African Bank

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African Bank Holdings Limited and African Bank Limited

Public Pillar III Disclosures in terms of the Banks Act, Regulation 43 as at 31 March 2018

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1. EXECUTIVE SUMMARY

1.1. OVERVIEW

African Bank Holdings Limited (ABH or the ABH Group) and its 100% held banking subsidiary, African Bank Limited (“ABL” or “the Bank”) commenced business on 4 April 2016. ABH was capitalised with a cash subscription for ordinary shares in the amount of R10 billion and, in turn, ABH elected to capitalise ABL with the same amount, also in return for ordinary shares. An extended liability term structure was established as a result of the restructuring of the old African Bank that was placed under curatorship on 10 August 2014 and subsequently renamed Residual Debt Services Limited (in curatorship) (RDS), (the Restructuring). ABL acquired a portfolio of assets and liabilities from RDS in terms of the Restructuring, which included the more credit-worthy retail advances book.

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

The Bank is faced with 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 as yet proven its ability to attract medium term funding in the wholesale markets. The available surplus liquid assets are sufficient to meet the short term maturity obligations over the next 12 months. 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.

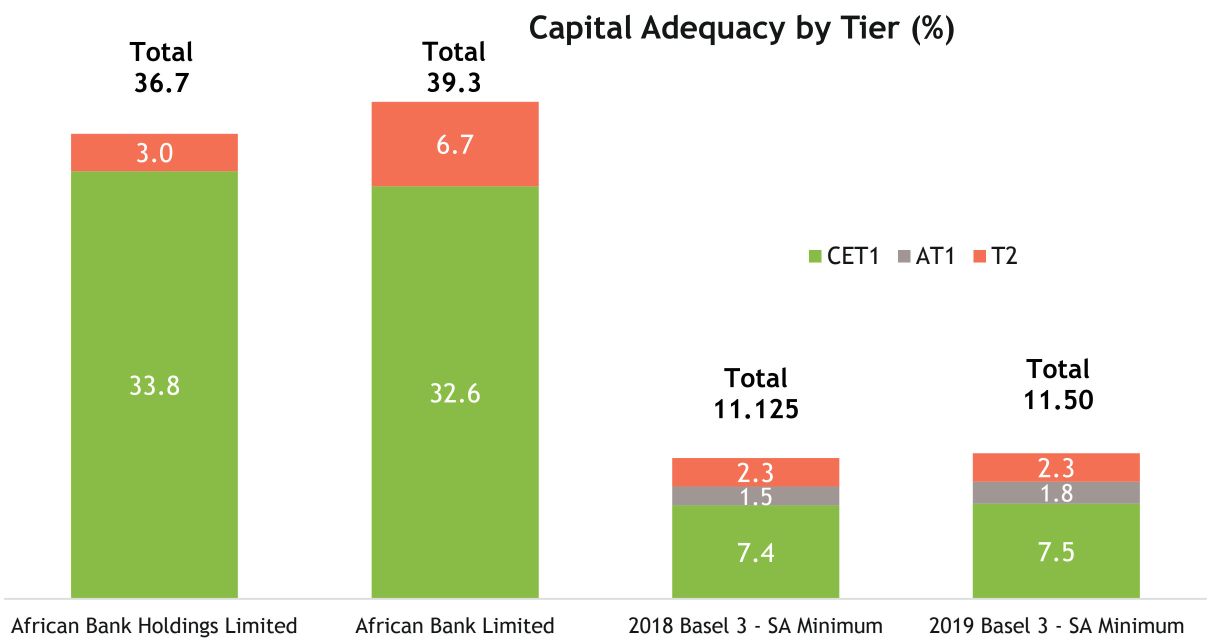
The overall balance sheet of ABL therefore remains strong, with advances well provided for, strong capital adequacy and available cash holdings, including surplus liquid assets of R8.6 billion. Liquidity risk, interest rate risk and foreign exchange risks are also managed within a conservative risk appetite framework.

