



African Bank Holdings Limited
and African Bank Limited

Public Pillar III Disclosures
in terms of the Banks Act,
Regulation 43
as at 30 September 2018

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1. EXECUTIVE SUMMARY

1.1. OVERVIEW

African Bank Holdings Limited (ABH or the ABH Group) and its 100% held banking subsidiary, African Bank Limited (“ABL” or “the Bank”) commenced business on 4 April 2016. ABH was capitalised with a cash subscription for ordinary shares in the amount of R10 billion and, in turn, ABH elected to capitalise ABL with the same amount, also in return for ordinary shares. An extended liability term structure was established as a result of the restructuring of the old African Bank that was placed under curatorship on 10 August 2014 and subsequently renamed Residual Debt Services Limited (in curatorship) (RDS), (the Restructuring). ABL acquired a portfolio of assets and liabilities from RDS in terms of the Restructuring, which included the more credit-worthy retail advances book.

Significant improvements in the credit underwriting and provisioning methodologies were immediately applied and continue to be applied in ABL, based on the changing dynamics of the market, the customer profile and the risk experience in respect of the retail advances on book.

The Bank is faced with a maturing liquidity profile as the liabilities acquired through the Restructuring begin to mature over the medium term. Whilst this profile is not unusual for any bank, it is significant that African Bank has not as yet proven its ability to attract medium term funding in the wholesale markets. The available surplus liquid assets are sufficient to meet the short term maturity obligations over the next 12 months. To address the refinancing requirements in the subsequent periods, management are proactively engaging shareholders and funders to establish a

funding structure well in advance of the subsequent obligations maturing.

The overall balance sheet of ABL therefore remains strong, with advances well provided for, strong capital adequacy and available cash holdings, including surplus liquid assets of R8.3 billion. Liquidity risk, interest rate risk and foreign exchange risks are also managed within a conservative risk appetite framework.

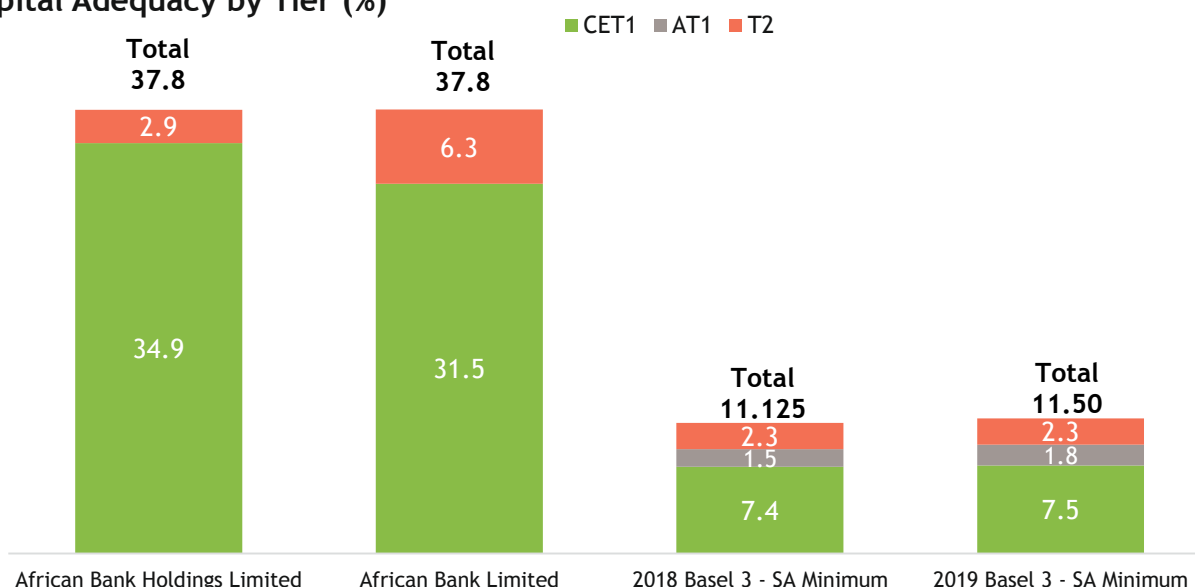
The overall impact of the strong balance sheet structure, as expressed in the conservative risk appetite, is evidenced in the various sections of this report which, as of 30 September 2018, include CET1 ratio of 31.5%, a leverage ratio of 27.0%, a liquidity coverage ratio of 871% and a net stable funding ratio of 144% at the ABL level.

1.2. CAPITAL ADEQUACY RATIOS

The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 30 September 2018 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 34.9% and 31.5% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 37.8% and 37.8% respectively.

The lower total capital adequacy for the ABH in comparison to that of ABL is as a result of the exclusion of the minority interest attributed to the Tier 2 capital issued at ABL in the computation of the total ABH capital adequacy ratio.

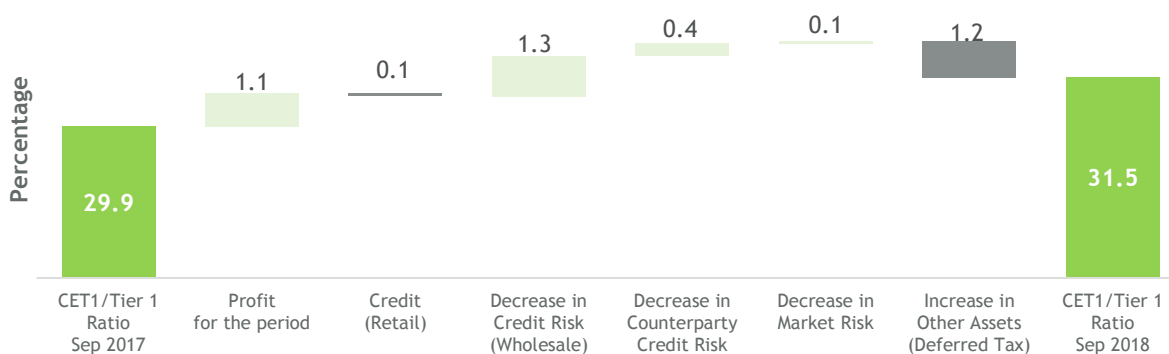
Capital Adequacy by Tier (%)



YEAR-TO-DATE CET1/TIER 1 TREND ANALYSIS

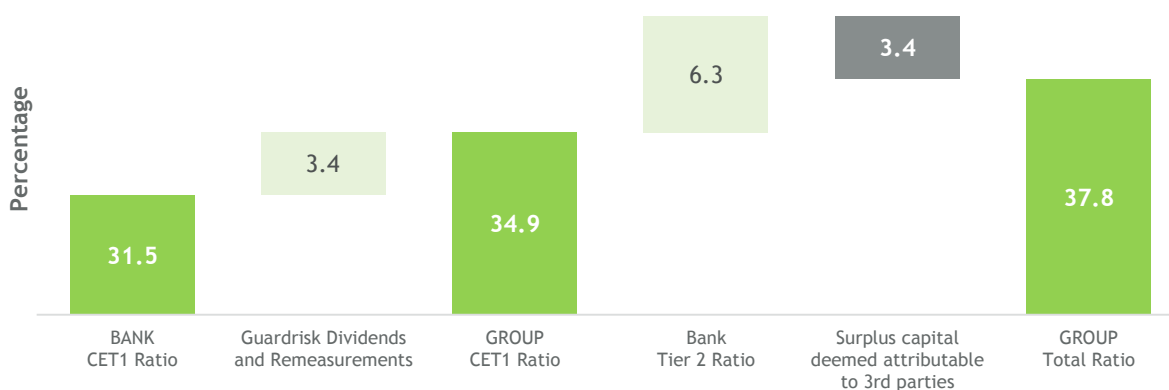
An analysis of the change in the African bank Limited CET ratio over the year and comparison of the Group and Bank capital adequacy as at 30 September 2018 is shown below.

