African Bank
We are you

African Bank Holdings Limited
and African Bank Limited

Public Pillar III Disclosures in terms of the Banks Act, Regulation 43 as at 30 September 2019

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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 has 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 yet comprehensively proven its ability to attract significant term funding in the wholesale markets. 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. Retail savings and investment deposits are providing an increasing amount of alternative funding.

The overall balance sheet of ABL remains strong, with advances well provided for, strong capital adequacy and available cash holdings, including surplus liquid assets of R5.6 billion. Liquidity risk, interest rate risk and foreign exchange risks are managed within a conservative risk appetite framework.

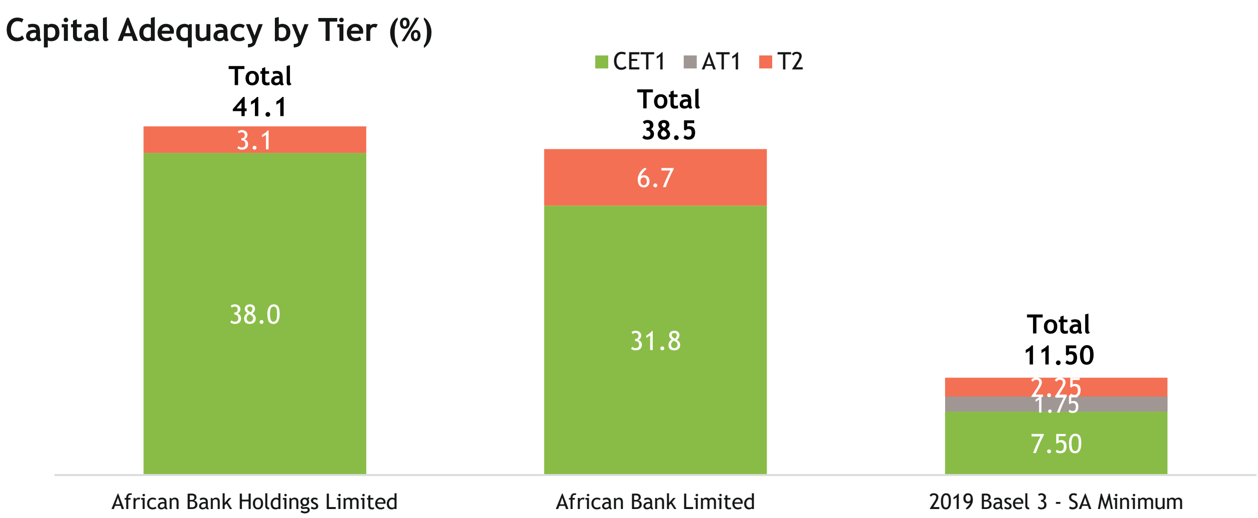
The overall impact of the strong balance sheet structure, as expressed in the conservative risk appetite, is evidenced in the various sections of this report which, as of 30 September 2019, include CET1 ratio of 31.8%, a leverage ratio of 26.2%, a liquidity coverage ratio of 511% and a net stable funding ratio of 135% at the ABL level.

1.2. GOVERNANCE

This Pillar III disclosure report complies with the Prudential Authority's requirements as stipulated through the Banks Act (Act No. 94 of 1990), and through the relevant regulations, directives and guidance notes issued, with specific reference to Directive D1 of 2019. The Board is satisfied that in line with African Bank's prudent governance processes, relevant executive management and Board executives have reviewed this document. The information provided in this report was subject to a similar and appropriate level of internal review as the information provided for financial reporting purposes.

1.3. CAPITAL ADEQUACY RATIOS

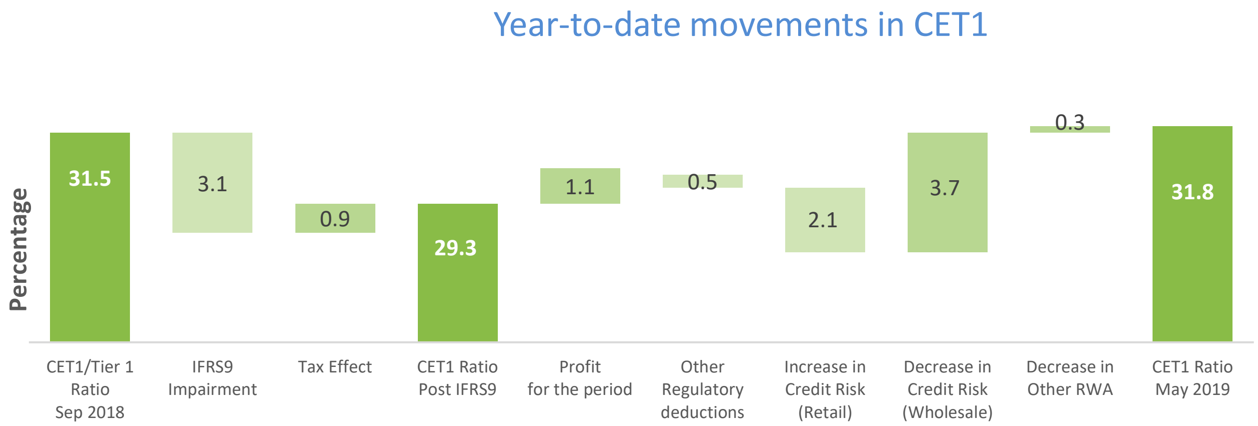
The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 30 September 2019 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 38.0% and 31.8% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 41.1% and 38.5% respectively.



