African Bank
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African Bank Holdings Limited and African Bank Limited

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

CONTENTS

1. EXECUTIVE SUMMARY

1.1. OVERVIEW

African Bank Holdings Limited (ABH or the ABH Group) and its 100% held banking subsidiary, African Bank Limited (“ABL” or “the Bank”) commenced business on 4 April 2016. ABH was capitalised with a cash subscription for ordinary shares in the amount of R10 billion and, in turn, ABH elected to capitalise ABL with the same amount, also in return for ordinary shares. An extended liability term structure was established as a result of the restructuring of the old African Bank that was placed under curatorship on 10 August 2014 and subsequently renamed Residual Debt Services Limited (in curatorship) (RDS), (the Restructuring). ABL acquired a portfolio of assets and liabilities from RDS in terms of the Restructuring, which included 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 R4.0 billion. Liquidity risk, interest rate risk and foreign exchange risks are managed within a conservative risk appetite framework.

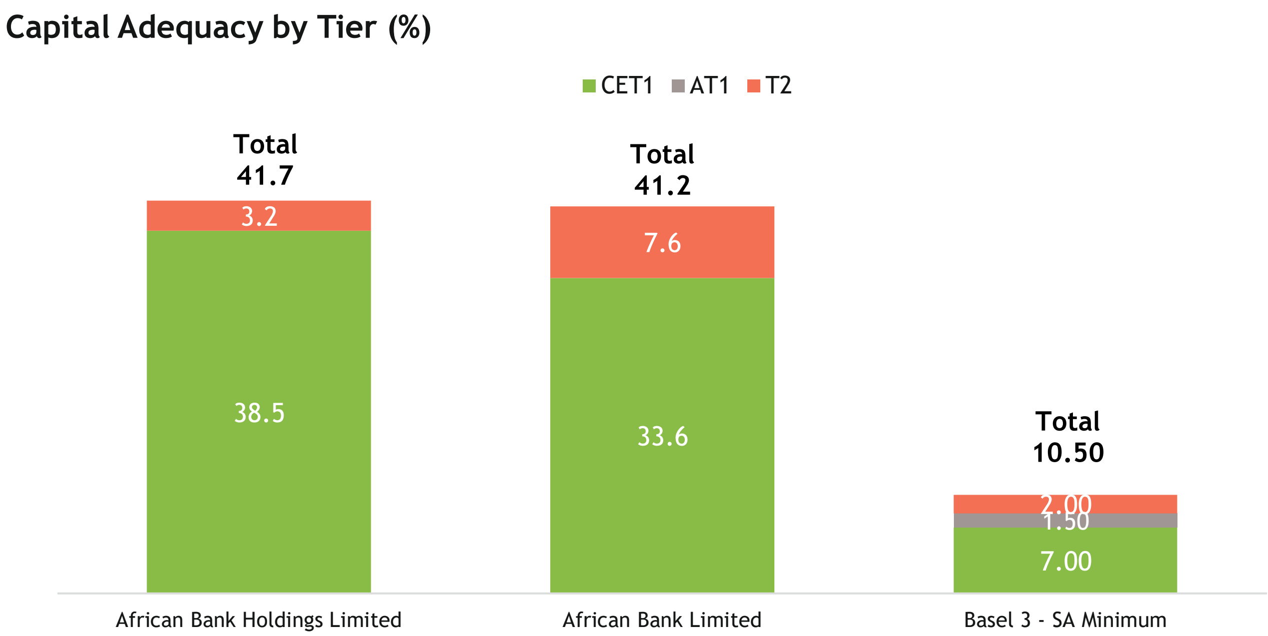
The overall impact of the strong balance sheet structure, as expressed in the conservative risk appetite, is evidenced in the various sections of this report which, as of 31 December 2020, includes a CET1 ratio of 33.6%, a leverage ratio of 27.6%, a liquidity coverage ratio of 612% and a net stable funding ratio of 136% 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 31 December 2020 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 38.5% and 33.6% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 41.7% and 41.2% respectively.



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

	African Bank Holdings Limited		African Bank Limited	
R million	Dec-2020	Sep-2020	Dec-2020	Sep-2020
Composition of qualifying regulatory capital				
Ordinary share capital & accumulated profit	10 000	10 000	10 000	10 000
Regulatory adjustments	(497)	(665)	(2 530)	(2 678)
Common Equity Tier 1 capital (CET1)	9 503	9 335	7 470	7 322
Total qualifying subordinated debt	582	616	1 485	1 485
Qualifying Portfolio Provisions	204	220	204	220
Tier 2 capital (T2)	786	836	1 689	1 705
Total Qualifying regulatory capital	10 289	10 171	9 159	9 027

Refer to 7.1 of the detailed disclosure for a detailed breakdown of the above table.