African Bank Limited



The major drivers for the year-on-year increase in capital adequacy ratios from a CET1/Tier 1 ratio of 29,9% in September 2017 to 31,5% in September 2018 are the organic profits generated for the year coupled with the reduction in the treasury balance sheet as well as the shortening of the tenure of the cash placed with local banks. The positive impact of these is partially offset by the increase in the deferred tax asset.

CET1 BUILD-UP FROM AFRICAN BANK LIMITED TO AFRICAN BANK HOLDINGS LIMITED



The difference between the Group ratios and the Bank ratios are due to the following:

- **Impact of Insurance operations** -At a Group level, the capital supply is bolstered by the additional earnings generated from the insurance operations of R946 million. There is no additional RWA requirement for the investment in AIG due to a return of capital during 2018 that resulted in the write-down of the investment.
- **Deduction of Tier 2 minority interest** - As the Tier 2 capital, is issued at the subsidiary African Bank level, a deduction of the deemed excess over and above the regulatory minimum is required at the consolidated capital level. This excess is deemed to be the surplus capital over and above the minimum required regulatory Total capital for ABHL, from 2019 (Basel III end state). The derecognition of the surplus capital results in a significantly

lower Tier 2 ratio of 2.8% when compared to that of ABL of 6.3%. The higher CET1/Tier 1 capital ratio at Group level is thus offset by this lower Tier 2 ratio, which results in only a slight difference in the total capital adequacy ratios (37.8% at Bank vs 37.8% at Group)

The following table sets out the composition of the qualifying regulatory capital

Rmillion	African Bank Holdings Limited		African Bank Limited	
	30 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017
Composition of qualifying regulatory capital				
Ordinary share capital	10 000	10 000	10 000	10 000
Regulatory adjustments	(328)	(1 336)	(1 290)	(1 596)
Common Equity Tier 1 capital (CET1)				
Total qualifying subordinated debt	526	571	1 485	1 485
Portfolio Impairments	265	280	265	280
Tier 2 capital (T2)				
Qualifying regulatory capital	10 463	9 515	10 460	10 169

Refer to 6.2 of the detailed disclosure for a detailed breakdown of the above table

1.3. LEVERAGE RATIO

The Basel III leverage ratio is defined as the capital measure (Tier 1 capital) divided by the exposure measure (total exposures) and is expressed as a percentage. This measure acts as a backstop to the capital adequacy ratio, by acting as a floor to restrict the build-up of excessive leverage by banks.

The increase in the leverage ratio from the prior reporting period, for both Group and Bank is as a result of an overall increase in capital arising predominantly from an increase retained earnings driven by profits for the year and a reduction in the

balance sheet driven by a reduction in derivative exposures and cash balances.

Overall derivative exposures have decreased as a result of the remaining foreign currency derivative contracts, hedging a portion of the foreign currency liabilities, maturing during the course of the financial year. Cash balances have reduced as result of a net cash outflow from funding activities. The advances book has increased marginally, without materially affecting the leverage ratio

Rmillion	African Bank Holdings Limited		African Bank Limited	
	30 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017
Capital and total exposures				
Tier 1 capital	9 673	8 664	8 710	8 404
Total exposures	32 305	33 906	32 300	33 928
Basel III leverage ratio	29.9%	25.6%	27.0%	24.8%
Basel III leverage ratio regulatory minimum requirement	4.0%	4.0%	4.0%	4.0%

Refer to 7.2 of the detailed disclosure for a detailed breakdown of the above table

1.4. LIQUIDITY COVERAGE RATIO (“LCR”)

The LCR is a 30-day stress test, which requires the Bank to hold sufficient high-quality liquidity assets to cover envisaged net outflows. These outflows are calibrated using prescribed Basel factors applied to assets and liabilities in a static run-off model. Basel definitions are used to identify high-quality liquid assets.

The decrease in the LCR from the previous reporting period was as result of an increase in the total net cash outflows, primarily as a result of higher maturing liability balances, and lower high-quality liquid asset holdings over and above the prescribed minimum liquid asset requirements.

African Bank Limited	Total	Total
Rmillion	weighted value (average)	weighted value (average)
	30 Sep 2018	30 Sep 2017
Total high-quality liquid assets	1 292	3 687
Total net cash outflows	164	250
Liquidity coverage ratio (%)	871%	1 740%
Regulatory minimum requirement	90%	80%

Refer to 9.4 of the detailed disclosure for a detailed breakdown of the above table

1.5. NET STABLE FUNDING RATIO (“NSFR”)

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding, over a one year period. This ratio is required to be greater than or equal to 100% on an on-going basis.

“Available stable funding” is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet exposures.

The NSFR is designed to ensure closer matching of long-term asset cash flows with long-term funding cash flows. Full compliance for NSFR is required from January 2018.

The NSFR was stable compared to the prior period, as a result of the available stable funding and the required stable funding reducing primarily as a result of a net cash outflow from funding activities. Available stable funding has reduced further as a result of a greater proportion existing liabilities falling within the one year horizon.

	30 Sep 2018	30 Sep 2017
NSFR %	144%	144%
Available stable funding (Rmillion)	25 871	29 392
Required stable funding (Rmillion)	17 994	20 397

1.6. REFERENCES OF QUANTITATIVE STANDARDISED TABLES AND TEMPLATES

Refer to the attached Annexure A to this document for ease of reference for the quantitative standardized tables and templates as prescribed in the revised pillar 3 disclosure requirements published in January 2015 by the Basel Committee on Banking Supervision.

1.7. OVERVIEW OF RISK MANAGEMENT, KEY PRUDENTIAL METRICS AND RWA

The following table presents a summary of key prudential metrics related to regulatory capital, leverage ratio and liquidity standards. Banks are required to disclose each metric's value using the corresponding standard's specifications for the reporting period-end (designated by “T” in the template below) as well as the four previous

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quarter-end figures (T-1 to T-4). Please note that the table below reflects the capital and leverage numbers at an ABH Group level, whilst the LCR and NSFR numbers are at a Bank level.



