be managed in terms of the National Health Act 61 of 2003. The SARB will continue to follow the policies and advice of various national institutes and at the same time continue operations in the best and safest way possible without jeopardising the health of its employees.

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 10.00% 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 of Directors on 29 September 2021 and paid to shareholders on 27 October 2021; and
- the final dividend of five cents per share was approved by the Board of Directors on 24 February 2022 and paid to shareholders on 18 May 2022.

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

Directors

The composition of the Board at 31 March 2022 is reported on pages 30 to 33 of this report.

At the annual Ordinary General Meeting (AGM) held on 31 July 2021, the term of office of Y (Yvonne) Muthien expired. Dr Muthien being eligible for nomination and re-election was re-elected as the non-executive director with knowledge and skills in commerce or finance. Dr Muthien's appointment was effective from 31 July 2021 until the day after the AGM in 2024.

In terms of section 6(1)(b) read with section 6(2)(b) of the SARB Act, the Board had appointed S (Shamima) Gaibie with skills and knowledge in the field of labour and N B (Norman) Mbazima with skills and knowledge in the field of mining to fill two casual vacancies on the Board for a period of one year.

Both Ms Gaibie and Mr Mbazima were eligible for nomination and election by the shareholders in 2021.

Ms Gaibie was duly elected by the shareholders as the non-executive director with knowledge and skills in the field of labour and her appointment was effective from 31 July 2021 until the day after the AGM in 2024.

Mr Mbazima was duly elected as the non-executive director with skills and knowledge in the field of mining and his appointment was effective from 31 July 2021 until the day after the AGM in 2024.

The terms of office of C B (Charlotte) Buitendag (previously du Toit) and Z (Zoaib) Hoosen, as non-executive directors with knowledge and skills in industry; and N (Nicholas) Vink as a non-executive director with knowledge and skills in agriculture, will expire at the 2022 AGM. At that date, Prof Buitendag and Prof Vink would have completed two terms of office and Mr Hoosen would have completed his first term of office. All three incumbents are eligible and available for re-election by the shareholders for another term of three years.

The term of office of F (Firoz) Cachalia, as a SA government appointed non-executive director, had expired on 17 July 2021. Prof Cachalia had served three-terms and was no longer eligible for re-appointment. The position has since been filled.

Furthermore, the term of office of L H (Lerato) Molebatsi, who is a SA government appointed non-executive director, expired in April 2022, and the SA government has re-appointed Ms Molebatsi with effect from 1 June 2022, for a further term of three years.

As at 31 March 2022 and to date, none of the directors in office held any direct or indirect shareholding in the SARB. Directors' fees for services rendered during the reporting year are disclosed in note 18.6.

Events after the reporting date

CPD GUARANTEE

On 16 May 2022, the GEC approved an extension to the financial guarantee issued by the SARB to the CPD for a further 12 months to 11 June 2023 as a result of the continued technical insolvency position of the CPD. The guarantee was reduced from R3.5 billion to R1.2 billion due to the reduced accumulated losses in CPD in the current financial year.

SOUTH AFRICAN MINT DIVIDEND

The South African Mint board declared a dividend of R94.1 million to the SARB on 20 May 2022.

No other material events occurred between 31 March 2022 and 9 June 2022 requiring disclosure in, or adjustment to, the financial statements for the year ended 31 March 2022.

Assistant Secretary of the SARB

C (Clivia) Ulland

Registered office

Business address:
370 Helen Joseph Street
Pretoria 0002

Postal address:
PO Box 427
Pretoria 0001

The Board approved the financial statements on 9 June 2022, signed on its behalf by:

E L (Lesetja) Kganyago
Governor

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

R (Reshoketswe) Ralebepa
Group Chief
Financial Officer

C (Clivia) Ulland
Assistant Secretary
of the SARB

Statement by the Assistant Secretary of the SARB

In my capacity as Assistant 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 2022, have been completed and are up to date.

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

C (Clivia) Ulland*
Assistant Secretary of the SARB

9 June 2022

* *As a result of the passing of the Secretary of the SARB, Mr H (Hulisani) Murovhi, on 9 June 2022 the financial statements have been signed by the Assistant Secretary of the SARB.*

Report of the Audit Committee

for the year ended 31 March 2022

Introduction

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

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

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

Roles and responsibilities

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

Internal control (including internal financial controls)

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

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

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

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

Combined assurance

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

Financial statements

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

Internal audit

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

The Audit Committee is satisfied that the IAD is independent and appropriately resourced to provide assurance on the adequacy and effectiveness of the SARB's internal control environment. The Chief Internal Auditor reports functionally to the Audit Committee and administratively to the Governor.

External audit

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

Non-audit services

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

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

During the 2022 financial reporting period, it was identified that with regard to PricewaterhouseCoopers (PwC), the requirements of the non-audit policy had not been adhered to in relation to the prescribed limits set, and the requirement to obtain pre-approval from the Audit Committee in instances where the limits are exceeded was not complied with.

The non-audit services carried out by PwC relate to the forensic investigation into the alleged contravention of the Exchange Control Regulations of 1961. PwC Advisory Services (Pty) Ltd 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. As the assigned work required specialist forensic skills and expertise, GMI appointed an independent third party – PwC – to conduct the investigation.

To date (June 2022), PwC has billed R37.5 million (R0.5 million for 2021, R30.9 million for 2022 and R6.1 million for 2023). It is anticipated that a further R28 million may be billed in the period from May 2022 to March 2023. This will bring the total fees relating to the non-audit services by PwC, spanning three financial years (2021, 2022 and 2023) to R65.5 million. This excludes disbursements and VAT. The R65.5 million non-audit fees are in excess of the limit that was set and approved by the Audit Committee for PwC investigative work of R22 million (R10 million for 2021, R12 million for 2022 and Rnil for 2023). The audit fees that are anticipated to be paid to PwC, during the same financial period (2021 to 2023), is about R27 million. This is the scenario that the Audit Committee seeks to avoid through the non-audit services policy, to ensure that non-audit services do not create a public perception of a conflict of interest for the SARB external auditors.

However, given the nature and scope of the investigative services performed by PwC and the safeguards applied by PwC, the Audit Committee is satisfied that the provision of the non-audit services did not affect PwC's professional judgement or integrity in respect of the audit of the SARB. Mitigating actions have also been taken by PwC to ensure that, in future, all authorisation for services' forms, especially where there are subcontracting arrangements, are submitted to the respective engagement leaders prior to the commencement of work and prior to the allocated non-audit services cap being exceeded.

The SARB will also implement sufficient mitigation actions to reinforce the controls around the provision of non-audit services by external auditors, including additional clarification to the non-audit services policy, independence training and improved communication between relevant parties within the SARB that engage consultants to provide non-audit services.

Compliance

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

The Audit Committee notes the rapidly growing technology footprint within the Bank through the ongoing execution of large transformation projects and the replacement of legacy systems in line with the SARB's strategic objectives. Consequently, focus has been placed on continuous improvement in I&T Governance, Risk and Compliance (Information and Technology: pages 73 to 75).

Whistle-blowing

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

T (Terence) Nombembe
Chairperson of the Audit Committee

Financial reporting framework

Reporting framework

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

The SARB Act is not prescriptive regarding the accounting framework that the SARB should adopt, except for sections 25 to 28, which deal with the accounting treatment of gold and foreign exchange transactions. These sections are in conflict with the International Financial Reporting Standards (IFRS). The SARB has chosen to use IFRS, including International Financial Reporting 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.

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

Recognition and measurement

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

Presentation

In the financial statements,

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

   This relates specifically to:
   a. market risk for all financial assets (foreign and local): The sensitivity analysis for each type of market risk to which the SARB is exposed at the reporting date, showing how profit or loss and equity/other comprehensive income (OCI) would have been affected by changes in the relevant risk variables that were reasonably possible at that date;
   b. credit risk for foreign financial assets: The credit quality per 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 domestic financial market operation.

INDEPENDENT AUDITORS' REPORT ON THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF THE SOUTH AFRICAN RESERVE BANK

Opinion

The summarised consolidated financial statements of the South African Reserve Bank (the SARB), set out on pages 96 to 142, which comprise the summarised consolidated statement of financial position as at 31 March 2022, the summarised 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 2022.

In our opinion, the accompanying summarised 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 summarised consolidated financial statements.

Summarised consolidated financial statements

The summarised 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. Reading the summarised 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 13 June 2022. 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 to satisfy the financial needs of the shareholders.

Directors' responsibility for the summarised consolidated financial statements

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

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Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

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

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

SizweNtsalubaGobodo Grant Thornton Inc., 20 Morris Street East, Woodmead, 2191

P.O. Box 2939, Saxonwold, 2132, T: 011 231 0600

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

Auditors' responsibility

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Lumko Sihiya
Registered Auditor
Johannesburg, South Africa
13 June 2022

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Pravesh Hiralall
Registered Auditor
Johannesburg, South Africa
13 June 2022

Summarised Group statement of financial position

at 31 March 2022

	Notes	2022 Rm	2021 Rm
Assets			
Cash and cash equivalents	2	**22 433**	38 401
Accommodation to banks	3	**49 505**	44 862
Investments	4	**5 312**	6 301
Gold and foreign exchange reserves	5	**842 837**	778 938
Loans and advances	6	**12 081**	13 726
South African government bonds	7	**40 503**	39 266
Other assets		**19 889**	17 960
Total assets		**992 560**	939 454
Liabilities			
Notes and coin in circulation	8	**171 097**	168 339
Deposit accounts	9	**383 247**	304 270
Foreign deposits	10	**85 143**	93 285
South African Reserve Bank debentures	11	**3 807**	15 010
Gold and Foreign Exchange Contingency Reserve Account	12	**314 283**	315 584
Post-employment benefits	13	**2 657**	2 775
Other liabilities		**6 855**	13 366
Total liabilities		**967 089**	912 629
Capital and reserves[1]			
Share capital		**2**	2
Accumulated profit		**1 571**	1 228
Statutory reserve		**459**	458
Contingency reserve		**19 645**	21 681
Other reserves		**3 711**	3 324
Non-controlling interest		**83**	132
Total capital and reserves		**25 471**	26 825
Total liabilities, capital and reserves		**992 560**	939 454

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

Summarised Group statement of comprehensive income

for the year ended 31 March 2022

	Notes	2022 Rm	2021 Rm
Interest income		3 353	4 902
Interest income from fair value items		3 882	3 588
Interest expense		(3 695)	(5 623)
Net interest income		3 540	2 867
Fair value (losses)/gains		(293)	5 485
Dividend income		94	–
Operating income	14.1	4 952	5 421
Total income		8 293	13 773
Movement in credit loss allowance		80	1 506
Operating costs	14.2	(10 538)	(10 611)
Share of net profit of associate accounted for using the equity method	18.3	228	119
Impairment loss on investment in associate	18.3	(228)	(119)
(Loss)/profit before taxation		(2 165)	4 668
Taxation		673	(903)
(Loss)/profit for the year		(1 492)	3 765
Attributable to:			
The parent		(1 692)	3 595
Non-controlling interest	18.1	200	170
		(1 492)	3 765
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefits[1]		321	(279)
Revaluation adjustments of property, plant and equipment[1]		45	9
Net gains on investments in equity instruments designated at fair value through other comprehensive income[1]		105	262
Taxation[1]		(84)	17
Other comprehensive income for the year		387	9
Total comprehensive (loss)/income for the year		(1 105)	3 774
Attributable to:			
The parent		(1 305)	3 604
Non-controlling interest	18.1	200	170
Total comprehensive (loss)/income		(1 105)	3 774

[1] *The disclosure has been updated to reflect the gross movement and the related taxation separately for current and comparative figures to provide more relevant information.*

Summarised Group statement of cash flows

for the year ended 31 March 2022

	Notes	2022 Rm	2021 Rm
Net cash flows (utilised by)/generated from operating activities			
Net cash flows (utilised by)/generated from operations	15	**(13 381)**	21 144
Interest received	15	**3 353**	4 902
Interest paid	15	**(3 695)**	(5 623)
Taxation paid		**(1 031)**	(2 481)
Dividends paid[1]		**(249)**	(200)
Net cash flows (utilised by)/generated from operating activities		**(15 003)**	17 742
Net cash flows utilised by investing activities		**(965)**	122
Purchase of property, plant and equipment		**(979)**	(394)
Proceeds on disposal of property, plant and equipment		**110**	–
Purchase of intangible assets		**(96)**	(299)
Net disposal of investments		**–**	815
Total cash and cash equivalents movement for the year		**(15 968)**	17 864
Cash and cash equivalents at the beginning of the year	2	**38 401**	20 537
Cash and cash equivalents at the end of the year	2	**22 433**	38 401

[1] *Further detail is provided in the summarised Group statement of changes in equity.*

Summarised Group statement of changes in equity

for the year ended 31 March 2022

	Share capital Rm	Accu-mulated (loss)/ profit Rm	Statutory reserve Rm	Contin-gency reserve Rm	Other reserves Rm	Total Rm	Non-controlling interest Rm	Total Rm
Balance at 31 March 2020	2	(689)	450	20 086	3 315	23 164	162	23 326
Total comprehensive income for the year	–	3 595	–	–	9	3 604	170	3 774
Profit for the year	–	3 595	–	–	–	3 595	170	3 765
Remeasurement of PEB	–	–	–	–	(201)	(201)	–	(201)
Revaluation adjustments of PPE	–	–	–	–	7	7	–	7
Net gains on investments in equity instruments designated at FVOCI	–	–	–	–	203	203	–	203
Dividends paid	–	–	–	–	–	–	(200)	(200)
Transfer (from)/to reserves	–	(1 603)	8	1 595	–	–	–	–
Transfer to SA government	–	(75)	–	–	–	(75)	–	(75)
Balance at 31 March 2021	2	1 228	458	21 681	3 324	26 693	132	26 825
Total comprehensive (loss)/income for the year	**–**	**(1 692)**	**–**	**–**	**387**	**(1 305)**	**200**	**(1 105)**
(Loss)/profit for the year	**–**	**(1 692)**	**–**	**–**	**–**	**(1 692)**	**200**	**(1 492)**
Remeasurement of PEB	**–**	**–**	**–**	**–**	**238**	**238**	**–**	**238**
Revaluation adjustments of PPE	**–**	**–**	**–**	**–**	**36**	**36**	**–**	**36**
Net gains on investments in equity instruments designated at FVOCI	**–**	**–**	**–**	**–**	**113**	**113**	**–**	**113**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(249)**	**(249)**
Transfer to/(from) reserves	**–**	**2 035**	**1**	**(2 036)**	**–**	**–**	**–**	**–**
Balance at 31 March 2022	**2**	**1 571**	**459**	**19 645**	**3 711**	**25 388**	**83**	**25 471**

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.

OTHER RESERVES

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.

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 is recognised in accumulated profit.

BANK FOR INTERNATIONAL SETTLEMENTS REVALUATION RESERVE

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

TRANSFER TO 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 SA government. For the year ended 31 March 2022 no profits (2021: R75 million) 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 2022 no profits (2021: 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 60.00% in Prestige Bullion.

Notes to the summarised Group annual financial statements

for the year ended 31 March 2022

1. Accounting policies

1.1 BASIS OF PREPARATION

The principal accounting policies adopted 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 93.