The overall impact of the strong balance sheet structure, as expressed in the conservative risk appetite, is evidenced in the various sections of this report which, as of 31 March 2018, include CET1 ratio of 32.6%, a leverage ratio of 26.2%, a liquidity coverage ratio of 1,651% and a net stable funding ratio of 145% at the ABL level.

1.2. CAPITAL ADEQUACY RATIOS

The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 31 March 2018 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 33.8% and 32.6% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 36.7% and 39.3% respectively.

The lower total capital adequacy for the ABH in comparison to that of ABL is as a result of the exclusion of the minority interest attributed to the Tier 2 capital issued at ABL in the computation of the total ABH capital adequacy ratio.



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

	African Bank Holdings Limited		African Bank Limited	
Rmillion	31 Mar 2018	30 Sep 2017	31 Mar 2018	30 Sep 2017
Composition of qualifying regulatory capital				
Ordinary share capital	10 000	10 000	10 000	10 000
Regulatory adjustments	(946)	(1 336)	(1 529)	(1 596)
Common Equity Tier 1 capital (CET1)	9 054	8 664	8 471	8 404
Total qualifying subordinated debt	537	571	1 485	1 485
Portfolio Impairments	254	280	254	280
Tier 2 capital (T2)	791	851	1 739	1 765
Qualifying regulatory capital	9 845	9 515	10 210	10 169

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 increase in capital arising predominantly from an increase retained earnings driven by profits for the year and a reduction in the balance sheet driven by a reduction in derivative exposures and cash balances.

Overall derivative exposures have decreased as a result of fewer derivative contracts. Cash balances have reduced as result of liability buy backs amounting to approximately R 1.9 billion. The advances book has increased marginally, without materially affecting the leverage ratio

	African Bank Holdings Limited		African Bank Limited	
Rmillion	31 Mar 2018	30 Sep 2017	31 Mar 2018	30 Sep 2017
Capital and total exposures				
Tier 1 capital	9 054	8 664	8 471	8 404
Total exposures	32 335	33 906	32 335	33 928
Basel III leverage ratio	**28.0%**	**25.6%**	**26.2%**	**24.8%**
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 increase in the LCR from the previous reporting period was as result of decrease in the total net cash outflows primarily as a result of lower derivative exposures and associated margin call balances, partially offset by lower high-quality liquid asset holdings over and above the prescribed minimum liquid asset requirements.

African Bank Limited Rmillion	Total weighted value (average) 31 Mar 2018	Total weighted value (average) 30 Sep 2017
Total high-quality liquid assets	3 011	3 687
Total net cash outflows	163	250
Liquidity coverage ratio (%)	**1 915%**	**1 740%**
Regulatory minimum requirement	90%	80%

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 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 is required from January 2018.

The NSFR was stable compared to the prior period, as a result of the available stable funding and the required stable funding reducing primarily as a result of the liability buy backs of R1.9 billion. Available stable funding has reduced further as a result of a greater proportion existing liabilities falling within the one year horizon.

	30 Sep 2017	30 Sep 2017
NSFR %	**145%**	**144%**
Available stable funding (Rmillion)	26 221	29 392
Required stable funding (Rmillion)	18 116	20 397

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 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 (designated by T in the template below) as well as the four previous quarter-end figures (T-1 to T-4).