Overview of risk management, key prudential metrics and RWA

Period ended:	Sep18	Jun18	Mar18	Dec17	Sep17	
Rmillion	(T)	(T-1)	(T-2)	(T-3)	(T-4)	
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	9 672	9 293	9 054	8 740	8 664
1a	Fully loaded ECL accounting model					
2	Tier 1	9 672	9 293	9 054	8 740	8 664
2a	Fully loaded accounting model Tier 1					
3	Total capital	10 463	10 083	9 845	9 552	9 515
3a	Fully loaded ECL accounting model total capital					
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	27 678	28 223	26 816	27 458	28 911
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	34.9	32.9	33.8	31.8	30.0
5a	Fully loaded ECL accounting model CET1 (%)					
6	Tier 1 ratio (%)	34.9	32.9	33.8	31.8	30.0
6a	Fully loaded ECL accounting model Tier 1 ratio					
7	Total capital ratio (%)	37.8	35.7	36.7	34.8	32.9
7a	Fully loaded ECL accounting model total capital ratio (%)					
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	1.875	1.875	1.875	1.250	1.250
9	Countercyclical buffer requirement (%)	0.00	0.00	0.00	0.00	0.00
10	Bank D-SIB additional requirements (%)	0.00	0.00	0.00	0.00	0.00
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	1.875	1.875	1.875	1.250	1.250
12	CET1 available after meeting the bank's minimum capital requirements (%)	27.0	24.9	25.8	23.8	22.0
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	32 305	32 065	32 335	33 013	33 906
14	Basel III leverage ratio (%) (row 2/row 13)	29.9	29.0	28.0	26.5	25.6
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)					
Liquidity Coverage Ratio ⁽¹⁾						
15	Total HQLA	1 292	1 666	3 011	3 532	3 687
16	Total net cash outflow	164	178	238	250	142
17	LCR ratio (%)	871	1 008	1 915	1 546	1 740
Net Stable Funding Ratio ⁽¹⁾						
18	Total available stable funding	25 871	25 795	26 221	27 273	29 392
19	Total required stable funding	17 994	17 646	18 116	18 946	20 397
20	NSFR ratio (%)	144	146	145	144	144

(1) The liquidity ratios are at African Bank Limited level

2. BASIS OF COMPILATION

The information contained in this report is based on the month end and in some instances average balances as contained in the regulatory returns. Accordingly, this information may not agree to the information contained in the respective sets of Annual Financial Statements, which are prepared on an IFRS basis.

The table below shows an analysis of advances to customers as at 30 September 2018 and is included as a reference to the published annual financial statements.

Analysis of advances to customers as at 30 September 2018			
Rmillion	Term loans	Credit Cards	Total
Gross amount due by customers	22 828	4 696	27 524
Impairment attributable to acquired advances and deferred fees	(3 896)	(456)	(4 352)
Gross advances	18 932	4 240	23 172
Impairment and deferred fees attributable to originated advances	(3 248)	(746)	(3 994)
Net advances	15 684	3 494	19 178

Unless where otherwise indicated, all figures reported are reported in ZAR millions ("Rmillion")

3. SUPPLEMENTARY INFORMATION INCLUDING RISK MANAGEMENT

Additional information providing context for disclosures contained herein is included in the following documents published by the ABH Group, available on the investor relations portion of the Bank website at <https://www.africanbank.co.za/> which contains information as listed under each report.

African Bank Holdings Limited Integrated Report 2018

- ▶ Overview and business model
- ▶ Material matters
- ▶ Strategy
- ▶ Governance and compliance
- ▶ People and remuneration

African Bank Holdings Limited: consolidated annual financial statements 30 September 2018, and

African Bank Limited: annual financial statements 30 September 2018

The reference to the various sections are given by way of a reference to the specific note in the annual financial statements of both African Bank Holdings Limited and African Bank Limited.

- ▶ Accounting policies (Note 1)
- ▶ Risk management approach (page 47)
- ▶ Credit risk approach including approach to impairment provisioning (Note 27)
- ▶ Market risk (Note 28)
- ▶ Interest rate risk management (Note 28.1)
- ▶ Foreign currency risk management (note 28.2)
- ▶ Liquidity risk management (Note 29)

The ABH integrated report gives a comprehensive overview of the areas covered while the ABL and ABH Annual Financial Statements give further detail of the approach to risk management and the risk types. This information should be read in conjunction with the detailed information in this report.

4. PERIOD OF REPORTING

This report covers the period from 1 October 2017 to 30 September 2018 for the ABH Group and its 100% held banking subsidiary, ABL. Comparative disclosures are as at and for the year ended 30 September 2017.

5. SCOPE OF REPORTING

This report contains capital adequacy information for ABH and its 100% held banking subsidiary, ABL. The further disclosures for ABL include the leverage ratio, the liquidity coverage ratio, credit disclosures, liquidity disclosures and foreign exchange exposures, and also materially reflect the position of the ABH Group.

All subsidiaries are consolidated in the same manner for both accounting and supervisory reporting purposes. All companies are incorporated in the Republic of South Africa. The registered banking subsidiary of the Group, ABL, has no subsidiaries.

6. REGULATORY CAPITAL ADEQUACY

The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 30 September 2018 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 34.9% and 31.5% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 37.8% and 37.8% respectively.

6.1. OVERVIEW OF RISK WEIGHTED ASSETS

The following table gives an overview of the risk weighted asset requirements at the respective reporting date. The predominant risk exposure for the Group is credit risk, which comprises loans, credit cards and interbank deposits.

Rmillion	African Bank Holdings Limited			African Bank Limited		
	RWA		Minimum capital requirements ⁽¹⁾	RWA		Minimum capital requirements ⁽¹⁾
	Sep-18	Sep-17	Sep-18	Sep-18	Sep-17	Sep-18
Credit risk (excluding counterparty credit risk)	21 179	22 173	2 356	21 177	22 173	2 356
Of which standardised approach (SA) ⁽⁵⁾	21 179	22 173	2 356	21 177	22 173	2 356
Of which internal rating-based (IRB) approach	-	-	-	-	-	-
Counterparty credit risk	-	327	-	-	327	-
Of which standardised approach for counterparty credit risk (SA-CCR) ⁽²⁾	-	327	-	-	327	-
Of which internal model method (IMM)	-	-	-	-	-	-
Market risk	448	545	50	448	545	50
Of which standardised approach (SA)	448	545	50	448	545	50
Of which internal model approach (IMM)	-	-	-	-	-	-
Operational risk	3 321	3 469	370	3 320	3 373	369
Of which basic indicator approach	-	-	-	-	-	-
Of which standardised approach ⁽³⁾	3 321	3 469	370	3 320	3 373	369
Of which advanced measurement approach	-	-	-	-	-	-
Other risk⁽⁴⁾	2 730	2 397	304	2 722	1 694	303
Total	27 678	28 911	3 080	27 667	28 112	3 078