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 COVID-19 on the going concern of the Group. While further waves of infection are expected, the start of vaccination programmes in many countries has lifted projections for global economic growth and significantly boosted confidence. Financial markets have generally improved and stabilised in line with stronger growth and expectations that policy settings in advanced economies will remain accommodative. The directors have also considered the impact of the Russia-Ukraine conflict. Although the Group has no direct exposure to Russia or Ukraine, the conflict continues to negatively impact financial markets in general. The impact is however, not expected to be significant for the Group. The directors have concluded that the impact of the pandemic and the Russia-Ukraine conflict have no effect on the going concern of the SARB and its subsidiaries, although these matters will be continuously monitored and included in considerations for forward-looking information. The use of the going concern assumption is therefore deemed appropriate.

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

These financial statements comprise the summarised Group statement of financial position as at 31 March 2022, summarised Group statement of profit or loss and other comprehensive income, summarised Group statement of changes in equity and summarised Group statement of cash flows for the year ended 31 March 2022, as well as the notes, comprising a summary of significant accounting policies and other explanatory notes.

In accordance with the Financial Sector Regulation Act 9 of 2017 (FSR Act) separate financial accounts in relation to the Prudential Authority is required. The Prudential Authority financial accounts are included on pages 145 to 147.

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

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

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

1.2 NEW STANDARDS AND INTERPRETATIONS

1.2.1 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

There are no new or amended standards applicable to the Group for the financial year ended 31 March 2022.

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 after 1 January 2022 and have not been early adopted in preparing these financial statements. The Group will adopt the new standards, amendments and interpretations in the relevant financial year in which they become effective. These are as follows:

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

Minor amendments relate to the update of references to the Conceptual Framework for Financial Reporting and the addition of an exception for the recognition of liabilities and contingent liabilities within the scope of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37)* and *Interpretation 21 Levies*. The amendments also confirm that contingent assets should not be recognised at the acquisition date. The effective date of the amendment is for years beginning on or after 1 January 2022. It is unlikely that the amendment will have a material impact on the Group's financial statements.

Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract

The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The effective date of the amendment is for years beginning on or after 1 January 2022. It is unlikely that the amendment will have a material impact on the Group's financial statements.

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

Disclosure of accounting policies: Amendments to IAS 1 Presentation of Financial Statements (IAS 1) and IFRS Practice Statement 2.
IAS 1 was amended to require that only material accounting policy information shall be disclosed in the financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will perform a review of accounting policies to ensure that only material accounting policy information is disclosed. The effective date of the amendment is for years beginning on or after 1 January 2023. It is unlikely that the amendment will have a material impact on the Group's financial statements.

Definition of accounting estimates: Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in consolidated and separate annual financial statements that are subject to measurement uncertainty." The effective date of the amendment is for years beginning on or after 1 January 2023. It is unlikely that the amendment will have a material impact on the Group's financial statements.

Classification of Liabilities as Current or Non-Current – Amendment to IAS 1
The amendment changes 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 2023. It is unlikely that the amendment will have a material impact on the Group's financial statements.

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

1.3 GROUP ACCOUNTING

1.3.1 SUBSIDIARIES

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

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

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

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

1. Accounting policies continued

1.3 GROUP ACCOUNTING CONTINUED

1.3.2 ASSOCIATES

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 20.00% and 50.00% of the voting rights.

The Group initially recognises its investment in associate at cost and subsequently accounts for its share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in OCI of the associate in OCI. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment.

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

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

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

1.4 FINANCIAL INSTRUMENTS

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

1.4.1 FINANCIAL ASSETS

1.4.1.1 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, excluding instruments measured in terms of the SARB Act, 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.

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 assets that it holds and or trades. Under the business model test the Group determines the objective for which it holds the financial assets:

- 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.

1. Accounting policies continued

1.4 FINANCIAL INSTRUMENTS CONTINUED

1.4.1 FINANCIAL ASSETS CONTINUED

1.4.1.1 Classification continued

The Group reclassifies instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

Amortised cost

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

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

Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows 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, this has been designated at FVOCI.

Fair value through profit or loss

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

Financial assets held at mandatory FVPL include:

- foreign exchange reserves;
- 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 5 for further disclosure.

Instruments measured in terms of the SARB Act

Regardless of the classification as per *IFRS 9*, the accounting treatment for financial assets as governed in terms of sections 25 to 28 of the SARB Act will not change as the SARB Act takes precedence over IFRS. The SARB Act's accounting treatment is not in line with any of the *IFRS 9* classification requirements and consequently 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.

Instruments measured in terms of the SARB Act continued

The following assets are governed in terms of 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.

These FECs are on the domestic managed portfolio for matching exposures on assets and liabilities, both individually and of portfolios and to manage monetary policy operations of the SARB. FECs are commitments to exchange one set of cash flows for another, however the SARB does not apply the hedge accounting rules of *IFRS 9*.

1.4.1.2 Initial recognition

Financial assets are recognised when the Group becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. From this date, any gains or losses arising from changes in the fair value of the assets and liabilities are recognised.

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

1. Accounting policies continued

1.4 FINANCIAL INSTRUMENTS CONTINUED

1.4.1 FINANCIAL ASSETS CONTINUED

1.4.1.2 Initial recognition continued

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.

1.4.1.3 Subsequent measurement

Equity instruments

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

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

Debt instruments

Amortised cost

The carrying amount of these assets is adjusted by any ECL allowance recognised. 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 gain or loss on a debt instrument subsequently measured at FVPL and not part of a hedging relationship 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

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

Instruments measured in terms of the SARB Act

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

1.4.1.4 Impairment of financial assets

Instruments measured in terms of the SARB Act continued

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 impairment loss 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;
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

1. Accounting policies continued

1.4 FINANCIAL INSTRUMENTS CONTINUED

1.4.1 FINANCIAL ASSETS CONTINUED

1.4.1.4 Impairment of financial assets continued

ECL measurement

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

- A financial instrument that has not undergone a significant increase in credit risk (SICR) since initial recognition and is not credit-impaired is classified in 'stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'stage 3'.
- Financial instruments in stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Financial instruments in stages 2 and 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);
- Exposure at default (EAD);
- A pervasive concept in measuring ECL in accordance with *IFRS 9* is that it should consider forward-looking information; and
- 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 ECL assessment in terms of the financial guarantee provided to the commercial banks under the loan guarantee scheme (LGS) is summarised below:

- The ECL allowance calculated by the commercial banks for the portfolio of borrowings under the LGS is 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 ECL allowance is reduced by the guarantee fee premium which serve as the first and second loss buffer under the waterfall for recovery of losses and thereafter by a 6.00% borrowers risk portion (third loss buffer) which is borne by the commercial banks.
- The 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.

Write off policy

- Financial assets are only written off after all recovery options have been exhausted and in consultation with legal counsel. The Group writes off financial assets when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators thereof include ceasing enforcement activity 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.

1.4.1.5 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

1.4.2.1 Classification

The Group classifies its 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 not classified as financing activities in the statement of cash flows.

1. Accounting policies continued

1.4 FINANCIAL INSTRUMENTS CONTINUED

1.4.2 FINANCIAL LIABILITIES CONTINUED

1.4.2.1 Classification continued

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 held at amortised cost include:

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

Financial liabilities at FVPL

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

Financial liabilities held at mandatory FVPL include:

- foreign deposits.

Instruments measured in terms of the SARB Act

Regardless of the classification as per *IFRS 9 Financial Instruments (IFRS 9)*, the accounting treatment for financial liabilities as governed in terms of sections 25 to 28 of the SARB Act will not change as the SARB Act takes precedence over IFRS. The SARB Act's accounting treatment is not in line with any of the *IFRS 9* classification requirements and consequently these instruments do not have to be classified in accordance with *IFRS 9* for reporting purposes. The financial reporting framework of the SARB on page 93 specifically refers to this deviation from IFRS.

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.

1.4.2.2 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.

1.4.2.3 Subsequent recognition

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.

SARB Act

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

1.4.2.4 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.

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

1. Accounting policies continued

1.4 FINANCIAL INSTRUMENTS CONTINUED

1.4.4 OFFSETTING OF FINANCIAL INSTRUMENTS

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

In addition, as set out in note 5.3 to the financial statements, financial assets and liabilities arising from derivatives have been offset.

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

1.4.5 UNRECOGNISED FINANCIAL ASSETS AND LIABILITIES

1.4.5.1 Committed Liquidity Facility

The committed liquidity facilities (CLFs) were designed to allow local banks to meet Basel III rules that require financial institutions to hold high-quality liquid assets (HQLA) as a buffer during times of market stress. The SARB therefore approved the provision of a CLF to assist banks to meet the liquidity coverage ratio (LCR). The CLF was however discontinued during the 2021 financial year.

The available facility was limited to the lower of the facilities entered into and the available collateral after the haircut was applied. A haircut was applied to the collateral registered with the SARB as per the contractual agreement, based on the risk associated with each class of asset registered as collateral.

1.4.5.2 Guarantees

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

1.5 FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

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

Fair values are determined according to the fair value hierarchy based on the requirements in *IFRS 13 Fair Value Measurement*. Refer to note 16 for further details.

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 INSTRUMENTS

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 Group's investment in the BIS is valued at the net asset value of the BIS with a haircut of 30.00% applied. The net asset value of the shares is based on XDRs. XDRs are the currency in which SDRs are valued. The value of the XDR is calculated on the basis of a currency basket comprising the US dollar, Euro, Chinese renminbi, Japanese yen and pound sterling. The currency weights are adjusted each year 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. Accounting policies continued

1.5 FAIR VALUE CONTINUED

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 shall be made 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 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 is recognised when:

- It is probable that expected future economic benefits attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Property, plant and equipment are initially recognised at cost.

Freehold land and items under construction are subsequently carried at cost less accumulated impairment losses. Valuable art whose fair value can be measured reliably is carried at the revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated impairment losses. Other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is determined separately for each significant part of an item of property, plant and equipment, and is charged so as to write off the cost of the assets (other than land, valuable art and items under construction) to their residual value over their estimated useful life, using the straight-line method. Land and valuable art have indefinite useful lives and are not depreciated. Depreciation is included as part of operating costs in the statement of profit or loss and other comprehensive income.

Items under construction are not used and thus not depreciated. The residual values, useful life and the depreciation method of assets are reviewed at each reporting date and adjusted if appropriate. The estimated average useful lives of assets are as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50
Furniture and equipment	Straight line	2 to 28
Land	Not depreciated	Indefinite
Valuable art	Not depreciated	Indefinite
Vehicles	Straight line	5 to 7
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. Accounting policies continued

1.7 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Subsequent costs are included in the carrying amount of the asset only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to profit or loss when incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss.

1.8 INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance which the Group holds for its own use, and which are expected to be used for more than one year. This includes internally generated assets and purchased computer software. Internally generated assets are disclosed separately.

An intangible asset is recognised when:

- it is probable that expected future economic benefits attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Purchased software and the direct costs associated with the customisation and installation thereof are capitalised. Expenditure on internally developed software is capitalised if it meets the criteria for capitalising development expenditure. Other software development expenditure is charged to profit or loss when incurred.

Research expenditure relating to gaining new technical knowledge and understanding is charged to profit or loss when incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values. Amortisation is included as part of operating costs in the statement of profit or loss and other comprehensive income. The residual values, amortisation period and the amortisation method for intangible assets are reviewed at each reporting date and adjusted if appropriate. The estimated average useful lives of assets are as follows:

Item	Amortisation 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 construction and is measured at cost. Work in progress is transferred to the related category of assets and amortised when the asset is completed and available for use.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from use or disposal. Any gain or loss arising from the derecognition of an intangible asset is included in profit or loss.

1.9 IMPAIRMENT ON NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment, in which case their recoverable amount is estimated.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. A discounted cash flow analysis is used to determine the fair value of the investment in subsidiary/associate and estimated future cash flows are based on management's best estimates. The assumptions used in the forecast are based on available historical information, taking management opinion and experience into consideration. Cash flow projections are approved by the subsidiary/associate's board and consists of cash flows from the associate and all its subsidiaries. A five-year forecasting period is used for cash flow projections from the subsidiary/associate and where available forecasts fall short of the five-year forecasting period, nominal growth in line with inflation is assumed. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Investments in subsidiaries and the associate are tested for impairment when dividends are declared to the holding company.

1. Accounting policies continued

1.9 IMPAIRMENT ON NON-FINANCIAL ASSETS CONTINUED

An impairment loss is recognised in profit or loss whenever the subsidiary or associate declares dividends to the holding company and evidence is available that:

- the carrying amount of the investment in the separate financial statements of the holding company exceeds the carrying amount in the consolidated financial statements of the investee's net assets; or
- the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared.

Non-financial assets that suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

A previously recognised impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised.

1.10 GOLD

Gold is held by the SARB as part of its foreign reserves. In terms of section 25 of the SARB Act, gold is recorded at the prevailing rates at initial recognition, including transaction costs. Subsequent to initial measurement, it is valued at the statutory price. The statutory price is the quoted price at the reporting date. Gold loans are measured at the quoted price at the reporting date. In terms of section 25 of the SARB Act, all gains or losses on gold, held by the SARB, are for the account of the SA government and, transferred to the GFECRA.

1.11 TAXATION

The taxation expense for the period comprises current and deferred taxation. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

The charge for current taxation is based on the results for the year as adjusted for items that are non-assessable or disallowed for taxation purposes. It is calculated using taxation rates that have been enacted or substantially enacted by the reporting date, and any adjustment of taxation payable for previous years.

Deferred taxation is provided using the balance sheet liability method, based on temporary differences. However, deferred taxation liabilities are not recognised if they arise from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation laws enacted or substantively enacted at the reporting date. Deferred taxation is charged to profit or loss, except to the extent that it relates to a transaction that is recognised in OCI or in equity. In this case, the taxation is also recognised in OCI or in equity. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity or OCI.

Deferred taxation assets are recognised for all deductible temporary differences, the carry forward of unused taxation losses and the carry forward of unused taxation credits.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and the associate except for deferred taxation where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities, and when the deferred taxation assets and liabilities relate to income taxation levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 EMPLOYEE BENEFITS

1.12.1 PENSION AND RETIREMENT FUNDS

The 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 13.3 is treated according to the principles of a defined benefit plan.

1.12.1.1 Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The expected costs of post-employment defined benefits are charged to profit or loss over the expected service life of the employees entitled to these benefits according to the projected unit credit method. Costs are actuarially assessed, and expense adjustments and past-service costs resulting from plan amendments are amortised over the expected average remaining service life of the employees.

1. Accounting policies continued

1.12 EMPLOYEE BENEFITS CONTINUED

1.12.1 PENSION AND RETIREMENT FUNDS CONTINUED

1.12.1.1 Defined benefit plans 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 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 Group recognises related restructuring costs or termination benefits.

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due.

1.12.2 POST-EMPLOYMENT BENEFITS
The SARB provides post-employment medical and group life benefits to qualifying employees and retired personnel by subsidising a portion of their medical aid and group life contributions.

Entitlement to these benefits is based on employment prior to a certain date and is conditional on employees remaining in service up to retirement age. The expected costs of post-employment defined benefits are charged to profit or loss over the expected service life of the employees entitled to these benefits according to the projected unit credit method. Costs are actuarially assessed, and expense adjustments and past-service costs resulting from plan amendments are amortised over the expected average remaining service life of the employees.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the period in which they arise. Past-service costs are recognised immediately in profit or loss, to the extent that they relate to retired employees or past-service.

The liability is provided for in an actuarially determined provision.

1.12.3 LEAVE PAY ACCRUAL
Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees.

The leave pay accrual at the reporting date represents the present obligation to employees as a result of employees' services provided up to the reporting date. The accrual is measured as the amount that is expected to be paid as a result of the unutilised leave entitlement that has accumulated at the reporting date.

