African Bank Holdings Limited and African Bank Limited

Public Pillar III Disclosures in terms of the Banks Act, Regulation 43 as at 31 March 2020

African Bank
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1. EXECUTIVE SUMMARY

1.1. OVERVIEW

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

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

The 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 R5.4 billion. Liquidity risk, interest rate risk and foreign exchange risks are managed within a conservative risk appetite framework.

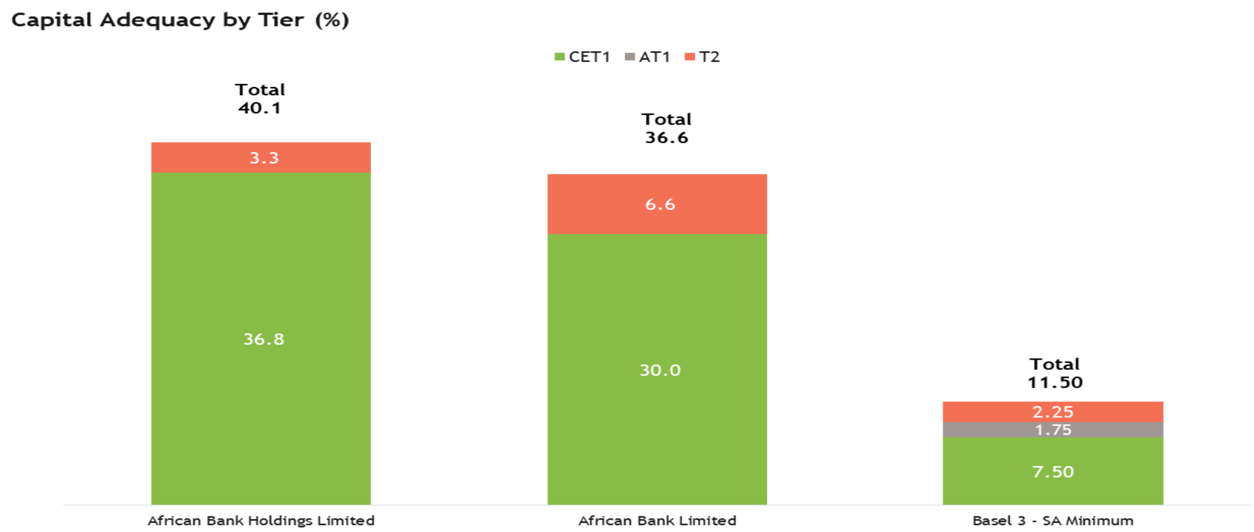
The overall impact of the strong balance sheet structure, as expressed in the conservative risk appetite, is evidenced in the various sections of this report which, as of 31 March 2020, include a CET1 ratio of 30.0%, a leverage ratio of 25.0%, a liquidity coverage ratio of 743% and a net stable funding ratio of 132% 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 31 March 2020 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 36.8% and 30.0% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 40.1% and 36.6% respectively.

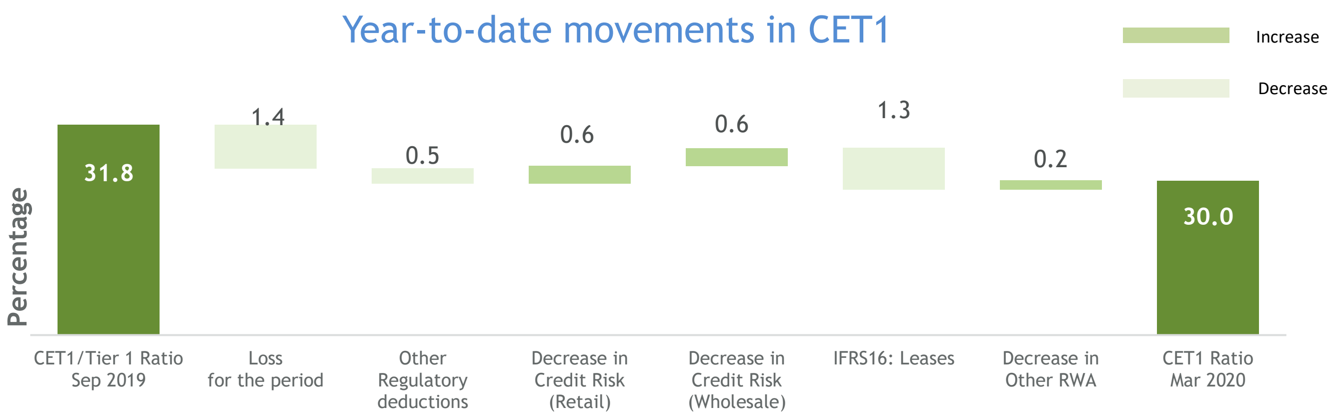


The SA minimum in the above graph was applicable as at 31 March 2020, but subsequently it was reduced by 1% as a result of the requirement of Pillar 2A add-on decreasing from 1% to 0%. This was as a result of Directive 2/2020 issued by the Prudential Authority which had become effective 1 April 2020.

