25 ANNIVERSARY

RCS CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2023

INCLUDING SUPPLEMENTARY INFORMATION

RCS

BNP PARIBAS GROUP

CREDIT | LOANS | INSURANCE

CONTENTS

OVERVIEW

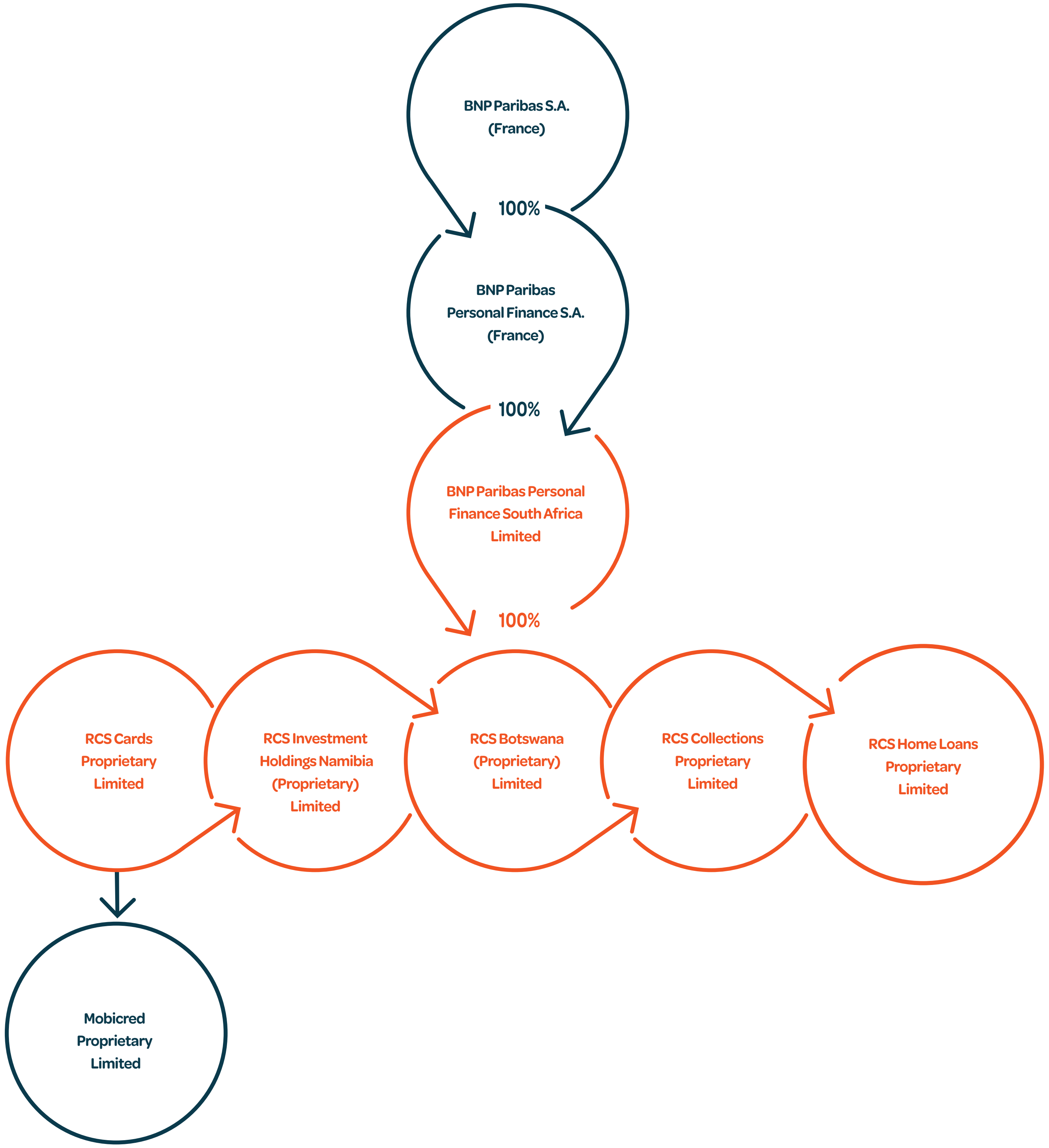
BNP Paribas Personal Finance South Africa Limited and its subsidiaries (hereafter referred to as the "RCS Group") operate in South Africa, Namibia and Botswana.

The RCS Group is a consumer finance business that offers its customers a range of financial services products under its brand names 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"), 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 2.14 million customers, and offers a range of card, loan and insurance products, including the following:

- The RCS Card and various partner-branded cards.
- The Mobicred Virtual Card offering.
- The RCS Credit Card and various partner-branded credit cards.
- RCS Loans.
- 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

25 ANNIVERSARY

OVERVIEW OF THE 2023 FINANCIAL YEAR

We anticipated 2023 to be a challenging year having reported an exceptional Profit Before Tax (PBT) of R463.9m* in 2022. This PBT was predominantly achieved due to a very low cost of risk as we deliberately and gradually re-opened our new business activity following the pandemic. We approached 2023 with a healthy and strong portfolio quality coupled with positive momentum, which allowed us to return our new business origination to pre-COVID levels. This resulted in an expected (albeit higher) cost of risk in a market that was especially challenged with rising interest rates and inflation. Our teams showed strong resilience in the face of this adversity and I am grateful to report the successful delivery of our anticipated profit of R258m for 2023. While we did not expect a profit as high as that reported in 2022 due to the natural expected increase in cost of risk in 2023, it is important that our team delivered on the results we committed to achieving. I would like to thank our RCS Board, my leadership team and our teams for their dedication in achieving this result. I also remain grateful to our customers for their loyalty and our partners and stakeholders for entrusting us with their business.

Our delivery in 2023 was not limited to our financial performance. We made strides in redefining and strengthening our culture for the future of our business through a renewed core purpose and accompanying set of values. Our new core purpose is 'Creating Possibilities, Empowering You'. This core purpose is driven by our intrinsic motivation to have a positive impact on all of our stakeholders, whether inside or outside of our business. This is underpinned by a new set of values to drive the right behaviours across all teams in our business. These values are:

- Impactful – to create a positive impact and empower those around us
- Brave – despite risks, opposition, fear or uncertainty, RCS is committed to enduring difficult times and situations with bravery and determination
- Collaborative – successfully addressing and solving difficult situations by tapping into our pool of collective knowledge and experience
- Trustworthy – together, our honesty builds trust that earns the confidence of those around us

Our values have been rolled out extensively through workshops with our teams and form the foundation of a number of people initiatives that are underway. This includes a leadership development programme, LEAD, that will equip our leaders to better serve the teams under their care. All of this, along with our abundant employee offering has cemented our sixth consecutive accreditation as Top Employer in South Africa.

In addition to the leadership development programme, we have also ensured that we have a more focused and consolidated leadership team while maintaining the diversity of our team. Not only are we gender balanced but our Executive team has a combination of expertise and experience. This was achieved through our track record in growing our talent pipeline within our business.

* As per published Integrated Report 2022

CEO’S REPORT

(continued)

Making a positive contribution in our communities remains a business imperative for us and once again, we were able to support a number of initiatives benefitting our employees and communities through our Corporate Social Investment agenda. While we elaborate on this in our Social and Ethics report, I am most proud of the growth and continued successes achieved through our partnerships with the Whitaker Peace and Development Initiative, the Rising Star Tennis series, JAG Foundation and Tsiba Business School. We have longstanding relationships with these organisations, many since their inception, and it is a privilege of my role to see them flourish and enrich the lives of so many.

From a business perspective we made progress with our transformation by developing and broadening our eCommerce and payment capabilities, as well as introducing new non-credit products to offer more solutions to our customers. We continued to invest in various capabilities throughout 2023 and are focused in ensuring that these foundations convert to financial progress in the coming years.

As we look ahead into 2024, we will have to navigate a new cost of risk dynamic to ensure that we do not curtail our growth ambitions. We have already launched a number of key initiatives to mitigate the challenges we face, namely:

- A project called ReImagine, which scrutinises our business at a very detailed level to improve our yields through income optimization, operating cost efficiencies and accelerating transformational activities in our business. This project has already yielded positive results.
- Continued diversification of our partnerships and product offering. We will continue to provide our customers with several credit products while growing our non-credit offerings through our insurance and value-added services. We strive to offer our customers and partners products and services that meet their needs and are meaningful.
- Translating our early achievements in digital and eCommerce into exponential growth of this area of our business.
- Stabilising and growing our customer numbers by not only retaining existing customers but acquiring new customers. We have enhanced our customer analytical and insights capabilities to ensure our success in this initiative.

CEO’S REPORT

(continued)

This renewed thinking and focus will define the longevity and sustainability of our business as we are now into our 25th anniversary. My team and I are determined in our conviction to see this year as a year that we can all truly be proud of in the interest of our dedicated staff, partners, customers and stakeholders.

My team and I are determined to make the year ahead another one to be proud of, with continued dedication to our staff, partners, customers and stakeholders.

Blessings,

Regan Adams
Chief Executive Officer

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, 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 with respect to board representation. In light of changes at BNP, there have been changes to our Board of Directors, which are noted in the subsequent pages.

THE BOARD OF DIRECTORS

(continued)

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

EDWIN ("EDDY") OBLOWITZ (66)

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.

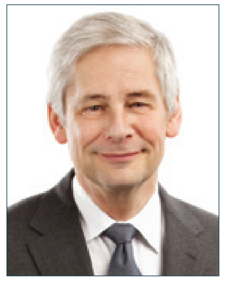
Amongst his other appointments, he holds the following positions at listed companies outside of the RCS Group: Independent Non-executive Director, Chairman of the Audit and Remuneration Committees and member of the Risk Committee of The Foschini Group Ltd; Independent Non-executive director and Chairman of the Remuneration Committee, Member of the Audit and Risk Committees of Fortress Real Estate Investments Limited

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 (61)
Appointed: 2014
Non-executive Director
Qualifications:
- BA
- LLB
- Finance speciality qualification, *Tours Business School*
- CA (FR)

Experience:
Benoit will transition from Chairman of the Remuneration, Asset and Liability, and Credit Risk Committees of the RCS Group but will remain a Non-Executive Director. Benoit has over thirty years' experience in finance and consumer finance lending. He has held a number of senior roles at BNPP during his tenure, including that of Deputy Chief Executive Officer.

Independence:
The RCS Group is a wholly owned subsidiary of the multinational banking and financial services group, BNPP a company listed on the Paris Stock Exchange. The Chairman is a senior executive of the shareholder and is appointed by the shareholder.

THE BOARD OF DIRECTORS
(continued)

NON-EXECUTIVE DIRECTORS (CONTINUED)

SCHALK VAN DER MERWE (59)
Appointed: 2006
Independent Non-executive Director
Qualifications:
- B.Com Hons (Economics)
- B.Com Hons (Transport Economics)

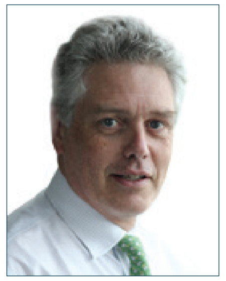
Experience:
Schalk joined the RCS Group as an Executive Director in 2006 and served as CEO of the RCS Group from 2009 until 2016. Prior to joining the RCS Group, Schalk worked in the management consulting industry, running his own practice as well as working for Arthur Andersen. He also gained significant 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.

Schalk will hand over his role of Independent Non-executive Director at the end of April 2024.

THE BOARD OF DIRECTORS
(continued)

NON-EXECUTIVE DIRECTORS (CONTINUED)



PATRICK ALEXANDRE (60)
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 Branch in Czech Republic. He was also appointed as CEO Cetelem and Head of BNPP Branch in Slovakia in 2022.

Previously he was the Head of Africa for BNPP. Patrick joined the Board of the RCS Group with extensive experience within the BNPP Group (30 years), having held a number of senior roles across Commercial, Operations and Risk across various business lines and countries. As a result of changes at BNPP, Patrick will leave the RCS Group Board at the end of April 2024.

THE BOARD OF DIRECTORS
(continued)

NON-EXECUTIVE DIRECTORS (CONTINUED)

KIERAN FAHY (49)
Appointed: 2021
Non-executive Director
Qualifications:
- B.B.S Hons (Accounting & Economics) *University of Limerick*

Experience:
Kieran is currently in the BNP London Corporate Coverage team. Kieran joined the RCS Group Board when he was appointed as CEO of BNP Paribas South Africa in September 2021. He has been with BNP for almost 20 years having joined BNP 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 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. As a result of the change in Kieran's role, Kieran will leave the RCS Board at the end of April 2024 and will be replaced by Blagoy Bochev.

THE BOARD OF DIRECTORS
(continued)

NON-EXECUTIVE DIRECTORS (CONTINUED)

PATRICK MIRON DE L'ESPINAY (62)
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 in various 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 holds the position of Non-executive Director with the RCS Group. Patrick is currently focusing on a skills sponsorship for the Good Planet Foundation as administrative and financial manager. As a result of the change in his role, Patrick will leave the RCS Group Board at the end of April 2024.

THE BOARD OF DIRECTORS
(continued)

NON-EXECUTIVE DIRECTORS (CONTINUED)

BLAGOY BOCHEV (52)
Appointed: 2024
Non-Executive Director
Qualifications:
- MBA
- CFA

Experience:
Blagoy has over 25 years of experience in finance and banking and has held a number of management positions within BNPP. Blagoy is currently a Senior Country Management Officer for EMEA, serving on several supervisory boards within the region.