1.13 SALE AND REPURCHASE AGREEMENTS
The SARB has entered into sale and repo agreements as part of its monetary policy activities. Securities purchased under agreements to resell are recorded under accommodation to banks at amortised cost. Securities sold under agreement to repurchase are disclosed as reverse repo agreements included in deposit accounts.

The underlying securities purchased under repo agreements are not recorded by the SARB. Likewise, underlying securities sold under repo agreements are not derecognised by the SARB.

The differences between the purchase and sale prices are treated as interest and accrued using the effective interest method.

The standing facilities are available daily on an automated basis in the form of a bilateral repo or reverse repo transactions maturing on the following business day. The respective interest rates are set at a spread of 100 basis points above or below the prevailing repo rate for the standing facility repo and reverse repo transactions, respectively. The SARB may change the spread from the repo rate at any time at its discretion.

1.14 INVENTORIES
Inventories are stated 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.

1. Accounting policies continued

1.14 INVENTORIES CONTINUED

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.

1.15 COST OF NEW CURRENCY

The SARB recognises the cost of new currency in profit or loss when the banknotes and coin are delivered, and the significant risks and rewards of ownership are transferred to the SARB.

1.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of deposits with banks and other short-term highly liquid money market investments with original maturities of three months or less (91 days and less). Where the maturity date falls on a weekend or a public holiday, the next business day convention will apply; however, the investment will still be considered a 91-day investment. In the separate financial statements of the SARB, 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 overdrafts of subsidiaries and short-term money market instruments. This has been presented on the indirect method of preparation.

1.17 PROVISIONS

Provisions are liabilities of uncertain timing or amount and are recognised when the Group has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at management's estimate of the expenditure required to settle that obligation at the end of each reporting period, and are discounted (at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability) to present value where the effect is material. Provisions are not recognised for future operating losses.

Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1.18 REVENUE RECOGNITION

1.18.1 NET INTEREST INCOME

Interest income is recognised using the effective interest method, taking into account the principal outstanding and the effective interest rate over the period to maturity. Interest income is recognised in profit or loss for all financial assets measured at amortised cost and debt instruments measured at FVOCI. In addition, interest expense is calculated on debt instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The original effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Interest income includes the amortisation of any discount or premium, or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

Interest income for all financial assets measured at FVPL is presented separately from interest income from financial assets measured at amortised cost and debt instruments measured at FVOCI.

1.18.2 NON-INTEREST REVENUE

Non-interest revenue consists of revenue from contracts with customers within the scope of *IFRS 15 Revenue from Contracts with Customers (IFRS 15)* and non-interest revenue arising from financial instruments to which the SARB is party to. All non-interest revenue is included in operating income except where stated otherwise.

1.18.2.1 Revenue from contracts with customers

The Group assesses if a contract falls within the scope of *IFRS 15* and follows the five-step model to recognise revenue from contracts with customers:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the performance obligations are satisfied.

The group recognises revenue in a manner that depicts the transfer of promised services to customers in an amount that reflects the consideration to which the group expects to be entitled in exchange for those services.

1. Accounting policies continued

1.18 REVENUE RECOGNITION CONTINUED

1.18.2 NON-INTEREST REVENUE CONTINUED

1.18.2.1 Revenue from contracts with customers
Revenue from contracts with customers comprises the following items:

Settlement commission income
The SARB provides settlement services for both the National payments system (NPS) and the Southern African Development Community real-time gross settlement (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.

Licence fees
The annual license fees are fees charged by the SARB to any institution to obtain a license either to operate as a bank, to establish a branch for an existing bank or to operate a business of insurance. The performance obligation is the provision of supervisory services by operation of law. Fees are payable in advance on an annual basis and non refundable. Revenue is recognised at the point when the fees are due.

Bank charges
The SARB provides banking services to the SA government on a monthly basis and earns revenue in the form of bank charges. The performance obligations of the SARB is to provide banking services which include, but are not limited to Electronic Fund transfers, foreign and local payments and download of deposits from commercial banks. The performance obligations are satisfied when the SARB executes the specific transaction. The bank charges are recognised at a point in time when the service has been rendered.

Management fees
The Bank receives management fees from the CPD, 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 term of the Companies Act 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.

Sundry income
Sundry income relates to canteen services and commission on the money market internet system. Revenue on sundry income is recognised at a point in time when the performance obligations are satisfied.

1.18.2.2 Non-interest financial instrument revenue

CLF fees
Basel III liquidity framework requires banks to adhere to a definite liquidity coverage ratio. The SARB approved the provision of an annual CLF to assist commercial banks in meeting their LCR as there is limited availability of HQLA in South Africa. The facility ran from December to November each year and fees were receivable by the SARB annually at the end of each period. This facility was subsequently discontinued on 1 December 2021.

Commitment fees
Commitment fees are charged on the ABHL loan facility. The fees are calculated based on the facility amount made available in a particular period and are therefore recognised over the period to which they relate.

1.19 DIVIDENDS PAID

In terms of the SARB Act, the SARB is permitted to declare dividends from its accumulated profits. This is capped at a total dividend rate of 10.00% per annum on the paid-up share capital of the SARB.

1. Accounting policies continued

1.20 RELATED PARTIES

As per *IAS 24 Related Party Disclosures*, the financial statements contain the disclosures necessary to draw attention to the possibility that the Group's financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

Related parties include, but are not limited to subsidiaries, the associate, members of management who hold positions of responsibility within the Group including those charged with governance in accordance with legislation, and members of management that are responsible for the strategic direction and operational management of the Group and are entrusted with significant authority. Their remuneration may be established by statute or by another body independent of the Group. Their responsibilities may enable them to influence the benefits of office that flow to them, their related parties or parties that they represent on the governing body.

1.21 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of taxation, from the proceeds.

1.22 KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the 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.

1.22.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are priced with reference to quoted market prices in an actively traded market.

If the market for a financial asset is not active or an instrument is an unlisted instrument, the fair value is estimated using valuation techniques. These include reference to other instruments that are substantially the same, discounted cash flow analysis and option-pricing models.

When a discounted cash flow analysis is used to determine the value of financial assets, estimated future cash flows are based on management's best estimates, and the discount rate at the reporting date is a market-related rate for a financial asset with similar terms and conditions.

Where option-pricing models are used, inputs based on observable market indicators at the reporting date are only recognised to the extent that they relate to changes in factors that market participants will consider in setting a price.

1.22.2 MEASUREMENT OF EXPECTED CREDIT LOSS ALLOWANCE

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

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

- determining criteria for significant increase in credit risk (SICR);
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward looking scenarios for each type of product/market and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

1.22.3 FAIR VALUE OF UNLISTED INVESTMENTS

Judgement is exercised in assessing the fair value of unlisted investments held by the Group. A discounted cash flow analysis is used by the Group to determine the value of its unlisted investments by applying an appropriate discount rate to the best estimate of future cash of the investee. The key assumptions applied in the discounted cash flow valuation method are the equity market risk premium, SA risk free rate and 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 and their sensitivities are set out in note 18.

1. Accounting policies continued

1.22 KEY ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

1.22.4 POST-EMPLOYMENT BENEFITS

The cost of the defined-benefit pension plans and other benefit plans and the present value of the benefit obligations are determined using actuarial valuations. An actuarial valuation involves using various assumptions determined by management and reviewed annually by the actuary that may differ from future developments.

These assumptions include:

- discount rates;
- inflation rates;
- rates of compensation increases;
- rates of pension increases;
- medical cost trends; and
- mortality rates.

Statutory actuarial valuations are performed triennially with the 31 March 2021 valuation having found the fund to be in a sound financial position. Interim actuarial valuations are concluded annually (except in years where a statutory valuation is performed).

Refer to note 13 for further disclosure.

1.22.5 INVENTORY VALUATIONS

The group's currency-producing subsidiaries measure inventory at lower of cost and net realisable value. The determination of net realisable value is an entity-specific estimate and requires the use of judgement.

1.22.6 PROPERTY, PLANT AND EQUIPMENT

Judgement is required when determining:

- the costs that are attributable to the asset;
- for assets where valuation is applied, the fair value of the valuable art;
- the appropriate useful life over which the assets should be depreciated or amortized;
- the depreciation method; and
- whether the existing assets are subject to impairment.

1.22.7 RECOGNITION OF DEFERRED TAXATION 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 COVID-19 and the Russia-Ukraine conflict.

1.22.8 ORDER OF LIQUIDITY

As a financial institution, the Group presents its assets and liabilities on the statement of financial position in order of liquidity. This provides information that is reliable and more relevant than a current or non-current presentation, because the entity does not supply goods or services within a clearly identifiable operating cycle.

The order of liquidity requires judgement, particularly in light of the nature of the SARB's operations and mandate as the central bank of South Africa. The SARB's mandate regarding the management and oversight of the domestic financial market results in regular changes to the liquidity of the SARB assets and liabilities, in response to the liquidity requirements of the market. The SARB continuously monitors and actively manages its liquidity requirements.

It is impracticable to continuously revise the order of assets and liabilities on the statement of financial position due to the fluctuating nature of the order of liquidity, and frequent changes would not result in more relevant information to the users of the Group's financial statements. The order of liquidity is therefore kept consistent year on year, unless there are significant changes thereto, which could reasonably be expected to influence decisions that the users of the financial statements would make on the basis of the order of liquidity presented in the Statement of Financial Position.

1.23 LEASES

A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time.

The Group has assessed that through the SARB's control of the SABN and the South African Mint, the SARB can direct the production of the banknotes and coin respectively. For this reason a lease arrangement exists between the SARB and its subsidiaries. The contracts are for 12 months, renewable annually. Although permitted under *IFRS 16 Leases (IFRS 16)* to exclude leases with a term of 12 months or less, there is a reasonable expectation that the yearly contracts between the SARB and its subsidiaries would be renewed on an annual basis, thereby constituting lease agreements over a period beyond 12 months. Fixed payments on these contracts cannot be determined reliably. The SARB was therefore unable to recognise a right-of-use asset and lease liability from the date of initial application of *IFRS 16* to the current year. This will be reconsidered should the lease payments become determinable based on either fixed payments or an index/rate.

2. Cash and cash equivalents

	2022 Rm	2021 Rm
Amortised cost		
Bank and cash balances	**516**	588
Short-term South African fixed deposits[1]	**18 084**	7 545
Short-term South African money market investments[1]	**3 833**	30 268
Total cash and cash equivalents	**22 433**	38 401

[1] *The classification of money market investments and fixed deposits was corrected in the current year to 'amortised cost'. These instruments were incorrectly classified as 'designated at FVPL' in the prior year. Due to the operating model and SPPI assessment within CPD, these instruments are held within a 'hold to collect' business model. This change does not impact measurement and has no impact on presentation in the statement of financial position. The impact on the statement of profit or loss and other comprehensive income for the prior year is not material.*

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 4.00% – 5.15% (2021: 3.30% – 4.40%) on short-term deposits with financial institutions and 4.37% – 5.00% (2021: 3.63% – 6.89%) on short-term money market investments.

Cash and cash equivalents exclude local and foreign short-term investments held to implement monetary policy or as part of foreign reserves. These reserves are disclosed in detail in notes 3 and 5.

	2022 Rm	2021 Rm
Maturity structure of financial assets		
Within 1 month	**17 417**	32 876
Between 1 and 3 months	**5 016**	5 525
Total financial assets	**22 433**	38 401

Included in short-term South African money market investments are repurchase agreements, the following table presents details thereof:

	2022	2021
Fair value of repo agreements	**3 832**	30 268
Fair value of collateral received	**3 867**	30 287
Fair value of collateral permitted to sell or repledge at the reporting date	**3 867**	30 287
Collateral cover	**100.89%**	100.06%
Maturity date	**07 April 2022**	13 April 2021

At the reporting date, there were no collateralised advances. The counterparties are exposed to interest rate risk on the various securities pledged as collateral for the repo agreements. The Group has the ability to sell or repledge these securities in the event of default. When the underlying investments mature, the Group has the obligation to return the collateral.

3. Accommodation to banks

	2022 Rm	2021 Rm
Amortised cost		
Repo agreements	**40 950**	38 300
Standing facility	**8 545**	6 558
Accrued interest	**10**	4
Total accommodation to banks	**49 505**	44 862

Accommodation to banks represents the SARB's short-term lending to commercial banks.

Repo agreements
Standard repo agreements yield interest at the repo rate (2021: repo rate) of the SARB. There were no 90-day repo agreements during the year ending 31 March 2022 (2021: repo plus 0.30%).

Standard repo agreements	**4.25%**	3.50%
90-day repo agreements	**–**	3.80%

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

Fair value of collateral received	**40 978**	39 685
Fair value of collateral permitted to sell or repledge at the reporting date	**40 978**	39 685
Collateral cover	**100.05%**	103.61%

The collateral received consists of various SA government bonds and Treasury Bills with maturities ranging from one to 26 years (2021: six days to 28 years).

At the reporting date, there were no impairments on the collateral pledged for the repo facility (2021: R nil).

The counterparties are exposed to interest rate risk on the various securities pledged as collateral for the repo agreements.

The SARB has the ability to sell or repledge these securities in the event of default. When the underlying repos are settled, the SARB has the obligation to return the collateral.

Standing facility
The standing facility lending rate, the rate at which the SARB provides liquidity to commercial banks, yields interest at repo plus 1.00% (2021: repo plus 1.00%).

Standing facility	**5.25%**	4.50%

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

Fair value of collateral received	**8 545**	6 558
Fair value of collateral permitted to sell or repledge at the reporting date	**8 545**	6 558
Collateral cover	**100.00%**	100.00%

The collateral received consists of various SA government bonds and Treasury Bills with maturities ranging from two to 10 years (2021: 14 days to 25 years).

At the reporting date, none of the collateralised advances were past due or impaired. During the year under review, no defaults were experienced (2021: no defaults).

The counterparties are exposed to interest rate and other risks on the various securities pledged as collateral for the standing facility. The SARB has the ability to sell or repledge these securities in the event of default. When the underlying facility is settled, the SARB has the obligation to return the collateral.

4. Investments

	2022 Rm	2021 Rm
Amortised cost[1]		
Short-term South African money market investments	73	73
Short-term South African fixed deposits	5 063	6 011
Mandatory FVPL[2]		
Short-term South African money market investments	176	217
Total investments	5 312	6 301
Maturity structure of financial assets		
Within 1 month	4 309	290
Between 1 and 3 months	1 003	6 011
Total financial assets	5 312	6 301

1 *The classification of money market investments and fixed deposits was corrected in the current year to 'amortised cost'. These instruments were incorrectly classified as 'designated at FVPL' in the prior year. Due to the operating model and SPPI assessment within CPD, these instruments are held within a 'hold to collect' business model. This change does not impact measurement and has no impact on presentation in the statement of financial position. The impact on the statement of profit or loss and other comprehensive income for the prior year is not material.*

2 *The classification was corrected in the current year from 'designated at FVPL' to 'mandatory FVPL' to better reflect the CPD accounting policy and operating model. The change purely relates to classification and has no impact on the statement of financial position and statement of profit or loss and other comprehensive income.*

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

Maximum exposure to credit risk	176	217

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 following agencies: Standard and Poor's, Fitch or Moody's. During the previous financial year, a counterparty defaulted on its PNs, which resulted in the recognition of a fair value loss of R243.5 million. During the year under review, no further fair value losses were recognised.

