African Bank Holdings Limited and African Bank Limited

Public Pillar III Disclosures
in terms of the Banks Act, Regulation 43
as at 31 March 2017

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Public Pillar III Disclosures

Executive Summary

1. Executive summary

1.1. Overview

African Bank Holdings Limited (“ABH” or “the ABH Group”) and its 100% held banking subsidiary, African Bank Limited (“ABL” or “the Bank”) commenced business on 4 April 2016. ABH was capitalised with a cash subscription for ordinary shares of R10 billion and, in turn, ABH elected to capitalise ABL with the same amount, also in return for ordinary shares. An extended liability 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, which included the more credit-worthy retail advances book.

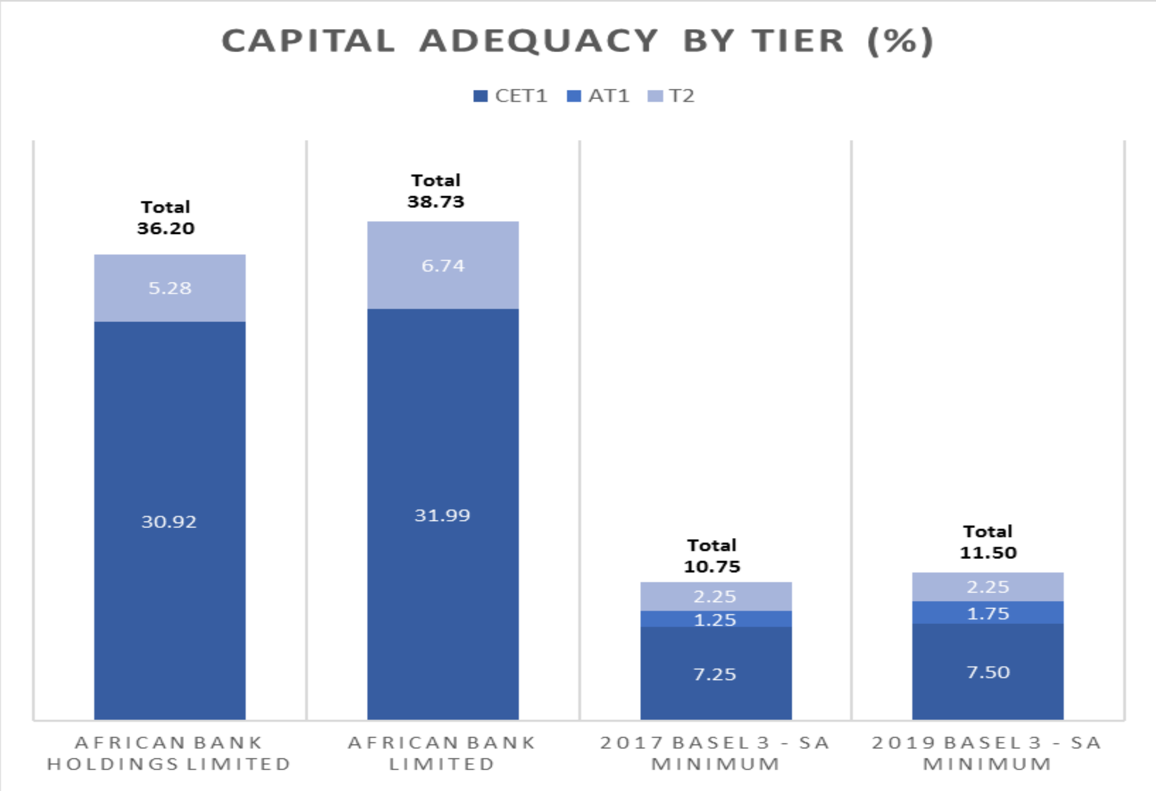
Significant improvements in the credit underwriting and provisioning methodologies were applied and continue to be applied in ABL, based on the changing dynamics of the market, the customer profile and the risk experience in respect of the retail advances on book.

The overall balance sheet of ABL therefore remains strong, with advances well provided for, high capital adequacy and cash holdings of R9.9 billion. Liquidity risk, interest rate risk and foreign exchange risk is also conservatively managed.

The overall impact of the strong balance sheet structure, as expressed in the conservative risk appetite, is evidenced in the various sections of this report which, as of 31 March 2017, include CET1 ratio of 32.0%, a leverage ratio of 22.6%, a liquidity coverage ratio of 904% and a net stable funding ratio of 184% at the ABL level.

1.2. Capital adequacy ratios

The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 31 March 2017 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 30.9% and 32.0% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 36.2% and 38.7% respectively.