YEAR-TO-DATE CET1/TIER 1 TREND ANALYSIS

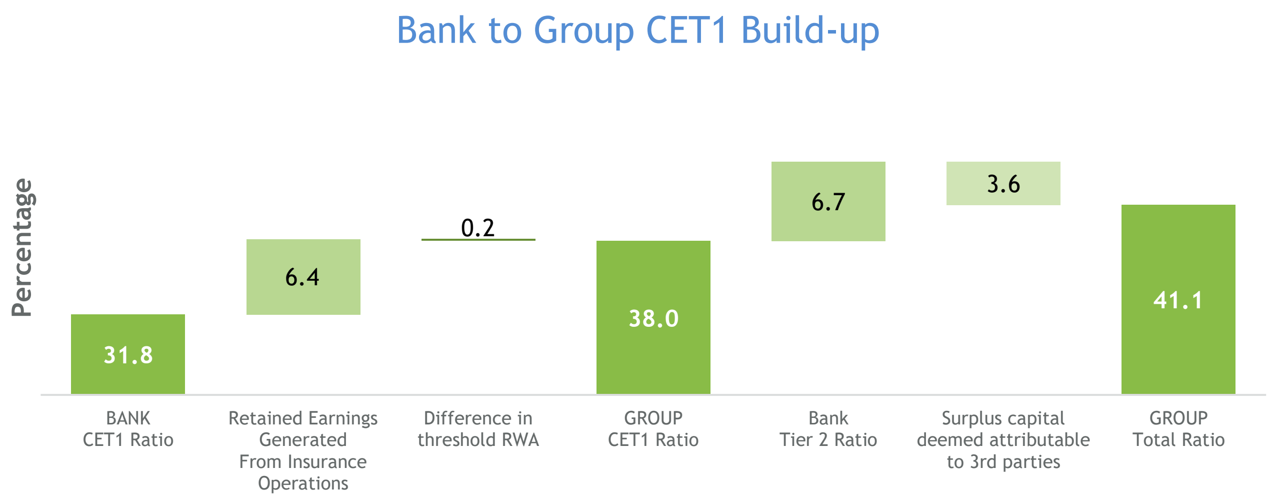
An analysis of the change in the African bank Limited CET ratio over the year and comparison of the Group and Bank capital adequacy as at 30 September 2019 is shown below.

African Bank Limited



The major drivers for the year-on-year increase in capital adequacy ratios from a CET1/Tier 1 ratio of 31.5% in September 2018 to 31.8% in September 2019 are the organic profits generated for the year coupled with the reduction in the treasury balance sheet as a result of a decrease in the cash placed with local banks. The increase in the ratio was however softened by the impact of the IFRS 9 take on charge.

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 cumulative additional earnings generated from the insurance operations of R1.7 billion. 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. The de-recognition of the surplus capital results in a significantly lower Tier 2 ratio of 3.1% when compared to that of ABL of 6.7%.

ABH applied IFRS 9 from 1 October 2018. The profit or loss effect related to the difference in treatment between the previous (IAS 39) and new (IFRS 9) accounting framework for financial instruments was recognized in the Bank's opening retained earnings for the 2019 financial year. The impact of the implementation of IFRS 9 resulted in a decrease in retained earnings of R622 million which is included in the disclosures below for September 2019.

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

	African Bank Holdings Limited		African Bank Limited	
R million	Sep-2019	Sep-2018	Sep-2019	Sep-2018
Composition of qualifying regulatory capital				
Ordinary share capital & accumulated profit	10 110	10 000	10 000	10 000
Regulatory adjustments	(191)	(328)	(1 746)	(1 290)
Common Equity Tier 1 capital (CET1)	9 919	9 672	8 254	8 710
Total qualifying subordinated debt	564	526	1 485	1 485
Portfolio Impairments	247	265	247	265
Tier 2 capital (T2)	811	791	1 732	1 750
Qualifying regulatory capital	10 730	10 463	9 986	10 460

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

1.4. 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 Group leverage ratio from the prior reporting period is largely due to an increase in the Tier 1 capital mainly as a result of dividends received from its Insurance subsidiary (AIG) which minimized the adverse impact of the IFRS 9 take on charge. The impact of the IFRS 9 take on charge on ABL however resulted in a decrease in the leverage ratio. The decrease in the total exposure was predominantly as a result of interbank placements decreasing largely due to maturities of funding.

	African Bank Holdings Limited		African Bank Limited	
R million	Sep-2019	Sep-2018	Sep-2019	Sep-2018
Capital and total exposures				
Tier 1 capital	9 919	9 673	8 255	8 710
Total exposures	31 505	32 305	31 473	32 300
Basel III leverage ratio	**31.5%**	**29.9%**	**26.2%**	**27.0%**
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.

1.5. 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 R million	Total weighted value (average) Sep-2019	Total weighted value (average) Sep-2018
Total high-quality liquid assets	1 187	1 292
Total net cash outflows	240	164
Liquidity coverage ratio (%)	**511%**	**871%**
Regulatory minimum requirement	100%	90%

Refer to 10.5 of the detailed disclosure for a detailed breakdown of the above table.

1.6. 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 became effective since January 2018.

The decrease in NSFR is largely as a result of the available stable funding decreasing due to a greater portion of existing wholesale liabilities falling within the one year maturity horizon.

African Bank Limited R million	Sep-2019	Sep-2018
NSFR (%)	**135%**	**144%**
Available stable funding	23 240	25 871
Required stable funding	17 234	17 994

Refer to 11 of the detailed disclosure for a detailed breakdown of the above table.

