AFRICAN BANK HOLDINGS LIMITED
and AFRICAN BANK LIMITED

PUBLIC PILLAR III DISCLOSURES

in terms of the Banks Act, Regulation 43
for the year ended ***30 September 2022***

African Bank
Audacity to believe

CONTENTS

1. EXECUTIVE SUMMARY

1.1. Overview

African Bank Limited (ABL), the retail banking arm of African Bank Holdings Limited ("Group", "ABHL"), commenced operations in April 2016, following the successful restructuring of the legacy African Bank. African Bank was recapitalised with new equity of R10 billion from ABHL, its immediate 100% holding company, resulting in a strong capital and liquidity position.

In July 2021, African Bank's Group Executive Committee launched an internal strategy review process titled 'Building Better Strategy, Together!' The initial assessments were founded on the insights of our African Bankers, which were followed by numerous engagements with our organisational leaders, senior advisors and Board members. The end result of the various engagements and contributions culminate into African Bank's FY25 strategy, referred to as 'Excelerate25', which acknowledges our heritage as African Bank to be a bank for the people and by the people.

In line with our 'Excelerate25' strategy, our acquisition of Grindrod Bank expands our core. In addition, the acquisition of Ubank's assets and liabilities strengthens our core.

During African Bank's FY22 reporting period, the South African economy emerged from the aftermath of the Covid-19 pandemic, only to be disrupted by Russia's invasion of Ukraine. This had a huge negative effect on both the global and South African economies, with high fuel and commodity prices, resulting in rising inflation and interest rates. Notwithstanding this economic backdrop, the African Bank Group has significantly grown our business by taking huge strides forward in delivering on our 'Excelerate25' strategy, launched towards the end of FY21. The full year results for the financial year ended 30 September 2022 showed substantial improvement compared to that of FY21, with net profit after tax increasing by 38% to R736 million (FY21: R534 million).

Our strengthened position is largely due to:

- strong retail loan disbursements exceeding pre-Covid-19 levels;
- the inaugural issuance of our first corporate loan adding to our product diversification;
- growing interest revenue earned on a larger advance book;
- stable credit impairments, as credit criteria returned to normal levels;
- alignment of credit provisioning policies with industry practices;
- enhanced benefits from captive insurance arrangement;
- effective operating cost containment, notwithstanding increased business activity;
- an improved funding mix and associated costs; and
- an improvement in non-interest income, as more credit cards and transactional banking, MyWORLD, accounts were opened and usage increased.

Notwithstanding the increased disbursements reported in FY22, and the maturing of expensive wholesale debt liabilities, the Group's balance sheet remains liquid, with adequate cash resources of R2.8 billion (FY21: R9.0 billion). The Group's balance sheet and liquidity position will be further strengthened in FY23, as a result of the Grindrod Bank acquisition and the acquisition of the assets and liabilities of Ubank. Liquidity risk, interest rate risk and foreign exchange risks are managed within our approved risk appetite framework.

The overall impact of the strong balance sheet structure, as expressed in the conservative risk appetite, is evidenced in the various sections of this report which, as of 30 September 2022, includes a CET1 ratio of 43.1%, a leverage ratio of 35.2%, a liquidity coverage ratio of 582% and a net stable funding ratio of 144% at the ABL level. Consequently, ABHL and ABL operate well above minimum required regulatory levels in respect of all prudential ratios.