(1) The minimum capital requirement per risk category for 2018 is 11.125% which comprises the base minimum (8.00%) plus the Pillar 2A systemic risk add-on (1.250%) plus capital conservation buffer (1.875%)

(2) ABL currently applies the current exposure method to calculate counterparty credit risk

(3) ABL currently applies the alternative standardised approach in calculating its operational risk

(4) Other risk includes accounting other assets, deferred tax asset and threshold deduction items

(5) Refer below for a further split of credit risk exposures

Rmillion	African Bank Holdings Limited			African Bank Limited		
	RWA		Minimum capital requirements ⁽¹⁾	RWA		Minimum capital requirements ⁽¹⁾
	Sep-18	Sep-17	Sep-18	Sep-18	Sep-17	Sep-18
Of which standardised approach (SA)	21 178	22 173	2 356	21 177	22 173	2 356
Retail Exposures	15 514	15 385	1 726	15 514	15 385	1 726
Interbank Exposures	5 664	6 788	630	5 663	6 788	630

6.2. COMPOSITION OF REGULATORY CAPITAL

The qualifying regulatory capital and capital adequacy ratios for ABH and ABL as at 30 September 2018 are set out in the table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 34.9% and 31.5% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 37.8% and 37.8% respectively.

Rmillion	African Bank Holdings Limited		African Bank Limited	
	30 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017
Composition of qualifying regulatory capital				
Ordinary share capital	10 000	10 000	10 000	10 000
Accumulated profit	-	-	-	-
	10 000	10 000	10 000	10 000
Regulatory adjustments				
- Intangible assets in terms of IFRS	(73)	(75)	(73)	(75)
- Other regulatory adjustments, including accumulated losses	(255)	(1 261)	(1 217)	(1 521)
Common Equity Tier 1 capital (CET1)	9 672	8 664	8 710	8 404
Additional Tier 1 capital (AT1)	-	-	-	-
Tier 1 capital (T1)	9 672	8 664	8 710	8 404
Issued subordinated debt	1 485	1 485	1 485	1 485
Surplus capital attributable to minorities/third parties	(959)	(914)	-	-
Total subordinated debt	526	571	1 485	1 485
Portfolio Impairments	265	280	265	280
Tier 2 capital (T2)	791	851	1 750	1 765
Qualifying regulatory capital	10 463	9 515	10 460	10 169
CET1%	34.9	30.0	31.5	29.9
AT1%	0.0	0.0	0.0	0.0
T1%	34.9	30.0	31.5	29.9
T2%	2.9	2.9	6.3	6.3
Total capital adequacy %	37.8	32.9	37.8	36.2

6.3. COMPOSITION OF CAPITAL DISCLOSURE TEMPLATE

The following table gives further details the capital and relevant adjustments as calculated for regulatory reporting purposes for African Bank Holdings Limited and African Bank Limited.

Period ended: 30 Sep 2018		African Bank Holdings Limited	African Bank Limited
		Rmillion	Rmillion
Common Equity Tier 1 capital instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related to stock surplus	10 000	10 000
2	Retained earnings	-	-
3	Accumulated other comprehensive income (and other reserves)	-	-
6	Common Equity Tier 1 capital before regulatory adjustments	10 000	10 000
Common Equity Tier 1 capital: regulatory adjustments			
28	Total regulatory adjustments to Common Equity Tier 1	(328)	(1 290)
29	Common Equity Tier 1 capital (CET 1)	9 672	8 710
Additional Tier 1 capital: instruments			
36	Additional Tier 1 capital before regulatory adjustments	-	-
Additional Tier 1 capital: regulatory adjustments			
44	Additional Tier 1 capital (AT1)	-	-
45	Tier 1 capital (T1= CET1 + AT1)	9 672	8 710
Tier 2 capital and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	1 485
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	1 485	-
50	Provisions	265	265
51	Tier 2 capital before regulatory adjustments	1 750	1 750
Tier 2 capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 capital	(959)	
58	Tier 2 capital (T2)	791	1 750
59	Total capital (TC = T1 + T2)	10 463	10 460
60	Total risk weighted assets	27 678	27 667
Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	34.9%	31.5%
62	Tier 1 (as a percentage of risk weighted assets)	34.9%	31.5%
63	Total capital (as a percentage of risk weighted assets)	37.8%	37.8%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	0.7%	0.6%
65	of which: capital conservation buffer requirement	1.875%	1.875%
66	of which: bank specific countercyclical buffer requirement	0%	0%
67	of which: G-SIB buffer requirement	0%	0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	34.9%	31.5%
Amounts below the threshold for deductions (before risk weighting)			

73	Significant investments in the common stock of financials	5	5
75	Deferred tax assets arising from temporary differences (net of related tax liability)	760	756
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	1 987	1 987
77	Cap on inclusion of provisions in Tier 2 under standardised approach	265	265

7. LEVERAGE RATIO

Public disclosure of the leverage ratio (calculated using the prescribed leverage ratio template) and its components has been required since 1 January 2015. The Basel III leverage ratio is defined as the capital measure (Tier 1 capital) divided by the exposure measure (total exposures) and is expressed as a percentage. This measure acts as a backstop to the capital adequacy ratio (see section 6 above), by acting as a floor to restrict the build-up of excessive leverage by banks.

Overall derivative exposures have decreased as a result of the remaining foreign currency derivative

contracts, hedging a portion of the foreign currency liabilities, maturing during the course of the financial year. Cash balances have reduced as result of a net cash outflow from funding activities. The advances book has increased marginally, without materially affecting the leverage ratio

The exposure used in the calculation of the ratio (see 7.2) differs from the total assets as measured using IFRS as shown below.

7.1 SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE

Line #	Rmillion	African Bank Holdings Limited		African Bank Limited	
		30 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017
1	Total consolidated assets as per published financial statements	30 679	32 954	30 289	32 324
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(384)	(651)	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	-	-
4	Adjustments for derivative financial instruments	(47)	(537)	(47)	(537)
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-	-	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	143	314	143	314
7	Other adjustments ⁽¹⁾	1 914	1 826	1 914	1 826
8	Leverage ratio exposure	32 305	33 906	32 299	33 927

(1) Other adjustments reflect differences between regulatory and accounting basis of preparation (refer Basis of compilation). This impacted the values relating to general provisions and intangible assets.