THE BOARD OF DIRECTORS
(continued)

NON-EXECUTIVE DIRECTORS (CONTINUED)

VINCENT METZ (55)
Appointed: 2024
Non-executive Director
Qualifications:
- Ecole Normale Supérieure (French higher education institution), specialization in pure mathematics
- Financial Modeling and Mathematical Methods in Economy qualification, Ecole Polytechnique and University Paris 1

Experience:
Vincent has over thirty years of experience in finance and consumer lending. He is responsible for several countries within BNPP. Vincent is a multi-specialist in specialised financial services, with various experiences in M&A, partnership management, finance, risk, sales and marketing. Vincent will take on the role of Chairman of the Remuneration, Asset and Liability, and Credit Risk Committees of the RCS Group.

He holds the following positions at companies outside of the RCS Group:
- Member of the Supervisory Board of JSC Ukrsibbank (Ukraine) – Group BNP Paribas
- Member of the Supervisory Board of BNP Paribas Polska (Poland) – Group BNP Paribas
- Member of the Supervisory Board of BNPP El Djazair (Algeria) – Group BNP Paribas
- Chairman of the Board of TEB Finansman AS (Türkiye) – Group BNP Paribas

THE BOARD OF DIRECTORS
(continued)

NON-EXECUTIVE DIRECTORS (CONTINUED)

CLARE LAUZERAL (56)
Appointed: 2024
Non-executive Director
Qualifications:
- Board Member Certification – IFA – Sciences Po
- Master Degree – Business Services – EM LYON
- Inseec Paris – MBA
- Baccalauréat B

Experience:
Claire has been the Global Chief Operating Officer for BNPP since 2022 and is a member of the BNPP Executive Committee. Claire has over 30 years of experience and expertise in Transformation, Operations, IT, Mutualisation, Outsourcing and Optimization in multi-cultural environments.

Claire has over 24 years experience within the BNP group including Corporate Investment Banking, Securities Services, Asset Management and International Retail Banking. In addition to the RCS Group, Claire is also responsible for the supervision of several entities of BNPP.

THE BOARD OF DIRECTORS
(continued)

EXECUTIVE DIRECTORS

REGAN ADAMS (52)
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.

Outside of the RCS Group, Regan holds the position of Chairman of the CapeBPO Board.

Regan is also a Trustee of Hillsong Africa Foundation and serves as a non-executive director of iHub Africa, an NPO innovation hub focused on training youth from disadvantaged backgrounds in digital marketing skills for employment.

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 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'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.

THE BOARD OF DIRECTORS
(continued)

EXECUTIVE DIRECTORS (CONTINUED)

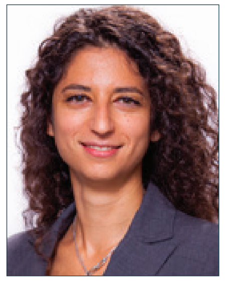
MARINÉ VAN BRAKEL (41)
Appointed: 2019
Executive Director
Qualifications:
- B.Com (Accounting)
- B.Com Hons (Accounting)
- CA (SA)

Experience:
Mariné is Deputy CEO and the COO of the RCS Group. 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 is a Non-Executive board member of the Kunste Onbeperk NPC.

THE BOARD OF DIRECTORS
(continued)

EXECUTIVE DIRECTORS (CONTINUED)



TONIA PAVLOU (40)
Appointed: 2023
Executive Director
Qualifications:
- B.Com (Accounting)
- B.Com Hons (Accounting)
- CA (SA)

Experience:
Tonia is the Chief Financial Officer (CFO) of the RCS Group. Tonia re-joined the RCS Group in 2022 as Deputy CFO, after having previously worked in the RCS Finance department from 2015 to 2018, and she was appointed RCS CFO in October 2023. Prior to this, Tonia worked in Investments at Sygnia Asset Management and in Corporate and Investment Banking at Investec.

THE BOARD OF DIRECTORS
(continued)

EXECUTIVE DIRECTORS (CONTINUED)

BALRAJ DEV (53)
Appointed: 2021; Resigned 2023
Executive Director
Qualifications:
- Masters in Computational Statistics, Bath University
- Bachelors of Science, Mathematics and Statistics, Swansea University

Experience:
Balraj is currently a Commercial Director at BNPP in the UK. Balraj was the Deputy CEO and CFO of the RCS Group from 2021 until his repatriation to the UK in 2023. 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 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 BNPP.

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 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 2023 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 Terms 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 2023.

The roles and responsibilities of each sub-committee are disclosed on 25 - 30.

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 subcommittee members are satisfied that they have fulfilled their responsibilities in accordance with the subcommittees' Terms of Reference for the year ended 31 December 2023

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	-	-	-	-	2/3	2/2	-	-	3/3
Benoit Cavelier	3/3	-	2/3	-	1/1	-	1/3	-	1/2		2/3
Schalk van der Merwe	3/3	-	2/3	-	-	-	3/3	-	1/2	-	2/3
Marine van Brakel	3/3	-	2/3	-	-	-	2/3	-	2/2	-	2/3
Balraj Dev*	2/3	-	2/3	-	-	-	2/3	-	1/2	-	2/3
Tonia Pavlou**	1/3	-	1/3	-	-	-	1/3	-	1/2	-	1/3
Patrick Miron L'Espinay	1/3	1/3	-	-	-	2/3	-	0/2	-	1/3	-
Kieran Fahy	2/3	-	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	-
Tali Anderssen (Company Secretary)	3/3	-	3/3	-	-	-	3/3	-	1/2	-	3/3
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 September 2023

** Appointed October 2023

† 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 practices 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 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;
- Ongoing monitoring of the IFRS 9 provisioning method;
- 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, 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; and
- 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-executive 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:

- Reviews 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;
- Ensures that the ratio of fixed and variable pay, in cash and benefits, is aligned with the RCS Group's strategic objectives;
- Ensures 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.

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 2023 financial year and was attended by most members.

As part of our previous report, we highlighted that we were in the process of launching our new core purpose and values. It is with pleasure that we celebrate our 25th anniversary milestone this year with our new core purpose and values in place. At the time of publishing this report, the majority of our employees have participated in values workshops to embed the values into our everyday lives.

Our new values guide our expected behaviour,

IMPACTFUL

Create a positive impact and empower those around us.

BRAVE

Despite risks, opposition, fear or uncertainty, RCS is committed to enduring difficult times and situations with bravery and determination.

COLLABORATIVE

We successfully address and solve difficult situations by tapping into our pool of collective knowledge and experience.

TRUSTWORTHY

Together, our honesty builds trust that earns the confidence of those around us.

Aligned to our new values, we rolled out an extensive leadership development programme, LEAD, in order to support our managers in navigating their challenges and ensuring that they are positioned and equipped to be better leaders for our people. This programme commenced in the third quarter of 2023 and will remain a key focus through 2024.

We are convinced that the investment in our culture and leadership competencies will not only continue to secure our position as an accredited Top Employer (we achieved our sixth consecutive accreditation in January 2024) but ensure that we are set up for sustained success.

top EMPLOYER SOUTH AFRICA 2023
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

SOCIAL AND ETHICS REPORT

(continued)

DIVERSITY AT RCS

Our people remain at the heart of our core purpose and we are pleased to report on the following main initiatives for the 2023 financial year:

Executive Team Gender Diversity

50% Female

50% Male

RCS Gender Diversity

76% Female

24% Male

RCS Diversity

45% Coloured

46% Black

6% White

3% Indian

STAFF CHILDREN BURSARY PROGRAMME

The RCS Bursary Programme continues to be the flagship CSR initiative. Over 200 bursaries were awarded for the 2023 academic year for eligible employees. Recipients include children from pre-primary to high school.

During the July holidays, RCS hosted the children of our employees for Vacation programmes at both offices:

- Primary School children attended 'fun days' where they participated in a range of fun activities;
- Children in grade 10 – 12 attended a programme aimed at providing them with vocational guidance, meeting managers within our business to understand more about their roles and participated in CSR activities that benefited the Haven Night Shelter and Lieliebloom home for abandoned children.

SOCIAL AND ETHICS REPORT
(continued)

EMPLOYED LEARNERSHIPS

In October 2021, RCS partnered with the TSIBA Business School to offer selected employees an opportunity to complete a NQF Level 5 General Management Employed Learnership. TSIBA is one of our longstanding CSR partners and is an accredited higher education institution offering undergraduate and postgraduate business qualifications. Twenty employees undertook the 18 month learnership with 16 successfully graduating in October 2023. These employees have juggled the demands of work, home and studies. A number of our learners have also successfully been promoted within our business during this time, most notably to Junior Call Centre Managers.

Some of the high achieving individuals are able to use the credits for their General Management Certificate and continue to gain a degree. We will continue with the initiative in 2024 as we know many of our employees were not afforded the opportunity to pursue tertiary education after school.

Learnership participants celebrating their successful completion of the course

Graduation ceremony for successful learners

Learners sharing lessons learned through the 18 month programme

The Class of 2023

SOCIAL AND ETHICS REPORT
(continued)

STAFF INVOLVEMENT IN CSR RELATED ACTIVITIES

Our teams activitely participated in a number of volunteering events during the 2023 year. These volunterring days contribute towards the BNPP programme '1 Million Hours 2 Help' where employees are encouraged to use their working time to contribute to organisations that seek to build a more inclusive, environmentally aware world by achieving a collective total of 1 million hours of voluntary work. Some of these included:

- Greenpop – employees created gardens at schools in Mitchells Plain and Athlone
- Ladles of Love – employees participated in preparing wholesome meals for the homeless
- Rise Against Hunger - employees prepared food packages and hosted a soup kitchen in the Factreton community
- Santa Shoe Box - donation of over 250 boxes to the national initiative

Greenpop

Ladles of Love

Rise Against Hunger

Santa Shoe Box

SOCIAL AND ETHICS REPORT
(continued)

JAG FOUNDATION

The JAG Foundation is in its 15th year of creating sustainable change in high-risk communities. Sports and play are used as educational tools to impart life skills while offering the children alternative paths of life. The annual JAG auction for 2023 hosted by RCS raised over R1m towards the various programmes of the JAG foundation.

CEO Regan Adams welcoming attendees to the 2023 auction

Art auction raising over R1m

JAG boys

JAG girls. Girls rugby is the fastest growing programme

SOCIAL AND ETHICS REPORT
(continued)

WHITAKER PEACE AND DEVELOPMENT INITIATIVE

The WPDI focuses on the Cape Flats where it has been based since 2019. In November 2023, Forest Whitaker visited the various graduations at schools where peacemakers teach children valuable conflict resolution skills across the Cape Flats. Forest also attended a graduation of over 350 females from the L'Oreal Women Livelihood Programme to assist female entrepreneurs in vulnerable communities. NBA Africa also established a basketball court in the Athlone area for youth to enjoy the growing sport.

Forest Whitaker at the WPDI community centre with peace trainers

WPDI peace trainers receiving training

L'Oreal Women Livelihood Programme graduation

Graduation at Ikhamvalethu Secondary School, Langa

SOCIAL AND ETHICS REPORT
(continued)

RISING STARS

This initiative is a partnership with Tennis South Africa and is aimed at boosting grass route tennis. It is in its fifth season, which will focus on growing opportunities for Primary Schools and Special Schools. The 2023 season saw a 12% increase in participation of primary schools as well as its wheelchair tennis categories. The programme has grown significantly in underprivileged areas across South Africa as over 40% of participants for 2023 were from previously disadvantages communities.

Anthony Moruthane of Tennis South Africa at the Rising Star Tennis Finals

Wheelchair finals

Boys Primary School Finals

Boys Podium

SOCIAL AND ETHICS REPORT
(continued)

TSIBA BUSINESS SCHOOL

Tsiba is a Social Enterprise based on a purpose-lived ethos. Tsiba consists of a business school (its core), Education Trust & Ignition Academy (LevelUp). Tsiba Business School provides students with business education, accredited by the FSCA. Scholarships enable affordable tuition. The LevelUp programme is a partnership with RCS providing comprehensive support to small and medium businesses.

Tsiba moves to a new, permanent campus in Ndabeni

CEO Regan Adams opening up the LevelUp Showcase

RCS GUGULETHU RUNNING CLUB

RCS sponsored the two races in the Gugulethu township in 2023 – 16 June and 16 December. The club was founded on the principle of helping the Gugulethu community in adopting a healthier lifestyle. The club has grown and supports local township athletes in progressing their talent in running and assisting them with skills, equipment and transport for events.

Runners at the start of the 16 December race

Runners running through the Gugulethu community

LEARNING AND DEVELOPMENT

In addition to training requested by our employees and functional & technical training, we also focused on ensuring that all of our employees completed their annual mandatory training. This included:

- Conduct Journey to reinforce our Code of Conduct covering Customers' Interests, Financial Security, Market Integrity, Professional Ethics, Respect for Colleagues, Group Protection, involvement with Society
- Cyber Security and Social Media Awareness
- Awareness on handling Outside Business Interests, Personal Offices, Gifts and Invitations
- Anti-bribery and Corruption
- POPIA refresher training
- Personal Data Protection Awareness

ABOUT ME

About Me is an RCS BNP digital employee career development tool that allows you to manage your professional skills, interact with your manager and colleagues, and create a personal development plan for yourself together with your manager. It also facilitates interactions between managers, employees and HR Business Partners.

MY DEVELOPMENT

My Development is our e-learning platform. You will have access to mandatory compliance related learning content & soft-skills learning content. New features are being added regularly to improve your ability to continuously develop yourself.

GOODHABITZ

Explore over 130 soft skills learning modules designed with "fun" as the main ingredient for learning. Complete the 4-6 hour learning module and obtain a certificate in the course & improve your career development.