Overview of risk management, key prudential metrics and RWA

Period ended: Rmillion		Mar18 (T)	Dec17 (T-1)	Sep17 (T-2)	Jun17 (T-3)	Mar17 (T-4)
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	9 054	8 740	8 664	8 213	8 237
1a	Fully loaded ECL accounting model					
2	Tier 1	9 054	8 740	8 664	8 213	8 237
2a	Fully loaded accounting model Tier 1					
3	Total capital	9 845	9 552	9 515	9 767	9 642
3a	Fully loaded ECL accounting model total capital					
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	26 816	27 458	28 911	30 015	26 640
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	33.76	31.83	29.97	27.36	30.92
5a	Fully loaded ECL accounting model CET1 (%)					
6	Tier 1 ratio (%)	33.76	31.83	29.97	27.36	30.92
6a	Fully loaded ECL accounting model Tier 1 ratio (%)					
7	Total capital ratio (%)	36.71	34.78	32.91	32.55	36.20
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) (%)	1.875	1.250	1.250	1.250	1.250
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)	1.875	1.250	1.250	1.250	1.250
12	CET1 available after meeting the bank's minimum capital requirements (%)	25.77	23.83	21.97	19.36	22.92
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	32 335	33 013	33 906	36 531	36 574
14	Basel III leverage ratio (%) (row 2/row 13)	28.00	26.47	25.55	22.48	22.52
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)					
Liquidity Coverage Ratio (1)						
15	Total HQLA	3 011	3 532	3 687	2 664	1 976
16	Total net cash outflow	163	238	250	142	358
17	LCR ratio (%)	1 915	1 546	1 740	1 912	792
Net Stable Funding Ratio (1)						
18	Total available stable funding	26 221	27 273	29 392	32 796	33 536
19	Total required stable funding	18 116	18 946	20 397	20 891	18 209
20	NSFR ratio (%)	145	144	144	157	184

(1) 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 31 March 2018 and is included as a reference to the published annual financial statements.

Analysis of advances to customers as at 31 March 2018			
Rmillion	Term loans	Credit Cards	Total
Gross amount due by customers	21 844	5 078	26 922
Impairment attributable to acquired advances and deferred fees	(4 404)	(597)	(5 001)
Gross advances	**17 440**	**4 481**	**21 921**
Impairment and deferred fees attributable to originated advances	(2 282)	(670)	(2 952)
Net advances	**15 158**	**3 811**	**18 969**

Unless where otherwise indicated, all figures reported are reported in ZAR millions ("Rmillion")

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 2017

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

African Bank Holdings Limited: consolidated annual financial statements 30 September 2017, and

African Bank Limited: annual financial statements 30 September 2017

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 (Note 26)
- Credit risk approach including approach to impairment provisioning (Note 26.1)
- Market risk (Note 26.2)
- Interest rate risk management (Note 26.2.1)
- Foreign currency risk management (note 26.2.2)
- Liquidity risk management (Note 26.3)

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 2017 to 31 March 2018 for the ABH Group and its 100% held banking subsidiary, ABL. Comparative disclosures are as at and for the year ended 30 September 2017.

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 31 March 2018 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 33.8% and 32.6% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 36.7% and 39.3% 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.

Rmillion	African Bank Holdings Limited			African Bank Limited		
	RWA		Minimum capital requirements (1)	RWA		Minimum capital requirements (1)
	Mar-18	Sep-17	Mar-18	Mar-18	Sep-17	Mar-18
Credit risk (excluding counterparty credit risk)	**20 328**	**22 173**	**2 261**	**20 327**	**22 173**	**2 261**
Of which standardised approach (SA) (5)	20 328	22 173	2 261	20 327	22 173	2 261
Of which internal rating-based (IRB) approach	-	-	-	-	-	-
Counterparty credit risk	**9**	**327**	**1**	**9**	**327**	**1**
Of which standardised approach for counterparty credit risk (SA-CCR) (2)	9	327	1	9	327	1
Of which internal model method (IMM)	-	-	-	-	-	-
Market risk	**351**	**545**	**39**	**351**	**545**	**39**
Of which standardised approach (SA)	351	545	39	351	545	39
Of which internal model approach (IMM)	-	-	-	-	-	-
Operational risk	**3 218**	**3 469**	**358**	**3 122**	**3 373**	**347**
Of which basic indicator approach	-	-	-	-	-	-
Of which standardised approach (3)	3 218	3 469	358	3 122	3 373	347
Of which advanced measurement approach	-	-	-	-	-	-
Other risk (4)	**2 910**	**2 397**	**324**	**2 207**	**1 694**	**245**
Total	**26 816**	**28 911**	**2 983**	**26 016**	**28 112**	**2 893**

