AFRICAN BANK HOLDINGS LIMITED AND AFRICAN BANK LIMITED

PILLAR III PUBLIC DISCLOSURES

(in terms of Banks Act, Regulation 43)

as at 31 December 2021

African Bank
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CONTENTS

1. EXECUTIVE SUMMARY

1.1. Overview

The balance sheet of ABH and ABL remains strong, with advances appropriately provided for, strong capital adequacy and available cash holdings, including surplus liquid assets of R4.2 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 31 December 2021, includes a CET1 ratio of 39.1%, a leverage ratio of 30.8%, a liquidity coverage ratio of 1062% and a net stable funding ratio of 142% at the ABL level. Consequently, ABH and ABL operate well above minimum required regulatory levels in respect of all prudential ratios.

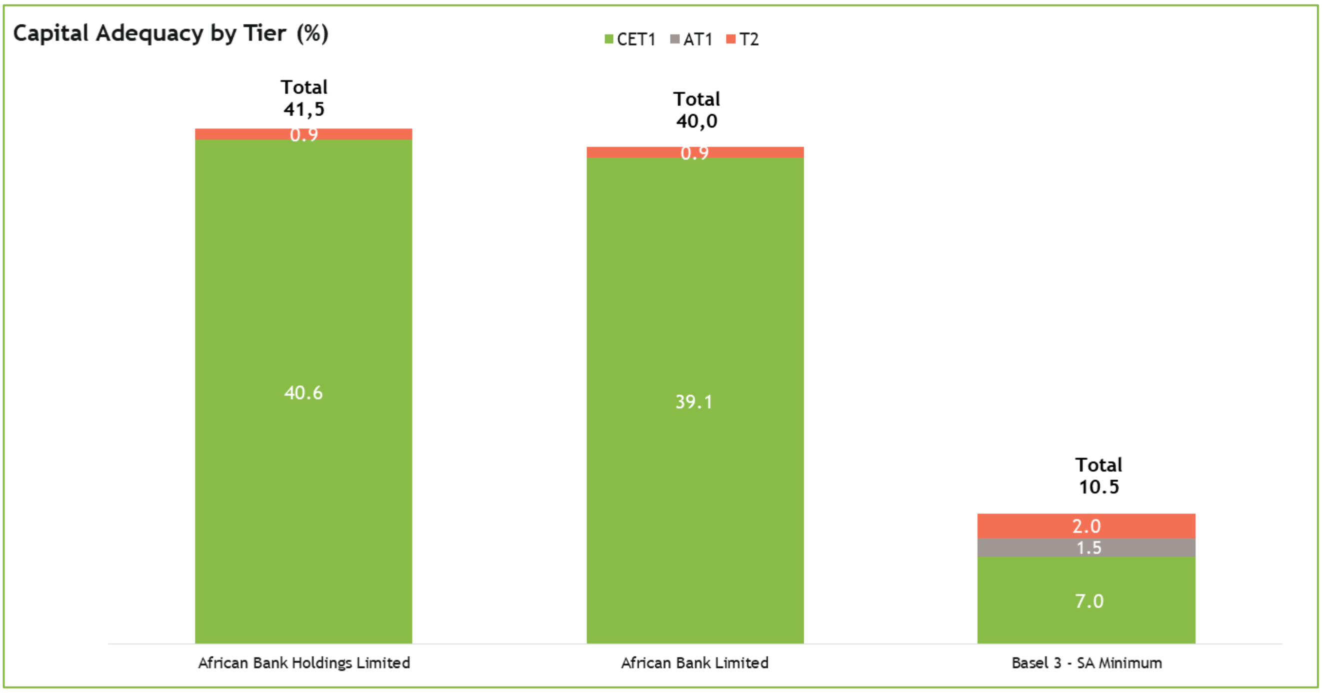
1.2. Governance

This Pillar III disclosure report complies with the Prudential Authority's requirements as stipulated by 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 and Regulation 43.

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 31 December 2021 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 40.6% and 39.1% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 41.5% and 40.0% respectively.