1.4. LEVERAGE RATIO

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

The increase in leverage ratio at ABL and ABH level is largely driven by both, the decrease in total exposure and increase in tier 1 capital. Total exposure decreased primarily as a result of wholesale liabilities that matured and were not refinanced. The increase in Tier 1 capital is driven by the profit made during the quarter. The leverage ratio remains well in excess of the current regulatory minimum requirement.

	African Bank Holdings Limited		African Bank Limited	
R million	Dec-2020	Sep-2020	Dec-2020	Sep-2020
Capital and total exposures				
Tier 1 capital	9 503	9 335	7 470	7 322
Total exposures	29 096	30 194	27 089	28 181
Basel III leverage ratio	**32.7%**	**30.9%**	**27.6%**	**26.0%**
Basel III leverage ratio regulatory minimum requirement	**4.0%**	**4.0%**	**4.0%**	**4.0%**

Refer to 8.2 of the detailed disclosure for a detailed breakdown of the above table.

1.5. LIQUIDITY COVERAGE RATIO ("LCR")

The LCR is a prudential ratio which incorporates a 30-day stress test, requiring 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.

There are no material movements in the LCR from the previous quarter. The decrease in LCR is however contributed by an increase in the total net cash outflows over the quarter ended 31 December 2020, primarily as a result of higher maturing liability balances, as compared to the quarter ended 30 September 2020.

African Bank Limited R million	Total weighted value (average) Dec-2020	Total weighted value (average) Sep-2020
Total high-quality liquid assets	1 785	1 732
Total net cash outflows	292	277
Liquidity coverage ratio (%)	**612%**	**624%**
Regulatory minimum requirement [(1)]	80%	80%

(1) The regulatory minimum requirement decreased to 80% effective from 1 April 2020 as per Directive 1 of 2020
Refer to 9.1 of the detailed disclosure for a detailed breakdown of the above table.

1.6. NET STABLE FUNDING RATIO ("NSFR")

The NSFR is 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.

There are no material movements in the NSFR from the previous quarter. The slight decrease in NSFR is driven mostly by the decrease in available stable funding due to wholesale funding liabilities getting closer to maturity.

African Bank Limited R million	Dec-2020	Sep-2020
NSFR (%)	**136%**	**137%**
Available stable funding	21 216	21 828
Required stable funding	15 561	15 964

Refer to 9.2 of the detailed disclosure for a detailed breakdown of the above table.

1.7. REFERENCES OF QUANTITATIVE STANDARDISED TABLES AND TEMPLATES

Refer to the attached Annexure A to this document for 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.

The table below shows an analysis of advances to customers for ABL as at 31 December 2020.

Analysis of advances to customers as at 31 December 2020 [(1)]			
R million	**Term loans**	**Credit Cards**	**Total**
Gross amount due by customers	24 103	3 734	27 837
Impairment attributable to acquired advances and deferred fees	(1 737)	(35)	(1 772)
Gross advances	**22 366**	**3 699**	**26 065**
Impairment and deferred fees attributable to originated advances	(7 766)	(901)	(8 667)
Net advances	**14 600**	**2 798**	**17 398**

(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 2020

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

African Bank Holdings Limited: consolidated and separate annual financial statements 30 September 2020, and

African Bank Limited: annual financial statements 30 September 2020

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 (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 30.2)
- Liquidity risk (Note 31)

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

4. PERIOD OF REPORTING

This report is prepared as at 31 December 2020 for the ABH Group and its 100% held banking subsidiary, ABL.

5. SCOPE OF REPORTING

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

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

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

The following table presents a summary of key prudential metrics related to regulatory capital, leverage ratio and liquidity. 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 level, whilst the LCR and NSFR are reported at an ABL level.