(1) The minimum capital requirement per risk category for 2018 is 11.125% which comprises the base minimum (8.00%)plus the Pillar 2A systemic risk add-on (1.250%) plus capital conservation buffer (1.875%)
(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

Rmillion	African Bank Holdings Limited			African Bank Limited		
	RWA		Minimum capital requirements (1)	RWA		Minimum capital requirements (1)
	Mar-18	Sep-17	Mar-18	Mar-18	Sep-17	Mar-18
Of which standardised approach (SA)	**20 328**	**22 173**	**2 261**	**20 327**	**22 173**	**2 261**
Retail Exposures	15 330	15 385	1 705	15 330	15 385	1 705
Interbank Exposures	4 998	6 788	556	4 997	6 788	556

6.2. COMPOSITION OF REGULATORY CAPITAL

The qualifying regulatory capital and capital adequacy ratios for ABH and ABL as at 31 March 2018 are set out in the table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 33.8% and 32.6% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 36.8% and 39.3% respectively.

Rmillion	African Bank Holdings Limited		African Bank Limited	
	31 Mar 2018	30 Sep 2017	31 Mar 2018	30 Sep 2017
Composition of qualifying regulatory capital				
Ordinary share capital	10 000	10 000	10 000	10 000
Accumulated profit	-	-	-	-
	10 000	10 000	10 000	10 000
Regulatory adjustments				
- Intangible assets in terms of IFRS	(85)	(75)	(85)	(75)
- Other regulatory adjustments, including accumulated losses	(861)	(1 261)	(1 444)	(1 521)
Common Equity Tier 1 capital (CET1)	**9 054**	**8 664**	**8 471**	**8 404**
Additional Tier 1 capital (AT1)	-	-	-	-
Tier 1 capital (T1)	**9 054**	**8 664**	**8 471**	**8 404**
Issued subordinated debt	1 485	1 485	1 485	1 485
Surplus capital attributable to minorities/third parties	(948)	(914)	-	-
Total subordinated debt	**537**	**571**	**1 485**	**1 485**
Portfolio Impairments	254	280	254	280
Tier 2 capital (T2)	**791**	**851**	**1 739**	**1 765**
Qualifying regulatory capital	**9 845**	**9 515**	**10 210**	**10 169**
CET1%	33.8	30.0	32.6	29.9
AT1%	0.0	0.0	0.0	0.0
T1%	33.8	30.0	32.6	29.9
T2%	3.0	2.9	6.7	6.3
Total capital adequacy %	**36.8**	**32.9**	**39.3**	**36.2**

6.3. COMPOSITION OF CAPITAL DISCLOSURE TEMPLATE

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: 31 March 2018	African Bank Holdings Limited	African Bank Limited
	Common Equity Tier 1 capital instruments and reserves	Rmillion	Rmillion
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related to stock surplus	10 000	10 000
2	Retained earnings	-	-
3	Accumulated other comprehensive income (and other reserves)	-	-
6	Common Equity Tier 1 capital before regulatory adjustments	10 000	10 000
	Common Equity Tier 1 capital: regulatory adjustments		
28	Total regulatory adjustments to Common Equity Tier 1	(946)	(1 529)
29	Common Equity Tier 1 capital (CET 1)	9 054	8 471
	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)	9 054	8 471
	Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	1 485
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)	1 485	-
50	Provisions	254	254
51	Tier 2 capital before regulatory adjustments	1 739	1 739
	Tier 2 capital: regulatory adjustments		
57	Total regulatory adjustments to Tier 2 capital	(948)	
58	Tier 2 capital (T2)	791	1,739
59	Total capital (TC = T1 + T2)	9 845	10 210
60	Total risk weighted assets	26 816	26 016
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	33.8%	32.6%
62	Tier 1 (as a percentage of risk weighted assets)	33.8%	32.6%
63	Total capital (as a percentage of risk weighted assets)	36.7%	39.3%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	0.6%	0.6%
65	of which: capital conservation buffer requirement	1.875%	1.875%
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)	33.7%	32.6%
	Amounts below the threshold for deductions (before risk weighting)		