OUR KEY FOCUS AREAS FOR 2024

In 2024, we will focus our efforts on:

- Concluding our LEAD programme
- Ongoing commitment to our CSR partners featured in this report
- Partnering with Welltec to enhance our financial wellness to prospective customers, existing customers and employees
- Implementing the new Employment Equity Act amendments
- Moving to our new office premises, which is a 6-star green rated building

25 ANNIVERSARY

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 and Operational Risk Board subcommittees convene 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 and Operational Risk Forum convene monthly, which is comprised of the Group's 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 Group.

The Chief Risk Officer ("CRO") is mandated by the Board to manage the risk and reports directly to the independent group risk function of BNPP. The CRO sets out the credit risk framework appetite and tolerance levels for the group on an annual basis, which is formally approved by the risk sub-board committee and the BNPP risk function. The operational risk framework appetite and tolerance levels are updated as and when required by the Group Operational Risk Management (ORM) function and approved by the CRO and ICC.

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 BNPP function Inspection Generale ("IG").

Included within the RCS Group's risk framework are the principles of first line, second line and third line of defence to manage risk and to ensure ongoing business awareness.

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. Credit risk appetite thresholds are reviewed annually by the BNPP Risk and RCS Group Credit Forum.

RCS
BNP PARIBAS GROUP

CREDIT RISK GOVERNANCE REPORT
(continued)

ACTIONS TAKEN TO MONITOR THE EFFECTIVENESS OF RISK MANAGEMENT

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 BNPP, together with a strong enterprise risk culture developed throughout the Group.

During the reporting period the RCS Group continued to enhance controls and procedures across its three-line defence principle.

RCS risk management framework includes a key focus on data management, with a Data Protection Controller reporting directly to the CRO.

Key areas of future focus

Maintenance of the mature risk management framework and the risk culture throughout the organisation and continued transparent and effective decision-making leadership to a controlled level of risk appetite.

CREDIT RISK GOVERNANCE REPORT
(continued)

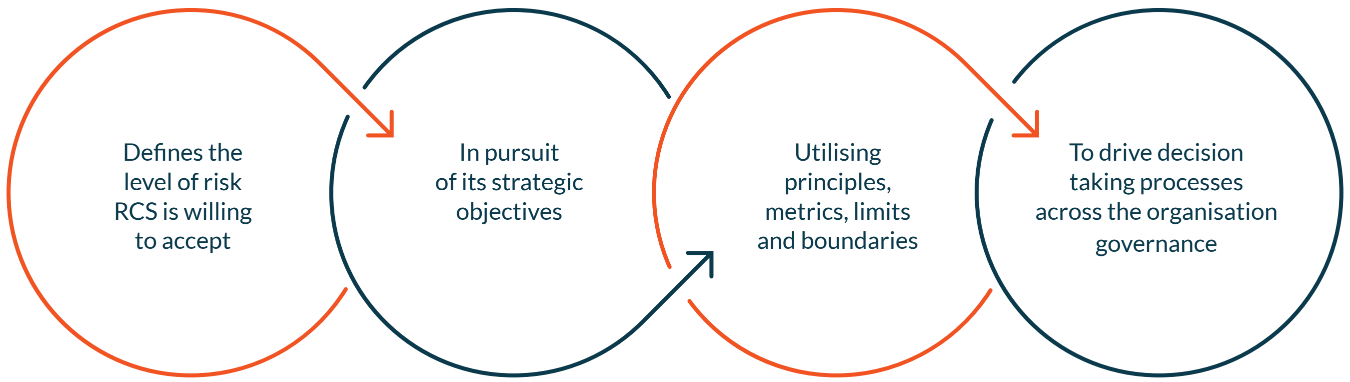
RISK APPETITE

The Risk Appetite Framework (RAF) is key component of the RCS Group's framework that guides our risk-taking activities in coherence with the Risk Appetite Statement (RAS). It relies on independent and integrated risk governance, wide corporate coverage, policies and procedures of the risk culture throughout the RCS Group.

RISK APPETITE FRAMEWORK
- Enterprise Risk Management monitoring
- Risk Governance
- Controls, policies and procedures
- Monitoring and reporting

RISK APPETITE STATEMENT ("RAS")
- RAS Governance
- Principles, Limits and Thresholds
- Mitigation and management process

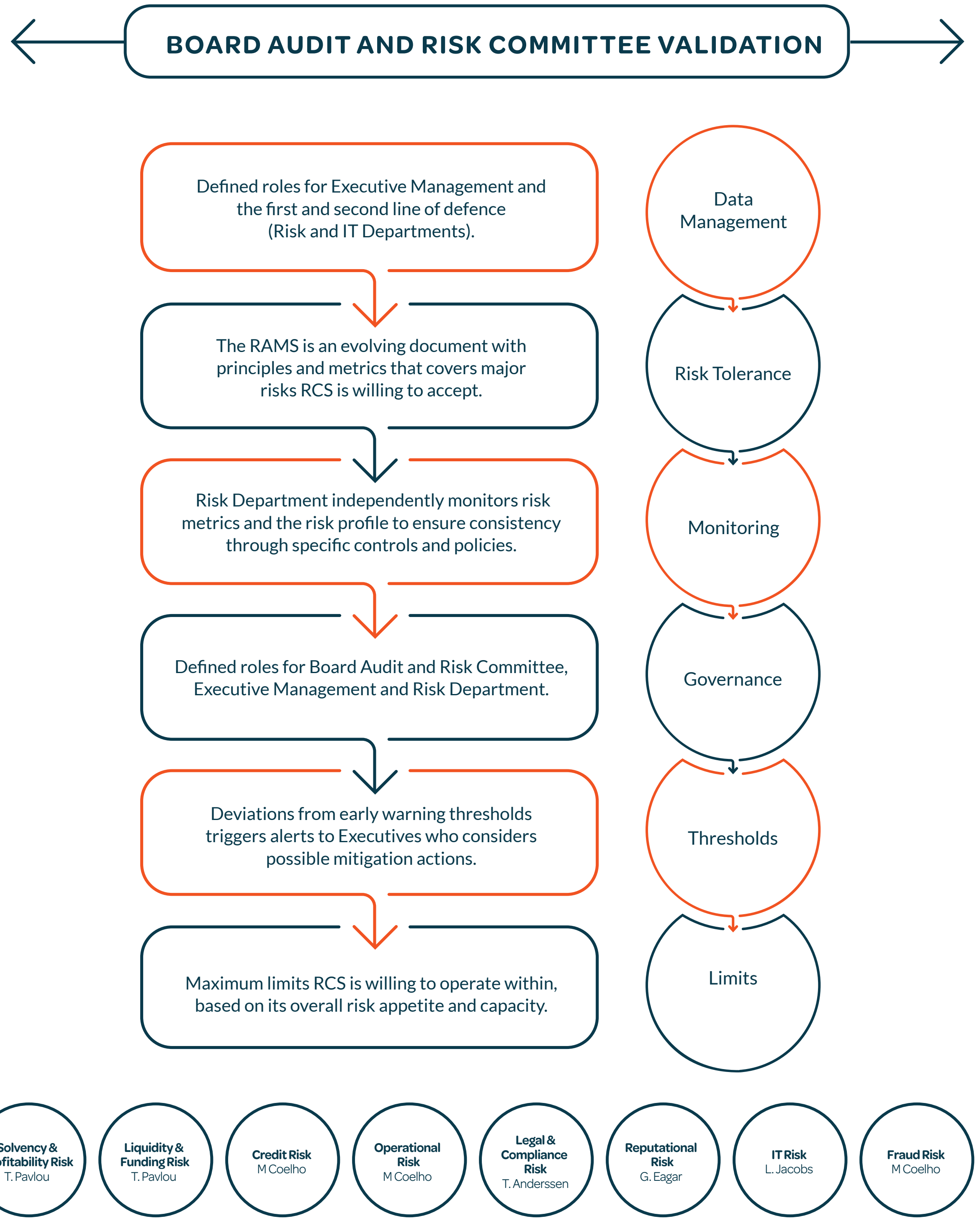
The approach also considers overall internal and external risk, business and regulatory environments in conjunction with other strategic plan and risk identification processes.



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:

- BNPP Technology Policy;
- The RCS Group Software Development Policy;
- The RCS Group Information Security and User Access Management Policies; and
- The RCS Group Cyber Security Incident Response Plan (CSIRP).

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 unauthorised access.
- System administrator activities are logged and the logs are protected and regularly reviewed.

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

CSIRP 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

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 minimise the risk of security incidents;
- Ensuring that 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 aligns with the RCS Group's business mandate.

Confidentiality	Integrity	Availability	Traceability
To ensure that information is not accessible or disclosed to unauthorised 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 authorised 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, unauthorised access and unauthorised release, in accordance with legislation, regulation, 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 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 2023.

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 2023.

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 focus in the year under review has been to fairly and consistently balance business growth and continued control of various costs on remuneration in a transparent manner and to align the RCS Group's remuneration practices and the requirements of the sole shareholder, BNPP.

REMUNERATION COMMITTEE REPORT
(continued)

Key areas of future focus
The RCS Group shall continue to focus on flexibility in remuneration and mix of rewards in the forthcoming year to align with global trends in remuneration practices.

Remuneration consultants
The RCS Group uses external remuneration experts and tools in order to conduct a number of benchmarking exercises during the year in order to evaluate remuneration practices and measure job grades accurately to assist in establishing the correct market benchmarks. This is also done in partnership with the Corporate Remuneration team of BNPP.

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 the respective operational areas' recognition programs, and is 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 profiles. The long-term incentive scheme is designed, administered and monitored by BNPP.

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.

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REMUNERATION COMMITTEE REPORT (continued)

IMPLEMENTATION REPORT

Executive directors' remuneration

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

Executive

2023

Directors' emoluments	Remuneration	Provident fund contributions	Total
	R'000	R'000	R'000
Executive directors for services, as employees, to subsidiary companies:			
RF Adams	9 670	537	10 207
M van Brakel	4 437	308	4 745
B Dev (Resigned September 2023)	4 649	-	4 649
T Pavlou (Appointed October 2023)	501	64	565
	19 257	909	20 166

2022	Remuneration	Provident fund contributions	Total
	R'000	R'000	R'000
Executive directors for services, as employees, to subsidiary companies:			
RF Adams	8 257	474	8 731
M van Brakel	4 532	273	4 805
B Dev (Resigned September 2023)	6 405	-	6 405
	19 194	747	19 941

Non-executive directors' remuneration

Total non-executive directors' remuneration for the year ended 31 December 2022:

Non-executive

2023

Directors' emoluments	Remuneration	Total
	R'000	R'000
Non-executive directors for services, as directors, to subsidiary companies:		
SW van der Merwe (Independent)	313	313
E Oblowitz	618	618
	931	931

2022	Remuneration	Total
	R'000	R'000
Non-executive directors for services, as directors, to subsidiary companies:		
SW van der Merwe	295	295
E Oblowitz	602	602
	897	897

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 PRINCIPLE 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 22 - 30.
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 32 - 33 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 34 - 39 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 PRINCIPLE 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 (BAC) 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 Board Audit and Risk Committee 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 BAC 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 page 22 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 8 - 21 of the supplementary information for more information.

KING IV PRINCIPLE 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 re-assed annually. Refer to pages 22 - 30 and 74 - 77 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 22 for more information regarding the performance evaluations of the Board of Director's.
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 23. 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 Audit and Risk Committee 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 Risk governance report on page 43.

KING IV PRINCIPLE 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 Board Audit and Risk Committee 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 48 - 50.
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 Report on page 51 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 Report on pages 53 - 57.

KING IV PRINCIPLE 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 BAC 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 Board audit and risk committee report on pages 74 - 77 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 32 - 41 for more information.

THE GROUP CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2023

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the annual consolidated financial statements fairly present the state of affairs of the RCS Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual consolidated financial statements.

The annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the RCS Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the RCS Group and all employees are required to maintain the highest ethical standards in ensuring the RCS Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the RCS Group is on identifying, assessing, managing and monitoring all known forms of risk across the RCS Group. While operating risk cannot be fully eliminated, the RCS Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the RCS Group's cash flow forecast and, in light of this review and the current financial position, they are satisfied that the
RCS Group has access to adequate resources to continue in operational existence for the foreseeable future.

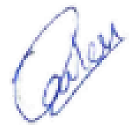
The external auditors are responsible for independently auditing and reporting on the RCS Group's annual consolidated financial statements. The annual consolidated financial statements have been examined by the RCS Group's external auditors and their report is presented on pages 78 to 82.

DIRECTORS' RESPONSIBILITY STATEMENT

(continued)

APPROVAL OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The annual consolidated financial statements set out on pages 70 to 73 and 84 to 162, which have been prepared on the going concern basis, were approved by the board of directors on 30 April 2024 and were signed on their behalf by:



T Pavlou
Chief Financial Officer

COMPANY SECRETARY STATEMENT

25 ANNIVERSARY

I hereby confirm, in my capacity as company secretary of BNP Paribas Personal Finance South Africa Limited, that for the year ended 31 December2023, the RCS Group 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
30 April 2024

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the annual consolidated financial statements of RCS Group for the year ended 31 December 2023.

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 retailers 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 annual 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, RCS Investment Holdings Namibia (Proprietary) Limited and Mobicred Proprietary Limited (for more detail on these subsidiaries refer to note 23 of the annual consolidated financial statements).

3. GENERAL REVIEW OF OPERATIONS

The results and financial position for the year ended 31 December 2023 are set out and described in the accompanying annual consolidated financial statements. No other facts or circumstances, except those disclosed below and in the annual consolidated financial statements, require further disclosure.

4. COMPLIANCE

RCS Cards Proprietary Limited and Mobicred Proprietary Limited are registered credit providers (NCR registration number NCRCP 38 and NCRCP 10896, respectively) and registered service providers with the Financial Services Board (FSB registration number 44481 and 50171, respectively). 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).

