THE RCS GROUP

Consolidated Annual Financial Statements 2021

INCLUDING SUPPLEMENTARY INFORMATION

RCS
BNP PARIBAS GROUP

CONTENTS

OVERVIEW

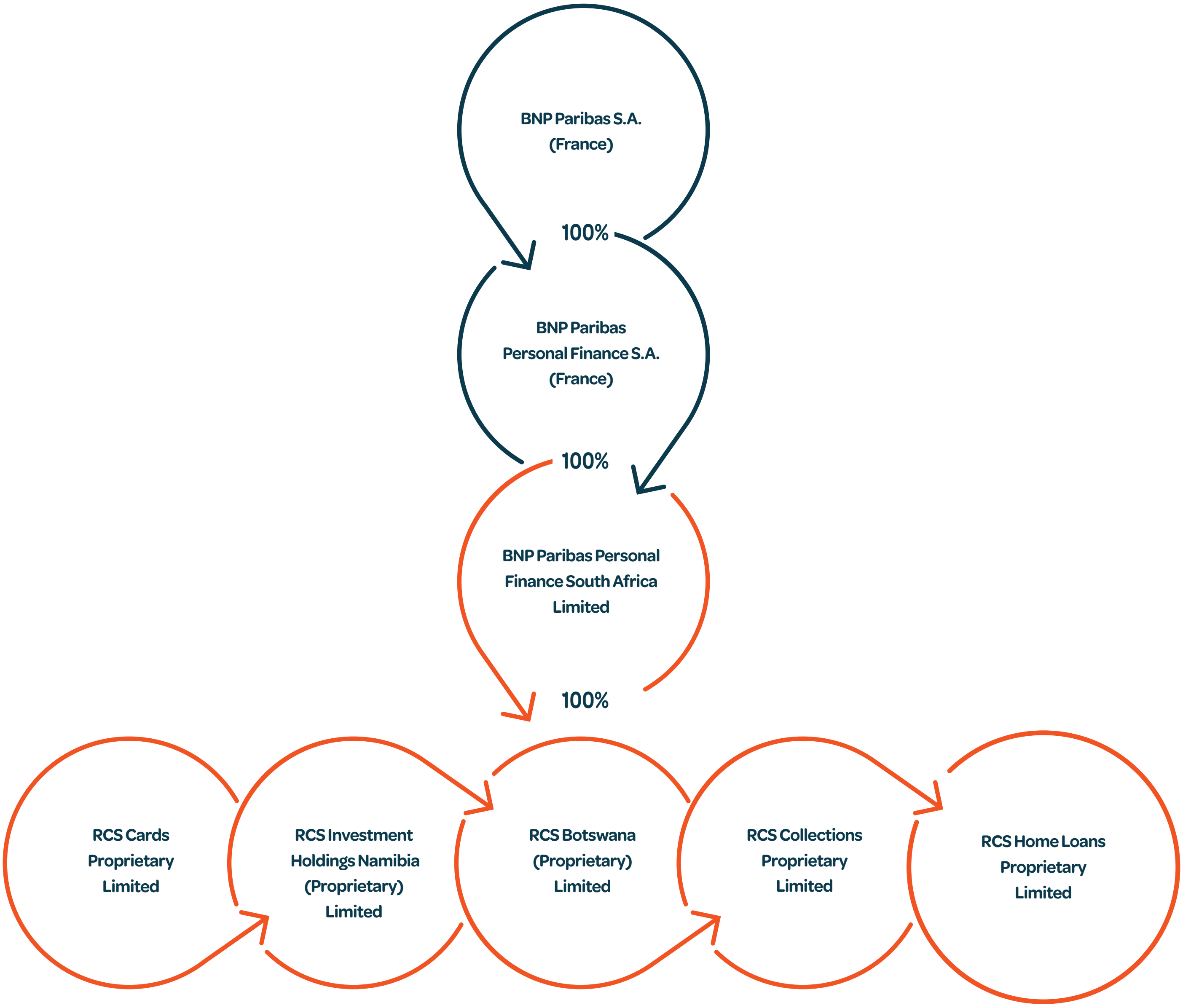
BNP Paribas Personal Finance South Africa Limited, previously known as RCS Investment Holdings Limited, and its subsidiaries (hereafter referred to as the "RCS Group") operate in South Africa, Namibia and Botswana. The RCS Group is a consumer finance business that offers its customers a range of financial services products under its brand name and in association with a number of leading retail and commercial partners.

The RCS Group is an independent, JSE debt-listed and highly regulated financial services company. The RCS Group is owned by BNP Paribas Personal Finance Sociètè Anonyme (France) (hereafter referred to as "BNPP PF"), and the ultimate shareholder is BNP Paribas Sociètè Anonyme (France) (hereafter referred to as "BNP"). The RCS Group's core purpose is to enhance people's lifestyles through innovative and accessible credit financial solutions, serving over 2 million active customers, and offers a range of card, loan and insurance products, including the following:

- The RCS Card and various partner-branded cards provide convenient retail credit facilities to customers.
- The RCS Credit Card and various partner-branded credit cards provide credit facilities to customers.
- RCS Loans provide customers with cash and retail loan offerings.
- RCS Insurance includes Customer Protection Insurance and Accidental Death Cover, as well as Funeral Cover and Personal Accident Cover.

The RCS Group continues to demonstrate growth and innovation in the credit market, offering accessible credit solutions to our customers. For our partners, we provide more than just a technical solution and product. We customise products that integrate people, processes and technology to create value for our partners and their customers.

GROUP STRUCTURE



CEO'S REPORT

It is with pride that we reflect on our RCS journey today. We are a company that represents South Africa's largest consumer card network (outside of VISA and Mastercard), with a footprint across 28,000 stores in South Africa, Botswana and Namibia. Our business is strongly diversified, with 20 partnerships spanning the retail, insurance and financial sectors. With over 20 years in business, we are an accredited Top Employer and an accredited Top Gender Empowered Company.

A thank you to our numerous stakeholders and staff that support our business each year, contributing towards making our achievements possible.

Having successfully navigated 2020's COVID-19 crisis and the economic lockdown impacts on our business, 2021 was a year of shifting gears to focus on our business growth strategies as well as concluding the migration of the former Edcon business into our environment.

I am enormously grateful that, once again, the RCS team demonstrated resilience during 2021. We achieved positive outcomes against the backdrop of ongoing COVID-19 waves and the widespread impacts that the riots and looting had on both our retail partners and on our consumers.

In the face of these challenges, the combined efforts of teams across the business resulted in Profit Before Tax reaching a healthy R395.3m for the 2021 financial year (2020: R28.6m). We particularly commend the team for the outstanding control of our cost of risk and the prudent management of our operating expenses as we steered the business to a strong recovery.

Our RCS staff community experienced loss, grief and heartache during 2021, as we tragically lost six dearly loved colleagues in a short space of time. In the darkest days of the pandemic and looting, our RCS community met this grief with outpourings of love, support and care, for which I am filled with gratitude.

It is this very ethos and care that we continue to extend beyond the walls of our business as we invest in making positive impacts in society through our community partnerships. We believe in the next generation and remain passionate in empowering the youth of our country. Our Rising Star Tennis initiative focusses on more schools, growing the sport of tennis through grassroots development, taking the game to the youth around the country, including disadvantaged communities. Our Whitaker Peace and Development Initiative works with young men and women to develop their skills as leaders, as peace builders, and as community builders. Our work with the JAG Foundation focusses on using sport and play as educational tools to impart life skills, creating safe and trusted environments for children in higher risk communities. We are steadfast in our belief that the best is yet to come for our country and our African continent!

CEO'S REPORT

(continued)

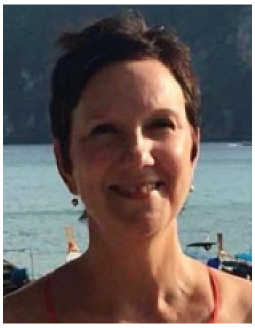
Our strong financial performance sets us up for future successes and allows us to continue supporting our teams and communities. Our focus for 2022 will remain on our growth strategies and the acceleration of our exciting journey. We are building a comprehensive data strategy that will drive value both internally and externally for our partners and customers. We continue to unlock digital and e-commerce capabilities and we are excited about our recent acquisition of the Mobicred business. Mobicred positions us to better serve the needs of South African consumers by providing them with a more diverse suite of credit solutions – be it in-store or online – and we will be able to innovate at scale to diversify our customer offerings as we enter the Buy Now Pay Later landscape and extend our virtual credit capabilities. We are also continuing to diversify our business offering, expanding our insurance business line and introducing additional value added service products, which contribute to further business resilience through economic cycles.

We welcome the opportunities of 2022 and are thankful for our continued journey with our stakeholders through these times of growth and transformation.

Regan Adams
Chief Executive Officer

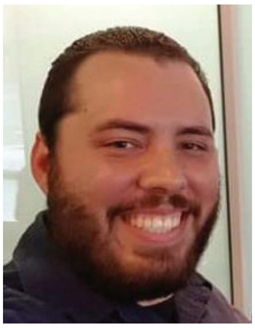
CEO'S REPORT
(continued)

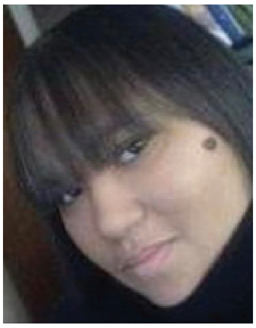
RCS REMEMBERS
RCS remembers with much love, our colleagues who tragically passed away during 2021.

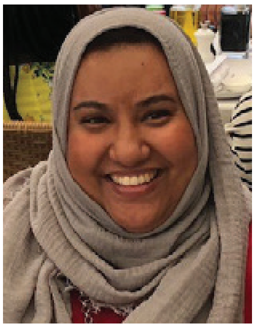

Liz Muller


Rudi Visser


Willem Venter


Aneurin Kotze


Megan Adams


Lebtishaam Salie

BUSINESS UPDATE

TRANSFORMING CREDIT FOR THE FUTURE

RCS embarked on a digital transformation strategy which was accelerated by the pandemic. There has never been a better opportunity to tap into the accessibility and convenience that the South African e-commerce environment has to offer. Our objective is to enable our services to better serve the needs of South African consumers who require a more diverse suite of credit solutions and help them access and manage their purchases.

In April 2022 we announced the acquisition of Mobicred in RCS's digital transformation strategy and this complements our existing offering perfectly as we enable our customers to shift towards shopping across their chosen channels – be it in-store or online. With the acquisition of Mobicred, RCS will accelerate its growth into the e-commerce ecosystem by adding new and bespoke brands to our already well-established shopping network of over 28 000 stores. The acquisition will also allow the RCS Group to tap into new customer segments, with a particular focus on Generation Z's and Millennials – the biggest proponents of online sales in South Africa. Founded in 2013, the Mobicred offering of a single credit account for all a customer's online shopping needs solidified its position as the country's pioneering virtual credit provider. Mobicred was a first-mover and early adopter and successfully grew their business, gearing them to take advantage of the country's shift to e-commerce, which was significantly accelerated by the pandemic.

The natural next step was to partner with PayFast, who offers a leading online payment processing solution in South Africa. The PayFast solution enables the easy, secure and instant transfer of money to online merchants. This partnership will help to accelerate our move to online and e-tail credit solutions, creating a platform that is digitally accessible to all consumers, regardless of the payment tender. Through our store card network of retailers, we are essentially unlocking the e-commerce purchasing power to a customer segment that has not been able to benefit from online shopping.

BUSINESS UPDATE

(continued)

RCS acquires Mobicred to attract digital-savvy SA youth

Company provides retailers with credit facility that enables customers to shop online across 4,000 stores

Andries Mahlangu
Markets Writer

RCS, the consumer finance arm of global bank BNP Paribas, is to acquire online credit provider Mobicred in a bid to attract the digital-savvy SA youth that it says is the fastest-growing cohort of online shoppers in SA.

Online retail has gained traction in the country since the Covid-19 pandemic, but is yet to reach critical mass as a proportion of total sales that include brick-and-mortar stores.

To boost online sales, retailers have been beefing up their digital platforms to cater to shifting consumer buying patterns. The increased use of e-commerce has also enabled businesses to roll out new products and services that complement their physical stores.

"Our acquisition of Mobicred enables us to better serve the needs of SA consumers who require a more diverse suite of credit solutions to help them access and manage their purchases," RCS CEO Regan Adams said in a statement on Monday.

"The acquisition of Mobicred was the natural next step in RCS's digital transformation strategy and complements our existing offering perfectly as we enable our customers to shift towards shopping across their chosen channels – be it in-store or online."

Mobicred provides retailers with a credit facility that enables customers to shop online, using more than 4,000 online stores across its network.

Account holders on this platform can also gain access to exclusive promotions across a range of online stores, which include Takealot.com, iStore, Incredible Connection and Sportsman's Warehouse. Other well-known brands are Dis-Chem and Clicks.

With the acquisition of Mobicred, RCS said it would accelerate its growth into the e-commerce ecosystem by adding new brands to its network.

"The business was founded on the idea that credit should be easily accessible in the online retail environment in the same way that it is available in the physical store environment," Mobicred founder and CEO Jason Sive said.

"We've been able to address a significant pain point for the SA market in which the demand for an alternative to traditional credit cards has increased exponentially over the last few years."

Competition to attract consumers remains intense in the retail sector, which is still recovering from the fallout from the pandemic.

Checkers Sixty60, which offers home grocery deliveries within an hour of customers placing their orders, has been generally touted as the best online-only delivery app, indicating changing consumer habits.

Online shopping contributed just 2.8% of total retail in 2020, which was more than double compared to 1.4% in 2018, according to a study conducted by technology consultancy World Wide Worx. It is predicted to reach 5% by the end of 2022, indicating the growing trend off a low base.

"As part of the global BNP Paribas group, we are constantly looking for innovative technologies to enhance the customer experience and to bolster our engagements," said Adams.

"Our core focus is to bring the best of both worlds together, marrying our physical store footprint with our digital capabilities to create synergies within the retail environment," said Adams.

mahlangua@businesslive.co.za

THE ACQUISITION OF MOBICRED WAS THE NATURAL NEXT STEP IN RCS'S DIGITAL TRANSFORMATION STRATEGY

Regan Adams
RCS CEO

Click and pay: Online shopping in SA has gained traction since the Covid-19 pandemic. /123RF/moovstock

RCS Group acquires online credit provider Mobicred

4 APR 2022 SAVE | EMAIL | PRINT | PDF

South African youth are the fastest-growing group of online shoppers in the country and providing this group of digital natives with access to credit is imperative.

Source: Supplied. RCS chief executive officer, Regan Adams.

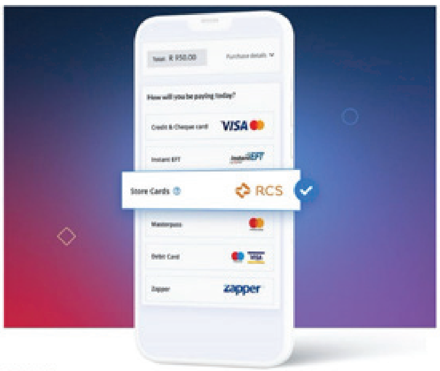
In alignment with its drive towards financial inclusion in Southern Africa, RCS, the consumer finance arm of global bank, BNP Paribas, has announced its acquisition of SA's leading online credit provider, Mobicred.

On its most recent acquisition, RCS chief executive officer, Regan Adams, states that there has never been a better opportunity to tap into the accessibility and convenience that the South African e-commerce environment has to offer.

PayFast launches store-card payment method with RCS

12 APR 2022 SAVE | EMAIL | PRINT | PDF

Online payment gateway PayFast has partnered with consumer finance business, RCS, to launch a new payment method that enables consumers to make purchases using a range of store cards within the RCS stable of finance brands.



Source: Supplied

THE BOARD OF DIRECTORS

OVERVIEW AND COMPOSITION OF THE BOARD OF DIRECTORS

The composition of the board of directors (hereafter referred to as the "Board"), is regulated by BNPP PF, the sole shareholder of the RCS Group, in terms of the RCS Group's Memorandum of Incorporation, and is deemed to be adequate and appropriate.

The Board recognises and embraces the benefits of having a diverse board and appreciates that diversity at board level is an essential component for sustaining a competitive advantage. The Board is committed to ensuring a diverse and inclusive culture at board level, where directors believe that their views are heard, their concerns are attended to, and they serve in an environment where bias, discrimination and harassment are not tolerated. These principles are included in the Board's Terms of Reference.

The Board is committed to transformation while balancing this with the requirements of a foreign shareholder that are guided by BNPP PF with respect to board representation.

THE BOARD OF DIRECTORS

(continued)

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

EDWIN ("EDDY") OBLOWITZ (64)

Appointed: 2015

Lead Independent, Non-Executive Director

Qualifications:

- B.Com (Accounting)
- CA (SA)
- CPA (Isr)

Experience:

Edwin has vast audit, finance and business advisory experience having spent over 20 years in professional practice, most notably as an International Partner at Arthur Andersen including serving as Senior Partner of their Cape Town, Durban and Port Elizabeth offices. Eddy is the Principal at Contineo Financial Services which provides specialist advisory and fiduciary services to high net worth South African and international families and their entities. In addition to holding the position of Lead Independent Non-executive Director, Eddy serves as Chairman of the Board Audit and Risk and Social and Ethics Committees and as a member of the Credit Risk and Assets and Liabilities Committees with the RCS Group. Eddy also holds positions as Non-executive Director at certain listed and unlisted companies outside of the RCS Group, as well as being appointed in differing fiduciary capacities to various entities.

Amongst his other appointments, he holds the following positions at listed companies outside of the RCS Group: Independent Non-executive Director, Chairman of the Audit and Remuneration Committees and member of the Risk Committee of The Foschini Group Ltd; Independent Non-executive Director and Chairman of the Audit and Risk Committees, member of the Remuneration and Governance Committees at Trencor Ltd.

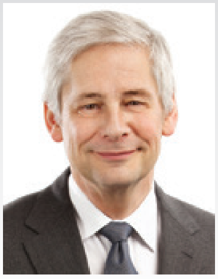
Roles and responsibilities of the Lead Independent, Non-executive Director:

- Briefs the CEO/Chairman of the Board on issues and concerns relevant to the RCS Group;
- Enables access to information to assist the Board in monitoring the RCS Group's performance and the performance of management;
- Ensures the Board is advised on country, industry and market best practice governance standards;
- Aids in the distribution of information to directors;
- Provides support and advice to the CEO/Chairman of the Board;
- Represents the Board on various sub-committees;
- Advises the Board on ad hoc strategic matters; and
- Provides expert, independent advice to the Board.

THE BOARD OF DIRECTORS

(continued)

NON-EXECUTIVE DIRECTORS



BENOIT CAVELIER (59)

Appointed: 2014

Non-executive Director

Qualifications:

- BA
- LLB
- Finance speciality qualification, *Tours Business School*
- CA (Fr)

Experience:

Benoit is one of the Deputy Chief Executive Officers and a member of the Executive Committee of BNPP PF. Benoit has over thirty years' experience in finance and consumer lending. Benoit presently holds the position of Chairman of the Remuneration, Asset and Liability, and Credit Risk Committees and is a member of the Social and Ethics Committee of the RCS Group. He holds the following positions at companies outside of the RCS Group: Member of the Supervisory Board of Von Essen Bank and the Chairman of the Board for Alpha Credit.

Independence:

The RCS Group is a wholly owned subsidiary of the multinational banking and financial services group, BNP a company listed on the Paris Stock Exchange. The Chairman is a senior executive of the shareholder and is appointed by the shareholder. Given this, the Board is satisfied that he is independent.