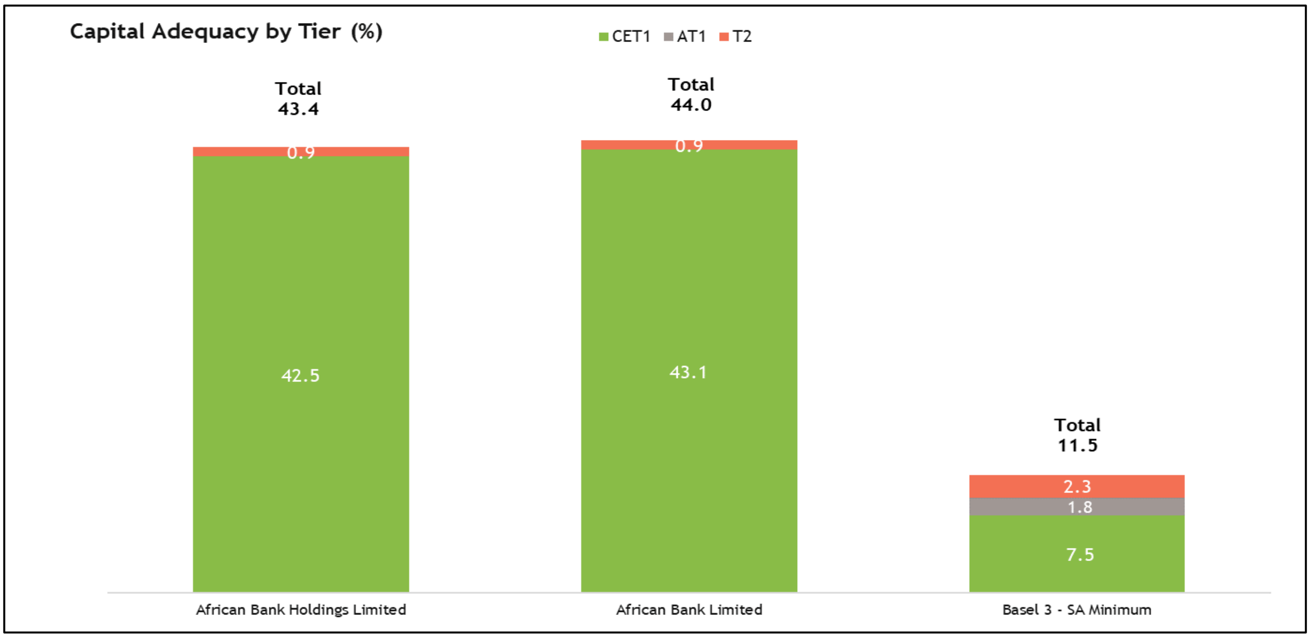
1.2. Governance

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

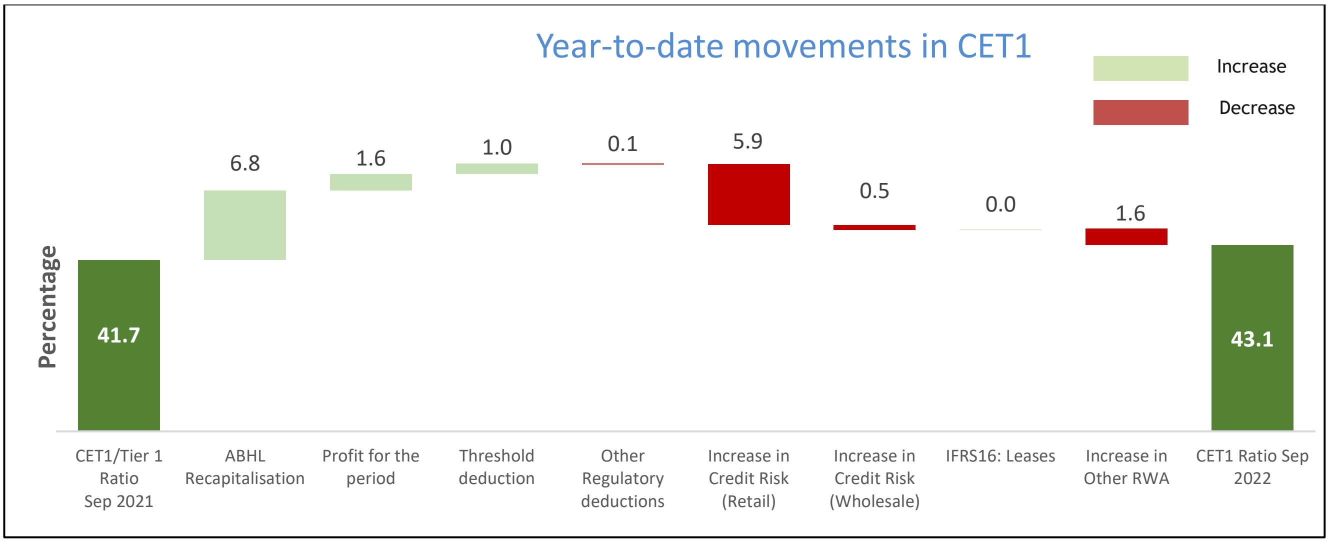
The capital adequacy ratios and qualifying regulatory capital for ABHL and ABL as at 30 September 2022 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 42.5% and 43.1% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 43.4% and 44.0% respectively.



YEAR-TO-DATE CET1/TIER 1 ANALYSIS

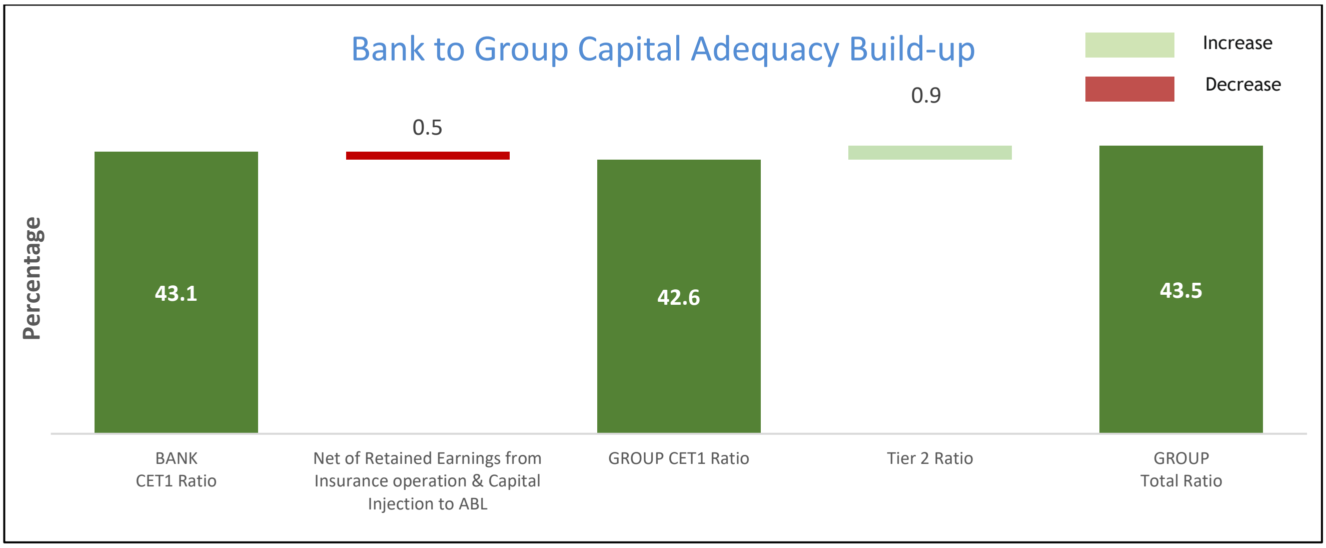
An analysis of the change in African Bank Limited's CET1 capital adequacy ratio movement from 30 September 2021 to 30 September 2022 as well as a comparison between the Bank and Group capital adequacy, as at 30 September 2022, is shown below.

African Bank Limited



The increase in CET1/Tier1 ratio from 30 September 2021 to 30 September 2022 is as a result of the net movement between the increase in capital demand and the increase in capital supply. The increase in capital demand is largely contributed by the increase in both retail and wholesale credit risk due to growth in the advances to customers. The demand increase in retail and corporate advances is evidenced in the on balance sheet increase in net advances which increased by R6.2 billion during the current financial year. The threshold deduction in the graph above relates to deferred tax amount greater than 10% of CET1 qualifying capital which is deducted from CET1 qualifying capital as a result of the 10% cap. The ratio was positively impacted by the increase in capital supply as a result of the profit reported for year ended 30 September 2022 of R341 million and the recapitalisation of the Bank by the Group during September 2022 of R1.5 billion. The Insurance profits that are generated by African Insurance Group Limited (AIG) (100% owned subsidiary of ABHL) are transferred to ABHL through dividends to support the growth of the Group balance sheet. Furthermore, the profits accumulated in ABHL are adequately appropriated and used to recapitalise the ABL, to support the expected advances growth in line with the capital management framework.

REGULATORY CAPITAL BUILD-UP FROM ABL TO ABHL



The Tier 2 ratio of 0.9% depicted in the graph above relates to the amount of general provisions that qualify as Tier 2 capital under the standardised approach for credit risk. The differences that exist between ABL and ABHL are primarily as a result of the following:

- **Impact of Insurance operations** – At a Group level, capital supply is bolstered by the cumulative earnings generated from the Group's insurance operations. There is no additional RWA requirement for the investment in the Group's insurance subsidiary, African Insurance Group Limited (AIG), due to a return of capital during 2018 that resulted in the write-down of the carrying value of the investment to zero. The decrease of 0.5% between the Bank CET1 ration and Group CET1 ratio is as a result of the unappropriated profits at Regulatory Group Consolidated level.
- **Impact of Cash & Investments made by ABHL** – There are no material additional RWA requirements at a Group level as the cumulative earnings received from the insurance operation are placed with ABL.

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

	African Bank Holdings Limited		African Bank Limited	
R million	Sep-2022	Jun-2022	Sep-2022	Jun-2022
Composition of qualifying regulatory capital				
Ordinary share capital & accumulated profit	10 935	10 835	12 935	11 485
Regulatory adjustments	(153)	(151)	(2 008)	(2 311)
Common Equity Tier 1 capital (CET1)	10 782	10 684	10 927	9 174
Total qualifying subordinated debt	-	-	-	-
Qualifying Portfolio Provisions	232	219	232	219
Tier 2 capital (T2)	232	219	232	219
Total Qualifying regulatory capital	11 014	10 903	11 159	9 393

(1) Refer to 7.2 of the detailed disclosure for a detailed breakdown of the above table

1.4. Leverage ratio

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

The increase in the leverage ratio at the ABL level, is largely driven by the increase in Tier 1 capital due to the profits generated and the recapitalisation of ABL by ABHL. This was slightly offset by the increase in exposure measure at both ABL and ABHL level due to growth in the total assets of the Bank.

