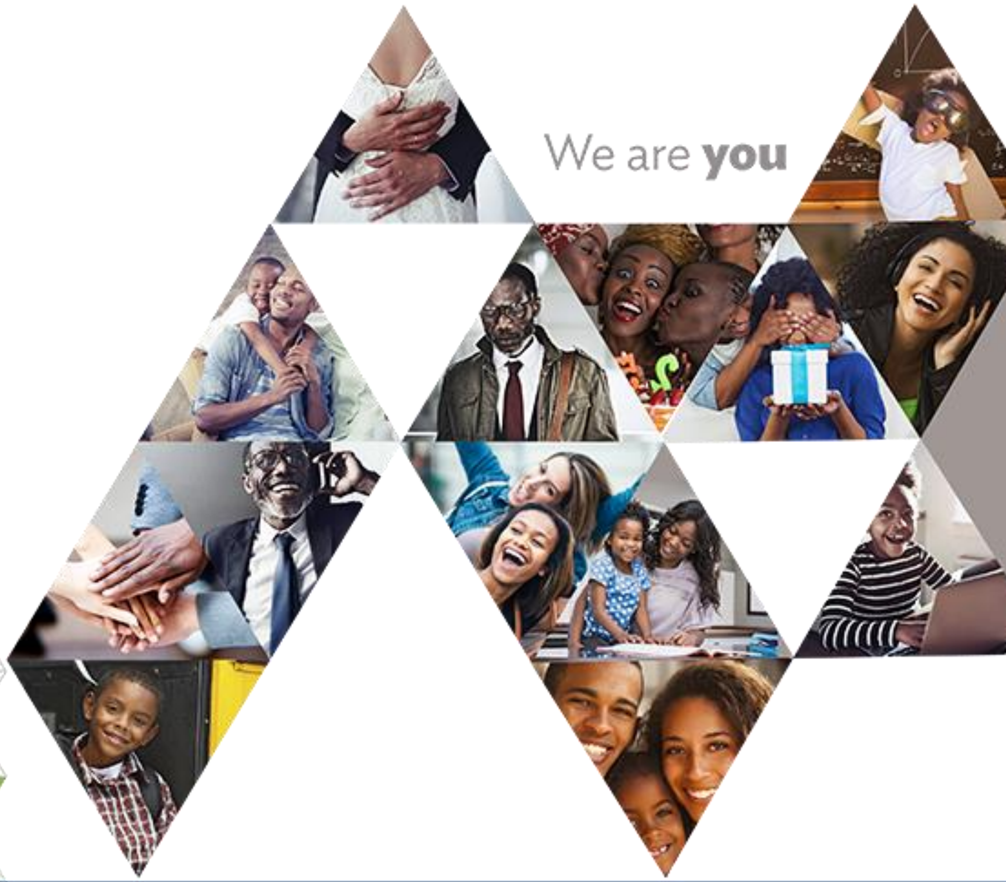
African Bank Holdings Limited
and
African Bank Limited

Annual Public Pillar III Disclosures
in terms of the Banks Act, Regulation 43
as at 30 September 2016



African Bank

African Bank Holdings Limited
and
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Annual Public Pillar III Disclosures

Executive Summary

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 of R 10 billion and, in turn, ABH elected to capitalise ABL with the same amount, also in return for ordinary shares. ABL acquired a portfolio of assets and liabilities from 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"). This included the more credit-worthy retail advances book. Under the Restructuring, a liability structure was established for ABL whereby the maturities of the funding liabilities acquired from RDS were extended by three years and eight months.

