

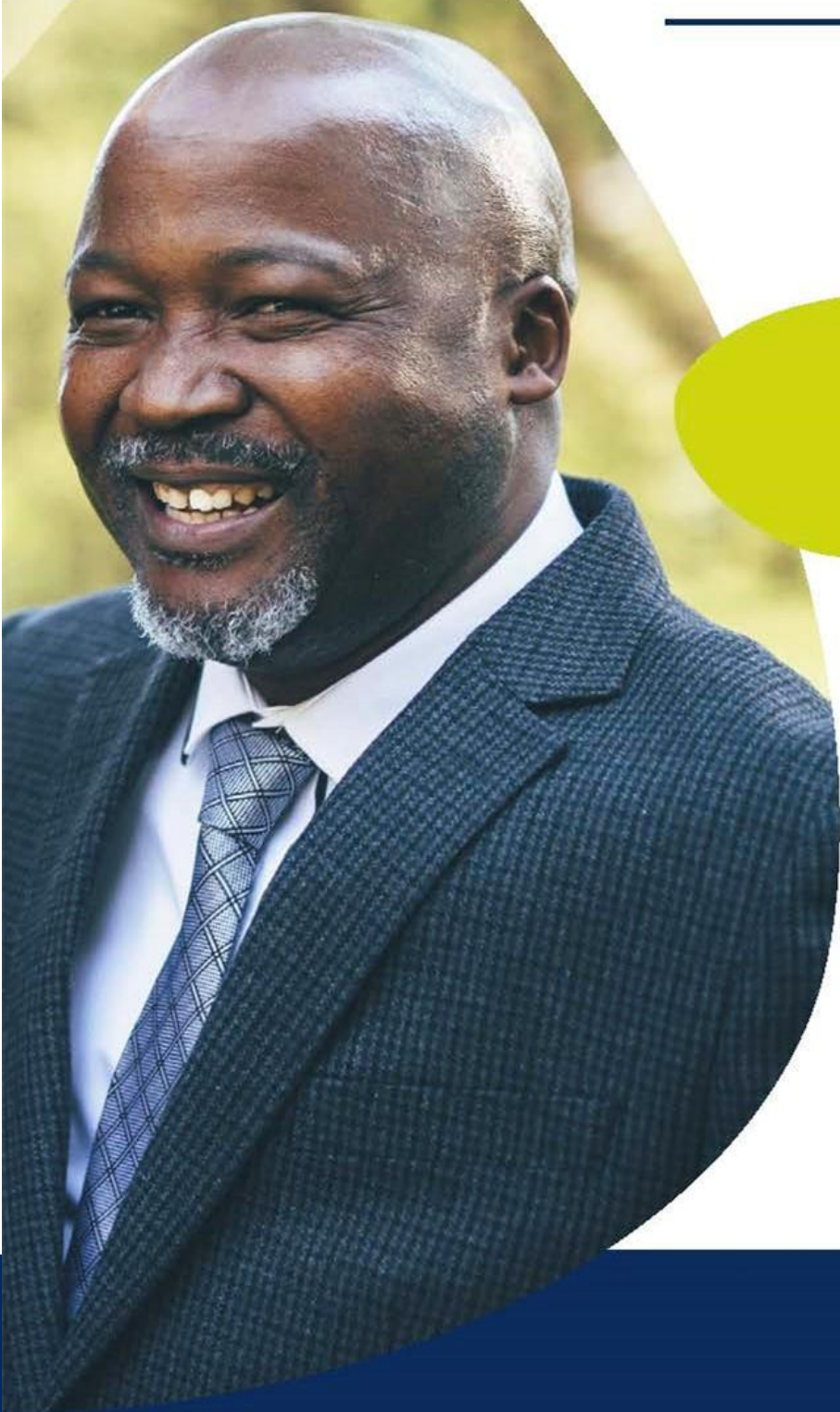
AFRICAN BANK HOLDINGS LIMITED  
AND AFRICAN BANK LIMITED

# PUBLIC PILLAR DISCLOSURES

(in terms of the Banks Act, Regulation 43)

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as at 30 September 2021



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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 part of the credit-worthy retail advances book.

Significant improvements in the credit underwriting and provisioning methodologies were immediately, 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 R9 billion. Liquidity risk, interest rate risk and foreign exchange risks are managed within a conservative risk appetite framework.

The overall impact of the strong balance sheet structure, as expressed in the conservative risk appetite, is evidenced in the various sections of this report which, as of 30 September 2021, includes a CET1 ratio of 41.7%, a leverage ratio of 30.3%, a liquidity coverage ratio of 1260% and a net stable funding ratio of 156% at the ABL level. Consequently, ABH and ABL operate well above minimum required regulatory levels in respect of all prudential ratios.

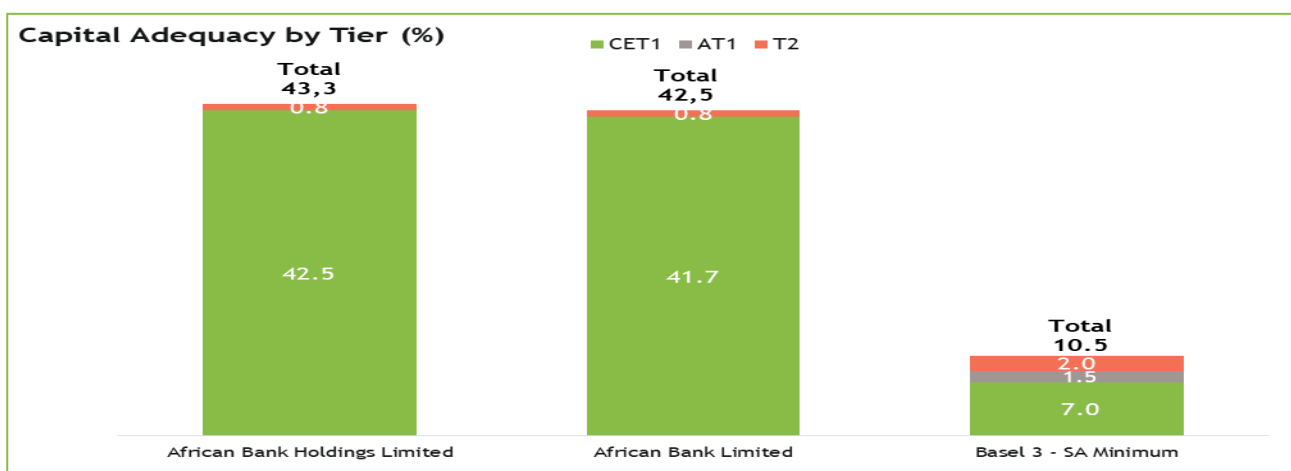
## 1.2. Governance

This Pillar III disclosure report complies with the Prudential Authority’s requirements as stipulated by the Banks Act (Act No. 94 of 1990), and through the relevant regulations, directives and guidance notes issued, with specific reference to Directive D1 of 2019.

The Board is satisfied that in line with African Bank’s prudent governance processes, relevant executive management and Board executives have reviewed this document. The information provided in this report was subject to a similar and appropriate level of internal review as the information provided for financial reporting purposes.