YEAR-TO-DATE CET1/TIER 1 TREND ANALYSIS

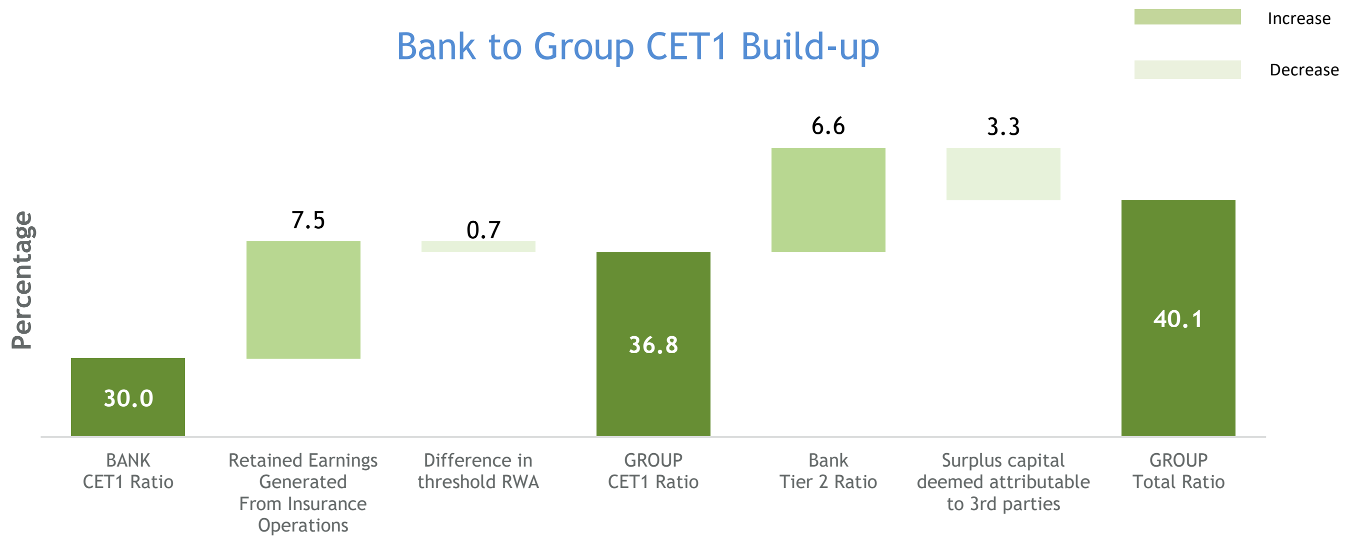
An analysis of the change in the African Bank Limited CET1 capital adequacy ratio for the six month period ended 31 March 2020 and comparison of the Bank and Group capital adequacy as at 31 March 2020 is shown below.

African Bank Limited



The decrease in CET1 ratio from 30 September 2019 to 31 March 2020 is primarily driven by the losses incurred for the period by the Bank, included in which is an impairment provision for the anticipated impact of the COVID-19 pandemic of R550 million, and the adoption of IFRS 16 Leases (IFRS 16). For further details on IFRS 16 refer to Annexure A: Summarised Impact of The Adoption of IFRS 16 in the Consolidated Condensed Interim Financial Statements of African Bank Holdings Limited for the six months ended 31 March 2020.

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



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

- **Impact of Insurance operations** – At a Group level, the capital supply is bolstered by the cumulative earnings generated from the insurance operations of R1.8 billion. There is no additional RWA requirement for the investment in its insurance subsidiary, African Insurance Group Limited (AIG) due to a return of capital during 2018 that resulted in the write-down of the carrying value of the investment to zero.

- **Deduction of Tier 2 minority interest -** As the Tier 2 capital, is issued at the subsidiary (African Bank Limited) level, a deduction of the deemed excess over and above the regulatory minimum is required at the consolidated capital level. The de-recognition of the surplus capital results in a significantly lower Tier 2 ratio of 3.3% when compared to that of ABL of 6.6%.

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	**Mar-2020**	**Sep-2019**	**Mar-2020**	**Sep-2019**
Composition of qualifying regulatory capital				
Ordinary share capital & accumulated profit	10 000	10 110	10 000	10 000
Regulatory adjustments	(263)	(191)	(2 227)	(1 746)
Common Equity Tier 1 capital (CET1)	9 737	9 919	7 773	8 254
Total qualifying subordinated debt	626	564	1 485	1 485
Qualifying Portfolio Provisions	240	247	240	247
Tier 2 capital (T2)	866	811	1 725	1 732
Total Qualifying regulatory capital	10 603	10 730	9 498	9 986

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 level is largely driven by the decrease in equity as a result of the loss in African Bank Limited. The increase in the ratio at ABH level is however as a result of decrease in total exposure. The leverage ratio remains well in excess of the current regulatory minimum requirement.

	African Bank Holdings Limited		African Bank Limited	
R million	**Mar-2020**	**Sep-2019**	**Mar-2020**	**Sep-2019**
Capital and total exposures				
Tier 1 capital	9 737	9 919	7 773	8 255
Total exposures	30 811	31 505	31 083	31 473
Basel III leverage ratio	**31.6%**	**31.5%**	**25.0%**	**26.2%**
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 increase in the LCR from the previous reporting period was as result of a decrease in the total net cash outflows over the quarter ended 31 March 2020, primarily as a result of lower maturing liability balances, as compared to the quarter ended 30 September 2019.

