African Bank Holdings Limited and African Bank Limited

Public Pillar III Disclosures in terms of the Banks Act, Regulation 43 as at 30 June 2020

CONTENTS

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 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 R6.1 billion. Liquidity risk, interest rate risk and foreign exchange risks are managed within a conservative risk appetite framework.

The losses incurred by the Bank as a result of an increase in impairment provision for the anticipated impact of the COVID-19 Pandemic, which amounted to R550 million, was disclosed in the Interim Financial Statements and Pillar 3 Disclosure Report as at 31 March 2020. There has been an increase noted in the impairment provisions during the quarter ended 30 June 2020 as a continued impact of the COVID-19 pandemic.

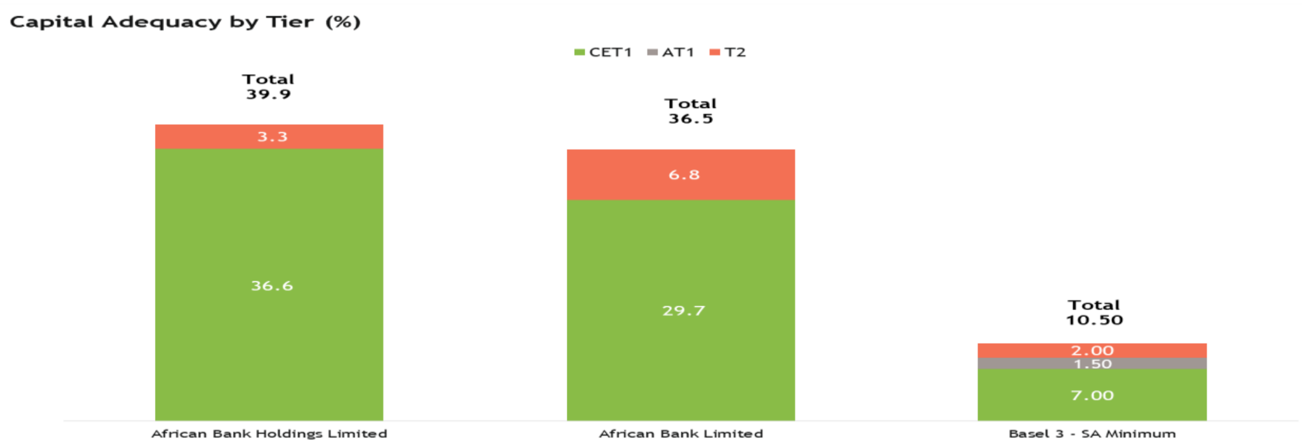
The overall impact of the strong balance sheet structure, as expressed in the conservative risk appetite, is evidenced in the various sections of this report which, as of 30 June 2020, include a CET1 ratio of 29.7%, a leverage ratio of 24.5%, a liquidity coverage ratio of 379% and a net stable funding ratio of 129% at the ABL level. Consequently, ABH and ABL currently operate all prudential ratios well above minimum required regulatory levels.

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 June 2020 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 36.6% and 29.7% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 39.9% and 36.5% respectively.



The SA minimum in the above graph has reduced with effect from 01 April 2020 as per Directive 2/2020 issued by the Prudential Authority as a result of the requirement of Pillar 2A add-on decreasing from 1% to 0%.

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	**Jun-2020**	**Mar-2020**	**Jun-2020**	**Mar-2020**
Composition of qualifying regulatory capital				
Ordinary share capital & accumulated profit	10 000	10 000	10 000	10 000
Regulatory adjustments	(496)	(263)	(2 490)	(2 227)
Common Equity Tier 1 capital (CET1)	9 504	9 737	7 510	7 773
Total qualifying subordinated debt	630	626	1 485	1 485
Qualifying Portfolio Provisions	235	240	235	240
Tier 2 capital (T2)	865	866	1 720	1 725
Total Qualifying regulatory capital	10 369	10 603	9 230	9 498

Refer to 7.2 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 prudential ratio acts as a backstop to the risk-based capital adequacy ratio, by acting as a floor to restrict the build-up of excessive leverage by banks.

The decrease in the leverage ratio at ABL and ABH level are largely driven by the decrease in equity as a result of the loss in African Bank Limited. The leverage ratio remains well in excess of the current regulatory minimum requirement.