1.7. 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.

1.8. 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 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: R million	Sep19 (T)	Jun19 (T-1)	Mar19 (T-2)	Dec18 (T-3)	Sep18 (T-4)
Available capital (amounts) (1) (3)						
1	Common Equity Tier 1 (CET1)	9 919	9 300	9 113	8 717	9 672
1a	Fully loaded ECL accounting model	9 919	9 300	9 113	8 717	
2	Tier 1	9 919	9 300	9 113	8 717	9 672
2a	Fully loaded accounting model Tier 1	9 919	9 300	9 113	8 717	
3	Total capital	10 730	10 110	9 967	9 612	10 463
3a	Fully loaded ECL accounting model total capital	10 730	10 110	9 967	9 612	
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	26 078	25 654	26 717	26 724	27 678
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	38.0	36.3	34.1	32.6	34.9
5a	Fully loaded ECL accounting model CET1 (%)	38.0	36.3	34.1	32.6	
6	Tier 1 ratio (%)	38.0	36.3	34.1	32.6	34.9
6a	Fully loaded ECL accounting model Tier 1 ratio	38.0	36.3	34.1	32.6	
7	Total capital ratio (%)	41.1	39.4	37.3	36.0	37.8
7a	Fully loaded ECL accounting model total capital ratio (%)	41.1	39.4	37.3	36.0	
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500	2.500	2.500	1.875	1.875
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)	2.500	2.500	2.500	1.875	1.875
12	CET1 available after meeting the bank's minimum capital requirements (%)	30.5	28.8	26.6	24.6	27.0
Basel III Leverage Ratio (3)						
13	Total Basel III leverage ratio measure	31 505	29 538	30 935	32 063	32 305
14	Basel III leverage ratio (%) (row 2/row 13)	31.5	31.5	29.5	27.2	29.9
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	31.5	31.5	29.5	27.2	
Liquidity Coverage Ratio (2) (3)						
15	Total HQLA	1 187	1 199	1 150	1 114	1 292
16	Total net cash outflow	240	328	162	223	164
17	LCR ratio (%)	511	437	877	772	871
Net Stable Funding Ratio (2) (3)						
18	Total available stable funding	23 240	22 472	23 299	24 205	25 871
19	Total required stable funding	17 234	16 883	18 119	17 327	17 994
20	NSFR ratio (%)	135	133	129	140	144

(1) *The Group has opted not to make use of the transitional arrangements of the ECL accounting provisions for regulatory capital purposes as allowed per SARB Directive 5 of 2017 and has rather opted to take the full impact of IFRS 9 into account with effect from 1 October 2018.*

(2) *Information reported at African Bank Holdings Limited while the liquidity ratios are at African Bank Limited Level.*

(3) *Refer to sections 1.3 to 1.6 of the executive summary for reasons on year-on-year movements.*

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 advancers to customers as at 30 September 2019 and is included as a reference to the published annual financial statements.

Analysis of advances to customers as at 30 September 2019			
R million	**Term loans**	**Credit Cards**	**Total**
Gross amount due by customers	25 804	4 396	30 200
Impairment attributable to acquired advances and deferred fees	(2 653)	(77)	(2 730)
Gross advances	**23 151**	**4 319**	**27 470**
Impairment and deferred fees attributable to originated advances	(6 648)	(1 007)	(7 655)
Net advances	**16 503**	**3 312**	**19 815**

Unless where otherwise indicated, all figures reported are reported in ZAR millions ("R million").

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 2019

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

African Bank Holdings Limited: consolidated annual financial statements 30 September 2019, and

African Bank Limited: annual financial statements 30 September 2019

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

- Accounting policies (Note 1)
- Risk management approach (page 63)
- Credit risk approach including approach to impairment provisioning (Note 31)
- Market risk (Note 32)
- Interest rate risk management (Note 32.1)
- Foreign currency risk management (note 32.2)
- Liquidity risk management (Note 33)

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.

In addition to the risk management approach notes as noted above, the Group has in place a stress testing policy, the objective of which is to provide a coherent and consistent methodology to assess the Group's ability to survive a spectrum of severe stress conditions and scenarios, whilst maintaining the minimum required capital adequacy and liquidity positions.

The primary objective of the Group's stress testing program is to provide useful and relevant information and analyses to senior management and the Board, relating to its financial strength during stressed macro-economic conditions and other adverse systemic or idiosyncratic scenarios. These factors have the potential to impact the Group's sustainability and performance, primarily as measured through the impact on solvency and liquidity.

The stress testing program is used as a tool to allow senior management and the Board to develop a sustainable strategy in line with its risk appetite and with the correct level of risk mitigation, be it capital allocation, contingency funding plans or other interventions.

In order to meet this objective, African Bank's stress testing and scenario analysis program considers the following:

- African Bank's existing risk profile and the expected risk profile based on its strategic plan;
- African Bank's financial, capital management and asset & liability management plans; and
- African Bank's financial risk appetite statement as well as its associated parameters and tolerances.

The stress testing program is built on a methodology that targets an enhanced understanding of the material risks facing the Group in order to improve sustainability and profitability.