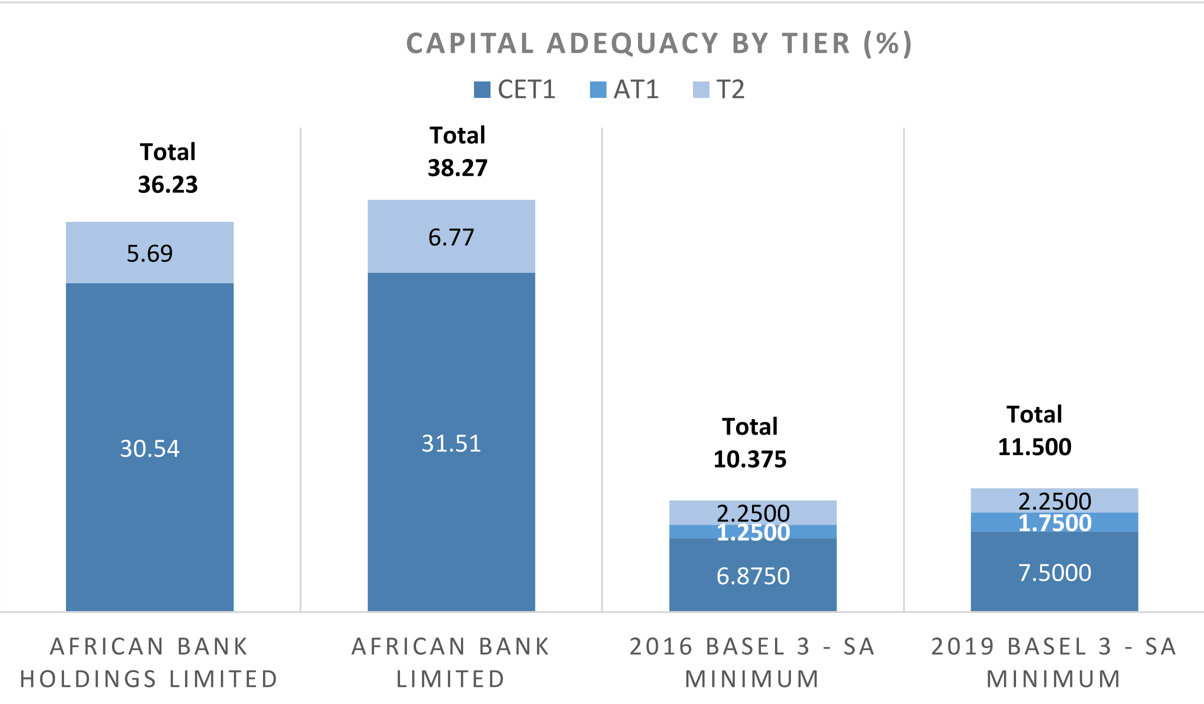
Significant improvements in the credit underwriting and provisioning methodologies were applied and continue to be applied in ABL, based on the changing dynamics of the market, the customer profile and the risk experience in respect of the retail advances on book.

The overall balance sheet of ABL therefore remains strong, with advances well provided for, high capital adequacy and cash holdings of R 12.9 billion. Liquidity risk, interest rate risk and foreign exchange risk is also conservatively managed.

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, at the African Bank Limited level as at 30 September 2016, include a CET1 ratio of 31.5%, a leverage ratio of 20.6%, a liquidity coverage ratio of 198% and a net stable funding ratio of 192%.

1.2. Capital Adequacy Ratios

The capital adequacy ratios and qualifying regulatory capital for African Bank Holdings Limited and African Bank Limited as at 30 September 2016 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 30.5% and 31.5% at a consolidated group and Bank level respectively. The corresponding total capital adequacy ratios are 36.2% and 38.3% respectively.



1.2. Capital Adequacy Ratios (continued)

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

R'm	African Bank Holdings Limited 30 Sep 2016	African Bank Limited 30 Sep 2016
Composition of qualifying regulatory capital		
Ordinary share capital	10,000	10,000
Regulatory adjustments	(1,802)	(1,789)
Common Equity Tier 1 capital (CET1)	**8,198**	**8,211**
Total subordinated debt	1,248	1,485
Portfolio Impairments	278	278
Tier 2 capital (T2)	**1,526**	**1,763**
Qualifying regulatory capital	**9,724**	**9,974**

Refer to 4.2 of the detailed disclosure for a detailed breakdown of the above table

1.3. Leverage Ratio

The Basel 3 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 risk based leverage capital adequacy ratio, by acting as a floor to restrict the build-up of excessive leverage by banks.