7.2 LEVERAGE RATIO DISCLOSURE

Line #	Rmillion	African Bank Holdings Limited		African Bank Limited	
		30 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017
	On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives and Securities Financing Transactions (“SFTs”)*, but including collateral)	32 235	33 456	32 229	33 477
2	Asset amounts deducted in determining Basel III Tier 1 capital	(73)	(75)	(73)	(75)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	32 162	33 381	32 156	33 402
	Derivative exposures				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-	210	-	210
5	Add-on amounts for PFE associated with all derivatives transactions	-	1	-	1
6	Gross-up for derivatives collateral provided where deducted from the balance sheet asset pursuant to the operative accounting framework	-	-	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-	-
11	Total derivative exposures (sum of lines 4 to 10)	-	211	-	211
	Securities financing transaction exposures				
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-	-
14	CCR exposure for SFT assets	-	-	-	-
15	Agent transaction exposures	-	-	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-	-	-
	Other off-balance sheet exposures				
17	Off-balance sheet exposure at gross notional amount	715	1 078	715	1 078
18	(Adjustments for conversion to credit equivalent amounts)	(572)	(764)	(572)	(764)
19	Off-balance sheet items (sum of lines 17 and 18)	143	314	143	314
20	Tier 1 capital	9 673	8 664	8 710	8 404
21	Total exposures (sum of lines 3, 11, 16 and 19)	32 305	33 906	32 300	33 927
22	Basel III leverage ratio	29.9%	25.6%	27.0%	24.8%

* SFT's: Securities Financing Transactions (transaction where securities are used to borrow cash, or vice versa)

8. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

This section outlines the treatment and the carrying values as published in the financial statements used for the various regulatory risk categories and the carrying values of the items for the calculation of regulatory capital. Certain differences arise as a result of differing treatment under regulatory and IFRS rules as further explained below.

8.1 DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES



	a	c	d	e	f	g	h
R'm	Carrying values as reported in financial statements & under scope of regulatory consolidation	Carrying values of items ⁽¹⁾ :					
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deductions from capital	Subject to other risk ⁽¹⁾
Cash and cash equivalents	7 221	7 194	-	-	5 628	-	27
Statutory assets	2 130	1 775	-	-	1 021	-	355
Derivative assets	47	-	47	-	-	-	-
Net advances	19 178	19 178	-	-	-	-	-
Accounts receivable and other assets	212	-	-	-	-	-	212
Current tax asset	0	-	-	-	-	-	-
Loans to group companies	51	51	-	-	-	-	-
Investments	15	-	-	-	-	-	15
Property and equipment	597	-	-	-	-	-	597
Intangible assets	73	-	-	-	-	73	-
Deferred tax asset	756	-	-	-	-	-	756
Total assets	30 280	28 198	47	-	6 649	73	1 962
Short-term funding	6 016	-	47	-	-	5 970	-
Derivative liabilities	-	-	-	-	-	-	-
Creditors and accruals	646	-	-	-	-	646	-
Current tax	24	-	-	-	-	24	-
Bonds and other long-term funding	13 278	-	-	-	6 201	13 278	-
Subordinated bonds, debentures, loans	1 530	-	-	-	-	1 530	-
Deferred tax liability	-	-	-	-	-	-	-
Total liabilities	21 494	-	47	-	6 201	21 448	-

(1) The Other risk includes accounting other assets, cash balances with Central banks, property and equipment and deferred tax asset

8.2 MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS

The purpose of this table is to provide information on the main sources of differences (other than due to different scopes of consolidation which are shown in 8.1) between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.

	a	b	c	d	e	f
	Items subject to:					
R'm	Total	Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework	Other risk framework
Asset carrying value amount under scope of regulatory consolidation	30 279	28 198	47	-	6 648	1 962
Liabilities carrying value amount under scope of regulatory consolidation	21 496	-	47	-	6 201	-
Total net amount under regulatory scope of consolidation	8 783	28 198	-	-	447	1 962
Off-balance sheet amounts	715	143	-	-	-	-
Exposure amounts considered for regulatory purposes	-	30 226	-	-	447	2 722

9. CREDIT RISK

This section outlines the regulatory view of the credit risk associated with retail advances, comprising personal loans and credit cards, and interbank deposits. These balances are reflected on the ABL balance sheet.

For an overview of credit risk management, including credit granting criteria, the credit philosophy, credit risk assessment and monitoring, collections and restructures and the credit provisioning methodologies, please refer to Note 27 in the ABL annual financial statements for the year ended 30 September 2018.

9.1 CREDIT QUALITY OF ASSETS

The following table shows the classification of the gross carrying value of the total of the retail advances and interbank deposits split between defaulted and non-defaulted exposures showing the impairments in respect of the defaulted exposures. The impairment provision coverage in respect of the non-defaulted exposures are not included here and are shown under section 8.5.

Rmillion	a	b	c	d
	Gross carrying values of		Allowances/ impairments	Net values (a + b - c)
	Defaulted exposures ⁽¹⁾	Non-defaulted exposures		
Loans	9 615	25 117	8 300	26 432
Debt securities	-	1 775	-	1 775
Off-balance sheet exposures	-	715	-	715
Total	9 615	27 607	8 300	28 922

(1) *Defaulted exposures are exposures which are overdue for more than 90 days and where it is evident that the obligor is under stress and is likely to avoid or delay repayment.*

9.2 CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES

This table shows the movement in the gross defaulted loans and advances during the reporting period

	a
Defaulted loans and debt securities at end of the previous reporting period	9 369
Increase in defaulted Loans and debt securities since the last reporting period	648
Returned to non-defaulted status	153
Amounts written off	999
Other changes	750
Defaulted loans and debt securities at end of the reporting period	9 615

9.3 BREAKDOWN OF GROSS CREDIT EXPOSURE BY GEOGRAPHICAL AREAS

The total gross credit exposure is located within the Republic of South Africa (Rm 37,112). There is no exposure outside of South Africa.

9.4 BREAKDOWN OF GROSS CREDIT EXPOSURE BY INDUSTRY TYPE

The split of the credit exposure between financial intermediaries and private household is given below. The first category comprises interbank deposits and RSA sovereign exposures, while the second comprises personal loans and credit cards.

Rmillion	On balance sheet exposure	Off balance sheet exposure	Total
Financial intermediation and insurance	7 124	-	7 124
Private households	27 498	715	28 213
Other	1 775	-	1 775
Total	36 397	715	37 112
of which: Sovereign (central government and central bank)	1 775	-	1 775

9.5 IMPAIRED ADVANCES

The impaired advances relate to exposures to private households. No impairments have been raised on the other exposures.

Where advances are five or more instalments in arrears and no payment has been received in any of

the preceding five months, such advances are written off in full. Where payments were received in any of the five preceding months, the advance will not be written off, but will be impaired according to the applicable expected repayment profile.

Regulatory classifications	Impairment Cover %
	30 Sep 2018
Standard and special mention	11.11%
Sub-standard	62.27%
Doubtful	60.62%
Loss	68.77%

9.6 AGEING ANALYSIS

The ageing of gross advances to customers based purely on days past due.