6.1. KM1 – KEY METRICS

Period ended: R million		Dec20 (T)	Sep20 (T-1)	Jun20 (T-2)	Mar20 (T-3)	Dec19 (T-4)
Available capital (amounts) (1) (3)						
1	Common Equity Tier 1 (CET1)	9 502	9 335	9 504	9 737	9 914
1a	Fully loaded ECL accounting model	9 502	9 335	9 504	9 737	9 914
2	Tier 1	9 502	9 335	9 504	9 737	9 914
2a	Fully loaded accounting model Tier 1	9 502	9 335	9 504	9 737	9 914
3	Total capital	10 288	10 171	10 369	10 603	10 747
3a	Fully loaded ECL accounting model total capital	10 288	10 171	10 369	10 603	10 747
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	24 645	26 002	25 975	26 446	26 381
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	38.5	35.9	36.6	36.8	37.5
5a	Fully loaded ECL accounting model CET1 (%)	38.5	35.9	36.6	36.8	37.5
6	Tier 1 ratio (%)	38.5	35.9	36.6	36.8	37.5
6a	Fully loaded ECL accounting model Tier 1 ratio	38.5	35.9	36.6	36.8	37.5
7	Total capital ratio (%)	41.7	39.1	39.9	40.1	40.7
7a	Fully loaded ECL accounting model total capital ratio (%)	41.7	39.1	39.9	40.1	40.7
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5	2.5	2.5	2.5	2.5
9	Countercyclical buffer requirement (%)	0.0	0.0	0.0	0.0	0.0
10	Bank D-SIB additional requirements (%)	0.0	0.0	0.0	0.0	0.0
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.5	2.5	2.5	2.5	2.5
12	CET1 available after meeting the bank's minimum capital requirements (%)	31.5	28.9	29.6	29.3	30.1
Basel III Leverage Ratio (3)						
13	Total Basel III leverage ratio measure	29 096	30 194	30 353	30 811	31 945
14	Basel III leverage ratio (%) (row 2/row 13)	32.7	30.9	31.3	31.6	31.0
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	32.7	30.9	31.3	31.6	31.0
Liquidity Coverage Ratio (2) (3)						
15	Total HQLA	1 785	1 732	1 200	1 197	1 190
16	Total net cash outflow	292	277	354	317	151
17	LCR ratio (%)	612	624	379	743	933
Net Stable Funding Ratio (2) (3)						
18	Total available stable funding	21 216	21 828	21 737	23 294	23 010
19	Total required stable funding	15 561	15 964	16 856	17 634	17 389
20	NSFR ratio (%)	136	137	129	132	132

(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 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)
		Dec-2020	Sep-2020	Dec-2020	Dec-2020	Sep-2020	Dec-2020
1	**Credit risk (excluding counterparty credit risk)**	**19 107**	**20 391**	**2 006**	**17 263**	**18 541**	**1 813**
2	Of which standardised approach (SA) (2)	19 107	20 391	2 006	17 263	18 541	1 813
4	**Counterparty credit risk**	**43**	**24**	**5**	**43**	**24**	**5**
5	Of which standardised approach for counterparty credit risk (SA-CCR) (3)	43	24	5	43	24	5
10	**Credit valuation adjustment (CVA)** (3)	43	18	4	43	18	4
20	**Market risk**	**45**	**69**	**5**	**45**	**69**	**5**
21	Of which standardised approach (SA) (4)	45	69	5	45	69	5
24	**Operational risk** (5)	**3 000**	**3 000**	**315**	**2 918**	**2 918**	**306**
25	**Amounts below thresholds for deduction (subject to 250% risk weight)**	**2 408**	**2 379**	**253**	**1 946**	**1 922**	204
26	**Floor adjustment** (6)	**-**	**121**	**-**	**-**	**-**	**-**
27	**Total**	**24 646**	**26 002**	**2 588**	**22 258**	**23 492**	**2 337**

(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) ABL currently applies the current exposure method to calculate counterparty credit risk. The increase is largely as a result of the fluctuation in the inflation swap curve which impacted the MTM.

(4) Market risk exposure decreased 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. The decrease in ABH is as a result of overall RWE decreasing.

R million	African Bank Holdings Limited			African Bank Limited		
	RWA		Minimum capital requirements (1)	RWA		Minimum capital requirements (1)
	Dec-2020	Sep-2020	Dec-2020	Dec-2020	Sep-2020	Dec-2020
Of which standardised approach (SA) - Loans and advances	**18 161**	**18 772**	**1 907**	**16 316**	**18 772**	**1 713**
Retail Exposures	14 481	15 367	1 520	14 481	15 367	1 520
Non-Retail Exposures (excluding Sovereign exposures)	3 680	3 405	387	1 835	3 405	193

The impact of COVID-19 resulted in a decrease in retail exposures due to a decrease in disbursements and increase in impairments.