The following table sets out the composition of the qualifying regulatory capital for ABH and ABL:

	African Bank Holdings Limited		African Bank Limited	
R million	Dec-2021	Sep-2021	Dec-2021	Sep-2021
Composition of qualifying regulatory capital				
Ordinary share capital & accumulated profit	10 000	10 000	11 485	11 485
Regulatory adjustments	(844)	(648)	(2 752)	(2 554)
Common Equity Tier 1 capital (CET1)	9 156	9 352	8 733	8 931
Total qualifying subordinated debt	-	-	-	-
Qualifying Portfolio Provisions	207	179	207	179
Tier 2 capital (T2)	207	179	207	179
Total Qualifying regulatory capital	9 363	9 531	8 940	9 110

(1) Refer to 7.1 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 total exposure measure (total exposures) and is expressed as a percentage. This prudential ratio acts as a backstop to the risk-based capital adequacy ratio, by acting to restrict the build-up of excessive leverage by banks.

The increase in the leverage ratio at both, ABL and ABH level, is largely driven by the decrease in exposure measure which is contributed by primarily the decrease in cash placements that were utilised to settle a R2.4 billion inflation linked DMTN Bond that matured during the reporting quarter.

	African Bank Holdings Limited		African Bank Limited	
R million	Dec-2021	Sep-2021	Dec-2021	Sep-2021
Capital and total exposures				
Tier 1 capital	9 156	9 352	8 733	8 931
Total exposures	28 401	29 911	28 358	29 491
Basel III leverage ratio	**32.2%**	**31.3%**	**30.8%**	**30.3%**
Basel III leverage ratio regulatory minimum requirement	**4.0%**	**4.0%**	**4.0%**	**4.0%**

(1) Refer to 8.1 of the detailed disclosure for a detailed breakdown of the above table

1.5. Liquidity coverage ratio ("LCR")

The LCR is a prudential ratio which incorporates a 30-day stress test, requiring the Bank to hold sufficient high-quality liquidity assets (HQLA) to cover envisaged net outflows. These outflows are calibrated using regulatory prescribed factors applied to assets and liabilities in a static run-off model. Regulatory definitions are used to identify high-quality liquid assets.

The decrease in the LCR from the previous reporting period was largely due to the decrease in HQLA. The matured liquid assets as well as surplus cash were used to settle the R2.4 billion inflation linked DMTN Bond. No material movement in the total net cash outflows over the quarter ended 31 December 2021 as compared to the quarter ended 30 September 2021.

African Bank Limited R million	Total weighted value (average) Dec-2021	Total weighted value (average) Sep-2021
Total high-quality liquid assets	3 308	4 262
Total net cash outflows	312	338
Liquidity coverage ratio (%)	**1062%**	**1260%**
Regulatory minimum requirement [(1)]	80%	80%

(1) The regulatory minimum requirement decreased to 80% effective from 1 April 2020 as per Directive 1/2020

(2) Refer to 9.1 of the detailed disclosure for a detailed breakdown of the above table

(3) The withdrawal on the temporary relief for LCR as per Directive 8/2021 will take effect on 1 January 2022 where the minimum requirement will be increased to 90% and thereafter to 100% effective 1 April 2022

1.6. Net stable funding ratio ("NSFR")

The NSFR is determined 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 the NSFR became effective since January 2018.

The decrease in NSFR from 156% as at 30 September 2021 to 142% as at 31 December 2021 is largely driven by a decrease in available stable funding. The decrease in available stable funding is contributed by the maturity of the R2.4 billion inflation linked DMTN Bond as well as the year to date losses for quarter ended 31 December 2021. The decrease in NSFR was further contributed by an increase in required stable funding as a result of the growth in the retail advances during the reporting quarter. The growth in advances was also contributed by corporate advance which has been taken on, in line with the Group's new strategy.

African Bank Limited R million	Dec-2021	Sep-2021
NSFR (%)	**142%**	**156%**
Available stable funding	23 071	23 806
Required stable funding	16 206	15 287

(1) Refer to 9.3 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 the quantitative standardised tables and templates as prescribed in the revised pillar 3 disclosure requirements published in January 2015 and pillar 3 disclosure requirements – consolidated and enhanced framework published in March 2017 by the Basel Committee on Banking Supervision.