R'm	African Bank Holdings Limited 30 Sep 2016	African Bank Limited 30 Sep 2016
Capital and total exposures		
Tier 1 capital	8,198	8,211
Total exposures	39,829	39,810
Basel III leverage ratio	**20.6%**	**20.6%**
Basel III leverage ratio regulatory minimum requirement	*4.0%*	*4.0%*

Refer to 5.2 of the detailed disclosure for a detailed breakdown of the above table

1.4. Liquidity Coverage Ratio

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.

African Bank Limited R'm	Total Weighted Value (Average) 30 Sep 2016
Total high-quality liquid assets	**1,312**
Total Net Cash Outflows	**664**
Liquidity Coverage Ratio (%)	**198%**
Regulatory minimum requirement	*70%*

Refer to 8.4 of the detailed disclosure for a detailed breakdown of the above table

1.5. Net Stable Funding Ratio ("NSFR")

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 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. Compliance is required by 2018. Current guidance views a ratio of 100% or more as representing compliance.

	30 Sep 2016
NSFR %	**192**
Available stable funding (R'm)	34,176
Required stable funding (R'm)	17,773

2. Basis of compilation

The following information is compiled in terms of Regulation 43 of the regulations relating to banks, which incorporates the Basel Pillar 3 requirements on market discipline. All disclosures presented below are consistent with those disclosed in terms of International Financial Reporting Standards (IFRS), unless otherwise stated.

The main differences between IFRS and the information disclosed in terms of the regulations relates to the definition of capital, the calculation and measurement thereof and adjustments made to risk weighted assets, as required by the applicable regulations.

The basis of reporting for matters related to the portfolio of advances to customers acquired by African Bank Limited from Residual Debt Services (in curatorship) Limited ("the acquired advances") also differs from the IFRS approach applied in the audited annual financial statements.

The acquired advances are accounted for on the amortised cost basis in the audited annual financial statements, however the value used for initial recognition as at 4 April 2016 was determined based on the fair value of the acquired advances as at acquisition. Given that, the acquired advances were initially recorded on a net basis, without any impairment stock raised, and any impairment subsequently recognised will be a function of the difference between the expected returns as at acquisition and the actual returns, discounted to their present value using the expected rate of return as at acquisition.

To eliminate any distortion of the prudential returns and to facilitate comparative analysis, the implied impairment stock is calculated by applying the current impairment policies and practices to the gross amount due by customers ("the implied impairment"). The balancing difference between the amortised acquisition value (as described above) and the sum of the gross amount due by customers, less the implied impairment thereof, is added to the implied impairment to ensure that the sum of the derived gross components as used for regulatory reporting (being the gross amount due by customers, less the implied impairment, plus or minus the balancing difference to the net IFRS basis), is equal to the net IFRS basis as applied in the audited annual financial statements.

The above concept is illustrated in the analysis contained in the table below.

Analysis of total advances to customers as at 30 September 2016

R'm	Term loans	Credit Cards	Total
Gross amount due by customers [1]	20,921	6,687	27,608
Deferred fees	(39)	-	(39)
Sub total	20,882	6,687	27,569
Actual impairment and implied impairment	(5,675)	(1,784)	(7,459)
Net advances to customers	15,207	4,903	20,110

(1) The gross amounts due by customers are the actual month-end balances, whereas the amounts pertaining to credit cards in the rest of this document are based on average daily balances as required in terms of the Regulations relating to banks (Reg. 23 & Reg. 24).

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

African Bank Holdings Limited
and
African Bank Limited

Annual Public Pillar III Disclosures

<u>Detailed disclosure</u>
in terms of the Banks Act, Regulation 43
as at 30 September 2016

1. 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 website https://www.africanbank.co.za/ which contains information as listed under each report.

African Bank Holding Limited Integrated Report 2016

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

African Bank Holdings Limited: Consolidated Annual Financial Statements 30 September 2016
African Bank Limited: Annual Financial Statements 30 September 2016

- Accounting policies
- Risk management approach
- Credit risk approach including approach to impairment provisioning
- Market risk
- Interest rate risk management
- Foreign currency risk management
- Liquidity risk management

The ABH integrated report gives a comprehensive overview of the areas covered while the ABL and ABHL Audited 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.