7. COMPOSITION OF CAPITAL

The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 31 December 2020 are set out in the table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 38.5% and 33.6% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 41.7% and 41.2% respectively.

7.1. COMPOSITION OF REGULATORY CAPITAL

R million	African Bank Holdings Limited		African Bank Limited	
Section A	Dec-2020	Sep-2020	Dec-2020	Sep-2020
Common Equity Tier 1 Capital				
Ordinary share capital & premium	10 000	10 000	10 000	10 000
Accumulated profit	-	-	-	-
Total as per Transitional Basel 3 Template	**10 000**	**10 000**	**10 000**	**10 000**
Section B				
Common Equity Tier 1 Regulatory Adjustments				
- Intangible assets in terms of IFRS	(111)	(115)	(111)	(115)
- Other regulatory adjustments, including accumulated losses (2)	(386)	(550)	(2 419)	(2 563)
Total as per Transitional Basel 3 Template	**(497)**	**(665)**	**(2 530)**	**(2 678)**
Section C				
Additional Tier 1 capital (AT1)	-	-	-	-
Section D				
Subordinated debt	1 522	1 523	1 522	1 523
Accrued interest not classified as Tier 2 capital	(37)	(38)	(37)	(38)
Total subordinated debt	**1 485**	**1 485**	**1 485**	**1 485**
Haircut on amounts attributable to third parties	(903)	(869)	-	-
Tier 2 instruments issued by subsidiary and held by third parties	**582**	**616**	**-**	**-**
Portfolio provisions	204	220	204	220
Total as per Transitional Basel 3 Template	**786**	**836**	**1 689**	**1 705**
Section E				
Summary of Capital Adequacy Ratios				
CET1%	38.5	35.9	33.6	31.2
AT1%	0.0	0.0	0.0	0.0
T1%	38.5	35.9	33.6	31.2
T2%	3.2	3.2	7.6	7.2
Total capital adequacy %	**41.7**	**39.1**	**41.2**	**38.4**

8. LEVERAGE RATIO

Public disclosure of the leverage ratio (calculated using the prescribed leverage ratio template) and its components has been required since 1 January 2015. See section 6 above for an overview of this ratio.

The increase in leverage ratio at ABL and ABH level is largely driven by both, the decrease in total exposure and increase in tier 1 capital. Total exposure decreased primarily as a result of wholesale liabilities that matured and were not refinanced. The increase in Tier 1 capital is driven by the profit made during the quarter. The leverage ratio remains well in excess of the current regulatory minimum requirement.

The exposure used in the calculation of the ratio (see 8.2) differs from the total assets as measured using IFRS as shown below. The disclosures are prepared using figures as at 31 December 2020.

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

Line #	R million	African Bank Holdings Limited		African Bank Limited	
		Dec-2020	**Sep-2020**	**Dec-2020**	**Sep-2020**
1	Total consolidated assets as per published financial statements	27 581	28 438	24 714	25 622
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(1 045)	(985)	-	-
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	16	24	16	24
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)	127	133	127	133
7	Other adjustments (1)	2 417	2 584	2 232	2 402
8	Leverage ratio exposure	29 096	30 194	27 089	28 181

(1) Other adjustments reflect differences between the 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	
		Dec-2020	Sep-2020	Dec-2020	Sep-2020
	On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives and Securities Financing Transactions ("SFTs")*, but including collateral)	29 166	30 333	27 344	28 503
2	Asset amounts deducted in determining Basel III Tier 1 capital	(240)	(296)	(425)	(479)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**28 926**	**30 037**	**26 919**	**28 024**
	Derivative exposures				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	27	-	27	-
5	Add-on amounts for PFE associated with all derivatives transactions	16	24	16	24
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)**	**43**	**24**	**43**	**24**
	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	635	667	635	667
18	(Adjustments for conversion to credit equivalent amounts)	(508)	(534)	(508)	(534)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**127**	**133**	**127**	**133**
20	Tier 1 capital	9 502	9 335	7 470	7 322
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**29 096**	**30 194**	**27 089**	**28 181**
	Leverage ratio				
22	**Basel III leverage ratio**	**32.7%**	**30.9%**	**27.6%**	**26.0%**

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

9. LIQUIDITY MEASUREMENTS

9.1 LIQ1 - LIQUIDITY COVERAGE RATIO (LCR)

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

There are no material movements in the LCR from the previous quarter. The decrease in LCR is however contributed by an increase in the total net cash outflows over the quarter ended 31 December 2020, primarily as a result of higher maturing liability balances, as compared to the quarter ended 30 September 2020.