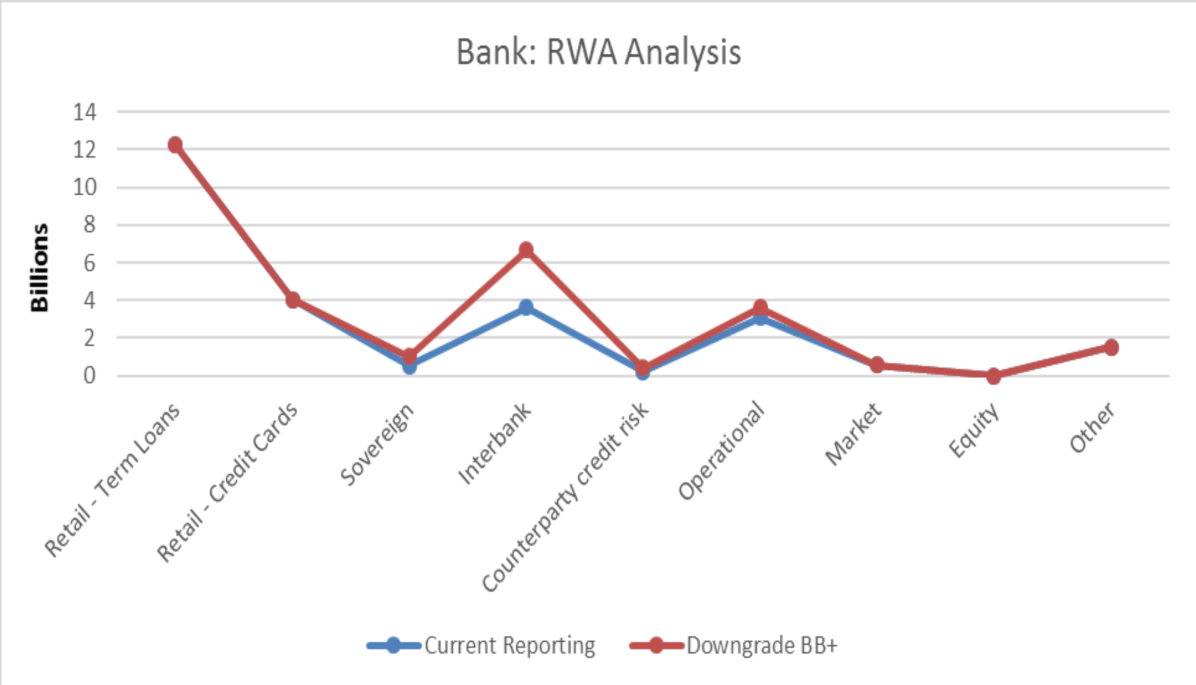
The following table sets out the composition of the qualifying regulatory capital.

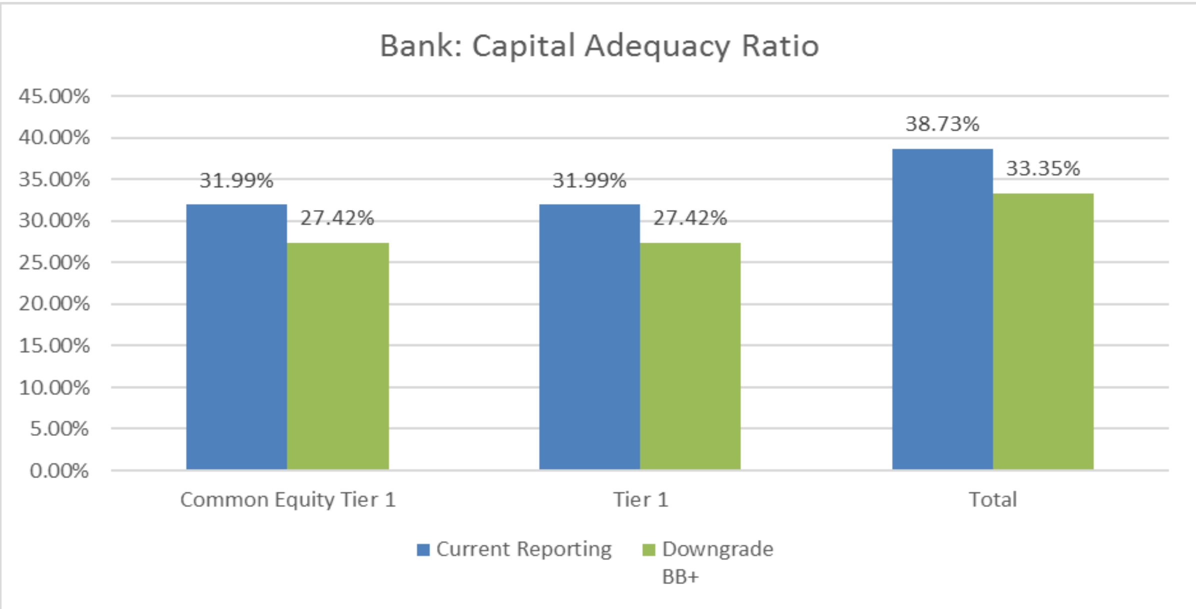
	African Bank Holdings Limited		African Bank Limited	
R'm	31 Mar 2017	30 Sep 2016	31 Mar 2017	30 Sep 2016
Composition of qualifying regulatory capital				
Ordinary share capital	10,000	10,000	10,000	10,000
Regulatory adjustments	(1,763)	(1,802)	(1,735)	(1,789)
Common Equity Tier 1 capital (CET1)	**8,237**	**8,198**	**8,265**	**8,211**
Total subordinated debt	1,148	1,248	1,485	1,485
Portfolio Impairments	257	278	257	278
Tier 2 capital (T2)	**1,405**	**1,526**	**1,742**	**1,763**
Qualifying regulatory capital	**9,642**	**9,724**	**10,007**	**9,974**

