African Bank Holdings Limited
and African Bank Limited

# Public Pillar III Disclosures in terms of the Banks Act, Regulation 43 as at 30 June 2019

# 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 for R10 billion and, in turn, ABH elected to capitalise ABL with the same amount, also in return for ordinary shares. An extended liability term structure was established as a result of the restructuring of the old African Bank that was placed under curatorship on 10 August 2014 and subsequently renamed Residual Debt Services Limited (in curatorship) (RDS), (the Restructuring). ABL acquired a portfolio of assets and liabilities from RDS in terms of the Restructuring, which included the more credit-worthy retail advances book.

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

The Bank has a maturing liquidity profile as the liabilities acquired through the Restructuring begin to mature over the medium term. Whilst this profile is not unusual for any bank, it is significant that African Bank has not yet comprehensively proven its ability to attract significant term funding in the wholesale markets. To address the refinancing requirements in the subsequent periods, management are proactively engaging shareholders and funders to establish a funding structure well in advance of the subsequent obligations maturing. Retail savings and investment deposits are providing an increasing amount of alternative funding.

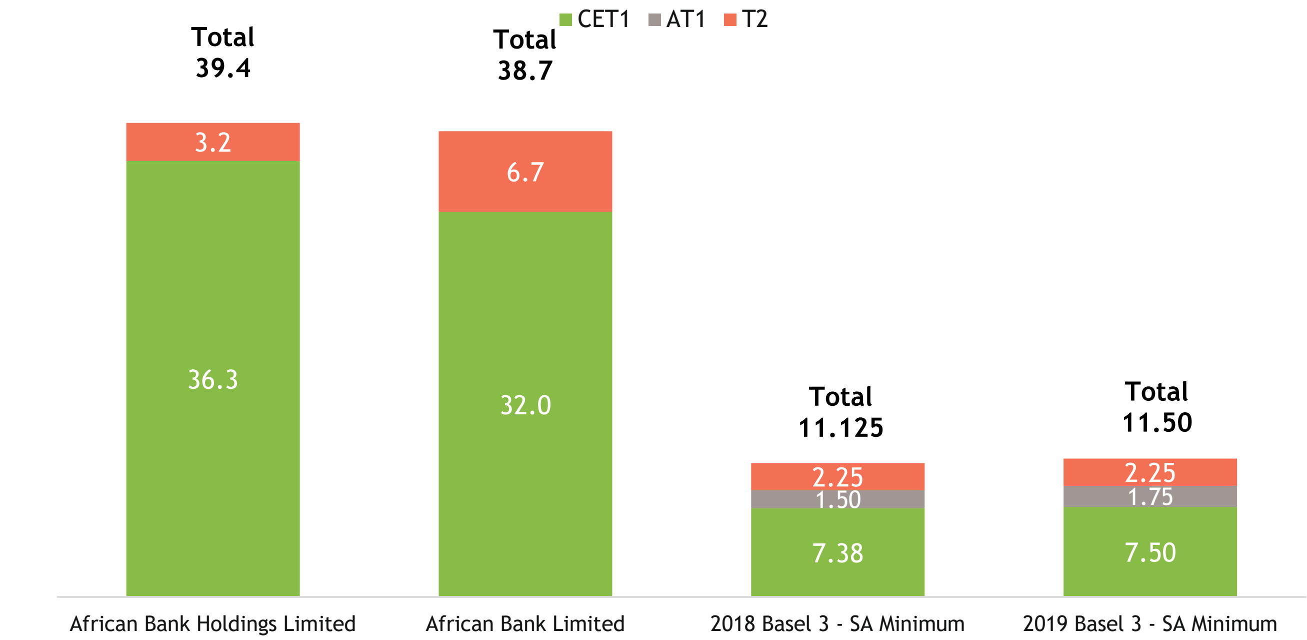
The overall balance sheet of ABL remains strong, with advances well provided for, strong capital adequacy and available cash holdings, including surplus liquid assets of R4.4 billion. Liquidity risk, interest rate risk and foreign exchange risks are managed within a conservative risk appetite framework.