## 1.3. Capital adequacy ratios

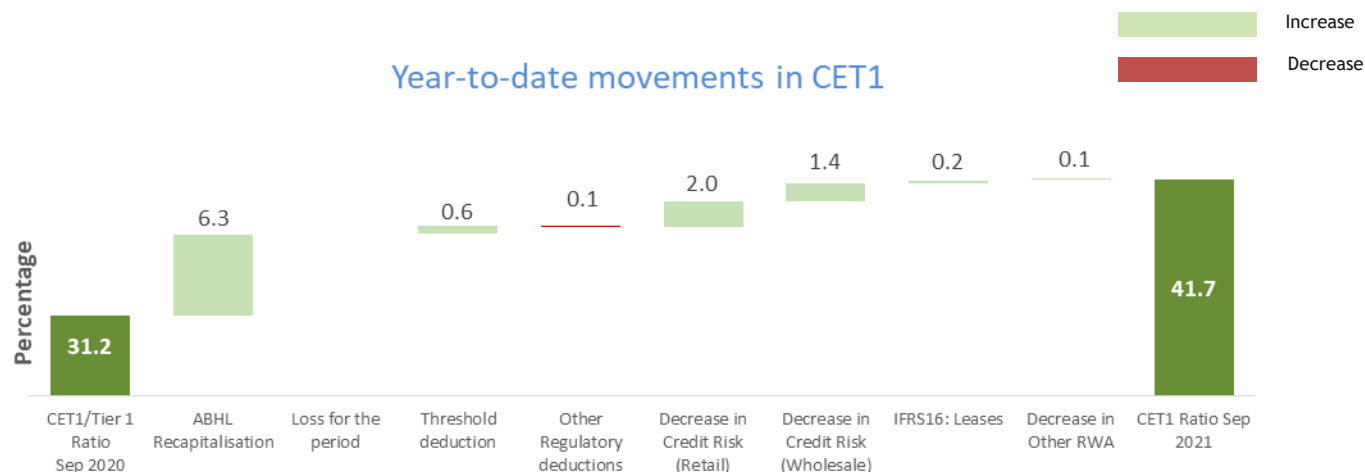
The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 30 September 2021 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 42.5% and 41.7% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 43.3% and 42.5% respectively.



## YEAR-TO-DATE CET1/TIER 1 ANALYSIS

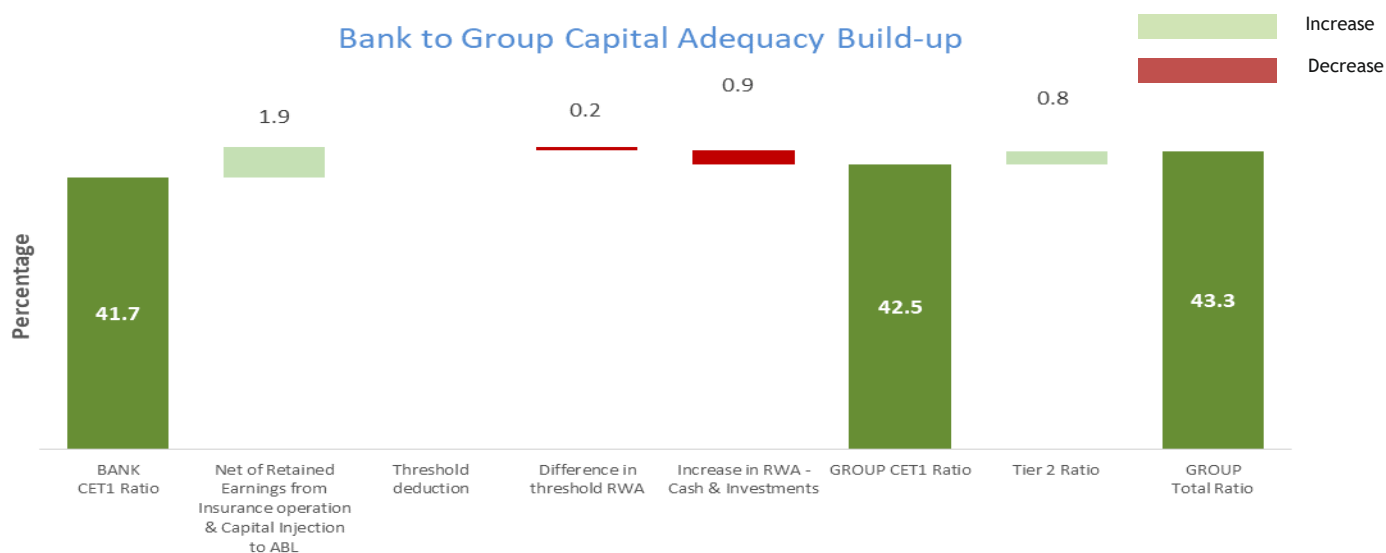
An analysis of the change in African Bank Limited's CET1 capital adequacy ratio movement from 30 September 2020 to 30 September 2021 as well as a comparison between the Bank and Group capital adequacy, as at 30 September 2021, is shown below.

### African Bank Limited



The increase in CET1/Tier1 ratio from 30 September 2020 to 30 September 2021 is as a result of both, an increase in capital supply as well as a decrease in capital demand. The increase in capital supply is primarily driven by the recapitalisation of ABL by ABH. The decrease in capital demand is as a result of a decrease in both retail and wholesale credit risk. The demand decrease in retail advances was primarily due to the slow growth in the retail book which is evidenced in the on balance sheet decrease in net advances. The ratio was further impacted by a significant decrease in demand from the wholesale credit exposure due to the surplus cash being invested in Sovereign exposure as well as the adoption of the new Regulations relating to Capital Requirements for Exposure in Funds which resulted in a decrease in the risk weighted exposure for the financial investments that the Bank and Group has on its balance sheet.

### REGULATORY CAPITAL BUILD-UP FROM ABL TO ABH



There are no material differences between the Group ratios and the Bank ratios subsequent to the recapitalisation of ABL by ABHL. The differences that do exist are as a result of the following:

- **Impact of Insurance operations** - At a Group level, capital supply is bolstered by the cumulative earnings generated from the Group's insurance operations of R1.8 billion. There is no additional RWA requirement for the investment in the Group's 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. However, with ABH recapitalising ABL with R1.5 billion during April 2021, the net movement from the Bank capital ratio to the Group has decreased to 1.9% as the share capital and share premium at ABH level remains unchanged.
- **Impact of Investments made by ABH** - The additional RWA requirements at a Group level is as a result of the cumulative earnings received from the insurance operation less the additional investment made by the Group in Bank being invested directly by ABH into financial investments.

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

R million	African Bank Holdings Limited		African Bank Limited	
	Sep-2021	Jun-2021	Sep-2021	Jun-2021
<b>Composition of qualifying regulatory capital</b>				
Ordinary share capital & accumulated profit	10 000	10 000	11 485	11 485
Regulatory adjustments	(648)	(714)	(2 554)	(2 616)
<b>Common Equity Tier 1 capital (CET1)</b>	<b>9 352</b>	<b>9 286</b>	<b>8 931</b>	<b>8 869</b>
Total qualifying subordinated debt	-	-	-	-
Qualifying Portfolio Provisions	179	178	179	178
<b>Tier 2 capital (T2)</b>	<b>179</b>	<b>178</b>	<b>179</b>	<b>178</b>
<b>Total Qualifying regulatory capital</b>	<b>9 531</b>	<b>9 464</b>	<b>9 110</b>	<b>9 047</b>

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

The decrease in the leverage ratio at both, ABL and ABH level, is largely driven by the increase in total exposure as a result of the increase in placements with financial institutions. The balances placed with financial institutions have been growing largely as a result of the growth in retail deposits and the bond issuance of R358 million during September 2021 also contributing to the increase.