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

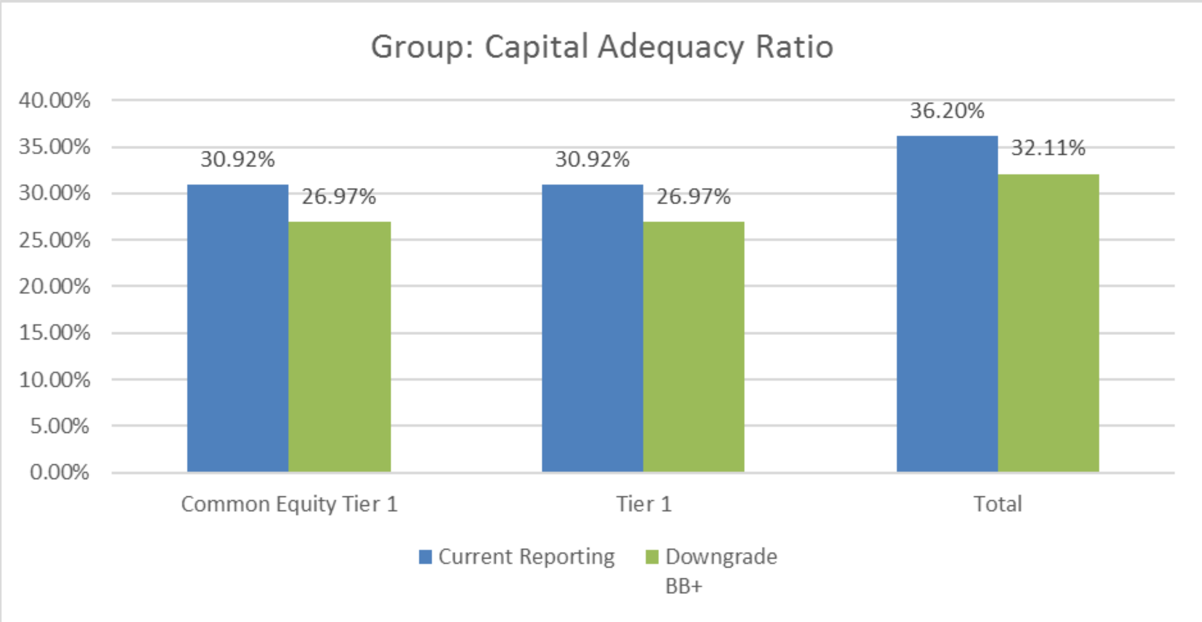
1.2.1. Impact of downgrade: capital adequacy ratios

The graphs below reflect the impact of the recent credit ratings downgrade of the SA sovereign and the large local banks on a pro forma basis on RWA in the Bank, before management action. The total increase in RWA of R4.3 billion is driven by the deterioration of the credit rating of the counterparties with whom ABL deposits cash holdings. The impact of this increase reduces the CET/T1 ratios of ABL and ABH by 4.57% and 3.95% on a pro forma basis respectively. Management is formulating actions in response to the downgrade, which may include a re-evaluation of the investment strategy for cash holdings.





1.2.2. Impact of downgrade: capital adequacy ratios (continued)



1.2. Leverage ratio

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

The increase in the leverage ratio from the prior reporting period, for both Group and Bank was primarily driven by a reduction in total exposures as a result of a reduction in derivative exposures. In the prior reporting period, these derivative exposures were expressed on a gross basis and are now reflected net of collateral for the current reporting period.