THE BOARD OF DIRECTORS

(continued)

NON-EXECUTIVE DIRECTORS (CONTINUED)

SCHALK VAN DER MERWE (57)

Appointed: 2006

Independent Non-executive Director

Qualifications:

- B.Com Hons (Economics)
- B.Com Hons (Transport Economics)

Experience:

Schalk joined the RCS Group as an Executive Director in 2006 and served as CEO of the RCS Group from 2009 until 2016. Prior to joining the RCS Group, Schalk worked in the management consulting industry, running his own practice as well as working for Arthur Andersen. He also gained significant retail consumer finance experience as an Executive at The Foschini Group Ltd and as an Executive Director of Woolworths Financial Services.

Schalk presently holds the position of Independent Non-executive Director with the RCS Group. He holds the position of Non-executive Director of Retail Capital Proprietary Limited and serves as a trustee for the JAG foundation.

THE BOARD OF DIRECTORS

(continued)

NON-EXECUTIVE DIRECTORS (CONTINUED)

PATRICK ALEXANDRE (58)

Appointed: 2019

Non-executive Director

Qualifications:

- Political Sciences, *Université catholique de Louvain (Belgium)*
- Economics & Finance, *Université catholique de Louvain (Belgium)*

Experience:

Patrick is CEO of Hello bank and Head of the BNPP PF Branch in Czech Republic.

Previously he was the Head of Africa for BNPP PF. Patrick joined the Board of the RCS Group with extensive experience within the BNP Group (30 years), having held a number of senior roles across Commercial, Operations and Risk across various business lines and countries.

THE BOARD OF DIRECTORS

(continued)

NON-EXECUTIVE DIRECTORS (CONTINUED)

KIERAN FAHY (47)

Appointed: 2021

Non-executive Director

Qualifications:

- B.B.S Hons (Accounting & Economics)

Experience:

Kieran Fahy was appointed as CEO of BNP Paribas South Africa in September 2021. He has been with BNP Paribas for almost 20 years having joined BNP Paribas in 2002 as a Financial Institutions Coverage Banker in Ireland. After moving to Corporate Coverage in 2005 as a senior relationship manager Kieran was appointed as Head of Corporate and Transaction Banking Ireland in 2009. In 2012 he moved to Stockholm to become Country Head of BNP Paribas Sweden before moving to Paris in 2017 to head up the EMEA Multinational Coverage activities across EMEA. Kieran spent the first 6 years of his career at JP Morgan in London and Dublin in various Investment Banking roles. He graduated from the University of Limerick with a Business Degree (Major in Accounting and Economics) in 1996.

THE BOARD OF DIRECTORS

(continued)

NON-EXECUTIVE DIRECTORS (CONTINUED)

PATRICK MIRON DE L'ESPINAY (60)

Appointed: 2018

Non–executive Director

Qualifications:

- Civil Engineer of Mines, *École des Mines de Saint-Étienne*

Experience:

Patrick has a wealth of experience within the broader BNP Group, having been involved within various BNP entities and subsidiaries since 2008. A specialist in business development and the management of profit centres, Patrick has been actively involved in a number of financial services mergers and has experience across more than 10 European countries.

Patrick presently holds the position of Non-executive Director with the RCS Group. He holds the following positions at companies outside of the RCS Group: Head Of Consulting & Transformation at BNPP PF in charge of the steering of the strategic plan, of the alignment of investments with BNPP PF strategic targets and of the internal consulting team.

THE BOARD OF DIRECTORS

(continued)

EXECUTIVE DIRECTORS

REGAN ADAMS (50)

Appointed: 2011

Executive Director

Qualifications:

- B.Sc Engineering (Electrical & Electronics)
- B.Com
- B.Com Hons (Financial Analysis & Portfolio Management, Investments & Securities)

Experience:

Regan was appointed as CEO of the RCS Group in 2016. Having been an executive director since 2004, Regan has had experience in a number of senior roles in the RCS Group, most notably as Chief Operating Officer and Chief Commercial Officer. Before joining the RCS Group in 2004, Regan was a senior manager at Capital One Financial Corporation in engineering management. Regan does not currently hold any professional position other than Executive Director and CEO of the RCS Group.

Notice period:

It is our policy that the CEO has an employment contract with the RCS Group which may be terminated with three calendar months' notice. Included in this agreement are the clauses pertaining to restraint of trade and non-solicitation.

Succession plan:

Succession planning is done at the BNPP PF level with regard to the position of CEO at the RCS Group. This is further strengthened by a formal talent programme, Leaders for Tomorrow.

Leaders for Tomorrow is BNPP PF's integrated talent strategy and is a structured programme that focuses on identifying and developing leadership talent, preparing the next group of leaders and broadening diversity among senior leadership. The ultimate goal of this group-wide programme is to prepare the succession of employees who are able to progress to executive committee positions. All executive directors are part of the Leaders for Tomorrow talent programme.

RCS
BNP PARIBAS GROUP

THE BOARD OF DIRECTORS

(continued)

EXECUTIVE DIRECTORS (CONTINUED)

BALRAJ DEV (51)

Appointed: 2021

Executive Director

Qualifications:

- Masters in Computational Statistics, Bath University
- Bachelors of Science, Mathematics and Statistics, Swansea University

Experience:

Balraj is the Deputy CEO and CFO of the RCS Group. In addition to managing the CFO areas of accountability, Balraj is responsible for our Business to Consumer business area. Prior to his appointment as Deputy CEO in 2021, Balraj was the Chief Risk Officer of RCS, where he was responsible for Risk, Fraud and Data. Balraj joined RCS in 2016 from BNPP PF where he spent most of his career covering a number of senior Risk roles across a number of subsidiaries in Europe. Balraj has over 25 years of experience within the BNP Paribas group.

Balraj does not currently hold any professional positions other than Executive Director, Debt Officer and Deputy CEO of the RCS Group.

THE BOARD OF DIRECTORS

(continued)

EXECUTIVE DIRECTORS (CONTINUED)

MARINÉ VAN BRAKEL (39)

Appointed: 2019

Executive Director

Qualifications:

- B.Com (Accounting)
- B.Com Hons (Accounting)
- CA (SA)

Experience:

Mariné joined the RCS Group in 2014, where she was promoted through the Finance department to ultimately being appointed Chief Financial Officer (CFO) in December 2019. Prior to this, Mariné was the finance executive and deputy to the CFO. Mariné joined the RCS Group from KPMG where she gained valuable international experience in her capacity as Corporate Audit Manager and Management Consultant in the United Kingdom.

Mariné does not currently hold any professional positions other than Executive Director and COO of the RCS Group.

THE BOARD OF DIRECTORS

(continued)

MEETINGS AND QUORUM

The Board meets three times a year and a quorum comprises a majority of directors of the RCS Group provided that at least one BNPP PF Designated Director is present at the meeting.

EVALUATION OF THE PERFORMANCE OF THE GOVERNING BODY

The Board is assessed annually by way of an internally conducted process that deals with the performance effectiveness of the Board and its various sub-committees. Each Board member is given a confidential questionnaire to complete regarding the effectiveness of the Board and the Board sub-committees. The assessment includes an evaluation of the following:

- whether the diversity of the Board is appropriate;
- the number of meetings held;
- whether there is sufficient support for the Board;
- whether the decision-making process is appropriate;
- whether the Board is kept abreast of developments in the RCS Group; and
- whether the Board was afforded access to management and exposure to operations.

The results of the questionnaires are reviewed by the Company Secretary who summarises the results and identifies any improvement areas that the Board needs to consider. This is then communicated to the Board at the upcoming board meetings, and a plan to address these areas is agreed upon and is implemented. The Board then assesses the progress made in each of the areas.

The Board was comfortable with the results of the assessment for the year ended 31 December 2021 for both the Board and the Board sub-committees. The Board is satisfied that it continues to function well and that the directors have fulfilled their responsibilities in accordance with the Board's Term of Reference.

DELEGATION OF AUTHORITY

The Board of Directors delegated specific responsibilities to Board sub-committees and management, each with its own Terms of Reference that defines its responsibilities. The committees aim to review their respective Terms of Reference annually and undertake an annual performance evaluation.

The Board confirms that the sub-committees functioned in accordance with the provisions contained in their respective Terms of Reference during the financial period ended 31 December 2021.

The roles and responsibilities of each sub-committee are disclosed on 23 to 29.

THE BOARD OF DIRECTORS

(continued)

COMPANY SECRETARY

The Board assesses, as part of the annual Board evaluation process, whether the Company Secretary has fulfilled her required obligations and duties. The assessment questionnaire gives the Board the opportunity to not only evaluate the Company Secretary but to raise any concerns they may have.

The Board is confident that the Company Secretary is suitably qualified, competent and an experienced individual who is able to provide the Board with the necessary support to fulfil its purpose and its duties as prescribed by the Companies Act, the King IV Report on Corporate Governance for South Africa and the JSE Debt Listing Requirements.

THE BOARD COMMITTEES

OVERVIEW

The RCS Group has the following Board sub-committees: Audit and Risk; Social and Ethics; Credit Risk; Asset and Liability and Remuneration Committees. The composition of each committee is reviewed annually. The sub-committees, comprising directors, executives and senior management, deal with specific risks facing the RCS Group, in a structured manner and in accordance with Board-approved Terms of Reference. The sub-committee members are satisfied that they have fulfilled their responsibilities in accordance with the sub-committees' Terms of Reference for the year ended 31 December 2021.

Board and sub-committee attendance

The attendance of directors at Board meetings as well as members and invitees of sub-committees at sub-committee meetings for the reporting period was as follows:

	Board	Board Audit and Risk Committee		Remuneration Committee		Asset and Liability Committee		Social and Ethics Committee		Credit Risk Committee	
		Member	Invitee	Member	Invitee	Member	Invitee	Member	Invitee	Member	Invitee
Number of meetings	3	3	3	1	1	3	3	2	2	3	3
Edwin Oblowitz	3/3	3/3	-	-	-	-	1/3	2/2	-	-	3/3
Benoit Cavelier	3/3	-	1/3 (not in Nov)	-	1/1	-	2/3 (not in Nov)	-	1/2 (not in Nov)		0/3
Schalk van der Merwe	3/3	-	2/3	-	-	-	3/3	-	1/2	-	3/3
Marine van Brakel	3/3	-	2/3	-	-	-	2/3	-	0/2	-	2/3
Patrick Miron de L'Espinay	3/3	2/3	-	-	-	3/3	-	1/2	-	3/3	-
Vikas Khandelwal *	2/3	-	2/3	-	-	2/3		-	1/2	-	2/3
Balraj Dev **	1/3	-	1/3	-	-	1/3		-	1/2	-	1/3
Kieran Fahy ***	1/3	-	1/3	-	-	1/3		-	1/2	-	1/3
Regan Adams	3/3	-	3/3	1/1	-	3/3	-	2/2	-	3/3	-
Patrick Alexandre	3/3	3/3	-			2/3		2/2	-	2/3	-
Guy Harker**** (Company Secretary)	1/3	-	1/3	-	-	-	1/3	-	1/2	-	1/3
Alana Rudolph† (Acting Company Secretary)	1/3	-	1/3	-	-	-	1/3	-	0/2	-	1/3
Tali Anderssen†† (Company Secretary)	1/3	-	1/3	-	-	-	1/3	-	1/2	-	1/3
RCS Group Representatives†††	-	-	3/3	-	-	-	3/3	-	2/2	-	3/3
Shareholder representatives†††	-	-	3/3	-	1/1	-	3/3	-	2/2	-	3/3
External auditors	-	-	3/3	-	-	-	-	-	-	-	-
Internal Auditors	-	-	3/3	-	-	-	-	-	-	-	-

* Resigned 31 August 2021
** Appointed 1 May 2021
*** Appointed 1 September 2021
**** Resigned 31 May 2021
† Resigned 30 October 2021
†† Appointed 1 November 2021
††† The representatives attending committee meetings are specialists in their relevant fields.

THE BOARD COMMITTEES

(continued)

BOARD AUDIT AND RISK COMMITTEE

Responsibility and Function

The main objectives of the Board Audit and Risk Committee is to assist the Board in respect of the following:

- Commenting on the integrity of the RCS Group's financial statements and accounting practices and overseeing the effectiveness of the internal control function;
- Reviewing, on an annual basis, the expertise, resources and experience of the finance function;
- Overseeing the internal audit function;
- Monitoring, reviewing and providing assurance regarding the effectiveness of the RCS Group's overall internal and enterprise risk management systems pursuant to the shareholder's requirements. This includes overseeing the effectiveness and quality of the internal control framework, the consistency of measurement systems and risk control. For this purpose, the Audit and Risk Committee collects all the elements necessary for such assessment from the following independent control functions: Internal Audit, Enterprise Operational Risk, Risk Management Permanent Control, Legal and Compliance;
- Overseeing the effectiveness and quality of the Financial Security Framework according to the shareholder's requirements;
- Reviewing and ensuring that the RCS Group's significant areas of risk are assessed and adequately addressed, including but not limited to:
  - Financial reporting risks;
  - Internal financial controls;
  - Fraud risk; and
  - Information technology risks;
- Assisting the Board in carrying out its information technology governance responsibilities;
- Recommending the appointment of the external auditor and overseeing the external audit process; and
- Maintaining open lines of communication between the Board and the RCS Group's risk management, internal and external auditors and compliance officers.

Key focus areas include:

- Manage cyber security risks;
- Conduct annual evaluations of the internal auditors;
- Focus on the tone at the top, culture, ethics and hotline monitoring;
- Engage in the identification of potential issues;
- Understand plans to address new accounting and regulatory requirements;
- Increase the focus on risk oversight and assessment; and
- Periodically reassess the list of top risks, determining who in management and which Board committee is responsible for each.

THE BOARD COMMITTEES

(continued)

SOCIAL AND ETHICS COMMITTEE

Responsibility and Function

The RCS Group's philosophy is underpinned by the realisation that there is a need to turn wealth into sustainable economic growth and development. Through its business endeavours, the RCS Group seeks to act as a catalyst for development and to make a lasting and important social, economic and environmental contribution to the regions in which the RCS Group operates.

The purpose of the Social and Ethics Committee is to:

- Amongst other things, monitor the RCS Group's social and economic development and fulfil the functions required in terms of the Companies Act of South Africa;
- Monitor and report on the manner and extent to which the RCS Group protects, enhances and invests in the economy, society and the environment in which the RCS Group operates in order to ensure that its business practises are sustainable; and
- Review and consider local economic development opportunities to enable historically disadvantaged South Africans to develop economically and socially.

Key focus areas include:

- Consumer education;
- Further focus on CSR activities in collaboration with BNP Paribas Corporate and Institutional Bank in South Africa;
- Monitoring the employment equity plans;
- Monitoring the impact of the changes to BBBEE;
- Ethics governance;
- Staff wellness;
- Group sustainability; and
- CSR strategy

THE BOARD COMMITTEES

(continued)

CREDIT RISK COMMITTEE

Responsibility and Function

The main responsibilities of the Credit Risk Committee are as follows:

- Oversee the RCS Group's Risk Control Framework;
- Oversee the RCS Group's Risk Appetite Framework which includes the risk appetite statement, risk limits and tolerances;
- Oversee the critical credit risk metrics and the RCS Group's bad debt performance trends;
- Oversee the RCS Group's Risk Policy including formal approval of modifications and tracking the impact of policy and scorecard changes;
- Discuss and challenge credit proposals to make sure they are in accordance with the RCS Group's risk appetite;
- Provide feedback on new products and initiatives affecting the credit risk;
- Discuss and analyse the macro-economic impacts affecting the RCS Group's credit risk;
- Oversee the collection and recoveries performance;
- Analyse and track the cost of risk and the portfolios' bad debt provision;
- Oversee the efficiency of the RCS Group's credit decision system, its credit scorecard and the risk tools;
- Oversee impacts of regulatory changes on the credit risk of the RCS Group;
- Report on the data quality and data governance framework;
- Oversee fraud prevention process; and
- Liaise with Audit and Risk Committee on relevant matters.

Key focus areas include:

- Track and follow up policy changes and impacts of regulatory changes;
- Leverage the new behavioural scorecards for the cross-selling of products to existing customers;
- Regular tracking of scorecard implementation efficacy and related operational considerations;
- Implementation of revised IFRS 9 provisioning methodology and ongoing monitoring thereof;
- Evaluate progress of the data quality project; and
- Close monitoring of risk performance trends on new granting across the RCS Group portfolio.

THE BOARD COMMITTEES

(continued)

ASSET AND LIABILITY COMMITTEE

Responsibility and Function

The main responsibilities of the Asset and Liability Committee are as follows:

- Liquidity risk management, as guided by BNPP PF, including:
  - Structural liquidity;
  - Funding diversification (source and tenor);
  - Investment requirements;
  - Liquidity coverage;
- Interest rate risk management;
- Foreign currency risk management;
- The RCS Group capital management;
- Oversight of Domestic Medium Term Notes Program;
- Monitoring of solvency and liquidity; and
- Funding plans.

Key focus areas include:

- Maintain adequate capital levels;
- Monitor liquidity and funding requirements and related risk diversification.

THE BOARD COMMITTEES

(continued)

REMUNERATION COMMITTEE

Responsibility and Function

The Committee has an independent role and governs and approves:

- All remuneration matters in respect of staff, executives and directors;
- Remuneration increases for non-executives directors from time to time;
- Annual cycle base level salary increases in respect of all employees; and
- The aggregate short-term incentive bonus pool and long-term incentive bonus pool.

The committee further ensures that:

- The RCS Group remunerates executive directors and non-executive directors fairly and responsibly;
- The disclosure of directors' remuneration is accurate, complete and transparent; and
- The RCS Group's overall remuneration philosophy promotes the achievement of the RCS Group's strategic objectives, encourages individual performance and rewards sustainable value creation.

The Committee further performs all the functions necessary to fulfil its role as stated above, including but not limited to the following:

- Review the RCS Group's remuneration philosophy and policies for directors and staff;
- Ensures that the remuneration strategy reflects the interests of stakeholders, is comparable to the general remuneration environment in the industry and complies with relevant principles of good corporate governance;
- Considers whether the objectives of the remuneration policy have been achieved;
- Ensure that the ratio of fixed and variable pay, in cash and benefits, is aligned with the RCS Group's strategic objectives;
- Ensure that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- Select an appropriate peer group when comparing remuneration levels;
- Advises on the remuneration of independent non-executive directors;
- Oversees the preparation of the remuneration report, to ensure that it:
  - Provides a clear explanation of how the remuneration policy has been implemented;
  - Provides sufficient forward-looking information to the Board regarding the fees of non-executive directors and
  - Enables the Board to propose to shareholders, for their consideration and approval, a special resolution in terms of section 66(9) of the Companies Act of South Africa.

Key focus areas

Please refer to the Remuneration Committee Report on page 45 for details of the key focus areas of the Remuneration Committee.

SOCIAL AND ETHICS REPORT

OVERVIEW

The Board Social and Ethics Committee is responsible for ensuring, monitoring and reporting in respect of the RCS Group's ethics, responsible corporate citizenship, sustainable development and stakeholder inclusivity. The committee is governed by a formal charter guiding the committee in terms of its objectives, authority and responsibilities. The committee held two meetings during the 2021 financial year, which were attended by most members.

BNPP PF places it's manifesto, 'promote access to more responsible and sustainable consumption, to support our customers and partners' at the very heart of the strategic strategy, referred to as Impulse 2025.

MANIFESTO:
Promote access to more responsible and sustainable consumption, to our customers and partners

The manifesto focuses on three core pillars:

1. BE EXEMPLARY AS A COMPANY AND EMPLOYER

2. TRANSFORM OUR BUSINESS, OPERATING MODELS AND OFFERS

3. MAKE POSITIVE IMPACTS BEYOND OUR BUSINESS IN OUR FIELDS OF EXPERTISE

SOCIAL AND ETHICS REPORT

(continued)

DIVERSITY AT RCS

Diversity remains a key priority at RCS and we were tremendously proud to have been independently certified as a Top Gender Empowered Company 2022 by the Top Women publication.