R million	African Bank Holdings Limited		African Bank Limited	
	Sep-2021	Jun-2021	Sep-2021	Jun-2021
<b>Capital and total exposures</b>				
Tier 1 capital	9 352	9 286	8 931	8 869
Total exposures	29 911	28 706	29 491	28 328
<b>Basel III leverage ratio</b>	<b>31.3%</b>	<b>32.3%</b>	<b>30.3%</b>	<b>31.3%</b>
<b>Basel III leverage ratio regulatory minimum requirement</b>	<b>4.0%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>4.0%</b>

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

The increase in the LCR from the previous reporting period was largely due to the increase in HQLA, which increased due to additional HQLA invested in during July 2021. No material movement in the total net cash outflows over the quarter ended 30 September 2021 as compared to the quarter ended 30 June 2021.

African Bank Limited	Total	Total
R million	weighted value (average)	weighted value (average)
	Sep-2021	Jun-2021
Total high-quality liquid assets	4 262	3 088
Total net cash outflows	338	354
<b>Liquidity coverage ratio (%)</b>	<b>1260%</b>	<b>872%</b>
Regulatory minimum requirement <sup>(1)</sup>	80%	80%

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

(2) Refer to 11.5 of the detailed disclosure for a detailed breakdown of the above table

## 1.6. Net stable funding ratio (“NSFR”)

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

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

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

The increase in NSFR from 151% as at 30 June 2021 to 156% as at 30 September 2021 is largely driven by an increase in available stable funding. The increase in the available stable funding is due to an increase in the retail deposit book

and the R358 million bond issuance during September 2021. The increase in the required stable was primarily due to an increase in placements with financial institutions.

African Bank Limited		
R million	Sep-2021	Jun-2021
NSFR (%)	156%	151%
Available stable funding	23 806	22 742
Required stable funding	15 287	15 058

(1) Refer to 11.6 of the detailed disclosure for a detailed breakdown of the above table

## 1.7. References of quantitative standardised tables and templates

Refer to the attached Annexure A to this document for the quantitative standardised tables and templates as prescribed in the revised pillar 3 disclosure requirements published in January 2015 and pillar 3 disclosure requirements - consolidated and enhanced framework published in March 2017 by the Basel Committee on Banking Supervision.

## 2. BASIS OF COMPILATION

The information contained in this report is based on the month-end actual results and, in some instances, the average balances as contained in the ABH and ABL regulatory returns. Accordingly, this information may not agree to the information contained in the respective sets of Annual Financial Statements, which are prepared on an IFRS basis.

The table below shows an analysis of advances to customers for ABL as at 30 September 2021 and is included as a reference to the published Annual Financial Statements

Analysis of advances to customers as at 30 September 2021 <sup>(1)</sup>			
R million	Term loans	Credit Cards	Total
Gross amount due by customers	23 125	3 600	26 725
Impairment attributable to acquired advances and deferred fees	(1 324)	(29)	(1 353)
<b>Gross advances</b>	<b>21 801</b>	<b>3 571</b>	<b>25 372</b>
Impairment and deferred fees attributable to originated advances	(8 027)	(883)	(8 910)
<b>Net advances</b>	<b>13 774</b>	<b>2 688</b>	<b>16 462</b>

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

*African Bank Holdings Limited Integrated Report 2021*

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

*African Bank Holdings Limited Environmental, Social and Governance Report 2021*

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

*African Bank Limited: annual financial statements 30 September 2021*

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

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

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

### 3.1. Stress testing

In addition to the risk management approach notes as indicated 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 stress scenarios cover idiosyncratic and macro-economic stress scenarios which can be fast-moving or slow-moving scenarios. An enterprise-wide stress test approach is used for the ICAAP and Recovery planning, whereby various business such as IT, Credit, Treasury, ERM and other operational business units provides input into the stress scenarios. The ICAAP primarily focusses on the impact of macro-economic stress scenarios on the Group. The Recovery plan can be regarded as an extension of the ICAAP and therefore incorporates more severe stress scenarios which also include reverse stress testing.

## 4. PERIOD OF REPORTING

This report is prepared as at 30 September 2021 for the ABH Group and its 100% held banking subsidiary, ABL.

## 5. SCOPE OF REPORTING

This report contains capital adequacy information for ABH and its 100% held banking subsidiary, ABL. The further disclosures for ABL include the leverage ratio, the liquidity coverage ratio, credit disclosures, liquidity disclosures and foreign exchange exposures, and also materially reflect the position of the ABH Group.

All subsidiaries are consolidated in the same manner for both accounting and regulatory reporting purposes. All companies are incorporated in the Republic of South Africa. The registered banking subsidiary of the Group, ABL, has no subsidiaries.

## 6. OVERVIEW OF RISK MANAGEMENT, KEY PRUDENTIAL METRICS AND RWA

The following table presents a summary of key prudential metrics related to regulatory capital, leverage ratio and liquidity. Banks are required to disclose each metric's value using the corresponding standard's specifications for the reporting period-end (designated by "T" in the template below) as well as the four previous quarter-end figures (T-1 to T-4). Please note that the table below reflects the capital and leverage position at an ABH Group level, whilst the LCR and NSFR are reported at a Bank level.

## 6.1. KM1 - Key metrics

Period ended:	Sep21	Jun21	Mar21	Dec20	Sep20	
R million	(T)	(T-1)	(T-2)	(T-3)	(T-4)	
<b>Available capital (amounts) <sup>(1) (3)</sup></b>						
1	Common Equity Tier 1 (CET1)	9 352	9 286	9 173	9 502	9 335
1a	Fully loaded ECL accounting model	9 352	9 286	9 173	9 502	9 335
2	Tier 1	9 352	9 286	9 173	9 502	9 335
2a	Fully loaded accounting model Tier 1	9 352	9 286	9 173	9 502	9 335
3	Total capital	9 531	9 464	9 980	10 288	10 171
3a	Fully loaded ECL accounting model total capital	9 531	9 464	9 980	10 288	10 171
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	21 998	21 611	22 891	24 645	26 002
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Common Equity Tier 1 ratio (%)	42.5	42.9	40.1	38.5	35.9
5a	Fully loaded ECL accounting model CET1 (%)	42.5	42.9	40.1	38.5	35.9
6	Tier 1 ratio (%)	42.5	42.9	40.1	38.5	35.9
6a	Fully loaded ECL accounting model Tier 1 ratio	42.5	42.9	40.1	38.5	35.9
7	Total capital ratio (%)	43.3	43.8	43.6	41.7	39.1
7a	Fully loaded ECL accounting model total capital ratio (%)	43.3	43.8	43.6	41.7	39.1
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
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 (%)	35.5	35.9	33.1	31.5	28.9
<b>Basel III Leverage Ratio <sup>(3)</sup></b>						
13	Total Basel III leverage ratio measure	29 911	28 706	29 759	29 096	30 194
14	Basel III leverage ratio (%) (row 2/row 13)	31.3	32.3	30.8	32.7	30.9
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	31.3	32.3	30.8	32.7	30.9
<b>Liquidity Coverage Ratio <sup>(2) (3)</sup></b>						
15	Total HQLA	4 262	3 088	2 672	1 785	1 732
16	Total net cash outflow	338	354	233	292	277
17	LCR ratio (%)	1 260	872	1 145	612	624
<b>Net Stable Funding Ratio <sup>(2) (3)</sup></b>						
18	Total available stable funding	23 801	22 742	22 318	21 216	21 828
19	Total required stable funding	15 287	15 058	15 347	15 561	15 964
20	NSFR ratio (%)	156	151	145	136	137

- (1) The Group has opted not to make use of the transitional arrangements of the ECL accounting provisions for regulatory capital purposes as allowed per SARB Directive 5 of 2017 and instead opted to take the full impact of IFRS 9 into account with effect from 1 October 2018.
- (2) Information reported at African Bank Holdings Limited level while the liquidity ratios are at African Bank Limited Level.
- (3) Refer to sections 1.3 to 1.6 of the executive summary for reasons on significant movements.