The overall impact of the strong balance sheet structure, as expressed in the conservative risk appetite, is evidenced in the various sections of this report which, as of 30 June 2019, include CET1 ratio of 32.0%, a leverage ratio of 27.4%, a liquidity coverage ratio of 437% and a net stable funding ratio of 133% at the ABL level.

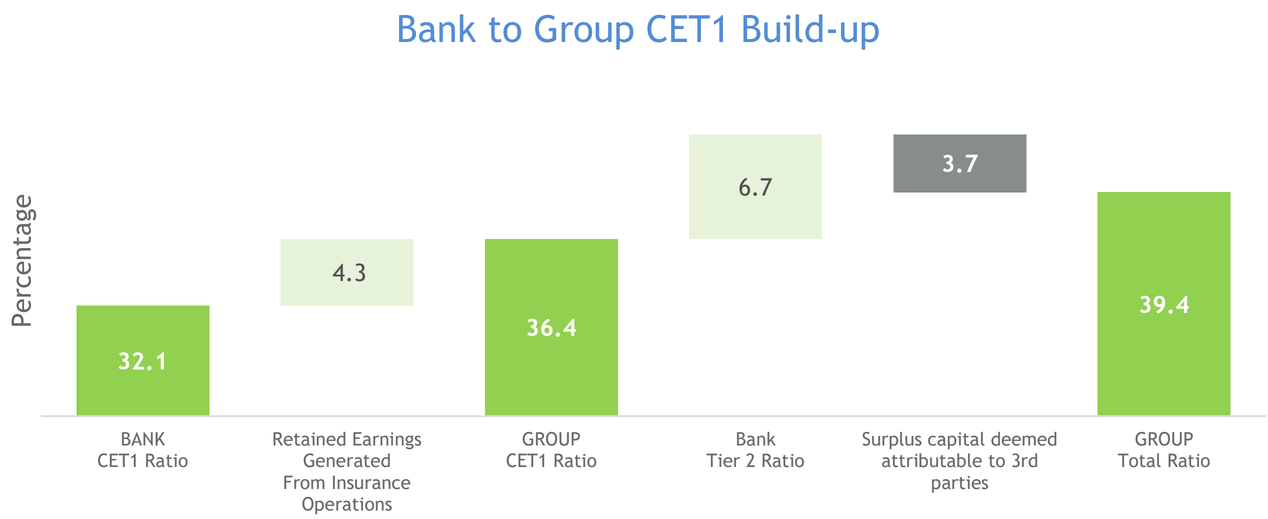
## 1.2. CAPITAL ADEQUACY RATIOS

The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 30 June 2019 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 36.3% and 32.0% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 39.4% and 38.7% respectively.

**Capital Adequacy by Tier (%)**



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




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

- **Impact of Insurance operations** –At a Group level, the additional earnings of R1 092 million generated from the insurance operations result in additional capital supply. With no additional RWA requirement for the investment in AIG on the back of a return of capital and the write-down of the investment during 2018, this results in the CET1/Tier 1 ratio being higher at Group than at Bank.

- **Deduction of Tier 2 minority interest** - As the Tier 2 capital is issued at the subsidiary African Bank level, a deduction of the deemed excess over and above the regulatory minimum is required at the consolidated capital level. The de-recognition of the surplus capital results in a significantly lower Tier 2 ratio of 3.2% when compared to that of ABL of 6.7%.

ABH applied IFRS 9 from 1 October 2018. The profit or loss effect related to the difference in treatment between the previous (IAS 39) and new (IFRS 9) accounting framework for financial instruments was recognized in the Bank's opening retained earnings for the 2019 financial year. The impact of the implementation of IFRS 9 resulted in a decrease in retained earnings of R622 million which is included in the disclosures below for June 2019.