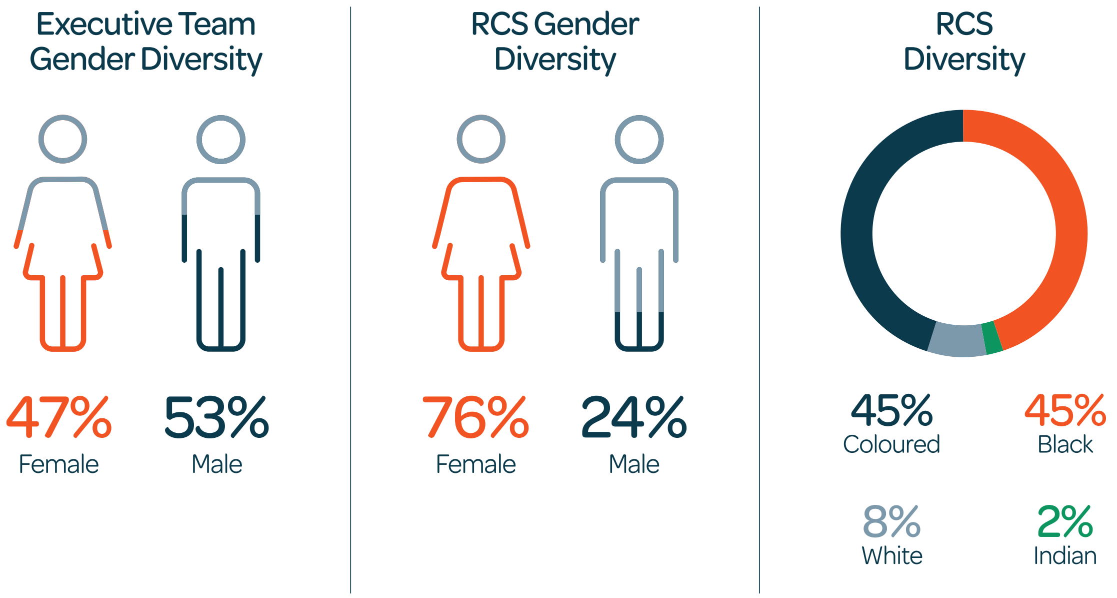
Standard Bank TOP WOMEN CERTIFIED 2022 TOP GENDER EMPOWERED COMPANY

This follows months of rigorous research and benchmarking, culminating in RCS's recognition as a leader of gender empowerment and transformation within the Financial Services sector. Top Women celebrates South African organisations in the public and private sectors that prioritise gender empowerment within their business strategies. The main criteria when evaluating companies include:

- Female representation amongst shareholders, top management and employees;
- Female-empowered Company policies; and
- Women-focused skills development

We are proud that RCS is made up of 76% female employees and that nearly half of our senior management are female. We know that we are a stronger and more sustainable business as a result of the diversity, inclusive practices and mind-set that we foster in our business.

As at 1 March 2022, our company profile is:



SOCIAL AND ETHICS REPORT

(continued)

TOP EMPLOYER

We are equally proud that we have secured our fourth consecutive Top Employer, South Africa accreditation.

In addition to the external accreditations, RCS employees consistently rated RCS highly during the annual employee engagement survey known as the GPS. The survey specifically focused on the Code of Conduct and Diversity and Inclusion. Our team rated us above 85% in both areas.

top EMPLOYER SOUTH AFRICA 2022

CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

HEALTH & SAFETY

There has been much focus in supporting our staff during the COVID pandemic while ensuring the highest levels of Health and Safety. We provided care to over 300 employees (out of a total of 1400 employees) who tested positive since the start of the pandemic. The third COVID wave was particularly devastating, and we tragically lost 5 colleagues who succumbed to the virus. Our hearts and thoughts are with their family and our gratitude to our teams who tirelessly supported all of our staff and their families during this time. We are acutely aware of the impact that the pandemic has had on mental health. In addition to the support available to employees to assist them with any challenges they may have, RCS invested in a more proactive approach to the identification and management of potential mental health alerts within the company. We have commenced a journey to train our managers to be 'Mental Health First Aiders'. This key training teaches managers to listen, reassure, and respond to our employees even in a crisis. In this way, our managers will gain valuable skills and confidence in approaching and supporting our teams when they need it most.

LEARNING

We enriched the online learning offerings for all of our employees through the digital platform – Goodhabitz. GoodHabitz is an online learning platform that offers unlimited access to training courses. The rich online content covers over 100 courses around the categories of Digital Skills, Health and Safety, Communication and Languages, Sales, Productivity, Management and Teamwork, Leadership and Personal Power. New courses are published every month.

The support for education extended beyond the walls of our business and into the homes of our employees. We provided over 200 bursaries for the children of qualifying employees. This was the biggest disbursement of bursaries since the inception of this initiative with the total investment more than doubling in value since 2016.

SOCIAL AND ETHICS REPORT

(continued)

Our commitment to our communities continued through 2021, with the key highlights mentioned below.

WPDI GRADUATION

On 25 November, 320 youth in business and Conflict Resolution Education ("CRE") graduated – these youths have been trained by our 'Trainers of Trainees' ("ToTs") in each of their townships and are part of our youth peacemaker network program. They are part of our network of peacemakers we are deploying in the Cape Flats to promote a culture of peace and strengthen economic development and opportunities through our business component.

At RCS, we believe that our youth is resilient and courageous, often in the face of the harshest of circumstances. These graduates are a source of inspiration, giving other youths in our communities hope. Through their actions, they will build-up our communities by promoting peace.

This is the reason why RCS and BNP Paribas are fully entrenched in the WPDI programme. We are very proud of the accomplishments that this programme achieved over the past 3 years.

On 25 November 2021 we welcomed 320 youth graduates in business and Conflict Resolution Education ("CRE") – these youths have been trained by our ToTs in each of their townships and are part of our youth peacemaker network program. They are part of our network of peacemakers we are deploying in the Cape Flats to promote a culture of peace and strengthen economic development and opportunities through our business component.

SOCIAL AND ETHICS REPORT

(continued)

JAG FOUNDATION

The JAG foundation was supported through an online auction, which was organised in partnership with Creation wine estate who presented participants with a virtual Wine and Chocolate Pairing while participating in the auction. The event was well attended by many of our partners and raised funds for the many JAG foundation initiatives.

RISING STAR TENNIS

Following a successful inaugural edition of the BNP Paribas RCS Rising Star Tennis competition in 2019/20 which only involved primary schools, the nationwide school tennis tournament is bigger and better this year with the inclusion of high school players and a wheelchair category, alongside the existing primary schools' competition.

The second instalment of the competition saw more than doubling the first year's cohort of 365 schools to 797 institutions.

The second edition of BNP Paribas RCS Rising Star Tennis programme started with over 3 000 players turning out in 30 district tournaments, followed by provincial playoff events across South Africa.

At RCS we firmly believe that empowerment through sport is one of the most powerful forms of upliftment. Our mission for this year was for this sponsorship to make a meaningful impact in the lives of the many talented youths in disadvantaged communities, enabling their development and creating opportunities for them to compete. Ultimately, we want to see community facilities upgraded for the sport to grow across South Africa.
Though the nation is still emerging from a lengthy lockdown, due to the COVID-19 pandemic, the Rising Star Tennis programme provides a platform for children to return to outdoor activity while observing various health and safety protocols, including social distancing. Hundreds of schools will again be targeted around South Africa, with organisers focusing on schools in underprivileged areas.

SOCIAL AND ETHICS REPORT

(continued)

The 2021 BNP Paribas RCS Rising Star Tennis programme expanded its reach to include high school players, as well as a wheelchair category.

SOCIAL AND ETHICS REPORT

(continued)

2022 KEY FOCUS AREAS

Integration

The integration of the Mobicred team into RCS, allowing them to benefit from the rich RCS employee value proposition

Mobilisation

Mobilising the succession plans we have into actions to support and develop the next pipeline of leaders

Hybridisation

Settling the new hybrid model we have adopted in 2022

2022

CREDIT RISK GOVERNANCE REPORT

OVERVIEW

A number of committees are in place to govern, monitor, measure and mitigate risk, which operate under the RCS Group's approved delegated limits, policies and procedures. The Credit Risk Board sub-committee convenes three times a year, comprising executive and non-executive directors which feeds into the overall company Board committee. In addition to this, a working Credit Risk Forum convenes monthly, which is comprised of all the company executives. An Internal Control Committee ("ICC") convenes three times a year and is the key committee concerning the management of operational risk and the permanent control set up in the company.

The Chief Risk Officer ("CRO") is mandated by the Board to manage the risk and reports directly to the independent group risk function of BNP. The CRO sets out the credit risk framework appetite and tolerance levels for the company on an annual basis, which is formally approved by the risk sub-board committee and the RCS Group risk function.

A full credit and operational risk and control framework has been implemented in line with BNPP PF methodology, including the inclusion of specific risks relating to the local environment. A comprehensive first line of defence has been implemented in all key areas of the business, with the Operational Risk and Control team forming the second line of defence. The third line of defence is assured by the central BNP Paribas Group function Inspection Generale ("IG").

Key areas of focus during the reporting period

Credit risk appetite levels are tracked monthly using detailed key performance indicators. Alerts are immediately raised if risk thresholds are breached, which must result in the immediate implementation of mitigation plans. An annual review of the major enterprise risks is performed and these, together with the mitigation plans, are formally approved by the Audit and Control sub-board committee. Credit risk appetite thresholds are reviewed annually with formal BNP Paribas Central Risk and Credit Forum Approval.

ACTIONS TAKEN TO MONITOR THE EFFECTIVENESS OF RISK MANAGEMENT

Close scrutiny and oversight is applied to the effectiveness of the risk management framework that is in place, though governing committees, independent management by risk and group entities, together with a strong enterprise risk culture developed throughout the business.

Key areas of future focus

Continued maturity of the risk management framework under the continuously developed and refined IFRS 9 methodology, embedding the risk culture throughout the organisation and ensuring transparent and effective decision-making leadership to a controlled level of risk appetite.

CREDIT RISK GOVERNANCE REPORT

(continued)

CLOSELY MONITORED AND CONTROLLED OPENING OF THE BUSINESS

As a result of the COVID-19 pandemic, measures were put in place to manage the risk arising on the RCS portfolio. As the economic impact of the pandemic continued to evolve, Credit Risk management has worked to understand what the key drivers of risk-adjusted returns of the Company are. In 2021, the focus was to support the business with a controlled opening up of channels as the economy stabilised, with a close monitoring of early risk indicators. These indicators include First Payment Default rates, roll-in to arrears rates and granting vintages (3 and 6 month levels).

RISK APPETITE

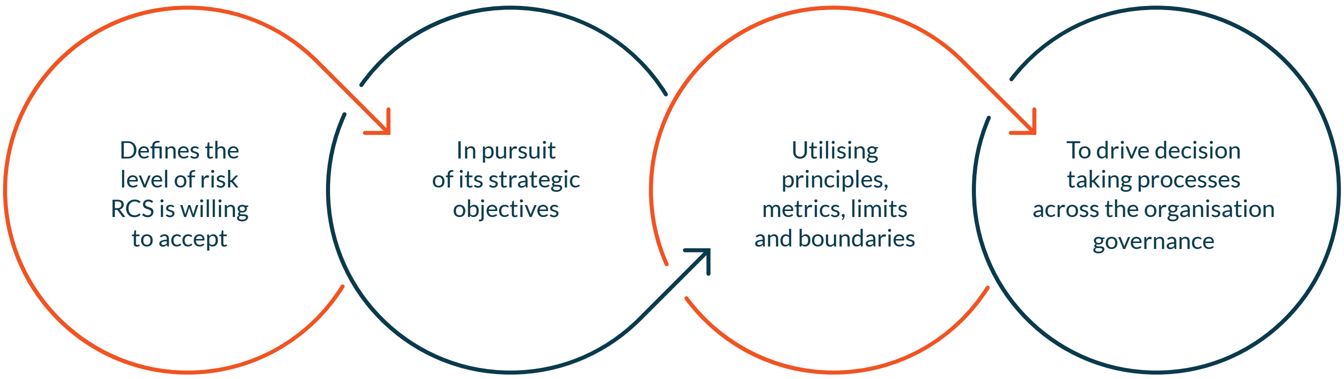
Acceptable risk level in pursuit of strategic objectives and business plans.

RISK APPETITE FRAMEWORK

- Organisation of Enterprise Risk Management ("ERM")
- Risk Governance
- Policies and Procedures
- Processes and Technologies

RISK APPETITE STATEMENT ("RAS")

- Principles, Limits and Thresholds
- RAS Governance
- Escalation Process



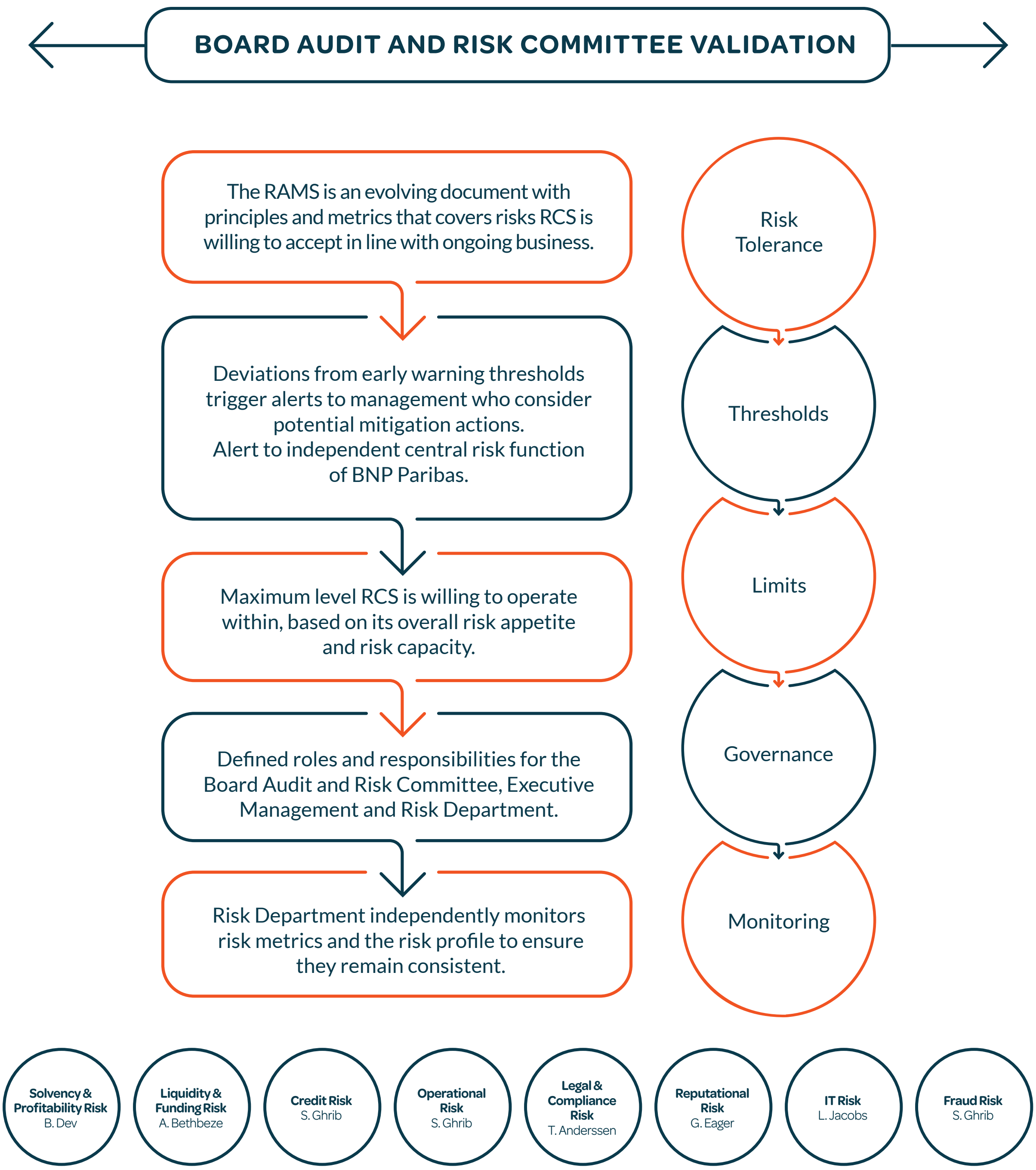
The risk appetite approach considers both actual and emerging risks (internal and external) across the business and regulatory environments in which the RCS Group operates. Strategic planning process and risk identification is leveraged in this approach.

CREDIT RISK GOVERNANCE REPORT

(continued)

RISK APPETITE MANAGEMENT STATEMENT (RAMS)

Thresholds, limits and escalation.



TECHNOLOGY AND INFORMATION GOVERNANCE REPORT

OVERVIEW

The Information Technology department's primary objective is to manage IT-related risks, disaster recovery plans and any significant IT initiatives while providing business resilience.

In order to achieve this the department provides support for existing platforms and delivers new technology to foster a robust and sustainable environment for business growth while mitigating associated risks.

This is done in accordance with:

- BNP Technology Policy;
- The RCS Group Software Development Policy;
- The RCS Group Information Security and User Access Management Policies; and
- The RCS Group Security Incident Response Plan ("SIRP")

CONTINUOUS MONITORING OF SECURITY OF INFORMATION

- Event logs recording network activities, exceptions, faults and information security events shall be produced, kept and will be regularly reviewed.
- Logging facilities and log information is protected against tampering and unauthorized access.
- System administrator activities are logged and the logs are protected and regularly reviewed.
- The clocks of all relevant information processing systems within the RCS Group or security domain are synchronized to a single reference time source.

The above requirements are in line with the RCS Group Information Security policy and principles of logging and monitoring of information events.

PROACTIVE MONITORING OF INTELLIGENCE TO IDENTIFY AND RESPOND TO INCIDENTS, INCLUDING CYBER-ATTACKS

SIRP motivates for security and business teams to integrate their efforts from the perspectives of process, remediation guidelines, contact information, escalation, awareness and communication in times of crisis.

DISPOSAL OF OBSOLETE TECHNOLOGY AND INFORMATION ENVIRONMENTAL IMPACT AND INFORMATION SECURITY

- Electronic equipment is disposed of by an approved e-waste organization;
- Hard drives are removed and holes are drilled through the drive to render it unusable;
- Retired laptops are sold back to staff, hard drives are wiped and operating systems are reinstalled; and
- Operating systems and associated software versions are continuously verified and updated in accordance with support life cycles

RCS
BNP PARIBAS GROUP

TECHNOLOGY AND INFORMATION GOVERNANCE REPORT

(continued)

ETHICAL AND RESPONSIBLE USE OF TECHNOLOGY AND INFORMATION

The RCS Group Acceptable Use Policy outlines the acceptable use of computer equipment. Inappropriate use exposes the RCS Group to risks, including virus attacks and the compromise of network systems and services. The purpose of the Acceptable Use Policy is not to impose restrictions that are contrary to the RCS Group's established culture of openness, trust and integrity, but to protect employees, partners and the organisation from security matters relating to information and the adverse actions by individuals, either knowingly or unknowingly.

It is the responsibility of every employee to follow these guidelines and to use equipment and software accordingly.

LEVERAGING OF INFORMATION TO SUSTAIN AND ENHANCE THE ORGANISATION'S INTELLECTUAL CAPITAL

The overall goals for information sustainability are as follows, but are not limited to:

- Establishing controls for protecting the RCS Group's information and information systems against theft, abuse and other forms of harm and loss;
- Motivating administrators and employees to take responsibility for ownership of their knowledge about information security, in order to minimize the risk of security incidents;
- Ensuring that the RCS Group is capable of continuing their services even if major incidents occur;
- Ensuring the protection of personal data (privacy);
- Ensuring the availability and reliability of the technology infrastructure and the services supplied and operated by the RCS Group;
- Conforming to principles, methods and frameworks from industry standards for information management: SANS, NIST, COBIT, ITIL, OWASP, TOGAF;
- Ensuring that vendors and strategic partners comply with the RCS Group's information security needs and requirements; and
- Ensuring flexibility and an adequate level of security for accessing information systems remotely.