## 6.2. OV1 - Overview of risk weighted assets

The following table gives an overview of the risk weighted asset requirements at the respective reporting date. The predominant risk exposure for the Group is credit risk, which comprises loans, credit cards and interbank deposits.

R million		African Bank Holdings Limited			African Bank Limited		
		RWA		Minimum capital requirements <sup>(1)</sup>	RWA		Minimum capital requirements <sup>(1)</sup>
		Sep-2021	Jun-2021	Sep-2021	Sep-2021	Jun-2021	Sep-2021
1	<b>Credit risk (excluding counterparty credit risk)</b>	15 076	15 008	1 583	15 075	15 008	1 583
2	Of which standardised approach (SA) <sup>(2)</sup>	15 076	15 008	1 583	15 075	15 008	1 583
4	<b>Counterparty credit risk</b>	10	11	1	10	11	1
5	Of which standardised approach for counterparty credit risk (SA-CCR) <sup>(3)</sup>	10	11	1	10	11	1
10	<b>Credit valuation adjustment (CVA) <sup>(3)</sup></b>	10	12	1	10	12	1
12	<b>Equity investment in funds - Look-through approach <sup>(4)</sup></b>	1 757	1 200	184	1 414	707	148
20	<b>Market risk</b>	14	18	1	14	18	1
21	Of which standardised approach (SA) <sup>(5)</sup>	14	18	1	14	18	1
24	<b>Operational risk <sup>(6)</sup></b>	2 748	2 990	289	2 634	2 849	277
25	<b>Amounts below thresholds for deduction (subject to 250% risk weight)</b>	2 383	2 374	250	2 287	2 279	240
26	<b>Floor adjustment <sup>(7)</sup></b>	-	-	-	-	-	-
27	<b>Total</b>	<b>21 998</b>	<b>21 613</b>	<b>2 309</b>	<b>21 444</b>	<b>20 884</b>	<b>2 251</b>

- (1) The minimum capital requirement per risk category from 1 April 2020 is 10.5% which comprises the base minimum (8.00%) plus capital conservation buffer (2.5%). The Pillar 2A systemic risk add-on is currently (0%).
- (2) Refer below for a further split on credit risk exposures relating to loans and advances. The RWA value includes the impact of COVID-19 impairment charge as per the Banks' IFRS9 models. The COVID-19 relief supported by the PA through Directive 3 of 2020 did not have an impact on the RWA and subsequently on capital as ABL applies the standardized approach to calculate credit risk. This implies that the risk weighting is applied as prescribed by the credit risk regulations.
- (3) There are no material movement as no additional derivatives were entered into.

- (4) The new Regulations pertaining to equity investments in funds became effective 1 January 2021. The Bank and Group has financial investments for which the look-through approach is being applied. The increase in the financial investments exposure is due to additional investments in funds being made by ABL during August 2021.
- (5) No material movement noted in market risk.
- (6) ABL currently applies the alternative standardised approach in calculating its operational risk, as approved by the Prudential Authority. The decrease in the RWA is as a result of the decrease in three year average on loans and advances due to the muted growth impacted by COVID-19.
- (7) The floor adjustment is as prescribed by the Regulator.

R million	African Bank Holdings Limited			African Bank Limited		
	RWA		Minimum capital requirements <sup>(1)</sup>	RWA		Minimum capital requirements <sup>(1)</sup>
	Sep-2021	Jun-2021	Sep-2021	Sep-2021	Jun-2021	Sep-2021
<b>Of which standardised approach (SA) - Loans and advances</b>	<b>14 293</b>	<b>14 219</b>	<b>1 501</b>	<b>14 292</b>	<b>14 219</b>	<b>1 501</b>
Retail Exposures	13 725	13 645	1 441	13 725	13 645	1 441
Non-Retail Exposures (excluding Sovereign exposures)	568	574	60	567	574	60

## 7. COMPOSITION OF CAPITAL

The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 30 September 2021 are set out in the table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 42.5% and 41.7% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 43.3% and 42.5% respectively.

### 7.1. Composition of regulatory capital

R million	African Bank Holdings Limited		African Bank Limited		Reference <sup>(1)</sup>
	Sep-2021	Jun-2021	Sep-2021	Jun-2021	
<b>Section A</b>					
<b>Common Equity Tier 1 Capital</b>					
Ordinary share capital & premium	10 000	10 000	11 485	11 485	Row 1
Accumulated profit	-	-	-	-	Row 2
<b>Total as per Transitional Basel 3 Template</b>	<b>10 000</b>	<b>10 000</b>	<b>11 485</b>	<b>11 485</b>	Row 6
<b>Section B</b>					
<b>Common Equity Tier 1 Regulatory Adjustments</b>					
- Intangible assets in terms of IFRS	(138)	(119)	(138)	(119)	
- Other regulatory adjustments, including accumulated losses <sup>(2)</sup>	(510)	(595)	(2 416)	(2 497)	
<b>Total as per Transitional Basel 3 Template</b>	<b>(648)</b>	<b>(714)</b>	<b>(2 554)</b>	<b>(2 616)</b>	Row 28
<b>Section C</b>					
Additional Tier 1 capital (AT1)	-	-	-	-	
<b>Section D</b>					
Subordinated debt	-	-	-	-	
Accrued interest not classified as Tier 2 capital	-	-	-	-	
<b>Total subordinated debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	Row 46/48
Haircut on amounts attributable to third parties	-	-	-	-	Row 57
<b>Tier 2 instruments issued by subsidiary and held by third parties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Portfolio provisions	179	178	179	178	Row 50
<b>Total as per Transitional Basel 3 Template</b>	<b>179</b>	<b>178</b>	<b>179</b>	<b>178</b>	Row 58
<b>Total Qualifying regulatory capital</b>	<b>9 531</b>	<b>9 464</b>	<b>9 110</b>	<b>9 047</b>	
<b>Section E</b>					
<b>Summary of Capital Adequacy Ratios</b>					
CET1%	42.5	43.0	41.7	42.5	
AT1%	0.0	0.0	0.0	0.0	
T1%	42.5	43.0	41.7	42.5	
T2%	0.8	0.8	0.8	0.9	
<b>Total capital adequacy %</b>	<b>43.3</b>	<b>43.8</b>	<b>42.5</b>	<b>43.4</b>	

(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).