5. Gold and foreign exchange reserves

	Notes	2022 Rm	2021 Rm
Mandatory FVPL			
Money market instruments and deposits[1]	5.1	**103 625**	82 488
Securities[1]	5.2	**523 303**	550 530
Derivatives	5.3	**135**	170
SARB Act			
Gold coin and bullion	5.4	**113 364**	100 472
IMF SDR assets	5.5	**102 410**	45 278
Total gold and foreign exchange reserves		**842 837**	778 938

[1] *The classification was corrected in the current year from 'designated at FVPL' to 'mandatory FVPL' to better reflect the SARB accounting policy and operating model. The change purely relates to classification and has no impact on the statement of financial position and statement of profit or loss and other comprehensive income.*

5.1 MONEY MARKET INSTRUMENTS AND FIXED DEPOSITS

	2022	2021
Cash and money market accounts	**2 108**	1 970
Fixed deposits	**101 517**	80 518
Total money market instruments and fixed deposits	**103 625**	82 488

	Current					Non-Current	
Maturity structure	Redeemable On demand Rm	Up to 1 month Rm	1 – 3 months Rm	4 – 6 months Rm	7 – 12 months Rm	More than 1 year Rm	Total
2022							
Cash and money market accounts	**–**	**2 108**	**–**	**–**	**–**	**–**	**2 108**
Fixed deposits	**–**	**101 517**	**–**	**–**	**–**	**–**	**101 517**
Total money market instruments and fixed deposits	**–**	**103 625**	**–**	**–**	**–**	**–**	**103 625**
2021							
Cash and money market accounts	–	1 970	–	–	–	–	1 970
Fixed deposits	–	80 518	–	–	–	–	80 518
Total money market instruments and fixed deposits	–	82 488	–	–	–	–	82 488

The foreign exchange balances yield investment returns achievable in the various currencies in which they are invested. It is not practicable to calculate effective yields on the portfolios due to the volatility caused by exchange rate fluctuations.

5. Gold and foreign exchange reserves continued

5.2 SECURITIES

	2022 Rm	2021 Rm
Asset backed securities	**526**	–
Certificate of deposits	**46 230**	60 443
Commercial papers	**98**	1 011
Corporate bonds	**4 651**	3 436
Financial bonds	**606**	8 106
Government agency, state, supranational bonds	**157 436**	134 067
Government bonds	**239 089**	188 852
Mortgage backed securities	**13 503**	14 200
Mutual funds	**–**	454
Other investments	**127**	92
Treasury Bills	**61 037**	139 869
Total securities	**523 303**	550 530

	Current					Non-Current	
Maturity structure	Redeemable On demand Rm	Up to 1 month Rm	1 – 3 months Rm	4 – 6 months Rm	7 – 12 months Rm	More than 1 year Rm	Total
2022							
Financial assets at mandatory FVPL	**–**	**36 425**	**33 100**	**101 870**	**104 947**	**246 961**	**523 303**
Total securities	**–**	**36 425**	**33 100**	**101 870**	**104 947**	**246 961**	**523 303**
2021							
Financial assets at mandatory FVPL	–	25 624	44 204	113 821	114 847	252 034	550 530
Total securities	–	25 624	44 204	113 821	114 847	252 034	550 530

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 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 Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount[1] Rm
2022				
FECs	**58**	**78**	**(20)**	**14 657**
Futures contracts	**76**	**102**	**(26)**	**7 032**
Total derivatives	**134**	**180**	**(46)**	**21 689**
2021				
FECs	140	152	(12)	34 677
Futures contracts	29	41	(12)	17 800
Total derivatives	169	193	(24)	52 477

[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 counterparties.*

5.3.1 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES RELATING TO GOLD AND FOREIGN EXCHANGE RESERVES

The SARB is subject to an enforceable master netting arrangement with its derivative counterparties. Under the terms of this agreement, offsetting of derivatives is permitted only in the event of bankruptcy or default of either party to the agreement. There is no intention to settle on a net basis or realise the asset and settle the liability simultaneously. The following table presents details of this:

	Gross amounts presented in derivatives Rm	Offset Rm	Net amounts presented in derivatives Rm	Related amounts not set off in derivatives		
				Instruments which offset on default Rm	Collateral amount received Rm	Net amount Rm
2022						
FEC assets	**78**	**–**	**78**	**(14)**	**–**	**64**
FEC liabilities	**(20)**	**–**	**(20)**	**14**	**–**	**(6)**
2021						
FEC assets	152	–	152	(3)	–	149
FEC liabilities	(12)	–	(12)	3	–	(9)

5. Gold and foreign exchange reserves continued

5.4 GOLD COIN AND BULLION

	2022 Rm	Fine ounces
As at 31 March 2021	**100 472**	**4 029 584**
Purchases during the year	**367**	**13 722**
Sales during the year	**(362)**	**(13 541)**
Change in the statutory price	**12 887**	**–**
As at 31 March 2022	**113 364**	**4 029 765**

	2021 Rm	Fine ounces
As at 31 March 2020	115 360	4 029 436
Purchases during the year	13 823	158 515
Sales during the year	(13 819)	(158 367)
Change in the statutory price	(14 892)	–
As at 31 March 2021	100 472	4 029 584

Gold coin and bullion consists of 4 029 765 fine ounces of gold at the statutory price of R28 131.63 per ounce (2021: 4 029 584 fine ounces at R24 933.60 per ounce).

5.5 IMF SDR ASSETS

In accordance with the SARB Act, the SARB acts as fiscal agent of the Government in its dealings with International Financial Institutions (IFI), transactions with the IFI and the undertakings of financial agency work for the Government. In compliance with the SARB Act the accounts with the IMF, which records all transactions with the IMF, have been included in these financial statements. Refer to note 9 for the corresponding liability. The related interest was included in other assets and other liabilities respectively.

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 2022, the XDR rate was equal to R20.15 (2021: 20.97).

During August 2021 the SARB received an SDR allocation amounting to XDR2.9 billion.

The various rights are disclosed below:

	2022 Rm	2021 Rm
SDR Holdings[1]	**89 104**	31 395
IMF New Arrangements to Borrow financial transactions plan account	**159**	204
IMF SDR reserve tranche position account	**13 147**	13 679
Total IMF SDR assets	**102 410**	45 278

[1] *The SDR asset carries interest at an effective rate of 0.32% (2021: 0.08%). SA government promissory notes have been pledged as collateral against these SDRs.*

The following table presents details of collateral held:		
Fair value of collateral received	**39 576**	58 056
Collateral cover[2]	**44.42%**	184.92%

[2] *The IMF will re-evaluate the collateral required during May 2022.*

At reporting date, none of the collateralised advances were past due or impaired (2021: none). During the year under review, no defaults were experienced (2021: no defaults).

6. Loans and advances

	2022 Rm	2021 Rm
Amortised cost		
Secured foreign loans	–	–
Interest-bearing local loans	12 081	13 726
IGCC loan	9	–
LGS loan	12 072	13 726
Total loans and advances	12 081	13 726

SECURED FOREIGN LOAN

In 2020, the counterparty PNs that had been pledged as collateral against the loan facility were impaired due to the counterparty failing to redeem any of its maturing debt securities, nor honour interest on outstanding debt securities. The borrower was unable to provide replacement collateral, resulting in the utilisation of the facility being temporarily suspended and capped at the outstanding amount whilst in the process of being renegotiated. At reporting date the outstanding loan balance of R23.6 million (2021: R41.6 million) was fully impaired.

As part of the debt restructure arrangement by the counterparty, R4.3 million (2021: R4.4 million) for interest and R14.9 million (2021: R9.9 million) for capital, has been received from the counterparty PNs as repayment towards the outstanding loan amount. The counterparty negotiations to restructure its debt are still in progress.

INTEREST-BEARING LOCAL LOANS

INTER-GOVERNMENTAL CASH CO-ORDINATION LOANS

The loans are advanced as part of the national government's Inter-Governmental Cash Co-ordination (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 rate equal to the 91-day Treasury Bill yield, which was 4.35% (2021: 3.85%) at the reporting date.

At the reporting date, none of the IGCC loans were past due or impaired (2021: none). However, an ECL allowance was raised of R0.7 billion (2021: R0.8 billion). During the year under review, no defaults were experienced (2021: no defaults).

LOAN GUARANTEE SCHEME

The SARB entered into a Loan Guarantee Scheme (LGS) with participating commercial banks for the purpose of assisting qualifying small and medium-sized businesses severely impacted during the COVID-19 pandemic. Drawdowns by qualifying businesses, under the LGS, were available for an 11-month period commencing from the effective date (moratorium period), which was extended by a further three months to July 2021. The outstanding balance at the end of the moratorium period is repayable over a repayment period of 60 months. A facility of R100.0 billion was approved, of which R89.6 billion was allocated to nine commercial banks.

The total outstanding balance (including interest) of R12.1 billion (2021: R13.7 billion) is guaranteed by the SARB. The guarantee is limited to the R12.1 billion allocated to the commercial banks. Due to the integral nature of the guarantee, it is taken into account in the ECL calculation.

The loan accrues interest at the prevailing repo rate (2021: 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 2.00%.

At the reporting date none of the LGS loans were past due or impaired (2021: none). During the year under review, no defaults were experienced (2021: no defaults).

7. South African government bonds

	2022 Rm	2021 Rm
Mandatory FVPL[1]		
Interest-bearing listed bonds	**37 784**	37 784
Coupon interest accrued[2]	**437**	437
Fair value adjustments[2]	**2 282**	1 045
Total SA government bonds	**40 503**	39 266
Effective interest rate	**9.87%**	13.96%

[1] *The classification was corrected in the current year from 'designated at FVPL' to 'mandatory FVPL' to better reflect the SARB accounting policy and operating model. The change purely relates to classification and has no impact on the statement of financial position and statement of profit or loss and other comprehensive income.*

[2] *The disclosure has been updated to reflect the coupon interest accrued separately from fair value adjustments to provide more relevant information.*

There were no purchases of SA government bonds during the current year. However, in the prior year, as part of the SARB's continuous measures to manage liquidity during the COVID-19 pandemic, SA government bonds of R29.1 billion were purchased from the secondary market.

8. Notes and coin in circulation

	2022 Rm	2021 Rm
Amortised cost		
Notes	**164 010**	161 514
Coin	**7 087**	6 825
Total notes and coin in circulation	**171 097**	168 339

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

	2022 Rm	2021 Rm
Amortised cost		
Non-interest-bearing	**231 191**	170 401
Banks' reserve accounts	**126 875**	122 689
Other current accounts	**2 651**	2 762
SA government accounts[3]	**101 665**	44 950
Interest-bearing	**152 056**	133 869
Banks' current accounts	**19 372**	8 422
Call deposits	**91 527**	81 289
Reverse repos	**–**	1 001
SA government special deposit	**41 157**	41 157
SARB debenture repos	**–**	2 000
Total deposit accounts	**383 247**	304 270
Maturity structure of deposit accounts		
On demand	**195 843**	129 001
Subject to negotiation with the SA government	**41 157**	41 157
Within 1 month	**146 247**	134 112
Total deposit accounts	**383 247**	304 270

[3] *During August 2021 the SARB received an SDR allocation amounting to XDR2.9 billion. Refer to note 5.5 for more details.*

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 R1.7 billion (2021: R1.4 billion). The commercial banks concerned are afforded an opportunity, subject to conditions as the Governor may determine, to comply with the relevant provision within a specified period.

SA GOVERNMENT SPECIAL DEPOSIT

The SA government special deposit bears interest at a rate equivalent to the return earned on foreign exchange investments made by the SARB. The interest accrued on the deposit was settled during the year under review. No withdrawals were made during the year (2021: R26.0 billion).

CALL DEPOSITS

In terms of the current interest rate policies approved by the CPD Board, call deposits earn interest at a rate of 0.10% less than the 91-day Treasury Bills yield (2021: 91-day Treasury Bills yield less 0.10%). The prevailing rate at year-end for call deposits was 4.25% (2021: 3.75%). Margin call deposits, held on behalf of participants of the Johannesburg Stock Exchange Bond Electronic Trading Platform, earn interest at a rate of 0.15% less than the repo rate (2021: repo less 0.15%). The prevailing rate at year-end for margin call deposits was 4.10% (2021: 3.25%).

10. Foreign deposits

	2022 Rm	2021 Rm
Mandatory FVPL		
Foreign deposits	85 143	93 285

Foreign deposits are placed by customers at market related rates.

11. South African Reserve Bank debentures

	2022 Rm	2021 Rm
Amortised cost		
Capital	3 805	14 995
Accrued interest	2	15
Total SARB debentures	3 807	15 010

The debentures are issued to the market on tender normally on a 7-, 14-, 28- or 56-day term. At the reporting date, SARB had outstanding unsecured SARB debentures of R3.8 billion (2021: R15.0 billion).

Details on the debentures in issue at 31 March 2022 were as follows:

Maturity date	Interest rate %	Capital R'000
06 April 2022	4.25	2 790
06 April 2022	4.20	765
13 April 2022	4.30	250
		3 805

12. Gold and Foreign Exchange Contingency Reserve Account

	2022 Rm	2021 Rm
SARB Act		
Opening balance	**315 584**	436 062
Profit/(loss) on gold price adjustment account[1]	**12 885**	(14 894)
(Loss)/profit on FEC adjustment account	**(2 446)**	22 437
Loss on foreign exchange adjustment account	**(17 899)**	(118 604)
Movement in unrealised gains/(losses) on FECs	**6 084**	(9 528)
	314 208	315 473
Payments from the SA government	**75**	111
Closing balance	**314 283**	315 584
Balance composition		
Balance currently due to the SA government	**316 023**	323 408
Unrealised (losses)/gains on FECs	**(1 740)**	(7 824)
	314 283	315 584

[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 R74.8 million was settled by SA government (2021: R110.7 million).

13. Post-employment benefits

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

	Notes	2022 Rm	2021 Rm
Amounts recognised in the statement of financial position			
Post-employment medical benefits	13.1	**2 594**	2 566
Post-employment group life benefits	13.2	**63**	59
Post-employment retirement fund benefits	13.3	**–**	150
Total post-employment benefits		**2 657**	2 775

13.1 POST-EMPLOYMENT MEDICAL BENEFITS

Post-employment medical benefits are provided to retired staff in the form of subsidised medical aid premiums. This benefit has been closed to all new employees at the SARB since 1 September 2011 and the subsidiary since 2003. A provision for the liability has been raised; this covers the total liability, that is, the accumulated post-employment medical benefit liability at 31 March 2022.

13.2 POST-EMPLOYMENT GROUP LIFE BENEFITS

Post-employment group life benefits are provided to retired staff in the form of subsidised group life premiums. This benefit has been closed to all new employees at the SARB since 1 September 2017 and SABN since 1 October 2017. This covers the total liability, that is, the accumulated post-employment group life benefit liability at 31 March 2022.

13. Post-employment benefits continued

13. POST-EMPLOYMENT BENEFITS continued

13.3 POST-EMPLOYMENT RETIREMENT FUND BENEFITS

The Group has made provision for pension and provident plans substantially covering all employees. All employees are members of the retirement fund administered by the Group or are members of funds within the various industries in which they are employed. The assets of these plans are held in administered trust funds separate from the Group's assets and the funds are governed by the Pension Funds Act 24 of 1956.

Statutory actuarial valuations are performed triennially with the 31 March 2021 valuation having found the fund to be in a sound financial position. Interim actuarial valuations are concluded annually (except in years where a statutory valuation is performed). Where a surplus in the fund is calculated, it is for the benefit of the members, and accordingly no asset is recognised in the financial statements of the SARB. The retirement fund is regulated by the Financial Sector Conduct Authority and is a single scheme which caters for active members, pensioners on a living annuity, pensioners on a life annuity, and pensioners from the former defined benefit fund.