The above is in line with the RCS Group Information Security and Business Continuity Policies.

TECHNOLOGY AND INFORMATION GOVERNANCE REPORT

(continued)

INFORMATION ARCHITECTURE THAT SUPPORTS CONFIDENTIALITY, INTEGRITY AND AVAILABILITY OF INFORMATION

The RCS Group's information security strategy is to safeguard the confidentiality, integrity and availability of information systems to ensure that legislative, operational and contractual requirements are fulfilled that align with the RCS Group's business mandate.

Confidentiality	Integrity	Availability	Traceability
To ensure that information is not accessible or disclosed to unauthorized individuals, entities or processes.	To ensure the safeguarding of the accuracy and completeness of information assets.	To ensure accessibility and use upon demand of information by an authorized entity.	To ensure adequate logs of data, system actions and associated flows are kept to ensure that RCS can provide proof in the case of incidents or an investigation.

The above is in line with the RCS Group Information Security and User Access Management Policies.

MANAGEMENT OF TECHNOLOGY

The Information technology department aims to deliver a technology architecture that enables the achievement of operational and strategic objectives in line with the RCS Group's core purpose, while effectively mitigating associated risks.

COMPLIANCE WITH RELEVANT LAWS

- All relevant legislative, regulatory, contractual requirements and RCS Group's approach to meet these requirements is explicitly identified, documented and kept up to date where relevant;
- Appropriate procedures are implemented to ensure compliance with legislative, regulatory and contractual requirements related to intellectual property rights and use of proprietary software products;
- Records are protected from loss, destruction, falsification, unauthorized access and unauthorized release, in accordance with legislator, regulatory, contractual and business requirements and
- Privacy and protection of personally identifiable information is ensured as required in relevant legislation and regulation where applicable.

COMPLIANCE GOVERNANCE REPORT

OVERVIEW

The RCS Group has a dedicated compliance department. The Compliance department has an independent and management reporting line to the BNPP compliance function and another reporting link to the Chief Executive Officer. The Compliance Committee is a sub-committee of the Board Audit and Risk Committee, which reports directly to the Board of directors of the RCS Group.

Key areas of focus during the reporting period

The RCS Group is committed to a “best in class” compliance culture, with specific focus on legislative and regulatory requirements, as well as ensuring effective and timeous compliance with the relevant new regulations and best practices.

ACTIONS TAKEN TO MONITOR THE EFFECTIVENESS OF COMPLIANCE MANAGEMENT

The RCS Group has implemented a Compliance Control Framework in terms of which samples are taken and control testing is performed. In the event that any weaknesses in the Control Framework are identified, an action plan with corrective measures will be implemented. Monitoring of such action plans is reported to management through the established governance structures.

Key areas of future focus:

We will continue to entrench our “best in class” compliance culture and focus on implementing the relevant legislative and regulatory changes.

MATERIAL OR REPEATED REGULATORY PENALTIES

The RCS Group incurred no penalties, nor were any sanctions or fines levied against the RCS Group or any members of its governing body, in the year ended 31 December 2021.

Monitoring and compliance inspections by environmental regulators

The RCS Group has established a Corporate Social Responsibility Committee, with one of the key focus areas being the monitoring of environmental matters. The RCS Group was not subject to any inspections by environmental regulators in the year ended 31 December 2021.

REMUNERATION COMMITTEE REPORT

OVERVIEW

The remuneration report sets out the RCS Group's Remuneration Policy (the 'Policy') and its implementation during the financial year.

The RCS Group's remuneration philosophy is guided by the RCS Group's remuneration principles:

- Alignment with business strategy – remuneration must be performance driven and contribute to the achievement of the RCS Group's business objectives;
- Supporting the people strategy – remuneration must support the critical human resources objectives of attracting, motivating and retaining a high potential workforce;
- Mix of rewards – remuneration will provide a holistic mix of rewards that achieve different objectives. The guaranteed component of the mix is designed to take into account internal and external equity and reward individuals fairly, based on market information and their individual performance, while the variable component is designed to drive performance over the short- and long-term;
- Consistency – remuneration must drive a level of consistent design across the entire RCS Group and strive to achieve a reasonable level of internal equity for job categories. The principle of consistency should not impede on the need for differentiation where appropriate but does indicate that unfair or discriminatory remuneration practices are not accepted;
- Competitiveness – practices must ensure that remuneration levels are competitive relative to the market, in order to ensure that the organisation attracts and motivates talent and skills;
- Flexibility – the RCS Group acknowledges the need for a degree of customisation across operating businesses within the overarching policy framework. Specific design parameters will be acknowledged as flexible parameters to ensure approaches which are tailored appropriately for different business units;
- Cost control – the RCS Group's remuneration policy assists in controlling costs within the organisation by ensuring that employees' packages are compared to appropriate benchmarks, as well as limiting the organisation's exposure to costs which are beyond its control; and
- Governance – the RCS Group acknowledges the importance of corporate governance and commits to adopting the principles of good governance in the fulfilment of reward activities and provides a framework which is clearly articulated and available to all employees.

Key areas of focus during the reporting period

The RCS Group's key area of continued focus in the year under review has been to fairly and consistently navigate the impacts of COVID-19 on remuneration in a transparent manner and to align the RCS Group's remuneration practices and the requirements of the sole shareholder, BNP Paribas.

REMUNERATION COMMITTEE REPORT

(continued)

Key areas of future focus

The RCS Group shall focus on flexibility in remuneration and mix of rewards in the forthcoming year to align with global trends in remuneration practices, especially as these evolve post COVID-19.

Remuneration consultants

The RCS Group uses external remuneration consultants who conduct a number of benchmarking exercises during the year in order to measure job grades accurately and assist in establishing the correct market benchmarks. The Remuneration Committee has assessed the external consultant and considers the external consultant to be independent and objective.

Remuneration policy

The Remuneration Committee has reviewed the Policy and considers the Policy to be appropriate and able to meet its stated objectives.

OVERVIEW OF THE REMUNERATION POLICY

Objectives

The objectives of the Policy are to provide a guiding framework for remuneration that:

- Supports the RCS Group's business strategy;
- Attracts high-calibre, competent people who are aligned to the RCS Group's values;
- Motivates key talent to support the long-term business strategy;
- Retains key employees;
- Encourages optimal performance;
- Promotes positive outcomes; and
- Promotes an ethical culture and responsible corporate citizenship.

The RCS Group's remuneration structures are designed to promote the King IV's 'Fair and Responsible' remuneration principle. The RCS Group has adopted the suggestions contained in the Institute of Directors in Southern Africa's position paper on Fair and Responsible Remuneration.

Elements and design principles of remuneration

The main component of remuneration is the guaranteed remuneration package. All variable compensation components are performance based and based on the successful achievement of individual, team and company targets. Remuneration consists of guaranteed package, short-term incentives, long-term incentives, sales incentives and operational recognition programs, and are available to employees dependent on position.

REMUNERATION COMMITTEE REPORT

(continued)

Guaranteed package

All employees receive a guaranteed package that forms the core element of remuneration, reflecting the employee's role and position within the RCS Group and is payable for doing the expected day-to-day job. The guaranteed package forms the basis of the business' ability to attract and retain the required skills and is intended to reward competence, experience, qualification level, as well as the level of involvement in assigned tasks.

In addition, the employees have access to the following benefits:

- Leave;
- Retirement funding;
- Healthcare;
- Disability cover;
- Serious illness cover;
- Death cover;
- Financial wellness program;
- Employee assistance program; and
- Education assistance program.

Long-term incentives

The cash-settled, long-term incentive program is open to senior management and executive employees. The long-term incentive scheme is designed to incentivise employees to grow the business and to support the long-term retention of employees.

Short-term incentive

The cash-settled, short-term incentive is a discretionary program, open to all qualifying employees in the RCS Group. The short-term incentive scheme is designed to improve business performance and to allow employees to share in the success of the business.

This plan is linked to the RCS Group's profitability targets and is applied as a factor of the employees' guaranteed remuneration. Short-term incentives are paid following the approval of the RCS Remuneration Committee, based on the profitability in the financial year.

REMUNERATION COMMITTEE REPORT

(continued)

IMPLEMENTATION REPORT

Executive directors' remuneration

Total remuneration of executive management for the year ended 31 December 2021:

	Remuneration	Provident fund contributions	Total
	R'000	R'000	R'000
Executive directors for services, as employees, to subsidiary companies:			
RF Adams	6 375	447	**6 822**
M van Brakel	2 370	232	**2 602**
B Dev (Appointed 1 May 2021)	4 038	-	**4 038**

Total remuneration of executive management for the year ended 31 December 2020:

	Remuneration	Provident fund contributions	Total
	R'000	R'000	R'000
Executive directors for services, as employees, to subsidiary companies:			
RF Adams	9 155	426	**9 581**
CP De Wit (Resigned 30 November 2020)	5 175	286	**5 461**
M van Brakel	3 032	231	**3 263**

Non-executive directors' remuneration

Total non-executive directors' remuneration for the year ended 31 December 2021:

	Remuneration	Provident fund contributions	Total
	R'000	R'000	R'000
Non-executive directors for services, as directors, to subsidiary companies:			
SW van der Merwe	288	-	**288**
E Oblowitz (Independent)	549	-	**549**

REMUNERATION COMMITTEE REPORT

(continued)

Total non-executive directors' remuneration for the year ended 31 December 2020

	Remuneration	Provident fund contributions	Total
	R'000	R'000	R'000
Non-executive directors for services, as directors, to subsidiary companies:			
SW van der Merwe (Independent)	280	-	**280**
E Oblowitz (Independent)	506	-	**506**

Payments made on termination of office and deviations from the remuneration policy

No payments on termination of office and no deviations from the remuneration policy have been made during the current or prior financial year.

KING IV PRINICPLE OUTLINE

The table below provides a brief summary and guidance on the RCS Group's application of the King IV principles, with references to where these are addressed in the integrated supplementary information.

KING IV PRINCIPLE	RCS GROUP EXPLANATION
PRINCIPLE 1 : The governing body should lead ethically and effectively.	The Board of the RCS Group (the Board) is fully committed to attaining and sustaining the highest standards of corporate governance. The Board is dedicated to continuously fostering a corporate culture that emphasises good corporate governance. For more information regarding the ethical leadership of the Board refer to pages 25, and 30 to 36.
PRINCIPLE 2 : The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board determines and sets the tone of the RCS Group, including the principles of ethical business practice. For more information refer to pages 25, and 30 to 36 in the Social and Ethics Report.
PRINCIPLE 3 : The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	A Social and Ethics committee, which reports to the Board, has been established. The committee reflects the RCS Group's commitment to ethical corporate citizenship and the management of stakeholder relationships. For more information refer to pages 30 to 36 in the Social and Ethics Report.
PRINCIPLE 4 : The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process	A strategy session is held annually where the Board and the Operating Board are present. Risk management is monitored by the Board Audit Committee and the Risk Committee. The Enterprise Risk Management process ensures that all risks in each area of the business are covered and monitored. The short, medium and long-term strategy for the RCS Group has been delegated to management and is approved by the Board. The Board through the Social and Ethics committee ensures the strategy is in line with the RCS Group's sustainable development plan and the core values of the business. The Operating Board and management will be held accountable to monitor the progress of the business and planned initiatives to ensure the strategy is achieved.

KING IV PRINICPLE OUTLINE

(continued)

KING IV PRINCIPLE	RCS GROUP EXPLANATION
PRINCIPLE 5 : The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.	The Board Audit and Risk Committee (BARC) review and approve the Consolidated Annual Financial Statements including supplementary information and a recommendation is then made to the Board to approve. The Board ensures that the Consolidated Annual Financial Statements including supplementary information include financial information of the highest quality and integrity. In the execution of its duties, the BARC recommends the appointment of the external auditors and is responsible for establishing the terms of engagement as well as monitoring the services provided by the external auditors for both audit and non-audit services. The BARC also assesses the effectiveness of the external auditors' progress against and fulfilment of the agreed audit plan, including any variation from the plan and provides oversight to the external audit process.
PRINCIPLE 6 : The governing body should serve as the focal point and custodian of the corporate governance in the organisation.	The Terms of Reference have been approved and adopted for the Board and the Board committees. Although certain functions are delegated to committees, these committees do not have the power to approve but to rather recommend to the Board, unless expressly granted the authority to approve by the Board or by law. For more information regarding the roles and responsibilities of the Board refer to pages 23 to 29 in the Board Committee section of the supplementary information.
PRINCIPLE 7 : The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	The composition of the Board is regulated by the shareholder in terms of the Company's Memorandum of Incorporation and is deemed to be adequate and appropriate. The Board Charter will emphasise the responsibility of the Board and ensure that applicable principles are implemented and a high level of compliance maintained. Refer to pages 10 to 22 of the supplementary information for more information on the composition of the Board.

KING IV PRINICPLE OUTLINE

(continued)

KING IV PRINCIPLE	RCS GROUP EXPLANATION
PRINCIPLE 8 : Committees of the governing body.	Terms of Reference in respect of each Board sub-committee have been approved and adopted. The Terms of Reference for each committee outline the roles and responsibilities and are deemed adequate and appropriate. The Terms of Reference for each committee is reassessed annually. Refer to pages 23 to 29 and 65 to 67 for more information on the Board Committees.
PRINCIPLE 9 : The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	On an annual basis, formal assessments are conducted on the effectiveness of the Board and Board committees. Refer to page 21 for more information regarding the performance evaluations of the Board of directors.
PRINCIPLE 10 : The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.	For more information on the delegation of responsibilities to management and corporate governance services to the Company Secretary please refer to page 22. The CEO succession plan and notice period has been disclosed on page 18.
PRINCIPLE 11 : The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	The Board assumes the responsibility for the governance of risk. The BARC and the Risk Committee will assist the Board by providing an objective and independent review on the Company's finance, accounting, control mechanisms and risk governance framework. For more information refer to the Credit Risk Governance Report on page 37 to 39.

RCS
BNP PARIBAS GROUP

KING IV PRINICPLE OUTLINE

(continued)

KING IV PRINCIPLE	RCS GROUP EXPLANATION
PRINCIPLE 12 : The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The Board understands the importance, relevance and inherent risks in IT governance and is responsible for such risks. The BARC fulfils an oversight role regarding financial reporting risk, internal financials controls and IT risks as they relate to financial reporting. The broader IT portfolio is included in the Board agenda. IT is aligned and forms an integral part in the performance objectives of the RCS Group. Focus is created through the ICT Security and Risk Office, who is responsible for information security, ICT RISK management and ICT audits. Refer to the Technology and Information Governance Report on pages 40 to 42.
PRINCIPLE 13 : The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.	The directors fully understand the appropriate applicable laws, rules and regulations and how compliance risk affects the reputation of the Company. Compliance is an identified risk and will be addressed as an agenda item at each Board meeting, thereby positioning the Board to adapt to changes in the regulatory environment. Refer to the Compliance Governance Report on page 43 for more information.
PRINCIPLE 14 : The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	The Remuneration policy has been approved by the Board. Refer to the Remuneration Committee Report on pages 45 to 49.

KING IV PRINICPLE OUTLINE

(continued)

KING IV PRINCIPLE	RCS GROUP EXPLANATION
PRINCIPLE 15 : The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for the internal decision making and of the organisation's external reports.	The BARC ensures the combined assurance model being assurance coverage obtained from management, internal assurance providers and external assurance providers is applied to provide a coordinated approach with regard to risk management and reports to the Board. Refer to the Audit and Risk Committee Report on pages 65 to 67 for more information.
PRINCIPLE 16 : In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	The Terms of Reference for the Social and Ethics committee set out the roles and responsibilities of the committee for managing stakeholder relationships. These roles and responsibilities are deemed adequate and appropriate. Refer to the Social and Ethics Report on pages 30 to 36 for more information.

RCS
BNP PARIBAS GROUP

THE GROUP CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2021

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated financial statements of BNP Paribas Personal Finance South Africa Limited and its subsidiaries (hereafter referred to as the "RCS Group"), comprising the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the Directors' report.

The directors are responsible for such internal control as the directors determine necessary to enable the preparation of annual consolidated financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the RCS Group to continue as a going concern and have no reason to believe that the RCS Group will not be a going concern in the foreseeable future.

The auditor is responsible for reporting on whether the annual consolidated financial statements are fairly presented in accordance with IFRS and the Companies Act of South Africa.

APPROVAL OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The annual consolidated financial statements of the RCS Group, as set out in pages 61 to 67, and 74 to 137, were approved by the board of directors on 25 March 2022 and were signed by:

B Dev
Chief Financial Officer

COMPANY SECRETARY STATEMENT

I hereby confirm, in my capacity as company secretary of BNP Paribas Personal Finance South Africa Limited, that for the year ended 31 December 2021, the company has filed all required returns and notices in terms of the Companies Act of South Africa and that all such returns and notices are, to the best of my knowledge and belief true, correct and up to date.

T Anderssen
Company Secretary
29 April 2022

THE DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 31 December 2021:

1. BUSINESS ACTIVITIES

The RCS Group is an operationally independent consumer finance business that provides a broad range of financial services under its own brand and in association with a number of retail entities in South Africa, Namibia and Botswana. The Cards business unit offers various utility card products through participating merchant outlets, while the Loan business unit offers individuals unsecured loans. RCS also offers insurance products (for more detail on these segments refer to note 3 of the consolidated financial statements).

2. SUBSIDIARY COMPANIES

The RCS Group constitutes BNP Paribas Personal Finance South Africa Limited and its subsidiaries, RCS Botswana (Proprietary) Limited, RCS Cards Proprietary Limited, RCS Collections Proprietary Limited, RCS Home Loans Proprietary Limited and RCS Investment Holdings Namibia (Proprietary) Limited (for more detail on these subsidiaries refer to note 23 of the consolidated financial statements).

3. GENERAL REVIEW OF OPERATIONS

The results and financial position for the year ended 31 December 2021 are set out and described in the accompanying consolidated financial statements. No other facts or circumstances, except those disclosed below and in the consolidated financial statements, require further disclosure.

4. COMPLIANCE

RCS Cards Proprietary Limited is a registered credit provider (NCR registration number NCRCP 38) and a registered service provider with the Financial Sector Conduct Authority (FSCA registration number 44481). RCS Home Loans Proprietary Limited is a registered credit provider (NCR registration number NCRCP 65). RCS Collections Proprietary Limited is a registered debt collector with the Council for Debt Collectors (registration number: 0050559/11).

THE DIRECTORS' REPORT

(continued)

5. CORPORATE GOVERNANCE

The board of directors endorse the King IV Report on Corporate Governance for South Africa. The board of directors comprises two independent non-executive directors and the chairman of the board of directors is a non-executive director. The board of directors is, however, satisfied that the independence principle contained in King IV is applied based on consideration of the following factors:

- BNP Paribas Personal Finance South Africa Limited is a wholly owned subsidiary of the multi-national banking and financial services group, BNP Paribas Société Anonyme, a company listed on the Paris stock exchange;
- the majority non-executive directors are senior executives of the shareholder appointed by it, but are not involved in any of the day-to-day operations of the RCS Group;
- the lead independent non-executive director also serves as the Board Audit and Risk Committee Chairman and Chairman of the Social and Ethics Committee; and
- the board of directors has a limited number of executive directors.