	African Bank Holdings Limited		African Bank Limited	
R million	**Jun-2020**	**Mar-2020**	**Jun-2020**	**Mar-2020**
Capital and total exposures				
Tier 1 capital	9 504	9 737	7 510	7 773
Total exposures	30 353	30 811	30 633	31 083
Basel III leverage ratio	**31.3%**	**31.6%**	**24.5%**	**25.0%**
Basel III leverage ratio regulatory minimum requirement	**4.0%**	**4.0%**	**4.0%**	**4.0%**

Refer to 8.2 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 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 as result of an increase in the total net cash outflows over the quarter ended 30 June 2020, primarily as a result of higher maturing liability balances, as compared to the quarter ended 31 March 2020.

African Bank Limited R million	Total weighted value (average) Jun-2020	Total weighted value (average) Mar-2020
Total high-quality liquid assets	1 200	1 197
Total net cash outflows	354	317
Liquidity coverage ratio (%)	**379%**	**743%**
Regulatory minimum requirement	100%	100%

Refer to 9.1 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 a decrease in available stable funding. This was largely driven by the long term funding moving into the shorter term buckets as they near maturity.

African Bank Limited R million	Jun-2020	Mar-2020
NSFR (%)	**129%**	**132%**
Available stable funding	21 737	23 294
Required stable funding	16 856	17 634

Refer to 9.2 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 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 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 Condensed Interim Financial Statements, which are prepared on an IFRS basis.

The table below shows an analysis of advances to customers as at 30 June 2020.

Analysis of advances to customers as at 30 June 2020 (1)			
R million	Term loans	Credit Cards	Total
Gross amount due by customers	25 301	4 044	29 345
Impairment attributable to acquired advances and deferred fees	(2 158)	(45)	(2 203)
Gross advances	**23 143**	**3 999**	**27 142**
Impairment and deferred fees attributable to originated advances	(8 282)	(754)	(9 036)
Net advances	**14 861**	**3 245**	**18 106**

(1) The above table provides a breakdown of loans and advances related to credit cards and term loans only and excludes interbank and sovereign exposures.

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.

4. PERIOD OF REPORTING

This report covers the period from 1 October 2019 to 30 June 2020 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 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.

6.1. KM1 – KEY METRICS

Period ended: R million		Jun20 (T)	Mar20 (T-1)	Dec19 (T-2)	Sep19 (T-3)	Jun19 (T-4)
Available capital (amounts) (1) (3)						
1	Common Equity Tier 1 (CET1)	9 504	9 737	9 914	9 919	9 300
1a	Fully loaded ECL accounting model	9 504	9 737	9 914	9 919	9 300
2	Tier 1	9 504	9 737	9 914	9 919	9 300
2a	Fully loaded accounting model Tier 1	9 504	9 737	9 914	9 919	9 300
3	Total capital	10 369	10 603	10 747	10 730	10 110
3a	Fully loaded ECL accounting model total capital	10 369	10 603	10 747	10 730	10 110
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	25 975	26 446	26 381	26 078	25 654
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	36.6	36.8	37.5	38.0	36.3
5a	Fully loaded ECL accounting model CET1 (%)	36.6	36.8	37.5	38.0	36.3
6	Tier 1 ratio (%)	36.6	36.8	37.5	38.0	36.3
6a	Fully loaded ECL accounting model Tier 1 ratio	36.6	36.8	37.5	38.0	36.3
7	Total capital ratio (%)	39.9	40.1	40.7	41.1	39.4
7a	Fully loaded ECL accounting model total capital ratio (%)	39.9	40.1	40.7	41.1	39.4
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 (%)	29.6	29.3	30.1	30.5	28.8
Basel III Leverage Ratio (3)						
13	Total Basel III leverage ratio measure	30 353	30 811	31 945	31 505	29 538
14	Basel III leverage ratio (%) (row 2/row 13)	31.3	31.6	31.0	31.5	31.5
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	31.3	31.6	31.0	31.5	31.5
Liquidity Coverage Ratio (2) (3)						
15	Total HQLA	1 200	1 197	1 190	1 187	1 199
16	Total net cash outflow	354	317	151	240	328
17	LCR ratio (%)	379	743	933	511	437
Net Stable Funding Ratio (2) (3)						
18	Total available stable funding	21 737	23 294	23 010	23 240	22 472
19	Total required stable funding	16 856	17 634	17 389	17 234	16 883
20	NSFR ratio (%)	129	132	132	135	133