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 of 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 at the date of this report are as follows:

DIRECTORS	OFFICE	DESIGNATION	NATIONALITY
RF Adams	Chief Executive Officer	Executive	South African
M van Brakel	Chief Operating Officer	Executive	South African
B Dev (Resigned September 2023)	Chief Financial Officer	Executive	British
T Pavlou (Appointed October 2023)	Chief Financial Officer	Executive	South African
BPS Cavelier (Chairman)		Non-executive	French
PJ Alexandre*		Non-executive	Belgian
P Miron de L'Espinay*		Non-executive	French
KT Fahy*		Non-executive	Irish
SW van der Merwe*		Independent Non-executive	South African
E Oblowitz		Lead Independent Non-executive	South African
B Botchev (Appointed March 2024)		Non-executive	Bulgarian
C Lauzeral (Appointed March 2024)		Non-executive	French
V Metz (Chairman) (Appointed March 2024)		Non-Executive	French

*Resigned effective April 2024

DIRECTORS' REPORT
(continued)

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

8. BUSINESS/REGISTERED ADDRESS

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

9. HOLDING COMPANY
The RCS Group's immediate holding company is BNP Paribas Personal Finance Société Anonyme ("BNPP"), 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 board declared a distribution of capital of R300 million (2022: R500 million) to the shareholder during the reporting period.

11. EVENTS AFTER THE REPORTING PERIOD
The directors are not aware of any material event which occurred between the end of the financial year and the date of approval of these annual consolidated financial statements that may materially affect the amounts and disclosures contained in the annual consolidated financial statements.

DIRECTORS' REPORT
(continued)

12. GOING CONCERN
The directors believe that the RCS Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual consolidated financial statements have been prepared on a going concern basis.

The directors have satisfied themselves that the RCS Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. In performing the assessment, the directors considered 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.

The directors are not aware of any new material changes that may adversely impact the RCS Group. The directors are also not aware of any material noncompliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the going concern assumption of the RCS Group.

13. RESTATEMENT OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
The 2021 and 2022 annual consolidated financial statements have been restated due to the adoption of IFRS 17 Insurance Contracts. The impact of the adoption on the annual consolidated financial statements has been detailed in note 30.

14. AUDITORS
The independent audit firm Deloitte & Touche continued in office as auditors for the 2023 financial year. Deloitte & Touche was provided unrestricted 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 annual consolidated financial statements. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate. Deloitte & Touche's audit report is presented on pages 78 to 82.

BOARD AUDIT AND RISK COMMITTEE REPORT

The RCS board audit and risk committee ("the committee") is an independent statutory committee appointed by the board of directors in terms of the Companies Act 71 of 2008 (Companies Act of South Africa). The committee comprises of one independent non-executive director, who is also the chairman of the committee, and two non-executive directors.

The committee met three times during the current year. In addition, the chairman of the committee held various meetings with representatives from the internal and external auditors during the year under review and also met with these representatives without management being present.

The committee's responsibilities include statutory duties in terms of the Companies Act of South Africa. 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 recognises its important role as part of the risk management and corporate governance processes and procedures of the RCS Group.

Meeting dates and topics are agreed in advance. Each meeting is preceded by the distribution to all attendees 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; and
  - Enterprise Risk Management.

BOARD AUDIT AND RISK COMMITTEE REPORT
(continued)

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

1. EXTERNAL AUDITOR

The committee is satisfied that Deloitte & Touche as external auditor is independent of the RCS Group, as set out in section 94(8) of the Companies Act of South Africa, and the executive and senior management and therefore able to express an independent opinion on the RCS Group's annual consolidated financial statements. In reaching this conclusion the committee considered and assessed the following key matters:

- The policy and controls in place regarding the provision of non-audit services by the external auditor is appropriate. This policy includes the type of non-audit services, which is pre-approved by the committee, that the external auditor may provide;
- The nature and extent of non-audit services that were rendered by the external auditor during the financial year under review were evaluated and approved by the committee;
- Deloitte & Touche has been the external audit firm of the RCS Group for eight years;
- Confirmation received from Deloitte & Touche that the firm and its staff responsible for the audit is independent of the RCS Group;
- The appointment of Mr Llewellyn Marshall as the designated external audit partner was considered appropriate based on the representations made to the committee by the external auditor;
- Mr Llewellyn Marshall has been the designated external audit partner for three years and accordingly is not required to rotate as designated external audit partner;
- Evaluated significant changes in the management of the RCS Group during the external audit firm's tenure which may mitigate the attendant risk of familiarity between the external auditor and management; and
- In consultation with executive management, the terms of engagement, audit plan and budgeted fees for the current financial year was agreed and approved.

The committee received representations that the external auditor is at all times afforded unrestricted access to the RCS Group's records and management and was able to present any significant issues arising from the annual audit to the committee. The committee is also satisfied with the quality of the external audit based on annual representations made by the external auditor to the committee in respect of the most recent inspection findings of the audit firm and the designated external audit partner as issued by the Independent Regulatory Board for Auditors.

2. ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The committee has reviewed the accounting policies and the annual consolidated financial statements for the year ended 31 December 2023 and, based on the information provided to the committee, considers that the RCS Group's annual consolidated financial statements complies, in all material respects, with the requirements of IFRS and the Companies Act of South Africa.

Management's assessment of the going concern and sustainability of the RCS Group was considered and recommendation made to the board that the going concern assumption is appropriate and that it be formally adopted by the board.

BOARD AUDIT AND RISK COMMITTEE REPORT
(continued)

In addition, the committee has reviewed the audit report of the external auditor, including assessing the appropriateness of the key audit matter and steps taken to address the matter. The committee has ensured that management and the external auditor has adequately and appropriately addressed the level of allowance for impairment that is recognised, being the most significant matter in relation to the annual consolidated financial statements.

The committee also considered, based on the information provided and representations made to the committee, that the annual consolidated financial statements adequately reflect the RCS Group's adoption of IFRS 17 in the current year.

3. INTERNAL CONTROL

The committee has considered information and explanations supplied by management and obtained through discussions and reports issued by the independent external auditor and internal auditors, that the system of internal financial controls is effectively designed and implemented to provide reasonable assurance against material loss or error and accordingly that the system of internal financial controls forms a basis for the preparation of reliable financial statements.

4. INTERNAL AUDIT

The committee has assessed that the RCS Group's internal audit function in terms of independence, resources and authority to enable it to effectively discharge its duties. The internal audit plan as well as any amendments were approved by the committee.

BOARD AUDIT AND RISK COMMITTEE REPORT
(continued)

5. OTHER ACTIVITIES

The committee has also carried out the following functions and duties:

- Reviewed and monitored the adequacy and effectiveness of the RCS Group's enterprise-wide risk management policies, processes and mitigating strategies;
- Provided a forum for discussing business risk and control issues and developed recommendations for consideration by the board;
- Monitored the governance of information technology and the effectiveness of the RCS Group's information systems; and
- Satisfied itself that the RCS Group's chief financial officer and the finance function has appropriate expertise, resource complement, experience and competence.

The committee confirms that it has conducted its affairs in compliance with, and discharged its responsibilities in terms of, its charter for the year ended 31 December 2023.

E Oblowitz
Board Audit and Risk Committee Chairman
30 April 2023

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 84 to 162, which comprise the consolidated statement of financial position as at 31 December 2023, 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 2023, 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 84% 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 including inflation overlay (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 1.5, 5 and 26, 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 'RCS Group Audited Consolidated Annual Financial Statements for the year ended 31 December 2023', 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, 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 8 years.

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Registered Auditor
Per: Llewellyn Marshall
Partner
30 April 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Notes	31 December 2023 R'000	31 December 2022 Restated R'000	31 December 2021 Restated R'000
ASSETS				
Cash and cash equivalents	4	1 198 936	1 117 451	1 046 835
Card and loan receivables	5	12 693 831	11 397 281	10 546 624
Other receivables	6	175 845	135 053	108 885
Insurance contract assets	7	214 516	313 348	338 204
Taxation		56 928	80 130	33 423
Deferred taxation	8	352 910	366 405	381 207
Property and equipment	9	45 907	55 171	63 574
Intangible assets	10	253 722	241 011	139 560
Goodwill	11	113 229	113 229	56 855
Total assets		**15 105 824**	**13 819 079**	**12 715 167**
EQUITY				
Stated capital	13	1 474 921	1 774 921	2 274 921
Reserves		7 040	7 367	8 025
Retained income		2 200 270	1 995 027	1 618 609
Total equity		**3 682 231**	**3 777 315**	**3 901 555**
LIABILITIES				
Trade and other payables	14	682 352	647 560	606 405
Funding	15	10 741 241	9 394 204	8 207 207
Total liabilities		**11 423 593**	**10 041 764**	**8 813 612**
Total equity and liabilities		**15 105 824**	**13 819 079**	**12 715 167**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Notes	31 December 2023 R'000	31 December 2022 Restated R'000
Interest earned	17	2 744 524	2 197 676
Interest expense		(857 770)	(516 694)
Net interest income		**1 886 754**	**1 680 982**
Other income	18	984 890	947 022
Insurance revenue	7	401 264	350 992
Insurance service expense	7	(147 460)	(135 651)
Insurance finance income or expense	4	27 364	19 804
Transaction fee expense		(270 520)	(253 857)
Operating costs		(1 463 634)	(1 392 893)
Cost of risk		(1 160 516)	(759 285)
Profit before taxation		**258 142**	**457 114**
Taxation expense	20	(52 899)	(80 696)
Profit for the year		**205 243**	**376 418**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Movements in foreign currency translation reserve		(327)	(658)
Other comprehensive income for the year net of taxation		**(327)**	**(658)**
Total comprehensive income for the year		**204 916**	**375 760**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for year ended 31 December 2023

	Stated capital	Foreign currency translation reserve	Retained income	Total equity
	R'000	R'000	R'000	R'000
Balance as at 31 December 2021	**2 274 921**	**8 025**	**1 615 909**	**3 898 855**
Change in accounting policy	-	-	2 700	2 700
- Adoption of IFRS 17: Insurance Contracts				
Balance at 1 January 2022 as restated	**2 274 921**	**8 025**	**1 618 609**	**3 901 555**
Profit for the year	-	-	376 418	376 418
Other comprehensive income	-	(658)	-	(658)
Total comprehensive income for the year	**-**	**(658)**	**376 418**	**375 760**
Distribution of capital	(500 000)	-	-	(500 000)
Balance at 1 January 2023	**1 774 921**	**7 367**	**1 995 027**	**3 777 315**
Profit for the year	-	-	205 243	205 243
Other comprehensive income	-	(327)	-	(327)
Total comprehensive income for the year	**-**	**(327)**	**205 243**	**204 916**
Distribution of capital	(300 000)	-	-	(300 000)
Balance at 31 December 2023	**1 474 921**	**7 040**	**2 200 270**	**3 682 231**
Note(s)	13		13	

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Notes	31 December 2023 R'000	31 December 2022 Restated R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations	21	(816 887)	(244 344)
Taxation paid	22	(16 198)	(129 257)
Interest paid on lease liability		(3 820)	(5 694)
Net cash from operating activities		**(836 905)**	**(379 295)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	9	(22 148)	(25 739)
Proceeds from sale of property and equipment	9	635	949
Purchase of intangible assets	10	(78 294)	(103 836)
Net cash paid on acquisition of business		-	(86 466)
Net cash from investing activities		**(99 807)**	**(215 092)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of funding		(6 636 422)	(2 451 431)
Proceeds from funding		7 748 991	3 154 000
Repayment of lease liabilities		(26 107)	(21 994)
Increase in bank overdrafts		231 735	484 428
Distribution of capital		(300 000)	(500 000)
Net cash from financing activities		**1 018 197**	**665 003**
Total cash movement for the year		81 485	70 616
Cash and cash equivalents at beginning of the year		1 117 451	1 046 835
Cash and cash equivalents at end of the year	4	**1 198 936**	**1 117 451**

ACCOUNTING POLICIES

for the year ended 31 December 2023

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 2023 comprise the company 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 the RCS Group's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

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 holding company and entities controlled by the holding company.

The holding company controls an entity when the holding company 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 holding company. 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
- the recognised amount of any non-controlling interest in the acquiree; plus
- 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.

1.3 BASIS OF CONSOLIDATION (CONTINUED)

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.

1.4 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 classification between the 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.

1.5 FINANCIAL INSTRUMENTS

A financial instrument (financial asset or financial liability) 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, financial assets at fair value through profit or loss, funding and trade and other payables.

Initial measurement

Financial instruments are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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 allowance for impairment losses. An allowance for impairment 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 1.20.

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 expected credit losses ("ECL") since initial recognition are recognised in the allowance for impairment.

1.5 FINANCIAL INSTRUMENTS (CONTINUED)

Other receivables

Other receivables are carried at amortised cost using the effective interest rate method less provision for expected credit losses.

Expected credit loss impairment model

Credit loss allowances are measured at 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 in the 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).

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; i.e. the customer has three contractual installment payments overdue. A full payment of current and arrear instalments is 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.

1.5 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 strategies, taking into account legal advice where appropriate. Any recoveries made post write-off are recognised in profit or loss. The RCS Group implements a write-off point of 8 years after transfer to card and loan receivables handed over to recoveries collections agencies, except in exceptional cases where an earlier write-off is appropriate (such as death, insolvency, account fraud and prescription).

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of write-off ("PW"), loss given write-off ("LGW") (i.e. the magnitude of the loss if there is a write-off) and the exposure at write-off ("EAW"). The assessment of the probability of write-off and loss given write-off is based on historical data adjusted by forward-looking information. 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 allowance for impairment 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 allowance for impairment 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 an allowance for impairment account.