6. DIRECTORS

The directors in office during the year and at the date of this report are:

EXECUTIVE DIRECTORS	
RF Adams (Chief Executive Officer)	South African
M van Brakel* (Chief Operating Officer)	South African
B Dev (Chief Financial Officer) (Appointed 1 May 2021)	British
NON-EXECUTIVE DIRECTORS	
BPS Cavelier (Non-executive chairman)	French
PJJ Alexandre	Belgian
VSK Khandelwal (Resigned 31 August 2021)	French
P Miron de L'Espinay	French
SW van der Merwe (Independent)	South African
E Oblowitz (Lead Independent)	South African
KT Fahy (Appointed 1 September 2021)	Irish

*M van Brakel served as Chief Financial Officer until 31 March 2021.

7. COMPANY SECRETARY

The company secretary at the date of this report is T Anderssen.

THE DIRECTORS' REPORT

(continued)

8. BUSINESS/REGISTERED ADDRESS

Business address:	RCS Building	**Postal address:**	PO Box 6523
	Golf Park		Parow East
	Raapenberg Road		Cape Town
	Mowbray		7501
	7700		

9. HOLDING COMPANY

The RCS Group's immediate holding company is BNP Paribas Personal Finance Société Anonyme incorporated in France. The ultimate shareholder is BNP Paribas Société Anonyme, incorporated in France and listed on the Paris stock exchange.

The financial statements for BNP Paribas Personal Finance South Africa Limited are presented in a separate set of financial statements.

10. DISTRIBUTION TO SHAREHOLDER

The group declared a distribution of capital of R200 million (2020: Rnil) to the shareholder during the reporting period.

11. EVENTS AFTER THE REPORTING DATE

The following non-adjusting events occurred after the reporting date:

Acquisition of Mobicred Proprietary Limited

Effective 1 April 2022, the RCS Group acquired 100% of the issued share capital and voting rights of Mobicred Proprietary Limited for R88.78 million. Refer to note 27 for further details on the acquisition.

Reduction in corporate income tax rate

After the reporting date, there was an announcement of a reduction in the corporate income tax rate from 28% to 27%, effective for years of assessment commencing on or after 1 April 2022. The impact on the deferred tax asset will not be significant.

Declaration of dividend to shareholder

The RCS Group declared a distribution of capital of R500 million to the shareholder after the reporting date, but before the financial statements were authorised for issue.

Further to the above, the directors are not aware of any other matters or circumstances arising between the end of the financial year and the date of approval of these consolidated financial statements that may materially affect the amounts and disclosure contained in the consolidated financial statements.

THE DIRECTORS' REPORT

(continued)

12. GOING CONCERN

The going concern assumption has been evaluated which takes into account the financial position, forecasted profitability and funding requirements of the RCS Group for the foreseeable future in conjunction with the available funding facilities. This evaluation considers material factors that management is aware of which could impact the ability of the RCS Group to generate or preserve cash to meet its obligations in the foreseeable future and also includes a stressed cash flow scenario.

Based on the assessment, the directors have no reason to believe that the company will not be a going concern and accordingly the financial statements are prepared on a going concern basis.

13. AUDITORS

The independent auditing firm Deloitte & Touche was provided unrestricted and complete access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board, and has audited the consolidated financial statements. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. Deloitte & Touche's audit report is presented on pages 68 to 73.

BOARD AUDIT AND RISK COMMITTEE REPORT

The RCS board audit and risk committee is an independent statutory committee appointed by the board of directors in terms of the Companies Act of South Africa ("the Act"). The committee comprises of two non-executive directors and one independent non-executive director, whom is also the chairman of the board audit and risk committee.

The committee's responsibilities include statutory duties in terms of the Act. The committee also applies the applicable principles of the King IV Report on Corporate Governance for South Africa. The committee's terms of reference are determined by a board-approved charter which incorporates all the requirements of the Companies Act of South Africa and is subject to periodic review and possible amendment. The committee conducted its affairs in compliance with, and discharged its responsibilities in terms of, its charter for the year ended 31 December 2021.

The committee recognises its important role as part of the risk management and corporate governance processes and procedures of the RCS Group.

The board audit committee met three times during the year ended 31 December 2021. In addition, the chairman of the board audit committee held various meetings with representatives from the internal and external auditors as well as management during the year under review.

Meeting dates and topics are agreed in advance. Each meeting is preceded by the timely distribution of a Board Audit and Risk Committee pack to each attendee, comprising, inter alia:

- a detailed agenda;
- minutes of the previous meeting;
- a report by the external auditors; and
- written reports by executive and senior management including:
  - taxation;
  - compliance and legal;
  - governance over technology and information management;
  - internal audit;
  - credit risk including fraud and loss statistics;
  - enterprise risk management;
  - funding landscape; and
  - accounting issues.

BOARD AUDIT AND RISK COMMITTEE REPORT

(continued)

The committee performed, inter alia, the following duties during the year under review:

- Satisfied itself that the external auditor is independent of The RCS Group throughout the conduct of the audit, as set out in section 94(9) of the Act;
- Assessed the policy and controls that addresses the provision of non-audit services by the external auditor, and the nature and extent of such services rendered during the financial year under review;
- Determined the tenure of the external audit firm and, in the event of the firm having been involved in a merger or acquisition, including the tenure of the predecessor firm;
- Obtained confirmation regarding the rotation of the designated external audit partner and assessed the appropriateness of the appointment of Llewellyn Marshall as the designated external audit partner;
- Evaluated significant changes in the management of the organisation during the external audit firm's tenure which may mitigate the attendant risk of familiarity between the external auditor and management;
- In consultation with executive management, agreed to the terms, audit plan and budgeted fees for the 31 December 2021 financial year;
- Approved the nature and extent of non-audit services that the external auditor may provide, prior to the commencement of such work;
- Reviewed and monitored the adequacy and effectiveness of the RCS Group's enterprise-wide risk management policies, processes and mitigating strategies and actions;
- Provided a forum for discussing business risk and control issues and developed recommendations for consideration by management;
- Monitored the governance of information technology and the effectiveness of the RCS Group's information systems;
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the independent external auditor and internal auditors, that the system of internal financial controls is effective and forms a reliable basis for the preparation of reliable financial statements;
- Reviewed the accounting policies and the consolidated audited financial statements for the year ended 31 December 2021 and, based on the information provided to the committee, considers that the RCS Group complies, in all material respects, with the requirements of the Act and IFRS;
- Reviewed the audit report of the external auditor, including assessing the appropriateness of the key audit matter and steps taken to address the matter;
- Assessed significant matters in relation to the annual financial statements, ensured that these were adequately and appropriately addressed;
- Assessed that the RCS Group internal audit function in terms of independence, resources and authority to enable it to effectively discharge its duties;
- Approved the internal audit plan as well as any amendments thereto;
- Met with the external and internal auditors, separately and together, without management being present;
- Evaluated the quality of the external audit, with reference to audit quality indicators such as those that may be included in inspection reports issued by the external audit regulator;
- Satisfied itself that the RCS Group financial director and the finance function has appropriate expertise, resource complement, experience and competence;

BOARD AUDIT AND RISK COMMITTEE REPORT

(continued)

- Considered as part of the approval of the audited annual financial statements any accounting treatments, significant unusual transactions, or accounting estimates and judgements that could be subjective and possibly contentious;
- Reviewed management's assessment of going concern and sustainability and made a recommendation to the board that the going concern concept is appropriate and that it be formally adopted by the board;
- Received representations that the external auditor is afforded unrestricted access to the Group's records and management, and was able to present any significant issues arising from the annual audit to the committee; and
- The committee gave due consideration to the independence of the external auditor and is satisfied that Deloitte & Touche is independent of the Group and executive and senior management and therefore able to express an independent opinion on the Group's consolidated annual financial statements for the year under review.

E Oblowitz
Board Audit and Risk Committee Chairman
29 April 2022

THE INDEPENDENT AUDITOR'S REPORT

To the Shareholder of BNP Paribas Personal Finance South Africa Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of BNP Paribas Personal Finance South Africa Limited (the Group) set out on pages 74 to 137, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

THE INDEPENDENT AUDITOR'S REPORT

(continued)

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Impairment of card and loan receivables	
Card and loan receivables, after providing for impairment, accounts for 83% of the total assets of the Group that are due to be recovered through instalments as a result of credit granted to customers. The allowance for impairment is measured through an expected credit loss (ECL) model. The measurement of ECL reflects a probability-weighted outcome, the time value of money and forward-looking information. The Group measures ECL by projecting the probability of write-off, exposure at write-off, timing of when write-off is likely to occur and loss given write-off. The models determining these components are complex and contain inherent subjectivity in relation to assumptions used. The ECL is calculated by multiplying these components together. In addition, the ECL includes management overlay adjustments to account for model ECL provisioning as required by IFRS 9 not encapsulated in the model outcome. The impairment of card and loan receivables is material to the consolidated financial statements in terms of its magnitude, the level of subjective judgement applied by the directors and the effect that it has on the Group's credit risk management processes and operations. This has resulted in this matter being identified as a matter of most significance in the audit of the consolidated financial statements.	In evaluating the impairment of the card and loan receivables we assessed the ECL model prepared by the directors and performed various procedures, including the following: • Obtained an understanding of the various assumptions used, the impairment modelling, and data management processes, systems and methodologies. • Evaluated the design and implementation of controls in respect of the determination of the ECL provisioning; • Evaluated, in conjunction with our credit and modelling specialists, the impairment methodology applied against the requirements of IFRS 9: Financial Instruments. • Our specialists evaluated that the impairment methodology developed has been appropriately applied in the underlying impairment modelling. • Our specialists independently recoded certain elements of the impairment model relating to probability of write-off, exposure at write-off and loss given write-off to evaluate the accuracy thereof in the model in addition to reperformance of managements calculation of the ECL provisions. • Assessed the reasonableness of managements overlay adjustments to model outcomes for reasonability either by reperformance or independent challenge by evaluating it against the requirements of IFRS 9, historical trend data and independent macro-economic data published, as appropriate. **Specific attention was also given to the following areas:** • Data used in the impairment model was reconciled to the source system; • Significant Increase in Credit Risk (SICR) staging and Forward-Looking Information (FLI) components of managements base model and developed overlays through independent challenge and assessment; and • Evaluation of the appropriateness of the disclosures included in the consolidated financial statements in accordance with the requirements of IFRS 7: Financial Instruments: Disclosure. Based on our audit work performed we found that the directors' impairment to be reasonable and the disclosures included in the consolidated financial statements, as set out in notes 1.4, 1.6, 5 and 28, to be appropriate.

THE INDEPENDENT AUDITOR'S REPORT

(continued)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled 'The RCS Group Consolidated Annual Financial Statements 2021 including supplementary information', which includes the Directors' responsibility statement, Approval of the annual consolidated financial statements, the Directors' Report, the Board Audit and Risk Committee's Report and the Company Secretary Statement as required by the Companies Act of South Africa, as well as the remaining parts of the supplementary information, which we obtained prior to the date of this report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

THE INDEPENDENT AUDITOR'S REPORT

(continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

THE INDEPENDENT AUDITOR'S REPORT

(continued)

We communicate with the Board Audit and Risk Committee 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.

We also provide the Board Audit and Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, to eliminate threats or safeguards applied.

From the matters communicated with the Board Audit and Risk Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of BNP Paribas Personal Finance South Africa Limited for 6 years.

DocuSigned by:

Deloitte & Touche

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Deloitte & Touche
Registered Auditor
Per: Llewellyn Marshall
Partner
29 April 2022

The Ridge Building, 6 Marina Road, Victoria & Alfred Waterfront, Cape Town, 8000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Notes	31 December 2021 R'000	31 December 2020 R'000
ASSETS			
Cash and cash equivalents	4	1 046 835	1 628 169
Card and loan receivables	5	10 546 624	11 550 199
Other receivables	6	108 885	126 472
Financial asset at fair value through profit or loss	7	335 504	271 132
Taxation		33 423	100 447
Deferred taxation	8	381 207	288 089
Property and equipment	9	63 574	85 197
Intangible assets	10	139 560	94 804
Goodwill	11	56 855	56 855
Total assets		**12 712 467**	14 201 364
EQUITY			
Stated capital	13	2 274 920	2 474 920
Retained income		1 615 909	1 294 503
Foreign currency translation reserve		8 025	9 431
Total equity		**3 898 854**	**3 778 854**
LIABILITIES			
Trade and other payables	14	606 406	557 003
Funding	15	8 207 207	9 865 507
Total liabilities		**8 813 613**	**10 422 510**
Total equity and liabilities		**12 712 467**	**14 201 364**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	31 December 2021 R'000	31 December 2020 R'000
Interest earned	17	2 238 900	3 079 390
Interest expense		(425 455)	(648 466)
Net interest income		**1 813 445**	**2 430 924**
Other income	18	1 163 946	1 229 670
Transaction fee expense		(225 490)	(116 199)
Net trading income		**2 751 901**	**3 544 395**
Operating costs		(1 229 030)	(1 321 618)
Cost of risk		(1 127 559)	(2 194 177)
Profit before taxation	19	**395 312**	**28 600**
Taxation	20	(73 906)	28 315
Profit for the year		**321 406**	**56 915**
Other comprehensive income, net of taxation			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation reserve movements		(1 406)	6 276
Total comprehensive income for the year		**320 000**	**63 191**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for year ended 31 December 2021

	Note	Stated capital R'000	Foreign currency translation reserve R'000	Retained income R'000	Total equity attributable to parent R'000
Balance at 1 January 2020		**1 736 636**	**3 155**	**1 237 588**	**2 977 379**
Total comprehensive income for the year		-	6 276	56 915	63 191
Profit for the year		-	-	56 915	56 915
Other comprehensive income		-	6 276	-	6 276
Share Issue	13	738 284	-	-	738 284
Balance at 31 December 2020		**2 474 920**	**9 431**	**1 294 503**	**3 778 854**
Total comprehensive (loss) / income for the year		-	(1 406)	321 406	320 000
Profit for the year		-	-	321 406	321 406
Other comprehensive loss		-	(1 406)	-	(1 406)
Distribution of capital	13	(200 000)	-	-	(200 000)
Balance at 31 December 2021		**2 274 920**	**8 025**	**1 615 909**	**3 898 854**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Notes	31 December 2021 R'000	31 December 2020 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (utilised in) operations	21	1 485 843	(808 614)
Taxation paid	22	(99 809)	(31 956)
Interest paid on lease liability		(7 281)	(7 281)
Net cash inflow / (outflow) from operating activities		**1 378 753**	**(847 851)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(12 012)	(22 898)
Acquisition of intangible assets		(71 659)	(41 390)
Proceeds from disposal of property and equipment		978	80
Net cash outflow from investing activities		**(82 693)**	**(64 208)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		-	738 284
Proceeds from funding		1 109 588	11 900 608
Repayment of funding		(3 344 000)	(10 784 924)
Increase in bank overdraft		576 112	-
Lease liability repaid		(19 094)	(16 497)
Distribution of capital		(200 000)	-
Net cash (outflow) / inflow from financing activities		**(1 877 394)**	**1 837 471**
Net (decrease) / increase in cash and cash equivalents		(581 334)	925 412
Cash and cash equivalents at beginning of the year		1 628 169	702 757
Cash and cash equivalents at end of the year	4	**1 046 835**	**1 628 169**

ACCOUNTING POLICIES

for the year ended 31 December 2021

1. PRESENTATION OF FINANCIAL STATEMENTS

The holding company, BNP Paribas Personal Finance South Africa Limited, is a company domiciled in South Africa. The consolidated financial statements as at, and for the year ended, 31 December 2021 comprise the Group and its subsidiaries (together referred to as the "RCS Group", or "Group"). The company has foreign subsidiaries operating in Namibia and Botswana.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa. The consolidated statement of financial position is presented in order of liquidity and the accounting policies have been consistently applied with those adopted in the prior financial year, except as noted in note 2.

1.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on the basis that the RCS Group is a going concern and on the historical cost basis or the fair value basis, where expressly indicated as such.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

Fair value measurements are categorised into three levels and are as follows:

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

1.2 FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in South African Rands which is BNP Paribas Personal Finance South Africa Limited's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

1.3 BASIS OF CONSOLIDATION

Subsidiaries

The financial statements of subsidiaries are prepared for a consistent reporting period using consistent accounting policies.

Consolidation

The consolidated financial statements incorporate the financial statements of the RCS Group and entities controlled by the RCS Group and its subsidiaries.

The RCS Group controls an entity when the RCS Group 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 over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the RCS Group. They are consolidated until the date that control ceases.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the RCS Group are eliminated in full on consolidation.

The RCS Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a gain on bargain purchase is recognised immediately in the statement of profit and loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the RCS Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Jointly controlled operations

A jointly controlled operation is a joint arrangement carried on by each operator using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the RCS Group controls and the liabilities that it incurs in the course of pursuing the Home Loans joint operation, and the expenses that the RCS Group incurs and its share of the income that it earns from the Home Loans joint operation.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

1.4 USE OF ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in conformity with IFRS, requires management and/or directors to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and projections and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and judgements made in applying the RCS Group's accounting policies, that potentially have a significant effect on the amounts recognised in the consolidated financial statements relate to the following:

Significant judgements and estimates

Measurement of expected credit losses

Card and loan receivables are disclosed net of any allowance for impairment. The allowance for impairment is determined with the incorporation of expected credit loss ("ECL") modelling, which is an area of significant judgement and estimate due to the input of key assumptions into complex provisioning methodology.

In measuring ECL, the following significant estimates and judgements are applied:

i) ECL modelling

The ECL model uses an absorbing state of operational write-off, calculated using the probability of reaching operational write-off ("PW"), the exposure at this write-off point ("EAW") and the loss given operational write-off ("LGW"). The PW and EAW are determined based on a historical time frame or time period which is deemed by management to be indicative of future expectations. The LGW is determined using a time frame aligned to the RCS Group's period of expected recoveries on accounts in the absorbing status.

This time frame or time period is a key estimate and input in the determination of the ECL.

ii) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. This is a key determinant on the measurement of ECL as a significant increase in credit risk classifies an account from stage 1 to stage 2 and accordingly measurement of ECL on a lifetime basis compared to a 12-month ECL under stage 1.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

1.4 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

The Group presumes that a significant increase in credit risk occurred when a financial asset is more than 30 days past due. Other factors are also included in the assessment, i.e. customer entered debt review or another non-financial indicator.

iii) Forward-looking information incorporated in ECL models

A fundamental principle of IFRS 9 is that the ECL allowance should take into account anticipated future changes in the economic environment. The RCS Group follows the BNPP Personal Finance policy on including forward-looking information into the ECL. The forward-looking economic expectations cover gross domestic product ("GDP"), inflation and unemployment and are defined by the BNP Group's Stress Testing & Financial Synthesis ("STFS") team. The incorporation of forward-looking information inherently contains significant estimation as it pertains to uncertain future events.

Baseline, unfavourable and favourable scenarios are estimated within the individual products. These forward-looking economic expectations are included in the ECL through modelling that correlate these scenarios with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the RCS Group's macro-economic outlook expectations of the local economy.

Management assigns a probability to each of the scenarios and an anticipated impact of the scenario to the ECL. The following probabilities and factors were assigned in the current financial year:

- Baseline scenario: 50% probability and 1.4% decrease in ECL allowance as this is the scenario that anticipates that the macro-economic environment will remain consistent to those present at the reporting date.
- Unfavourable scenario: 40% probability and 3.9% increase in ECL allowance as this is the scenario anticipating a deterioration in the macro-economic environment after the reporting date.
- Favourable scenario: 10% probability and 2.4% decrease in ECL allowance as this is the scenario that anticipates an improvement in the macro-economic environment after the reporting date.

iv) Event driven estimates

In addition to forward-looking macro-economic information, specific risk events, facts, circumstances and industry data that management are aware of which will impact the ECL allowance but not yet fully encapsulated in the model provisioning is taken into account through the application of specific out-of-model overlays. These out-of-model overlays are subject to executive approval.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

1.4 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

COVID-19 has had a profound impact globally and there remains uncertainty as to the future economic recovery. The outcome of the COVID-19 pandemic remains unpredictable and this exacerbates the complexity in determining the ECL allowance. Given this uncertainty, and the fact that the pandemic has impacted clients across all geographies and segments, the RCS Group has deemed it appropriate to recognise an additional judgemental overlay on the total card and loan receivables. The overlay is based on reasonable and supportable information available at the reporting date and includes industry trends, payment behavior and specific customer performance monitoring since the outbreak of the pandemic.