Rmillion	Gross
Not past due	14 682
Past due 31 -90 days	3 386
Past due 91 - 182 days	1 635
Past due > 182 days	7 820
Total	27 523

9.7 EXTERNAL CREDIT ASSESSMENT

In calculating the required amount of capital to be held against credit risk, the Bank applies the long term, international credit ratings as published by the Moody's Investor Services.

These credit ratings are applied to all asset classes where such ratings are available.

The Bank applies the standardized approach for the measurement of credit risk in terms of Regulation 23 and 24 of the Regulations relating to banks.

Credit assessment issued by eligible institution						
Claim in respect of	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Sovereigns	0%	20%	50%	100%	150%	100%
Public sector entities	20%	50%	50%	100%	150%	50%
Bank	20%	50%	50%	100%	150%	50%
Securities firms	20%	50%	50%	100%	150%	50%
Bank: short term claims	20%	20%	20%	50%	150%	20%
Securities firms: short term claims	20%	20%	20%	50%	150%	20%
	AAA to AA-	A+ to A-	BBB+ to BB-	Below BB-		Unrated
Corporate entities	20%	50%	100%	150%		100%
	Short term credit assessment					
	A-1/P-1	A-2/P-2	A-3/P-3	Other		
Banks and corporate entities	20%	50%	100%	150%		

9.8 CREDIT RISK MITIGATION TECHNIQUES

Credit risk arising from cross currency swaps are mitigated by collateral held which is disclosed under the counterparty credit risk section 8.14.

Rmillion	a	b	c	d	e	f	g
	Exposures Unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposure secured by credit derivatives	Exposures secured by credit derivatives of which: secured amount
Loans	26 433	-	-	-	-	-	-
Debt securities	1 775	-	-	-	-	-	-
Total	28 208	-	-	-	-	-	-
Of which defaulted	9 615	-	-	-	-	-	-

9.9 CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION (CRM) EFFECTS

The following table shows the net on balance sheet amount after provisions of the various asset classes, together with the risk weighted asset requirement calculated against those net exposures.

Rmillion	a		b		c		d		e		f	
	Exposures before CCF and CRM		Exposures post CCF and CRM ⁽¹⁾		RWA and RWA density							
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density						
Sovereign and their central banks	1 775	-	1 775	-	1 021	57.52%						
Non-central government public sector entities	-	-	-	-	-	-						
Multilateral development banks	-	-	-	-	-	-						
Banks	7 063	-	7 063	-	4 582	64.87%						
Securities firms	-	-	-	-	-	-						
Corporates	61	-	61	-	61	100.00%						
Regulatory retail portfolios	21 185	715	21 185	142	15 514	72.74%						
of which:												
Secured by residential property	-	-	-	-	-	-						
Secured by commercial real estate	-	-	-	-	-	-						
Equity	-	-	-	-	-	-						
Past-due loans	3 085	226	3 085	45	1 866	59.62%						
Higher-risk categories	-	-	-	-	-	-						
Other assets	-	-	-	-	-	-						
Total	30 084	715	30 084	142	21 178	70.07%						

(1) As per 8.8, credit risk mitigation (CRM) is applied to derivative exposures, which are not included in the table above. Credit conversion factors (CCF) have been applied to off-balance sheet exposures in terms of Regulation 23.

9.10 EXPOSURES BY ASSET CLASS AND RISK WEIGHTS

This table shows the risk weightings assigned to the various asset classes, post CCF and CRM

Rmillion	a	b	c	d	e	F	g	h	i	j
Asset classes by risk weights	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Sovereign and their central banks	754	-	-	-	-	-	1 021	-	-	1 775
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	-	-	1 420	-	2 643	-	3 000	-	-	7 063
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	61	-	-	61
Regulatory retail portfolios	-	-	-	-	2 540	18 197	579	11	-	21 327
of which:										
Secured by residential property	-	-	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	2 540	-	579	11	-	3 130
Higher-risk categories	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	754	-	1 420	-	5 183	18 197	4 661	11	-	30 226

9.11 ANALYSIS OF COUNTERPARTY CREDIT RISK (CCR) EXPOSURE BY APPROACH

The information shown in this table and the three tables below show the CCR in respect of the interest rate and cross currency swap hedges that the Bank has entered into. The numbers are relatively small in relation to the exposure as the swaps are largely cash collateralised as shown in the table under 8.14.

Rmillion	a	b	c	d	E	F
	Replacement Cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
SA-CCR (for derivatives) ⁽¹⁾	47	47			-	-
Internal model method (for derivatives and SFTs)			-	-	-	-
Simple approach for credit risk mitigation (for SFTs)					-	-
Comprehensive approach for credit risk mitigation (for SFTs)					-	-
VaR for SFTs					-	-
Total						-

(1) African Bank is currently applying the Current Exposure method

9.12 CREDIT VALUATION ADJUSTMENT (CVA) CHARGE

Credit valuation adjustment (CVA) is the difference between the risk-free portfolio value and the true portfolio value that takes into account the possibility of a counterparty's default. In other words, CVA is the market value of counterparty credit risk. The RWA of the CVA is added to the risk weighted amount for counterparty credit exposure. The CVA charge as at 30 September 2018 is zero as a result of the counterparty credit exposure being fully collateralized.

Rmillion	a	B
	EAD post-CRM	RWA
Total portfolios subject to the advanced CVA capital charge		
(i) VaR component (including the 3 x multiplier)		
(ii) Stressed VaR component (including the 3 x multiplier)		
All portfolios subject to the standardised CVA capital charge		
Total subject to the CVA capital charge		

9.13 CCR EXPOSURES BY REGULATORY PORTFOLIOS AND RISK WEIGHTS

The exposure related to an interest rate swap that is held with other bank which is fully collateralized as at 30 September 2018 resulting in a zero exposure at default.

Rmillion	a	b	c	d	e	f	g	H	I	j
Regulatory portfolios by risk weights	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-	-	-
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-	-
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-

9.14 COMPOSITION OF COLLATERAL FOR CCR EXPOSURE

The collateral applied to the CCR exposure is limited to the exposure amount on an individual counterparty basis.

Rmillion	a		b		c		d		e		f	
	Collateral used in derivative transactions						Collateral used in SFT's					
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral					
	Segregated	Un segregated	Segregated	Un segregated	Segregated	Un segregated	Segregated	Un segregated	Segregated	Un segregated	Segregated	Un segregated
Cash - domestic currency	-	-	50	-	-	-	47	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	50	-	-	-	47	-	-	-	-	-

10. LIQUIDITY MEASUREMENTS

10.1 LIQUIDITY MANAGEMENT

Liquidity risk is managed by the Group Asset and Liability Committee (ALCO) that oversees the activities of the Treasury department which operates in terms of an approved Assets and Liabilities Management (ALM) risk appetite policy and approved limits, managing cash on a centralised basis.

This section presents various measurements of the Group liquidity position. Further detail regarding liquidity risk is given in Note 29 to the ABL annual financial statements for the year ended 30 September 2018.