73	Significant investments in the common stock of financials	302	21
75	Deferred tax assets arising from temporary differences (net of related tax liability)	571	571
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)	2 107	2 107
77	Cap on inclusion of provisions in Tier 2 under standardised approach	254	254

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.

Overall derivative exposures have decreased as a result of fewer derivative contracts. Cash balances have reduced as result of liability buy backs amounting to approximately R 1.9 billion. The advances book has increased marginally, without materially affecting the leverage ratio

The exposure used in the calculation of the ratio (see 7.2) differs from the total assets as measured using IFRS as shown below.

7.1 SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE

		African Bank Holdings Limited		African Bank Limited	
Line #	Rmillion	31 Mar 2018	30 Sep 2017	31 Mar 2018	30 Sep 2017
1	Total consolidated assets as per published financial statements	30 908	32 954	30 207	32 324
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(700)	(651)	-	-
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	(37)	(537)	(37)	(537)
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)	143	314	143	314
7	Other adjustments (1)	2 022	1 826	2 022	1 826
8	Leverage ratio exposure	32 336	33 906	32 335	33 927

(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 #	Rmillion	31 Mar 2018	30 Sep 2017	31 Mar 2018	30 Sep 2017
	On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives and Securities Financing Transactions ("SFTs")*, but including collateral)	32 272	33 456	32 271	33 477
2	Asset amounts deducted in determining Basel III Tier 1 capital	(85)	(75)	(85)	(75)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**32 187**	**33 381**	**32 186**	**33 402**
	Derivative exposures				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	4	210	4	210
5	Add-on amounts for PFE associated with all derivatives transactions	1	1	1	1
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)**	**5**	**211**	**5**	**211**
	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	713	1 078	713	1 078
18	(Adjustments for conversion to credit equivalent amounts)	(570)	(764)	(570)	(764)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**143**	**314**	**143**	**314**
20	Tier 1 capital	9 054	8 664	8 471	8 404
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**32 335**	**33 906**	**32 335**	**33 927**
	Leverage ratio				
22	**Basel III leverage ratio**	**28.0%**	**25.6%**	**26.2%**	**24.8%**

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

8. 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 27 in the ABL annual financial statements for the year ended 30 September 2017.

8.1 CREDIT QUALITY OF ASSETS

The following table shows the classification of the gross carrying value of the total of the retail advances and interbank deposits split between defaulted and non-defaulted exposures 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 8.5.

Rmillion	a	b	c	d
	Gross carrying values of		Allowances/ impairments	Net values (a + b - c)
	Defaulted exposures [1]	Non-defaulted exposures		
Loans	9 369	23 530	7 924	24 975
Debt securities	-	3 359	-	3 359
Off-balance sheet exposures	-	713	-	713
Total	**9 369**	**27 602**	**7 924**	**29 047**

(1) Defaulted exposures are exposures which are overdue for more than 90 days and where it is evident that the obligor is under stress and is likely to avoid or delay repayment.

8.2 CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES

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

	a
Defaulted loans and debt securities at end of the previous reporting period	**9 574**
Increase in defaulted Loans and debt securities since the last reporting period	1 267
Returned to non-defaulted status	162
Amounts written off	1 248
Other changes	(63)
Defaulted loans and debt securities at end of the reporting period	**9 369**

8.3 BREAKDOWN OF GROSS CREDIT EXPOSURE BY GEOGRAPHICAL AREAS

The total gross credit exposure is located within the Republic of South Africa (Rm 37,217). There is no exposure outside of South Africa.