African Bank Limited R million	Total weighted value (average) Mar-2020	Total weighted value (average) Sep-2019
Total high-quality liquid assets	1 197	1 187
Total net cash outflows	317	240
Liquidity coverage ratio (%)	**743%**	**511%**
Regulatory minimum requirement	100%	100%

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

1.6. NET STABLE FUNDING RATIO ("NSFR")

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

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

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

The decrease in NSFR is largely as a result of an increase in required stable funding. This was largely driven by some of the surplus cash placed with other financial institutions being termed out to greater than 6 months, as well as an increase in other assets as a result of IFRS16.

African Bank Limited R million	Mar-2020	Sep-2019
NSFR (%)	**132%**	**135%**
Available stable funding	23 294	23 240
Required stable funding	17 634	17 234

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

1.7. REFERENCES OF QUANTITATIVE STANDARDISED TABLES AND TEMPLATES

Refer to the attached Annexure A to this document for ease of reference for the quantitative standardized tables and templates as prescribed in the revised pillar 3 disclosure requirements published in January 2015 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 31 March 2020 and is included as a reference to the published Condensed Interim Financial Statements.

Analysis of advances to customers as at 31 March 2020 (1)			
R million	Term loans	Credit Cards	Total
Gross amount due by customers	25 883	4 210	30 093
Impairment attributable to acquired advances and deferred fees	(2 358)	(51)	(2 409)
Gross advances	**23 525**	**4 159**	**27 684**
Impairment and deferred fees attributable to originated advances	(7 934)	(755)	(8 689)
Net advances	**15 591**	**3 404**	**18 995**

(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.

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

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

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

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

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

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

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

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

4. PERIOD OF REPORTING

This report covers the period from 1 October 2019 to 31 March 2020 for the ABH Group and its 100% held banking subsidiary, ABL. Comparative disclosures are as at and for the year ended 30 September 2019.

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		Mar20 (T)	Dec19 (T-1)	Sep19 (T-2)	Jun19 (T-3)	Mar19 (T-4)
Available capital (amounts) (1) (3)						
1	Common Equity Tier 1 (CET1)	9 737	9 914	9 919	9 300	9 113
1a	Fully loaded ECL accounting model	9 737	9 914	9 919	9 300	9 113
2	Tier 1	9 737	9 914	9 919	9 300	9 113
2a	Fully loaded accounting model Tier 1	9 737	9 914	9 919	9 300	9 113
3	Total capital	10 603	10 747	10 730	10 110	9 967
3a	Fully loaded ECL accounting model total capital	10 603	10 747	10 730	10 110	9 967
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	26 446	26 381	26 078	25 654	26 717
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	36.8	37.5	38.0	36.3	34.1
5a	Fully loaded ECL accounting model CET1 (%)	36.8	37.5	38.0	36.3	34.1
6	Tier 1 ratio (%)	36.8	37.5	38.0	36.3	34.1
6a	Fully loaded ECL accounting model Tier 1 ratio	36.8	37.5	38.0	36.3	34.1
7	Total capital ratio (%)	40.1	40.7	41.1	39.4	37.3
7a	Fully loaded ECL accounting model total capital ratio (%)	40.1	40.7	41.1	39.4	37.3
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 (%)	29.3	30.1	30.5	28.8	26.6
Basel III Leverage Ratio (3)						
13	Total Basel III leverage ratio measure	30 811	31 945	31 505	29 538	30 935
14	Basel III leverage ratio (%) (row 2/row 13)	31.6	31.0	31.5	31.5	29.5
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	31.6	31.0	31.5	31.5	29.5
Liquidity Coverage Ratio (2) (3)						
15	Total HQLA	1 197	1 190	1 187	1 199	1 150
16	Total net cash outflow	317	151	240	328	162
17	LCR ratio (%)	743	933	511	437	877
Net Stable Funding Ratio (2) (3)						
18	Total available stable funding	23 294	23 010	23 240	22 472	23 299
19	Total required stable funding	17 634	17 389	17 234	16 883	18 119
20	NSFR ratio (%)	132	132	135	133	129

(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)
		Mar-2020	Sep-2019	Mar-2020	Mar-2020	Sep-2019	Mar-2020
1	**Credit risk (excluding counterparty credit risk)**	**20 532**	**20 494**	**2 361**	**20 532**	**20 494**	**2 361**
2	Of which standardised approach (SA) (2)	20 532	20 494	2 361	20 532	20 494	2 361
4	**Counterparty credit risk**	**96**	**36**	**11**	**96**	**36**	**11**
5	Of which standardised approach for counterparty credit risk (SA-CCR) (3)	96	36	11	96	36	11
10	**Credit valuation adjustment (CVA)** (3)	44	20	5	44	20	5
20	**Market risk**	**138**	**223**	**16**	**138**	**223**	**16**
21	Of which standardised approach (SA) (4)	138	223	16	138	223	16
24	**Operational risk** (5)	**2 026**	**2 084**	**233**	**2 001**	**2 050**	**230**
25	**Amounts below thresholds for deduction (subject to 250% risk weight)**	**2 462**	**2 176**	**283**	**1 990**	**2 074**	229
26	**Floor adjustment** (6)	**1 147**	**1 045**	**132**	**1 108**	**1 065**	**127**
27	**Total**	**26 445**	**26 078**	**3 041**	**25 909**	**25 962**	**2 979**

(1) The minimum capital requirement per risk category for 2019 is 11.5% which comprises the base minimum (8.00%) plus the Pillar 2A systemic risk add-on (1.0%) plus capital conservation buffer (2.5%).
(2) Refer below for a further split on credit risk exposures relating to loans and advances.
(3) ABL currently applies the current exposure method to calculate counterparty credit risk. The increase from the previous reporting period is as a result of new foreign exchange swaps entered into.
(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)
	Mar-2020	Sep-2019	Mar-2020	Mar-2020	Sep-2019	Mar-2020
Of which standardised approach (SA) - Loans and advances	**19 113**	**19 715**	**2 198**	**19 113**	**19 715**	**2 198**
Retail Exposures	16 975	17 274	1 952	16 975	17 274	1 952
Interbank Exposures	2 138	2 441	246	2 138	2 441	246

7. COMPOSITION OF CAPITAL

The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 31 March 2020 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 36.8% and 30.0% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 40.1% and 36.6% respectively.