The board identifies the Group's key risks through the Enterprise Risk Management (ERM) Framework. The risk appetite for each key risk is reviewed and approved by the Board to enable informed risk-based decision-making. The scenarios used in the Group's stress testing program, including the ICAAP and Recovery Plan, are devised with this board assessment in mind. These scenarios are framed around four categories:

- Individual risks scenarios (including credit risk and operational risk stresses);
- Growth scenarios;
- Funding scenarios; and
- Capital Generation scenarios

4. PERIOD OF REPORTING

This report covers the period from 1 October 2018 to 30 September 2019 for the ABH Group and its 100% held banking subsidiary, ABL. Comparative disclosures are as at and for the year ended 30 September 2018.

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 2019 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 38.0% and 31.8% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 41.1% and 38.5% 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.

	R million	African Bank Holdings Limited			African Bank Limited		
		RWA		Minimum capital requirements (1)	RWA		Minimum capital requirements (1)
		Sep-2019	Sep-2018	Sep-2019	Sep-2019	Sep-2018	Sep-2019
1	**Credit risk (excluding counterparty credit risk)**	**20 494**	**21 997**	**2 357**	**20 494**	**21 996**	**2 357**
2	Of which standardised approach (SA) (2)	20 494	21 997	2 357	20 494	21 996	2 357
4	**Counterparty credit risk**	**36**	**-**	**4**	**36**	**-**	**4**
5	Of which standardised approach for counterparty credit risk (SA-CCR) (3)	36	-	4	36	-	4
10	**Credit valuation adjustment (CVA)**	20	-	2	20	-	2
20	**Market risk**	**223**	**448**	**26**	**223**	**448**	**26**
21	Of which standardised approach (SA) (4)	223	448	26	223	448	26
24	**Operational risk (5)**	**2 084**	**2 195**	**240**	**2 050**	**2 173**	**236**
25	**Amounts below thresholds for deduction (subject to 250% risk weight)**	**2 176**	**1 912**	**250**	**2 074**	**1 903**	238
26	**Floor adjustment**	**1 045**	**1 126**	**120**	**1 065**	**1 147**	**122**
27	**Total**	**26 078**	**27 678**	**2 999**	**25 962**	**27 667**	**2 985**

(1) The minimum capital requirement per risk category for 2019 is 11.5% which comprises the base minimum (8.00%) plus the Pillar 2A systemic risk add-on (1.0%) plus capital conservation buffer (2.5%).

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

(3) ABL currently applies the current exposure method to calculate counterparty credit risk. The year-on-year variance is as a result of the exposure in the previous year being fully collateralised as opposed to current year.

(4) Market risk exposure decreased significantly due to the foreign currency net open position reducing as a result of foreign liabilities being repaid and the remaining foreign liabilities being one year closer to maturity.

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

R million	African Bank Holdings Limited			African Bank Limited		
	RWA		Minimum capital requirements (1)	RWA		Minimum capital requirements (1)
	Sep-2019	Sep-2018	Sep-2019	Sep-2019	Sep-2018	Sep-2019
Of which standardised approach (SA) - Loans and advances	**19 715**	**21 178**	**2 267**	**19 715**	**21 177**	**2 267**
Retail Exposures	17 274	15 514	1 987	17 274	15 514	1 987
Interbank Exposures	2 441	5 664	280	2 441	5 663	280

6.2. COMPOSITION OF REGULATORY CAPITAL

The qualifying regulatory capital and capital adequacy ratios for ABH and ABL as at 30 September 2019 are set out in the table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 38.0% and 31.8% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 41.1% and 38.5% respectively.

R million	African Bank Holdings Limited		African Bank Limited		Reference (1)
Section A	Sep-2019	Sep-2018	Sep-2019	Sep-2018	
Common Equity Tier 1 Capital					
Ordinary share capital & premium	10 000	10 000	10 000	10 000	Row 1
Accumulated profit	110	-	-	-	Row 2
Total as per Transitional Basel 3 Template	**10 110**	**10 000**	**10 000**	**10 000**	Row 6
Section B					
Common Equity Tier 1 Regulatory Adjustments					
- Intangible assets in terms of IFRS	(81)	(73)	(81)	(73)	
- Other regulatory adjustments, including accumulated losses	(110)	(255)	(1 665)	(1 217)	
Total as per Transitional Basel 3 Template	**(191)**	**(328)**	**(1 746)**	**(1 290)**	Row 28
Section C					
Additional Tier 1 capital (AT1)	-	-	-	-	
Section D					
Subordinated debt	1 533	1 530	1 533	1 530	
Accrued interest not classified as Tier 2 capital	(48)	(45)	(48)	(45)	
Total subordinated debt	**1 485**	**1 485**	**1 485**	**1 485**	Row 46/48
Haircut on amounts attributable to third parties	(921)	(959)	-	-	Row 57
Tier 2 instruments issued by subsidiary and held by third parties	**564**	526	**-**	**-**	
Portfolio Impairments	247	265	247	265	Row 50
Total as per Transitional Basel 3 Template	**811**	**791**	**1 732**	**1 750**	Row 58
Section E					
Summary of Capital Adequacy Ratios					
CET1%	38.0	34.9	31.8	31.5	
AT1%	0.0	0.0	0.0	0.0	
T1%	38.0	34.9	31.8	31.5	
T2%	3.1	2.9	6.7	6.3	
Total capital adequacy %	**41.1**	37.8	**38.5**	**37.8**	

(1) Refer to 6.3 (Composition of Capital Disclosure Template) for references to the rows.