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

| | African Bank Holdings Limited | | African Bank Limited | |
|---|---|---|---|---|
| **R million** | **Jun-19** | **Sep-18** | **Jun-19** | **Sep-18** |
| Composition of qualifying regulatory capital | | | | |
| Ordinary share capital | 10 000 | 10 000 | 10 000 | 10 000 |
| Regulatory adjustments | (700) | (328) | (1 793) | (1 290) |
| Common Equity Tier 1 capital (CET1) | 9 300 | 9 672 | 8 207 | 8 710 |
| Total qualifying subordinated debt | 569 | 526 | 1 485 | 1 485 |
| Portfolio Impairments | 241 | 265 | 241 | 265 |
| Tier 2 capital (T2) | 810 | 791 | 1 726 | 1 750 |
| Qualifying regulatory capital | 10 110 | 10 463 | 9 933 | 10 460 |

*Refer to 6.2 of the detailed disclosure for a detailed breakdown of the above table*

## 1.3. 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 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 is as a result of an overall decrease in exposure measure arising predominantly from the decrease in placements with Banks.

| | African Bank Holdings Limited | | African Bank Limited | |
|---|---|---|---|---|
| R million | Jun-19 | Sep-18 | Jun-19 | Sep-18 |
| Capital and total exposures | | | | |
| Tier 1 capital | 9 300 | 9 673 | 8 207 | 8 710 |
| Total exposures | 29 538 | 32 305 | 29 995 | 32 300 |
| **Basel III leverage ratio** | **31.5%** | **29.9%** | **27.4%** | **27.0%** |
| **Basel III leverage ratio regulatory minimum requirement** | **4.0%** | **4.0%** | **4.0%** | **4.0%** |

*Refer to 7.2 of the detailed disclosure for a detailed breakdown of the above table*

## 1.4. 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 LCR has reduced from the previous reporting period to current reporting period, primarily due to higher net cash outflows as a result of higher maturities during the reporting period.

| African Bank Limited<br>R million | Total weighted value (average)<br>Jun-19 | Total weighted value (average)<br>Sep-18 |
|---|---|---|
| Total high-quality liquid assets | 1 199 | 1 292 |
| Total net cash outflows | 328 | 164 |
| **Liquidity coverage ratio (%)** | **437%** | **871%** |
| Regulatory minimum requirement | 100% | 90% |

*Refer to 9.4 of the detailed disclosure for a detailed breakdown of the above table*

## 1.5. NET STABLE FUNDING RATIO ("NSFR")

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding, 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 a one year period. 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.

The NSFR has decreased as compared to the prior period, primarily as a result of the available stable funding which decreased in line with the maturities moving into the shorter buckets. Required stable funding has remained relatively constant, as a result of the partial set off between the decrease in cash balances and increase in loans advanced to customers.

| R million | Jun-19 | Sep-18 |
|---|---|---|
| **NSFR %** | **133%** | **144%** |
| Available stable funding | 22 472 | 25 871 |
| Required stable funding | 16 883 | 17 994 |

## 1.6. REFERENCES OF QUANTITATIVE STANDARDISED TABLES AND TEMPLATES

Refer to the attached Annexure A to this document for ease of reference for the quantitative standardized tables and templates as prescribed in the revised pillar 3 disclosure requirements[i] published in January 2015 by the Basel Committee on Banking Supervision.

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

The following table presents a summary of key prudential metrics related to regulatory capital, leverage ratio and liquidity standards. Banks are required to disclose each metric's value using the corresponding standard's specifications for the reporting period-end 30 June 2019 (designated by "T" in the template below) as well as the four previous quarter-end figures (T-1 to T-4). Please note that the table below reflects the capital and leverage numbers at an ABH Group level, whilst the LCR and NSFR numbers are at a Bank level.