(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.*

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)
		Jun-2020	Mar-2020	Jun-2020	Jun-2020	Mar-2020	Jun-2020
1	**Credit risk (excluding counterparty credit risk)**	**20 160**	**20 532**	**2 117**	**20 160**	**20 532**	**2 117**
2	Of which standardised approach (SA) (2)	20 160	20 532	2 117	20 160	20 532	2 117
4	**Counterparty credit risk**	**21**	**96**	**2**	**21**	**96**	**2**
5	Of which standardised approach for counterparty credit risk (SA-CCR) (3)	21	96	2	21	96	2
10	**Credit valuation adjustment (CVA) (3)**	9	44	1	9	44	1
20	**Market risk**	**101**	**138**	**11**	**101**	**138**	**11**
21	Of which standardised approach (SA) (4)	101	138	11	101	138	11
24	**Operational risk (5)**	**2 026**	**2 026**	**213**	**2 001**	**2 001**	**210**
25	**Amounts below thresholds for deduction (subject to 250% risk weight)**	**2 567**	**2 462**	**270**	**1 940**	**1 990**	204
26	**Floor adjustment (6)**	**1 091**	**1 147**	**115**	**1 031**	**1 108**	**108**
27	**Total**	**25 975**	**26 445**	**2 729**	**25 263**	**25 909**	**2 653**

(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%)
(2) Refer below for a further split on credit risk exposures relating to loans and advances only.
(3) ABL currently applies the current exposure method to calculate counterparty credit risk. The decrease from the previous reporting period is as a result of some foreign exchange swaps maturing during the current quarter.
(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 closer to maturity.
(5) ABL currently applies the alternative standardised approach in calculating its operational risk, as approved by the Prudential Authority.
(6) 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)
	Jun-2020	Mar-2020	Jun-2020	Jun-2020	Mar-2020	Jun-2020
Of which standardised approach (SA) - Loans and advances	**18 772**	**19 113**	**1 972**	**18 772**	**19 113**	**1 972**
Retail Exposures	15 367	16 975	1 614	15 367	16 975	1 614
Non-Retail Exposures (excluding Sovereign exposures)	3 405	2 138	358	3 405	2 138	358

The decrease in retail exposures is as a result of a decrease in disbursements and increase in impairments as an effect of the COVID-19 pandemic. The increase in non-retail exposures is as a result of the surplus cash being invested in *instruments that attract a higher risk weighting and as such the significant increase in risk weighted exposure noted in the above table.*

7. COMPOSITION OF CAPITAL

The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 30 June 2020 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 36.6% and 29.7% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 39.9% and 36.5% respectively.

7.2. COMPOSITION OF REGULATORY CAPITAL

R million	African Bank Holdings Limited		African Bank Limited	
Section A	Jun-2020	Mar-2020	Jun-2020	Mar-2020
Common Equity Tier 1 Capital				
Ordinary share capital & premium	10 000	10 000	10 000	10 000
Accumulated profit	-	-	-	-
Total as per Transitional Basel 3 Template	**10 000**	**10 000**	**10 000**	**10 000**
Section B				
Common Equity Tier 1 Regulatory Adjustments				
- Intangible assets in terms of IFRS	(107)	(104)	(107)	(104)
- Other regulatory adjustments, including accumulated losses [(1)]	(389)	(159)	(2 383)	(2 123)
Total as per Transitional Basel 3 Template	**(496)**	**(263)**	**(2 490)**	**(2 227)**
Section C				
Additional Tier 1 capital (AT1)	-	-	-	-
Section D				
Subordinated debt	1 528	1 532	1 528	1 532
Accrued interest not classified as Tier 2 capital	(43)	(47)	(43)	(47)
Total subordinated debt	**1 485**	**1 485**	**1 485**	**1 485**
Haircut on amounts attributable to third parties	(855)	(859)	-	-
Tier 2 instruments issued by subsidiary and held by third parties	**630**	**626**	**-**	**-**
Portfolio provisions	235	240	235	240
Total as per Transitional Basel 3 Template	**865**	**866**	**1 720**	**1 725**
Section E				
Summary of Capital Adequacy Ratios				
CET1%	36.6	36.8	29.7	30.0
AT1%	0.0	0.0	0.0	0.0
T1%	36.6	36.8	29.7	30.0
T2%	3.3	3.3	6.8	6.6
Total capital adequacy %	**39.9**	**40.1**	**36.5**	**36.6**

(1) A significant portion of the regulatory adjustment includes accumulated losses.

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. 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 decrease in the leverage ratio at ABL and ABH level are largely driven by the decrease in equity as a result of the loss in African Bank Limited. The leverage ratio remains well in excess of the current regulatory minimum requirement.

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 June 2020.

8.1 LR1 - SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE

Line #	R million	African Bank Holdings Limited		African Bank Limited	
		Jun-2020	Mar-2020	Jun-2020	Mar-2020
1	Total consolidated assets as per published financial statements	28 236	28 487	27 869	28 239
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(829)	(698)	-	-
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	21	(127)	21	(127)
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)	135	132	135	132
7	Other adjustments (1)	2 790	3 017	2 608	2 839
8	Leverage ratio exposure	30 353	30 811	30 633	31 083

(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.