2. BASIS OF COMPILATION

The information contained in this report is based on the month-end actual results and, in some instances, the average balances as contained in the ABH and ABL 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 for ABL as at 31 December 2021 and is included as a reference to the published Annual Financial Statements

Analysis of advances to customers as at 31 December 2021 (1)			
R million	Term loans (2)	Credit Cards / Overdrafts(3)	Total
Gross amount due by customers	25 523	3 724	29 247
Impairment attributable to acquired advances and deferred fees	(1 260)	(27)	(1 286)
Gross advances	**24 263**	**3 698**	**27 961**
Impairment and deferred fees attributable to originated advances	(8 296)	(884)	(9 180)
Net advances	**15 967**	**2 814**	**18 781**

(1) The above table provides a breakdown of loans and advances related to corporate loans, credit cards, overdrafts and term loans only and excludes interbank and sovereign exposures
(2) Included in the term loans is an exposure of R1.5 billion gross amount relating to corporate exposure
(3) Included in the credit cards is an exposure of R6 million gross amount relating to Overdraft exposure

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 page of the Group's website: https://www.africanbank.co.za.

African Bank Holdings Limited Integrated Report 2021

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

African Bank Holdings Limited Environmental, Social and Governance Report 2021

African Bank Holdings Limited: consolidated and separate annual financial statements 30 September 2021, and

African Bank Limited: annual financial statements 30 September 2021

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 1.1)
- Risk management (Note 28)
- Credit risk management including approach to impairment provisioning (Note 29)
- Market risk (Note 30)
- Interest rate risk management (Note 30.1)
- Foreign exchange risk management (note 30.3)
- Liquidity risk (Note 31)

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

4. PERIOD OF REPORTING

This report is prepared as at 31 December 2021 for the ABH Group and its 100% held banking subsidiary, ABL.

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 regulatory reporting purposes. All companies are incorporated in the Republic of South Africa. The registered banking subsidiary of the Group, ABL, has no subsidiaries.

6. 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. 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 position at an ABH Group level, whilst the LCR and NSFR are reported at a Bank level.

6.1. KM1 – Key metrics

	Period ended: R million	Dec21 (T)	Sep21 (T-1)	Jun21 (T-2)	Mar21 (T-3)	Dec20 (T-4)
Available capital (amounts) (1) (3)						
1	Common Equity Tier 1 (CET1)	9 156	9 352	9 286	9 173	9 502
1a	Fully loaded ECL accounting model	9 156	9 352	9 286	9 173	9 502
2	Tier 1	9 156	9 352	9 286	9 173	9 502
2a	Fully loaded accounting model Tier 1	9 156	9 352	9 286	9 173	9 502
3	Total capital	9 363	9 531	9 464	9 980	10 288
3a	Fully loaded ECL accounting model total capital	9 363	9 531	9 464	9 980	10 288
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	22 531	21 998	21 611	22 891	24 645
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	40.6	42.5	42.9	40.1	38.5
5a	Fully loaded ECL accounting model CET1 (%)	40.6	42.5	42.9	40.1	38.5
6	Tier 1 ratio (%)	40.6	42.5	42.9	40.1	38.5
6a	Fully loaded ECL accounting model Tier 1 ratio	40.6	42.5	42.9	40.1	38.5
7	Total capital ratio (%)	41.5	43.3	43.8	43.6	41.7
7a	Fully loaded ECL accounting model total capital ratio (%)	41.5	43.3	43.8	43.6	41.7
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5	2.5	2.5	2.5	2.5
9	Countercyclical buffer requirement (%)	0.0	0.0	0.0	0.0	0.0
10	Bank D-SIB additional requirements (%)	0.0	0.0	0.0	0.0	0.0
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.5	2.5	2.5	2.5	2.5
12	CET1 available after meeting the bank's minimum capital requirements (%)	33.6	35.5	35.9	33.1	31.5
Basel III Leverage Ratio (3)						
13	Total Basel III leverage ratio measure	28 401	29 911	28 706	29 759	29 096
14	Basel III leverage ratio (%) (row 2/row 13)	32.2	31.3	32.3	30.8	32.7
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	32.2	31.3	32.3	30.8	32.7
Liquidity Coverage Ratio (2) (3)						
15	Total HQLA	3 308	4 262	3 088	2 672	1 785
16	Total net cash outflow	312	338	354	233	292
17	LCR ratio (%)	1 062	1 260	872	1 145	612
Net Stable Funding Ratio (2) (3)						
18	Total available stable funding	23 071	23 801	22 742	22 318	21 216
19	Total required stable funding	16 206	15 287	15 058	15 347	15 561
20	NSFR ratio (%)	142	156	151	145	136