1.5 FINANCIAL INSTRUMENTS (CONTINUED)

(v) 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 BNPP 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. Refer to note 1.20.

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.

In addition to the forward-looking information modelled within the ECL allowance as noted above, management considers any other relevant facts and circumstances which might be relevant in relation to the forward-looking component of the ECL allowance. Additional forward-looking allowances are raised to encapsulate these facts and circumstances as appropriate. Refer to note 1.20.

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.

The cash flows in respect of bank overdrafts are reported on a net basis in the statement of cash flows due to the short turnaround and large value of cash flows.

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.

1.6 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.

1.7 GOODWILL

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.8 INTANGIBLE ASSETS

Intangible assets acquired separately

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 profit or loss.

Internally generated intangible assets

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 profit or loss 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.

ACCOUNTING POLICIES

for the year ended 31 December 2023 (continued)

1.8 INTANGIBLE ASSETS (CONTINUED)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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 varies between 33% for general software to 10% for specific systems/functionalities depending on the period over which it is expected the business will derive benefit from the asset.

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

1.9 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 cashgenerating 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 2023 (continued)

1.10 LEASES

The RCS Group assesses whether a contract is or contains a lease, at inception of a contract. The RCS Group recognises a right-of-use ("ROU") 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 RCS Group's incremental borrowing rate. The incremental borrowing rate is calculated using the average interest rate of long term funding currently drawn.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

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 RCS Group remeasures the lease liability whenever there are changes to the lease term or lease payments payable or when the lease contract is modified. No such changes were made in the current financial period.

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

The RCS Group applies IAS 36 to determine whether a ROU asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

ACCOUNTING POLICIES

for the year ended 31 December 2023 (continued)

25 ANNIVERSARY

1.11 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.

1.12 DIVIDENDS

Dividends are accounted for in the period when the dividend is declared. Dividends declared on equity instruments after the reporting date are accordingly not recognised as liabilities at the reporting date.

1.13 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.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate 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 creditadjusted 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.

ACCOUNTING POLICIES

for the year ended 31 December 2023 (continued)

1.14 INTEREST EXPENSE

Interest expense comprises interest which has been incurred on borrowings, including lease liabilities and are recognised in profit or loss.

1.15 OTHER INCOME

Collection income

Collection income is measured based on the consideration to which the RCS 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 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 arrangements and is recognised when declared.

1.16 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.

1.17 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

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

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 2023 (continued)

1.18 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of all short-term employee benefits are recognised in profit or loss 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.

Short-term employee benefits also includes the RCS Group's discretionary short-term incentives payable to all qualifying employees in respect of the related service in the current period.

Defined contribution plans

The RCS Group contributes 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 profit or loss 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 profit or loss as the related service is provided.

ACCOUNTING POLICIES

for the year ended 31 December 2023 (continued)

1.19 FOREIGN CURRENCIES

Foreign currency transactions

Transactions in currencies other than the RCS Group'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.

1.20 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 may 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 significant estimates and judgements applied are described below. Refer to note 1.6, 5 and 27 for additional disclosure on the allowance for impairment.

(i) ECL modelling

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 company'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

A significant increase in credit risk 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 basis under stage 1.

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

1.20 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Forward-looking information incorporated in ECL models

The following probablities and factors were assigned in the current financial year with respect to the modelled forward-looking ECL allowance:

- Baseline scenario: 50% probability and a 4.7% 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: 45% probability and 4.6% increase in ECL allowance as this is the scenario anticipating a deterioration in the macroeconomic environment after the reporting date.
- Favourable scenario: 5% probability and 7.6% decrease in ECL allowance as this is the scenario that anticipates an improvement in the macroeconomic environement after the reporting date.

Management has further considered the heightened inflation rate environment currently experienced and applied an additional out-of-model forwardlooking information overlay.

Management is of the view that the cumulative impact of a sustained higher inflation environment will impact a segment of customers that are current at the reporting date, but will experience difficulty in absorbing the cumulative inflation impact. This cumulative inflation impact will place pressure on disposable income and the segment of customers will face difficulty in honouring future instalments due and display a significant increase in credit risk in the foreseeable future.

The segment of customers most vulnerable were identified with reference to a threshold of disposable income. Disposable income was considered the most appropriate indicator of identifying the ability of customers to absorb inflationary pressure; as increased inflation will reduce future disposable income and accordingly their ability to honour future debt instalments from a lower disposable income.

The threshold was determined taking into consideration average household expenses, average disposable income, average customer instalments due to the Group and potential inflationary impact on household expenditure. This assessment was based on internal granting data, bureau information and industry data on inflationary trends.

All customers that are current at the reporting date with a disposable income below this threshold were considered.

1.20 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

The overlay was determined by assuming these customers will experience a significant increase in credit risk in the foreseeable future, and therefore transfer from stage 1 to stage 2. The consequent impact on ECL allowance was determined and recognised as the out-of-model forward-looking information overlay.

The threshold of disposable income is an area of key estimation uncertainty in determining the out-of-model forward-looking information overlay.

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, strategic and future 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 loss is recognised in profit or loss. 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 to 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 are expected to be derived.

Insurance contracts

The RCS Group adopted IFRS 17 from 1 January 2023, with the transition date being 1 January 2022.

The RCS Group sells insurance contracts through its cell captive arrangements to its customers and these contracts are considered to be in-substance reinsurance contracts; and therefore fall within the scope of IFRS 17. The RCS Group will use the premium allocation approach ("PAA") allowed under IFRS 17 given that the coverage period of the RCS Group's insurance contracts is one year or less. This approach will simplify the measurement of the RCS Group's insurance contracts.

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 and capital adequacy ratios fall below the prescribed levels. This risk is managed on an ongoing basis through review of the ratios and liquidity of the individual cell captive arrangements.

A confidence level of 85% is used to calculate the risk adjustment for non-financial risk.

1.21 INSURANCE CONTRACTS

Classification

Contracts under which the company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

RCS is required to recapitalise each cell by subscribing for additional shares if the Financial Soundness Requirements of the cell fall below the minimum threshold, or if the cell is not in a financially sound condition. The requirement to recapitalise the cell is as a result of insurance risk.

Through the shareholders agreement with Guardrisk, it is deemed that RCS is exposed to significant insurance risk, and these contracts are within the scope of IFRS 17 Insurance Contracts. Insurance risk is risk other than financial risk.

Aggregation and recognition of insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

RSC considers each of its shareholders agreements as a separate portfolio:

- Guardrisk insurance
- Guardrisk life

The two cell captives have been reported on an aggregated basis in note 7, due to the majority of insurance contracts being held within one of the two cells.

1.21 INSURANCE CONTRACTS (CONTINUED)

Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows:

Insurance contracts:

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when:

- The company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- The company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The reassessment of risks considers only risks transferred from policyholders to the company, which may include both insurance and financial risks, but exclude lapse and expense risks.

RCS considers the contract boundary of the shareholder agreements to be short term in nature (i.e. one year or less) based on the obligations and rights of the cell agreement.

Measurement – contracts measured under PAA

The RCS Group uses the PAA (premium allocation approach) to simplify the measurement of groups of contracts when the following criteria are met at inception:

- The coverage period of each contract in the group is one year or less; or
- The company reasonably expects that the resulting measurement of the liability (or asset) for remaining coverage would not differ materially from the result of applying the accounting policies for contracts not measured under PAA.

The shareholders agreements meet the criteria of IFRS 17.53(b) which states that if the coverage period of each contract in the group (including insurance contract services arising from all premiums within the contract boundary determined at that date applying paragraph 34) is one year or less, PAA may be applied.

1.21 INSURANCE CONTRACTS (CONTINUED)

On initial recognition of each group of contracts, the carrying amount of the liability for the remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group. Where the coverage period is one year or less, the company has elected to expense insurance acquisition cash flows as they are incurred.

Subsequently the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses (where not expensed upfront), and decreased by the amount recognised an insurance revenue for services provided. On initial recognition of each group of contracts, the company expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.The interest and fair value gains that are accrued within the cells are recognised as finance income within the income statement.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the company recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

The RCS Group recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

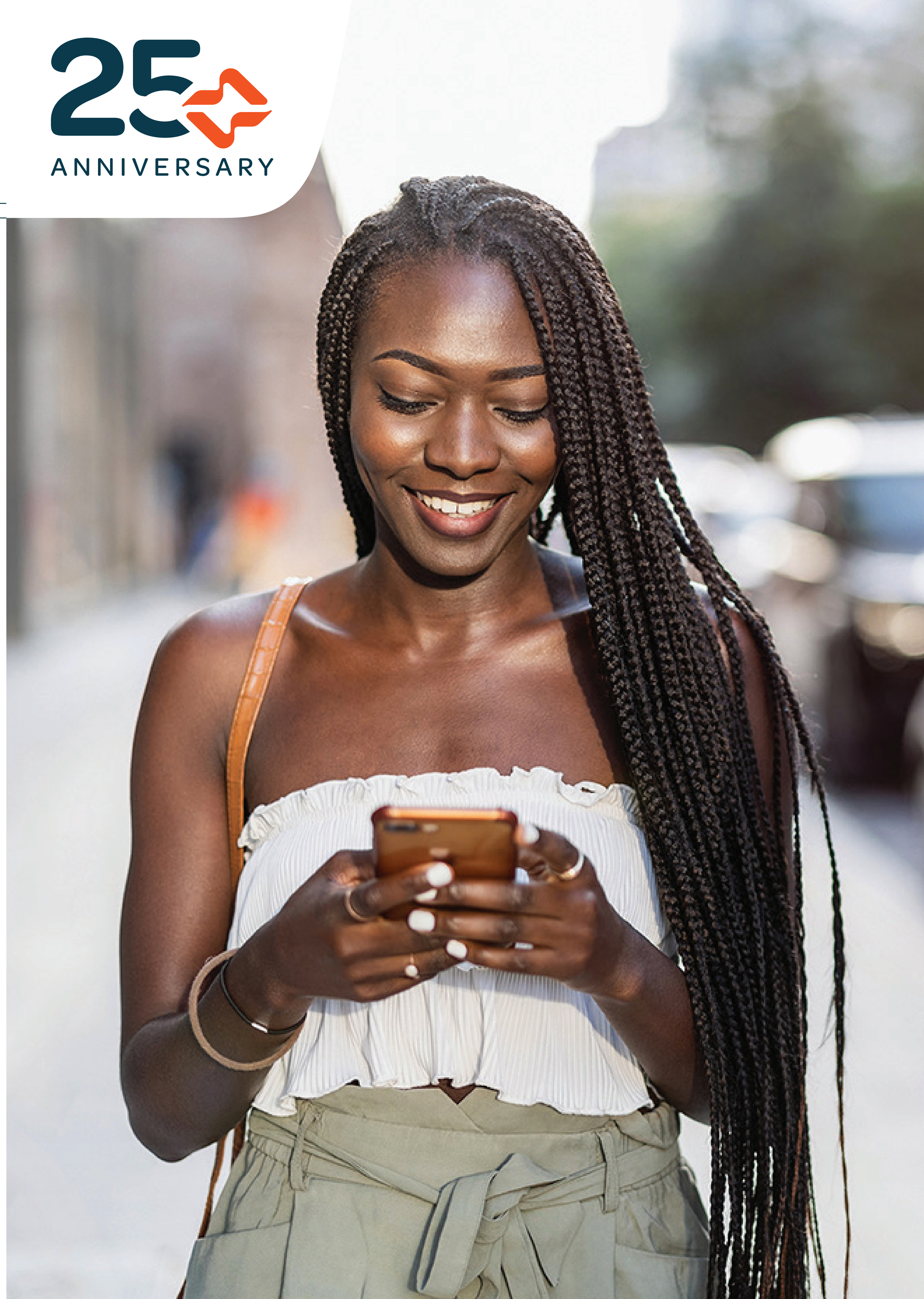
Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts are included in the carrying amount of the related portfolios of contracts.

The RCS Group recognises an insurance service result in the consolidated statement of profit or loss, comprising insurance revenue, insurance service expenses and insurance finance income or expenses.

The RCS Group does not disaggregate changes in the Risk Adjustment ("RA") for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the RA for non-financial risk are included in the insurance service result. The cell insurer calibrates its RA on Liabilities for Incurred Claims at a 85% confidence level per non-financial risk type. An RA factor is calculated by scaling the regulatory solvency requirements on the regulatory claims liability for each insurance risk from the 99.5% confidence level to the 85% confidence level, assuming a standard normal distribution, and expressing the factor as a percentage of the claims liability.

ACCOUNTING POLICIES
for the year ended 31 December 2023 (continued)



1.21 INSURANCE CONTRACTS (CONTINUED)

Insurance revenue and insurance service expenses exclude ant investment components and are recognised as follows:

Insurance revenue – contracts measured under the PAA
The insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The RCS Group allocates the expected premium receipts to each period on the passage of time, unless another basis is more appropriate.

Insurance Service Expense
Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They comprise the following items:

- Incurred claims and other insurance service expenses.
- Amortisation of insurance acquisition cash flows.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

Insurance finance income and expenses
Insurance finance income and expenses comprise changes in the carrying amount of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein. The RCS Group presents insurance finance income or expenses in profit or loss.

Transition
The company has applied a fully retrospective transition approach to all contracts in force on transition date.

NEW STANDARDS AND INTERPRETATIONS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

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

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules	01 January 2023	No material impact
Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	01 January 2023	No material impact
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies	01 January 2023	No material impact
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates	01 January 2023	No material impact
Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	01 January 2023	No material impact
IFRS 17 Insurance Contracts	01 January 2023	Impact is discussed in detail in note 7 and note 30.