	African Bank Limited R million	Total unweighted value (average) (1)	Total weighted value (average) (1)	Total weighted value (average) (1)
		Dec-2020	**Dec-2020**	**Sep-2020**
1	**Total high-quality liquid assets (HQLA) (see 10.5.1)**		**1 785**	**1 732**
	Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	1 203	1 20	98
3	Stable deposits	-	-	-
4	Less-stable deposits	1 203	1 20	98
5	Unsecured wholesale funding, of which:	561	542	512
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
7	Non-operational deposits (all counterparties)	-	-	-
8	Unsecured debt	561	542	512
9	Secured wholesale funding	-	-	-
10	Additional requirements, of which:	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	463	463	460
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	667	33	34
14	Other contractual funding obligations	173	9	5
15	Other contingent funding obligations	-	-	-
16	**Total cash outflows**	**3 066**	**1 167**	**1 110**
	Cash inflows			
17	Secured lending (e.g. reverse repos)	-	-	-
18	Inflows from fully performing exposures	3 703	3 328	3 462
19	Other cash inflows	-	-	-
20	**Total cash inflows**	**3 703**	**3 328**	**3 462**
			Total Adjusted Value	Total Adjusted Value
21	**Total HQLA**		**1 785**	**1 732**
22	**Total net cash outflows** (2)		**292**	**277**
23	**Liquidity coverage ratio (%)** (3)		**612%**	**624%**

(1) *The average numbers are calculated using the daily LCR figures for the quarter ended 31 December 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) *The difference between Bank and Group primarily relates to the additional R1.8 billion 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.*

9.1.1 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	Dec-2020	Sep-2020
Total level one qualifying high-quality liquid assets [(1)]	1 785	1 732
Cash	10	3
Qualifying central bank reserves	376	366
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	1 399	1 363

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

9.2 LIQ2 - NET STABLE FUNDING RATIO (NSFR)

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

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

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

There are no material movements in the NSFR from the previous quarter. The slight decrease in NSFR is driven mostly by the decrease in available stable funding due to wholesale funding liabilities getting closer to maturity.

	R million	Unweighted value by residual maturity				Weighted value[1]
	Available stable funding (ASF) item	**No maturity**	**<6 months**	**6 months to <1 year**	**≥1 year**	**Total**
1	Capital:	9 584	-	-	-	9 584
2	*Regulatory capital*	9 584	-	-	-	9 584
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	2 081	850	4 498	7 136
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	2 081	850	4 498	7 136
7	Wholesale funding:		1 432	2 376	3 010	4 496
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	1 432	2 376	3 010	4 496
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	925	-	-	-
12	*NSFR derivative liabilities*	-	-	-	-	-
13	*All other liabilities and equity not included in the above categories*	-	925	-	-	-
14	**Total ASF**					**21 216**

(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")	-	-	-	-	133
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:		5 519	2 683	10 354	12 095
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*	-	2 305	-	-	345
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:*	-	3 214	2 683	10 354	11 750
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:	-	-	-	189	5
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*	-			27	2
30	*NSFR derivative liabilities before deduction of variation margin posted*	-			161	3
31	All other assets not included in the above categories	-	-	-	3 296	3 296
32	Off-balance sheet items	-	635	-	-	32
33	***Total RSF***					**15 561**
34	***Net Stable Funding Ratio (%)***					**136%**

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

10. QUALITATIVE DISCLOSURES AND ACCOUNTING POLICIES

The regulations require that certain qualitative disclosures and statements on accounting policy be made. These were made in the annual financial statements and integrated annual report for the financial period ended 30 September 2020, in the remuneration report, corporate governance and risk management review and statements on group accounting policy. The disclosures in this report should be read together with the integrated annual report and transitional Basel templates. These disclosures can be found on the ABL website under investor relations, financial reporting.

Annexure A

	Tables and templates	Reference to Pillar 3
Overview of risk management and RWA	OVA – Bank risk management approach	3 (Referenced o AFS)
	KM1 - Key metrics (at consolidated group level)	6.1
	OV1 – Overview of RWA	6.2
Leverage ratio	LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure	8.1
	LR2 - Leverage ratio common disclosure template	8.2
Liquidity risk	LIQ1 – Liquidity Coverage Ratio	9.1
	LIQ2 – Nest Stable Funding Ratio	9.2

**The Bank has not disclosed the Pillar 3 PVA table as there are no material fair value items on the balance sheet.*