Active members participate on a defined contribution basis. The market risk lies fully with the active members until retirement. On retirement, former employees can commute up to one-third of their share of funds. They may use the remaining funds to buy either a living annuity or a life annuity (or a combination of both) from the fund. They may also choose to transfer their share of funds to another registered retirement annuity. The value of assets under management for active members as at 31 March 2022 was R5.7 billion (2021: R5.1 billion).

Living annuity pensioners bear the entire market risk on their funds; however, they also fully benefit from positive market returns.

The life pension quoted by the retirement fund is based on the amount of capital available to the employee, as well as marital status, gender and age. There are currently 1 034 life pensioners (2021: 1 013 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.

Since inception in 1995, there has not been a shortage in the pension account for any given year. The most recent valuation at 31 March 2021 found the fund to be fully funded, with the actuarial liability of pensions to be R2.8 billion (2018: R2.4 billion) with plan assets of R2.8 billion (2018: R2.4 billion). The trustees of the retirement fund and the management of the SARB do not foresee a statutory liability for the SARB in terms of these pensioners.

14. Profit before taxation

14.1 OPERATING INCOME INCLUDES:

	2022 Rm	2021 Rm
Bank charges	234	177
Commission on banking services	281	664
Rental income	9	8
Sales of bank notes and coin to third parties	4 389	4 532
Sundry income	39	40
Total operating income	**4 952**	5 421

Realised and unrealised profits/losses on the SARB's investments are included in interest income in terms of the SARB's accounting policies.

Comparative figures have been amended to disaggregate certain classes of similar income to provide more relevant information.

14.2 OPERATING COSTS INCLUDE:

	2022 Rm	2021 Rm
Depreciation and amortisation		
Buildings	35	30
Reversal of impairments of buildings	–	(69)
Purchased computer software	264	147
Plant, vehicles, furniture and equipment	354	314
Total depreciation and amortisation	**653**	422
Net loss on disposal of:		
Property, plant and equipment	110	8
Write-down of inventories		
Write-down of inventories	31	16
Auditors' remuneration		
Audit fees	23	24
Fees for other services	–	9
Total auditors' remuneration	**23**	33
Consulting fees		
Consulting fees	287	205
Employee costs		
Directors' remuneration	33	32
Remuneration and recurring staff costs	2 601	2 484
Contributions to funds – Normal	280	265
Contributions to funds – Additional	3	–
Movement in provision for post-employment medical benefits	305	302
Movement in provision for post-employment group life benefits	8	7
Movement in provision for post-employment retirement benefit fund benefits	31	–
Premiums paid – Medical aid	130	136
Premiums paid – Group life	20	6
Total employee costs	**3 411**	3 232

14. Profit before taxation continued

14.2 OPERATING COSTS INCLUDE: CONTINUED

	2022 Rm	2021 Rm
Other		
Cost of new currency	180	927
Subsidiaries' manufacturing costs	4 852	4 245
IT infrastructure	264	300
Other operating costs[1]	727	1 224
Total operating expenses	**10 538**	10 612

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

Comparative figures have been amended to disaggregate certain classes of similar expenses to provide more relevant information.

15. Net cash (utilised by)/generated from operations

	2022 Rm	2021 Rm
Reconciliation of profit before taxation to cash generated from operating activities		
(Loss)/profit before taxation for the year	(2 165)	4 667
Adjustments for:		
Interest revenue	(3 353)	(4 902)
Interest expense	3 695	5 623
Fair value adjustments on investments	(167)	253
Depreciation, amortisation and impairment	653	422
Net loss on disposal of fixed assets	110	8
Profit from associate	(228)	(119)
Impairment loss on investment in associate	228	119
Credit impairment reversal	(80)	(1 507)
Write off in sundry expenses	–	4
Unrealised foreign exchange gains	(1)	(3)
Post-employment benefits	203	180
Interest accrued on operating assets and liabilities	–	(383)
Interest accrued on taxation	15	–
Net cash (utilised by)/generated from operating activities	(1 090)	4 362
Changes in operating assets and liabilities:		
Accommodation to banks	(4 643)	61 200
Investments	1 156	–
Other assets	(340)	(1 774)
Gold and foreign exchange reserves	(63 899)	153 042
Inventories	(172)	(56)
FEC assets[1]	(4)	1 731
Loans and advances	1 725	13 248
SA government bonds	(1 237)	(29 650)
Equity investment in BIS	97	846
Notes and coin in circulation	2 758	12 795
Deposit accounts	78 976	(42 357)
Foreign deposits	(8 141)	(54 914)
Other liabilities	18	342
SARB debentures	(11 204)	15 010
FEC liabilities[1]	(6 080)	7 797
GFECRA[1]	(1 301)	(120 478)
Net cash (utilised by)/generated from changes in operating assets and liabilities	(12 291)	16 782
Net cash (utilised by)/generated from operations	(13 381)	21 144

[1] *This disclosure has been updated to separately reflect the cash flow movements of FEC assets and liabilities to provide more relevant information.*

16. Fair value hierarchy disclosures

The tables below analyse 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 (2021: none).

16.1 VALUATION TECHNIQUES USED TO DERIVE LEVEL 1 FAIR VALUES

The fair value of financial instruments traded in active markets are based on quoted market prices as obtained from the custodians at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker or pricing services and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the SARB is the current price as per the custodian's pricing hierarchy. These instruments are included in Level 1.

16.2 VALUATION TECHNIQUES USED TO DERIVE LEVEL 2 FAIR VALUES

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Specific valuation techniques used to value financial instruments include the following:

- quoted market prices or dealer quotes for similar instruments are used for gold and foreign exchange reserves 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 reporting date, with the resulting value discounted back to present value; and
- the fair value of all other instruments are derived with reference to yields.

16.3 VALUATION TECHNIQUES USED TO DERIVE LEVEL 3 FAIR VALUES

Immaterial Level 3 items are detailed in the Group annual financial statements and have been excluded from this report.

16. Fair value hierarchy disclosures continued

	Notes	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2022					
Items measured at fair value					
Financial assets					
Investments	4	–	176	–	176
Gold and foreign exchange reserves	5	509 966	332 871	–	842 837
Gold coin and bullion		113 364	–	–	113 364
Money market instruments and deposits		–	103 625	–	103 625
Securities		396 525	126 778	–	523 303
Derivatives		77	58	–	135
IMF SDR assets		–	102 410	–	102 410
SA government bonds	7	40 503	–	–	40 503
Financial liabilities					
Foreign deposits	10	–	85 143	–	85 143
Items measured at amortised cost					
Financial assets					
Cash and cash equivalents	2	–	22 433	–	22 433
Accommodation to banks	3	–	49 505	–	49 505
Investments	4	–	5 136	–	5 136
Loans and advances	6	–	12 081	–	12 081
Financial liabilities					
Notes and coin in circulation	8	–	171 097	–	171 097
Deposit accounts	9	–	383 247	–	383 247
SARB debentures	11	–	3 807	–	3 807
GFECRA	12	314 283	–	–	314 283

16. Fair value hierarchy disclosures continued

	Notes	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2021					
Items measured at fair value					
Financial assets					
Investments[1]	4	–	217	–	217
Gold and foreign exchange reserves	5	423 421	355 517	–	778 938
Gold coin and bullion		100 472	–	–	100 472
Money market instruments and deposits		–	82 488	–	82 488
Securities		322 919	227 611	–	550 530
Derivatives		30	140	–	170
IMF SDR assets		–	45 278	–	45 278
SA government bonds	7	39 266	–	–	39 266
Financial liabilities					
Foreign deposits	10	–	93 285	–	93 285
Items measured at amortised cost					
Financial assets					
Cash and cash equivalents	2	–	38 401	–	38 401
Accommodation to banks[1]	3	–	44 862	–	44 862
Investments[1]	4	–	6 084	–	6 084
Loans and advances	6	–	13 726	–	13 726
Financial liabilities					
Notes and coin in circulation	8	–	168 339	–	168 339
Deposit accounts	9	–	304 270	–	304 270
SARB debentures	11	–	15 010	–	15 010
GFECRA	12	315 584	–	–	315 584

[1] *The classification of money market investments and fixed deposits was corrected in the current year to 'amortised cost'. These instruments were incorrectly classified as 'designated at FVPL' in the prior year. Due to the operating model and SPPI assessment within CPD, these instruments are held within a 'hold to collect' business model. This change does not impact measurement and has no impact on presentation in the statement of financial position. The impact on the statement of profit or loss and other comprehensive income for the prior year is not material.*

17. Commitments and guarantees

17.1 ABL GUARANTEES

R3.0 billion (2021: R3.0 billion) has been guaranteed by the SARB to ABL undertaking to settle unrecoverable loans that Residual Debt Services Limited (under curatorship) (RDS) could not settle in terms of the indemnity agreement. As at 31 March 2022 this facility had not been utilised.

In turn, R3.0 billion (2021: R3.0 billion) has been guaranteed by the SA government to the SARB. A guarantee fee of 30 basis points is payable upon the utilisation of the guarantee facility. As at 31 March 2022 this facility had not been utilised and no loss allowances were required.

17.2 COMMITTED LIQUIDITY FACILITIES

The CLFs were designed to allow local banks to meet Basel III rules that require financial institutions to hold high-quality liquid assets as a buffer during times of market stress. The SARB approved the provision of CLFs to assist banks to meet the liquidity coverage ratio.

Although banks could contractually drawdown on the CLF with immediate effect, such a drawdown would signal a degree of liquidity pressure and banks were not expected to drawdown except in circumstances of extraordinary liquidity needs. The SARB monitors the liquidity positions of all banks as part of its normal supervisory processes and would have been aware of any deterioration in a bank's liquidity position that could possibly result in a drawdown on the CLF.

The SARB has since ended the provision of CLF facilities effective 1 December 2021. Consequently, the related fees and collateral will no longer be required.

The total CLFs granted by the SARB for the period 1 January 2021 to 31 December 2021 amounted to R26.2 billion, which were not utilised. Collateral of R42.6 billion, with an expected liquidity value of R38.5 billion, was provided to the SARB to secure these facilities. From 1 December 2021 the CLFs were fully phased out and no further commitments remained with the SARB. Commitment fees of R151.7 million were received of which R113.8 million was accounted for as income and the balance was reflected in other liabilities in the prior year.

An interest rate of repo plus 1.00% would have been charged on drawdown for a period of up to 30 days.

17.3 LOAN GUARANTEE SCHEME

In May 2020, the SARB entered into a LGS with various participating banks for the purposes of the COVID-19 LGS. The SARB provided a guarantee to the commercial banks in respect of the COVID-19 LGS to the extent of the current exposure of R12.1 billion (2021: R13.7 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 has 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.

17. Commitments and guarantees continued

17.4 CPD GUARANTEE

In June 2020, the SARB provided a guarantee of R3.5 billion to the CPD, a wholly-owned subsidiary of the SARB, in order to cover expected credit losses following the downgrade of the sovereign and losses related to defaults by a certain counterparty and associated impairments recognised for the financial year. In May 2022, the guarantee was extended for a further 12 months until 11 June 2023 and the guarantee amount was reduced to R1.2 billion due to the reduced accumulated losses in the CPD.

17.5 ABHL – LOAN FACILITY

During 2021, a shareholder support transaction was concluded in terms of which the SARB will provide a collateralised loan to ABL of up to R4.0 billion over a four year period in accordance with section 10(1)(f) of the SARB Act. The other shareholders will subscribe to DMTNs in ABL in accordance with the respective pro rata shareholding in ABHL. The SARB will avail R1.0 billion per year to ABL and will advance the funds to ABL at the same time as the other shareholders subscribe to DMTNs. The loan is secured by a cession in security of a portion of ABL's customer loan portfolio, with a collateral cover ratio of 111.00%. The facility remains undrawn as at 31 March 2022.

17.6 CODI GUARANTEE

The SARB will provide a guarantee for the deposits that banks will place with the CODI for the liquidity tier of the deposit insurance fund once the FSLA Bill has commenced. 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 deposit of 3.00% of their covered deposits' balance with the CODI for as long as they are licenced. The interest payable will be linked to the investment returns earned on these funds. The collection of funds will start after commencement of the FSLA Bill.

18. Related party information

18.1 INVESTMENT IN SUBSIDIARIES

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

	2022 Rm	2021 Rm
CPD	455	1 542
SABN	193	60
South African Mint	360	315
Total contribution to Group profit	**1 008**	1 917

18.1.1 INVESTMENT IN PRESTIGE BULLION

Prestige Bullion is a subsidiary of the South African Mint. The South African Mint holds a 60.00% 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	40.00%
Percentage voting rights held by non-controlling interest	40.00%

Rand Refinery holds the 40.00% non-controlling interest in Prestige Bullion.

Summarised financial information of Prestige Bullion

	PRESTIGE BULLION	
	2022 Rm	2021 Rm
Statement of financial position		
Current assets	619	595
Total assets	619	595
Total equity	209	331
Current liabilities	410	264
Total liabilities	410	264
Total equity and liabilities	619	595
Statement of comprehensive income		
Revenue	4 320	4 195
Gross profit	724	622
Operating expense	(27)	(24)
Profit before tax	694	589
Total comprehensive income	500	424

18. Related party information continued

18.1 INVESTMENT IN SUBSIDIARIES CONTINUED

18.1.2 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Rand Refinery

Rand Refinery has a 40.00% interest, and therefore holds a non-controlling interest in Prestige Bullion.

	2022 Rm	2021 Rm
Profit attributable to non-controlling interest	**200**	170
Accumulated non-controlling interest at year-end	**83**	132
Dividends paid to non-controlling interest	**249**	200

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

18.2 INVENTORY HELD ON BEHALF OF THE SARB BY THE SOUTH AFRICAN MINT

At year-end, coin inventory of R157.7 million (2021: R161.8 million) was held on behalf of the SARB.

18.3 INVESTMENT IN ASSOCIATE

	Authorised and issued share capital			
	Number of shares '000	% held	2022 Rm	2021 Rm
ABHL				
Cost	500	50	**5 000**	5 000
Accumulated profit attributable to Group			**1 044**	815
Provision for impairment			**(2 577)**	(2 348)
Carrying value of investment in associate			**3 467**	3 467

18.3.1 IMPAIRMENT LOSS RECOGNISED ON INVESTMENT IN ASSOCIATE

The Group performs an annual impairment test on the investment in associate. The recognition of the impairment loss in the prior year was mainly as a result of the large scale economic impact of the COVID-19 pandemic on the expected cashflows of ABHL, which has subsequently improved and as such a minimal impairment limited to the share of profit in associate has been recognised in the current year.

The recoverable amount of R3.5 billion (2021: R3.5 billion) was calculated by means of the 'value in use method' using free cash flows and was based on certain assumptions.

Management made the following key assumptions in its determination of the value in use:

- ABHL is a going concern and would be able to continue operating for the foreseeable future.
- The calculations use cash flow projections based on financial budgets approved by ABHL management covering a five-year period.
- A discount rate of 15.74% (2021: 15.74%) was used to calculate the present value of future cash flows. The average discount rate is calculated using the Capital Asset Pricing Model based on market related inputs in various scenarios. The main determinants of which are the South African Risk Free Rate at the time of the valuation, Beta calculated using comparable companies, the Implied Market Risk Premium at the time of the valuation and Alpha risk adjustments based on available market information.
- Funding was secured and there have been no withdrawals as at 31 March 2022 (2021: none). Refer to note 17 for more detail.