2. Period of reporting

This report covers the period from 4 April 2016 to 30 September 2016 as this is the first period of trading for the ABH Group and its 100% held banking subsidiary, ABL. The Group and the Bank commenced operations on 4 April 2016 and accordingly do not have any material comparative disclosure for the preceding financial period ended 31 September 2015, during which period the entities were dormant.

3. Scope of reporting

This report contains capital adequacy information for ABHL and its 100% held banking subsidiary, ABL. The further disclosures for ABL include 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, African Bank Limited, has no subsidiaries.

4. Regulatory capital adequacy

4.1. 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 unsecured personal loans, credit cards and interbank deposits.

R'm	African Bank Holdings Limited			African Bank Limited		
	RWA		Minimum capital requirements (1)	RWA		Minimum capital requirements (1)
	Sep-16	Sep-15	Sep-16	Sep-16	Sep-15	Sep-16
Credit risk (excluding counterparty credit risk)	**22,178**	**-**	**2,162**	**22,178**	**-**	**2,162**
– Of which standardised approach (SA)	22,178	-	2,162	22,178	-	2,162
– Of which internal rating-based (IRB) approach	-	-	-	-	-	-
Counterparty credit risk	**139**	**-**	**14**	**139**	**-**	**14**
– Of which standardised approach for counterparty credit risk (SA-CCR) (2)	139	-	14	139	-	14
– Of which internal model method (IMM)	-	-	-	-	-	-
Market risk	**338**	**-**	**33**	**338**	**-**	**33**
– Of which standardised approach (SA)	338		33	338		33
– Of which internal model approaches (IMM)						
Operational risk	**2,359**	**-**	**230**	**2,359**	**-**	**230**
– Of which Basic Indicator Approach	-	-	-	-	-	-
– Of which standardised Approach (3)	2,359	-	230	2,359	-	230
– Of which Advanced Measurement Approach	-	-	-	-	-	-
Other risk	**1,830**	**-**	**178**	**1,046**	**-**	**102**
Total	**26,844**	**-**	**2,617**	**26,060**	**-**	**2,541**

(1) The minimum capital requirement per risk category is 9.75% which comprises the base minimum (8.000%) plus the Pillar 2A systemic risk add-on (1.750%)
(2) African Bank currently applies the current exposure method to calculate counterparty credit risk
(3) African Bank currently applies the alternative standardised approach in calculating its operational risk

4.2. Composition of regulatory capital

The qualifying regulatory capital and capital adequacy ratios for African Bank Holdings Limited and African Bank Limited as at 30 September 2016 are set out in the table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 30.5% and 31.5% at a consolidated group and Bank level respectively. The corresponding total capital adequacy ratios are 36.2% and 38.3% respectively.

R'm	African Bank Holdings Limited 30 Sep 2016	African Bank Limited 30 Sep 2016
Composition of qualifying regulatory capital		
Ordinary share capital	10,000	10,000
Accumulated profit	-	-
	10,000	10,000
Regulatory adjustments		
- Intangible assets in terms of IFRS	(92)	(92)
- Other regulatory adjustments, including accumulated losses	(1,710)	(1,697)
Common Equity Tier 1 capital (CET1)	**8,198**	**8,211**
Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1)	**8,198**	**8,211**
Issued subordinated debt	1,485	1,485
Surplus capital attributable to minorities/third parties	(237)	-
Total subordinated debt	1,248	1,485
Portfolio Impairments	278	278
Tier 2 capital (T2)	1,526	1,763
Qualifying regulatory capital	9,724	9,974
CET1%	30.5	31.5
AT1%	0.0	0.0
T1%	30.5	31.5
T2%	5.7	6.8
Total capital adequacy %	36.2	38.3