	African Bank Holdings Limited		African Bank Limited	
R million	Sep-2022	Jun-2022	Sep-2022	Jun-2022
Capital and total exposures				
Tier 1 capital	10 782	10 684	10 927	9 173
Total exposures	31 024	30 347	31 020	30 210
Basel III leverage ratio	**34.8%**	**35.2%**	**35.2%**	**30.4%**
Basel III leverage ratio regulatory minimum requirement	**4.0%**	**4.0%**	**4.0%**	**4.0%**

(1) Refer to 8.2 of the detailed disclosure for a detailed breakdown of the above table

1.5. Liquidity coverage ratio ("LCR")

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

The decrease in the LCR from the previous reporting period was largely due to the decrease in HQLA, as a result of the increase in the collateral held against funds drawn down under the repurchase agreement. The increase in net cash outflows, increased over the quarter ended 30 September 2022, due to the maturities of deposits falling within the 30 day window, which further contributed to the decrease in the ratio.

African Bank Limited R million	Total weighted value (average) Sep-2022	Total weighted value (average) Jun-2022
Total high-quality liquid assets	2 122	2 358
Total net cash outflows	365	305
Liquidity coverage ratio (%)	**582%**	**772%**
Regulatory minimum requirement (1)	100%	100%

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

(2) The withdrawal on the temporary relief for LCR as per Directive 8/2021 has taken effect on 1 January 2022 where the minimum requirement has been increased to 100% effective 1 April 2022

1.6. Net stable funding ratio ("NSFR")

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

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

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

The NSFR increased marginally to 144% from 30 June 2022 to 30 September 2022. However, the underlying components of the NSFR increased quarter on quarter. The increase in available stable funding was largely due to recapitalisation of ABL by ABHL by R1.5 billion. The increase in the retail deposit book over the quarter also contributed to the increase in the available stable funding. The increase in the required stable funding over the quarter was primarily due to the growth in retail advances.

African Bank Limited R million	Sep-2022	Jun-2022
NSFR (%)	**144%**	**143%**
Available stable funding	26 610	24 972
Required stable funding	18 540	17 452

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

1.7. References of quantitative standardised tables and templates

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

2. BASIS OF COMPILATION

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

The comparative figures, where relevant, relate to the previous Pillar III reporting period in line with the requirements set out in BCBS 309 and as endorsed in PA Directive 1 of 2019. However, table KM1 which provides disclosures of key metrics at a group consolidated level requires four preceding quarterly disclosures in line with BCBS 400 as endorsed in the PA Directive 1 of 2019.

The table below shows an analysis of advances to customers for ABL as at 30 September 2022 and is included as a reference to the published Annual Financial Statements

Analysis of advances to customers as at 30 September 2022 (1)			
R million	Term loans (2)	Credit Cards / Overdrafts(3)	Total
Gross amount due by customers	28 808	4 760	33 568
Impairment attributable to acquired advances and deferred fees	(1 038)	(17)	(1 055)
Gross advances	**27 770**	**4 743**	**32 513**
Impairment and deferred fees attributable to originated advances	(8 842)	(1 024)	(9 866)
Net advances	**18 928**	**3 719**	**22 647**

(1) *The above table provides a breakdown of loans and advances related to corporate loans, credit cards, overdrafts and term loans only and excludes interbank and sovereign exposures*
(2) *Included in the term loans is an exposure of R1.8 billion gross amount relating to corporate exposure*
(3) *Included in the credit cards is an exposure of R53.4 million gross amount relating to Overdraft exposure*

3. SUPPLEMENTARY INFORMATION INCLUDING RISK MANAGEMENT

Additional information providing context for disclosures contained herein is included in the following documents published by the ABHL Group, available on the investor relations page of the Group's website: https://www.africanbank.co.za.

African Bank Holdings Limited Integrated Report 2022

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

African Bank Holdings Limited Environmental, Social and Governance Report 2022

African Bank Holdings Limited: consolidated and separate annual financial statements 30 September 2022, and

African Bank Limited: annual financial statements 30 September 2022

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

- Accounting policies (Note 1.1)
- Risk management (Note 25)
- Credit risk management including approach to impairment provisioning (Note 26)
- Market risk (Note 27)
- Interest rate risk management (Note 27.1)
- Foreign exchange risk management (note 27.3)
- Liquidity risk (Note 28)

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

3.1. Stress testing

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

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

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

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

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

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

The board identifies the Group's key risks through the Enterprise Risk Management (ERM) Framework. The risk appetite for each key risk is reviewed and approved by the Board to enable informed risk-based decision-making. The scenarios used in the Group's stress testing program, including the ICAAP and Recovery Plan, are devised with this board assessment in mind. These stress scenarios cover idiosyncratic and macro-economic stress scenarios which can be fast-moving or slow-moving scenarios. An enterprise-wide stress test approach is used for the ICAAP and Recovery planning, whereby various business such as IT, Credit, Treasury, ERM and other operational business units provides input into the stress scenarios. The ICAAP primarily focusses on the impact of macro-economic stress scenarios on the Group. The Recovery plan can be regarded as an extension of the ICAAP and therefore incorporates more severe stress scenarios which also include reverse stress testing.

4. PERIOD OF REPORTING

This report is prepared as at 30 September 2022 for the ABHL Group and its 100% held banking subsidiary, ABL.

5. SCOPE OF REPORTING

This report contains capital adequacy information for ABHL 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 ABHL 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 ABHL Group level, whilst the LCR and NSFR are reported at a Bank level.

6.1. KM1 – Key metrics

Period ended: R million		Sep22 (T)	Jun22 (T-1)	Mar22 (T-2)	Dec21 (T-3)	Sep21 (T-4)
Available capital (amounts) (1) (3)						
1	Common Equity Tier 1 (CET1)	10 782	10 684	10 801	9 156	9 352
1a	Fully loaded ECL accounting model	10 782	10 684	10 801	9 156	9 352
2	Tier 1	10 782	10 684	10 801	9 156	9 352
2a	Fully loaded accounting model Tier 1	10 782	10 684	10 801	9 156	9 352
3	Total capital	11 014	10 903	11 015	9 363	9 531
3a	Fully loaded ECL accounting model total capital	11 014	10 903	11 015	9 363	9 531
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	25 383	24 556	24 039	22 531	21 998
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	42.5	43.5	44.9	40.6	42.5
5a	Fully loaded ECL accounting model CET1 (%)	42.5	43.5	44.9	40.6	42.5
6	Tier 1 ratio (%)	42.5	43.5	44.9	40.6	42.5
6a	Fully loaded ECL accounting model Tier 1 ratio	42.5	43.5	44.9	40.6	42.5
7	Total capital ratio (%)	43.4	44.3	45.8	41.5	43.3
7a	Fully loaded ECL accounting model total capital ratio (%)	43.4	44.3	45.8	41.5	43.3
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5	2.5	2.5	2.5	2.5
9	Countercyclical buffer requirement (%)	0.0	0.0	0.0	0.0	0.0
10	Bank D-SIB additional requirements (%)	0.0	0.0	0.0	0.0	0.0
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.5	2.5	2.5	2.5	2.5
12	CET1 available after meeting the bank's minimum capital requirements (%)	35.0	36.0	37.4	33.6	35.5
Basel III Leverage Ratio (3)						
13	Total Basel III leverage ratio measure	31 024	30 347	30 369	28 461	29 911
14	Basel III leverage ratio (%) (row 2/row 13)	34.8	35.2	35.6	32.2	31.3
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	34.8	35.2	35.6	32.2	31.3
Liquidity Coverage Ratio (2) (3)						
15	Total HQLA	2 122	2 358	2 840	3 308	4 262
16	Total net cash outflow	365	305	362	312	338
17	LCR ratio (%)	582	772	785	1 062	1 260
Net Stable Funding Ratio (2) (3)						
18	Total available stable funding	26 610	24 972	24 620	23 071	23 801
19	Total required stable funding	18 540	17 452	17 144	16 206	15 287
20	NSFR ratio (%)	144	143	144	142	156