	African Bank Holdings Limited		African Bank Limited	
R'm	**31 Mar 2017**	**30 Sep 2016**	**31 Mar 2017**	**30 Sep 2016**
Capital and total exposures				
Tier 1 capital	8,237	8,198	8,265	8,211
Total exposures	36,574	39,829	36,575	39,810
Basel III leverage ratio	**22.5%**	**20.6%**	**22.6%**	**20.6%**
Basel III leverage ratio regulatory minimum requirement	*4.0%*	*4.0%*	*4.0%*	*4.0%*

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

1.3. Liquidity coverage ratio (“LCR”)

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

The increase in the LCR from the previous reporting period was as a direct result of increasing the holdings of government bonds over and above the minimum high quality liquid assets as required for regulatory liquid holdings, as part of the Bank’s cash investment strategy. This was the driver for increasing the holdings of high quality liquid assets from R1,312 million to R1,976 million from the previous reporting period.

Compounding the effect of this increase in high quality liquid assets is the reduction in the net cash outflows as a result of the settlement of collateral liabilities which related to derivatives which matured during the period under review.

African Bank Limited R'm	Total weighted value (average) 31 Mar 2017	Total weighted value (average) 30 Sep 2016
Total high-quality liquid assets	**1,976**	**1,312**
Total net cash outflows	**358**	**664**
Liquidity coverage ratio (%)	**792%**	**198%**
Regulatory minimum requirement	*80%*	*70%*

Refer to 7.4 of the detailed disclosure for a detailed breakdown of the above table

1.4. 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 should be equal to at least 100% on an on-going basis.

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

The NSFR is designed to ensure closer matching of long-term asset cash flows with long-term funding cash flows. Compliance is required by 2018. Current guidance views a ratio of 100% or more as representing compliance.

	31 Mar 2017	30 Sep 2016
NSFR %	**184**	**192**
Available stable funding (R'm)	33,536	34,176
Required stable funding (R'm)	18,209	17,773

2. Basis of compilation

The following information is compiled in terms of Regulation 43 of the Banks Act (94/1990): Regulations relating to banks, which incorporates the Basel Pillar III requirements on market discipline. All disclosures presented below are consistent with those disclosed in terms of International Financial Reporting Standards (IFRS), unless otherwise stated.

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

The basis of reporting for matters related to the portfolio of advances to customers acquired by ABL from RDS ("the acquired advances") also differs from the IFRS approach applied in the audited annual financial statements.

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

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

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

Analysis of advances to customers as at 31 March 2017			
R'm	Term loans	Credit Cards	Total
Gross amount due by customers [1]	21,961	6,272	28,233
Impairment and deferred fees attributable to acquired advances	(5,631)	(1,348)	(6,979)
Gross advances per interim financials	16,330	4,924	21,254
Impairment and deferred fees attributable to originated advances	(1,068)	(485)	(1,553)
Net advances per interim financials	15,262	4,439	19,701

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

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

African Bank Holdings Limited
and
African Bank Limited

Public Pillar III Disclosures

Detailed disclosure
in terms of the Banks Act, Regulation 43
as at 31 March 2017

1. Supplementary information including risk management

Additional information providing context for disclosures contained herein is included in the following documents published by the ABH Group, available on the investor relations website https://www.africanbank.co.za/ which contains information as listed under each report.

African Bank Holdings Limited Integrated Report 2016

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

African Bank Holdings Limited: consolidated annual financial statements 30 September 2016
African Bank Limited: annual financial statements 30 September 2016

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

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

2. Period of reporting

This report covers the period from 1 October 2016 to 31 March 2017 for the ABH Group and its 100% held banking subsidiary, ABL. The Group and the Bank commenced operations on 4 April 2016 and published financial statements for the period from this date to 30 September 2016. Comparative disclosures are related to the period from 4 April 2016 to 30 September 2016.

3. Scope of reporting

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

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

4. Regulatory capital adequacy

4.1. Overview of risk weighted assets

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

R'm	African Bank Holdings Limited			African Bank Limited		
	RWA		Minimum capital requirements (1)	RWA		Minimum capital requirements (1)
	Mar-17	Sep-16	Mar-17	Mar-17	Sep-16	Mar-17
Credit risk (excluding counterparty credit risk)	**20,429**	**22,178**	**2,196**	**20,429**	**22,178**	**2,196**
– Of which standardised approach (SA)	20,429	22,178	2,196	20,429	22,178	2,196
– Of which internal rating-based (IRB) approach	-	-	-	-	-	-
Counterparty credit risk	**213**	**139**	**23**	**213**	**139**	**23**
– Of which standardised approach for counterparty credit risk (SA-CCR) (2)	213	139	23	213	139	23
– Of which internal model method (IMM)	-	-	-	-	-	-
Market risk	**572**	**338**	**61**	**572**	**338**	**61**
– Of which standardised approach (SA)	572	338	61	572	338	61
– Of which internal model approach (IMM)	-	-	-	-	-	-
Operational risk	**3,197**	**2,359**	**344**	**3,101**	**2,359**	**333**
– Of which basic indicator approach	-	-	-	-	-	-
– Of which standardised approach (3)	3,197	2,359	344	3,101	2,359	333
– Of which advanced measurement approach	-	-	-	-	-	-
Other risk	**2,229**	**1,830**	**240**	**1,526**	**1,046**	**164**
Total	**26,640**	**26,844**	**2,864**	**25,841**	**26,060**	**2,777**