18. Related party information continued

18.3 INVESTMENT IN ASSOCIATE CONTINUED

18.3.2 SENSITIVITY ANALYSIS

	2022 Rm	2021 Rm
The effect of a 1% increase and decrease in the discount rate is as follows:		
ABHL carrying value		
1% decrease	3 545	3 531
Valuation basis	3 467	3 467
1% increase	3 391	3 421
Impairment loss		
1% decrease	(151)	(54)
Valuation basis	(228)	(119)
1% increase	(304)	(164)
The effect of a 10% increase and decrease in the cash flow forecast is as follows:		
ABHL carrying value		
10% decrease	3 284	3 056
Valuation basis	3 467	3 467
10% increase	3 650	3 895
Impairment loss		
10% decrease	(411)	(530)
Valuation basis	(228)	(119)
10% increase	(46)	310

18.4 AMOUNTS DUE BY/TO RELATED PARTIES

	2022 Rm	2021 Rm
Amounts due by related parties		
African Bank Limited (equity accounted, not consolidated)	150	–
CPD	65 738	39 438
SABN	3	–
SA government	9	–
South African Mint	–	2
Amounts due to related parties		
CPD	64 710	38 351
SABN	942	706
SA government	536 235	483 337
GFECRA	316 023	315 584
Deposits		
Non-interest-bearing	101 665	44 950
Interest-bearing	118 184	122 440
Other liabilities	363	363
SARB Retirement Fund	17	6
South African Mint	89	384

18. Related party information continued

18.5 TRANSACTIONS BETWEEN THE SARB AND ITS RELATED PARTIES

	2022 Rm	2021 Rm
Dividend received		
South African Mint	673	–
Dividend paid		
South African Mint	673	–
Interest revenue		
African Bank Limited (equity accounted, not consolidated)	1	1
CPD	2 534	1 267
SABN	46	41
SA government	32	1 895
South African Mint	8	5
	2 621	3 209
Interest expense		
CPD	2 588	1 313
SA government	3 672	3 924
SARB Retirement Fund	1	1
	6 261	5 238
Rent received		
SABN	1	1
Rent paid		
SABN	1	1
Admin and management fees received		
CPD	4	3
SABN	27	26
South African Mint	4	4
SARB Retirement Fund	5	4
	40	37
Admin and management fees paid		
CPD	4	3
SABN	27	26
South African Mint	4	4
SARB Retirement Fund	5	4
	40	37
Other income		
African Bank Limited (equity accounted, not consolidated)	1	1
SABN	1 586	1 121
South African Mint	890	646
	2 477	1 768
Cost of new currency		
SABN	1 586	1 121
South African Mint	890	646
	2 476	1 767
Pension fund contributions		
SARB Retirement Fund	277	260

18. Related party information continued

18.6 DIRECTORS' REMUNERATION

	2022 R'000	2021 R'000
Executive directors: Remuneration for services		
Governor E L Kganyago		
Remuneration and recurring fringe benefits	8 309	8 040
Other fringe benefits	140	87
	8 449	8 127
Deputy Governor K Naidoo		
Remuneration and recurring fringe benefits	5 935	5 743
Other fringe benefits	9	2
	5 944	5 745
Deputy Governor N Tshazibana		
Remuneration and recurring fringe benefits	5 935	5 743
Other fringe benefits	28	16
	5 963	5 759
Deputy Governor R I Cassim		
Remuneration and recurring fringe benefits	5 927	5 733
Other fringe benefits	93	92
	6 020	5 825
Total remuneration of executive directors	26 376	25 456

18. Related party information continued

18.6 DIRECTORS' REMUNERATION CONTINUED

	2022 R'000	2021 R'000
Non-executive directors: Remuneration for services		
C B Buitendag	**489**	474
D J M S Msomi (Appointed 1 August 2020)	**576**	395
F Cachalia	**208**	648
G M Ralfe (term ended 1 August 2020)	**–**	204
L H Molebatsi	**608**	575
N Vink	**473**	455
N B Mbazima (Appointed 1 August 2020)	**578**	336
M M T Ramano (Appointed 1 August 2020)	**568**	338
R J G Barrow (term ended 1 August 2020)	**–**	786
R le Roux (term ended 1 August 2020)	**–**	163
S Gaibie (Appointed 1 August 2020)	**473**	284
T Nombembe	**1 249**	640
Y G Muthien	**576**	559
Z Hoosen	**651**	565
Total remuneration of non-executive directors	**6 449**	6 422
Chairs: Retirement fund		
D Konar (term ended 31 July 2020)	**–**	71
T Khangala (Appointed 1 August 2020)	**238**	131
Total remuneration of chairs of retirement fund	**238**	202
Total remuneration of directors	**33 063**	32 080

19. Events after the reporting date

CPD GUARANTEE

On 16 May 2022, the GEC approved an extension to the financial guarantee issued by the SARB to the CPD for a further 12 months to 11 June 2023 as a result of the continued technical insolvency position of the CPD. The guarantee was reduced from R3.5 billion to R1.2 billion due to the reduced accumulated losses in the CPD in the current financial year.

SOUTH AFRICAN MINT DIVIDEND

The South African Mint board declared a dividend of R94.1 million to the SARB on 20 May 2022.

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 145 to 147. The PA's financial accounts comprise the statement of financial position as at 31 March 2022, 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 other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial accounts* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the PA in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).*

Emphasis of Matter - Basis of accounting

We draw attention to Note 1 to the financial accounts, which describes the basis of accounting. The financial accounts are prepared for the purpose described therein. As a result, the financial accounts may not be suitable for another purpose.

The financial accounts do not comprise a full set of financial statements prepared in accordance with the basis of accounting described in Note 1 to the financial accounts and the requirements of section 55 of the Financial Sector Regulation Act 9 of 2017. Our opinion is not modified in respect of this matter.

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Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

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

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 information, 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 intends to liquidate the SARB or to cease operations, or has no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial accounts

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

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

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

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Lumko Sihiya
Registered Auditor
Johannesburg, South Africa
13 June 2022

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Pravesh Hiralall
Registered Auditor
Johannesburg, South Africa
13 June 2022

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.

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. The PA financial accounts are prepared in accordance with the accounting policies as set out in note 1 below.

SUMMARISED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2022

	Notes	PRUDENTIAL AUTHORITY 2022 Rm	 2021 Rm
Assets			
Other assets		**24**	22
Total assets		**24**	22
Liabilities			
Other liabilities		**10**	8
Unclaimed balances		**14**	14
Total liabilities		**24**	22

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 Rm	2021 Rm
Operating income		**13**	11
Levies	2.1	**–**	–
Fees	2.2	**13**	11
Penalties	2.3	**–**	–
Other operating income		**–**	–
Expenditure		**(396)**	(375)
Personnel costs	2.4	**(306)**	(278)
Operational costs	2.4	**(90)**	(97)
Amount funded by SARB	2.5	**383**	364
Net loss before taxation		**–**	–

1. ACCOUNTING POLICIES

1.1. Other assets

Other assets relate to the notional balance at the end of the reporting period, which represents the difference between cash inflows and outflows during the year in respect of prudential regulatory activity, as well as prepaid expenses. Prepaid expenses relate to operating costs paid before they are due. The prepaid expenses are measured at cost and are recognised when the amount is paid. The prepaid expense balances are subsequently measured at cost and are derecognised in the period in which the related expense is recognised.

1.2. Other liabilities

Other liabilities relate to operating income received in advance. The liabilities are measured at the transaction cost, being the amount actually received and recognised when the amount is received. The balance is subsequently measured at cost and is derecognised in the period in which the related income is recognised.

1.3. Unclaimed balances

Unclaimed balances relate to amounts recovered from an illegal deposit-taking scheme. The amounts recognised are owed to unidentified investors of the scheme who are yet to claim the amounts due to them. The unclaimed balances are recognised when the amounts are recovered from the scheme and are measured at the amount payable to the investors, being the amount actually recovered. The unclaimed balances are subsequently measured at cost and are derecognised when the amounts are paid to the relevant investors.

1.4. Operating income

Operating income consists of levies, fees and penalties charged to financial institutions. The levies, fees and income are charged and measured in accordance with the relevant legislation. Operating income is recognised per the amount invoiced to the financial institution, in the period in which the amount relates.

1.5. Personnel and operating costs

Personnel and operating costs relate to direct costs incurred for the administration of the PA. These costs are measured at the transaction amount and are recognised as expenses in the period incurred.

1.6. Amounts borne by the SARB

Net costs incurred for the administration of the PA, borne by the SARB. These costs are measured at the transaction amount and are recognised as expenses in the period incurred, net of recoveries.

2. EXPLANATORY NOTES

2.1 **Levies:** will be charged once the new Financial Sector Levies Bill (Levies Bill) is operational to collect the necessary levies on regulated financial institutions, as envisaged in the FSR Act. Levies will serve as the basis to recover the direct operating cost of running the PA and not in return for any direct service or goods that will be supplied.

2.2. **Fees** are "transaction-based" and are charged to fund the PA's performance of specific functions under the FSR Act and the relevant sector laws it regulates.

2.3. **Penalties** are raised for non-compliance by persons within the regulated sector should they be found guilty of contravening a financial sector law or an enforceable undertaking accepted by the PA. The PA deducts from this total all costs incurred in making and enforcing the administrative penalty order. The remaining balance after applying this deduction is paid into the National Revenue Fund (if any). The SARB also has a responsibility in terms of the Financial Intelligence Centre Act 38 of 2001 Act (FIC Act) to ensure that banks and life insurance companies comply with the FIC Act. The SARB has authority in terms of the Section 45C of the FIC Act to impose administrative sanctions on these entities if and when they fail to comply with a provision, order, determination or directive made in terms of this act. The SARB issues notices with the said penalties to the relevant entities but does not account for the penalties in its financial statements as the penalties imposed are paid directly to the NRF. Total penalties issued on behalf of the SA government in this regard amounted to R12.8 million (2021: R0.2 million).

2.4. **Personnel and operating costs** are 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	
	2022 Rm	2021 Rm
Operating costs include:	91	97
Membership fees	2	2
Official functions	1	–
Other operating costs	3	2
Professional fees	84	91
Training cost (foreign and local)	1	2

2.5 **Amount funded by SARB** consists of both direct and indirect expenses (net of recoveries) borne by the SARB for the administration of the PA.

ADDITIONAL INFORMATION

MINUTES OF THE 101st **ANNUAL ORDINARY GENERAL MEETING**

of the shareholders of the SARB

Minutes of the 101st annual Ordinary General Meeting of the shareholders of the South African Reserve Bank held on 30 July 2021 on an online platform.

The Chairperson, SARB Governor Lesetja Kganyago, extended a warm welcome to all who had joined the virtual meeting, and declared the annual Ordinary General Meeting (AGM) duly constituted in terms of the Regulations to the South African Reserve Bank Act 90 of 1989, as amended (SARB Act).

The Chairperson advised the shareholders that South Africa was, at the time of the meeting, under level three lockdown due to the COVID-19 pandemic, with the third wave sweeping across the country. Stringent measures remained in place to prevent COVID-19 from spreading in the interest of everyone's health and well-being. These measures had once again impacted on the manner in which this year's AGM of the shareholders of the South African Reserve Bank (SARB) would be conducted; namely online as opposed to a physical meeting at the SARB's Head Office in Pretoria.

The Chairperson advised that the proceedings of the meeting were being recorded for future reference if it became necessary. He reminded shareholders that they would be able to ask written questions related to the business of the meeting by following the instructions provided in the Notice of the Meeting. He confirmed that messages could be submitted at any time prior to a matter being put to a vote.

All shareholders attending the meeting who held 200 or more SARB shares, and who were entitled to vote in accordance with the provisions of the SARB Act and its Regulations, would be allowed to vote at any time, before the votes were closed.

The Chairperson introduced the following persons who were online to answer any questions that the shareholders might have on the matters before the meeting:

- SARB Deputy Governors, Rashad Cassim, Kuben Naidoo and Nomfundo Tshazibana;
- Chairperson of the Audit Committee, Terence Nombembe;
- Chairperson of the Remuneration Committee, Yvonne Muthien;
- Former Chairperson of the Board Risk and Ethics Committee, Firoz Cachalia;
- Chairperson of the Non-executive Directors' Committee, Lerato Molebatsi;
- SARB's General Counsel, Chris van der Walt; and
- Secretary of the SARB, Sheenagh Reynolds.

The Chairperson presented his address, which for record purposes follows these minutes and is marked as Annexure A.

The Chairperson then turned to the formal business of the day and confirmed the agenda for the AGM as follows:

- Receive and accept the minutes of the AGM held on 31 July 2020.
- Receive and consider the SARB's annual financial statements for the financial year ended 31 March 2021, including the directors' report and the independent external auditors' report.
- Approve the remuneration of the SARB's independent external auditors – PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc. – for completing the audit for the 2020/21 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 PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc. as the SARB's independent external auditors for the 2021/22 financial year.
- Elect three non-executive directors 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 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 Secretary of the SARB confirmed the shareholder representation at this virtual AGM as follows:

- the total number of shares in the issued share capital of the SARB held by its shareholders was 2 000 000 (two million);
- 39 shareholders were present in person online;
- seven shareholders were represented by proxy; and
- 440 votes were exercisable by the shareholders present online or 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 Technologies SA Propriety Limited, 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.

Acceptance of the minutes of the 2020 AGM

The Chairperson proposed that the minutes of the 100th AGM held on 31 July 2020 (included in the SARB Annual Report 2020/21) 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 2020 AGM were accepted by 100% of the votes cast.

Acceptance of the annual financial statements for the financial year ended 31 March 2021, 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 2021, including the directors' report and the independent external auditors' report.

The summarised SARB Group annual financial statements were included in the SARB's Annual Report 2020/21, which was published on the SARB's website and posted to the shareholders on 28 June 2021. The full set of the 2020/21 annual financial statements was also available on the SARB's 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 2021 were accepted by 100% of the votes cast.

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 2021 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 2021, amounting to R16 486 553, excluding value-added tax (VAT), was approved by 99.39% of the votes cast.

Appointment of independent external auditors

The Chairperson then turned to the appointment of the SARB's independent external auditors for the 2021/22 financial year.

It was reported that the Board had recommended that PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc. be reappointed as the SARB's independent external auditors for the 2021/22 financial year.

Based on the results of the poll, the Chairperson declared that PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc. were reappointed as the SARB's independent external auditors for the 2021/22 financial year by 98.48% of the votes cast.

The auditors were congratulated on their reappointment.

Election of a non-executive director

The Chairperson turned to the election of non-executive directors. He advised the meeting that there were three vacancies for shareholder-elected non-executive directors. The terms of office of Dr Yvonne Muthien, Ms Shamima Gaibie and Mr Norman Mbazima as non-executive directors with knowledge and skills in commerce or finance, labour, and mining respectively, would expire the day after the 2021 AGM. All three incumbents were eligible and available for election by the shareholders.

The candidates to be considered for these positions had been confirmed by the Panel appointed in terms of Section 4(1C) of the SARB Act. This Panel comprised the Governor; retired former Constitutional Court Judge: Ms Yvonne Mokgoro; Chief Executive Officer of the Public Investment Corporation: Mr Abel Sithole (both nominated by the Minister of Finance); and Mr Kaizer Moyane, Mr Thulani Tshefuta and Mr Bheki Ntshalintshali (all three nominated by the National Economic Development and Labour Council (Nedlac)).

The Panel had confirmed four candidates in terms of section 4(1G) of the SARB Act for consideration for the three vacancies and was satisfied that all four candidates were eligible, and fit and proper to stand for election as directors of the SARB. The curricula vitae for these four candidates had been sent to shareholders together with the Notice of the Meeting.