(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 instead 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 level 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 significant movements.

6.2. OV1 - 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]
		Dec-2021	Sep-2021	Dec-2021	Dec-2021	Sep-2021	Dec-2021
1	**Credit risk (excluding counterparty credit risk)**	**17,357**	**15 076**	**1,822**	**17,356**	**15 075**	**1,822**
2	Of which standardised approach (SA) [2]	**17,357**	15 076	**1,822**	**17,356**	15 075	**1,822**
4	**Counterparty credit risk**	**7**	**10**	**1**	**7**	**10**	**1**
5	Of which standardised approach for counterparty credit risk (SA-CCR) [3]	**7**	10	**1**	**7**	10	**1**
10	**Credit valuation adjustment (CVA)** [3]	**6**	10	**1**	**76**	10	**1**
12	**Equity investment in funds - Look-through approach** [4]	**55**	1 757	**6**	**53**	1 414	**6**
20	**Market risk**	**8**	**14**	**1**	**8**	**14**	**1**
21	Of which standardised approach (SA) [5]	**8**	14	**1**	**8**	14	**1**
24	**Operational risk** [6]	**2 748**	**2 748**	**289**	**2 634**	**2 634**	**277**
25	**Amounts below thresholds for deduction (subject to 250% risk weight)**	**2 350**	**2 383**	**247**	**2 253**	**2 287**	**237**
26	**Floor adjustment** [7]	**-**	**-**	**-**	**50**	**-**	**5**
27	**Total**	**22 531**	**21 998**	**2 367**	**22,367**	**21 444**	**2 350**

(1) The minimum capital requirement per risk category from 1 April 2020 is 10.5% which comprises the base minimum (8.00%) plus capital conservation buffer (2.5%). The Pillar 2A systemic risk add-on is currently (0%) and the withdrawal of the temporary relief will become effective on 1 January 2022 as per Directive 5/2021.
(2) Refer below for a further split on credit risk exposures relating to loans and advances.
(3) There are no material movement as no additional derivatives were entered into.

(4) The Regulations pertaining to equity investments in funds became effective on 1 January 2021. The Bank and Group has financial investments for which the look-through approach is being applied. The decrease in the financial investment exposure is mainly due to withdrawal of investments in funds held with Asset Fund Managers during quarter ended 31 December 2021.

(5) No material movement noted in market risk.

(6) ABL currently applies the alternative standardised approach in calculating its operational risk, as approved by the Prudential Authority.

(7) The floor adjustment is as prescribed by the Regulator.

R million	African Bank Holdings Limited			African Bank Limited		
	RWA		Minimum capital requirements (1)	RWA		Minimum capital requirements (1)
	Dec-2021	**Sep-2021**	**Dec-2021**	**Dec-2021**	**Sep-2021**	**Dec-2021**
Of which standardised approach (SA) - Loans and advances	**16,581**	**14 293**	**1,741**	**16,580**	**14 292**	**1,741**
Retail Exposures	14,428	13 725	1,515	14,428	13 725	1,515
Non-Retail Exposures (excluding Sovereign exposures)	2,153	568	226	2,152	567	226

7. COMPOSITION OF CAPITAL

The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 31 December 2021 are set out in the table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 40.6% and 39.1% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 41.5% and 40.0% respectively.