(1) The minimum capital requirement per risk category for 2017 is 10.75% which comprises the base minimum (8.00%) plus the Pillar 2A systemic risk add-on (1.50%) plus capital conservation buffer (1.25%)
(2) ABL currently applies the current exposure method to calculate counterparty credit risk
(3) ABL currently applies the alternative standardised approach in calculating its operational risk

4.2. Composition of regulatory capital

The qualifying regulatory capital and capital adequacy ratios for ABH and ABL as at 31 March 2017 are set out in the table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 30.9% and 32.0% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 36.2% and 38.7% respectively.

R'm	African Bank Holdings Limited		African Bank Limited	
	31 Mar 2017	30 Sep 2016	31 Mar 2017	30 Sep 2016
Composition of qualifying regulatory capital				
Ordinary share capital	10,000	10,000	10,000	10,000
Accumulated profit	-	-	-	-
	10,000	10,000	10,000	10,000
Regulatory adjustments				
- Intangible assets in terms of IFRS	(87)	(92)	(87)	(92)
- Other regulatory adjustments, including accumulated losses	(1,676)	(1,710)	(1,648)	(1,697)
Common Equity Tier 1 capital (CET1)	**8,237**	**8,198**	**8,265**	**8,211**
Additional Tier 1 capital (AT1)	-	-	-	-
Tier 1 capital (T1)	**8,237**	**8,198**	**8,265**	**8,211**
Issued subordinated debt	1,485	1,485	1,485	1,485
Surplus capital attributable to minorities/third parties	(337)	(237)	-	-
Total subordinated debt	1,148	1,248	1,485	1,485
Portfolio Impairments	257	278	257	278
Tier 2 capital (T2)	1,405	1,526	1,742	1,763
Qualifying regulatory capital	9,642	9,724	10,007	9,974
CET1%	30.9	30.5	32.0	31.5
AT1%	0.0	0.0	0.0	0.0
T1%	30.9	30.5	32.0	31.5
T2%	5.3	5.7	6.7	6.8
Total capital adequacy %	36.2	36.2	38.7	38.3

4.3. Composition of capital disclosure template

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

African Bank Limited
Period ended: 31 March 2017

	Common Equity Tier 1 capital instruments and reserves	R'm
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related to stock surplus	10,000
2	Retained earnings	-
3	Accumulated other comprehensive income (and other reserves)	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	**10,000**
	Common Equity Tier 1 capital: regulatory adjustments	
28	Total regulatory adjustments to Common Equity Tier 1	(1,735)
29	**Common Equity Tier 1 capital (CET 1)**	**8,265**
	Additional Tier 1 capital: instruments	
36	Additional Tier 1 capital before regulatory adjustments	-
	Additional Tier 1 capital: regulatory adjustments	
44	Additional Tier 1 capital (AT1)	-
45	**Tier 1 capital (T1= CET1 + AT1)**	**8,265**
	Tier 2 capital and provisions	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	1,485
50	Provisions	257
51	**Tier 2 capital before regulatory adjustments**	**1,742**
	Tier 2 capital: regulatory adjustments	
57	**Total regulatory adjustments to Tier 2 capital**	
58	Tier 2 capital (T2)	1,742
59	Total capital (TC = T1 + T2)	10,007
60	**Total risk weighted assets**	**25,840**
	Capital ratios	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	32.0%
62	Tier 1 (as a percentage of risk weighted assets)	32.0%
63	Total capital (as a percentage of risk weighted assets)	38.7%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	0.4%
65	of which: capital conservation buffer requirement	1.250%
66	of which: bank specific countercyclical buffer requirement	0%
67	of which: G-SIB buffer requirement	0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	32.0%

4.3 Composition of capital disclosure template (continued)

Amounts below the threshold for deductions (before risk weighting)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	320
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	2,095
77	Cap on inclusion of provisions in Tier 2 under standardised approach	257

5. Leverage ratio

Public disclosure of the leverage ratio (calculated using the prescribed leverage ratio template) and its components has been required since 1 January 2015. The Basel III leverage ratio is defined as the capital measure (Tier 1 capital) divided by the exposure measure (total exposures) and is expressed as a percentage. This measure acts as a backstop to the risk based leverage capital adequacy ratio (see 4), by acting as a floor to restrict the build-up of excessive leverage by banks.