NEW STANDARDS AND INTERPRETATIONS

(continued)

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE OR RELEVANT

The following standards and interpretations have been published and are mandatory for the company's accounting periods beginning on or after 01 January 2024:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants	01 January 2024	Unlikely there will be a material impact
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures: Supplier Finance Arrangements	01 January 2024	Unlikely there will be a material impact
Amendment to IFRS 16: Lease liability in a sale and leaseback	01 January 2024	Unlikely there will be a material impact
IFRS 18 Presentation and Disclosure in Financial Statements	01 January 2024	Impact is currently being assessed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3. SEGMENTAL INFORMATION

The RCS Group has identified 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:

Reportable Segment	**Products and services**
Cards segment	Credit card, general utility card and private label card products offered to consumers 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
Other segments	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 - 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 the quantitative thresholds required by IFRS 8 for determining reportable segments n the current of 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

Segmental revenue and results

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 2023 (continued)

3. SEGMENTAL INFORMATION (CONTINUED)

31 December 2023	Cards	Loans	Other	Total
	R'000	R'000	R'000	R'000
Interest earned	2 351 448	392 589	487	2 744 524
Interest expense	(770 239)	(106 611)	19 080	(857 770)
Net interest income	**1 581 209**	**285 978**	**19 567**	**1 886 754**
Inter-segmental (expense) / income	(53 415)	(6 100)	59 515	-
Other income	836 016	148 236	637	984 889
Insurance revenue	384 741	43 934	-	428 675
Insurance service expenses	(132 347)	(15 113)	-	(147 460)
Profit before taxation	221 068	28 538	16 763	266 369
Manpower costs - salaries	(387 127)	(57 060)	(19 306)	(463 493)
Premises costs	(32 508)	(5 037)	-	(37 545)
Cost of risk	(978 234)	(181 801)	(481)	(1 160 516)
Collection costs	(192 794)	(23 883)	20 402	(196 275)
Depreciation and amortisation	(87 052)	(9 943)	-	(96 995)
Fair value adjustment on financial asset	(91 508)	(10 449)	-	(101 957)
Interest on lease liability	(3 428)	(391)	-	(3 819)
Capital expenditure	(91 605)	(10 460)	-	(102 065)
Taxation	(42 986)	(4 910)	(5 003)	(52 899)
Segment assets	13 430 501	1 534 052	147 278	15 111 831
Segment liabilities	10 252 060	1 171 006	530	11 423 596

Geographical Information	South Africa	Botswana	Namibia	Total
	R'000	R'000	R'000	R'000
Interest earned	2 675 094	38 344	31 086	2 744 524
Other income	960 719	18 480	5 690	984 889
Non-current assets	478 014	-	-	478 014

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

3. SEGMENTAL INFORMATION (CONTINUED)

31 December 2022	Cards R'000	Loans R'000	Other R'000	Total R'000
Interest earned	1 894 203	303 473	-	2 197 676
Interest expense	(468 715)	(57 825)	9 486	(517 054)
Net interest income	**1 425 488**	**245 648**	**9 486**	**1 680 622**
Inter-segmental (expense) / income	(50 166)	(6 562)	56 728	-
Other income	807 669	138 691	662	947 022
Insurance revenue	327 906	42 890	-	370 796
Insurance service expenses	(119 960)	(15 691)	-	(135 651)
Profit before taxation	332 146	113 169	11 799	457 114
Manpower costs - salaries	373 728	40 449	18 967	433 144
Premises costs	30 578	3 991	7	34 576
Cost of risk	673 321	86 389	(425)	759 285
Collection costs	201 878	24 443	(19 978)	206 343
Depreciation and amortisation	72 967	9 544	-	82 511
Fair value adjustment on financial asset	15 975	2 090	-	18 065
Interest on lease liability	5 034	659	-	5 693
Capital expenditure	99 861	13 062	-	112 923
Taxation	68 801	8 999	2 896	80 696
Segment assets	11 718 859	1 532 828	567 392	13 819 079
Segment liabilities	8 799 976	1 151 037	90 751	10 041 764

Geographical Information	South Africa R'000	Botswana R'000	Namibia R'000	Total R'000
Interest earned	2 137 900	35 661	23 815	2 197 376
Other income	923 665	17 204	6 143	947 022
Non-current assets	489 541	-	-	489 541

4. CASH AND CASH EQUIVALENTS

	31 December 2023 R'000	31 December 2022 R'000
Cash and cash equivalents consist of:		
Bank balances	1 198 936	1 117 451

Bank balances are held in South African Rands, Namibian Dollars and Botswana Pula.

The RCS Group does not have significant restricted cash and cash equivalents.

5. CARD AND LOAN RECEIVABLES

	31 December 2023 R'000	31 December 2022 R'000
Active card and loan receivables		
Gross	14 257 841	12 750 342
Less: allowance for impairment	(2 129 886)	(1 924 957)
Net active card and loan receivables	**12 127 955**	**10 825 385**
Allowance as a percentage of gross card and loan receivables	**14,9%**	**15,1%**
Card and loan receivables handed over to recoveries collection agencies		
Gross	2 370 166	2 605 508
Less: allowance for impairment	(1 804 290)	(2 033 612)
Net cards and loan receivables handed over to recoveries collection agencies	**565 876**	**571 896**
Allowance as a percentage of gross card and loan receivables	**76,1 %**	**78,1 %**

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.

During the current period, card and loan receivables handed over to recoveries collection agencies with gross balances of R714 million (31 December 2022: R1 694 million) were sold as part of debt sales undertaken by the RCS Group.

	31 December 2023 R'000	31 December 2022 R'000
Total card and loan receivables		
Gross	16 628 007	15 355 850
Less: allowance for impairment	(3 934 176)	(3 958 569)
Net card and loan receivables	**12 693 831**	**11 397 281**
Allowance as a percentage of gross card and loan receivables	**23,7%**	**25,8%**

5. CARD AND LOAN RECEIVABLES (CONTINUED)

	31 December 2023 R'000	31 December 2022 R'000
Analysis of card and loan receivables by type		
Card and private label receivables	11 392 556	10 078 953
Personal loan receivables	1 301 275	1 318 328
	12 693 831	**11 397 281**

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 period under review is 19.5% (2022: 17.4%).

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 period under review is 22.0% (2022: 21.4%).

The RCS Group's management of, and exposure to, market and credit risk is disclosed in note 26.

The RCS Group monitors the ageing of its card and loan receivables on a contractual basis. Customers that are not past due make up 77.7% of net card and loan receivables (2022: 80.3%). 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.

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 (2022: Rnil). No card and loan receivables written off during the year are subject to enforcement activity (2022: Rnil).

5. CARD AND LOAN RECEIVABLES (CONTINUED)

The following table details the risk profile of 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 2023 Active card and loan receivables	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Gross active card and loan receivables	11 134 246	1 562 718	1 560 877	14 257 841
Allowance for impairment	(514 558)	(873 460)	(741 868)	(2 129 886)
Net active card and loan receivables	**10 619 688**	**689 258**	**819 009**	**12 127 955**
Provision %	4,6 %	55,9 %	47,5 %	14,9%

Card and loan receivables handed over to recoveries collection agencies is measured at stage 3 with a provision percentage of 76.1% (2022: 78.1%).

Included within gross card and loan receivables handed over to collection agencies, classified as stage 3, is the POCI portfolio of R36.9 million (2022: R48.3 million), with an allowance for impairment of R29.6 million (2022: R9.4 million).

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

December 2023 Gross active card receivables	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
1 January 2023	9 084 073	1 131 917	1 010 387	11 226 377
Credit originated*	1 388 003	138 879	89 711	1 616 593
Changes in gross balances**	457 425	(1 597)	(74 490)	381 338
Transfers between stages	(1 441 627)	(12 890)	1 556 173	101 656
Changes in credit risk	264 415	32 642	37 931	334 988
Accounts written off and transferred to card receivables handed over to recoveries collection agencies	(100 752)	-	(1 337 616)	(1 438 368)
31 December 2023	**9 651 537**	**1 288 951**	**1 282 096**	**12 222 584**

* Refers to new accounts originated in the period.
** Refers to changes in existing customer balances.

5. CARD AND LOAN RECEIVABLES (CONTINUED)

December 2023
Gross active loan receivables

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
1 January 2023	1 116 646	196 568	210 751	1 523 965
Credit originated*	1 060 644	104 066	67 136	1 231 846
Changes in gross balances**	(140 738)	(5 514)	(37 578)	(183 830)
Transfers between stages	(558 809)	(22 497)	524 277	(57 029)
Changes in credit risk	4 966	1 144	914	7 024
Accounts written off and transferred to card receivables handed over to recoveries collection agencies	-	-	(486 719)	(486 719)
31 December 2023	**1 482 709**	**273 767**	**278 781**	**2 035 257**

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

December 2023
Active card receivables:
Allowance for impairment

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
1 January 2023	437 417	679 568	517 723	1 634 708
Credit originated*	60 362	60 327	42 241	162 930
Changes in gross balances**	41 751	244	(36 791)	5 204
Transfers between stages	(61 877)	17 562	421 122	376 807
Changes in credit risk	(51 969)	(19 408)	(1 127)	(72 504)
Accounts written off and transferred to card receivables handed over to recoveries collection agencies	-	-	(341 115)	(341 115)
31 December 2023	**425 684**	**738 293**	**602 053**	**1 766 030**

* Refers to new accounts originated in the period.
** Refers to changes in existing customer balances.

5. CARD AND LOAN RECEIVABLES (CONTINUED)

December 2023
Active loan receivables:
Allowance for impairment

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
1 January 2023	58 298	113 202	118 749	290 249
Credit originated*	66 493	50 148	34 255	150 896
Changes in gross balances**	(4 747)	(1 601)	(25 551)	(31 899)
Transfers between stages	(31 175)	(8 732)	109 430	69 523
Changes in credit risk	5	(17 850)	2	(17 843)
Accounts written off and transferred to card receivables handed over to recoveries collection agencies	-	-	(97 070)	(97 070)
31 December 2023	**88 874**	**135 167**	**139 815**	**363 856**

The qualitative nature of the reconciliation of changes in gross balances and the allowance for impairment were re-evaluated in the current period. Accordingly, the comparative tables have been restated to enhance understandability and comparability to the current period.

December 2022
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	10 200 719	1 328 485	1 221 138	12 750 342
Allowance for impairment	(495 715)	(792 770)	(636 472)	(1 924 957)
Net active card and loan receivables	9 705 004	535 715	584 666	10 825 385
Provision %	4,9 %	59,7 %	52,1 %	15,1 %

5. CARD AND LOAN RECEIVABLES (CONTINUED)

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

December 2022
Gross active card receivables

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
1 January 2022	8 126 094	1 106 610	927 074	10 159 778
Credit originated*	1 230 939	105 094	47 812	1 383 845
Changes in gross balances**	594 013	9 988	(67 006)	536 995
Transfers between stages	(1 082 590)	(58 839)	1 252 628	111 199
Changes in credit risk	332 606	(30 936)	75 289	376 959
Accounts written off and transferred to card receivables handed over to recoveries collection agencies	(116 989)	-	(1 225 410)	(1 342 399)
31 December 2022	9 084 073	1 131 917	1 010 387	11 226 377

December 2022
Gross active loans receivables

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
1 January 2022	1 097 369	150 051	296 944	1 544 364
Credit originated*	753 995	52 484	27 742	834 221
Changes in gross balances**	(169 911)	(6 967)	(37 589)	(214 467)
Transfers between stages	(404 696)	(64 122)	417 679	(51 139)
Changes in credit risk	(160 111)	65 122	(25 057)	(120 046)
Accounts written off and transferred to card receivables handed over to recoveries collection agencies	-	-	(468 968)	(468 968)
31 December 2022	1 116 646	196 568	210 751	1 523 965

5. CARD AND LOAN RECEIVABLES (CONTINUED)

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

December 2022
Active card receivables
Allowance for impairment

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
1 January 2022	417 012	572 993	635 674	1 625 679
Credit originated*	47 477	43 303	24 283	115 063
Changes in gross balances**	32 667	6 926	(21 337)	18 256
Transfers between stages	(296 259)	302 009	285 875	291 625
Changes in credit risk	236 520	(245 663)	(81 400)	(90 543)
Accounts written off and transferred to card and loan receivables handed over to recoveries collection agencies	-	-	(325 372)	(325 372)
31 December 2022	437 417	679 568	517 723	1 634 708

December 2022
Active loan receivables
Allowance for impairment

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
1 January 2022	67 214	46 228	166 981	280 423
Credit originated*	42 167	22 668	15 902	80 737
Changes in gross balances**	(17 228)	(2 287)	(23 420)	(42 935)
Transfers between stages	(49 620)	(3 378)	92 722	39 724
Changes in credit risk	15 765	49 971	(6 262)	59 474
Accounts written off and transferred to card and loan receivables handed over to recoveries collection agencies	-	-	(127 174)	(127 174)
31 December 2022	58 298	113 202	118 749	290 249

* Refers to new accounts originated in the period.
** Refers to changes in existing customer balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023 (continued)

6. OTHER RECEIVABLES

	31 December 2023 R'000	31 December 2022 R'000
Corporate debtor	68 561	65 417
RCS Home Loans joint operation deposit	15 148	15 148
Other receivables	39 831	24 603
Prepayments	20 669	17 050
Merchant receivables	31 636	12 835
	175 845	**135 053**

In the current period, other receivables consist mainly of salary control accounts of R37.0 million (2022: R24.5 million).

Management has 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 2023 (continued)

7. INSURANCE CONTRACT ASSETS

	31 December 2023 R'000	31 December Restated 2022 R'000	31 December Restated 2021 R'000
Insurance contract assets	214 516	313 348	338 204

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 underwritten by Guardrisk to its customers. The short-term cell has a net insurance contract asset balance of R27.9 million (31 December 2022: R104 million).