**Overview of risk management, key prudential metrics and RWA**

| Period ended:<br>R million | | Jun-19<br>(T) | Mar-19<br>(T-1) | Dec-18<br>(T-2) | Sep-18<br>(T-3) | Jun-18<br>(T-4) |
|---|---|---|---|---|---|---|
| **Available capital (amounts) (1)** | | | | | | |
| 1 | Common Equity Tier 1 (CET1) | 9 300 | 9 113 | 8 717 | 9 672 | 9 293 |
| 1a | Fully loaded ECL accounting model | 9 300 | 9 113 | 8 717 | | |
| 2 | Tier 1 | 9 300 | 9 113 | 8 717 | 9 672 | 9 293 |
| 2a | Fully loaded accounting model Tier 1 | 9 300 | 9 113 | 8 717 | | |
| 3 | Total capital | 10 110 | 9 967 | 9 612 | 10 463 | 10 083 |
| 3a | Fully loaded ECL accounting model total capital | 10 110 | 9 967 | 9 612 | | |
| **Risk-weighted assets (amounts)** | | | | | | |
| 4 | Total risk-weighted assets (RWA) | 25 654 | 26 717 | 26 724 | 27 678 | 28 223 |
| **Risk-based capital ratios as a percentage of RWA** | | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 36.3 | 34.1 | 32.6 | 34.9 | 32.9 |
| 5a | Fully loaded ECL accounting model CET1 (%) | | | | | |
| 6 | Tier 1 ratio (%) | 36.3 | 34.1 | 32.6 | 34.9 | 32.9 |
| 6a | Fully loaded ECL accounting model Tier 1 ratio | | | | | |
| 7 | Total capital ratio (%) | 39.4 | 37.3 | 36.0 | 37.8 | 35.7 |
| 7a | Fully loaded ECL accounting model total capital ratio (%) | | | | | |
| **Additional CET1 buffer requirements as a percentage of RWA** | | | | | | |
| 8 | Capital conservation buffer requirement (2.5% from 2019) (%) | 2.500 | 2.500 | 1.875 | 1.875 | 1.875 |
| 9 | Countercyclical buffer requirement (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 10 | Bank D-SIB additional requirements (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 11 | Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10) | 2.500 | 2.500 | 1.875 | 1.875 | 1.875 |
| 12 | CET1 available after meeting the bank's minimum capital requirements (%) | 28.8 | 26.6 | 24.6 | 27.0 | 24.9 |
| **Basel III Leverage Ratio** | | | | | | |
| 13 | Total Basel III leverage ratio measure | 29 538 | 30 935 | 32 063 | 32 305 | 32 065 |
| 14 | Basel III leverage ratio (%) (row 2/row 13) | 31.5 | 29.5 | 27.2 | 29.9 | 29.0 |
| 14a | Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13) | | | | | |
| **Liquidity Coverage Ratio (2)** | | | | | | |
| 15 | Total HQLA | 1 199 | 1 150 | 1 114 | 1 292 | 1 666 |
| 16 | Total net cash outflow | 328 | 223 | 164 | 178 | 163 |
| 17 | LCR ratio (%) | 437 | 877 | 772 | 871 | 1 008 |
| **Net Stable Funding Ratio (2)** | | | | | | |
| 18 | Total available stable funding | 22 472 | 23 299 | 24 205 | 25 871 | 25 795 |
| 19 | Total required stable funding | 16 883 | 18 119 | 17 327 | 17 994 | 17 646 |
| 20 | NSFR ratio (%) | 133 | 129 | 140 | 144 | 146 |

(1) *The Group has opted not to make use of the transitional arrangements of the ECL accounting provisions for regulatory capital purposes as allowed per SARB Directive 5 of 2017 and has rather opted to take the full impact of IFRS9 into account with effect from 1 October 2018.*

(2) *Information reported at African Bank Holdings Limited while the liquidity ratios are at African Bank Limited level*

# 2. BASIS OF COMPILATION

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

The table below shows an analysis of advancers to customers as at 30 June 2019 and is included as a reference to the published annual financial statements.

| Analysis of advances to customers as at 30 June 2019 | | | |
|---|---|---|---|
| R million | Term loans | Credit Cards | Total |
| Gross amount due by customers | 25 424 | 4 465 | 29 889 |
| Impairment attributable to acquired advances and deferred fees | (2 974) | (97) | (3 071) |
| Gross advances | **22 450** | **4 368** | **26 818** |
| Impairment and deferred fees attributable to originated advances | (5 985) | (1 146) | (7 131) |
| Net advances | **16 465** | **3 222** | **19 687** |