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 September 2019	African Bank Holdings Limited	African Bank Limited	Reference [1]
	Common Equity Tier 1 capital instruments and reserves	R million	R million	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related to stock surplus	10 000	10 000	Section A
2	Retained earnings	110	-	
3	Accumulated other comprehensive income (and other reserves)	-	-	
6	Common Equity Tier 1 capital before regulatory adjustments	10 110	10 000	Section A
	Common Equity Tier 1 capital: regulatory adjustments			
28	Total regulatory adjustments to Common Equity Tier 1	(191)	(1 746)	Section B
29	Common Equity Tier 1 capital (CET 1)	9 919	8 254	
	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)	9 919	8 254	
	Tier 2 capital and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	1 485	Section D
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	-	Section D
50	Provisions	247	247	Section D
51	Tier 2 capital before regulatory adjustments	1 732	1 732	
	Tier 2 capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 capital	(921)		
58	Tier 2 capital (T2)	811	1 732	Section D
59	Total capital (TC = T1 + T2)	10 730	9 986	
60	Total risk weighted assets	26 078	25 962	
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	38.0%	31.8%	
62	Tier 1 (as a percentage of risk weighted assets)	38.0%	31.8%	
63	Total capital (as a percentage of risk weighted assets)	41.1%	38.5%	
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)	7.5%	7.5%	
65	of which: capital conservation buffer requirement	2.5%	2.5%	
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)	30.5%	24.3%	
	Amounts below the threshold for deductions (before risk weighting)			
73	Significant investments in the common stock of financials	-	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	870	830	

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)	3 115	3 115
77	Cap on inclusion of provisions in Tier 2 under standardised approach	247	247

(1) Refer to 6.2 (Composition of Regulatory Capital) for references to the sections.

Reconciliation of regulatory capital to balance sheet as at 30 September 2019 R million	African Bank Holdings Limited	Regulatory scope of consolidation (2)	African Bank Limited	Regulatory scope of consolidation (2)	Reference (1)
Assets					
Cash and cash equivalents	5 040	5 038	5 038	5 038	
Regulatory deposits and sovereign debt securities	1 725	1 725	1 725	1 725	
Derivative assets	36	36	36	36	
Net advances	19 815	19 815	19 815	19 815	
Accounts receivable and other assets	231	231	231	231	
Investment in insurance contracts	536	-	-	-	
Current tax asset	-	-	-	-	
Investments	-	-	-	-	
Loans to affiliated companies	-	-	-	-	
Property and equipment	547	547	547	547	
Intangible assets	81	-	81	-	Section B
Deferred tax asset	870	870	870	870	
Total assets	**28 881**	**28 262**	**28 343**	**28 262**	
Liabilities					
Short-term funding	6 571	6 571	6 959	6 959	
Derivative liabilities	-	-	-	-	
Creditors and other liabilities	736	736	737	737	
Current tax	-	-	-	-	
Bonds and other long-term funding	9 382	9 382	10 737	10 737	
Subordinated bonds, debentures and loans	1 533	1 533	1 533	1 533	Section D
Deferred tax liability	-	-	-	-	
Total liabilities	**18 222**	**18 222**	**19 966**	**19 966**	
Equity					
Ordinary share capital	5	5	5	5	Row 1
Ordinary share premium	9 995	9 995	9 995	9 995	Row 1
Accumulated reserves / (losses)	659	115	(1 623)	(1 620)	Section B
Total equity	**10 659**	**10 115**	**8 377**	**8 380**	
Total liabilities and equity	**28 881**	**28 338**	**28 343**	**28 346**	

(1) Refer to 6.2 and 6.3 for references to the sections and rows respectively.
(2) Note that at African Bank Limited level there are no differences, other than deductions in respect of intangible assets, between the IFRS and regulatory balance sheet, however in addition at African Bank Holdings Limited level, the insurance entity (African Insurance Group) is not consolidated for regulatory purposes.

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.

The increase in the Group leverage ratio from the prior reporting period is largely due to an increase in the Tier 1 capital mainly as a result of dividends received from its Insurance subsidiary (AIG) which minimized the adverse impact of the IFRS 9 take on charge. The impact of the IFRS 9 take on charge on ABL however resulted in a decrease in the leverage ratio. The decrease in the total exposure was predominantly as a result of interbank placements decreasing largely due to maturities of funding.

The exposure used in the calculation of the ratio (see 7.2) differs from the total assets as measured using IFRS as shown below. The disclosures are prepared using figures as at 30 September 2019.

7.1 SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE

Line #	R million	African Bank Holdings Limited		African Bank Limited	
		Sep-2019	Sep-2018	Sep-2019	Sep-2018
1	Total consolidated assets as per published financial statements	28 881	30 679	28 343	30 289
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(547)	(384)	-	-
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)	-	(47)
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)	137	143	137	143
7	Other adjustments (1)	3 034	1 914	2 993	1 914
8	Leverage ratio exposure	31 505	32 305	31 473	32 299

(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 #	R million	African Bank Holdings Limited		African Bank Limited	
		Sep-2019	Sep-2018	Sep-2019	Sep-2018
	On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives and Securities Financing Transactions ("SFTs")*, but including collateral)	31 413	32 235	31 422	32 229
2	Asset amounts deducted in determining Basel III Tier 1 capital	(81)	(73)	(122)	(73)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**31 332**	**32 162**	**31 300**	**32 156**
	Derivative exposures				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	36	-	36	-
5	Add-on amounts for PFE associated with all derivatives transactions	-	-	-	-
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)**	**36**	**-**	**36**	**-**
	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	683	715	683	715
18	(Adjustments for conversion to credit equivalent amounts)	(546)	(572)	(546)	(572)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**137**	**143**	**137**	**143**
20	Tier 1 capital	9 919	9 673	8 255	8 710
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**31 505**	**32 305**	**31 473**	**32 299**
	Leverage ratio				
22	**Basel III leverage ratio**	**31.5%**	**29.9%**	**26.2%**	**27.0%**