The RCS Group notes the challenge in forecasting trends in light of the uncertainty surrounding the COVID-19 pandemic, and has determined the 2021 forecasts taking into account best estimates of future performance.

The effects of the COVID-19 pandemic have adversely affected the household income of many of the RCS Group's customers. As a result, the RCS Group has experienced (and may continue to experience) elevated exposure to credit risk.

The Group has made specific consideration for the estimated potential adverse impacts of mandatory implementation of DebiCheck over NAEDO on 1 November 2021 on the amount of payments collected and the related impact on ECL allowance as at year end.

Other judgements and estimates

Goodwill

The RCS Group reviews goodwill for impairment at least annually or when events or changes in economic circumstances indicate that impairment may have taken place. Impairment reviews are performed by projecting future cash flows, based upon budgets and plans and making appropriate assumptions about rates of growth and discounting these using a rate that takes into account prevailing market interest rates and the risks inherent in the business. If the present value of the projected cash flows is less than the carrying value of the underlying net assets and goodwill, an impairment charge is recognised in the statement of comprehensive income. This calculation requires the exercise of significant judgement by management. If the estimates prove to be incorrect or performance does not meet expectations, which affects the amount and timing of future cash flows, goodwill may become impaired in future periods. Goodwill is disclosed in note 11.

Property, equipment and intangible assets

The allocation of useful lives of items of property, equipment and intangible assets is dependant on judgement. These allocations are done based on past experience and the period over which future economic benefits will be derived.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

1.5 SEGMENTAL REPORTING

An operating segment is a component of the RCS Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the RCS Group's other components. Operating segments' operating results are reviewed regularly by the board, identified as the chief operating decision-maker, to make decisions about resources to be allocated to the segment and assess its performance and for which internal financial information is available.

The operating segments have been split into two main segments, Cards and Loans. To determine what qualifies for these segments the nature of the product offered and the risk profile of the product is considered.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire equipment and intangible assets.

Amounts reported in the RCS Group segmental analysis are measured in accordance with International Financial Reporting Standards.

1.6 FINANCIAL INSTRUMENTS

A financial instrument is recognised when the RCS Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised if the RCS Group's contractual rights to the cash flows from the financial assets expire or if the RCS Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, being the date that the RCS Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the RCS Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments

Non-derivative financial instruments recognised on the statement of financial position include cash and cash equivalents, card, loan and other receivables, funding and trade and other payables.

Initial measurement

Financial instruments are initially recognised at fair value. For those instruments not measured at fair value through profit or loss, directly attributable transaction costs are included on initial measurement.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

1.6 FINANCIAL INSTRUMENTS (CONTINUED)

Subsequent to initial recognition, these instruments are measured as set out below:

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and amounts held on deposit at financial institutions and measured at amortised cost.

Card and loan receivables

Card and loan receivables are classified and measured at amortised cost using the effective interest method, less accumulated impairment losses. An impairment allowance is made for card and loan receivables which are estimated to be impaired at the reporting date. The significant judgements included in estimating the allowance is included in note 1.4.

Purchased or originated credit impaired ("POCI") assets are financial assets that are credit impaired on initial recognition. POCI assets are measured at fair value at original recognition. Subsequently, only the cumulative changes in lifetime ECL since initial recognition are recognised as an impairment allowance.

Other receivables

Other receivables are carried at amortised cost using the effective interest rate method less accumulated impairment losses.

Financial assets measured at fair value through profit or loss

The reinsurance contracts issued in cell captive arrangements are classified as financial assets and are designated for measurement at fair value with the movement in the fair value being recognised in profit or loss.

The insurance risk of the cell captive arrangements lies with the cell captive, however the RCS Group is exposed to insurance risk to the extent that the cell captive requires additional capital injection if the solvency ratio falls below the prescribed levels. This risk is managed on an ongoing basis through review of the solvency ratio of the individual cell captive arrangements.

1.6 FINANCIAL INSTRUMENTS (CONTINUED)

Expected credit loss impairment model

Credit loss allowances are measured on each reporting date according to a three-stage ECL impairment model:

- Stage 1 – From initial recognition of a financial asset until the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months.
- Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset.
- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses will be recognised.
- POCI – POCI assets are financial assets that are credit impaired on initial recognition. The cumulative changes in lifetime ECL since initial recognition are recognised as an impairment allowance. Collection costs on future cash flows are not taken into account in the estimation of expected credit losses.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

The Group presumes, and has therefore not rebutted the rebuttable presumption in IFRS 9, that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, however, other factors are also considered in making this determination (a customer enters debt review or a non-financial indication of increased risk is observed). Specific consideration has been applied to qualitative indicators of a significant increase in credit risk due to the COVID-19 pandemic in both the current and previous financial year.

Consideration is also given to customers with multiple accounts with the RCS Group, and the significant increase in credit risk criteria is applied at a customer level.

(ii) Definition of default and credit-impaired financial assets

The Group considers, in accordance with the rebuttable presumption in IFRS 9, that default has occurred when a financial asset is more than 90 days past due, with a full payment of current and arrear balances required to exit the past due status. Default also occurred when a debtor is assessed as unlikely to pay its credit obligations due to an external event that has a detrimental impact on the estimated future cash flows of that debtor, e.g. deceased and insolvency.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

1.6 FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Write-off policy

The Group writes off a financial asset when there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss. Except in exceptional cases where an earlier write-off is appropriate (such as death, insolvency, account fraud and prescription), the RCS Group implements a write-off point of 8 years after transfer to card and loan receivables handed over to recoveries collections agencies.

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of write-off, loss given write-off (i.e. the magnitude of the loss if there is a write-off) and the exposure at write-off. The assessment of the probability of write-off and loss given write-off is based on historical data adjusted by forward-looking information as described above. As for the exposure at write-off, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date; together with unutilised credit lines adjusted for the likelihood of utilisation before write-off.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the RCS Group in accordance with the contract and all the cash flows that the RCS Group expects to receive, discounted at the original effective interest rate. Collection costs on future cash flows are not taken into account in the estimation of expected credit losses.

If the RCS Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the RCS Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The RCS Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Financial liabilities

Trade and other payables and Funding

Trade and other payables and funding are recognised at amortised cost comprising original debt less principal repayments and amortisation.

Bank overdrafts are included in funding and therefore considered to be financing activities in the statement of cash flows, due to the fact that these overdraft facilities are not repayable on demand.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the RCS Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.7 PROPERTY AND EQUIPMENT

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are recognised net within "operating costs" in the income statement.

Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the RCS Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the statement of comprehensive income as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated depreciation rates for the current and comparative periods are as follows:

- Computer hardware	33%
- Furniture and fittings	16% - 20%
- Leasehold property	10%
- Motor vehicles	20%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Depreciation of an item of property and equipment commences when the item is available for use.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

1.8 GOODWILL

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised, but tested annually for impairment and when there is an indication of impairment.

1.9 INTANGIBLE ASSETS

Intangible assets that are acquired by the RCS Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of comprehensive income as incurred.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development; and
- the technical feasibility of completing the intangible asset.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the statement of comprehensive income in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Computer software

Computer software acquired by the RCS Group is stated at historical cost less accumulated amortisation and impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The annual rate for the amortisation is 33% on general software and 10% for the customer acquistion system.

The above amortisation rates are consistent with the comparative period. Amortisation methods, useful lives and residual values are reassessed at each reporting date.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

1.10 NON-FINANCIAL ASSETS IMPAIRMENT

The carrying values of the RCS Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to goodwill and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

1.11 LEASES

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate. The incremental borrowing rate is calculated using the average interest rate of long term funding currently drawn.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability whenever there are changes to the lease term or lease payments payable or when the lease contract is modified.

The right-of-use ("ROU") assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the lease term and the depreciation starts at the commencement date of the lease.

1.12 STATED CAPITAL AND RESERVES

Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any taxation effects.

Foreign currency translation reserve

Gains and losses arising on translation of the assets, liabilities, income and expenses of foreign operations are recognised directly in equity as a foreign currency translation reserve.

1.13 DIVIDENDS

Dividends and the related withholdings tax are accounted for in the period when the dividend is declared. Dividends declared on equity instruments after the reporting date, and the related withholding taxation thereon, are accordingly not recognised as liabilities at the reporting date.

1.14 INTEREST EARNED

Revenue comprises interest income. Interest is recognised on a time-proportion basis taking account of the principal outstanding and the effective interest rate over the period to maturity when it is probable that such income will accrue to the RCS Group.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

1.14 INTEREST EARNED (CONTINUED)

The effective interest method is a method of calculating the amortised cost of a financial assset and of allocating interest income over the relevant period. The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash receipts (including all fees and 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 financial asset, or (where appropriate) a shorter period, to the amortised cost of a financial asset.

For POCI financial assets, interest income is calculated by applying the credit-adjusted EIR to the amortised cost of the financial asset. The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset.

1.15 INTEREST EXPENSE

Interest expense comprises interest which has been incurred on borrowings, including the lease liability. All borrowing costs are recognised in profit or loss.

1.16 OTHER INCOME

Collection income

Collection income is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Collection income is recognised when charged to the customer's account once a collection intervention has taken place on the outstanding balance.

Merchant commission income

Commission income is recognised when the related transaction on which the commission is earned has been concluded.

Insurance commission income

Insurance commission income is recognised on a monthly basis when the insurance premium is charged to a customer's account on behalf of the insurance cell captive.

Service and initiation fee income

Service fee income is recognised on a monthly basis when charged to a customers account. The performance obligation is met monthly.

Initiation fee is charged to a customer on initiation of the account and recognised as part of the effective interest rate of the financial asset.

Dividend received

The dividend relates to the dividend declared by the insurance cell captive and is recognised when declared.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

1.17 COST OF RISK

Cost of risk comprises impairment losses, or reversals thereof, recognised in respect of the measurement of the allowance for impairment, including the net losses on the write-off of financial assets.

1.18 TAXATION

Income taxation expense comprises current and deferred taxation.

Income taxation expense is recognised in the statement of comprehensive income except to the extent that it relates to a transaction that is recognised directly in other comprehensive income or in equity, in which case it is recognised in other comprehensive income or equity as appropriate.

Current taxation is the expected taxation payable/receivable, calculated on the basis of taxable income for the period, using the taxation rates enacted or substantively enacted at the reporting date, and any adjustment of taxation payable/receivable for previous periods.

Deferred taxation is recognised in respect of temporary differences between the taxation base of an asset or liability and its carrying amount. Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and temporary differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred taxation is measured at the taxation rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred taxation assets are recognised for all deductible temporary differences and assessed losses to the extent that it is probable that taxable profit will be available against which such deductible temporary differences and assessed losses can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

Deferred taxation assets and liabilities are off-set if there is a legally enforceable right to off-set current taxation liabilities and assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current taxation liabilities and assets on a net basis, or their taxation assets and liabilities will be realised simultaneously.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

1.19 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of all short-term employee benefits are recognised in the statement of comprehensive income during the period in which the employee renders the related service.

The accruals for employee entitlements to wages, salaries, annual and sick leave represent the amount which the RCS Group has a present obligation to pay as a result of employees' services provided to the reporting date. The short-term benefits have been calculated at undiscounted amounts based on current wage and salary rates.

Defined contribution plans

The holding Company and its subsidiaries contribute to the following defined contribution plans:

Post-employment benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension, provident and retirement funds are recognised as an employee benefit expense in the statement of comprehensive income as the related service is provided. Prepaid contributions are recognised as an asset to the extent that cash refund or a reduction in future payments is available.

Medical aid schemes

The RCS Group contributes to medical aid schemes for the benefit of permanent employees and their dependants. The contributions to the schemes are recognised in the consolidated statement of comprehensive income as the related service is provided.

ACCOUNTING POLICIES

for the year ended 31 December 2021 (continued)

1.20 FOREIGN CURRENCIES

Foreign currency transactions

Transactions in currencies other than the entity's functional currency are translated at the rates of exchange ruling on the transaction date.

Monetary assets and liabilities denominated in such currencies are translated at the rates ruling at the reporting date.

Non-monetary assets and liabilities denominated in such currencies are translated using the exchange rate at the date of the transaction.

Foreign currency gains and losses arising on translation are recognised in profit or loss.

Foreign operations

As at the reporting date, the assets and liabilities of foreign operations in Botswana are translated into the presentation currency of the RCS Group at the rate of exchange ruling at the reporting date and the income and expenses are translated at the average rate for the year.

Gains and losses arising on translation of the assets, liabilities, income and expenses of foreign operations are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

The RCS Group is not required to translate the financial position and results of the operations in Namibia as the exchange rate between the Namibian Dollar and the Rand is 1:1.

NEW STANDARDS AND INTERPRETATIONS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 NEW AND AMENDED IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR

The amendments to standards that became effective during the current year are not relevant to the RCS Group and therefore there was no impact on the financial statements.

2.2 NEW AND REVISED IFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the RCS Group has not applied the following relevant new IFRS Standards that have been issued but are not yet effective:

IFRS 3 Business Combinations	Reference to the Conceptual Framework: The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
IAS 1 Presentation of Financial Statements	Classification of Liabilities as Current or Non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

NEW STANDARDS AND INTERPRETATIONS

(continued)

2.2 NEW AND REVISED IFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.
IAS 12 Income Taxes	Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items.
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	Onerous Contracts—Cost of Fulfilling a Contract: The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making.

The directors have done an assessment and do not expect that the adoption of the amendments listed above will have a material impact on the financial statements of the RCS Group in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

3. OPERATING SEGMENTS

The RCS Group has two reportable segments, as described below, which are the RCS Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each strategic business unit, the RCS Group's executive directors and business executives ("RCS Group Management") along with the chief operating decision maker for each business unit review internal management reports on a monthly basis. The following summary describes the operations in each of the RCS Group's reportable segments:

- Cards segment - credit card, general utility card and private label card products offered to consumer delivered via participating merchant outlets in South Africa, Namibia and Botswana and their related insurance products;
- Loans segment - short-term and medium-term loans offered to consumers and related insurance products provided to individuals; and
- All other segments include BNP Paribas Personal Finance South Africa Limited, RCS Home Loans Proprietary Limited, RCS Collections Proprietary Limited and include once-off corporate costs.
  - BNP Paribas Personal Finance South Africa Limited acts as the external funding vehicle for the RCS Group. Commercial paper and bonds are issued via this entity (see note 15).
  - RCS Home Loans Proprietary Limited's operations include the servicing of home loans.
  - RCS Collections Proprietary Limited is a registered debt collector.

None of these segments meet any of the quantitative thresholds for determining reportable segments in the current or previous financial years. The RCS Group's external customers and assets are predominantly situated in South Africa, and no single customer comprises 10% or more of revenue for the RCS Group.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the RCS Group Management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

3. OPERATING SEGMENTS (CONTINUED)

31 December 2021	Cards	Loans	Other	Total
	R'000	R'000	R'000	R'000
Interest earned	1 858 741	380 159	-	2 238 900
Interest expense	(377 082)	(48 712)	340	(425 454)
Net interest income	**1 481 659**	**331 447**	**340**	**1 813 446**
Inter-segmental (expense)/income	(40 754)	(10 043)	50 797	-
Other income	1 107 422	55 339	1 185	1 163 946
Profit before taxation	213 900	83 549	97 863	395 312
Depreciation and amortisation	48 538	11 961	-	60 499
Fair value adjustment of financial asset	51 645	12 727	-	64 372
Interest on lease liability	5 842	1 439	-	7 281
Capital expenditure	67 129	16 542	-	83 671
Segment assets	9 612 107	2 368 665	731 695	12 712 467
Segment liabilities	7 014 299	1 728 500	70 814	8 813 613

Geographical Information	South Africa	Botswana	Namibia	Total
	R'000	R'000	R'000	R'000
Interest earned	2 167 143	36 860	34 897	2 238 900
Other income	1 140 291	17 573	6 082	1 163 946
Non-current assets	259 989	-	-	259 989

Non-current assets exclude those relating to financial instruments and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

3. OPERATING SEGMENTS (CONTINUED)

31 December 2020	Cards R'000	Loans R'000	Other R'000	Total R'000
Interest earned	2 420 402	658 988	-	3 079 390
Interest expense	(493 703)	(142 478)	(12 285)	(648 466)
Net interest income	**1 926 699**	**516 510**	**(12 285)**	**2 430 924**
Inter-segmental (expense) / income	(40 094)	(8 833)	48 927	-
Other income	1 136 680	91 844	1 146	1 229 670
(Loss) / Profit before taxation	(128 296)	148 706	8 190	28 600
Depreciation and amortisation	50 135	11 044	-	61 179
Fair value adjustment of financial asset	76 891	16 939	-	93 830
Interest on lease liability	5 967	1 314	-	7 281
Capital expenditure	52 682	11 606	-	64 288
Segment assets	10 844 192	2 388 942	968 230	14 201 364
Segment liabilities	8 485 036	1 869 227	68 247	10 422 510

Geographical information	**South Africa R'000**	**Botswana R'000**	**Namibia R'000**	**Total R'000**
Interest earned	2 989 592	45 516	44 282	3 079 390
Other income	1 195 796	22 353	11 521	1 229 670
Non-current assets	236 856	-	-	236 856

Non-current assets exclude those relating to financial instruments and deferred tax assets.

4. CASH AND CASH EQUIVALENTS

	31 December 2021 R'000	31 December 2020 R'000
Bank balances	1 046 835	1 628 169

The RCS Group has no restricted cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

5. CARD AND LOAN RECEIVABLES	31 December 2021 R'000	31 December 2020 R'000
Active cards and loan receivables		
Gross	11 704 142	12 676 327
Less: allowance for impairment	(1 906 102)	(1 997 845)
Net active card and loan receivables	**9 798 040**	**10 678 482**
Allowance as a percentage of gross card and loan receivables	**16.29%**	**15.76%**
Card and loan receivables handed over to recoveries collection agencies		
Gross	4 561 758	5 687 753
Less: allowance for impairment	(3 813 174)	(4 816 036)
Net cards and loan receivables handed over to recoveries collection agencies	**748 584**	**871 717**
Allowance as a percentage of gross card and loan receivables	**83,59%**	**84,67%**

Card and loan receivables handed over to recoveries collection agencies relate to customer accounts that have reached a certain level of contractual delinquency and are no longer actively managed operationally. These customers are still collected upon by collection recovery agencies.

Total card and loan receivables		
Gross	16 265 900	18 364 080
Less: allowance for impairment	(5 719 276)	(6 813 881)
Net card and loan receivables	**10 546 624**	**11 550 199**
Allowance as a percentage of gross card and loan receivables	**35,16%**	**37,10%**
Analysis of card and loan receivables by type		
Card and private label receivables	8 461 498	9 465 073
Personal loan receivables	2 085 126	2 085 126
	10 546 624	**11 550 199**

Card and private label receivables consist of a number of individual unsecured revolving card accounts as well as amounts due for services delivered on credit. The accounts attract variable and fixed interest rates, and terms vary from revolving to 36 months. The average effective interest rate for the year under review is 16.27% (31 December 2020: 19.74%).

Personal loan receivables comprise a number of individual unsecured loans. The personal loans attract interest at fixed interest rates and terms vary from 12 to 60 months. The interest rate on each loan is determined when the loan is initially advanced and based on the risk profile of the customer. The average effective interest rate for the year under review is 21.98% (31 December 2020: 22.9%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

5. CARD AND LOAN RECEIVABLES (CONTINUED)

The RCS Group's management of, and exposure to, market and credit risk is disclosed in note 28.

The RCS Group monitors the ageing of its card and loan receivables on a contractual basis.