4.3. Composition of Capital Disclosure Template

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

African Bank Limited
Period ended: 30 September 2016

Common Equity Tier 1 capital instruments and reserves		**R'm**
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related to stock surplus	10,000
2	Retained earnings	-
3	Accumulated other comprehensive income (and other reserves)	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	**10,000**
Common Equity Tier 1 capital: regulatory adjustments		
28	Total regulatory adjustments to Common Equity Tier 1	(1,789)
29	**Common Equity Tier 1 capital (CET 1)**	**8,211**
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)**	**8,211**
Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	1,485
50	Provisions	278
51	**Tier 2 capital before regulatory adjustments**	**1,763**
	Tier 2 capital : regulatory adjustments	
57	**Total regulatory adjustments to Tier 2 capital**	
58	Tier 2 capital (T2)	1,763
59	Total capital (TC = T1 + T2)	9,974
60	**Total risk weighted assets**	**26,059**
Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	31.5%
62	Tier 1 (as a percentage of risk weighted assets)	31.5%
63	Total capital (as a percentage of risk weighted assets)	38.3%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	0.2%
65	of which: capital conservation buffer requirement	0.625%
66	of which: bank specific countercyclical buffer requirement	0%
67	of which: G-SIB buffer requirement	0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	31.5%

4.3 Composition of Capital Disclosure Template (continued)

Amounts below the threshold for deductions (before risk weighting)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	122
Applicable caps on the 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)	2,017
77	Cap on inclusion of provisions in Tier 2 under standardised approach	278

5. 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 3 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 risk based leverage capital adequacy ratio (see 4), by acting as a floor to restrict the build-up of excessive leverage by banks.

African Bank is conservatively leveraged with a ratio of 20.63% of exposure. This is as a result of the well capitalised balance sheet. This section contains a detailed calculation of the leverage ratio.

The exposure used in the calculation of the ratio (see 5.2) differs from the total assets as measured using IFRS as shown below:

5.1 Summary comparison of accounting assets vs leverage ratio exposure measure

Line #	R'm	African Bank Holdings Limited 30 Sep 2016	African Bank Limited 30 Sep 2016
1	Total consolidated assets as per published financial statements	37,711	37,691
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
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	26	26
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	-	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	167	167
7	Other adjustments [1]	1,925	1,925
8	Leverage ratio exposure	39,829	39,809

(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.

5.2 Leverage ratio disclosure

Line #	R'm	African Bank Holdings Limited 30 Sep 2016	African Bank Limited 30 Sep 2016
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	37,498	37,478
2	Asset amounts deducted in determining Basel III Tier 1 capital	(92)	(92)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**37,406**	**37,386**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	2,230	2,230
5	Add-on amounts for PFE associated with all derivatives transactions	26	26
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets 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)**	**2,256**	**2,256**
	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	826	826
18	(Adjustments for conversion to credit equivalent amounts)	(659)	(659)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**167**	**167**
	Capital and total exposures		
20	Tier 1 capital	8,198	8,211
21	Total exposures (sum of lines 3, 11, 16 and 19)	39,829	39,809
	Leverage ratio		
22	**Basel III leverage ratio**	**20.6%**	**20.6%**

6. 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.

6.1 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	a	c	d	e	f	g	h
	Carrying values as reported in financial statements & under scope of regulatory consolidation	Carrying values of items[1]:					
R'm		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deductions from capital	Subject to other risk
Cash and cash equivalents	12,862	14,281	-	-	382	-	125
Statutory assets	1,237	862	-	-	-	-	374
Derivative assets	2,230	-	2,256	-	-	-	-
Net advances	20,111	22,357	-	-	-	-	-
Accounts receivable and other assets	232	-	-	-	-	-	232
Loans to affiliated entities	296	296	-	-	-	-	-
Property and equipment	553	-	-	-	-	-	509
Intangible assets	49	-	-	-	-	92	-
Deferred tax asset	121	-	-	-	-	-	121
Total assets	**37,691**	**37,796**	**2,256**	**-**	**382**	**92**	**1,361**
Short-term funding	2,159	-	2,083	-	-	-	-
Derivative liabilities	4	-	-	-	-	-	-
Creditors and accruals	1,286	-	-	-	-	-	-
Current tax	100	-	-	-	-	-	-
Bonds and other long-term funding	24,313	-	-	-	-	-	-
Subordinated bonds, debentures, loans	1,528	-	-	-	-	-	-
Ordinary shareholder's equity	8,301	-	-	-	-	-	-
Total liabilities and equity	**37,691**	**-**	**2,083**	**-**	**-**	**-**	**-**

(1) The carrying values of the items subject to the regulatory framework are based on average daily balances (where applicable) as required in terms of the Regulations relating to banks (Reg. 23 & Reg. 24). The Off Balance Sheet amounts are post Credit Conversion Factors (CCF) and Credit Risk Mitigation (CRM) is applied to derivative exposures under counterparty credit risk.