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

# 3. SUPPLEMENTARY INFORMATION INCLUDING RISK MANAGEMENT

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

*African Bank Holdings Limited Integrated Report 2018*
- Overview and business model
- Material matters
- Strategy
- Governance and compliance
- People and remuneration

*African Bank Holdings Limited: consolidated annual financial statements 30 September 2018, and*

*African Bank Limited: annual financial statements 30 September 2018*

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

- Accounting policies (Note 1)
- Risk management approach (page 47)
- Credit risk approach including approach to impairment provisioning (Note 27)
- Market risk (Note 28)
- Interest rate risk management (Note 28.1)
- Foreign currency risk management (note 28.2)
- Liquidity risk management (Note 29)

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.

# 4. PERIOD OF REPORTING

This report covers the period from 1 October 2018 to 30 June 2019 for the ABH Group and its 100% held banking subsidiary, ABL. Comparative disclosures are as at and for the year ended 30 September 2018.

# 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 supervisory reporting purposes. All companies are incorporated in the Republic of South Africa. The registered banking subsidiary of the Group, ABL, has no subsidiaries.

# 6. REGULATORY CAPITAL ADEQUACY

The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 30 June 2019 are set out in the table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 36.3% and 32.0% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 39.4% and 38.7% respectively.

## 6.1. 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 million | African Bank Holdings Limited | | | African Bank Limited | | |
|---|---|---|---|---|---|---|
| | RWA | | Minimum capital requirements (1) | RWA | | Minimum capital requirements (1) |
| | **Jun-19** | **Sep-18** | **Jun-19** | **Jun-19** | **Sep-18** | **Jun-19** |
| **Credit risk (excluding counterparty credit risk)** | **19 275** | **21 179** | **2 217** | **19 274** | **21 177** | **2 217** |
| Of which standardised approach (SA) (5) | 19 275 | 21 179 | 2 217 | 19 274 | 21 177 | 2 217 |
| Of which internal rating-based (IRB) approach | - | - | - | - | - | - |
| **Counterparty credit risk** | **-** | **-** | **-** | **-** | **-** | **-** |
| Of which standardised approach for counterparty credit risk (SA-CCR) (2) | - | - | - | - | - | - |
| Of which internal model method (IMM) | - | - | - | - | - | - |
| **Market risk** | **274** | **448** | **31** | **274** | **448** | **31** |
| Of which standardised approach (SA) | 274 | 448 | 31 | 274 | 448 | 31 |
| Of which internal model approach (IMM) | - | - | - | - | - | - |
| **Operational risk** | **3 078** | **3 321** | **354** | **3 078** | **3 320** | **354** |
| Of which basic indicator approach | - | - | - | - | - | - |
| Of which standardised approach (3) | 3 078 | 3 321 | 354 | 3 078 | 3 320 | 354 |
| Of which advanced measurement approach | - | - | - | - | - | - |
| **Other risk (4)** | **3 027** | **2 730** | **348** | **3 027** | **2 722** | **348** |
| **Total** | **25 654** | **27 678** | **2 950** | **25 653** | **27 667** | **2 950** |

*(1) The minimum capital requirement per risk category for 2019 is 11.5% which comprises the base minimum (8.00%) plus the Pillar 2A systemic risk add-on (1.0%) plus capital conservation buffer (2.5%)*
*(2) 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) Other risk includes accounting other assets, deferred tax asset and threshold deduction items*
*(5) Refer below for a further split of credit risk exposures*

| R million | African Bank Holdings Limited | | | African Bank Limited | | |
|---|---|---|---|---|---|---|
| | RWA | | Minimum capital requirements | RWA | | Minimum capital requirements |
| | Jun-19 | Sep-18 | Jun-19 | Jun-19 | Sep-18 | Jun-19 |
| **Of which standardised approach (SA)** | **19 275** | **21 178** | **2 217** | **19 274** | **21 177** | **2 217** |
| Retail Exposures | 17 076 | 15 514 | 1 964 | 17 076 | 15 514 | 1 964 |
| Interbank Exposures | 2 199 | 5 664 | 253 | 2 198 | 5 663 | 253 |