7.1. Composition of regulatory capital

R million	African Bank Holdings Limited		African Bank Limited	
Section A	Dec-2021	Sep-2021	Dec-2021	Sep-2021
Common Equity Tier 1 Capital				
Ordinary share capital & premium	10 000	10 000	11 485	11 485
Accumulated profit	-	-	-	-
Total as per Transitional Basel 3 Template	**10 000**	**10 000**	**11 485**	**11 485**
Section B				
Common Equity Tier 1 Regulatory Adjustments				
- Intangible assets in terms of IFRS	(133)	(138)	(133)	(138)
- Other regulatory adjustments, including accumulated losses [2]	(711)	(510)	(2 619)	(2 416)
Total as per Transitional Basel 3 Template	**(844)**	**(648)**	**(2 752)**	**(2 554)**
Section C				
Additional Tier 1 capital (AT1)	-	-	-	-
Section D				
Subordinated debt	-	-	-	-
Accrued interest not classified as Tier 2 capital	-	-	-	-
Total subordinated debt	**-**	**-**	**-**	**-**
Haircut on amounts attributable to third parties	-	-	-	-
Tier 2 instruments issued by subsidiary and held by third parties	**-**	**-**	**-**	**-**
Portfolio provisions	207	179	207	179
Total as per Transitional Basel 3 Template	**207**	**179**	**207**	**179**
Total Qualifying regulatory capital	**9 363**	**9 531**	**8 940**	**9 110**
Section E				
Summary of Capital Adequacy Ratios				
CET1%	40.6	42.5	39.1	41.7
AT1%	0.0	0.0	0.0	0.0
T1%	40.6	42.5	39.1	41.7
T2%	0.9	0.8	0.9	0.8
Total capital adequacy %	**41.5**	**43.3**	**40.0**	**42.5**

8. 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. See section 6 above for an overview of this ratio.

The increase in the leverage ratio at both, ABL and ABH level, is largely driven by the decrease in exposure measure which is contributed by primarily the decrease in cash placements that were utilised to settle a R2.4 billion inflation linked DMTN Bond that matured during the reporting quarter.

The exposure used in the calculation of the ratio (see 8.2) differs from the total assets as measured using IFRS as shown below. The disclosures are prepared using figures as at 31 December 2021.

8.1. LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure

Line #	R million	African Bank Holdings Limited		African Bank Limited	
		Dec-2021	**Sep-2021**	**Dec-2021**	**Sep-2021**
1	Total consolidated assets as per published financial statements	26 959	29 124	25 816	27 262
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(1,138)	(1 481)	-	-
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	(53)	(34)	(53)	(34)
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)	327	129	327	129
7	Other adjustments (1)	2 307	2 173	2 268	2 134
8	Leverage ratio exposure	28 401	29 911	28 358	29 491

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

8.2. LR2 - Leverage ratio common disclosure template

Line #	R million	African Bank Holdings Limited		African Bank Limited	
		Dec-2021	Sep-2021	Dec-2021	Sep-2021
	On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives and Securities Financing Transactions (“SFTs”)*, but including collateral)	28 447	30 093	28 442	29 712
2	Asset amounts deducted in determining Basel III Tier 1 capital	(377)	(318)	(416)	(357)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**28 070**	**29 775**	**28 026**	**29 355**
	Derivative exposures				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	2	4	2	4
5	Add-on amounts for PFE associated with all derivatives transactions	3	3	3	3
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)**	**5**	**7**	**5**	**7**
	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	1 052	646	1052	646
18	(Adjustments for conversion to credit equivalent amounts)	725	(517)	725	(517)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**327**	**129**	**327**	**129**
20	Tier 1 capital	9 156	9 352	8 733	8 931
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**28 401**	**29 911**	**28 358**	**29 491**
	Leverage ratio				
22	**Basel III leverage ratio**	**32.2%**	**31.3%**	**30.8%**	**30.3%**

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

9. LIQUIDITY MEASUREMENTS

9.1. LIQ1 - Liquidity coverage ratio (LCR)

The LCR is a 30-day stress test, which requires the Bank to hold sufficient high-quality liquid assets (HQLA) 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 largely due to the decrease in HQLA. The matured liquid assets as well as surplus cash were used to settle the R2.4 billion inflation linked DMTN Bond. No material movement in the total net cash outflows over the quarter ended 31 December 2021 as compared to the previous reporting quarter.