ABL is conservatively leveraged with a ratio of 22.6% of exposure. This is as a result of the well capitalised balance sheet. This section contains a detailed calculation of the leverage ratio.

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

5.1 Summary comparison of accounting assets vs leverage ratio exposure measure

Line #	R'm	African Bank Holdings Limited		African Bank Limited	
		31 Mar 2017	30 Sep 2016	31 Mar 2017	30 Sep 2016
1	Total consolidated assets as per published financial statements	34,905	37,711	34,620	37,691
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(285)	-	-	-
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	(230)	26	(230)	26
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)	177	167	177	167
7	Other adjustments (1)	2,008	1,925	2,008	1,925
8	Leverage ratio exposure	36,574	39,829	36,575	39,809

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

5.2 Leverage ratio disclosure

Line #	R'm	African Bank Holdings Limited 31 Mar 2017	African Bank Holdings Limited 30 Sep 2016	African Bank Limited 31 Mar 2017	African Bank Limited 30 Sep 2016
	On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	36,197	37,498	36,197	37,478
2	Asset amounts deducted in determining Basel III Tier 1 capital	(87)	(92)	(87)	(92)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**36,110**	**37,406**	**36,110**	**37,386**
	Derivative exposures				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	273	2,230	273	2,230
5	Add-on amounts for PFE associated with all derivatives transactions	14	26	14	26
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)**	**287**	**2,256**	**287**	**2,256**
	Securities financing transaction exposures				
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-	-
14	CCR exposure for SFT assets	-	-	-	-
15	Agent transaction exposures	-	-	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**-**	**-**	**-**	**-**
	Other off-balance sheet exposures				
17	Off-balance sheet exposure at gross notional amount	827	826	827	826
18	(Adjustments for conversion to credit equivalent amounts)	(650)	(659)	(650)	(659)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**177**	**167**	**177**	**167**
20	Tier 1 capital	8,237	8,198	8,265	8,211
21	Total exposures (sum of lines 3, 11, 16 and 19)	36,574	39,829	36,575	39,809
	Leverage ratio				
22	**Basel III leverage ratio**	**22.5%**	**20.6%**	**22.6%**	**20.6%**

6. Credit risk

This section outlines the regulatory view of the risk associated with the retail advances, comprising personal loans and credit cards, and interbank deposits. These balances are reflected on the 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 27 in the ABL annual financial statements for the year ended 30 September 2016.

6.1 Credit quality of assets

The following table shows the classification of the gross carrying value of the total of the retail advances and interbank deposits split between defaulted and non-defaulted exposures and shows the impairments in respect of the defaulted exposures. The impairment provision coverage in respect of the non-defaulted exposures are not included here and are shown under section 6.5.

	a	b	c	d
	Gross carrying values of		Allowances/ impairments	Net values (a + b - c)
R'm	Defaulted exposures	Non-defaulted exposures		
Loans [1]	9,526	31,642	6,305	34,863
Debt securities	-	-	-	-
Off-balance sheet exposures	-	827	-	827
Total	**9,526**	**32,469**	**6,305**	**35,690**

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

6.2 Changes in stock of defaulted loans and debt securities

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

	a
Defaulted loans and debt securities at end of the previous reporting period	**8,763**
Increase in defaulted Loans and debt securities since the last reporting period	3,198
Returned to non-defaulted status	(147)
Amounts written off	(2,288)
Defaulted loans and debt securities at end of the reporting period	**9,526**

6.3 Breakdown of gross credit exposure by geographical areas

The total gross credit exposure is located within the Republic of South Africa (Rm 41,994). There is no exposure outside of South Africa.

6.4 Breakdown of gross credit exposure by industry type

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

R'm	On balance sheet exposure	Off balance sheet exposure	Total
Financial intermediation and insurance	10,400	39	10,439
Private households	28,135	788	28,924
Other	2,632		
Total	**41,167**	**827**	**41,994**
of which: Sovereign (central government and central bank)	2,632	-	2,632

6.5 Impaired advances

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

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

Regulatory classifications	Impairment Cover %
	31 Mar 2017
Standard and special mention	11.26%
Sub-standard	34.83%
Doubtful	56.85%
Loss	82.64%

6.6 Ageing analysis

The aging of gross advances to customers based purely on days past due.

	Gross R'm
Not past due	14,748
Past due 31 -90 days	3,873
Past due 91 - 182 days	1,842
Past due > 182 days	7,672
Total	**28,135**

6.7 Credit risk mitigation techniques

Credit risk arising from cross currency swaps are mitigated by collateral held which is disclosed under the counterparty credit risk section 6.13.