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

6.2. OV1 - Overview of risk weighted assets

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

	R million	African Bank Holdings Limited			African Bank Limited		
		RWA		Minimum capital requirements[1]	RWA		Minimum capital requirements[1]
		Sep-2022	Jun-2022	Sep-2022	Sep-2022	Jun-2022	Sep-2022
1	**Credit risk (excluding counterparty credit risk)**	**19 280**	**18 261**	**2 217**	**19 279**	**18 257**	**2 217**
2	Of which standardised approach (SA) [2]	19 280	18 261	2 217	19 279	18 257	2 217
4	**Counterparty credit risk**	**14**	**6**	**2**	**14**	**6**	**2**
5	Of which standardised approach for counterparty credit risk (SA-CCR) [3]	14	6	2	14	6	2
10	**Credit valuation adjustment (CVA)** [3]	8	4	1	8	4	1
12	**Equity investment in funds - Look-through approach** [4]	373	679	43	373	677	43
20	**Market risk**	**2**	**2**	**-**	**2**	**2**	**-**
21	Of which standardised approach (SA) [5]	2	2	-	2	2	-
24	**Operational risk** [6]	**2 547**	**2 726**	**293**	**2 430**	**2 614**	**279**
25	**Amounts below thresholds for deduction (subject to 250% risk weight)**	**2 659**	**2 659**	306	**2 659**	**2 327**	306
26	**Floor adjustment** [7]	**499**	**221**	**57**	**616**	**269**	**71**
27	**Total**	**25 382**	**24 558**	**2 919**	**25 381**	**24 156**	**2 919**

(1) *The minimum capital requirement per risk category from 1 January 2022 is 11.5% which comprises the base minimum (8.00%) plus capital conservation buffer (2.5%) plus the Pillar 2A systemic risk add-on (1%). The withdrawal of temporary relief has become effective on 1 January 2022 as per Directive 5/2021.*
(2) *Refer below for a further split on credit risk exposures relating to loans and advances.*
(3) *There are no material movement as no additional derivatives were entered into.*
(4) *The Regulations pertaining to equity investments in funds became effective on 1 January 2021. The Bank and Group has financial investments for which the look-through approach is being applied. The decrease in the financial*

investment exposure is due to additional placements of surplus cash being utilised for growth in loans and advances.

(5) No material movement noted in market risk.

(6) ABL currently applies the alternative standardised approach in calculating its operational risk, as approved by the Prudential Authority.

(7) The floor adjustment is as prescribed by the Regulator.

R million	African Bank Holdings Limited			African Bank Limited		
	RWA		Minimum capital requirements (1)	RWA		Minimum capital requirements (1)
	Sep-2022	Jun-2022	Sep-2022	Sep-2022	Jun-2022	Sep-2022
Of which standardised approach (SA) - Loans and advances	**18 516**	**17 531**	**2 129**	**18 515**	**17 527**	**2 129**
Retail Exposures	16 682	15 663	1 918	16 682	15 663	1 918
Non-Retail Exposures (excluding Sovereign exposures)	1 834	1 869	211	1 833	1 864	211

The increase in credit risk is largely driven by the growth in the retail advances.

7. COMPOSITION OF CAPITAL

The capital adequacy ratios and qualifying regulatory capital for ABHL and ABL as at 30 September 2022 are set out in the table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 42.3% and 42.9% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 43.2% and 43.8% respectively.

7.1. Composition of regulatory capital

R million	African Bank Holdings Limited		African Bank Limited		Reference [1]
Section A	Sep-2022	Jun-2022	Sep-2022	Jun-2022	
Common Equity Tier 1 Capital					
Ordinary share capital & premium	10 000	10 000	12 935	11 485	Row 1
Accumulated profit [2]	935	835	-	-	Row 2
Total as per Transitional Basel 3 Template	**10 935**	**10 835**	**12 935**	**11 485**	Row 6
Section B					
Common Equity Tier 1 Regulatory Adjustments					
- Intangible assets in terms of IFRS	(153)	(151)	(153)	(151)	
- Other regulatory adjustments, including accumulated losses [3]	-	-	(1 855)	(2 160)	
Total as per Transitional Basel 3 Template	**(153)**	**(151)**	**(2 008)**	**(2 311)**	Row 28
Section C					
Additional Tier 1 capital (AT1)	-	-	-	-	
Section D					
Subordinated debt	-	-	-	-	
Accrued interest not classified as Tier 2 capital	-	-	-	-	
Total subordinated debt	**-**	**-**	**-**	**-**	Row 46/48
Haircut on amounts attributable to third parties	-	-	-	-	Row 57
Tier 2 instruments issued by subsidiary and held by third parties	**-**	**-**	**-**	**-**	
Portfolio provisions	232	219	232	219	Row 50
Total as per Transitional Basel 3 Template	**232**	**219**	**232**	**219**	Row 58
Total Qualifying regulatory capital	**11 014**	**10 903**	**11 159**	**9 393**	
Section E					
Summary of Capital Adequacy Ratios					
CET1%	42.5	43.5	43.1	38.0	
AT1%	0.0	0.0	0.0	0.0	
T1%	42.5	43.5	43.1	38.0	
T2%	0.9	0.9	0.9	0.9	
Total capital adequacy %	**43.4**	**44.4**	**44.0**	**38.9**	

(1) Refer to 7.3 (Composition of Capital Disclosure Template) for references to the rows.

(2) The amount excludes unappropriated profits.

(3) A significant portion of the regulatory adjustment includes accumulated losses at ABL level (refer 7.4 below).