** 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

African Bank Limited (R million)	a	c	d	e	f	g
	Carrying values as reported in financial statements & under scope of regulatory consolidation	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
Cash and cash equivalents (1)	5 038	5 038	-	-	4 151	-
Statutory assets (1)	1 725	1 725	-	-	536	-
Derivative assets	36	-	36	-	-	-
Net advances	19 815	19 815	-	-	-	-
Accounts receivable and other assets	231	231	-	-	-	-
Current tax asset	-	-	-	-	-	-
Loans to group companies	-	-	-	-	-	-
Investments	-	-	-			
Property and equipment	547	547	-	-	-	-
Intangible assets	81	-	-	-	-	81
Deferred tax asset	870	-	-	-	-	870
Total assets	**28 343**	**27 356**	**36**	**-**	**4 687**	**951**
Short-term funding	6 959	-	-	-	-	6 959
Derivative liabilities	-	-	-	-	-	-
Creditors and accruals	737	-	-	-	-	737
Current tax	-	-	-	-	-	-
Bonds and other long-term funding (1)	10 737	-	-	-	5 526	5 211
Subordinated bonds, debentures, loans	1 533	-	-	-	-	1 533
Deferred tax liability	-	-	-	-	-	-
Ordinary shareholder's equity	8 377	-	-	-	-	8 377
Total equity and liabilities	**28 343**	**-**	**-**	**-**	**5 526**	**22 817**

(1) The amounts subject to both credit risk and market risk relates to the foreign currency exposures therein. The liabilities subject to market risk relates to the foreign currency bonds.

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.

	R million	a	b	c	d	e
			Items subject to:			
		Total	Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
1	Total asset carrying value amount under scope of regulatory consolidation	28 343	27 356	36	-	4 687
2	Total equity and liabilities carrying value amount under scope of regulatory consolidation	28 343	-	-	-	5 526
3	Total net amount under regulatory scope of consolidation	-	27 356	36	-	(839)
4	Off-balance sheet amounts (1)	683	137	-	-	-
5	Differences in valuations (2)	-	2 324	20	-	1 062
9	Exposure amounts considered for regulatory purposes	-	29 816	56	-	223

(1) The Off-balance sheet amount relates to the undrawn commitments on credit cards and under the credit risk framework is reported post the application of the credit conversion factors (CCF).

(2) The differences in valuations relates to different treatments for IFRS and regulatory reporting.

(3) The amounts subject to both credit risk framework, counterparty credit risk framework and market risk framework relates to the foreign currency exposures therein. The liabilities subject to market risk relates to the foreign currency bonds.

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 31 in the ABL annual financial statements for the year ended 30 September 2019.

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 9.5.

R million	a	b	c	d
	Gross carrying values of			
	Defaulted exposures (1)	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values (a + b - c)**
Loans	10 859	24 145	10 178	24 826
Debt securities	-	1 353	-	1 353
Off-balance sheet exposures	-	683	-	683
Total	**10 859**	**26 181**	**10 178**	**26 862**

(1) Financial assets which have defaulted (equivalent to 90 days past due assumption of default) but have not yet reached write-off.

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

R million	a
Defaulted loans and debt securities at end of the previous reporting period	**10 473**
Increase in defaulted Loans and debt securities since the last reporting period	2 214
Returned to non-defaulted status	(320)
Amounts written off	(1 163)
Other changes	(345)
Defaulted loans and debt securities at end of the reporting period	**10 859**

9.3 BREAKDOWN OF GROSS CREDIT EXPOSURE BY GEOGRAPHICAL AREAS

The total gross credit exposure is located within the Republic of South Africa (Rm 36,247). 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.

R million	On balance sheet exposure	Off balance sheet exposure	Total
Financial intermediation and insurance	4 215	-	4 215
Private households	29 996	683	30 679
Other	1 353	-	1 353
Total	**35 564**	**683**	**36 247**
of which: Sovereign (central government and central bank)	1 353	-	1 353

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 four or more instalments in arrears and no payment has been received in any of the preceding eight months, such advances are written off in full. Where payments were received in any of the eight preceding months, the advance will not be written off, but will be impaired according to the applicable expected repayment profile.

Regulatory classifications	Impairment Cover %
	Sep-2019
Standard and special mention	16.28%
Sub-standard	69.02%
Doubtful	67.15%
Loss	62.92%

9.6 AGEING ANALYSIS

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

R million	Gross
Not past due	15 651
Past due 31 -90 days	3 483
Past due 91 - 182 days	1 957
Past due > 182 days	8 902
Total	**29 993**

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

The bank currently does not hold any collateral in respect of derivative exposures and therefore all credit risk exposures are unsecured.

R million	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	24 826	-	-	-	-	-	-
Debt securities	1 353	-	-	-	-	-	-
Total	**26 179**	**-**	**-**	**-**	**-**	**-**	**-**
Of which defaulted	10 859	-	-	-	-	-	-

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.