6.2 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 6.1) between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.

	a	b	c	d	e	f
		Items subject to:				
R'm	Total	Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework	Other risk framework
Asset carrying value amount under scope of regulatory consolidation	37,691	37,629	2,256	-	382	1,361
Liabilities carrying value amount under scope of regulatory consolidation	37,691	-	2,083	-	-	-
Total net amount under regulatory scope of consolidation	-	37,629	173	-	382	1,361
Off-balance sheet amounts	826	167	-	-	-	-
Exposure amounts considered for regulatory purposes	-	37,796	173	-	338	1,361

7. Credit Risk

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

For an overview of credit risk management, including credit granting criteria, the credit philosophy, credit risk assessment and monitoring, collections and restructures and the credit provisioning methodologies, please refer to Note 27 in the African Bank Limited Annual Financial Statements for the year ended 30 September 2016.

7.1 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 and shows 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 7.5.

	a	b	c	d
	Gross carrying values of		Allowances/ Impairments	Net values (a + b - c)
R'm	Defaulted exposures	Non-defaulted exposures		
Loans [1]	8,763	34,308	5,441	37,630
Debt securities	-	-	-	-
Off-balance sheet exposures	-	826	-	826
Total	**8,763**	**35,134**	**5,441**	**38,456**

(1) Loans includes advances to customers, interbank advances and sovereign exposure

7.2 Changes in stock of defaulted loans and debt securities

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

	a
Defaulted loans and debt securities at end of the previous reporting period	**0**
Other changes: Acquired defaulted loans	10,527
Loans and debt securities that have defaulted since the last reporting period	2,713
Returned to non-defaulted status	(540)
Amounts written off	(3,937)
Defaulted loans and debt securities at end of the reporting period	**8,763**

7.3 Breakdown of Gross credit exposure by geographical areas

The total gross credit exposure is located within the Republic of South Africa (Rm 43,897)
There is no exposure outside of South Africa

7.4 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'm	On balance sheet exposure	Off balance sheet exposure	Total
Financial intermediation and insurance	15,438	4	15,442
Private households	27,633	822	28,455
Total	**43,071**	**826**	**43,897**
of which: Sovereign (central government and central bank)	862	-	862

7.5 Impaired advances

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

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

Regulatory classifications	Impairment Cover %
	30-Sep-16
Standard & Special Mention	10.69%
Sub-standard	32.34%
Doubtful	53.85%
Loss	79.38%

7.6 Ageing analysis

The aging of gross advances to customers based purely on days past due, in contrast to the regulatory classifications applied in 7.5

	Gross R'm
Not past due	14,881
Past due 31 -90 days	3,989
Past due 91 - 182 days	1,824
Past due > 182 days	6,939
Total	**27,633**

7.7 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%		

7.8 Credit risk mitigation techniques

Credit risk arising from cross currency swaps are mitigated by collateral held which is disclosed under the counterparty credit risk section 7.14.

	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	38,456	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Total	**38,456**	**-**	**-**	**-**	**-**	**-**	**-**
Of which defaulted	8,763	-	-	-	-	-	-

7.9 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.

	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post CCF and CRM[1]		RWA and RWA density	
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Sovereign and their central banks	862	-	862	-	-	0.00%
Non-central government public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Banks	14,282	1	14,282	1	5,540	38,79%
Securities firms	-	-	-	-	-	-
Corporates	294	4	294	2	-	0.00%
Regulatory retail portfolios	27,633	821	22,191	164	16,638	74.42%
Of Which : Secured by residential property	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Past-due loans	8,763	-	8,763	-	2,361	26.94%
Higher-risk categories	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**43,071**	**826**	**37,629**	**167**	**22,178**	**58.41%**

(1) As per 9.8, credit risk mitigation (CRM) is applied to derivative exposures, which are not included in the table above. Credit conversion factors (CCF) have been applied to off-balance sheet exposures in terms of Regulation 23.