7.2. COMPOSITION OF REGULATORY CAPITAL

R million	African Bank Holdings Limited		African Bank Limited		Reference [1]
Section A	Mar-2020	Sep-2019	Mar-2020	Sep-2019	
Common Equity Tier 1 Capital					
Ordinary share capital & premium	10 000	10 000	10 000	10 000	Row 1
Accumulated profit	-	110	-	-	Row 2
Total as per Transitional Basel 3 Template	**10 000**	**10 110**	**10 000**	**10 000**	Row 6
Section B					
Common Equity Tier 1 Regulatory Adjustments					
- Intangible assets in terms of IFRS	(104)	(81)	(104)	(81)	
- Other regulatory adjustments, including accumulated losses [2]	(159)	(110)	(2 123)	(1 665)	
Total as per Transitional Basel 3 Template	**(263)**	**(191)**	**(2 227)**	**(1 746)**	Row 28
Section C					
Additional Tier 1 capital (AT1)	-	-	-	-	
Section D					
Subordinated debt	1 532	1 533	1 532	1 533	
Accrued interest not classified as Tier 2 capital	(47)	(48)	(47)	(48)	
Total subordinated debt	**1 485**	**1 485**	**1 485**	**1 485**	Row 46/48
Haircut on amounts attributable to third parties	(859)	(921)	-	-	Row 57
Tier 2 instruments issued by subsidiary and held by third parties	**626**	**564**	**-**	**-**	
Portfolio provisions	240	247	240	247	Row 50
Total as per Transitional Basel 3 Template	**866**	**811**	**1 725**	**1 732**	Row 58
Section E					
Summary of Capital Adequacy Ratios					
CET1%	36.8	38.0	30.0	31.8	
AT1%	0.0	0.0	0.0	0.0	
T1%	36.8	38.0	30.0	31.8	
T2%	3.3	3.1	6.6	6.7	
Total capital adequacy %	**40.1**	**41.1**	**36.6**	**38.5**	

(1) Refer to 7.3 (Composition of Capital Disclosure Template) for references to the rows.
(2) A significant portion of the regulatory adjustment includes accumulated losses (refer 7.4 below).

7.3. CC1 - COMPOSITION OF REGULATORY CAPITAL

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

	Period ended: 31 March 2020	**African Bank Holdings Limited**	**African Bank Limited**	**Reference** [(1)]
Common Equity Tier 1 capital instruments and reserves		**R million**	**R million**	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related to stock surplus	10 000	10 000	Section A
2	Retained earnings	-	-	
3	Accumulated other comprehensive income (and other reserves)	-	-	
6	Common Equity Tier 1 capital before regulatory adjustments	10 000	10 000	Section A
Common Equity Tier 1 capital: regulatory adjustments				
28	Total regulatory adjustments to Common Equity Tier 1	(263)	(2 227)	Section B
29	Common Equity Tier 1 capital (CET 1)	9 737	7 773	
Additional Tier 1 capital: instruments				
36	Additional Tier 1 capital before regulatory adjustments	-	-	
Additional Tier 1 capital: regulatory adjustments				
44	Additional Tier 1 capital (AT1)	-	-	
45	Tier 1 capital (T1= CET1 + AT1)	9 737	7 773	
Tier 2 capital and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	1 485	Section D
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	1 485	-	Section D
50	Provisions	240	240	Section D
51	Tier 2 capital before regulatory adjustments	1 725	1 725	
Tier 2 capital: regulatory adjustments				
57	Total regulatory adjustments to Tier 2 capital	(859)		
58	Tier 2 capital (T2)	866	1 725	Section D
59	Total capital (TC = T1 + T2)	10 603	9 498	
60	Total risk weighted assets	26 446	25 909	
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	36.8%	30.0%	
62	Tier 1 (as a percentage of risk weighted assets)	36.8%	30.0%	
63	Total capital (as a percentage of risk weighted assets)	40.1%	36.6%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.5%	7.5%	
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: bank specific countercyclical buffer requirement	0%	0%	
67	of which: G-SIB buffer requirement	0%	0%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	29.3%	22.5%	
Amounts below the threshold for deductions (before risk weighting)				
73	Significant investments in the common stock of financials	-	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	985	796	

Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	3 125	3 125
77	Cap on inclusion of provisions in Tier 2 under standardised approach	240	240