10.2 CONTRACTUAL AND BEHAVIOURAL LIQUIDITY MISMATCHES

Both the contractual and behavioural mismatches benefit positively from the high component of equity funding and the extended term of the wholesale liabilities. This creates a surplus of asset cash flows over liability cash flows.

10.3 CONTRACTUAL LIQUIDITY MATURITY ANALYSIS (MISMATCH)

The following table analyses assets and liabilities of the Group into relevant maturity groupings, based on the remaining period at balance sheet date to the contractual maturity date.

The below graph summarises the net liquidity gap, being the sum total of the table.

The table was prepared on the following basis:

- ▶ Asset and liability cash flows are presented on an undiscounted basis with an adjustment to reflect the total discounted result;
- ▶ The cash flows of floating rate financial instruments are calculated using published forward market rates at balance sheet date;
- ▶ The cash flows of derivative financial instruments are included on a gross basis;
- ▶ Contractual cash flows with respect to off-balance sheet items which have not yet been recorded on the balance sheet, are excluded;
- ▶ Adjustments to loans and advances to clients relate to deferred loan fee income, and
- ▶ Non-cash liabilities, representing leave pay and the straight-lining of operating leases, are disclosed as adjustments to trade and other payables.

African Bank Limited

Assets and liabilities maturities as at 30 September 2018	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Non-contractual	Total
Rmillion							
Assets							
Cash and cash equivalents	3 933	3 288	-	-	-	-	7 221
Regulatory deposits and sovereign debt securities	355	23	1 255	-	497	-	2 130
Derivative assets	-	-	47	-	-	-	47
Net advances	901	1 065	4 875	2 967	8 003	1 366	19 178
Accounts receivable and other assets	212	-	-	-	-	-	212
Investments	-	-	-	-	-	15	15
Loans to group companies	-	-	-	51	-	-	51
Property and equipment	-	-	-	-	-	597	597
Intangible assets	-	-	-	-	-	73	73
Deferred tax asset	-	-	-	-	-	756	756
Total assets	5 401	4 376	6 177	3 018	8 500	2 807	30 279
Liabilities and equity							
Short-term funding	849	2 828	2 339	-	-	-	6 016
Derivative liabilities	-	-	-	-	-	-	-
Creditors and other liabilities	331	254	-	-	-	61	646
Current tax	-	-	24	-	-	-	24
Bonds and other long-term funding	76	37	90	5 496	7 580	-	13 279
Subordinated bonds, debentures and loans	51	-	-	-	1 479	-	1 530
Deferred tax liability	-	-	-	-	-	-	-
Ordinary shareholder's equity	-	-	-	-	-	8 784	8 784
Total liabilities and equity	1 307	3 119	2 453	5 496	9 059	8 844	30 279
Net liquidity gap	4 093	1 257	3 724	(2 478)	(559)	(6 037)	-

The above table differs to the view presented under IFRS in the audited financial statements largely for the reasons described in section 2 of the executive summary (basis of preparation) of this report.

Off balance sheet items

The following off balance sheet items will result in a future outflow of cash subsequent to reporting date. These cash flows are regarded as transactions relating to future reporting periods and are therefore excluded from the static maturity analysis above. As a going concern, these outflows will be offset by future cash inflows.

- (a) Operating lease commitments: Operating lease commitments totaling R324 million relate mainly to property operating lease commitments. The future minimum lease payments under non-cancellable operating leases will result in an outflow of cash subsequent to the reporting date.
- (b) Committed undrawn credit card facilities: Committed undrawn credit card facilities totaled R715 million. These commitments are attributable to undrawn credit card amounts.

The future obligations for operating lease commitments, measured on a straight-lined basis, are as follows:

Rmillion	30 Sep 2018
Payable within one year	153
Payable between one and five years	171
Total	324

10.4 LIQUIDITY COVERAGE RATIO (LCR) - COMMON DISCLOSURE TEMPLATE

The LCR is a 30-day stress test, which requires the Bank to hold sufficient high-quality liquid assets to cover envisaged net outflows. These outflows are calibrated using prescribed Basel factors applied to assets and liabilities in a static run-off model. Basel definitions are used to identify high-quality liquid assets.

The decrease in the LCR from the previous reporting period was as result of increase in the total net cash outflows primarily as a result of higher maturing liability balances, and lower high-quality liquid asset holdings over and above the prescribed minimum liquid asset requirements.

African Bank Limited	Total unweighted value (average) (1)	Total weighted value (average) (1)	Total weighted value (average) (1)
Rmillion	30 Sep 2018	30 Sep 2018	30 Sep 2017
Total high-quality liquid assets (HQLA) (see 7.4.1)		1 292	3 687
Cash outflows			
Retail deposits and deposits from small business customers, of which:	77	8	2
Stable deposits	-	-	-
Less-stable deposits	77	8	2
Unsecured wholesale funding, of which:	501	501	693
Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
Non-operational deposits (all counterparties)	-	-	-
Unsecured debt	501	501	693
Secured wholesale funding	-	-	-
Additional requirements, of which:	-	-	-
Outflows related to derivative exposures and other collateral requirements	103	103	171
Outflows related to loss of funding on debt products	-	-	-
Credit and liquidity facilities	707	35	117
Other contractual funding obligations	182	9	15
Other contingent funding obligations	-	-	-
Total cash outflows	1 468	657	999
Cash inflows			
Secured lending (e.g. reverse repos)	-	-	-
Inflows from fully performing exposures	3 779	3 315	3 499
Other cash inflows	115	115	0
Total cash inflows	3 779	3 315	3 499
		Total Adjusted Value	Total Adjusted Value
Total HQLA		1 292	3 687
Total net cash outflows (2)		164	250
Liquidity coverage ratio (%) (3)		871%	1 740%

(1) The average numbers are calculated using the daily LCR figures for the quarter ended 30 September 2018

(2) ABL has a net cash inflow after applying the run-off factors, outflows for the purpose of the ratio are therefore deemed to be 25% of gross outflows

(3) There is no material difference between Bank and Group

10.4.1 Composition of high-quality liquid assets

The high-quality liquid assets include only those with a high potential to be converted easily and quickly into cash. There are three categories of high-quality liquidity assets with decreasing levels of quality: level 1, level 2A and level 2B assets.

Rmillion	30 Sep 2018	30 Sep 2017
Total level one qualifying high-quality liquid assets ⁽¹⁾	1 292	3 687
Cash	1	1
Qualifying central bank reserves	358	405
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	933	3 281

(1) ABL does not have any investments in level two high-quality liquid assets

10.4.2 Derivative exposures and potential collateral calls

The table below provide information on the potential exposure to margin calls on derivative exposures. All derivatives are entered into for the sole purpose of risk mitigation in the banking book.