7.10 Exposures by asset class and risk weights

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

	a	b	c	d	e	f	g	h	i	j
Asset classes by Risk weights	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
Sovereign and their central banks	862	-	-	-	-	-	-	-	-	862
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	-	-	5,336	-	8,946	-	-	-	-	14,282
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	296	-	-	-	-	-	-	-	-	296
Regulatory retail portfolios	-	-	-	-	1,921	19,034	1,401	-	-	22,356
Of which: Secured by residential property	-	-	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	1,921	-	1,401	-	-	3,322
Higher-risk categories	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**1,158**	**-**	**5,336**	**-**	**10,867**	**19,034**	**1,401**	**-**	**-**	**37,796**

7.11 Analysis of counterparty credit risk (CCR) exposure by approach

The information shown in this table and the three tables below show the CCR in respect of the interest rate and cross currency swap hedges that the bank has entered into. The numbers are relatively small in relation to the exposure as the swaps are largely cash collateralised, as shown in the table under 7.14.

	a	b	c	d	e	f
	Replacement Cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
SA-CCR (for derivatives) (1)	2,230	2,256			173	86
Internal Model Method (for derivatives and SFTs)			-	-	-	-
Simple Approach for credit risk mitigation (for SFTs)					-	-
Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
VaR for SFTs					-	-
Total						**86**

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

7.12 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.

	a	b
	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (including the 3 x multiplier)		
(ii) Stressed VaR component (including the 3 x multiplier)		
All portfolios subject to the Standardised CVA capital charge	168	53
Total subject to the CVA capital charge	**168**	**53**

7.13 CCR exposures by regulatory portfolios and risk weights

This exposure relates to our cross currency swaps that are held with other Banks, which are largely collateralised, thus limiting the exposure at default to only R173 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	-	-	-	-	173	-	-	-	-	173
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**173**	**-**	**-**	**-**	**-**	**173**

7.14 Composition of collateral for CCR exposure

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

	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	-	2,120	-	2,083	-	-
Cash - other currencies	-	-	-	-	-	-
Total	**-**	**2,120**	**-**	**2,083**	**-**	**-**

8. Liquidity measurements

8.1 Liquidity management

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

This section presents various measurements of the group liquidity position. Further detail regarding liquidity risk is given in Note 29 to the African Bank Limited Annual Financial Statements for the year ended 30 September 2016.

8.2 Contractual and behavioural liquidity mismatches

Both the contractual and behavioural mismatches benefit positively from the high component of equity funding and the extended term of the wholesale liabilities (Refer section 1.1 of the executive summary) This creates a surplus of asset cash flows over liability cash flows.

8.3 Contractual liquidity maturity analysis (mismatch)

The following table analyses assets and liabilities of the group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The table was prepared on the following basis:

- 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
- Non-cash liabilities, representing leave pay and the straight-lining of operating leases, are disclosed as adjustments to trade and other payables

8.3 Contractual liquidity maturity analysis (mismatch) – (continued)

African Bank Limited

Assets and liabilities maturities *as at 30 September 2016* R'm	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	7,112	2,750	3,000	-	-	-	12,862
Statutory assets	202	195	-	-	466	374	1,237
Derivative assets	168	-	1,374	652	36	-	2,230
Net advances	843	1,477	6,117	3,485	6,441	1,748	20,111
Accounts receivable and other assets	232	-	-	-	-	-	232
Loans to affiliated entities	296	-	-	-	-	-	296
Property and equipment	-	-	-	-	-	553	553
Intangible assets	-	-	-	-	-	49	49
Deferred tax asset	-	-	-	-	-	121	121
Total assets	8,853	4,422	10,491	4,137	6,943	2,845	37,691
Liabilities and equity							
Short-term funding	2,159	-	-	-	-	-	2,159
Derivative liabilities	-	-	-	4	-	-	4
Creditors and accruals	1,286	-	-	-	-	-	1,286
Current tax	100	-	-	-	-	-	100
Bonds and other long-term funding	355	-	6	3,928	20,024	-	24,313
Subordinated bonds, debentures and loans	43	-	-	-	1,485	-	1,528
Ordinary shareholder's equity	-	-	-	-	-	8,301	8,301
Total liabilities and equity	3,943	0	6	3,932	21,509	8,301	37,691
Net liquidity gap	4,910	4,422	10,485	205	(14,566)	(5,456)	-