Customers that are not past due make up 80.91% of net card and loan receivables (31 December 2020: 73.61%).

Card and loan receivables written off during the year were fully provided for and therefore did not result in a net loss in profit or loss (31 December 2020: Rnil). No card and loan receivables written off during the year are subject to enforcement activity (31 December 2020: Rnil).

The following table details the risk profile of the active card and loan receivables based on the RCS Group's provision matrix. As the RCS Group's allowance for impairment is based on past due status it is not further distinguished.

	December 2021 Active cards and loan receivables			
	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
Gross active card and loan receivables	9 223 463	1 256 661	1 224 018	11 704 142
Allowance for impairment	(484 226)	(619 221)	(802 655)	(1 906 102)
Net active card and loan receivables	**8 739 237**	**637 440**	**421 363**	**9 798 040**
Provision %	5%	49%	66%	16%

Card and loan receivables handed over to recoveries collection agencies are measured at stage 3 with a provision percentage of 84% (31 December 2020: 85%).

Included within the gross card and loan receivables handed over to recoveries collection agencies, classified as stage 3, is the POCI portfolio of R78.5 million (31 December 2020: R153.7 million), with an allowance for impairment of R 9.4 million (31 December 2020: R9.4 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

5. CARD AND LOAN RECEIVABLES (CONTINUED)

	December 2020			
	Active card and loan receivables			
	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
Gross active card and loan receivables	9 148 392	2 149 943	1 377 992	12 676 327
Allowance for impairment	(587 588)	(716 108)	(694 149)	(1 997 845)
Net active card and loan receivables	**8 560 804**	**1 433 835**	**683 843**	**10 678 482**
Provision %	6%	33%	50%	16%

A reconciliation of the gross balances by stage in respect of active card and loan receivables is as follows:

	December 2021			
	Gross active card and loan receivabless			
	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
1 January 2021	9 148 392	2 149 943	1 377 992	12 676 327
Credit originated	1 113 426	69 497	26 138	1 209 061
Changes in gross balances	360 161	(22 915)	(131 969)	205 277
Transfers between stages	(1 510 006)	(588 000)	2 072 892	(25 114)
Changes in credit risk	170 170	(351 864)	555 393	373 699
Accounts written off and transferred to card and loan receivables handed over to recoveries collection agencies	(58 680)	-	(2 676 428)	(2 735 108)
31 December 2021	**9 223 463**	**1 256 661**	**1 224 018**	**11 704 142**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

5. CARD AND LOAN RECEIVABLES (CONTINUED)

	December 2020			
	Gross active card and loan receivables			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	R'000	**R'000**	**R'000**	**R'000**
1 January 2020	8 273 756	2 380 874	838 880	11 493 510
Credit originated and acquired	4 261 024	86 381	311 115	4 658 520
Changes in gross balances	(363 402)	(62 647)	(29 482)	(455 531)
Transfers between stages	(2 377 668)	(103 535)	2 406 850	(74 353)
Changes in credit risk	(532 971)	(151 130)	103 791	(580 310)
Accounts written off and transferred to card and loan receivables handed over to recoveries collection agencies	(112 347)	-	(2 253 162)	(2 365 509)
31 December 2020	**9 148 392**	**2 149 943**	**1 377 992**	**12 676 327**

A reconciliation of changes in allowance for impairment by stage in respect of active card and loan receivables is as follows:

	December 2021			
	Active card and loan receivables			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	R'000	**R'000**	**R'000**	**R'000**
1 January 2021	587 588	716 108	694 149	1 997 845
Credit originated	55 789	30 079	14 893	100 761
Changes in gross balances	18 716	(1 036)	(70 527)	(52 847)
Transfers between stages	(72 550)	(171 901)	497 805	253 354
Changes in credit risk	(105 317)	45 971	456 933	397 587
Accounts written off and transferred to card and loan receivables handed over to recoveries collection agencies	-	-	(790 598)	(790 598)
31 December 2021	**484 226**	**619 221**	**802 655**	**1 906 102**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

5. CARD AND LOAN RECEIVABLES (CONTINUED)

Management have reevaluated the qualitative nature of the reconciliation of changes in the allowance for impairment. Accordingly, the comparative table below has been restated to enhance understandability and comparability to the current period.

	December 2020			
	Active card and loan receivables			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	R'000	**R'000**	**R'000**	**R'000**
1 January 2020	317 840	628 179	419 470	1 365 489
Credit originated and acquired	158 700	38 323	39 460	236 483
Changes in gross balances	(10 441)	(6 835)	(7 933)	(25 209)
Transfers between stages	(141 810)	27 007	648 704	533 901
Changes in credit risk	263 299	29 434	108 922	401 655
Accounts written off and transferred to card and loan receivables handed over to recoveries collection agencies	-	-	(514 474)	(514 474)
31 December 2020	**587 588**	**716 108**	**694 149**	**1 997 845**

6. OTHER RECEIVABLES

	31 December 2021 R'000	**31 December 2020 R'000**
Other receivables	79 000	93 845
Prepayments	14 737	17 479
RCS Homeloans Joint Venture First Loss Deposit	15 148	15 148
	108 885	**126 472**

Other receivables consist mainly of corporate debtors of R62.0 million (31 December 2020: R85.9 million)

Management have evaluated the recoverability and possible credit loss of other receivables. As the ECL of these balances is insignificant no allowance for impairment has been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

7. FINANCIAL ASSET MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021 R'000	31 December 2020 R'000
Unlisted investment		
- Investment in insurance cell captives	335 504	271 132

The structure per product is as follows:

Guardrisk Insurance Company Limited (RCS Cards Proprietary Limited Cell no. 160)
The RCS Group sells short-term income protection insurance on behalf of Guardrisk to its customers.

Guardrisk Life (RCS Cards Proprietary Limited Cell no. 78)
The RCS Group sells long-term insurance policies with death benefits on behalf of Guardrisk to its customers.

Centriq Life Insurance Company Limited
The RCS Group sells long-term insurance policies with death benefits on behalf of Centriq Life Insurance to its customers.

The financial asset consists of the following components:

Reconciliation of financial assets measured at fair value through profit or loss

Balance at beginning of year	271 132	177 302
Fair value adjustment through profit or loss	64 372	93 830
Balance at end of year	**335 504**	**271 132**

The valuation is performed on a recurring basis based on the net asset value of the underlying assets carried in the respective insurance cell captives and is a Level 2 fair value measurement. There are no significant assumptions or judgements excercised in determining the fair value, as the assets carried comprise mostly cash balances. There are no transfers between levels.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

8. DEFERRED TAXATION

	31 December 2021 R'000	31 December 2020 R'000
Deferred tax asset	**381 207**	**288 089**

Based on management's forecast, the RCS Group expects to generate sufficient future taxable profits to utilize the deferred tax asset.

Reconciliation of deferred tax asset:		
At beginning of the year	288 089	207 592
Movement recognised in profit and loss:		
- Provisions	4 039	(6 803)
- Assessed loss	787	(121)
- Capital allowances	(1 088)	(1 378)
- Right of use asset and lease liability	9 425	856
- Allowance for impaired card and loan receivables	79 968	89 160
- Unrealised gain	(13)	(1 217)
Balance at end of year	**381 207**	**288 089**

The balance at the end of the year comprises temporary differences relating to:

- Provisions	24 018	19 979
- Assessed loss	787	-
- Capital allowances	(2 320)	(1 232)
- Right of use asset and lease liability	21 637	12 212
- Allowance for impaired card and loan receivables	338 085	258 117
- Unrealised gain	(1 000)	(987)
	382 207	**288 089**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

9. PROPERTY AND EQUIPMENT

	31 December 2021			31 December 2020		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Computer hardware	114 667	(88 922)	25 745	105 401	(73 215)	32 186
Furniture and fittings	62 626	(62 002)	624	62 583	(58 515)	4 068
Right of use asset	105 750	(74 692)	31 058	105 750	(62 686)	43 064
Leasehold property	9 243	(6 819)	2 424	9 243	(5 895)	3 348
Motor vehicles	11 381	(7 658)	3 723	12 667	(10 136)	2 531
	303 667	**(240 093)**	**63 574**	**295 644**	**(210 447)**	**85 197**

Reconciliation of carrying amounts:

31 December 2021	Carrying amount at beginning of year R'000	Additions R'000	Disposals R'000	Depreciation R'000	Carrying amount at end of year R'000
Computer hardware	32 186	9 266	-	(15 707)	25 745
Furniture and fittings	4 068	43	-	(3 487)	624
Right of use asset	43 064	-	-	(12 006)	31 058
Leasehold property	3 348	-	-	(924)	2 424
Motor vehicles	2 531	2 703	(39)	(1 472)	3 723
	85 197	**12 012**	**(39)**	**(33 596)**	**63 574**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

9. PROPERTY AND EQUIPMENT (CONTINUED)

Reconciliation of carrying amounts (continued):

	Carrying amount at beginning of year	Modification to lease terms	Additions	Disposals	Depreciation	Carrying amount at end of year
31 December 2020	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Computer hardware	23 921	-	22 621	-	(14 356)	32 186
Furniture and fittings	11 245	-	277	-	(7 454)	4 068
Right of use asset	93 129	(38 059)	-	-	(12 006)	43 064
Leasehold property	4 273	-	-	-	(925)	3 348
Motor vehicles	4 098	-	-	-	(1 567)	2 531
	136 666	**(38 059)**	**22 898**	**-**	**(36 308)**	**85 197**

Each lease generally imposes a restriction that the ROU asset can only be used by the RCS Group. The RCS Group is prohibited from selling or pledging the underlying leased assets as security. There are no restrictions on the title of all the other property and equipment items and none have been pledged as security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

10. INTANGIBLE ASSETS

	31 December 2021			31 December 2020		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software	296 859	(157 299)	139 560	225 200	(130 396)	94 804
	296 859	**(157 299)**	**139 560**	**225 200**	**(130 396)**	**94 804**

Reconciliation of carrying amounts:

	Carrying amount at beginning of year	Additions	Amortisation	Carrying amount at end of year
31 December 2021	R'000	R'000	R'000	R'000
Computer software	94 804	71 659	(26 903)	139 560
	94 804	**71 659**	**(26 903)**	**139 560**
31 December 2020				
Computer software	78 285	41 390	(24 871)	94 804
	78 285	**41 390**	**(24 871)**	**94 804**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

11. GOODWILL

	31 December 2021 R'000	31 December 2020 R'000
Goodwill	56 855	56 855

Goodwill acquired through business combinations has been allocated to three individual cash-generating units:

Cash-generating unit		
General Purpose Card Division	12 917	12 917
Personal Loan Division	36 481	36 481
MDD Private Label Card Division	7 457	7 457
	56 855	**56 855**

Goodwill is tested annually for impairment and when there is an indication of impairment. The recoverable amounts of the cash-generating units are based on the value in use. The value in use calculation covers a five-year forecast period and a terminal growth rate is applied for the period beyond five years. The terminal growth rate assumed is 2% (31 December 2020: 2%) and is based on discounted historic growth rates. The cash flows have been discounted at a rate of 12% (31 December 2020: 12%) based upon a weighted average cost of capital.

The cash flows are linked to future profits which are driven by anticipated growth in advances or turnover and expectations of future interest rates. The most significant assumption is the average annual growth of 18 - 20% in advances or turnover.

No reasonable possible change in a significant assumption would cause a cash-generating unit's carrying amount to exceed its recoverable amount.

Based on this assessment management is of the opinion that for all of the cash-generating units the value in use exceeds the carrying amount and therefore no impairment is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

12. RELATED PARTIES

	31 December 2021	31 December 2020
Ultimate shareholder		
BNP Paribas Société Anonyme	**100%**	**100%**

Related party transactions	**R'000**	**R'000**
Amounts owing to BNP Paribas Société Anonyme, South Africa Branch		
Funding and interest owing	204 145	1 072 576

The funding lines are unsecured and bear interest at a variable rate linked to the relevant JIBAR for the term of the funding.

Transactions with BNP Paribas Société Anonyme		
Commitment and guarantee fees payable	(13 990)	(15 178)

Commitment fees are payable for the unutilised portion of the standby liquidity facility. Guarantee fees are payable for the drawn guaranteed funding.

Transactions with BNP Paribas Société Anonyme, South Africa Branch		
Interest expense	(19 623)	(82 728)
Transactions with BNP Paribas Personal Finance Société Anonyme		
Management fees	(64 754)	(29 840)

Interest of directors in contracts

No directors directly or indirectly hold any shares in BNP Paribas Personal Finance South Africa Limited. No directors have any interest in contracts that are in contravention of section 75 of the Companies Act of South Africa.

Loans to directors

No loans have been made to directors (31 December 2020: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

12. RELATED PARTIES (CONTINUED)

	31 December 2021 R'000	31 December 2020 R'000
Directors' and key management compensation		
Directors' emoluments		
Executive directors' fees	13 462	18 305
Non-executive directors' fees	837	786
	14 299	**19 091**

Key management compensation

Directors and executives of the RCS Group have been classified as key management personnel. No key management personnel had a material interest in any contract of significance with any Group company during the period under review.

Remuneration paid to executives are as follows:		
Short-term benefits	21 997	25 676
Post-retirement benefits	2 767	2 432
Total remuneration	**24 764**	**28 108**

13. STATED CAPITAL

Authorised		
80 000 (31 December 2020: 80 000) Ordinary Shares of no par value	-	-
Issued		
50 295 (31 December 2020: 50 295) Ordinary Shares of no par value	2 274 920	2 474 920

During the financial year, management declared a distribution of capital of R200 million (31 December 2020: Rnil) to the shareholder.

In the prior year, the RCS Group issued 10,295 ordinary no par value shares to the holding company, at a subscription price of R738 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

14. TRADE AND OTHER PAYABLES

	31 December 2021 R'000	31 December 2020 R'000
Trade payables	386 155	300 359
Other payables	92 473	112 110
Lease liability	67 773	86 677
Manpower costs accruals	41 074	23 026
VAT payable	3 616	5 807
RCS Homeloans joint venture loan account	15 315	29 025
	606 406	**557 003**

Other payables consist mainly of customers with credit balances of R63.6 million (31 December 2020: R97.2 million) and sundry payables of R0.3 million (31 December 2020: R14 million).

The lease liability has been discounted at an incremental borrowing rate of 8.4% (31 December 2020: 8.4%). An interest charge of R7.3 million (31 December 2020: R7.3 million) on the lease liability has been recognised in profit or loss.

15. FUNDING

By maturity		
Demand to one month	490 000	750 000
One to three months	-	347 210
Three months to one year	2 836 112	3 194 000
More than a year	4 881 095	5 574 297
	8 207 207	**9 865 507**

By nature		
Domestic medium-term note programme (a)	5 883 000	7 056 000
Term funding (b)	1 748 095	2 809 507
Bank overdrafts (c)	576 112	-
	8 207 207	**9 865 507**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

15. FUNDING (CONTINUED)

(a) The domestic medium-term notes are denominated in Rands, have a nominal value of R5 883 million (31 December 2020: R7 056 million), are unsecured and bear interest at variable interest rates linked to the 3 month JIBAR. Maturity as at the reporting date is as follows: R290 million within demand to one month, R1 960 million within three months to one year and R3 633 million after more than one year (31 December 2020: R350 million within one to three months, R1 729 million within three months to one year and R4 977 million after more than one year).

(b) Term funding is denominated in Rands and Pula, unsecured and bears interest at variable interest rates. Maturity as at the reporting date is as follows: R200 million within demand to one month, Rnil within one to three months, R300 million within three months to a year and R1 248 million after more than one year (31 December 2020: R747 million within demand to one month, Rnil million within one to three months, R1 465 million within three months to a year and R597 million after more than one year).

(c) Bank overdrafts are denominated in Rands, unsecured and bear interest at variable interest rates. Maturity at reporting date is as follows: R576 million within three months to one year (31 December 2020: Rnil).

16. LEASES, COMMITMENTS AND CONTINGENT LIABILITIES

Leases

The RCS Group occupies the following leased properties:

Liberty Grande

This is a property leased from Arrowhead Properties Limited.

Mowbray Business Park

This is a property leased from Growthpoint Properties Limited.

Capital commitments

	31 December 2021 R'000	31 December 2020 R'000
Authorised (Not contracted)	102 578	45 929

The RCS Group has sufficient cash funding and resources to finance the authorised capital commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

17. INTEREST EARNED

	31 December 2021 R'000	31 December 2020 R'000
Card and private label receivables	1 858 741	2 420 402
Personal loan receivables	380 159	658 988
	2 238 900	**3 079 390**

18. OTHER INCOME

Collection income	69 758	72 482
Insurance cell captives dividend received	100 000	41 641
Fair value adjustment on investment on insurance cell captives	64 372	93 830
Insurance commission	66 732	78 817
Merchant commission	139 400	148 265
Service fee income	708 734	744 487
Other income	14 950	50 148
	1 163 946	**1 229 670**

19. PROFIT BEFORE TAXATION

Included within profit before taxation are the following items:		
Auditor's remuneration	3 785	3 785
Donations	4 004	2 325
Legal fees	1 251	1 448
Manpower costs:		
- Salaries	376 084	385 416
- Directors' emoluments	14 299	18 148
Premises costs	35 799	42 433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

20. TAXATION

	31 December 2021 R'000	31 December 2020 R'000
Income taxation recognised in profit and loss:		
South African current taxation:		
- Current year	150 094	39 919
- Prior year overprovision	-	-
Non-South African current taxation:		
- Current year	6 589	10 237
- Withholding taxation	10 150	1 409
	166 833	**51 565**
Deferred taxation:		
- Current year	(92 927)	(79 880)
Total taxation charge / (income)	**73 906**	**(28 315)**
Reconciliation of the taxation expense		
Profit before taxation	395 312	28 600
Tax at the standard tax rate of 28% (2020: 28%)	110 687	8 008
Tax effect of:		
Non-deductible expenditure	(907)	587
Non-taxable income:		
– Fair value adjustment on investment on insurance cell captives	(18 024)	(26 272)
– Insurance cell captives dividend received	(28 000)	(11 659)
– Other	-	(388)
Prior year current taxation overprovision	-	-
Withholding taxation	10 150	1 409
Total taxation charge / (income)	**73 906**	**(28 315)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

21. CASH GENERATED FROM / (UTILISED IN) OPERATIONS

	31 December 2021 R'000	31 December 2020 R'000
Profit before taxation	395 312	28 600
Adjustments for:		
- Amortisation of intangible assets	26 903	24 871
- Depreciation of property and equipment and ROU asset	33 596	36 308
- Foreign currency exchange (gain) / loss	(1 406)	6 276
- Profit on sale of equipment	(940)	(80)
- Interest on lease liability	7 281	7 281
- Fair value adjustment on investment in insurance cell captives	(64 372)	(93 830)
Changes in working capital:		
- Decrease / (Increase) in card and loan receivables	1 003 575	(862 479)
- Decrease / (Increase) in other receivables	17 587	(21 137)
- Increase in trade and other payables	68 307	65 576
	1 485 843	**(808 614)**

22. TAXATION PAID

Taxation receivable at beginning of year	100 447	120 056
Current taxation charge	(166 833)	(51 565)
Taxation receivable at end of year	(33 423)	(100 447)
	(99 809)	**(31 956)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

23. SUBSIDIARIES

Details of the RCS Group's subsidiaries are as follows:

	Place of incorporation and operation	Portion of ownership interest and voting power held	Principal activity
Name of subsidiary			
RCS Botswana (Proprietary) Limited	Botswana	100%	Retail credit
RCS Cards Proprietary Limited	South Africa	100%	Retail credit
RCS Collections Proprietary Limited	South Africa	100%	Collections
RCS Home Loans Proprietary Limited	South Africa	100%	Home loans
RCS Investment Holdings Namibia (Proprietary) Limited	Namibia	100%	Retail credit

24. INTEREST IN JOINT OPERATIONS

RCS Home Loans Proprietary Limited, a 100% held subsidiary of BNP Paribas Personal Finance South Africa Limited, has a joint operation partnership with SA Home Loans Proprietary Limited. The joint operation offers home loans to qualifying customers, which is in line with the RCS Groups' business of providing credit to customers. A summary of the results of the joint operation for the current and prior financial years are as follows:

	31 December 2021	31 December 2020
Proportion of ownership interest and voting power held	50%	50%
	R'000	**R'000**
Current assets	11 541	12 861
Current liabilities	20 031	20 524
Income	2 295	1 668
Expenditure	3 123	3 193
Total comprehensive loss	**(828)**	**(1 525)**

The joint operation is not material to the RCS Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

25. EMPLOYEE BENEFITS

Retirement funds

Alexander Forbes Retirement Annuity: Defined contribution plan

All permanent employees of RCS Botswana (Proprietary) Limited under normal retirement age are required to be members of the Alexander Forbes Retirement Annuity. The employees and the employer make equivalent contributions in respect of the retirement annuity benefits. In addition, the employer contributes to reinsurance, and administration and management costs.