8.2 LR2 - LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

Line #	R million	African Bank Holdings Limited		African Bank Limited	
		Jun-2020	Mar-2020	Jun-2020	Mar-2020
	On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives and Securities Financing Transactions ("SFTs")*, but including collateral)	30 374	30 697	30 835	31 147
2	Asset amounts deducted in determining Basel III Tier 1 capital	(177)	(115)	(358)	(293)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**30 197**	**30 582**	**30 477**	**30 854**
	Derivative exposures [1]				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-	62	-	62
5	Add-on amounts for PFE associated with all derivatives transactions	21	35	21	35
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)**	**21**	**97**	**21**	**97**
	Securities financing transaction exposures [2]				
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	675	658	675	658
18	(Adjustments for conversion to credit equivalent amounts)	(540)	(526)	(540)	(526)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**135**	**132**	**135**	**132**
20	Tier 1 capital	9 504	9 737	7 510	7 773
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**30 353**	**30 811**	**30 633**	**31 083**
	Leverage ratio				
22	**Basel III leverage ratio**	**31.3%**	**31.6%**	**24.5%**	**25.0%**

(1) The decrease from the previous reporting period is as a result of some foreign exchange swaps maturing during the current quarter and fluctuations in the foreign exchange rate.
(2) 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 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 over the quarter ended 30 June 2020, primarily as a result of higher maturing liability balances, as compared to the quarter ended 31 March 2020.

	African Bank Limited R million	Total unweighted value (average) (1)	Total weighted value (average) (1)	Total weighted value (average) (1)
		Jun-2020	**Jun-2020**	**Mar-2020**
1	**Total high-quality liquid assets (HQLA) (see 10.5.1)**		**1 200**	**1 197**
	Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	745	75	49
3	Stable deposits	-	-	-
4	Less-stable deposits	745	75	49
5	Unsecured wholesale funding, of which:	881	881	995
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
7	Non-operational deposits (all counterparties)	-	-	-
8	Unsecured debt	881	881	995
9	Secured wholesale funding	-	-	-
10	Additional requirements, of which:	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	425	425	187
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	669	33	33
14	Other contractual funding obligations	51	3	-
15	Other contingent funding obligations	-	-	-
16	**Total cash outflows**	**2 770**	**1 416**	**1 267**
	Cash inflows			
17	Secured lending (e.g. reverse repos)	-	-	-
18	Inflows from fully performing exposures	4 793	4 379	4 999
19	Other cash inflows	52	52	1
20	**Total cash inflows**	**4 846**	**4 432**	**4 999**
			Total Adjusted Value	Total Adjusted Value
21	**Total HQLA**		**1 200**	**1 197**
22	**Total net cash outflows (2)**		**354**	**317**
23	**Liquidity coverage ratio (%) (3)**		**379%**	**743%**

(1) The average numbers are calculated using the daily LCR figures for the quarter ended 30 June 2020.
(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.

9.1.1 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	Jun-2020	Mar-2020
Total level one qualifying high-quality liquid assets (1)	1 200	1 197
Cash	-	-
Qualifying central bank reserves	370	371
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	830	826

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

9.2 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 is largely as a result of a decrease in available stable funding. This was largely driven by the long term funding moving into the shorter term buckets as they near maturity.

	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:	9 588	-	-	-	9 588
2	*Regulatory capital*	9 588	-	-	-	9 588
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	1 353	589	2 967	4 715
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	1 353	589	2 967	4 715
7	Wholesale funding:		4 111	2 481	5 695	7 434
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	4 111	2 481	5 695	7 434
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	1 302	-	-	-
12	*NSFR derivative liabilities*	-	-	-	-	-
13	*All other liabilities and equity not included in the above categories*	-	1 302	-	-	-
14	**Total ASF**					**21 737**

(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”)	-	-	-	-	60
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:		9 355	2 848	11 239	13 548
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*	-	6 020	-	-	903
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:*	-	3 335	2 848	11 239	12 645
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:	-	-	-	-	4
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*	-	-	-	-	4
30	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	-	-
31	All other assets not included in the above categories	-	-	-	3 210	3 210
32	Off-balance sheet items	-	675	-	-	34
33	***Total RSF***					**16 856**
34	***Net Stable Funding Ratio (%)***					**129%**

(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 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 (www.africanbank.co.za) 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	9.2