7.2. CC1 - Composition of regulatory capital

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

	Period ended: 30 September 2022	African Bank Holdings Limited	African Bank Limited	Reference [(1)]
	Common Equity Tier 1 capital instruments and reserves	R million	R million	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related to stock surplus	10 000	12 935	Section A
2	Retained earnings	935	-	
3	Accumulated other comprehensive income (and other reserves)	-	-	
6	Common Equity Tier 1 capital before regulatory adjustments	10 935	12 935	Section A
	Common Equity Tier 1 capital: regulatory adjustments			
28	Total regulatory adjustments to Common Equity Tier 1	(153)	(2 008)	Section B
29	Common Equity Tier 1 capital (CET 1)	10 782	10 927	
	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)	10 782	10 927	
	Tier 2 capital and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	Section D
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	-	Section D
50	Provisions	232	232	Section D
51	Tier 2 capital before regulatory adjustments	232	232	
	Tier 2 capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 capital	-	-	
58	Tier 2 capital (T2)	232	232	Section D
59	Total capital (TC = T1 + T2)	11 014	11 159	
60	Total risk weighted assets	25 383	25 382	
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	42.5%	43.1%	
62	Tier 1 (as a percentage of risk weighted assets)	42.5%	43.1%	
63	Total capital (as a percentage of risk weighted assets)	43.4%	44.0%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.5%	7.5%	
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: bank specific countercyclical buffer requirement	0%	0%	
67	of which: G-SIB buffer requirement	0%	0%	

68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	35.0%	35.5%
Amounts below the threshold for deductions (before risk weighting)			
73	Significant investments in the common stock of financials	-	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1 064	1 064
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)	2 317	2 317
77	Cap on inclusion of provisions in Tier 2 under standardised approach	232	232

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

7.3. CC2 – reconciliation of regulatory capital to balance sheet

Reconciliation of regulatory capital to balance sheet as at 30 September 2022 R million	African Bank Holdings Limited	Regulatory scope of consolidation (2)	African Bank Limited	Regulatory scope of consolidation (2)	Reference (1)
Assets					
Cash and cash equivalents	1 544	938	1 378	934	
Financial investments	160	160	160	160	
Regulatory deposits and sovereign debt securities	2 444	2 888	2 444	2 888	
Derivatives	85	85	85	85	
Net advances	22 647	22 647	22 647	22 647	
Accounts receivable and other assets	202	202	202	202	
Investment in insurance contracts	529	-	-	-	
Property and equipment and right of use asset	562	562	562	562	
Intangible assets	153	153	153	153	Section B
Deferred tax assets	1 064	1 064	1 064	1 064	
Total assets	**29 390**	**28 698**	**28 695**	**28 695**	
Liabilities					
Current tax	12	12	12	12	
Creditors and other liabilities	887	886	885	885	
Short-term funding	5 756	5 756	5 869	5 869	
Bonds and other long-term funding	10 848	10 848	10 849	10 849	
Total liabilities	**17 503**	**17 502**	**17 615**	**17 615**	
Equity					
Ordinary share capital	5	5	5	5	Row 1
Ordinary share premium	9 995	9 995	12 930	12 930	Row 1
Accumulated reserves / (losses) (3)	1 887	935	(1 855)	(1 855)	Section B
Total equity	**11 887**	**10 935**	**11 080**	**11 080**	
Total liabilities and equity	**29 390**	**28 436**	**28 695**	**28 695**	

(1) Refer to 7.2 and 7.3 for references to the sections and rows respectively.

(2) Note that at African Bank Limited level there are no differences, however at African Bank Holdings Limited level, the insurance entity (African Insurance Group) is not consolidated for regulatory purposes.

(3) Excludes unappropriated profits for African Bank Holdings Limited under Regulatory Scope of Consolidation

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 the leverage ratio at the ABL level, is largely driven by the increase in Tier 1 capital due to the profits generated and the recapitalisation of ABL by ABHL. This was slightly offset by the increase in exposure measure at both ABL and ABHL level due to growth in the total assets of the Bank.

The exposure used in the calculation of the ratio (see 8.2) differs from the total assets as measured using IFRS as shown below. The disclosures are prepared using figures as at 30 September 2022.

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

Line #	R million	African Bank Holdings Limited		African Bank Limited	
		Sep-2022	Jun-2022	Sep-2022	Jun-2022
1	Total consolidated assets as per published financial statements	29 390	28 357	28 695	27 843
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(690)	(509)	-	-
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	(75)	(81)	(75)	(81)
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)	237	256	237	256
7	Other adjustments (1)	2 162	2 324	2 163	2 192
8	Leverage ratio exposure	31 024	30 347	31 020	30 210

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

8.2. LR2 - Leverage ratio common disclosure template

Line #	R million	African Bank Holdings Limited		African Bank Limited	
		Sep-2022	Jun-2022	Sep-2022	Jun-2022
	On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives and Securities Financing Transactions (“SFTs”)*, but including collateral)	30 930	30 238	30 926	30 234
2	Asset amounts deducted in determining Basel III Tier 1 capital	(153)	(151)	(153)	(284)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**30 777**	**30 087**	**30 773**	**29 950**
	Derivative exposures				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	7	1	7	1
5	Add-on amounts for PFE associated with all derivatives transactions	3	3	3	3
6	Gross-up for derivatives collateral provided where deducted from the balance sheet asset pursuant to the operative accounting framework	-	-	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**10**	**4**	**10**	**4**
	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	983	950	983	950
18	(Adjustments for conversion to credit equivalent amounts)	(746)	(694)	(746)	(694)
19	**Off-balance sheet items (sum of lines 17 and 18)**	237	256	237	256
20	Tier 1 capital	10 782	10 684	10 927	9 173
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**31 024**	**30 347**	**31 020**	**30 210**
	Leverage ratio				
22	**Basel III leverage ratio**	**34.8%**	**35.2%**	**35.2%**	**30.4%**

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

9. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

This section outlines the treatment and the carrying values as published in the financial statements used for the various regulatory risk categories and the carrying values of the items for the calculation of regulatory capital. Certain differences arise as a result of differing treatment under regulatory and IFRS rules as further explained below.

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

African Bank Limited (R million)	a	c	d	e	f	g	h
	Carrying values as reported in financial statements & under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deductions from capital	Subject to other risk[(1)]
Cash and cash equivalents [(2)]	1 378	1 378	-	-	2	-	-
Financial Investments	160	-	-	-	-	-	160
Regulatory deposits and sovereign debt securities	2 444	2 444	-	-	-	-	-
Derivatives	85	-	85	-	-	-	-
Net advances	22 647	22 647	-	-	-	-	-
Accounts receivable and other assets	202	202	-	-	-	-	-
Property and equipment and right of use asset	562	562	-	-	-	-	-
Intangible assets	153	-	-	-	-	153	-
Deferred tax assets	1 064	-	-	-	-	1 064	-
Total assets	**28 695**	**27 233**	**85**	**-**	**2**	**1 217**	**160**
Current tax	12	-	-	-	-	12	-
Creditors and accruals	885	-	-	-	-	885	-
Short-term funding [(2)]	5 869	-	78	-	-	5 791	-
Bonds and other long-term funding	10 849	-	-	-	-	10 849	-
Ordinary shareholder's equity	11 080	-	-	-	-	11 080	-
Total equity and liabilities	**28 695**	**-**	**78**	**-**	**-**	**28 617**	**-**