	R million	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
1	Sovereign and their central banks	1 353	-	1 353	-	536	39.62%
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	4 215	-	4 215	-	1 904	45.17%
5	Securities firms	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-
7	Regulatory retail portfolios	22 933	683	22 933	136	17 274	74.88%
	of which:						
8	Secured by residential property	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-
11	Past-due loans	3 615	234	3 615	47	2 718	74.22%
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	1 178	-	1 178	-	780	66.13%
14	**Total**	**29 679**	**683**	**29 679**	**136**	**20 494**	**68.73%**

(1) As per 9.8, credit risk mitigation (CRM) is applied to derivative exposures when applicable, 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

	R million	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)
1	Sovereign and their central banks	817	-	-	-	-	-	536	-	-	1 353
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	678	-	3 501	-	36	-	-	4 215
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	-	-	-	-
7	Regulatory retail portfolios	-	-	-	-	2 174	19 408	1 201	287	-	23 070
8	of which: Secured by residential property	-	-	-	-	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past-due loans (1)	-	-	-	-	2 174	-	1 201	287	-	3 662
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	398	-	-	-	-	-	780	-	-	1 178
14	**Total**	**1 215**	**-**	**678**	**-**	**5 675**	**19 408**	**2 553**	**287**	**-**	**29 816**

(1) Amounts disclosed under row 11 (Past-due loans) are included in row 7 (Regulatory retail portfolios).

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.

	R million	a	b	c	d	E	F
		Replacement Cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives) [(1)]	36	-			36	36
2	Internal model method (for derivatives and SFTs)			-	-	-	-
3	Simple approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive approach for credit risk mitigation (for SFTs)					-	-
5	VaR for SFTs					-	-
6	**Total**						**36**

(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.

	R million	a	B
		EAD post-CRM	RWA
	Total portfolios subject to the advanced CVA capital charge	-	-
1	(i) VaR component (including the 3 x multiplier)		
2	(ii) Stressed VaR component (including the 3 x multiplier)		
3	All portfolios subject to the standardised CVA capital charge	35	20
4	**Total subject to the CVA capital charge**	**35**	**20**

9.13 CCR EXPOSURES BY REGULATORY PORTFOLIOS AND RISK WEIGHTS

The exposure relates to a cross currency swap as at 30 September 2019, which serves as a hedge for the foreign currency debt funding the bank holds.

R million	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	-	-	-	-	-	-	36	-	-	36
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**36**	**-**	**-**	**36**

9.14 COMPOSITION OF COLLATERAL FOR CCR EXPOSURE

There was no collateral held by the Bank as at 30 September 2019 as compared to previous reporting periods.

R million	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**		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

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. The Group has a board approved liquidity and funding risk policy that sets out the overall approach to liquidity and funding risk management of ABH Group and its subsidiaries, excluding the African Insurance Group Limited. This policy standardises the liquidity and funding risk measurement and management process in the Group. While the Policy applies to the Group and all entities within the Group, the overwhelming majority of liquidity and funding activities occur within ABL.

This section presents various measurements of the Group liquidity position. Further detail regarding liquidity risk is given in Note 33 to the ABL audited annual financial statements for the year ended 30 September 2019.

10.2 LIQUIDITY AND FUNDING STRATEGY

The Group's strategy is to diversify its' funding towards achieving greater that 25% of its total funding from non-wholesale funding sources, including retail and corporate deposits by September 2021. As at 30 September 2019 the Group received 12% of its total funding from retail depositors, up from 5% as at 30 September 2018.

The Group has a conservative liquidity risk appetite, holding cash reserves greater than or equal to 6 months of expected net cash outflows. Under this scenario, which is effectively a stress scenario, the Group does not expect to roll any maturing wholesale deposits and not raise any new wholesale deposits.

Further stress tests are applied whereby key inputs into the cash flow forecast are stressed. Appropriate management actions are formulated in order to address these liquidity stresses.

Liquidity risk recognised as a key risk that impacts the going concern stages of the Group, as noted in the directors report contained in both the Bank and Group audited annual financial statements for the year ended 30 September 2019. The directors have satisfied themselves that the Group is in a sound financial position and that sufficient cash reserves and borrowing facilities are accessible in order to enable the Group to meet its foreseeable cash requirements. In order to ensure that the Group is able to meet its obligations and to pay its debts as they become due, the Group implemented a number of initiatives, which includes the establishment of a significant retail funding portfolio, engaging the Group's shareholders to establish a shareholder backed liquidity facility primarily focused on securing funding from the capital market and listing an Euro Medium Term Note ("EMTN") program.

10.3 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.

10.4 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 2019* **R million**	**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**
Assets							
Cash and cash equivalents	5 038	-	-	-	-	-	5 038
Regulatory deposits and sovereign debt securities	372	49	776	-	528	-	1 725
Derivative assets	-	36	-	-	-	-	36
Net advances	943	1 023	4 725	3 169	9 345	610	19 815
Accounts receivable and other assets	231	-	-	-	-	-	231
Investments	-	-	-	-	-	-	-
Loans to group companies	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	547	547
Intangible assets	-	-	-	-	-	81	81
Deferred tax asset	-	-	-	-	-	870	870
Total assets	**6 584**	**1 108**	**5 501**	**3 169**	**9 873**	**2 108**	**28 343**
Liabilities and equity							
Short-term funding	463	1 457	5 039	-	-	-	6 959
Derivative liabilities	-	-	-	-	-	-	-
Creditors and other liabilities	318	211	1	32	103	72	737
Current tax	-	-	-	-	-	-	-
Bonds and other long-term funding	139	23	109	4 478	5 988	-	10 737
Subordinated bonds, debentures and loans	51	-	-	-	1 482	-	1 533
Deferred tax liability	-	-	-	-	-	-	-
Ordinary shareholder's equity	-	-	-	-	-	8 377	8 377
Total liabilities and equity	**971**	**1 691**	**5 149**	**4 510**	**7 573**	**8 449**	**28 343**
Net liquidity gap	**5 612**	**(583)**	**352**	**(1 341)**	**2 300**	**(6 341)**	**-**