Guardrisk Life Limited (RCS Cards Proprietary Limited Cell no. 78)
The RCS Group sells long-term insurance policies with death benefits underwritten by Guardrisk to its customers. The life cell has a net insurance contract asset balance of R186.6 million (31 December 2022: R209.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023 (continued)

7. INSURANCE CONTRACT ASSETS (CONTINUED)

The insurance contract asset consists of the following components:

	R'000	R'000	R'000	R'000	R'000
Reconciliation of the liability for remaining coverage and the liability for incurred claims	**Liability for remaining coverage**		**Liability for incurred claims**		**Total asset**
	Excluding loss component	**Loss component**	**Best Estimate Liability**	**Risk Adjustment**	
Net balance as at 1 January 2022	387 120	-	(43 822)	(5 094)	338 204
Insurance revenue	350 992	-	-	-	350 992
Insurance service expense					
- Incurred claims	-	-	(46 084)	(319)	(46 403)
- Tax expense	-	-	(89 248)	-	(89 248)
- Amortisation of insurance acquisition cash flows	-	-	-	-	-
- Changes that relate to past service - adjustments to the LIC	-	-	-	-	-
- Losses on onerous contracts and reversal of those losses	-	-	-	-	-
Insurance service result	350 992	-	(135 332)	(319)	215 341
Finance income from insurance contracts issued	19 803	-	-	-	19 803
Total amounts recognised in comprehensive income	370 795	-	(135 332)	(319)	235 144
Investment components	-	-	-	-	-
Cash flows					
Premiums received	-	-	-	-	-
Claims and other directly attributable expenses	-	-	-	-	-
Insurance acquisition cash flow amortisation	-	-	-	-	-
Dividend paid	(405 577)	-	145 577	-	(260 000)
Balance as at 31 December 2022	**352 338**	**-**	**(33 577)**	**(5 413)**	**313 348**

7. INSURANCE CONTRACT ASSETS (CONTINUED)

	R'000	R'000	R'000	R'000	R'000
Reconciliation of the liability for remaining coverage and the liability for incurred claims	**Liability for remaining coverage**		**Liability for incurred claims**		**Total asset**
	Excluding loss component	**Loss component**	**Best Estimate Liability**	**Risk Adjustment**	
Net balance as at 1 January 2023	352 338	-	(33 577)	(5 413)	313 348
Insurance revenue	401 264	-	-	-	401 264
Insurance service expense					
- Incurred claims	-	-	(43 205)	(283)	(43 488)
- Tax expense	-	-	(103 972)	-	(103 972)
- Amortisation of insurance acquisition cash flows	-	-	-	-	-
- Changes that relate to past service - adjustments to the LIC	-	-	-	-	-
- Losses on onerous contracts and reversal of those losses	-	-	-	-	-
Insurance service result	401 264	-	(147 177)	(283)	253 804
Finance income from insurance contracts issued	27 364	-	-	-	27 364
Total amounts recognised in comprehensive income	428 628	-	(147 177)	(283)	281 168
Investment components	-	-	-	-	-
Cash flows					
Premiums received	-	-	-	-	-
Claims and other directly attributable expenses	-	-	-	-	-
Insurance acquisition cash flow amortisation	-	-	-	-	-
Dividend paid	(526 760)	-	146 760	-	(380 000)
Balance as at 31 December 2023	**254 206**	**-**	**(33 994)**	**(5 696)**	**214 516**

8. DEFERRED TAXATION

	31 December 2023 R'000	31 December 2022 R'000
Deferred tax asset	**352 910**	**366 405**

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

	2023	2022
Reconciliation of deferred tax asset:		
At beginning of the year	366 405	381 207
Movement recognised in profit and loss:		
- Change in income tax rate	-	(10 667)
- Provisions	383	(2 542)
- Assessed loss	35 695	(787)
- Capital allowances	(790)	(1 489)
- Right of use asset and lease liability	(4 213)	(14 136)
- Allowance for impaired card and loan receivables	(44 671)	31 426
- Unrealised gain	101	13
Acquisition of business	-	(16 620)
Balance at end of the year	**352 910**	**366 405**

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

	2023	2022
- Provisions	21 086	20 703
- Assessed loss	35 695	-
- Capital allowances	(21 217)	(20 427)
- Right of use asset and lease liability	3 327	7 540
- Allowance for impaired card and loan receivables	314 905	359 576
- Unrealised gain	(886)	(987)
	352 910	**366 405**

9. PROPERTY, PLANT AND EQUIPMENT

	31 December 2023			31 December 2022		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Right of use asset	105 750	(98 705)	7 045	105 750	(86 699)	19 051
Furniture and fittings	63 685	(62 687)	998	63 608	(62 422)	1 186
Motor vehicles	11 929	(6 972)	4 957	11 778	(7 630)	4 148
Computer hardware	154 261	(122 210)	32 051	139 124	(109 931)	29 193
Leasehold improvements	9 243	(8 387)	856	9 243	(7 650)	1 593
	344 868	**(298 961)**	**45 907**	**329 503**	**(274 332)**	**55 171**

Reconciliation of property and equipment - 2023

	Carrying amount at beginning of year	Additions	Depreciation	Carrying amount at end of year
31 December 2023	**R'000**	**R'000**	**R'000**	**R'000**
Right of use asset	19 051	-	(12 006)	7 045
Furniture and fittings	1 186	77	(265)	998
Motor vehicles	4 148	2 414	(1 605)	4 957
Computer hardware	29 193	19 657	(16 799)	32 051
Leasehold improvements	1 593	-	(737)	856
	55 171	**22 148**	**(31 412)**	**45 907**

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property and equipment - 2022

	Carrying amount at beginning of year	Additions	Acquisition of business	Depreciation	Carrying amount at end of year
31 December 2022	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Right of use asset	31 058	-	-	(12 007)	19 051
Furniture and fittings	624	355	504	(297)	1 186
Motor vehicles	3 723	1 915	-	(1 490)	4 148
Computer hardware	25 745	23 469	545	(20 566)	29 193
Leasehold improvements	2 424	-	-	(831)	1 593
	63 574	**25 739**	**1 049**	**(35 191)**	**55 171**

Each lease generally imposes a restriction that the right-of-use 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.

10. INTANGIBLE ASSETS

	31 December 2023			31 December 2022		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Customer relationships	7 109	(2 488)	4 621	7 109	(1 066)	6 043
Computer software	462 373	(255 808)	206 565	384 075	(198 449)	185 626
Brand names	54 446	(11 910)	42 536	54 446	(5 104)	49 342
	523 928	**(270 206)**	**253 722**	**445 630**	**(204 619)**	**241 011**

Reconciliation of intangible assets

	Opening balance	Additions	Amortisation	Total
31 December 2023	R'000	R'000	R'000	R'000
Customer relationships	6 043	-	(1 422)	4 621
Computer software	185 626	78 294	(57 355)	206 565
Brand Names	49 342	-	(6 806)	42 536
	241 011	78 294	(65 583)	253 722

	Opening balance	Additions	Acquisition of business	Amortisation	Total
31 December 2022	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Customer relationships	-	-	7 109	(1 066)	6 043
Computer software	139 560	86 312	904	(41 150)	185 626
Brand names	-	-	54 446	(5 104)	49 342
	139 560	**86 312**	**62 459**	**(47 320)**	**241 011**

11. GOODWILL

	31 December 2023 R'000	31 December 2022 R'000
Goodwill	**113 229**	**113 229**

Goodwill acquired through business combinations has been allocated to the following cash-generating units ("CGUs"):

Cash-generating unit		
General Purpose Card Division	12 917	12 917
MDD Private Label Card division	7 457	7 457
Personal Loan division	36 481	36 481
Mobicred business	56 374	56 374
	113 229	**113 229**

Reconciliation of goodwill		
Balance at beginning of the year	113 229	56 855
Acquisition of business	-	56 374
Balance at end of the year	**113 229**	**113 229**

11. GOODWILL (CONTINUED)

Goodwill is tested annually for impairment and when there is an indication of impairment. The recoverable amount 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 applied for the period beyond five years.

The cash flows are linked to future profits which is driven by anticipated growth in new accounts, which is a key driver of advances or turnover.

Mobicred Business

The most significant assumptions are as follows:	
Compound annual growth rate in new accounts	30.2% (2022: 10%)
Discount rate	28.1% (2022: 11.8%)

The annual growth rate of new accounts are based on management's experience and expectations relevant to the CGU; based on past practices and expectations of future changes in the market, and are derived from the most recent financial budgets and forecasts that have been prepared by management. The discount rates in 2023 are based on the cost of equity (2022: weighted average cost of capital).

Other assumptions	
Terminal growth rate	1.3% (2022: 1.6%)

The terminal growth rates are based on forecasted GDP growth rates available from external market data sources.

Given the mature nature of the GP Card, MDD Private Label and Personal Loan divisions, there are no key sensitive assumptions in determining the value-in-use. The terminal growth rate assumed is 2% and the cash flows have been discounted at a rate of 9.8%.

Based on the assessments 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.

Sensitivity analysis
The value-in-use calculation of the Mobicred CGU is sensitive to underlying assumptions. The key assumptions include the discount rate (cost of equity) applied and the annual growth rate in new accounts.

Considering the above mentioned assumptions independently, should the discount rate exceed 39.12%, this would cause an impairment. Similarly, should Mobicred's annual growth rate in new accounts be negative 5.02% each year over the forecast period, this would cause an impairment.

12. RELATED PARTIES

Relationships

Ultimate holding company — BNP Paribas Société Anonyme

Related party balances

	31 December 2023 R'000	31 December 2022 R'000
Amounts owing to BNP Paribas Société Anonyme, South Africa Branch		
Funding and interest owing	-	996 374

The funding lines were unsecured and beared interest at a variable rate linked to the relevant JIBAR for the term of the funding. These funding lines were fully repaid in the current year.

	31 December 2023 R'000	31 December 2022 R'000
Related party transactions		
Transactions with BNP Paribas Société Anonyme, South Africa Branch		
Interest expense	(16 158)	(49 253)
Commitment and guarantee fees	(14 796)	(13 659)
Transactions with BNP Paribas Personal Finance Société Anonyme		
Management fees	(70 506)	(48 026)

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

	31 December 2023 R'000	31 December 2022 R'000
Directors' compensation		
Executive directors	20 166	19 941
Non-executive directors	931	897
	21 097	**20 838**

Executive directors and certain executives of the RCS Group, which comprise the RCS Group operating board, 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.

12. RELATED PARTIES (CONTINUED)

	31 December 2023 R'000	31 December 2022 R'000
Remuneration paid to key management personnel are as follows:		
Short-term benefits	37 611	37 172
Post-retirement benefits	3 373	2 762
	40 984	**39 934**

Loans to directors

No loans have been made to directors (2022: nil).

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.

13. STATED CAPITAL

	31 December 2023 R'000	31 December 2022 R'000
Authorised		
80 000 (2022: 80 000) Ordinary shares at no par value	-	-
Issued		
50 295 (2021: 50 295) Ordinary shares with no par value	1 474 921	1 774 921

During the financial year, the RCS Group declared a distribution of capital of R300 million (2021: R500 million) to the shareholder.

14. TRADE AND OTHER PAYABLES

	31 December 2023 R'000	31 December 2022 R'000
Trade payables	462 037	455 931
Lease liability	19 367	45 474
RCS Home Loans joint operation loan	15 352	15 333
Other payables	82 227	62 149
Non-financial instruments:		
VAT payable	5 870	2 012
Manpower cost accruals	97 499	66 661
	682 352	**647 560**

Other payables consist mainly of customers with credit balances of R64.0 million (2022: R61.8 million; 2021: R63.6 million).

The lease liability has been discounted at an incremental borrowing rate of 8.4% (2022: 8.4%; 2021: 8.4%). An interest charge of R3.8 million (2022: R5.7 million; 2021: R7.3 million) on the lease liability has been recognised in profit or loss.

15. FUNDING

	2023	2022
Term funding (a)	4 252 966	3 500 664
Domestic medium-term note programme (b)	5 196 000	4 833 000
Bank overdrafts (c)	1 292 275	1 060 540
	10 741 241	**9 394 204**

a) Term funding is denominated in Rands and Pula, unsecured and bears interest at variable interest rates.
b) The domestic medium-term notes are denominated in Rands are unsecured and bear interest at variable interest rates linked to the 3 month JIBAR.
c) Bank overdrafts are denominated in Rands, unsecured and bear interest at variable interest rates.