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

7.4. CC2 – RECONCILIATION OF REGULATORY CAPITAL TO BALANCE SHEET

Reconciliation of regulatory capital to balance sheet as at 31 March 2020 R million	African Bank Holdings Limited	Regulatory scope of consolidation (2)	African Bank Limited	Regulatory scope of consolidation (2)	Reference (1)
Assets					
Cash and cash equivalents	5 318	5 311	5 310	5 310	
Regulatory deposits and sovereign debt securities	1 210	1 210	1 210	1 210	
Derivative assets	224	224	224	224	
Net advances	18 995	18 995	18 995	18 995	
Accounts receivable and other assets	173	173	173	173	
Investment in insurance contracts	240	-	-	-	
Current tax asset	-	-	-	-	
Investments	-	-	-	-	
Loans to affiliated companies	-	-	-	-	
Property and equipment	1 238	1 238	1 238	1 238	
Intangible assets	104	104	104	104	Section B
Deferred tax asset	985	985	985	985	
Total assets	**28 487**	**28 240**	**28 239**	**28 239**	
Liabilities					
Short-term funding	5 992	5 992	6 813	6 813	
Derivative liabilities	-	-	-	-	
Creditors and other liabilities	1 251	1 251	1 250	1 250	
Current tax	-	-	-	-	
Bonds and other long-term funding	9 164	9 164	10 578	10 578	
Subordinated bonds, debentures and loans	1 532	1 532	1 532	1 532	Section D
Deferred tax liability				-	
Total liabilities	**17 939**	**17 939**	**20 173**	**20 173**	
Equity					
Ordinary share capital	5	5	5	5	Row 1
Ordinary share premium	9 995	9 995	9 995	9 995	Row 1
Accumulated reserves / (losses)	547	(150)	(1 934)	(1 934)	Section B
Total equity	**10 547**	**9 850**	**8 066**	**8 066**	
Total liabilities and equity	**28 486**	**27 789**	**28 239**	**28 239**	

(1) Refer to 7.2 and 7.3 for references to the sections and rows respectively.
(2) Note that at African Bank Limited level there are no differences, other than deductions in respect of intangible assets, between the IFRS and regulatory balance sheet, however in addition at African Bank Holdings Limited level, the insurance entity (African Insurance Group) is not consolidated for regulatory purposes.

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 level is largely driven by the decrease in equity as a result of the loss in African Bank Limited. The increase in the ratio at ABH level is however as a result of decrease in total exposure. The leverage ratio remains well in excess of the 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 31 March 2020.

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

Line #	R million	African Bank Holdings Limited		African Bank Limited	
		Mar-2020	Sep-2019	Mar-2020	Sep-2019
1	Total consolidated assets as per published financial statements	28 487	28 881	28 239	28 343
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(698)	(547)	-	-
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	(127)	-	(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)	132	137	132	137
7	Other adjustments (1)	3 017	3 034	2 839	2 993
8	Leverage ratio exposure	30 811	31 505	31 083	31 473

(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	
		Mar-2020	Sep-2019	Mar-2020	Sep-2019
	On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives and Securities Financing Transactions (“SFTs”)*, but including collateral)	30 697	31 413	31 147	31 422
2	Asset amounts deducted in determining Basel III Tier 1 capital	(115)	(81)	(293)	(122)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**30 582**	**31 332**	**30 854**	**31 300**
	Derivative exposures				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	62	36	62	36
5	Add-on amounts for PFE associated with all derivatives transactions	35	-	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)**	**97**	**36**	**97**	**36**
	Securities financing transaction exposures				
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-	-
14	CCR exposure for SFT assets	-	-	-	-
15	Agent transaction exposures	-	-	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**-**	**-**	**-**	**-**
	Other off-balance sheet exposures				
17	Off-balance sheet exposure at gross notional amount	658	683	658	683
18	(Adjustments for conversion to credit equivalent amounts)	(526)	(546)	(526)	(546)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**132**	**137**	**132**	**137**
20	Tier 1 capital	9 737	9 919	7 773	8 255
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**30 811**	**31 505**	**31 083**	**31 473**
	Leverage ratio				
22	**Basel III leverage ratio**	**31.6%**	**31.5%**	**25.0%**	**26.2%**

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

9. CREDIT RISK

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

For an overview of credit risk management, including credit granting criteria, the credit philosophy, credit risk assessment and monitoring, collections and restructures and the credit provisioning methodologies, please refer to Note 31 in the ABL annual financial statements for the year ended 30 September 2019.

9.1 CR1 - CREDIT QUALITY OF ASSETS

The following table shows the classification of the gross carrying value of the total of the retail advances and interbank deposits split between defaulted and non-defaulted exposures showing the impairments in respect of the defaulted exposures. The impairment provision coverage in respect of the non-defaulted exposures are not included here and are shown under section 9.5.

R million	a	b	c	d
	Gross carrying values of		Allowances/ impairments	Net values (a + b - c)
	Defaulted exposures [1]	Non-defaulted exposures		
Loans	11 491	23 763	10 953	24 301
Debt securities	-	836	-	836
Off-balance sheet exposures	230	428	-	658
Total	**11 721**	**25 027**	**10 953**	**25 795**

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

9.2 CR2 - CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES

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

R million	a
Defaulted loans and debt securities at end of the previous reporting period	**10 859**
Increase in defaulted Loans and debt securities since the last reporting period	2 478
Returned to non-defaulted status	(252)
Amounts written off	(1 426)
Other changes	(168)
Defaulted loans and debt securities at end of the reporting period	**11 491**

9.3 BREAKDOWN OF GROSS CREDIT EXPOSURE BY GEOGRAPHICAL AREAS

The total gross credit exposure of the Bank is located within the Republic of South Africa (Rm 35,937). There are no exposures outside of South Africa.