Potential exposure to margin calls on derivative exposures	a
Rm	RWA
Outright products	448
- Interest rate risk (general and specific)	-
- Equity risk (general and specific)	-
- Foreign exchange risk	448
- Commodity risk	-
Options	-
- Simplified approach	-
- Delta-plus method	-
- Scenario approach	-
- Securitisation	-
Total	448

Gains and losses recognised in comprehensive income on swap contracts are released to the income statement in line with the interest expense and foreign currency movement on the underlying hedged items.

The forecast cash flows presented above show how the cash flow hedging reserve will be released to the income statement over time. The swaps have quarterly reset and settlement dates. The forecast cash flows were based on contracted interest and ruling exchange rates.

11. THE NET STABLE FUNDING RATIO (NSFR)

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding, over a one year period. This ratio is required to be greater than or equal to 100% on an on-going basis.

“Available stable funding” is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet exposures.

The NSFR is designed to ensure closer matching of long-term asset cash flows with long-term funding cash flows. Full compliance for NSFR is required from January 2018.

The NSFR was stable compared to the prior period, as a result of the available stable funding and the required stable funding reducing primarily as a result of a net cash outflow from funding activities. Available stable funding has reduced further as a result of a greater proportion existing liabilities falling within the one year horizon.

R'million	Unweighted value by residual maturity				Weighted value ^[1]
	No maturity	<6 months	6 months to <1 year	≥1 year	
Available stable funding (ASF) item					
Capital:	10 533	-	-	-	10 533
<i>Regulatory capital</i>	10 533	-	-	-	10 533
<i>Other capital instruments</i>	-	-	-	-	-
Retail deposits and deposits from small business customers:	-	350	172	588	1 058
<i>Stable deposits</i>	-	-	-	-	-
<i>Less stable deposits</i>	-	350	172	588	1 058
Wholesale funding:		4 357	1 209	12 488	14 280
<i>Operational deposits</i>	-	-	-	-	-
<i>Other wholesale funding</i>	-	4 357	1 209	12 488	14 280
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities:	-	806	-	-	-
<i>NSFR derivative liabilities</i>	-	-	-	-	-
<i>All other liabilities and equity not included in the above categories</i>	-	806	-	-	-
Total ASF					25 871

[1] The weighted value is determined by applying a prescribed percentage to the gross or unweighted value as per the applicable requirements. The percentage applied is determined by the nature and maturity of the applicable balance.

R'million	Unweighted value by residual maturity				Weighted value[1]
	No maturity	<6 months	6 months to <1 year	≥1 year	
Required stable funding (RSF) item					
Total NSFR high-quality liquid assets ("HQLA")	-	-	-	-	57
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
Performing loans and securities:		10 790	3 246	11 031	13 886
<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	-	-	-	-
<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	-	7 194	-	61	1 140
<i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:</i>	-	3 596	3 246	10 971	12 746
<i> With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk</i>	-	-	-	-	-
<i> Performing residential mortgages, of which:</i>	-	-	-	-	-
<i> With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk</i>	-	-	-	-	-
<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	-	-	-	-
Assets with matching interdependent liabilities	-	-	-	-	-
Other liabilities:	-	-	-	-	-
<i>Physical traded commodities, including gold</i>	-	-	-	-	-
<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	-	-	-	-	-
<i>NSFR derivative assets</i>	-	-	-	-	-
<i>NSFR derivative liabilities before deduction of variation margin posted</i>	-	-	-	-	-
All other assets not included in the above categories	-	-	-	4 015	4 015
Off-balance sheet items	-	715	-	-	36
Total RSF					17 994
Net Stable Funding Ratio (%)					144%

[1] The weighted value is determined by applying a prescribed percentage to the gross or unweighted value as per the applicable requirements. The percentage applied is determined by the nature and maturity of the applicable balance.

12. INTEREST RATE RISK

The sensitivity analyses have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments. A 200-basis point movement for ZAR exposures and a 50-basis point movement for foreign currency exposures are used when reporting interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

Further detail regarding interest rate risk is given in Note 28.1 to the African Bank Limited Annual Financial Statements for the year ended 30 September 2018. The differences between the disclosures for interest

rate risk sensitivity in the annual financial statements and this report relate to differing methodologies applied.

The impact of a parallel rate shock on ABL's interest rate risk sensitivity calculated as a percentage of qualifying capital and reserve funds is relatively limited.

An interest rate increase resulted in 1.32% increase and an interest rate decrease resulted in (1.32%) decrease as a percentage of qualifying capital and reserve funds.

Interest rate sensitivity (Rmillion)	30 Sep 2018	30 Sep 2017
Increase	118	38
Decrease	(118)	(37)

13. QUALITATIVE DISCLOSURES AND ACCOUNTING POLICIES

The regulations require that certain qualitative disclosures and statements on accounting policy be made. These were made in the annual financial statements and integrated annual report for the financial period ended 30 September 2018, in the remuneration report, corporate governance and risk

management review and statements on group accounting policy. The disclosures in this report should be read together with the integrated annual report and transitional Basel templates. These disclosures can be found on the ABL website under investor relations, financial reporting.

Annexure A

	Tables and templates	Reference to Pillar 3
Overview of risk management and RWA	OVA – Bank risk management approach	3 (Referenced o AFS)
	OV1 – Overview of RWA	6.1
	KM1 - Key metrics (at consolidated group level)	1.7
Leverage ratio	LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure	7.1
	LR2 - Leverage ratio common disclosure template	7.2
Linkages between financial statements and regulatory exposures	LI1 – Difference between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories	8.1
	LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements	8.2
	LIA – Explanations of differences between accounting and regulatory exposure amounts	N/A (No difference)
Credit Risk	CRA – General information about credit risk	9 (Note 27 of AFS)
	CR1 – Credit quality of assets	9.1
	CR2 – Changes in stock of defaulted loans and debt securities	9.2
	CRB – Additional disclosure related to the credit quality of assets	9.3 to 9.6
	CRC – Qualitative disclosure requirements related to credit risk mitigation techniques	3 (Referenced to AFS)
	CR3 – Credit risk mitigation techniques – Overview	9.8
	CRD – Qualitative disclosures on banks’ use of external credit ratings under the standardised approach for credit risk	9.7
	CR4 – Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects	9.9
	CR5 – Standardised approach – exposures by asset classes and risk weights	9.10
Counterparty credit risk	CCRA – Qualitative disclosure related to counterparty credit risk	3 (Referenced to AFS)
	CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach	9.11
	CCR2 – Credit valuation adjustment (CVA) capital charge	9.12
	CCR3 – Standardised approach of CCR exposures by regulatory portfolio and risk weights	9.13



	CCR5 – Composition of collateral for CCR exposures	9.14
Liquidity risk	LIQ1 – Liquidity Coverage Ratio	10.4
	LIQ2 – Nest Stable Funding Ratio	11
Market risk	MRA – Qualitative disclosure requirements related to market risk	3 (Referenced to AFS)
	MR1 – Market risk under standardised approach	10.4.2