## 6.2. COMPOSITION OF REGULATORY CAPITAL

The regulatory capital and capital adequacy ratios for ABH and ABL as at 30 June 2019 are set out in the table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 36.3% and 32.0% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 39.5% and 38.7% respectively.

| R million | African Bank Holdings Limited | | African Bank Limited | |
|---|---|---|---|---|
| Section A | Jun-19 | Sep-18 | Jun-19 | Sep-18 |
| **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 | (68) | (73) | (68) | (73) |
| - Other regulatory adjustments, including accumulated losses | (632) | (255) | (1 725) | (1 217) |
| **Total as per Transitional Basel 3 Template** | **(700)** | **(328)** | **(1 793)** | **(1 290)** |
| Section C | | | | |
| Additional Tier 1 capital (AT1) | - | - | - | - |
| Section D | | | | |
| Subordinated debt | 1 532 | 1 530 | 1 532 | 1 530 |
| Accrued interest not classified as Tier 2 capital | (47) | (45) | (47) | (45) |
| **Total subordinated debt** | **1 485** | **1 485** | **1 485** | **1 485** |
| Haircut on amounts attributable to third parties | (916) | (959) | - | - |
| **Tier 2 instruments issued by subsidiary and held by third parties** | **569** | 526 | **-** | **-** |
| Portfolio Impairments | 241 | 25 | 241 | 265 |
| **Total as per Transitional Basel 3 Template** | **810** | **791** | **1 726** | **1 750** |
| Section E | | | | |
| Summary of Capital Adequacy Ratios | | | | |
| CET1% | 36.3 | 34.9 | 32.0 | 31.5 |
| AT1% | 0.0 | 0.0 | 0.0 | 0.0 |
| T1% | 36.3 | 34.9 | 32.0 | 31.5 |
| T2% | 3.2 | 2.9 | 6.7 | 6.3 |
| **Total capital adequacy %** | **39.5** | 37.8 | **38.7** | **37.8** |

*(1) Refer to 6.3 (Composition of Capital Disclosure Template) for references to the rows*

# 7. LEVERAGE RATIO

Public disclosure of the leverage ratio (calculated using the prescribed leverage ratio template) and its components has been required since 1 January 2015. The Basel III leverage ratio is defined as the capital measure (Tier 1 capital) divided by the exposure measure (total exposures) and is expressed as a percentage. This measure acts as a backstop to the capital adequacy ratio (see section 6 above), by acting as a floor to restrict the build-up of excessive leverage by banks.

The increase in the leverage ratio from the prior reporting period, for both Group and Bank is as a result of an overall decrease in exposure measure arising predominantly from the decrease in placements with Banks.

## 7.1 SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE

| | | African Bank Holdings Limited | | African Bank Limited | |
|---|---|---|---|---|---|
| Line # | R million | **Jun-19** | **Sep-18** | **Jun-19** | **Sep-18** |
| 1 | Total consolidated assets as per published financial statements | 27 495 | 30 679 | 26 965 | 30 289 |
| 2 | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | (1 081) | (384) | - | - |
| 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 | - | (47) | - | (47) |
| 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) | 139 | 143 | 139 | 143 |
| 7 | Other adjustments (1) | 2 984 | 1 914 | 2 889 | 1 914 |
| 8 | Leverage ratio exposure | 29 537 | 32 305 | 29 993 | 32 299 |