	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	35,689	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Total	**35,689**	**-**	**-**	**-**	**-**	**-**	**-**
Of which defaulted	9,526	-	-	-	-	-	-

6.8 Credit risk exposure and credit risk mitigation (CRM) effects

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

	a	B	c	d	e	f
	Exposures before CCF and CRM		Exposures post CCF and CRM(1)		RWA and RWA density	
Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
Sovereign and their central banks	2,632	-	2,632	-	514	19.53%
Non-central government public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Banks	10,096	1	10,096	-	3,616	35,82%
Securities firms	-	-	-	-	-	-
Corporates	304	38	304	19	-	0.00%
Regulatory retail portfolios	28,135	788	21,831	157	16,299	74.13%
of which: Secured by residential property	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Past-due loans	9,526	-	3,221	-	2,223	69.02%
Higher-risk categories	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**41,167**	**827**	**34,863**	**176**	**20,429**	**58.30%**

(1) As per 6.7, credit risk mitigation (CRM) is applied to derivative exposures, which are not included in the table above. Credit conversion factors (CCF) have been applied to off-balance sheet exposures in terms of Regulation 23.

6.9 Exposures by asset class and risk weights

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

	a	b	c	d	e	F	g	h	i	j
Asset classes by risk weights	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
Sovereign and their central banks	1,604	-	-	-	1,028	-	-	-	-	2,632
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	-	-	4,775	-	5,321	-	-	-	-	10,096
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	323	-	-	-	-	-	-	-	-	323
Regulatory retail portfolios	-	-	-	-	1,995	18,767	1,226	-	-	21,988
of which: Secured by residential property	-	-	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	1,995	-	1,226	-	-	3,221
Higher-risk categories	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**1,927**	**-**	**4,775**	**-**	**8,344**	**18,767**	**1,226**	**-**	**-**	**35,039**

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

The information shown in this table and the three tables below show the CCR in respect of the interest rate and cross currency swap hedges that the Bank has entered into. The numbers are relatively small in relation to the exposure as the swaps are largely cash collateralised as shown in the table under 6.13.

	a	b	c	d	E	F
	Replacement Cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
SA-CCR (for derivatives) (1)	518	532			287	144
Internal model method (for derivatives and SFTs)			-	-	-	-
Simple approach for credit risk mitigation (for SFTs)					-	-
Comprehensive approach for credit risk mitigation (for SFTs)					-	-
VaR for SFTs					-	-
Total						**144**

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

6.11 Credit valuation adjustment (CVA) charge

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

	a	B
	EAD post-CRM	RWA
Total portfolios subject to the advanced CVA capital charge	-	-
(i) VaR component (including the 3 x multiplier)		
(ii) Stressed VaR component (including the 3 x multiplier)		
All portfolios subject to the standardised CVA capital charge	280	69
Total subject to the CVA capital charge	**280**	**69**

6.12 CCR exposures by regulatory portfolios and risk weights

This exposure relates to our cross-currency swaps that are held with other banks which are largely collateralised, thus limiting the exposure at default to only R287 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	-	-	-	-	287	-	-	-	-	287
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**287**	**-**	**-**	**-**	**-**	**287**

6.13 Composition of collateral for CCR exposure

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

	a	b	c	d	e	f
	Collateral used in derivative transactions				**Collateral used in SFT's**	
	Fair value of collateral received		**Fair value of posted collateral**		**Fair value of collateral received**	**Fair value of posted collateral**
	Segregated	**Un segregated**	**Segregated**	**Un segregated**		
Cash - domestic currency	-	244	-	244	-	-
Cash - other currencies	-	-	-	-	-	-
Total	**-**	**244**	**-**	**244**	**-**	**-**

7. Liquidity measurements

7.1 Liquidity management

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

This section presents various measurements of the Group liquidity position. Further detail regarding liquidity risk is given in Note 29 to the ABL annual financial statements for the year ended 30 September 2016.

7.2 Contractual and behavioural liquidity mismatches

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

7.3 Contractual liquidity maturity analysis (mismatch)

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

- 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.