## 7.2. 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: 30 September 2021		African Bank Holdings Limited	African Bank Limited	Reference (1)
		R million	R million	
<b>Common Equity Tier 1 capital instruments and reserves</b>				
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related to stock surplus	10 000	11 485	Section A
2	Retained earnings	-	-	
3	Accumulated other comprehensive income (and other reserves)	-	-	
6	Common Equity Tier 1 capital before regulatory adjustments	10 000	11 485	Section A
<b>Common Equity Tier 1 capital: regulatory adjustments</b>				
28	Total regulatory adjustments to Common Equity Tier 1	(648)	(2 554)	Section B
29	Common Equity Tier 1 capital (CET 1)	9 352	8 931	
<b>Additional Tier 1 capital: instruments</b>				
36	Additional Tier 1 capital before regulatory adjustments	-	-	
<b>Additional Tier 1 capital: regulatory adjustments</b>				
44	Additional Tier 1 capital (AT1)	-	-	
45	Tier 1 capital (T1= CET1 + AT1)	9 352	8 931	
<b>Tier 2 capital and provisions</b>				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	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)	-	-	Section D
50	Provisions	179	179	Section D
51	Tier 2 capital before regulatory adjustments	179	179	
<b>Tier 2 capital: regulatory adjustments</b>				
57	Total regulatory adjustments to Tier 2 capital	-	-	
58	Tier 2 capital (T2)	179	179	Section D
59	Total capital (TC = T1 + T2)	9 531	9 110	
60	Total risk weighted assets	21 998	21 444	
<b>Capital ratios</b>				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	42.5%	41.7%	
62	Tier 1 (as a percentage of risk weighted assets)	42.5%	41.7%	
63	Total capital (as a percentage of risk weighted assets)	43.3%	42.5%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.0%	7.0%	
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)	35.5%	34.7%
<b>Amounts below the threshold for deductions (before risk weighting)</b>			
73	Significant investments in the common stock of financials	-	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	953	915
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	2 492	2 492
77	Cap on inclusion of provisions in Tier 2 under standardised approach	179	179
(1)	<i>Refer to 6.2 (Composition of Regulatory Capital) for references to the sections.</i>		

## 7.3. CC2 - reconciliation of regulatory capital to balance sheet

Reconciliation of regulatory capital to balance sheet as at 30 September 2021	African Bank Holdings Limited	Regulatory scope of consolidation <sup>(2)</sup>	African Bank Limited	Regulatory scope of consolidation <sup>(2)</sup>	Reference <sup>(1)</sup>
<b>R million</b>					
<b>Assets</b>					
Cash and cash equivalents	3 240	3 239	3 234	3 234	
Financial investments	3 538	2 458	2 081	2 081	
Regulatory deposits and sovereign debt securities	3 387	3 387	3 387	3 387	
Derivatives	42	42	42	42	
Net advances	16 462	16 462	16 462	16 462	
Accounts receivable and other assets	182	182	182	182	
Investment in insurance contracts	399	-	-	-	
Property and equipment and right of use asset	602	602	602	602	
Intangible assets	138	138	138	138	Section B
Deferred tax assets	1 134	1 134	1 134	1 134	
<b>Total assets</b>	<b>29 124</b>	<b>27 644</b>	<b>27 262</b>	<b>27 262</b>	
<b>Liabilities</b>					
Current tax	83	83	83	83	
Creditors and other liabilities	975	975	974	974	
Short-term funding	7 777	7 777	7 777	7 777	
Bonds and other long-term funding	9 138	9 138	9 138	9 138	
<b>Total liabilities</b>	<b>17 973</b>	<b>17 973</b>	<b>17 972</b>	<b>17 972</b>	
<b>Equity</b>					
Ordinary share capital	5	5	5	5	Row 1
Ordinary share premium	9 995	9 995	11 480	11 480	Row 1
Accumulated reserves / (losses)	1 151	(329)	(2 195)	(2 195)	Section B
<b>Total equity</b>	<b>11 151</b>	<b>9 671</b>	<b>9 290</b>	<b>9 290</b>	
<b>Total liabilities and equity</b>	<b>29 124</b>	<b>27 644</b>	<b>27 262</b>	<b>27 262</b>	

(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, however 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. See section 6 above for an overview of this ratio.

The decrease in the leverage ratio at both, ABL and ABH level, is largely driven by the increase in total exposure as a result of the increase in placements with financial institutions. The balances place with financial institutions have been growing largely as a result of the growth in retail deposits and the bond issuance of R358 million during September 2021 also contributing to the increase.

The exposure used in the calculation of the ratio (see 8.2) differs from the total assets as measured using IFRS as shown below. The disclosures are prepared using figures as at 30 September 2021.

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

Line #	R million	African Bank Holdings Limited		African Bank Limited	
		Sep-2021	Jun-2021	Sep-2021	Jun-2021
1	Total consolidated assets as per published financial statements	29 124	27 868	27 262	26 136
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(1 481)	(1 392)	-	-
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	(34)	(36)	(34)	(36)
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)	129	125	129	125
7	Other adjustments <sup>(1)</sup>	2 173	2 141	2 134	2 103
8	Leverage ratio exposure	29 911	28 706	29 491	28 328

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

## 8.2. LR2 - Leverage ratio common disclosure template

Line #	R million	African Bank Holdings Limited		African Bank Limited	
		Sep-2021	Jun-2021	Sep-2021	Jun-2021
	<b>On-balance sheet exposures</b>				
1	On-balance sheet items (excluding derivatives and Securities Financing Transactions ("SFTs")*, but including collateral)	30 093	28 905	29 712	28 565
2	Asset amounts deducted in determining Basel III Tier 1 capital	(318)	(331)	(357)	(369)
3	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)</b>	<b>29 775</b>	<b>28 574</b>	<b>29 355</b>	<b>28 196</b>
	<b>Derivative exposures</b>				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	4	4	4	4
5	Add-on amounts for PFE associated with all derivatives transactions	3	3	3	3
6	Gross-up for derivatives collateral provided where deducted from the balance sheet asset pursuant to the operative accounting framework	-	-	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-	-
11	<b>Total derivative exposures (sum of lines 4 to 10)</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>
	<b>Securities financing transaction exposures</b>				
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	<b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Other off-balance sheet exposures</b>				
17	Off-balance sheet exposure at gross notional amount	646	620	646	620
18	(Adjustments for conversion to credit equivalent amounts)	(517)	(495)	(517)	(495)
19	<b>Off-balance sheet items (sum of lines 17 and 18)</b>	<b>129</b>	<b>125</b>	<b>129</b>	<b>125</b>
20	Tier 1 capital	9 352	9 285	8 931	8 869
21	<b>Total exposures (sum of lines 3, 11, 16 and 19)</b>	<b>29 911</b>	<b>28 706</b>	<b>29 491</b>	<b>28 328</b>
	<b>Leverage ratio</b>				
22	<b>Basel III leverage ratio</b>	<b>31.3%</b>	<b>32.3%</b>	<b>30.3%</b>	<b>31.3%</b>