9.4 BREAKDOWN OF GROSS CREDIT EXPOSURE BY INDUSTRY TYPE

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

R million	On balance sheet exposure	Off balance sheet exposure	Total
Financial intermediation and insurance	4 485	-	4 485
Private households	29 958	658	30 616
Other	836	-	836
Total	**35 279**	**658**	**35 937**
of which: Sovereign (central government and central bank)	836	-	836

9.5 IMPAIRED ADVANCES

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

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

Regulatory classifications	Impairment Cover %
	Mar-2020
Standard and special mention	16.92%
Sub-standard	70.99%
Doubtful	69.90%
Loss	66.41%

9.6 AGEING ANALYSIS

The ageing of gross advances on term loans and credit cards to customers based purely on days past due. Amounts reported are based on actuals as at 31 March 2020.

R million	Gross
Not past due	14 589
Past due 31 -90 days	3 871
Past due 91 - 182 days	2 166
Past due > 182 days	9 322
Total	**29 948**

9.7 CRD - 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 Moody's Investor Services.

These credit ratings are applied to all asset classes where such ratings are available. Where credit ratings are not available, the bank applies the unrated risk weight as required in terms of the Regulations.

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

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

9.8 CR3 - CREDIT RISK MITIGATION TECHNIQUES OVERVIEW

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

R million	a	b	c	d	e	f	g
	Exposures Unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposure secured by credit derivatives	Exposures secured by credit derivatives of which: secured amount
Loans	24 301	-	-	-	-	-	-
Debt securities	836	-	-	-	-	-	-
Total	**25 137**	**-**	**-**	**-**	**-**	**-**	**-**
Of which defaulted	11 721	-	-	-	-	-	-

9.9 CR4 - CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION (CRM) EFFECTS

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

	R million	a	B	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM[(1)]		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign and their central banks	836	-	836	-	-	-
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	4 485	-	4 485	-	2 138	47.67%
5	Securities firms	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-
7	Regulatory retail portfolios	18 567	428	18 567	86	13 989	75.00%
	of which:						
8	Secured by residential property	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-
11	Past-due loans	3 564	230	3 564	46	2 986	82.71%
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	1 798	-	1 798	-	1 419	78.92%
14	**Total**	**29 250**	**658**	**29 250**	**132**	**20 532**	**69.88%**

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

9.10 CR5 - EXPOSURES BY ASSET CLASS AND RISK WEIGHTS

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

	R million	a	b	c	d	e	F	g	h	i	j
	Asset classes by risk weights	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereign and their central banks	836	-	-	-	-	-	-	-	-	836
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	1 580	-	1 883	-	1 022	-	-	4 485
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	-	-	-	-
7	Regulatory retail portfolios	-	-	-	-	-	18 652	-	-	-	18 652
8	of which: Secured by residential property	-	-	-	-	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	1 605	-	1 650	356	-	3 611
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	379	-	-	-	-	-	1 419	-	-	1 798
14	**Total**	**1 215**	**-**	**1 580**	**-**	**3 488**	**18 652**	**4 091**	**356**	**-**	**29 382**

9.11 CCR1 - 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 foreign currency swap hedges that the Bank has entered into.

	R million	a	b	c	d	E	F
		Replacement Cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives) [1]	249	35			96	96
2	Internal model method (for derivatives and SFTs)			-	-	-	-
3	Simple approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive approach for credit risk mitigation (for SFTs)					-	-
5	VaR for SFTs					-	-
6	**Total**						**96**

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

9.12 CCR2 - CREDIT VALUATION ADJUSTMENT (CVA) CHARGE

Credit valuation adjustment (CVA) is the difference between the risk-free portfolio value and the true portfolio value that takes into account the possibility of a counterparty's default. In other words, CVA is the market value of counterparty credit risk. The RWA of the CVA is added to the risk weighted amount for counterparty credit exposure.

	R million	a	B
		EAD post-CRM	RWA
	Total portfolios subject to the advanced CVA capital charge	-	-
1	(i) VaR component (including the 3 x multiplier)		
2	(ii) Stressed VaR component (including the 3 x multiplier)		
3	All portfolios subject to the standardised CVA capital charge	94	44
4	**Total subject to the CVA capital charge**	**94**	**44**

9.13 CCR3 - CCR EXPOSURES BY REGULATORY PORTFOLIOS AND RISK WEIGHTS

The exposure relates to a foreign currency swaps as at 31 March 2020, which serves as a hedge for the foreign currency debt funding the bank holds.

R million	a	b	c	d	e	f	g	H	I	j
Regulatory portfolios by risk weights	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
Sovereigns	-	-	-	-	-	-	-	-	-	-
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	96	-	-	96
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**96**	**-**	**-**	**96**

9.14 CCR5 - COMPOSITION OF COLLATERAL FOR CCR EXPOSURE

The table below displays the collateral held by the Bank as at 31 March 2020 for the derivative exposure as a result of the foreign currency swaps.