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

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

African Bank Holdings Limited (R million)	a	b	c	d	e	f	g	h
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation[(1)]	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deductions from capital	Subject to other risk[(2)]
Cash and cash equivalents [(3)]	1 544	1 382	1 382	-	-	2	-	-
Financial Investments	160	160	-	-	-	-	-	160
Regulatory deposits and sovereign debt securities	2 444	2 444	2 444	-	-	-	-	-
Derivatives	85	85	-	85	-	-	-	-
Net advances	22 647	22 647	22 647	-	-	-	-	-
Accounts receivable and other assets	202	202	202	-	-	-	-	-
Investment in insurance contracts	529	-	-	-	-	-	529	-
Property and equipment and right of use asset	562	562	562	-	-	-	-	-
Intangible assets	153	153	-	-	-	-	153	-
Deferred tax assets	1 064	1 064	-	-	-	-	1 064	-
Total assets	**29 390**	**28 699**	**27 237**	**85**	**-**	**2**	**1 746**	**160**
Current tax	12	12	-	-	-	-	83	-
Creditors and accruals	887	885	-	-	-	-	975	-
Short-term funding [(3)]	5 756	5 756	-	78	-	-	5 678	-
Bonds and other long-term funding	10 848	10 848	-	-	-	-	10 848	-
Ordinary shareholder's equity	11 887	11 887	-	-	-	-	11 887	-
Total equity and liabilities	**29 390**	**29 388**	**-**	**78**	**-**	**-**	**29 471**	-

(1) *The table above is completed at ABHL level. There are no material differences between the assets of ABL and ABHL. The insurance entity (African Insurance Group) is not consolidated for regulatory purposes.*

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

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

9.2. LI2: Main sources of differences between regulatory amounts and carrying values in financial statements

The purpose of this table is to provide information on the main sources of differences (other than due to different scopes of consolidation which are shown in 9.1) between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.

	African Bank Limited (R million)	a	b	c	d	e	f
			Items subject to:				
		Total	Credit risk framework	Counterparty credit risk framework(4)	Securitisation framework	Market risk framework(3)	Other risk framework(5)
1	Total asset carrying value amount under scope of regulatory consolidation	28 695	27 234	85	-	2	160
2	Total equity and liabilities carrying value amount under scope of regulatory consolidation	28 695	-	78	-	-	160
3	Total net amount under regulatory scope of consolidation (3)	-	27 234	7	-	2	-
4	Off-balance sheet amounts (1)	1 061	251	-	-	-	-
5	Differences in valuations (2)	-	897	8	-	-	-
9	Exposure amounts considered for regulatory purposes	28 566	28 381	23	-	2	160

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

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

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

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

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

African Bank Holdings Limited (R million) [1]		a	b	c	d	e	f
			Items subject to:				
		Total	Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework	Other risk framework
1	Total asset carrying value amount under scope of regulatory consolidation	28 698	27 237	85	-	2	160
2	Total equity and liabilities carrying value amount under scope of regulatory consolidation	28 436	-	78	-	2	160
3	Total net amount under regulatory scope of consolidation	262	27 237	7	-	-	-
4	Off-balance sheet amounts	1 061	251	-	-	-	-
5	Differences in valuations	-	897	8	-	-	-
9	Exposure amounts considered for regulatory purposes	28 570	28 385	23	-	2	160

(1) There are no material differences between the assets of ABL and ABHL.

10. CREDIT RISK

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

For an overview of credit risk management, including credit granting criteria, the credit philosophy, credit risk assessment and monitoring, collections and restructures and the credit provisioning methodologies, please refer to Note 26 in the ABL annual financial statements for the year ended 30 September 2022.

10.1. CR1 - Credit quality of assets

The following table shows the classification of the gross carrying value of the total of the retail advances and interbank deposits split between defaulted and non-defaulted exposures showing the impairments in respect of the defaulted exposures. The impairment provision coverage in respect of the non-defaulted exposures are not included here and are shown under section 10.5.

R million	a	b	c	d	e	f	g
	Gross carrying values of			Of which ECL accounting provisions for credit losses on SA exposures			
	Defaulted exposures (1)	Non-defaulted exposures	Allowances/ impairments	Allocated in regulatory category of Specific	Allocated in regulatory category of General	Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a + b - c)
Loans	11 643	21 352	10 640	8 331	2 309	-	22 355
Debt securities	-	2 450	7	-	7	-	2 443
Off-balance sheet exposures	144	839	-	-	-	-	983
Total	**11 787**	**24 641**	**10 647**	**8 331**	**2 317**	**-**	**25 781**

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

10.2. CR2 - Changes in stock of defaulted loans and debt securities

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

R million	a
Defaulted loans and debt securities at end of the previous reporting period	**11 528**
Increase in defaulted Loans and debt securities since the last reporting period	1 670
Returned to non-defaulted status	(265)
Amounts written off	(1 184)
Other changes	(106)
Defaulted loans and debt securities at end of the reporting period	**11 643**

10.3. Breakdown of gross credit exposure by geographical areas

The total gross credit exposure of the Bank is located within the Republic of South Africa (Rm 36,759). There are no exposures outside of South Africa.

10.4. Breakdown of gross credit exposure by industry type

The split of the credit exposure between financial intermediaries and private household is given below. The first category comprises interbank deposits and RSA sovereign exposures, while the second comprises personal loans and credit cards. The on balance sheet exposure in the table below is completed in accordance with Regulations 23 and 24 of the Regulations relating to banks, where exposures to certain products are reported on an average basis.

R million	On balance sheet exposure	Off balance sheet exposure	Total
Financial intermediation and insurance	12	-	12
Business services	1 760	140	1 900
Private households	31 476	921	32 397
Other	2 450	-	2 450
Total	**35 698**	**1 061**	**36 759**
of which: Sovereign (central government and central bank)	2 450	-	2 450

10.5. Impaired advances

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

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

Regulatory classifications	Impairment Cover %
	Sep-2022
Standard and special mention (1)	10.50%
Sub-standard	64.03%
Doubtful	74.63%
Loss	72.55%

(1) The impairment coverage relating to the corporate exposure is excluded from this analysis. As at 30 September 2022 the impairment coverage for Corporate exposure amounted to 2.74%

10.6. Ageing analysis

The ageing of gross advances on term loans and credit cards to customers based purely on days past due. Amounts reported are based on actuals as at 30 September 2022.

R million	Gross carrying amount
Not past due [1]	20 005
Past due 31 -90 days	1 642
Past due 91 - 182 days	4 211
Past due > 182 days	7 428
Total	**33 286**

(1) Included in this is the gross carrying amount relating to corporate exposure amounting to R1.8 billion

10.7. CRD - External credit assessment

In calculating the required amount of capital to be held against credit risk, the Bank applies the long term, international credit ratings as published by Moody's Investor Services.