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

## 9. 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.

### 9.1. LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

African Bank Limited (R million)	a	c	d	e	f	g	h
	Carrying values as reported in financial statements & under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deductions from capital	Subject to other risk <sup>(1)</sup>
Cash and cash equivalents <sup>(2)</sup>	3 234	3 234	-	-	578	-	-
Financial Investments	2 081	-	-	-	-	-	2 081
Regulatory deposits and sovereign debt securities	3 387	3 387	-	-	-	-	-
Derivatives	42	-	42	-	-	-	-
Net advances	16 462	16 462	-	-	-	-	-
Accounts receivable and other assets	182	182	-	-	-	-	-
Property and equipment and right of use asset	602	602	-	-	-	-	-
Intangible assets	138	-	-	-	-	138	-
Deferred tax assets	1 134	-	-	-	-	1 134	-
<b>Total assets</b>	<b>27 262</b>	<b>23 867</b>	<b>42</b>	<b>-</b>	<b>578</b>	<b>1 272</b>	<b>2 081</b>
Current tax	83	-	-	-	-	83	-
Creditors and accruals	974	-	-	-	-	974	-
Short-term funding <sup>(2)</sup>	7 777	-	38	-	564	7 175	-
Bonds and other long-term funding	9 138	-	-	-	-	9 138	-
Ordinary shareholder's equity	9 290	-	-	-	-	9 290	-
<b>Total equity and liabilities</b>	<b>27 262</b>	<b>-</b>	<b>38</b>	<b>-</b>	<b>564</b>	<b>26 660</b>	<b>-</b>

- (1) Included in other risk is the amount that relates to financial investments which is reported on the BA340 under the new Regulations pertaining to equity investments in funds that became effective 1 January 2021.
- (2) The amounts subject to both credit risk and market risk relates to the foreign currency exposures therein. The liabilities subject to market risk relates to the foreign currency bonds.

African Bank Holdings Limited (R million)	a	b	c	d	e	f	g	h
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation <sup>(1)</sup>	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 <sup>(2)</sup>
Cash and cash equivalents <sup>(3)</sup>	3 240	3 239	3 239	-	-	578	-	-
Financial Investments	3 538	2 458	-	-	-	-	1 080	2 458
Regulatory deposits and sovereign debt securities	3 387	3 387	3 387	-	-	-	-	-
Derivatives	42	42	-	42	-	-	-	-
Net advances	16 462	16 462	16 462	-	-	-	-	-
Accounts receivable and other assets	182	182	182	-	-	-	-	-
Investment in insurance contracts	399	-	-	-	-	-	399	-
Property and equipment and right of use asset	602	602	602	-	-	-	-	-
Intangible assets	138	138	-	-	-	-	138	-
Deferred tax assets	1 134	1 134	-	-	-	-	1 134	-
<b>Total assets</b>	<b>29 124</b>	<b>27 644</b>	<b>23 872</b>	<b>42</b>	<b>-</b>	<b>578</b>	<b>2 351</b>	<b>2 458</b>
Current tax	83	83	-	-	-	-	83	-
Creditors and accruals	975	975	-	-	-	-	975	-
Short-term funding <sup>(3)</sup>	7 777	7 777	-	38	-	564	7 175	-
Bonds and other long-term funding	9 138	9 138	-	-	-	-	9 138	-
Ordinary shareholder's equity	11 151	9 671	-	-	-	-	1 480	-
<b>Total equity and liabilities</b>	<b>29 124</b>	<b>27 644</b>	<b>-</b>	<b>38</b>	<b>-</b>	<b>564</b>	<b>18 851</b>	<b>-</b>

(1) The table above is completed at ABH level. The difference between the assets of ABL and ABH primarily relate to financial investments held by ABH which amount to R377 million. The insurance entity (African Insurance Group) is not consolidated for regulatory purposes.

(2) Included in other risk is the amount that relates to financial investments which is reported on the BA340 under the new Regulations pertaining to equity investments in funds that became effective 1 January 2021.

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

## 9.2. LI2: 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 9.1) between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.

African Bank Limited (R million)		a	b	c	d	e	f
		Items subject to:					
		Total	Credit risk framework	Counterparty credit risk framework <sup>(4)</sup>	Securitisation framework	Market risk framework <sup>(3)</sup>	Other risk framework <sup>(5)</sup>
1	Total asset carrying value amount under scope of regulatory consolidation	27 262	23 867	42	-	578	2 081
2	Total equity and liabilities carrying value amount under scope of regulatory consolidation	27 262	-	38	-	564	2 081
3	Total net amount under regulatory scope of consolidation <sup>(3)</sup>	-	23 867	4	-	14	-
4	Off-balance sheet amounts <sup>(1)</sup>	646	129	-	-	-	-
5	Differences in valuations <sup>(2)</sup>	-	857	10	-	-	-
9	Exposure amounts considered for regulatory purposes	26 968	24 853	20	-	14	2 081

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

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

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

(4) The amount under counterparty credit risk (CCR) framework includes both CVA and CCR exposures.

(5) The amount reported under other risk framework relates to financial investments which are risk weighted under the regulations relating to capital requirements for equity investment in funds.

African Bank Holdings Limited (R million) <sup>(1)</sup>		a	b	c	d	e	f
		Items subject to:					
		Total	Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework	Other risk framework
1	Total asset carrying value amount under scope of regulatory consolidation	27 644	23 872	42	-	578	2 458
2	Total equity and liabilities carrying value amount under scope of regulatory consolidation	27 644	-	38	-	564	2 458
3	Total net amount under regulatory scope of consolidation	-	23 872	4	-	14	-
4	Off-balance sheet amounts	646	129	-	-	-	-
5	Differences in valuations	-	852	10	-	-	-
9	Exposure amounts considered for regulatory purposes	27 345	24 853	20	-	14	2 458

(1) *The material difference between the assets of ABL and ABH primarily relate to financial investments held by ABH which amount to R377 million.*

## 10. 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 29 in the ABL annual financial statements for the year ended 30 September 2021.

### 10.1. 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 10.5.

R million	a	b	c	d	e	f	g
	Gross carrying values of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a + b - c)
	Defaulted exposures <sup>(1)</sup>	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
Loans	11 458	20 294	10 015	7 523	2 492	-	21 737
Debt securities	-	3 005	-	-	-	-	3 005
Off-balance sheet exposures	210	436	-	-	-	-	646
<b>Total</b>	<b>11 668</b>	<b>23 735</b>	<b>10 013</b>	<b>7 523</b>	<b>2 492</b>	<b>-</b>	<b>25 388</b>

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

### 10.2. 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	11 655
Increase in defaulted Loans and debt securities since the last reporting period	1 577
Returned to non-defaulted status	(254)
Amounts written off	(1 489)
Other changes	(31)
<b>Defaulted loans and debt securities at end of the reporting period</b>	<b>11 458</b>



### 10.3. 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 32,110). There are no exposures outside of South Africa.

### 10.4. 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. The on balance sheet exposure in the table below is completed in accordance with Regulations 23 and 24 of the Regulations relating to banks, where exposures to certain products are reported on an average basis.