R million	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFT's	
	Fair value of collateral received		**Fair value of posted collateral**		**Fair value of collateral received**	**Fair value of posted collateral**
	Segregated	**Un segregated**	**Segregated**	**Un segregated**		
Cash - domestic currency	-	188	-	188	-	-
Cash - other currencies	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

10. LIQUIDITY MEASUREMENTS

10.1 LIQUIDITY MANAGEMENT

Liquidity risk is managed by the Group Asset and Liability Committee (ALCO) that oversees the activities of the Treasury department which operates in terms of an approved Assets and Liabilities Management (ALM) risk appetite policy and approved limits, managing cash on a centralised basis. The Group has a board approved Liquidity and Funding Risk Policy that sets out the overall approach to liquidity and funding risk management of ABH Group and its subsidiaries, excluding the African Insurance Group Limited. This policy standardises the liquidity and funding risk measurement and management process in the Group. While the Policy applies to the Group and all entities within the Group, the overwhelming majority of liquidity and funding activities occur within ABL.

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

10.2 LIQUIDITY AND FUNDING STRATEGY

The Group's strategy is to diversify its' funding towards achieving greater that 25% of its total funding from non-wholesale funding sources, including retail and corporate deposits by September 2021. As at 31 March 2020 the Group received 20% of its total funding from retail depositors, up from 12% as at 30 September 2019.

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

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

Liquidity risk is recognised as a key risk that impacts the going concern stages of the Group. The directors have satisfied themselves that the Group is in a sound financial position and had sufficient cash reserves to meet all its short term and medium cash requirements as of 31 March 2020.

10.3 CONTRACTUAL AND BEHAVIOURAL LIQUIDITY MISMATCHES

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

10.4 CONTRACTUAL LIQUIDITY MATURITY ANALYSIS (MISMATCH)

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

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

The table was prepared on the following basis:

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

African Bank Limited

Assets and liabilities maturities *as at 30 September 2019* R million	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Non-contractual	Total
Assets							
Cash and cash equivalents	4 421	-	889	-	-	-	5 310
Regulatory deposits and sovereign debt securities	-	59	241	535	375	-	1 210
Derivative assets	-	183	41	-	-	-	224
Net advances	975	1 015	4 646	3 036	8 889	434	18 995
Accounts receivable and other assets	173	-	-	-	-	-	173
Investments	-	-	-	-	-	-	-
Loans to group companies	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	1 238	1 238
Intangible assets	-	-	-	-	-	104	104
Deferred tax asset	-	-	-	-	-	985	985
Total assets	**5 569**	**1 257**	**5 817**	**3 571**	**9 264**	**2 761**	**28 239**
Liabilities and equity							
Short-term funding	714	2 380	3 719	-	-	-	6 813
Derivative liabilities	-	-	-	-	-	-	-
Creditors and other liabilities	1 039	-	36	85	18	72	1 250
Current tax	-	-	-	-	-	-	-
Bonds and other long-term funding	118	66	134	4 876	5 384	-	10 578
Subordinated bonds, debentures and loans	49	-	-	-	1 483	-	1 532
Deferred tax liability	-	-	-	-	-	-	-
Ordinary shareholder's equity	-	-	-	-	-	8 066	8 066
Total liabilities and equity	**1 920**	**2 446**	**3 889**	**4 961**	**6 885**	**8 138**	**28 239**
Net liquidity gap	**3 649**	**(1 189)**	**1 928**	**(1 390)**	**2 379**	**(5 377)**	**-**

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

Off balance sheet items

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

(b) Committed undrawn credit card facilities: Committed undrawn credit card facilities totaled R658 million. These commitments are attributable to undrawn credit card amounts.

10.5 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 increase in the LCR from the previous reporting period was as result of a decrease in the total net cash outflows over the quarter ended 31 March 2020, primarily as a result of lower maturing liability balances, as compared to the quarter ended 30 September 2019.

	African Bank Limited R million	Total unweighted value (average) (1)	Total weighted value (average) (1)	Total weighted value (average) (1)
		Mar-2020	**Mar-2020**	**Sep-2019**
1	**Total high-quality liquid assets (HQLA) (see 10.5.1)**		**1 197**	**1 187**
	Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	495	49	21
3	Stable deposits	-	-	-
4	Less-stable deposits	495	49	21
5	Unsecured wholesale funding, of which:	995	995	790
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
7	Non-operational deposits (all counterparties)	-	-	-
8	Unsecured debt	995	995	790
9	Secured wholesale funding	-	-	-
10	Additional requirements, of which:	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	187	187	114
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	668	33	35
14	Other contractual funding obligations	-	-	-
15	Other contingent funding obligations	-	-	-
16	**Total cash outflows**	**2 398**	**1 267**	**959**
	Cash inflows			
17	Secured lending (e.g. reverse repos)	-	-	-
18	Inflows from fully performing exposures	5 407	4 999	4 755
19	Other cash inflows	1	1	14
20	**Total cash inflows**	**5 408**	**4 999**	**4 762**
			Total Adjusted Value	Total Adjusted Value
21	**Total HQLA**		**1 197**	**1 187**
22	**Total net cash outflows (2)**		**317**	**240**
23	**Liquidity coverage ratio (%) (3)**		**743%**	**511%**

(1) The average numbers are calculated using the daily LCR figures for the quarter ended 31 March 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.