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

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

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

10.8. CR3 - Credit risk mitigation techniques overview

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

R million	a	b	c	d	e	f	g
	Exposures Unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured amount	Exposure secured by credit derivatives	Exposures secured by credit derivatives of which: secured amount
Loans	22 355	-	-	-	-	-	-
Debt securities	2 443	-	-	-	-	-	-
Total	**24 797**	**-**	**-**	**-**	**-**	**-**	**-**
Of which defaulted	11 787	-	-	-	-	-	-

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

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

	R million	a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM(1)		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign and their central banks	2 450	-	2 450	-	-	-
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	12	-	12	-	3	25.00%
5	Securities firms	-	-	-	-	-	-
6	Corporates	1 760	140	1 760	70	1 830	96.83%
7	Regulatory retail portfolios	19 747	777	19 694	155	15 051	75.83%
	of which:						
8	Secured by residential property	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-
11	Past-due loans	3 398	144	3 398	29	1 631	47.59%
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	1 588	-	1 588	-	764	48.11%
14	**Total**	**28 955**	**1 061**	**28 902**	**254**	**19 279**	**66.12%**

(1) *As per 10.8, credit risk mitigation (CRM) is applied to derivative exposures when applicable, which are not included in the table above. Credit conversion factors (CCF) have been applied to off-balance sheet exposures in terms of Regulation 23.*

10.10. CR5 - Exposures by asset class and risk weights

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

	R million	a	b	c	d	e	f	g	h	i	j
	Asset classes by risk weights	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereign and their central banks	2 450	-	-	-	-	-	-	-	-	2 450
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	10	-	2	-	-	-	-	12
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	1 830	-	-	1 830
7	Regulatory retail portfolios	-	-	-	-	-	19 849	-	-	-	19 849
8	of which: Secured by residential property	-	-	-	-	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	3 338	-	88	1	-	3 427
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	824	-	-	-	-	-	764	-	-	1 588
14	Total	**3 274**	**-**	**10**	**-**	**3 340**	**19 849**	**2 682**	**1**	**-**	**29 156**

10.11. CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach

The information shown in this table and the three tables below show the CCR in respect of the interest rate swap that the Bank has on its book.

	R million	a	b	c	d	e	f
		Replacement Cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives) [1]	7	3		1.4	14	14
2	Internal model method (for derivatives and SFTs)			-	-	-	-
3	Simple approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive approach for credit risk mitigation (for SFTs)					-	-
5	VaR for SFTs					-	-
6	**Total**						**14**

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

10.12. CCR2 - Credit valuation adjustment (CVA) charge

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

	R million	a	b
		EAD post-CRM	RWA
	Total portfolios subject to the advanced CVA capital charge	-	-
1	(i) VaR component (including the 3 x multiplier)		
2	(ii) Stressed VaR component (including the 3 x multiplier)		
3	All portfolios subject to the standardised CVA capital charge	10	8
4	**Total subject to the CVA capital charge**	**10**	**8**

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

The exposure relates to an interest rate swap that the Bank has on its book as at 30 September 2022.

R million	a	b	c	d	e	f	g	h	i	j
Regulatory portfolios by risk weights	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
Sovereigns	-	-	-	-	-	-	-	-	-	-
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	14	-	-	14
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**14**	**-**	**-**	**14**

10.14. CCR5 - Composition of collateral for CCR exposure

The collateral held by the Bank for derivative exposure was pertaining to the interest rate swap held as at 30 September 2022.

R million	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFT's	
	Fair value of collateral received		**Fair value of posted collateral**		**Fair value of collateral received**	**Fair value of posted collateral**
	Segregated	**Un segregated**	**Segregated**	**Un segregated**		
Cash - domestic currency	-	78	-	78	-	-
Cash - other currencies	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

11. LIQUIDITY MEASUREMENTS

11.1. Liquidity management

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

This section presents various measurements of the Group liquidity position. Further detail regarding liquidity risk is given in Note 28 to the ABL audited annual financial statements for the year ended 30 September 2022.

11.2. Liquidity and funding strategy

The Group's strategy is to diversify its' funding towards achieving a greater proportion of retail funding relative to wholesale funding. As at 30 September 2022 the Group received 74% of its total funding from retail depositors, up from 61% as at 30 September 2021.

Liquidity risk is recognised as a key risk that impacts the going concern stages of the Group. The directors have satisfied themselves that the Group is in a sound financial position and had sufficient cash reserves to meet all its short term and medium cash requirements as of 30 September 2022.

11.3. Contractual and behavioural liquidity mismatches

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

11.4. Contractual liquidity maturity analysis (mismatch)

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

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

The table was prepared on the following basis:

- Asset and liability cash flows are presented on an undiscounted basis with an adjustment to reflect the total discounted result;
- The cash flows of floating rate financial instruments are calculated using published forward market rates at balance sheet date;
- The cash flows of derivative financial instruments are included on a gross basis;
- Contractual cash flows with respect to off-balance sheet items which have not yet been recorded on the balance sheet, are excluded;
- Adjustments to loans and advances to clients relate to deferred loan fee income, and

- Non-cash liabilities, representing leave pay and the straight-lining of operating leases, are disclosed as adjustments to trade and other payables.

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Assets and liabilities maturities as at 30 September 2022 R million	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Non-contractual	Total
Assets							
Cash and cash equivalents	1 378	-	-	-	-	-	1 378
Financial Investments	160	-	-	-	-	-	160
Regulatory deposits and sovereign debt securities	708	20	19	-	1 704	(7)	2 444
Derivatives	-	-	-	85	-	-	85
Net advances	1 467	1 414	6 094	3 717	8 958	997	22 647
Accounts receivable and other assets	202	-	-	-	-	-	202
Property and equipment and right of use asset	-	-	-	-	-	562	562
Intangible assets	-	-	-	-	-	153	153
Deferred tax asset	-	-	-	-	-	1 064	1 064
Total assets	**3 915**	**1 434**	**6 113**	**3 802**	**10 662**	**2 769**	**28 695**
Liabilities and equity							
Current tax	12	-	-	-	-	-	12
Creditors and other liabilities	524	16	225	7	24	89	885
Short-term funding	3 589	526	1 754	-	-	-	5 869
Bonds and other long-term funding	16	7	10	3 405	7 411	-	10 849
Ordinary shareholder’s equity	-	-	-	-	-	11 080	11 080
Total liabilities and equity	**4 185**	**549**	**1 989**	**3 368**	**7 435**	**11 169**	**28 695**
Net liquidity gap	**(270)**	**885**	**4 124**	**434**	**3 227**	**(8 400)**	**-**

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

Off balance sheet items

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

(a) Committed undrawn credit card facilities totalled R828 million. These commitments are attributable to undrawn credit card amounts.

(b) Committed undrawn corporate facilities totalled R140 million. These commitments are attributable to undrawn amounts on facilities granted to corporate entities.

(c) Uncommitted undrawn overdraft facilities totalled R15 million. These commitments are attributable to undrawn overdraft amounts.

11.5. LIQ1 - Liquidity coverage ratio (LCR)

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

The decrease in the LCR from the previous reporting period was largely due to the decrease in HQLA, which decreased due to increase in the collateral held against funds drawn down under the repurchase agreement. The increase in net cash outflows, due to the maturities of deposits falling within the 30 day window increased over the quarter ended 30 September 2022 as compared to the quarter ended 30 June 2022, also further contributed to the decrease in the ratio.