R million	On balance sheet exposure	Off balance sheet exposure	Total
Financial intermediation and insurance	1 988	-	1 988
Private households	26 471	646	27 116
Other	3 005	-	3 005
<b>Total</b>	<b>31 464</b>	<b>646</b>	<b>32 110</b>
of which: Sovereign (central government and central bank)	3 005	-	3 005

### 10.5. 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 %
	<b>Sep-2021</b>
Standard and special mention	16.59%
Sub-standard	64.86%
Doubtful	66.82%
Loss	65.40%

## 10.6. 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 30 September 2021.

R million	Gross carrying amount
Not past due	12 141
Past due 31 -90 days	2 877
Past due 91 - 182 days	4 221
Past due > 182 days	7 237
<b>Total</b>	<b>26 475</b>

## 10.7. 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%
	<b>AAA to AA-</b>	<b>A+ to A-</b>	<b>BBB+ to BB-</b>	<b>Below BB-</b>		<b>Unrated</b>
Corporate entities	20%	50%	100%	150%		100%
	<b>Short term credit assessment</b>					
	<b>A-1/P-1</b>	<b>A-2/P-2</b>	<b>A-3/P-3</b>	<b>Other</b>		
Banks and corporate entities	20%	50%	100%	150%		

## 10.8. 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	21 737	-	-	-	-	-	-
Debt securities	3 005	-	-	-	-	-	-
<b>Total</b>	<b>24 742</b>	-	-	-	-	-	-
Of which defaulted	11 668	-	-	-	-	-	-

## 10.9. CR4 - Credit risk exposure and credit risk mitigation (CRM) effects

The following table shows the net on balance sheet and off balance sheet amounts 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
Asset classes	Exposures before CCF and CRM On-balance sheet amount	Exposures before CCF and CRM Off-balance sheet amount	Exposures post CCF and CRM <sup>(1)</sup> On-balance sheet amount	Exposures post CCF and CRM <sup>(1)</sup> Off-balance sheet amount	RWA and RWA density RWA	RWA density
1 Sovereign and their central banks	3 005	-	3 005	-	-	-
2 Non-central government public sector entities	-	-	-	-	-	-
3 Multilateral development banks	-	-	-	-	-	-
4 Banks	1 988	-	1 988	-	567	28.52%
5 Securities firms	-	-	-	-	-	-
6 Corporates	-	-	-	-	-	-
7 Regulatory retail portfolios	14 792	436	14 790	87	11 159	75.01%
8 of which: Secured by residential property	-	-	-	-	-	-
9 Secured by commercial real estate	-	-	-	-	-	-
10 Equity	-	-	-	-	-	-
11 Past-due loans	4 155	210	4 155	42	2 566	61.14%
12 Higher-risk categories	-	-	-	-	-	-
13 Other assets	1 203	-	1 203	-	784	65.17%
<b>14 Total</b>	<b>25 143</b>	<b>646</b>	<b>25 141</b>	<b>129</b>	<b>15 076</b>	<b>59.66%</b>

(1) As per 10.8, 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.

## 10.10. 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	3 005	-	-	-	-	-	-	-	-	3 005
2 Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3 Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4 Banks	-	-	1 423	-	565	-	-	-	-	1 988
5 Securities firms	-	-	-	-	-	-	-	-	-	-
6 Corporates	-	-	-	-	-	-	-	-	-	-
7 Regulatory retail portfolios	-	-	-	-	-	14 877	-	-	-	14 877
8 of which:										
9 Secured by residential property	-	-	-	-	-	-	-	-	-	-
10 Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
11 Equity	-	-	-	-	-	-	-	-	-	-
12 Past-due loans	-	-	-	-	3 272	-	915	10	-	4 197
13 Higher-risk categories	-	-	-	-	-	-	-	-	-	-
14 Other assets	420	-	-	-	-	-	783	-	-	1 203
<b>14 Total</b>	<b>3 425</b>	<b>-</b>	<b>1 422</b>	<b>-</b>	<b>3 837</b>	<b>14 877</b>	<b>1 698</b>	<b>10</b>	<b>-</b>	<b>25 270</b>

### 10.11. 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 interest rate swap that the Bank has on its book.

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) <sup>(1)</sup>	4	3		1.4	10	10
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					-	-
<b>6 Total</b>						<b>10</b>

(1) The counterparty credit risk is calculated using the SA-CCR approach.

### 10.12. 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	7	10
<b>4 Total subject to the CVA capital charge</b>	<b>7</b>	<b>10</b>

### 10.13. CCR3 - CCR exposures by regulatory portfolios and risk weights

The exposure relates to an interest rate swap that the Bank has on its book as at 30 September 2021.

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	-	-	-	-	-	-	10	-	-	10
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	10	-	-	10

### 10.14. CCR5 - Composition of collateral for CCR exposure

The collateral held by the Bank for derivative exposure was pertaining to the interest rate swap held as at 30 September 2021.

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	Segregated	Un segregated	Segregated	Un segregated				
Cash - domestic currency	-	-	38	-	-	-	38	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-

## 11. LIQUIDITY MEASUREMENTS

### 11.1. 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 31 to the ABL audited annual financial statements for the year ended 30 September 2021.

### 11.2. Liquidity and funding strategy

The Group's strategy is to diversify its' funding towards achieving a greater proportion of retail funding relative to wholesale funding. As at 30 September 2021 the Group received 61% of its total funding from retail depositors, up from 35% as at 30 September 2020.

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.

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 30 September 2021.

### 11.3. 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.

### 11.4. 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 2021	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
<b>R million</b>							
<b>Assets</b>							
Cash and cash equivalents	3 235	-	-	-	-	(1)	3 234
Financial Investments	2 081	-	-	-	-	-	2 081
Regulatory deposits and sovereign debt securities	382	19	576	-	2 410	-	3 387
Derivatives	-	-	-	-	42	-	42
Net advances	858	859	3 877	2 515	7 011	1 342	16 462
Accounts receivable and other assets	182	-	-	-	-	-	182
Property and equipment and right of use asset	-	-	-	-	-	602	602
Intangible assets	-	-	-	-	-	138	138
Deferred tax asset	-	-	-	-	-	1 134	1 134
<b>Total assets</b>	<b>6 738</b>	<b>878</b>	<b>4 453</b>	<b>2 515</b>	<b>9 463</b>	<b>3 215</b>	<b>27 262</b>
<b>Liabilities and equity</b>							
Current tax	83	-	-	-	-	-	83
Creditors and other liabilities	597	220	28	30	18	81	974
Short-term funding	4 748	481	2 548	-	-	-	7 777
Bonds and other long-term funding	16	7	10	878	8 227	-	9 138
Ordinary shareholder's equity	-	-	-	-	-	9 290	9 290
<b>Total liabilities and equity</b>	<b>5 444</b>	<b>708</b>	<b>2 586</b>	<b>908</b>	<b>8 245</b>	<b>9 371</b>	<b>27 262</b>
<b>Net liquidity gap</b>	<b>1 294</b>	<b>170</b>	<b>1 867</b>	<b>1 607</b>	<b>1 218</b>	<b>(6 156)</b>	<b>-</b>

The above table differs to the view presented under IFRS in the annual 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 cash outflow 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) Committed undrawn credit card facilities totalled R645 million. These commitments are attributable to undrawn credit card amounts.
- (b) Uncommitted undrawn overdraft facilities totalled R1 million. These commitments are attributable to undrawn overdraft amounts.

### 11.5. LIQ1 - Liquidity coverage ratio (LCR)

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

The increase in the LCR from the previous reporting period was largely due to the increase in HQLA, which increased due to additional HQLA invested in during July 2021. No material movement in the total net cash outflows over the quarter ended 30 September 2021 as compared to the quarter ended 30 June 2021.