Dr Yvonne Muthien had been the only candidate selected by the Panel with knowledge and skills in commerce or finance to fill the first position for a non-executive director. Dr Muthien was re-elected as the non-executive director with knowledge and skills in commerce or finance, with 100% of the votes cast. Dr Muthien's appointment would be effective from 31 July 2021 until the day after the AGM in 2024.

The Chairperson congratulated Dr Yvonne Muthien on her re-election and wished her well for her next term of office.

The Chairperson turned to the election of a non-executive director to fill the second vacancy for a person with knowledge and skills in labour. Ms Shamima Gaibie was the only candidate selected by the Panel to fill the aforesaid position.

Based on the voting results, the Chairperson declared that Ms Gaibie had been elected as the non-executive director with knowledge and skills in labour, with 98.33% of the votes cast. Ms Gaibie's appointment would be effective from 31 July 2021 until the day after the AGM in 2024.

The Chairperson congratulated Ms Shamima Gaibie on her election and looked forward to her ongoing contribution to the Board deliberations.

The Chairperson then turned to the election of a non-executive director to fill the vacancy for a person with knowledge and skills in mining. Dr Mosidi Makgae and Mr Norman Mbazima had been selected by the Panel for consideration by the shareholders, to fill the aforesaid position.

The results of the poll showed that 36.10% of the votes were cast in favour of Dr Makgae and 63.90% in favour of Mr Mbazima. Mr Mbazima's appointment would be effective from 31 July 2021 until the day after the AGM in 2024.

The Chairperson congratulated Mr Norman Mbazima on his election and looked forward to his ongoing contributions to the Board.

The Chairperson further thanked Dr Makgae for being willing to stand for election to the Board, and trusted that she would continue to take a keen interest in the work of the SARB.

Special business to be considered at this AGM

The Chairperson reiterated his earlier confirmation that the Secretary of the SARB had not received any requests for special business to be placed on the agenda of this AGM. However, he invited the shareholders to raise any questions arising from the matters under consideration at the AGM.

A shareholder, Mr Maseko, stated that for the past decade, the South African Mutual Life Insurance Society had been holding more than 10 000 ordinary shares of the SARB, which according to him, was in contravention of section 22 of subsection (1)(A) of the SARB Act, which states that no shareholder may hold more than 10 000 shares. However, it was concerning that the South African Mutual Life Insurance Society continued to hold more than 10 000 shares and that no action had been taken to ensure that the shareholder brought their shareholding into line with the legislation.

The SARB's General Counsel provided context regarding the legacy issues related to the shareholding within the SARB. He explained that the South African Mutual Life Insurance Society and the South African Police Widows' and Orphans' Fund had been holding more than 10 000 shares since before 1949. The regularisation of the 10 000-share limitation was implemented in 1949, and the inclusion of the requirement that this include shareholders' and their associates, had only been legislated in 2010. Those shareholders with more than 10 000 shares were only permitted to vote in respect of 10 000 shares.

Mr Maseko further referred to section 23, subsection 3 of the SARB Act, which stipulated that a shareholder who was not ordinarily resident in South Africa shall not be entitled to vote at a shareholders' meeting. He stated that it served no purpose to have shareholders who attended meetings without voting rights. Instead, this deprived an opportunity for ordinary South Africans to become SARB shareholders. Mr Maseko proposed that the SARB Board and the Minister of Finance should review the SARB Act to allow only South Africans to be SARB shareholders or prevent any foreign nationals from owning SARB shares

The Chairperson clarified any proposal relating to the amendment of the SARB Act and/or shareholding by non-residents should be directed to the Minister of Finance.

Noting that the Minister of Finance, Mr T T Mboweni, was a SARB shareholder, Mr Maseko requested the Chairperson to clarify whether the Minister of Finance could vote as a shareholder and if so, whether this posed a potential conflict of interest.

The SARB's Legal Counsel stated that the shareholding of Mr Mboweni was in accordance with the SARB Act. In terms of the SARB Act, the rights of the SARB's shareholders with regard to the operations of the SARB were limited, as a result, there was no opportunity for the Minister of Finance to potentially influence the SARB mandate, policy, regulation and/or the operations of the SARB by virtue of him being a shareholder.

A shareholder, Ms Nxumalo, requested the Chairperson to provide clarity regarding the COVID-19 loan guarantee scheme (LG Scheme), and more particularly as to the reason why the commercial banks were still using high lending criteria and yet the scheme had been promoted as a process to assist small businesses.

Deputy Governor Naidoo explained that the SARB was not a direct participant in the LG Scheme and that it was a partnership between commercial banks and National Treasury. The SARB played a facilitating role in the development of the LG Scheme and took no financial risk directly. The commercial banks had supported their clients through loans, rescheduled loans and payment holidays, largely done on their own balance sheet. The SARB would have hoped that the LG Scheme would have played a bigger role during the pandemic but believed that it had certainly played a positive role, taken in combination with what else the commercial banks had done to support their customers.

Mr Raath enquired whether South Africa could keep on increasing sovereign debt at the rate of the last five years.

The Chairperson explained that the question about increasing, including the sustainability of the sovereign debt, was a fiscal policy matter and should be raised with National Treasury. However, the Chairperson remarked that, the SARB had addressed the topic of the sovereign banking nexus in its first 2021 Financial Stability Review publication. The high and rising level of public debt was exposing the financial sector to both credit and market risk, while also weighing on the perceived creditworthiness of the financial sector. This was not a South African phenomenon, but rather a global phenomenon and that some of the central banks had stepped into the financing of government debt by supplying liquidity as the governments provided stimulus.

A shareholder, Mr Ramjee, asked about the status of the central bank digital currency (CBDC) feasibility study, and whether the SARB was prepared to share any findings as well as when the study was scheduled to be completed.

The Chairperson explained that the CBDC feasibility study was underway, and once it had been completed it would be released for public comment. He further explained that the SARB had embarked on a study to investigate the feasibility, desirability, and appropriateness of a CBDC as electronic legal tender, for general-purpose retail use and complementary to cash. The objective of the feasibility study was to consider how the issuance of a general-purpose CBDC would feed into the SARB's policy position and mandate.

A shareholder, Ms Nxumalo, enquired whether there were more transparent systems for customers of commercial banks to highlight their concerns about services or loss of funds in their bank accounts. The commercial banks seemed to operate with impunity and that customers were often forced to raise concerns or complaints on social media platforms to resolve their complaints. It was further suggested that the public should be better informed of the Banking Ombudsman's role in these matters.

The Chairperson stated that the Ombudsman for Banking Services (OBSSA) was independent and was not located at the SARB. With the Twin Peaks model, the Financial Sector Conduct Authority (FSCA) had been established to enhance and support the efficiency and integrity of financial markets and protect financial customers by promoting fair treatment by financial institutions, as well as providing customers with financial education. The FSCA was currently running a public campaign advocating that institutions were expected to treat customers fairly and the FSCA would hold non-compliant institutions accountable.

Ms Nxumalo enquired whether it was possible for the SARB to do more to assist South Africans as the levels of poverty were escalating in the country.

In response, the Chairperson stated that the SARB's actions were limited since it was a central bank. The role of the SARB was to achieve and maintain price stability in the interest of balanced and sustainable economic growth. South Africa could not deal with poverty outside of growth and central banks contributed to growth through enforcing financial and price stability. The country could achieve sustainable high growth that would have a positive impact on poverty and unemployment if it raised the potential growth rate of the economy. This could be achieved through economic structural reforms and those reforms were in the hands of government and various departments.

The Chairperson then gave Mr Adrian Gore, the Chief Executive Officer (CEO) of Discovery Limited, the opportunity to propose a vote of thanks to the SARB on behalf of his organisation, the financial services sector and the shareholders.

Mr Gore conveyed his sincere appreciation to the SARB, and particularly this year when the SARB marked its 100th year of existence. In many ways, the historical context in which the SARB first opened its doors in 1921 mirrored the country's current circumstances. At the time, the world was recovering from one of the greatest most tragic epidemics, the Spanish Flu, which claimed almost 50 million lives, resulting in significant economic decline. At present, the world was battling another global pandemic, COVID-19, which posed local economic challenges. It was in these challenging periods of uncertainty that the shareholders were again looking to the institutions of the SARB stature for price stability and monetary policy leadership. He gave credit to the SARB for having acted speedily in 2020/21, to limit the damage to the economy through various monetary policy instruments. The signs of economic recovery were beginning to show, with the country having returned to level three lockdown and the national mass vaccination programme gaining momentum. The shareholders had every confidence that the SARB would continue to provide sound and flexible monetary policy frameworks.

Having said this, Mr Gore appealed to the Governor, to balance responsible management with the current sentiment this time. The recent period had been complex and tragic with the effects of the pandemic and the unrest compounding the challenges of poverty, unemployment and inequality. With the unemployment of more than 32% in the first quarter of 2021 and the pandemic costing one million jobs despite some recoveries, the country's challenges were certainly real and significant. The need for strong leadership was fundamental to the SARB. Mr Gore appealed that the country should take its strengths and progress into account, alongside the country's points of difficulty. All was not lost, the country had to see positive signals right now. While the most recent unrest resulted in more than 300 tragic deaths, it was undoubtedly a significant shock to the economy, but it need not be a long-term disaster.

Mr Gore highlighted that the national vaccine roll out was progressing well, with approximately seven million doses delivered to the country and more than 2.6 million of the population fully vaccinated. The capacity to deliver vaccines was increasing with the private and public health sectors collaborating to increase the capacity to deliver the national target of 300 000 vaccines per day in August 2021, which was expected to increase to over 400 000 per day in September. This rate per capita put South Africa in line with the gold standard globally, and strong institutions were critical during times of crisis. Mr Gore stated that it was important to acknowledge that most South African institutions had been resistant despite being severely tested. Mr Gore emphasised that the SARB was a fundamental institution, and it was strong, an independent institution and the role it played to control inflation in the best interest of society and the economy could not be overstated.

In closing, Mr Gore expressed sincere appreciation to the SARB Board, Governor Kganyago, Deputy Governors, Executive Management and all the SARB staff for their leadership, integrity and resilience during this time. The SARB was an institution of which shareholders looked up to and as shareholder they were enormously proud.

In the absence of further questions, the Chairperson expressed sincere appreciation to the Minister of Finance, Tito Mboweni, Deputy Minister of Finance, David Masondo, the National Treasury Director-General, Dondo Mogajane, and all the staff of National Treasury for their ongoing support of the SARB.

Sincere thanks were expressed to the members of the SARB Board for their continued contributions and support, and for ensuring appropriate corporate governance at the SARB. The Chairperson took the opportunity to thank Prof Cachalia for his nine years of service to the Board, as his tenure came to an end on 17 July 2021. He wished him well in his future endeavours and mentioned that, since he was a government appointed non-executive director, the SARB was looking forward to receiving confirmation of his replacement in due course, from the President of the Republic of South Africa.

Sincere appreciation was also expressed to Deputy Governors Naidoo, Tshazibana and Cassim as well as the entire management and staff of the SARB for their continued dedication and support during what was once again a challenging year. The Chairperson thanked them for their contributions and stated that he was confident that their continued efforts would ensure that the coming year would be even more successful.

The Chairperson thanked all the shareholders and guests for their attendance and participation in this AGM and expressed that he trusted that the SARB could continue to count on their support in future.

In conclusion, the Chairperson thanked the President of the Republic of South Africa, Cyril Ramaphosa, and his Deputy President, David Mabuza, for their unwavering support and commitment to the work of the SARB.

The Chairperson then declared the proceedings closed.

E L Kganyago
Chairperson

Annexure A

An address by Lesetja Kganyago, Governor of the SARB, to the 101st AGM of the SARB shareholders held on Friday, 30 July 2021

INTRODUCTION

We convene our 101st annual Ordinary General Meeting (AGM) more than 18 months since the first COVID-19 case was reported in South Africa, and as the third wave of virus infections has peaked. Restrictive measures have been necessary to protect human lives, with negative effects across our economy, leaving deep scars on businesses and on the economic livelihoods of many South Africans.

While the magnitude of the economic shock has been difficult to estimate, the South African Reserve Bank (SARB) responded quickly and aggressively with a broad array of actions to limit the economic damage, in line with its constitutional and legislative mandates. The policy responses included the use of monetary policy, market operations to support the functioning of financial markets, regulatory tools, as well as collaborations with other entities to provide relief to the economy and support lending to households and firms. In addition, the SARB has been contributing to global forums aimed at fostering greater international cooperation to strengthen the global financial safety net.

Monetary policy was adjusted rapidly, with the SARB's MPC cutting the repurchase (repo) rate to an all-time low of 3.5%, leaving the prime rate at a 54-year low of 7.0%. These low rates have supported household demand for credit and have cushioned corporates through low short-term rates while allowing government to take advantage of cheaper short-term debt.

Liquidity management also shifted quickly to address funding strains in the domestic financial markets through the utilisation of the repo facility at various maturities. The intraday repo facility offered R36 billion daily, while the weekly and three-month funding windows made R45 billion and R20 billion available respectively. To add liquidity and promote the continued smooth functioning of the bond market, the SARB implemented a bond-buying programme in the secondary market. The value of government bonds purchased totalled R41 billion. As a result of these actions, liquidity conditions in the money market and the government bond market normalised quickly, and market functioning was restored.

The Prudential Authority (PA) granted temporary regulatory and supervisory relief measures to enable banks to continue lending and supporting their customers. The relief measures were provided in three areas, namely: lowering the liquidity coverage ratio from 100% to 80%, lowering the minimum capital requirements, and relaxing the provisioning requirements in order to permit the restructuring of distressed loans. The PA also issued guidance to banks discouraging dividend payments and executive bonuses in 2020. This measure has since been reversed.

Finally, the SARB partnered with National Treasury and the Banking Association South Africa (BASA) to establish the Government Loan Guarantee Scheme. As at 19 June 2021, R18.39 billion in loans had already been approved by banks and taken up by small businesses under the scheme.

There has been criticism surrounding the low uptake of the loan guarantees. It is important to note that the Loan Guarantee Scheme was a backstop for cases where the commercial banking sector was unable to provide credit relief to borrowers due to high credit risk. In practice, banks responded quickly and very successfully, acting swiftly to support the firms to which they lend.

In addition, small and medium businesses appear to have been reluctant to take up more debt, especially in an environment characterised by deteriorating confidence, a sluggish recovery and heightened economic uncertainty.

Let me now turn to a reflection on recent economic developments.

GLOBAL CONDITIONS

On the global front, economic recovery is on track but uneven. The International Monetary Fund's (IMF) July *World Economic Outlook* projects a stronger recovery in both 2021 and 2022, with growth projected at 6.0% and 4.9% respectively.

The advanced economies, led by the United States (US), look set to reach pre-COVID-19 levels much sooner than their emerging and developing economy counterparts. The US continues to pursue unprecedented fiscal expansion and an accommodative monetary stance. Most recently, the European Commission passed its NextGenerationEU stimulus package, in conjunction with its Multiannual Financial Framework 2021–2027. These significant policy responses will see a fiscal injection of €2.018 trillion in European Union (EU) member states over the coming years.

Economies in sub-Saharan Africa (SSA) continue to lag their peers. Coming into the pandemic, most of these economies were already battling with a lack of policy space and sluggish implementation of reforms necessary to boost growth. Slow vaccination rates will continue to weigh on economic recovery in this region, even after the lifting of hard lockdowns. Many economies in the SSA region continue to struggle with high debt levels and conflicting policy priorities, including the need for higher health spending, the strengthening of social safety nets, improved fiscal positions and kick-starting much-needed infrastructure projects. Against this backdrop, the regional economy contracted by an estimated 1.9% in 2020. The IMF forecasts growth of 3.4% in 2021 and 4.1% in 2022 for SSA.