	African Bank Limited R million	Total unweighted value (average) (1)	Total weighted value (average) (1)	Total weighted value (average) (1)
		Dec-2021	**Dec-2021**	**Sep-2021**
1	**Total high-quality liquid assets (HQLA) (see9.2)**	**3 308**	**3 308**	**4 262**
	Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	2 335	234	203
3	Stable deposits	-	-	-
4	Less-stable deposits	2 335	234	203
5	Unsecured wholesale funding, of which:	398	379	557
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
7	Non-operational deposits (all counterparties)	-	-	-
8	Unsecured debt	398	379	557
9	Secured wholesale funding	-	-	-
10	Additional requirements, of which:	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	553	553	548
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	1 000	68	32
14	Other contractual funding obligations	270	14	14
15	Other contingent funding obligations	-	-	-
16	**Total cash outflows**	**4 673**	**1 246**	**1 354**
	Cash inflows			
17	Secured lending (e.g. reverse repos)	-	-	-
18	Inflows from fully performing exposures	3 405	3 033	3 891
19	Other cash inflows	0	0	2
20	**Total cash inflows**	**3 405**	**3 033**	**3 893**
			Total Adjusted Value	Total Adjusted Value
21	**Total HQLA**		**3 308**	**4 262**
22	**Total net cash outflows (2)**		**312**	**338**
23	**Liquidity coverage ratio (%) (3)**		**1 062%**	**1 260%**

(1) The average numbers are calculated using the daily LCR figures for the quarter ended 31 December 2021.
(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 as prescribed through Regulation 26 of the Banks Act.

9.2. Composition of high-quality liquid assets

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

R million	Dec-2021	Sep-2021
Total level one qualifying high-quality liquid assets (1)	**3 308**	**4 262**
Cash	8	12
Qualifying central bank reserves	377	368
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	2 923	3 882

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

9.3. LIQ2 - 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 from 156% as at 30 September 2021 to 142% as at 31 December 2021 is largely driven by a decrease in available stable funding. The decrease in available stable funding is contributed by the maturity of the R2.4 billion inflation linked DMTN Bond as well as the year to date losses for quarter ended 31 December 2021. The decrease in NSFR was further contributed by an increase in required stable funding as a result of the growth in the retail advances during the reporting quarter. The growth in advances was also contributed by corporate advance which has been taken on, in line with the Group’s new strategy.

	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:	9 355	-	-	-	9 355
2	*Regulatory capital*	9 355	-	-	-	9 355
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	3 376	919	6 422	10 288
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	3 376	919	6 422	10 288
7	Wholesale funding:		1 950	65	2 927	3 428
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	1 950	65	2 927	3 428
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	952	-	-	-
12	*NSFR derivative liabilities*		-	-	-	
13	*All other liabilities and equity not included in the above categories*	-	952	-	-	-
14	**Total ASF**					23 071

(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")					170
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:		5 273	3 192	10 580	12 722
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*	-	1 437	-	-	216
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:*	-	3 836	3 192	10 580	12 507
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:	-	-	-	2	2
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*				2	2
30	*NSFR derivative liabilities before deduction of variation margin posted*				-	-
31	All other assets not included in the above categories	-	-	-	3 259	3 259
32	Off-balance sheet items		1 052	-	-	52
33	***Total RSF***					**16 206**
34	***Net Stable Funding Ratio (%)***					**142%**

(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.

10. 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 2021, 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)
	KM1 - Key metrics (at consolidated group level)	6.1
	OV1 – Overview of RWA	6.2
Leverage ratio	LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure	8.1
	LR2 - Leverage ratio common disclosure template	8.2
Liquidity risk	LIQ1 – Liquidity Coverage Ratio	9.1
	LIQ2 – Nest Stable Funding Ratio	9.3

**The Bank has not disclosed the Pillar 3 PVA table as there are no adjustments for PVA reported in line 203 of the form BA700.*