7.3 Contractual liquidity maturity analysis (mismatch) (continued)

African Bank Limited

Assets and liabilities maturities *as at 31 March 2017* R'm	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Non-contractual	Total
Assets							
Cash and cash equivalents	3,107	1,200	2,819	2,821	-	-	9,947
Statutory assets	853	99	581	-	1,476	-	3,009
Derivative assets	-	479	39	-	-	-	518
Net advances	910	1,062	5,160	3,296	7,295	1,978	19,701
Accounts receivable and other assets	239	-	-	-	-	-	239
Loans to affiliated entities	312	-	-	-	-	-	312
Property and equipment	-	-	-	-	-	478	478
Intangible assets	-	-	-	-	-	87	87
Deferred tax asset	-	-	-	-	-	320	320
Total assets	5,421	2,840	8,599	6,117	8,771	2,863	34,611
Liabilities and equity							
Short-term funding	341	24	28	-	-	-	393
Derivative liabilities	-	-	-	4	-	-	4
Creditors and accruals	180	-	257	-	-	50	487
Current tax	140	-	-	-	-	-	140
Bonds and other long-term funding	493	2	5	9,353	13,853	-	23,706
Subordinated bonds, debentures and loans	42	-	-	-	1,485	-	1,527
Ordinary shareholder's equity	-	-	-	-	-	8,354	8,354
Total liabilities and equity	1,196	26	290	9,357	15,338	8,404	34,611
Net liquidity gap	4,225	2,814	8,309	(3,240)	(6,567)	(5,541)	-

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

Off balance sheet items

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

(a) Operating lease commitments: Operating lease commitments relate mainly to properly operating lease commitments. The future minimum lease payments under non-cancellable operating leases will result in an outflow of cash subsequent to the reporting date.

The future obligations measured on a straight-lined basis are as follows:

R'm	31 Mar 2017
Payable within one year	142
Payable between one and five years	132
Total	**274**

(b) Committed undrawn credit card facilities: Committed undrawn credit card facilities totalled R788 million. These commitments are attributable to undrawn credit card amounts.

7.4 Liquidity coverage ratio (LCR) – common disclosure template

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

African Bank Limited R'm	Total unweighted value (average) [1] 31 Mar 2017	Total weighted value (average) [1] 31 Mar 2017	Total weighted value (average) [1] 30 Sep 2016
Total high-quality liquid assets (HQLA) (see 7.4.1)		**1,976**	**1,312**
Cash outflows			
Retail deposits and deposits from small business customers, of which:	**11**	**1**	**5**
Stable deposits	-	-	-
Less-stable deposits	11	1	5
Unsecured wholesale funding, of which:	**1,337**	**1,337**	**2,526**
Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
Non-operational deposits (all counterparties)	-	-	-
Unsecured debt	1,337	1,337	2,526
Secured wholesale funding	-	-	-
Additional requirements, of which:	-	-	-
Outflows related to derivative exposures and other collateral requirements	-	-	78
Outflows related to loss of funding on debt products	-	-	-
Credit and liquidity facilities	819	83	47
Other contractual funding obligations	305	15	-
Other contingent funding obligations	-	-	-
Total cash outflows	**2,373**	**1,431**	**2,656**
Cash inflows			
Secured lending (e.g. reverse repos)	-	-	-
Inflows from fully performing exposures	6,132	5,616	9,880
Other cash inflows	13	13	116
Total cash inflows	**6,132**	**5,616**	**9,996**
		Total Adjusted Value	**Total Adjusted Value**
Total HQLA		**1,976**	**1,312**
Total net cash outflows [2]		**358**	**664**
Liquidity coverage ratio (%) [3]		**792%**	**198%**

(1) The average numbers are calculated using the daily LCR figures for the quarter ended 31 March 2017
(2) ABL has a net cash inflow after applying the run-off factors, outflows for the purpose of the ratio are therefore deemed to be 25% of gross outflows
(3) There is no material difference between Bank and Group

7.4.1 Composition of high-quality liquid assets

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

R'm	31 Mar 2017	30 Sep 2016
Total level one qualifying high-quality liquid assets (1)	**1,976**	**1,312**
Cash	3	2
Qualifying central bank reserves	379	453
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	1,594	857

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

7.4.2 Derivative exposures and potential collateral calls

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

Rm	a RWA
Outright products	572
- Interest rate risk (general and specific)	-
- Equity risk (general and specific)	-
- Foreign exchange risk	572
- Commodity risk	-
Options	-
- Simplified approach	-
- Delta-plus method	-
- Scenario approach	-
Securitisation	-
Total	**572**

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

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

8. The net stable funding ratio (NSFR)

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an on-going basis.

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

The NSFR is designed to ensure closer matching of long-term asset cash flows with long-term funding cash flows. Compliance is required by 2018. Current guidance views a ratio of 100% or more as representing compliance.

	31 Mar 2017	30 Sep 2016
NSFR %	**184**	**192**
Available stable funding (R'm)	33,536	34,176
Required stable funding (R'm)	18,209	17,773

9. 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.

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 small. Interest rate increase resulted in 0.70% and an interest rate decrease resulted in (0.70%).

Interest rate sensitivity - 31 Mar 2017	R'm
Increase	68
Decrease	(68)

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 2016, 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 III template. These disclosures can be found on the ABL website under investor relations, financial reporting.