Sanlam Pension Fund: Defined contribution plan

Certain employees and the employer make equivalent contributions in respect of pension fund benefits to the Sanlam Pension Fund. In addition, the employer contributes to reinsurance, and administration and management costs.

Sanlam Provident Fund: Defined contribution plan

Certain permanent employees of the RCS Group, excluding those that are employed by RCS Botswana (Proprietary) Limited and RCS Investment Holdings Namibia (Proprietary) Limited, may be members of the provident fund. The employer pays 14% contributions in respect of provident fund benefits. In addition, the employer contributes to reinsurance, and administration and management costs.

Sanlam Retirement Annuity: Defined contribution plan

All permanent employees of RCS Investment Holdings Namibia (Proprietary) Limited under normal retirement age are required to be members of retirement annuities managed by Sanlam. The employees and the employer make equivalent contributions in respect of retirement annuity benefits. In addition, the employer contributes to reinsurance, and administration and management costs.

Discovery Risk Benefits

The employer contributes to certain risk benefits on behalf of all permanent staff, such as death, disability, income protection, severe illness cover and education benefits. These are inclusive of management and administration costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

25. EMPLOYEE BENEFITS (CONTINUED)

	Number of members		Contributions	
	31 December	31 December	31 December	31 December
Summary per fund	2021	2020	2021	2020
			R'000	R'000
Alexander Forbes Retirement Annuity	8	8	113	105
Sanlam Pension Fund	11	7	50	157
Sanlam Provident Fund	1 290	1 392	37 658	38 092
Sanlam Retirement Annuity	6	12	122	79
Discovery Risk	1 296	1 399	6 280	5 144
	2 611	**2 818**	**44 223**	**43 577**

Medical aid schemes

BOMaid: Defined contribution plan

All permanent staff of the RCS Botswana (Proprietary) Limited are required to become members of the medical plans of their choice offered by BOMaid. Total membership currently stands at 1 (31 December 2020: 1) principal member. The total payments amounted to R31 361 (31 December 2020: R26 628). The RCS Group has no obligation to fund medical aid contributions for current or retired employees.

Discovery Health: Defined contribution plan

Certain permanent staff of RCS Cards Proprietary Limited and RCS Home Loans Proprietary Limited are required to become members of the medical plans of their choice offered by Discovery Health. Total membership currently stands at 794 (31 December 2020: 790) principal members. The total payments amounted to R31 million (31 December 2020: R29 million). The RCS Group has no obligation to fund medical aid contributions for current or retired employees.

All permanent staff of the RCS Collections Proprietary Limited are required to become members of the medical plans of their choice offered by Discovery Health. Total membership currently stands at 87 (31 December 2020: 113) principal members. The total payments amounted to R2.8 million (31 December 2020: R3.1 million). The RCS Group has no obligation to fund medical aid contributions for current or retired employees.

Sanlam Primary Health Care

All employees earning under R10 000 per month are required to take the Sanlam Primary Healthcare product. Total membership currently stands at 520 (31 December 2020: 438) principal members. The total payments amounted to R2.3 million (31 December 2020: R2.2 million). The RCS Group has no obligation to fund primary healthcare contributions for current or retired employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

26. GOING CONCERN

The going concern assumption has been evaluated which takes into account the financial position, forecasted profitability and funding requirements of the RCS Group for the foreseeable future in conjunction with the available funding facilities. This evaluation considers material factors that management are aware of which could impact the ability of the RCS Group to generate or preserve cash to meet its obligations in the foreseeable future and includes a stressed cash flow scenario.

Based on the assessment, the directors have no reason to believe that the RCS Group will not be a going concern and accordingly the financial statements are prepared on a going concern basis.

27. EVENTS AFTER THE REPORTING DATE

The following non-adjusting events occurred after the reporting date:

Acquisition of Mobicred Proprietary Limited
Effective 1 April 2022, the RCS Group acquired 100% of the issued share capital and voting rights of Mobicred Proprietary Limited for R88.78 million.

The purpose of the acquisition is to accelerate the RCS Group's presence as an online credit provider and reinforce the Group's strategic positioning.

The initial accounting for the business combination is incomplete at the time of approval of the financial statements. The necessary valuations and calculations had not yet been finalised due to the timing of the effective date of the acquisition and the approval of the financial statements.

Reduction in corporate income tax rate
After the reporting date, there was an announcement of a reduction in the corporate income tax rate from 28% to 27%, effective for years of assessment commencing on or after 1 April 2022. The impact on the deferred tax asset will not be significant.

Declaration of dividend to shareholder
The RCS Group declared a distribution of R500 million to the shareholder after the reporting date, but before the financial statements were authorised for issue.

Further to the above, the directors are not aware of any other matters or circumstances arising between the end of the financial year and the date of approval of these consolidated financial statements that may materially affect the amounts and disclosure contained in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

28. RISK MANAGEMENT

Overview

The RCS Group has exposure to risks from its use of financial instruments.

The RCS Group business model focuses primarily on providing unsecured credit whilst trying to minimise or avoid all other risk types. The RCS Group views risks as an inherent part of running a successful business. Risks are not only mitigated but are also analysed and investigated for opportunities. Successful risk management therefore entails understanding which risks can enhance shareholder value and which risks are incidental and potentially value destroying.

RCS Group's risk management policies are established to identify and analyse the risks faced by the RCS Group to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the RCS Group's activities. The RCS Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The RCS Group board of directors has overall responsibility for the establishment and oversight of the RCS Group's risk management framework. The board has established the Board Audit and Risk Committee ("BARC"), the Asset and Liability Committee ("ALCO"), the RCS Internal Risk and Audit Forum, the Credit Risk Committee and the Social and Ethics Committee. As a statutory board committee, the BARC is responsible for monitoring the internal and external audit functions and regulatory compliance for the RCS Group. The ALCO Committee is responsible for developing and monitoring all affairs pertaining to liquidity risk, interest rate risk, foreign currency risk and capital adequacy risk. The RCS Internal Risk and Audit Forum is responsible for developing and monitoring the company's risk management policies, as well as the audit, accounting, internal control and financial reporting practices. The Credit Risk Committee is responsible for developing and monitoring credit risk within the RCS Group. The Social and Ethics Committee is responsible for monitoring the RCS Group's social and economic development. These committees formally report to the board of directors on its activities two to four times per annum. The risk management process established by the holding company continues and feeds into the risk management process established by the RCS Group . The holding company's risk management process is in turn managed by the BARC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

28. RISK MANAGEMENT (CONTINUED)

The following subcommittees comprising directors, executives and senior management have been established to deal with the following risks facing the company:

(a) Assets and Liability Committee - liquidity, interest rate, foreign currency, and capital adequacy risk
(b) Board Audit and Risk Committee - financial, internal control, governance, technology, operational and reputational risk
(c) Compliance Forum - legal and compliance risk
(d) Credit Risk Committee - credit risk
(e) Social and Ethics Committee - governance and ethical risk

Credit risk

The RCS Group specialises in providing consumers with credit on retail purchases within the network of approved merchants and commercial partners and unsecured personal loans. The RCS Group does not require collateral in respect of card and loan receivables. Credit is provided in the form of store or credit card products and loan offerings. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the RCS Group and this risk is managed through a number of key business processes.

The RCS Group continues to take a risk-appropriate approach to credit lending. Credit risk management starts at the credit application and granting stage where scorecard design and implementation is controlled with detailed input and validation from the BNPP PF Scoring Center. Scorecards are designed to consider various credit factors informed by both third party and company data; to ensure credit is only granted to customers within the Group's credit risk appetite. Customer affordability assessments at application stage also form an integral part on informing the credit limit or loan amount granted to customers.

Credit risk management continues throughout the customer's relationship with the RCS Group. Credit limits and open-to-buy levels are continually reviewed and monitored at a portfolio and appropriate segment level. Spend is blocked on customer accounts that are in arrears in order to limit and manage further exposure to credit risk. Collection and Recovery teams' performance, including collection recovery agencies used by the RCS Group, are closely monitored and extensive engagement is present between the Risk and Collection and Recovery teams to revise targets based on observable market trends, along with the development of customer behaviour scores to optimise customer payment behaviour for company performance. The Collection and Recovery teams make use of multiple collection channels, including digital payments, in-store payments and other industry best practices.

The RCS Group does not consider there to be any significant concentration of credit risk given the large and diverse customer base, with no single customer representing more than 0.1% of the card and loan receivables.

28. RISK MANAGEMENT (CONTINUED)

After strict restrictions were applied on granting at the start of the COVID-19 pandemic in March 2020, the RCS Group has followed a controlled re-opening of credit granting to manage the ongoing risk arising on card and loan receivables. Focus has also been placed on the development of improved scoring strategies to support the Group's growth strategies within targeted risk levels. The Group continues a close monitoring of early performance indicators to control granting risk. Any potential increased risk anticipation is reflected within management judgements and estimates made in determining the allowance for impairment to ensure an adequate level of ECL is maintained which is reflective of the underlying credit risk within the portfolios.

The risk on cash and cash equivalents is managed through dealing with well established financial institutions with high credit standing. The same applies to the risk on the financial instrument at fair value through profit or loss as the underlying value comprises of market and cash accounts with well established financial institutions with high credit standing.

Credit risk exposure

The RCS Group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of card and loan receivables. The allowance is calculated using a model developed in conjunction with the RCS Group's shareholders and external experts. Management considers evidence from various sources, internal and external not yet evident in the mathematical models, such as the macroeconomic environment and portfolio maturity, to inform their judgement of the required levels of impairment and whether to add a further management layer over the statistical model output, in order to adopt a prudent and conservative approach. Specific focus has been applied to observable deterioration of trends due to the COVID-19 pandemic, with recoveries on accounts operationally written off presenting pressure on recovery yields and impacting management estimation of LGW yields. The board of directors believe that card and loan receivables balances are being measured fairly.

28. RISK MANAGEMENT (CONTINUED)

Credit risk exposure (continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The maximum exposure to credit risk at the reporting date is:

	31 December 2021 R'000	31 December 2020 R'000
Cash and cash equivalents	1 046 835	1 628 169
Card and loan receivables	10 546 624	11 550 199
Other receivables	94 148	108 993
Financial asset at fair value through profit or loss	335 504	271 132
	12 023 111	**13 558 493**

Regulatory compliance

The RCS Group adopts a zero tolerance for non-compliance, acts swiftly and decisively when such matters are initially identified and has processes, internal controls and governance procedures in place to drive and monitor this. These processes and procedures include operational, executive and Board of Director level compliance forums, with conduct of internal audits, disciplinary and quality assurance processes, incident reporting and complaints registers that are maintained, followed up and timeously resolved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

28. RISK MANAGEMENT (CONTINUED)

Liquidity risk

The RCS Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the RCS Group's reputation and financial standing with the investor community.

This risk is managed through cash flow forecasts, stress testing scenarios on cash flow, the optimisation of daily cash management and by ensuring that adequate and term-appropriate borrowing facilities are maintained. The objective is to have positive liability to asset term matching with liabilities carrying longer terms than the underlying book assets. The RCS Group has shareholder facilities in place to mitigate the roll over risk of funding in issue. The company monitors and evaluates funding on an active basis to ensure that the company can oblige to its commitments made to borrowers. Management is of the view that the RCS Group has access to sufficient affordable sources of funding to manage roll over risk, asset liability mismatch situations and to withstand a stressed cash flow scenario within compliance ranges and with remote risk of default. In terms of its Memorandum of Incorporation, the RCS Group's borrowing powers are unlimited.

The implications of COVID-19 on the liquidity position of entities across the group have been closely monitored throughout the period, with sufficient funding being raised during the challenging year.

Liability cash flows are presented on an undiscounted basis.

28. RISK MANAGEMENT (CONTINUED)

Contractual maturities

The table below analyses liabilities of the RCS Group into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date, including interest:

	Carrying amount	Demand to one month	One to three months	Three months to one year	More than one year	Total
	R'000	R'000	R'000	R'000	R'000	R'000
31 December 2021						
Liabilities						
Non-derivative financial liabilities						
Funding	(8 207 207)	(490 955)	-	(2 949 411)	(5 358 240)	(8 798 606)
Lease liability	(67 773)	(2 280)	(4 560)	(28 465)	(43 066)	(78 371)
Trade and other payables	(493 943)	(337 687)	(32 133)	(93 096)	(31 027)	(493 943)
	(8 768 923)	**(830 922)**	**(36 693)**	**(3 070 972)**	**(5 432 333)**	**(9 370 920)**
31 December 2020						
Liabilities						
Non-derivative financial liabilities						
Funding	(9 865 507)	(752 459)	(350 947)	(3 306 588)	(6 228 209)	(10 638 203)
Lease liability	(86 677)	(2 182)	(4 364)	(19 638)	(78 371)	(104 555)
Trade and other payables	(441 493)	(242 600)	(43 549)	(104 650)	(50 693)	(441 492)
	(10 393 677)	**(997 241)**	**(398 860)**	**(3 430 876)**	**(6 357 273)**	**(11 184 250)**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the RCS Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The RCS Group mainly transacts in the local currency, Namibian Dollar and Botswana Pula. The exchange rate is one to one between the Namibian Dollar and the South African Rand and less than 1% of the total assets of the RCS Group are held in Botswana Pula. Limited transactions are denominated in other foreign currencies. Accordingly the results of the RCS Group are not exposed to significant foreign currency risk and therefore the RCS Group does not implement foreign currency risk management measures.

28. RISK MANAGEMENT (CONTINUED)

Interest rate risk

The RCS Group is exposed to interest rate risk as it both borrows and lends funds.

At the reporting date the interest rate profile of the group's interest-bearing financial instruments was:

	Interest rate		Carrying value	
	31 December 2021 %	31 December 2020 %	31 December 2021 R'000	31 December 2020 R'000
Fixed rate instruments				
Loan receivables	15.0 - 24.75	15 - 24.5	2 746 315	3 267 543
Financial assets			**2 746 315**	**3 267 543**
Variable rate instruments				
Card receivables	17.75	19.7	7 800 309	8 282 656
Bank balances	3.3 - 5.0	3.3 - 7.0	1 046 835	1 628 169
Financial assets			**8 847 144**	**9 910 825**
Variable rate instruments				
Funding	4.4 - 8.5	4.3 - 5.4	8 207 207	9 865 507
Financial liabilities			**8 207 207**	**9 865 507**

Fair value sensitivity analysis for fixed rate instruments

The RCS Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates for the duration of the financial period would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The sensitivity analysis reflects the impact of a rate change immediately following the reporting date for all assets and liabilities accounted for at the reporting date. The analysis is performed on the same basis as for the comparative period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

28. RISK MANAGEMENT (CONTINUED)

Cash flow sensitivity analysis for variable rate instruments (continued)

	Profit or (loss) 100 bp increase R'000
31 December 2021	
Variable rate financial assets	93 790
Variable rate financial liabilities	(90 364)
Cash flow sensitivity net	**3 426**
31 December 2020	
Variable rate financial assets	84 741
Variable rate financial liabilities	(93 077)
Cash flow sensitivity net	**(8 336)**

A decrease of 100 basis points in interest rates for the duration of the financial period would have the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Capital management

Capital management is performed at a group level for the RCS Group and its subsidiaries. The objective is to maintain sufficient levels of capital to support the ongoing sustainability and viability of the business. Capital is retained in the business for the following main objectives:

(a) to provide a certain amount of cover or buffer should unexpected losses take place either due to market or operational risks;
(b) to provide a certain amount of cover or buffer should unexpected losses take place due to credit risks;
(c) to support the level of debt in the business as a first loss position and thereby to achieve a particular credit rating on the debt in the business;
(d) as a tool that could be increased or decreased to ensure maintenance of an appropriate credit rating level in the future; and
(e) to facilitate the necessary asset growth objectives in the business.

It is the responsibility of the ALCO and the board to determine the appropriate level of capital taking into account the risks within the various lines of business and the types of assets held within these business areas.

28. RISK MANAGEMENT (CONTINUED)

Capital management (continued)

The Board considers, amongst others, the following factors when determining the level of capital required to be held within a division and against a particular class of assets:

(a) the historical losses that have taken place on the disposal of assets, bad debt write off and other operational losses;

(b) a view on factors going forward that could cause an asset or category of assets to be obsolete or have a reduction in value;

(c) concentration risks on asset classes, market sectors or particular customers should be considered and certain maximum exposure levels from a line of business and the RCS Group perspective will be determined;

(d) review the strategic portfolio of businesses and ensure that capital is allocated to achieve required returns whilst maintaining a balanced portfolio with no line of business attracting an inappropriate amount of the capital;

(e) the length of track record that the business has in terms of using and managing a particular asset class and portfolios within that asset class; and

(f) review and benchmarking against local and international peers in the financial services, non-banking and banking sectors where applicable.

The ALCO reviews capital adequacy three times per annum. The board reviews the capital policy on an annual basis and makes any amendments to the requirements in its consideration of and prior to making a final dividend declaration.

Financial assets and liabilities not measured at fair value

The carrying amount of card and loan receivables, after consideration of allowance for impairment, is based on estimated future cash flow receipts discounted at the effective interest rate which is market-related. Accordingly the carrying amount is deemed to approximate fair value.

The carrying amount of funding approximates fair value as the funding bears interest at market-related interest rates.

Other receivables, trade and other payables and cash and cash equivalents are short term in nature and accordingly carrying amounts reasonably approximate fair value. Trade and other payables that are longer term in nature are not material and accordingly the carrying amount is not deemed to significantly differ from the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021 (continued)

29. DIRECTORS' REMUNERATION

Executive remuneration is determined by the remuneration committee, with the majority of the members being non-executive directors. The base pay and variable pay is determined by benchmarking of remuneration policies in the industry and taking into consideration the complexity of the role and size of the company.

	Remuneration	Provident fund contributions	Total
	R'000	R'000	R'000
31 December 2021			
Executive directors* for services, as employees, to subsidiary companies			
RF Adams	6 375	447	**6 822**
M van Brakel	2 370	232	**2 602**
B Dev (Appointed 1 May 2021)	4 038	-	**4 038**
Non-executive directors for services, as directors, to subsidiary companies			
SW van der Merwe (Independent)	288	-	**288**
E Oblowitz (Independent)	549	-	**549**
Total	**13 620**	**679**	**14 299**
31 December 2020			
Executive directors* for services, as employees, to subsidiary companies			
RF Adams	9 155	426	**9 581**
CP De Wit (Resigned 30 November 2020)	5 175	286	**5 461**
M van Brakel	3 032	231	**3 263**
Non-executive directors for services, as directors, to subsidiary companies			
SW van der Merwe (Independent)	280	-	**280**
E Oblowitz (Independent)	506	-	**506**
Total	**18 148**	**943**	**19 091**

*The executive directors are the prescribed officers of the company

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