The above table differs to the view presented under IFRS in the audited financial statements 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 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. The future obligations measured on a straight-lined basis are as follows:

R'm	30 Sept 2016
Payable within one year	**115**
Payable between one and five years	**119**
Total	**234**

(b) Committed undrawn credit card facilities: Committed undrawn credit card facilities totalled R822 million. These commitments are attributable to undrawn credit card amounts.

8.4 Liquidity coverage ratio (LCR) – common disclosure template

The LCR is a 30-day stress test, which requires the bank to hold sufficient high-quality 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.

African Bank Limited **R'm**	**Total Unweighted Value (Average)** [1] **30 Sep 2016**	**Total Weighted Value (Average)** [1] **30 Sep 2016**
Total high-quality liquid assets (HQLA) (see 8.4.1)		1,312
Cash Outflows		
Retail deposits and deposits from small business customers, of which:	45	5
Stable deposits	-	-
Less-stable deposits	45	5
Unsecured wholesale funding, of which:	2,526	2,526
Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
Non-operational deposits (all counterparties)	-	-
Unsecured debt	2,526	2,526
Secured wholesale funding	-	-
Additional requirements, of which:	-	-
Outflows related to derivative exposures and other collateral requirements	78	78
Outflows related to loss of funding on debt products	-	-
Credit and liquidity facilities	814	47
Other contractual funding obligations	-	-
Other contingent funding obligations	-	-
Total Cash Outflows	3,463	2,656
Cash Inflows		
Secured lending (e.g. reverse repos)	-	-
Inflows from fully performing exposures	10,829	9,880
Other cash inflows	116	116
Total Cash Inflows	10,945	9,996
		Total Adjusted Value
Total HQLA		**1,312**
Total Net Cash Outflows [2]		**664**
Liquidity Coverage Ratio (%) [3]		**198%**

(1) The Average numbers are calculated using the month-end figures for the last quarter
(2) African Bank Limited 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

8.4.1 Composition of high-quality liquid assets

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

R'm	30 Sep 2016
Total level one qualifying high-quality liquid assets [(1)]	**1,312**
Cash	2
Qualifying central bank reserves	453
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	857

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

8.4.2 Derivative exposures and potential collateral calls

The below tables 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.

Rm	Column a RWA
Outright products	338
- Interest rate risk (general and specific)	-
- Equity risk (general and specific)	-
- Foreign exchange risk	338
- Commodity risk	-
Options	-
- Simplified approach	-
- Delta-plus method	-
- Scenario approach	-
Securitisation	-
Total	**338**

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

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

9. 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. This ratio should be equal to at least 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. Compliance is required by 2018. Current guidance views a ratio of 100% or more as representing compliance.

	30 Sep 2016
NSFR %	**192**
Available stable funding (R'm)	34,176
Required stable funding (R'm)	17,773

10. Interest rate risk

The sensitivity analysis 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 liquidity risk is given in Note 28 to the African Bank Limited Annual Financial Statements for the year ended 30 September 2016. 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 African Bank's interest rate risk sensitivity calculated as a percentage of qualifying capital and reserve funds is small. Interest rate increase resulted in 1.21% and an interest rate decrease resulted in (1.06%).

Interest rate sensitivity - 30 Sep 2016	**R'm**
Increase	120
Decrease	(105)

11. Qualitative disclosures and accounting policies

The regulations require that certain qualitative disclosures and statements on accounting policy be made. These were made in the remuneration report, the corporate governance and risk management review and the statements on group accounting policy as contained in the Audited Annual Financial Statements and the Integrated Annual Report for the financial period ended 30 September 2016. The disclosures in this report should be read together with the Integrated Annual Report and Transitional Basel 3 Template. These disclosures can be found on the African Bank website under Investor Relations, Financial Reporting.