	African Bank Limited R million	Total unweighted value (average) (1)	Total weighted value (average) (1)	Total weighted value (average) (1)
		Sep-2022	**Sep-2022**	**Jun-2022**
1	**Total high-quality liquid assets (HQLA) (see 10.5.1)**		**2 122**	**2 358**
	Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	2 841	284	262
3	Stable deposits	-	-	-
4	Less-stable deposits	2 841	284	262
5	Unsecured wholesale funding, of which:	798	795	379
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
7	Non-operational deposits (all counterparties)	-	-	-
8	Unsecured debt	798	795	379
9	Secured wholesale funding	515	-	-
10	Additional requirements, of which:	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	306	306	580
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	963	58	66
14	Other contractual funding obligations	301	15	15
15	Other contingent funding obligations	-	-	-
16	**Total cash outflows**	**5 723**	**1 458**	**1 221**
	Cash inflows			
17	Secured lending (e.g. reverse repos)	-	-	-
18	Inflows from fully performing exposures	2 957	2 492	3 070
19	Other cash inflows	-	-	-
20	**Total cash inflows**	**2 957**	**2 493**	**3 070**
			Total Adjusted Value	Total Adjusted Value
21	**Total HQLA**		**2 122**	**2 358**
22	**Total net cash outflows (2)**		**365**	**305**
23	**Liquidity coverage ratio (%) (3)**		**582%**	**772%**

(1) The average numbers are calculated using the daily LCR figures for the quarter ended 30 September 2022.

(2) *ABL has a net cash inflow after applying the run-off factors, outflows for the purpose of the ratio are therefore deemed to be 25% of gross outflows as prescribed through Regulation 26 of the Banks Act.*
(3) *No material differences that would impact the LCR between Bank and Group have been noted.*

11.5.1. Composition of high-quality liquid assets

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

R million	Sep-2022	Jun-2022
Total level one qualifying high-quality liquid assets (1)	**2 122**	**2 358**
Cash	0	2
Qualifying central bank reserves	422	396
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	1 701	1 960

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

11.5.2. MR1 - Derivative exposures and potential collateral calls

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

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

11.6. LIQ2 - net stable funding ratio (NSFR)

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

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

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

The NSFR remained flat at 143% from 30 June 2022 to 30 September 2022. However, the underlying components of the NSFR increased quarter on quarter. The increase in available stable funding was largely due to recapitalisation of ABL by ABHL by R1.5 billion. The increase in the retail deposit book over the quarter also contributed to the increase in the available stable funding. The increase in the required stable funding over the quarter was primarily due to the growth in retail advances.

	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:	11 258	-	-	-	11 258
2	*Regulatory capital*	11 258	-	-	-	11 258
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	4 052	952	7 315	11 819
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	4 052	952	7 315	11 819
7	Wholesale funding:		778	30	3 446	3 533
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	778	30	3 446	3 533
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	962	-	-	-
12	*NSFR derivative liabilities*		-	-	-	
13	*All other liabilities and equity not included in the above categories*	-	962	-	-	-
14	**Total ASF**					**26 610**

(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")					145
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:		5 688	4 002	12 675	15 368
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*	-	715	-	-	107
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	4 973	4 002	12 675	15 261
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:	-	-	-	7	7
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*				7	7
30	*NSFR derivative liabilities before deduction of variation margin posted*				-	-
31	All other assets not included in the above categories	-	-	-	2 971	2 971
32	Off-balance sheet items		983	-	-	49
33	***Total RSF***					**18 540**
34	***Net Stable Funding Ratio (%)***					**144%**

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

12. INTEREST RATE RISK

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

Further detail regarding interest rate risk is given in Note 27.1 to the African Bank Limited Annual Financial Statements for the year ended 30 September 2022. The differences between the disclosures for interest rate risk sensitivity in the annual financial statements and this report relate to differing methodologies applied.

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

An interest rate increase resulted in 1.30% increase and an interest rate decrease resulted in (1.31%) decrease as a percentage of qualifying capital and reserve funds.

Interest rate sensitivity (R million)	Sep-2022	Mar-2022
Increase	145	125
Decrease	(146)	(126)

13. REMUNERATION

The Remuneration Policy is linked to sustainable value creation and comprises both short and long-term incentives. For detailed disclosures refer to pages 89-100 of the African Bank Holdings Limited Environmental, Social and Governance Report as at 30 September 2022. This report contains a detailed review of the remuneration paid to executive directors and prescribed officers as defined by the Companies Act who are regarded as senior managers for purposes of this report. There are no other material risk-takers.

14. QUALITATIVE DISCLOSURES AND ACCOUNTING POLICIES

The regulations require that certain qualitative disclosures and statements on accounting policy be made. These were made in the annual financial statements and integrated annual report for the financial period ended 30 September 2022, 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
	KM2 – Key metrics – TLAC requirements	N/A to African Bank as the entity is not designated as a D-SIB
	OV1 – Overview of RWA	6.2
Composition of Capital	CCA – Main features of regulatory capital instruments	Refer to: https://www.africanbank.co.za/en/home/corporate-info-basel-pillar-iii-announcements/
	CC1 – Composition of regulatory capital	7.3
	CC2 – Reconciliation of regulatory capital to balance sheet	7.4
Leverage ratio	LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure	8.1
	LR2 - Leverage ratio common disclosure template	8.2
Linkages between financial statements and regulatory exposures	LI1 – Difference between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories	9.1
	LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements	9.2
	LIA – Explanations of differences between accounting and regulatory exposure amounts	N/A (No difference)
Credit Risk	CRA – General information about credit risk	10 (Note 26 of AFS)
	CR1 – Credit quality of assets	10.1
	CR2 – Changes in stock of defaulted loans and debt securities	10.2
	CRB – Additional disclosure related to the credit quality of assets	10.3 to 10.6
	CRC – Qualitative disclosure requirements related to credit risk mitigation techniques	3 (Referenced to AFS)
	CR3 – Credit risk mitigation techniques – Overview	10.8
	CRD – Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk	10.7

	CR4 – Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects	10.9
	CR5 – Standardised approach – exposures by asset classes and risk weights	10.10
	CR7 – IRB – Effect on RWA of credit derivatives used as CRM techniques	N/A
	CR8 – RWA flow statements of credit risk exposures under IRB	N/A
Counterparty credit risk	CCRA – Qualitative disclosure related to counterparty credit risk	3 (Referenced to AFS)
	CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach	10.11
	CCR2 – Credit valuation adjustment (CVA) capital charge	10.12
	CCR3 – Standardised approach of CCR exposures by regulatory portfolio and risk weights	10.13
	CCR5 – Composition of collateral for CCR exposures	10.14
	CCR7 – RWA flow statements of CCR exposures under the Internal Model Method	N/A
Liquidity risk	LIQ1 – Liquidity Coverage Ratio	11.5
	LIQ2 – Nest Stable Funding Ratio	11.6
Market risk	MRA – Qualitative disclosure requirements related to market risk	3 (Referenced to AFS)
	MR1 – Market risk under standardised approach	11.5.2
	MR3 – Internal Models Approach values for trading portfolios	N/A
Remuneration	REMA – Remuneration policy	ESG Report Pages 89-100
	REM1 – Remuneration awarded during the financial year	
	REM2 – Special payments	
	REM3 – Deferred remuneration	

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