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 2023 R'000	31 December 2022 R'000
Authorised (Not contracted)	102 066	112 923

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

17. INTEREST EARNED

Card receivables	2 351 935	1 894 203
Personal loan receivables	392 589	303 473
	2 744 524	**2 197 676**

18. OTHER INCOME

	31 December 2023 R'000	31 December 2022 R'000
Collection income	79 206	70 456
Insurance commissions	53 523	50 493
Merchant commission	188 222	200 593
Service fee income	647 048	604 113
Other income	16 891	21 367
	984 890	**947 022**

19. PROFIT BEFORE TAXATION

Included within profit before taxation are the following items:		
Auditor's remuneration - external	7 334	4 917
Collection costs	196 275	206 343
Donations	3 694	3 763
Legal fees	347	523
Manpower costs		
- Salaries	443 509	433 145
- Directors emoluments	21 097	20 838
Premises costs	37 545	34 576

20. TAXATION

	31 December 2023 R'000	31 December 2022 R'000
Major components of the tax expense:		
Current taxation		
South Africa		
- Current year	9 736	66 352
- Prior year under provision	18 845	7 108
Non-South African current tax	9 407	8 238
Withholding tax - current period	1 412	852
	39 400	**82 550**
Deferred taxation		
Originating and reversing temporary differences	13 705	(1 854)
- Prior year over provision	(206)	-
	52 899	**80 696**
Reconciliation of the tax rate		
Applicable statutory tax rate	27 %	28 %
Other non-deductible expenditure	1.6%	-
Non-taxable income: Net income from insurance contracts	(29.4)%	(14.4)%
Prior year current taxation underprovision	7.3 %	1.6 %
Deferred tax charge - prior year adjustment	14.4 %	-
Decrease in income tax rate	-	2.3 %
Withholding taxation	0.5 %	0.2%
Effective tax rate	**21.4%**	**17.7%**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2023 (continued)

21. CASH UTILISED IN OPERATIONS

	31 December 2023 R'000	31 December 2022 R'000
Profit before taxation	258 142	457 114
Adjustments for non-cash items:		
Amortisation of intangible assets	65 583	47 320
Depreciation of property and equipment and ROU asset	31 412	35 191
Interest on lease liability	3 820	5 694
Profit on sale of asset	(633)	(489)
Foreign currency exchange gain	-	(658)
Changes in working capital:		
Increase in card and loan receivables	(1 296 550)	(850 657)
Increase in other receivables	(40 792)	(26 168)
Increase in trade and other payables	60 899	63 453
Increase in insurance contract asset	101 232	24 856
	(816 887)	**(244 344)**

22. TAXATION PAID

Taxation receivable at beginning of period	80 130	33 423
Current tax recognised in profit or loss	(39 400)	(82 550)
Taxation receivable at end of the period	(56 928)	(80 130)
	(16 198)	**(129 257)**

23. INTERESTS IN SUBSIDIARIES

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

Name of subsidiary	Place of incorporation and operation	Portion of ownership interest and voting power held	Principal activity
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
Mobicred Proprietary Limited	South Africa	100%	Retail credit

24. INTEREST IN JOINT OPERATIONS

The RCS Group has a joint operation partnership with SA Home Loans Proprietary Limited through its wholly-owned subsidiary, RCS Home LoansProprietary Limited. The joint operation offers home loans to qualifying customers, which is in line with the RCS Groups' business of providing credit to customers.

	Country of incorporation	% Ownership interest and voting power held 2023	2022
Joint operation	South Africa	50%	50%

A summary of the results of the joint operation for the current and prior financial years are as follows:

	31 December 2023 R'000	31 December 2022 R'000
Current assets	10 147	9 304
Current liabilities	24 411	19 379
Income	5	1 859
Expenditure	5 155	3 445
Total comprehensive loss	(5 150)	**(1 586)**

The joint operation is not material to the RCS Group.

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, 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, 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 Sanlam Provident Fund. The employer pays 14% contributions in respect of provident fund benefits. In addition, the employer contributes to reinsurance, 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, administration and management costs.

Discovery Risk

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 2023 (continued)

25. EMPLOYEE BENEFITS (CONTINUED)

	Number of members		Contributions	
Summary per fund	**31 December 2023**	**31 December 2022**	**31 December 2023 R'000**	**31 December 2022 R'000**
Alexander Forbes Retirement Annuity	7	7	124	119
Sanlam Pension Fund	5	6	91	83
Sanlam Provident Fund	1 301	1 318	45 949	41 647
Sanlam Retirement Annuity	7	12	62	31
Discovery Risk	1 306	1 324	12 561	9 886
	2 626	**2 667**	**58 787**	**51 766**

Medical aid schemes

BOMaid: Defined contribution plan

Eligible permanent staff of RCS Botswana (Proprietary) Limited are required to become members of the medical plans of their choice offered by BOMaid.

Sanlam Primary Health Care

Permanent staff of RCS Cards Proprietary Limited earning less than R10,000 per month are required to become members of Sanlam Primary Healthcare scheme. RCS Cards Proprietary Limited has no obligation to fund primary healthcare contributions for current or retired employees.

Discovery Health: Defined contribution plan

Certain permanent staff of RCS Cards Proprietary Limited, RCS Home Loans Proprietary Limited and RCS Collections Proprietary Limited are required to become members of the medical plans of their choice offered by Discovery Health. The RCS Group has no obligation to fund medical aid contributions for current or retired employees.

	Number of members		Contributions	
Summary per scheme	**31 December 2023**	**31 December 2022**	**31 December 2023 R'000**	**31 December 2022 R'000**
BOMaid	1	1	57	54
Sanlam Primary Health Care	485	507	3 079	2 764
Discovery Health	787	754	33 723	30 075
	1 273	**1 262**	**36 859**	**32 893**

26. RISK MANAGEMENT

Overview

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

The RCS Group's 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 risk management policies are established to identify and analyse the risks faced by the 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 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 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 Credit Risk Committee is responsible for developing and monitoring credit risk within the 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 three 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.

The following subcommittees comprising directors, executives and senior management have been established to manage the following risks facing the RCS Group:

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

26. RISK MANAGEMENT (CONTINUED)

Credit risk

The company specialises in providing consumers with credit on retail purchases within the network of approved merchants and commercial partners. 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 to a number of key business processes.

The company 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 RCS 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 Group 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 0.03% of the card and loan receivables.

The RCS Group continued to follow 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 RCS Group's growth strategies within targeted risk levels. The RCS 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 risk on other receivables is managed through monitoring the value of the amounts due and regular recoupment of any payments due to the RCS Group.

26. RISK MANAGEMENT (CONTINUED)

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. The board of directors believe that card and loan receivable balances are being measured fairly.

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 2023 R'000	31 December 2022 R'000
Cash and cash equivalents	1 198 936	1 117 451
Card and loan receivables	12 693 831	11 397 288
Other receivables	175 845	135 053
Financial assets at fair value through profit or loss	214 516	313 348
	14 283 128	**12 963 140**

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 this and monitor this approach. 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.

26. 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 on-going operations, reputation and financial standing with the investor community.

This risk is managed through cash flow forecasts, stress testing scenarios on cash flows, 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 assets. The RCS Group has shareholder facilities in place to mitigate the roll over risk of funding in issue. The RCS Group monitors and evaluates funding on an active basis to ensure that the RCS Group 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.

Liability cash flows are presented on an undiscounted basis.

26. 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:

	Demand to three months	Three months to one year	One to two years	More than two years	Total	Carrying Amount
	R'000	R'000	R'000	R'000	R'000	R'000
31 December 2023						
Liabilities						
Non-derivative financial liabilities						
Lease liability	7 819	12 633	-	-	20 452	19 367
Trade and other payables	459 473	71 131	16 325	22 764	569 693	578 985
Funding	2 113 221	4 404 987	3 712 563	1 813 525	12 044 296	10 741 241
	(2 580 513)	(4 488 751)	(3 728 888)	(1 836 289)	(12 634 441)	(11 339 593)
31 December 2022						
Liabilities						
Non-derivative financial liabilities						
Lease liability	7 313	22 614	20 452	-	50 379	45 474
Trade and other payables	463 124	69 728	24 789	21 246	578 887	578 887
Funding	2 023 823	4 236 357	3 194 858	721 442	10 176 480	9 394 204
	(2 494 260)	(4 328 699)	(3 240 099)	(742 688)	(10 805 746)	(10 018 565)

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.

i) 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.

26. RISK MANAGEMENT (CONTINUED)

ii) Interest rate risk

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

Profile

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

	Interest rate		Carrying value	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	%	%	R'000	R'000
Variable rate instruments				
Card receivables	22.3	21.3	9 875 419	8 560 164
Bank balances	6.6 - 9.8	3.9 - 9.0	1 198 936	1 117 451
Financial assets	-	-	**11 074 355**	**9 677 615**
Funding	7.9 - 10.2	7.3 - 9.0	10 741 241	9 394 204
Financial liabilities	-	-	10 741 241	9 394 204
Fixed rate instruments				
Card and loan receivables	15.0 - 29.3	15.0-28.0	2 821 560	2 837 117
Financial assets	-	-	2 821 560	2 837 117

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 for the comparative period.

26. RISK MANAGEMENT (CONTINUED)

Cash flow sensitivity analysis for variable rate instruments (continued)

	Profit or (loss) 100 bp increase R'000
31 December 2023	
Variable rate financial assets	103 760
Variable rate financial liabilities	(100 677)
Cash flow sensitivity net	**3 083**
31 December 2022	
Variable rate financial assets	92 624
Variable rate financial liabilities	(88 007)
Cash flow sensitivity net	**4 617**

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.

Insurance risk

The RCS Group is exposed to insurance risk through the sale of credit insurance policies by the cell captive structure underwritten by Guardrisk Life. The cell captive insurance structure is subject to the Insurance Act 18 of 2017, regulatory capital requirements under the Solvency Assessment and Management ("SAM") regime and conduct requirements regulated by the Financial Sector Conduct Authority.

The cell, underwritten by Guardrisk Life, maintained the following historic regulatory solvency ratios (as a multiple of the Solvency Capital Requirement prescribed by SAM) as follows:

- 31 December 2021: 4.37x
- 31 December 2022: 4.18x
- 31 December 2023: 4.06x

Analysis shows that for every 1% increase (decrease) in claims over a 1-year period, the Liability for Incurred Claims will increase (decrease) by R500 000, based on current premium volumes in the cell underwritten by Guardrisk Life.

26. RISK MANAGEMENT (CONTINUED)

Capital management

Capital management is performed at a group level for 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.

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) 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 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.

26. RISK MANAGEMENT (CONTINUED)

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.

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 and capital adequacy ratios fall below the prescribed levels. This risk is managed on an ongoing basis through review of the ratios and liquidity of the individual cell captive arrangements.

27. EVENTS AFTER THE REPORTING PERIOD

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

28. GOING CONCERN

The directors believe that the RCS Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual consolidated financial statements have been prepared on a going concern basis.

The directors have satisfied themselves that the RCS Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. In performing the assessment, the directors considered the financial position, forecasted profitability and funding requirements of the RCS Group for the foreseeable future in conjunction with the available funding facilities available. 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.

The directors are not aware of any new material changes that may adversely impact the RCS Group. The directors are also not aware of any material noncompliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the going concern assumption of the RCS Group.

29. DIRECTORS' EMOLUMENTS

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 RCS Group.

	Remuneration	Provident fund contributions	Total
	R'000	R'000	R'000
EXECUTIVE			
31 December 2023			
Services, as employees, to subsidiary companies			
RF Adams	9 670	537	**10 207**
M van Brakel	4 437	308	**4 745**
B Dev (Resigned 18 September 2023)	4 649	-	**4 649**
T Pavlou (Appointed 10 October 2023)	501	64	**565**
	19 257	**909**	**20 166**
31 December 2022			
Services, as employees, to subsidiary companies			
RF Adams	8 257	474	**8 731**
M van Brakel	4 532	273	**4 805**
B Dev (Resigned 18 September 2023)	6 405	-	**6 405**
	19 194	**747**	**19 941**

29. DIRECTORS' EMOLUMENTS (CONTINUED)

	Remuneration R'000	Total R'000
NON-EXECUTIVE		
31 December 2023		
Services, as director, to subsidiary companies		
SW van der Merwe (Independent)	313	**313**
E Oblowitz (Independent)	618	**618**
	931	**931**
31 December 2022		
Services, as director, to subsidiary companies		
SW van der Merwe	295	**295**
E Oblowitz	602	**602**
	897	**897**

30. CHANGE IN ACCOUNTING POLICY: IFRS 17 INSURANCE CONTRACTS

IFRS 17: Insurance Contracts is effective for annual periods beginning on or after 1 January 2023. The RCS Group sells insurance contracts through its cell captive arrangements to its customers and these contracts are considered to be in-substance reinsurance contracts; and therefore fall within the scope of IFRS 17.

The RCS Group has recognised its insurance contracts under IFRS 17 in the 2023 financial period in accordance with the transitional requirements of the standard.

Previously the insurance contracts were classified as financial assets and designated for measurement at fair value through profit or loss and therefore measured in terms of IFRS 9 Financial Instruments.

The RCS Group has used the premium allocation approach ("PAA") allowed under IFRS 17 given that the coverage period of the RCS Group's insurance contracts is one year or less.

The comparative figures have been restated to disclose the insurance revenue, insurance service expenses and insurance finance income and expenses on the face of the statement of profit or loss and the insurance contract asset on the face of the financial position correctly in accordance with IFRS 17.

31 December 2022

	As previously presented R'000	Restated R'000	Change R'000
Statement of Profit or Loss			
Other income: Insurance cell captives dividend received	260 000	-	260 000
Operating costs: Fair value adjustment on investment in insurance cell captives	(18 065)	-	(18 065)
Insurance revenue	-	350 992	(350 992)
Insurance service expense	-	(135 651)	135 651
Insurance finance income or expense	-	19 804	(19 804)
Statement of Financial Position	-	-	-
Financial asset at fair value through profit or loss	317 438	-	(317 438)
Insurance contract assets	-	313 348	313 348
Retained income - 1 January 2022	(1 615 909)	(1 618 609)	(2 700)
Net impact of restatements for the year ended 31 December 2022	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023 (continued)

30. CHANGE IN ACCOUNTING POLICY: IFRS 17 INSURANCE CONTRACTS (CONTINUED)

31 December 2021

	As previously presented	Restated	Change
	R'000	R'000	R'000
Statement of Financial Position			
Financial asset at fair value through profit or loss	335 504	-	(335 504)
Insurance contract assets	-	338 204	338 204
Net impact of restatements for the year ended 31 December 2021	-	-	**2 700**

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Consolidated Annual Financial Statements 2023
including Supplementary Information
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