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 R328 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 R683 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:

R million	Sep-2019
Payable within one year	162
Payable between one and five years	167
Total	**328**

10.5 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 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 R million	Total unweighted value (average) (1)	Total weighted value (average) (1)	Total weighted value (average) (1)
		Sep-2019	Sep-2019	Sep-2018
1	**Total high-quality liquid assets (HQLA) (see 10.5.1)**		**1 187**	**1 292**
	Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	205	21	8
3	Stable deposits	-	-	-
4	Less-stable deposits	205	21	8
5	Unsecured wholesale funding, of which:	790	790	501
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
7	Non-operational deposits (all counterparties)	-	-	-
8	Unsecured debt	790	790	501
9	Secured wholesale funding	-	-	-
10	Additional requirements, of which:	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	114	114	103
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	690	35	35
14	Other contractual funding obligations	-	-	9
15	Other contingent funding obligations	-	-	-
16	**Total cash outflows**	**1 686**	**959**	**657**
	Cash inflows			
17	Secured lending (e.g. reverse repos)	-	-	-
18	Inflows from fully performing exposures	5 224	4 755	3 315
19	Other cash inflows	14	14	115
20	**Total cash inflows**	**5 231**	**4 762**	**3 315**
			Total Adjusted Value	Total Adjusted Value
21	**Total HQLA**		**1 187**	**1 292**
22	**Total net cash outflows (2)**		**240**	**164**
23	**Liquidity coverage ratio (%) (3)**		**511%**	**871%**

(1) The average numbers are calculated using the daily LCR figures for the quarter ended 30 September 2019.
(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.

10.5.1 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.

R million	Sep-2019	Sep-2018
Total level one qualifying high-quality liquid assets [(1)]	1 187	1 292
Cash	-	1
Qualifying central bank reserves	374	358
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	813	933

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

10.5.2 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
	R million	RWA
1	General interest rate risk	**223**
2	Equity risk	-
3	Commodity risk	-
4	Foreign exchange risk	223
5	Credit spread risk - non-securitisations	-
6	Credit spread risk - securitisations (non-correlation trading portfolio)	**-**
7	Credit spread risk - securitisation (correlation trading portfolio)	-
8	Default risk - non-securitisations	-
9	Default risk - securitisations (non-correlation trading portfolio)	-
10	Default risk - securitisations (correlation trading portfolio)	
11	Residual risk add-on	-
12	**Total**	**223**

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 became effective since January 2018.

The decrease in NSFR is largely as a result of the available stable funding decreasing due to a greater portion of existing wholesale liabilities falling within the one year maturity horizon.

	R million	Unweighted value by residual maturity				Weighted value[1]
	Available stable funding (ASF) item	**No maturity**	**<6 months**	**6 months to <1 year**	**≥1 year**	**Total**
1	Capital:	10 112	-	-	-	10 112
2	*Regulatory capital*	10 112	-	-	-	10 112
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	651	305	1 450	2 310
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	651	305	1 450	2 310
7	Wholesale funding:		4 400	1 792	9 016	10 817
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	4 400	1 792	9 016	10 817
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	870	-	-	-
12	*NSFR derivative liabilities*	-	-	-	-	-
13	*All other liabilities and equity not included in the above categories*	-	870	-	-	-
14	**Total ASF**					**23 240**

(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]
	Required stable funding (RSF) item	**No maturity**	**<6 months**	**6 months to <1 year**	**≥1 year**	**Total**
15	Total NSFR high-quality liquid assets ("HQLA")	-	-	-	-	86
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:		8 539	3 164	12 513	14 734
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	5 011	-	-	752
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	3 528	3 164	12 513	13 982
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	-	-
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other liabilities:	-	-	-	-	36
27	*Physical traded commodities, including gold*	-	-	-	-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	-	-	-	-	-
29	*NSFR derivative assets*	-	-	-	-	36
30	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	-	-
31	All other assets not included in the above categories	-	-	-	2 344	2 344
32	Off-balance sheet items	-	683	-	-	34
33	***Total RSF***					**17 234**
34	***Net Stable Funding Ratio (%)***					**135%**

(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 32.1 to the African Bank Limited Annual Financial Statements for the year ended 30 September 2019. 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 1.34% increase and an interest rate decrease resulted in (1.35%) decrease as a percentage of qualifying capital and reserve funds.

Interest rate sensitivity (R million)	Sep-2019	Sep-2018
Increase	130	118
Decrease	(130)	(118)

13. REMUNERATION

The Remuneration Policy is linked to sustainable value creation and comprises both short and long-term incentives. For detailed disclosures refer to pages 111-117 of the African Bank Holdings Limited Integrated Report 2019. This report contains a detailed review of the remuneration paid to prescribed officers as defined by King IV™ who are regarded as senior managers for purposes of this report. There are no other material risk-takers.

14. 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 2019, 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
Composition of Capital	CCA – Main features of regulatory capital instruments	Refer to: https://www.africanbank.co.za/en/home/corporate-info-basel-pillar-iii-announcements/
	CC1 – Composition of regulatory capital	6.3
	CC2 – Reconciliation of regulatory capital to balance sheet	6.3
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 31 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