*(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.*

## 7.2 LEVERAGE RATIO DISCLOSURE

| | | African Bank Holdings Limited | | African Bank Limited | |
|---|---|---|---|---|---|
| **Line #** | **R million** | **Jun-19** | **Sep-18** | **Jun-19** | **Sep-18** |
| | On-balance sheet exposures | | | | |
| 1 | On-balance sheet items (excluding derivatives and Securities Financing Transactions ("SFTs")*, but including collateral) | 29 466 | 32 235 | 30 016 | 32 229 |
| 2 | Asset amounts deducted in determining Basel III Tier 1 capital | (68) | (73) | (162) | (73) |
| **3** | **Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)** | **29 398** | **32 162** | **29,854** | **32 156** |
| | Derivative exposures | | | | |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | - | - | - | - |
| 5 | Add-on amounts for PFE associated with all derivatives transactions | - | - | - | - |
| 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)** | **-** | **-** | **-** | **-** |
| | 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 | 693 | 715 | 693 | 715 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (554) | (572) | (554) | (572) |
| **19** | **Off-balance sheet items (sum of lines 17 and 18)** | **139** | **143** | **139** | **143** |
| 20 | Tier 1 capital | 9 300 | 9 673 | 8 207 | 8 710 |
| **21** | **Total exposures (sum of lines 3, 11, 16 and 19)** | **29 537** | **32 305** | **29 993** | **32 300** |
| | Leverage ratio | | | | |
| **22** | **Basel III leverage ratio** | **31.5%** | **29.9%** | **27.4%** | **27.0%** |

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

# 8. LIQUIDITY MEASUREMENTS

## 8.1 LIQUIDITY COVERAGE RATIO (LCR) – COMMON DISCLOSURE TEMPLATE

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

The LCR has reduced from the previous reporting period to current reporting period, primarily due to higher net cash outflows as a result of higher maturities during the reporting period.

| African Bank Limited<br>R million | Total Un-weighted value (average) [1] | Total weighted value (average) [1] | Total weighted value (average) [1] |
|---|---|---|---|
| | Jun-19 | Jun-19 | Sep-18 |
| **Total high-quality liquid assets (HQLA) (see 7.4.1)** | | **1 199** | **1 292** |
| Cash outflows | | | |
| Retail deposits and deposits from small business customers, of which: | 138 | 14 | 8 |
| Stable deposits | - | - | - |
| Less-stable deposits | 138 | 14 | 8 |
| Unsecured wholesale funding, of which: | 1 218 | 1 218 | 501 |
| Operational deposits (all counterparties) and deposits in networks of cooperative banks | - | - | - |
| Non-operational deposits (all counterparties) | - | - | - |
| Unsecured debt | 1 218 | 1 218 | 501 |
| Secured wholesale funding | - | - | - |
| Additional requirements, of which: | - | - | - |
| Outflows related to derivative exposures and other collateral requirements | 44 | 44 | 103 |
| Outflows related to loss of funding on debt products | - | - | - |
| Credit and liquidity facilities | 695 | 35 | 35 |
| Other contractual funding obligations | - | - | 9 |
| Other contingent funding obligations | - | - | - |
| **Total cash outflows** | **2 052** | **1 311** | **657** |
| Cash inflows | | | |
| Secured lending (e.g. reverse repos) | - | - | - |
| Inflows from fully performing exposures | 5 207 | 4 742 | 3 315 |
| Other cash inflows | 32 | 32 | 115 |
| **Total cash inflows** | **5 224** | **4 759** | **3 315** |
| | | Total Adjusted Value | Total Adjusted Value |
| **Total HQLA** | | **1 199** | **1 292** |
| **Total net cash outflows** [2] | | **328** | **164** |
| **Liquidity coverage ratio (%)** [3] | | **437%** | **871%** |

*(1) The average numbers are calculated using the daily LCR figures for the quarter ended 30 June 2019*

*(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*

### 8.1.1 COMPOSITION OF HIGH-QUALITY LIQUID ASSETS

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

| R million | Jun-19 | Sep-18 |
|---|---|---|
| Total level one qualifying high-quality liquid assets [1] | **1 199** | **1 292** |
| Cash | 2 | 1 |
| Qualifying central bank reserves | 385 | 358 |
| Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank | 812 | 933 |

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

## 9. 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 2018, 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<br>(Referenced o AFS) |
| | OV1 – Overview of RWA | 6.1 |
| | KM1 - Key metrics (at consolidated group level) | 1.7 |
| Leverage ratio | LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure | 7.1 |
| | LR2 - Leverage ratio common disclosure template | 7.2 |
| Liquidity risk | LIQ1 – Liquidity Coverage Ratio | 8.4 |