African Bank Limited		Total	Total	Total
R million		unweighted value (average) <sup>(1)</sup>	weighted value (average) <sup>(1)</sup>	weighted value (average) <sup>(1)</sup>
		Sep-2021	Sep-2021	Jun-2021
<b>1</b>	<b>Total high-quality liquid assets (HQLA) (see 10.5.1)</b>		<b>4 262</b>	<b>3 088</b>
	<b>Cash outflows</b>			
2	Retail deposits and deposits from small business customers, of which:	2 026	203	166
3	Stable deposits	-	-	-
4	Less-stable deposits	2 026	203	166
5	Unsecured wholesale funding, of which:	571	557	656
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
7	Non-operational deposits (all counterparties)	-	-	-
8	Unsecured debt	571	557	656
9	Secured wholesale funding	-	-	-
10	Additional requirements, of which:	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	548	548	594
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	632	32	31
14	Other contractual funding obligations	273	14	14
15	Other contingent funding obligations	-	-	-
<b>16</b>	<b>Total cash outflows</b>	<b>4 050</b>	<b>1 354</b>	<b>1 461</b>
	<b>Cash inflows</b>			
17	Secured lending (e.g. reverse repos)	-	-	-
18	Inflows from fully performing exposures	4 235	3 891	4 322
19	Other cash inflows	2	2	-
<b>20</b>	<b>Total cash inflows</b>	<b>4 237</b>	<b>3 893</b>	<b>4 322</b>
			<b>Total Adjusted Value</b>	<b>Total Adjusted Value</b>
<b>21</b>	<b>Total HQLA</b>		<b>4 262</b>	<b>3 088</b>
<b>22</b>	<b>Total net cash outflows <sup>(2)</sup></b>		<b>338</b>	<b>354</b>
<b>23</b>	<b>Liquidity coverage ratio (%) <sup>(3)</sup></b>		<b>1 260%</b>	<b>872%</b>

(1) The average numbers are calculated using the daily LCR figures for the quarter ended 30 September 2021.

(2) ABL has a net cash inflow after applying the run-off factors, outflows for the purpose of the ratio are therefore deemed to be 25% of gross outflows as prescribed through Regulation 26 of the Banks Act.

(3) The difference between Bank and Group primarily relates to the additional R377 million financial investments in ABH which would result in an increase in cash inflows. As per point 2 above, ABL already has a net cash inflow and therefore this will not impact the LCR.

### 11.5.1. Composition of high-quality liquid assets

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

R million	Sep-2021	Jun-2021
<b>Total level one qualifying high-quality liquid assets <sup>(1)</sup></b>	<b>4 262</b>	<b>3 088</b>
Cash	12	11
Qualifying central bank reserves	368	373
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	3 882	2 704

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

### 11.5.2. 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	14
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	-
<b>12</b>	<b>Total</b>	<b>14</b>

## 11.6. 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 increase in NSFR from 151% as at 30 June 2021 to 156% as at 30 September 2021 is largely driven by an increase in available stable funding. The increase in the available stable funding is due to an increase in the retail deposit book and the R358 million bond issuance during September 2021. The increase in the required stable was primarily due to an increase in placements with financial institutions.

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
1	Capital:	9 467	-	-	-	9 467
2	Regulatory capital	9 467	-	-	-	9 467
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	3 362	861	6 182	9 983
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	3 362	861	6 182	9 983
7	Wholesale funding:	-	2 474	1 029	2 923	4 351
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	2 474	1 029	2 923	4 351
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	1 105	-	-	-
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	1 105	-	-	-
14	<b>Total ASF</b>					<b>23 801</b>

(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
15	Total NSFR high-quality liquid assets ("HQLA")					169
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:		8 298	2 574	9 526	11 686
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	5 279	-	-	792
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:	-	3 019	2 574	9 526	10 894
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other liabilities:	-	-	-	4	4
27	Physical traded commodities, including gold	-				-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					-
29	NSFR derivative assets				4	4
30	NSFR derivative liabilities before deduction of variation margin posted				-	-
31	All other assets not included in the above categories	-	-	-	3 396	3 396
32	Off-balance sheet items		646	-	-	32
<b>33</b>	<b>Total RSF</b>					<b>15 287</b>
<b>34</b>	<b>Net Stable Funding Ratio (%)</b>					<b>156%</b>

(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.

## 13. 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 30.1 to the African Bank Limited Annual Financial Statements for the year ended 30 September 2021. 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 1.75% increase and an interest rate decrease resulted in (1.76%) decrease as a percentage of qualifying capital and reserve funds.

Interest rate sensitivity (R million)	Sep-2021	Mar-2021
Increase	154	134
Decrease	(155)	(134)

## 14. REMUNERATION

The Remuneration Policy is linked to sustainable value creation and comprises both short and long-term incentives. For detailed disclosures refer to pages 100-111 of the African Bank Holdings Limited Environmental, Social and Governance Report as at 30 September 2021. This report contains a detailed review of the remuneration paid to executive directors and prescribed officers as defined by the Companies Act who are regarded as senior managers for purposes of this report. There are no other material risk-takers.

## 15. QUALITATIVE DISCLOSURES AND ACCOUNTING POLICIES

The regulations require that certain qualitative disclosures and statements on accounting policy be made. These were made in the annual financial statements and integrated annual report for the financial period ended 30 September 2021, in the remuneration report, corporate governance and risk management review and statements on group accounting policy. The disclosures in this report should be read together with the integrated annual report and transitional Basel templates. These disclosures can be found on the ABL website under investor relations, financial reporting.

## ANNEXURE A

	Tables and templates	Reference to Pillar 3
Overview of risk management and RWA	OVA – Bank risk management approach	3 (Referenced o AFS)
	KM1 - Key metrics (at consolidated group level)	6.1
	OV1 – Overview of RWA	6.2
Composition of Capital	CCA – Main features of regulatory capital instruments	Refer to: <a href="https://www.africanbank.co.za/en/home/corporate-info-basel-pillar-iii-announcements/">https://www.africanbank.co.za/en/home/corporate-info-basel-pillar-iii-announcements/</a>
	CC1 – Composition of regulatory capital	7.3
	CC2 – Reconciliation of regulatory capital to balance sheet	7.4
Leverage ratio	LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure	8.1
	LR2 - Leverage ratio common disclosure template	8.2
Linkages between financial statements and regulatory exposures	LI1 – Difference between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories	9.1
	LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements	9.2
	LIA – Explanations of differences between accounting and regulatory exposure amounts	N/A (No difference)
Credit Risk	CRA – General information about credit risk	10 (Note 29 of AFS)
	CR1 – Credit quality of assets	10.1
	CR2 – Changes in stock of defaulted loans and debt securities	10.2
	CRB – Additional disclosure related to the credit quality of assets	10.3 to 10.6
	CRC – Qualitative disclosure requirements related to credit risk mitigation techniques	3 (Referenced to AFS)
	CR3 – Credit risk mitigation techniques – Overview	10.8
	CRD – Qualitative disclosures on banks’ use of external credit ratings under the standardised approach for credit risk	10.7
	CR4 – Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects	10.9

	CR5 – Standardised approach – exposures by asset classes and risk weights	10.10
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	10.11
	CCR2 – Credit valuation adjustment (CVA) capital charge	10.12
	CCR3 – Standardised approach of CCR exposures by regulatory portfolio and risk weights	10.13
	CCR5 – Composition of collateral for CCR exposures	10.14
Liquidity risk	LIQ1 – Liquidity Coverage Ratio	11.5
	LIQ2 – Nest Stable Funding Ratio	11.6
Market risk	MRA – Qualitative disclosure requirements related to market risk	3 (Referenced to AFS)
	MR1 – Market risk under standardised approach	11.5.2

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