10.5.1 COMPOSITION OF HIGH-QUALITY LIQUID ASSETS

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

R million	Mar-2020	Sep-2019
Total level one qualifying high-quality liquid assets [(1)]	1 197	1 187
Cash	-	-
Qualifying central bank reserves	371	374
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	826	813

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

10.5.2 MR1 - DERIVATIVE EXPOSURES AND POTENTIAL COLLATERAL CALLS

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

	Potential exposure to margin calls on derivative exposures	a
	R million	RWA
1	General interest rate risk	-
2	Equity risk	-
3	Commodity risk	-
4	Foreign exchange risk	138
5	Credit spread risk - non-securitisations	-
6	Credit spread risk - securitisations (non-correlation trading portfolio)	-
7	Credit spread risk - securitisation (correlation trading portfolio)	-
8	Default risk - non-securitisations	-
9	Default risk - securitisations (non-correlation trading portfolio)	-
10	Default risk - securitisations (correlation trading portfolio)	
11	Residual risk add-on	-
12	**Total**	**138**

10.6 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 an increase in required stable funding. This was largely driven by some of the surplus cash placed with other financial institutions being termed out to greater than 6 months, as well as an increase in other assets as a result of IFRS16.

	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:	9 791	-	-	-	9 791
2	*Regulatory capital*	9 791	-	-	-	9 791
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	1 006	491	2 373	3 720
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	1 006	491	2 373	3 720
7	Wholesale funding:		3 174	2 198	7 887	9 783
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	3 174	2 198	7 887	9 783
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	1 379	-	-	-
12	*NSFR derivative liabilities*	-	-	-	-	-
13	*All other liabilities and equity not included in the above categories*	-	1 379	-	-	-
14	**Total ASF**					**23 294**

(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")	-	-	-	-	61
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:		7 951	3 991	11 925	14 561
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*	-	4 418	889	-	1 107
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:*	-	3 533	3 102	11 925	13 454
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	-	-
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other liabilities:	-	-	-	-	36
27	*Physical traded commodities, including gold*	-	-	-	-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	-	-	-	-	-
29	*NSFR derivative assets*	-	-	-	-	36
30	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	-	-
31	All other assets not included in the above categories	-	-	-	2 943	2 943
32	Off-balance sheet items	-	658	-	-	33
33	***Total RSF***					**17 634**
34	***Net Stable Funding Ratio (%)***					**132%**

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

12. INTEREST RATE RISK

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

Further detail regarding interest rate risk is given in Note 32.1 to the African Bank Limited Annual Financial Statements for the year ended 30 September 2019. The differences between the disclosures for interest rate risk sensitivity in the annual financial statements and this report relate to differing methodologies applied.

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

An interest rate increase resulted in 1.45% increase and an interest rate decrease resulted in (1.45%) decrease as a percentage of qualifying capital and reserve funds.

Interest rate sensitivity (R million)	Mar-2020	Sep-2019
Increase	134	130
Decrease	(134)	(130)

13. REMUNERATION

The Remuneration Policy is linked to sustainable value creation and comprises both short and long-term incentives. For detailed disclosures refer to pages 111-117 of the African Bank Holdings Limited Integrated Report as at 30 September 2019. This report contains a detailed review of the remuneration paid to prescribed officers as defined by King IV™ who are regarded as senior managers for purposes of this report. There are no other material risk-takers.

14. QUALITATIVE DISCLOSURES AND ACCOUNTING POLICIES

The regulations require that certain qualitative disclosures and statements on accounting policy be made. These were made in the annual financial statements and integrated annual report for the financial period ended 30 September 2019, in the remuneration report, corporate governance and risk management review and statements on group accounting policy. The disclosures in this report should be read together with the integrated annual report and transitional Basel templates. These disclosures can be found on the ABL website under investor relations, financial reporting.

Annexure A

References to the AFS in the table below are due to the Condensed Interim Financial Statements not containing the level of detail as contained in the AFS.

	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
Composition of Capital	CCA – Main features of regulatory capital instruments	Refer to: https://www.africanbank.co.za/en/home/corporate-info-basel-pillar-iii-announcements/
	CC1 – Composition of regulatory capital	7.3
	CC2 – Reconciliation of regulatory capital to balance sheet	7.3
Leverage ratio	LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure	8.1
	LR2 - Leverage ratio common disclosure template	8.2
Credit Risk	CRA – General information about credit risk	9 (Note 31 of AFS)
	CR1 – Credit quality of assets	9.1
	CR2 – Changes in stock of defaulted loans and debt securities	9.2
	CRB – Additional disclosure related to the credit quality of assets	9.3 to 9.6
	CRC – Qualitative disclosure requirements related to credit risk mitigation techniques	3 (Referenced to AFS)
	CR3 – Credit risk mitigation techniques – Overview	9.8
	CRD – Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk	9.7
	CR4 – Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects	9.9
	CR5 – Standardised approach – exposures by asset classes and risk weights	9.10
Counterparty credit risk	CCRA – Qualitative disclosure related to counterparty credit risk	3 (Referenced to AFS)
	CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach	9.11
	CCR2 – Credit valuation adjustment (CVA) capital charge	9.12

	CCR3 – Standardised approach of CCR exposures by regulatory portfolio and risk weights	9.13
	CCR5 – Composition of collateral for CCR exposures	9.14
Liquidity risk	LIQ1 – Liquidity Coverage Ratio	10.5
	LIQ2 – Nest Stable Funding Ratio	10.6
Market risk	MRA – Qualitative disclosure requirements related to market risk	3 (Referenced to AFS)
	MR1 – Market risk under standardised approach	10.5.2