The COVID-19 pandemic has caused large demand and supply shocks globally. The policy space to respond has been varied across countries, depending on pre-pandemic economic conditions as well as the risk perceptions of funders and investors. These demand-related challenges were the short-term difficulties. The longer-term challenges are harder to address as they concern supply.

The pandemic has disrupted global and domestic value chains and has destroyed businesses and jobs. It will take time to rebuild our economies to pre-pandemic levels. Supply constraints also contribute to higher inflation, so as we recover from the pandemic, this raises the prospect that, over the medium term, monetary policy may need to retreat from its highly accommodative stance. Much of the financial market volatility we have seen in recent months reflects how markets assess these monetary policy dynamics, including how monetary policy may be constrained by negative supply shocks and impacted by the ongoing expansionary fiscal efforts.

The US Federal Reserve has indicated that the higher inflation outcomes of recent months are primarily transitory and are therefore not expected to result in permanently higher inflation. Nonetheless, the Federal Open Market Committee (FOMC) has shifted its position, perhaps signalling a somewhat earlier normalisation of monetary policy than was foreseen last year.

The European Central Bank (ECB) has finalised a revision of its strategic framework, setting a clear inflation target of 2% and thus moving away from the previous articulation of 'below but close to 2%'. This has clarified the target and removed uncertainty about potential policy responses if inflation were forecast to rise above 2%.

DOMESTIC CONDITIONS

Since the last AGM, we have seen the domestic economy recover faster than expected, although output remains 3.3% below real 2019 levels. The first-quarter GDP figure of 4.6% quarter on quarter (the seasonally adjusted annual rate (saar)) surprised on the upside. However, the recovery remains uneven, and is largely driven by strong performance in the finance and mining sectors. Mining has been benefitting from rising commodity prices, and manufacturing appears to be benefitting from improving global and domestic demand. Finance and trade, also linked to improving demand, appear to be closing in on the 2019 level, in step with manufacturing, while agriculture has benefitted from high rainfall and bumper harvests in 2020. However, construction and tourism-related activities remain well below their 2019 levels. Transport, impacted by reduced travel (for both commute and leisure), also remains well below the 2019 level.

The recent unrest and economic damage could, however, fully negate these better growth results, and could have lasting effects on investor confidence. As a result, our GDP growth forecast for 2021 remains at 4.2% for now. Prior to the unrest of recent weeks, the soft economic indicators were pointing to a more positive outlook.

The business confidence index measured by the Bureau for Economic Research (BER) rose to the 50-point neutral level for the second quarter of 2021 – for the first time in seven years. The Absa Purchasing Managers' Index and the SACCI trade expectations index remained in expansionary territory.

Consumer confidence, however, softened in response to uncertainty about the economic outlook and income arising from renewed COVID-19 infection rates and the slow vaccine roll-out. The recent events, electricity load-shedding and lockdowns will continue to weaken near-term sentiment in the economy and pose risks to growth.

The official unemployment rate edged up marginally in the first quarter of 2021, from 36.5% to 36.6%, as more people re-enter the labour market, but job growth remains lacklustre.

Headline inflation accelerated from 4.4% in April to 5.2% in May, largely on petrol, food and base effects, before easing slightly to 4.9% in June. Core inflation remained subdued at 3.1% over this period. Risks to the inflation outlook emanate mainly from global factors such as higher food and oil prices, as well as global supply disruptions pushing up producer prices. However, a stronger exchange rate, economic slack and modest housing-led service price inflation continue to moderate inflation outcomes. Additionally, higher domestic crop production should help mitigate food inflation pressures.

Let me now turn to some factors that have impacted our financial system.

THE FINANCIAL STABILITY MANDATE

The COVID-19 pandemic found our financial sector resilient due to continued enhancement to our regulatory and supervisory frameworks. The regulatory capital ratios for both the banking and the insurance sectors remained at roughly the same levels at the end of 2020 as they were before the onset of COVID-19. This is attributed to a moderate level of credit extension keeping profitability in the banking and insurance sectors positive, and capital retained by measures that reduced dividend payouts.

Asset prices have rebounded in line with economic activity, and the rate of loan defaults continues to stabilise. The JSE Limited (JSE) All-Share Index (Alsi) has fully recovered the losses suffered in 2020. House price growth has also improved in recent months, achieving positive real growth for the first time since 2016. While the banking sector's loan defaults may not have peaked yet, the pace of increase slowed significantly in late 2020 amid signs that borrower debt-service capacity was improving. The value of credit restructured as a result of COVID-19 has more than halved from its peak in mid-2020.

Nonetheless, material risks to financial stability still exist, and we continue to monitor them. They relate to the durability of the economic recovery, the high and rising level of public debt in South Africa, and the potential for global financial conditions to shift abruptly.

OPERATIONAL MATTERS

The work that we have to do as a central bank also includes ensuring that our national payment system remains robust and that we keep up with changes brought about by advancements in financial technology (fintech) that result in new payment methods.

During the reporting period, the SARB's National Payment System Department launched the real-time gross settlement (RTGS) system renewal programme. The RTGS system enables payments by members of the public, merchants and corporates as well as government entities through accounts held by their banks at the SARB. With the renewal programme, the SARB aims to widen access to payment services, enhance competition through the leveraging of technology developments, reduce the cost of the system, lower the transaction fees, and make the system more flexible and adaptable to relevant changes in the financial sector.

Earlier this year, the Intergovernmental Fintech Working Group published a position paper on crypto-assets. The paper provides a road map for putting in place a framework for regulating crypto-assets in South Africa, through the regulation of crypto-asset service providers. The paper makes 25 recommendations related to cross-border financial flows, consumer protection and market abuse, as well as containing money-laundering and combating the financing of terrorism.

The second phase of Project Khokha, through which the SARB practically explores the potential impact of distributed ledger technology on financial markets, is also nearing its final stages. The final report will be published by the end of September 2021.

As we look to the future, the SARB, like many other central banks, has embarked on a central bank digital currency (CBDC) feasibility study. The objective of the study is to investigate if it would be feasible, appropriate and desirable for the SARB to issue a CBDC to be used for retail purposes, complementary to cash, in South Africa.

OUR CENTENARY

Although this is the 101st AGM, this year marks 100 years of the SARB's existence.

Over the past century, we have steered through the devastating impact of the Great Depression, the deadliest war in history (World War II), institutionalised racial segregation, the oil crisis of the 1970s, the dawn of democracy in South Africa, the global financial crisis, threats to the SARB's independence and, today, the COVID-19 pandemic – the worst virus outbreak since the Spanish flu in 1918.

This year, we also celebrate the rand's 60th birthday, 25 years of central bank independence following the adoption of South Africa's Constitution in 1996, and 21 years of inflation-targeting.

In celebration of its centenary, the SARB has launched a commemorative R5 circulation coin. The coin illustrates the journey of the currency minted by the SARB from the iconic 'tickey' to a glimpse of the future 10c coin.

We also held a virtual ceremony, shared with our stakeholders, former Governors and, importantly, our staff. We were honoured to host the leadership of yesteryear, including Dr Chris Stals, Minister Tito Mboweni and Ms Gill Marcus. There were also messages from BASA, the IMF and the Bank for International Settlements (BIS). The messages reflected a deep respect and admiration for the institutional strength of the SARB.

In October this year, the SARB, together with the BIS, will be hosting a virtual Biennial Conference, themed 'Policy challenges after the pandemic'. The conference will explore some of the main challenges that central banks and macroeconomic policymakers are facing in the wake of COVID-19.

CONCLUSION

In closing, I have to express my gratitude to, and would like to commend, the hard-working staff of the SARB. When we convened last year, I outlined measures to transition our staff to working from home. I am happy to report that, while most of our staff members continue working from home, they are well-equipped and have been able to continue executing their respective tasks fully. We are working with the health authorities to allow for SARB staff to be vaccinated across the country.

The impact of COVID-19 on our health system, on our society and on our economy has been enormous, drawing parallels to the Spanish flu of 1918. The institutional framework through which the SARB exercises its functions has enabled us to respond to the economic impact of the crisis with scale and with speed, while balancing short-term and longer-term trade-offs.

To rebuild our economy, jobs need to be created. Businesses must be restarted and new ones must be established to align with the changing economic needs. Investment decisions need to be taken. Our national policy frameworks must facilitate and enable those basic economic decisions, consistently and sustainably, providing cost-effective and reliable network services, education, and many other quality public services.

As we navigate through this current storm, a multi-pronged policy approach is required, with all institutions of government responding in line with their defined roles. The SARB will continue to play its part and deploy its tools, as appropriate, in accordance with its mandate, to continue providing support to the South African economy and building buffers to enable us to navigate any new storms that may come.

As we look to the next 100 years, we remain committed to anchoring our work in a strategy that takes account of the fast-changing economic environment.

This is a time to rebuild; this is a time to repair – making our economy fairer, more dynamic, and inclusive of all South Africans.

Thank you.

ABBREVIATIONS

ABHL: African Bank Holdings Limited

ABL: African Bank Limited

AGM: annual Ordinary General Meeting

AGR: Augmented Guidotti Ratio

AML/CFT: anti-money laundering and combating the financing of terrorism

BA: Bachelor of Arts

BASA: The Banking Association South Africa

BCBS: Basel Committee on Banking Supervision

BER: Bureau for Economic Research

BIS: Bank for International Settlements

bps: basis points

BREC: Board Risk and Ethics Committee

BRICS: An association of five major emerging national economies: Brazil, Russia, India, China and South Africa

CA: combined assurance

CA(SA): Chartered Accountant South Africa

CBDC: central bank digital currency

CCP: central counterparts

CEO: Chief Executive Officer

CFI: cooperative financial institutions

CFO: Chief Financial Officer

CIA: Chief Internal Auditor

CLF: committed liquidity facility

CODI: Corporation for Deposit Insurance

COFI Bill: Conduct of Financial Institutions Bill

Constitution: Constitution of South Africa Act 108 of 1996

COO: Chief Operating Officer

CPD: Corporation for Public Deposits

CPD Act: Corporation for Public Deposits Act 46 of 1984

CPI: consumer price index

CSI: corporate social investment

CSST: Common Scenario Stress Testing

DIS: Deposit Insurance Schele

DLT: distributed ledger technology

DMTN: domestic medium-term notes

EBITDA: earnings before interest, taxes, depreciation, and amortisation

ECL: expected credit loss

EDO: early debit order

EFA: enablement focus area

EFT: electronic funds transfers

EIM: enterprise information management

EM: emerging markets

ERD: Economic Research Department

ESD: Economic Statistics Department

ESG: environmental, social and governance

EVP: employee value proposition

ex officio: by virtue of one's position or status (Latin)

FATF: Financial Action Task Force

FEC: forward exchange contract

FIC: Financial Intelligence Centre

fintech: financial technology

FMA: Financial Markets Act 19 of 2012

FMD: Financial Markets Department

FMIs: financial market infrastructures

FSB: Financial Stability Board

FSC: Financial Stability Committee

FSCA: Financial Sector Conduct Authority

FSCF: Financial Sector Contingency Forum

FSLA Act: Financial Sector Laws Amendment Act

FSLA Bill: Financial Sector Laws Amendment Bill

FSOC: Financial Stability Oversight Committee

FSR Act: Financial Sector Regulation Act 9 of 2017

FST: Financial Stability Department

FVOCI: fair value through other comprehensive income

FVPL: fair value through profit or loss

G20: Group of Twenty Finance Ministers and Central Bank Governors

GDP: gross domestic product

GEC: Governors' Executive Committee

GFECRA: Gold and Foreign Exchange Contingency Reserve Account

ABBREVIATIONS continued

GIBS: Gordon Institute of Business Science

GR: Guidotti Ratio

HCM: Human Capital Management

Hons: Honours (degree)

I&T: information and technology

IAD: Internal Audit Department

IAIS: International Association of Insurance Supervisors

IAS: International Accounting Standards

IAS 1: IAS 1 Presentation of Financial Statements

IAS 37: IAS 37 Provisions, Contingent Liabilities and Contingent Assets

i.e.: id est (that is to say) (Latin)

IERPD: International Economic Relations and Policy Department

IFRS: International Financial Reporting Standards

IFRS 9: IFRS 9 Financial Instruments

IFRS 15: IFRS 15 Revenue from Contracts with Customers

IFRS 16: IFRS 16 Leases

IFWG: Intergovernmental Fintech Working Group

IIA: Institute of Internal Auditors

IMF: International Monetary Fund

Inc.: incorporated

InsureCo: African Insurance Group Limited

IOSROs: Intraday Overnight Supplementary Repurchase Operations

IRB: internal ratings-based

IRBA Code: Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors

IRRBB: Interest Rate Risk in the Banking Book

ISO: International Organization for Standardization

JOC: Joint Operations Centre

JSE: Johannesburg Stock Exchange

King IV™: King Report on Corporate Governance in South Africa (2016)

LEX: Large Exposures

LGS: Loan guarantee scheme

LIBOR: London Interbank Offered Rate

LLB: Bachelor of Laws

LLM: Master of Laws

LTI: lost time injury

MBA: Master of Business Administration

ME: Mutual Evaluation

MI: market infrastructure

MICAP: Market Infrastructure Capital Assessment Process

MoU: Memorandum of Understanding

MPC: Monetary Policy Committee

MPF: Monetary Policy Forum

MPhil: Master of Philosophy

MPIF: Monetary Policy Implementation Framework

MVTS: money value transfer services

NCR: National Credit Regulator

NPS: national payment system

OCI: other comprehensive income

PA: Prudential Authority

PACTT: Prudential Authority Climate Think Tank

PASA: Payments Association of South Africa

PEB remeasurement reserve: post-employment benefit remeasurement reserve

PhD: Doctor of Philosophy/Doctorate

PPE revaluation reserve: property, plant and equipment revaluation reserve

Prestige Bullion: Prestige Bullion (RF) Proprietary Limited

Pruco: Prudential Committee

PwC: PricewaterhouseCoopers Inc.

QB: Quarterly Bulletin

Remco: Remuneration Committee

repo: sale and repurchase agreements

repo rate: repurchase rate

reserves: gold and foreign exchange reserves

RF: ring-fenced

RMC: Risk Management Committee

RMCD: Risk Management and Compliance Department

ROE: return on equity

RPP: Rapid Payments Plan

RTGS: real-time gross settlement

SA: South Africa(n)

SA government: South African government

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

SADC: Southern African Development Community

SAICA: South African Institute of Chartered Accountants

SAMOS: South African Multiple Option Settlement

SARB: South African Reserve Bank

SARB Act: South African Reserve Bank Act 90 of 1989, as amended

SARB Amendment Act: South African Reserve Bank Amendment Act 4 of 2010

SARB debentures: South African Reserve Bank debentures

SDR: special drawing rights

SFA: strategic focus area

SICR: significant increase in credit risk

SIFIs: systemically important financial institutions

SNG Grant Thornton: SizweNtsalubaGobodo Grant Thornton Inc.

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

SPPI: solely payments of principal and interest

the Board: Board of Directors of the SARB

the Fed: The Federal Reserve System, the central banking system of the United States

the Group: South African Reserve Bank Group, including its subsidiaries and associate, referred to in the summarised annual financial statements

TLAC: Total Loss Absorbing Capacity

US: United States

VAT: value-added tax

Wits: University of the Witwatersrand

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