8.4 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.

Rmillion	On balance sheet exposure	Off balance sheet exposure	Total
Financial intermediation and insurance	6 237	-	6 237
Private households	26 908	713	27 621
Other	3 359	-	3 359
Total	**36 504**	**713**	**37 217**
of which: Sovereign (central government and central bank)	3 359	-	3 359

8.5 IMPAIRED ADVANCES

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

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

Regulatory classifications	Impairment Cover %
	31 Mar 2018
Standard and special mention	12.01%
Sub-standard	51.24%
Doubtful	58.36%
Loss	67.03%

8.6 AGEING ANALYSIS

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

Rmillion	Gross
Not past due	14 329
Past due 31 -90 days	3 406
Past due 91 - 182 days	1 510
Past due > 182 days	7 677
Total	**26 922**

8.7 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 the Moody's Investor Services.

These credit ratings are applied to all asset classes where such ratings are available.

The Bank applies the standardized approach for the measurement of credit risk in terms of Regulation 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%		

8.8 CREDIT RISK MITIGATION TECHNIQUES

Credit risk arising from cross currency swaps are mitigated by collateral held which is disclosed under the counterparty credit risk section 8.14.

Rmillion	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	24 975	-	-	-	-	-	-
Debt securities	3 359	-	-	-	-	-	-
Total	**28 334**	**-**	**-**	**-**	**-**	**-**	**-**
Of which defaulted	9 369	-	-	-	-	-	-

8.9 CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION (CRM) EFFECTS

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

Rmillion	a	B	c	d	e	f
	Exposures before CCF and CRM		Exposures post CCF and CRM[1]		RWA and RWA density	
Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
Sovereign and their central banks	3 359	-	3 359	-	872	25.96%
Non-central government public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Banks	6 227	-	6 227	-	4 115	66.08%
Securities firms	-	-	-	-	-	-
Corporates	10	-	10	-	10	100.00%
Regulatory retail portfolios of which:	21 090	713	21 065	142	15 330	72.29%
Secured by residential property	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Past-due loans	3 454	212	3 454	42	2 047	58.55%
Higher-risk categories	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**30 686**	**713**	**30 661**	**142**	**20 327**	**65.99%**

(1) As per 8.8, credit risk mitigation (CRM) is applied to derivative exposures, which are not included in the table above. Credit conversion factors (CCF) have been applied to off-balance sheet exposures in terms of Regulation 23.

8.10 EXPOSURES BY ASSET CLASS AND RISK WEIGHTS

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

Rmillion	a	b	c	d	e	F	g	h	i	j
Asset classes by risk weights	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
Sovereign and their central banks	2 477	-	-	-	-	-	882	-	-	3 359
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	-	-	2 495	-	232	-	3 500	-	-	6 227
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	10	-	-	10
Regulatory retail portfolios	-	-	-	-	2 907	17 711	581	8	-	21 207
of which: Secured by residential property	-	-	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	2 907	-	581	8	-	3 496
Higher-risk categories	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**2 477**	**-**	**2 495**	**-**	**3 139**	**17 711**	**4 973**	**8**	**-**	**30 803**

8.11 ANALYSIS OF COUNTERPARTY CREDIT RISK (CCR) EXPOSURE BY APPROACH

The information shown in this table and the three tables below show the CCR in respect of the interest rate and cross currency swap hedges that the Bank has entered into. The numbers are relatively small in relation to the exposure as the swaps are largely cash collateralised as shown in the table under 8.14.

Rmillion	a	b	c	d	E	F
	Replacement Cost	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post-CRM**	**RWA**
SA-CCR (for derivatives) [1]	43	43			5	5
Internal model method (for derivatives and SFTs)			-	-	-	-
Simple approach for credit risk mitigation (for SFTs)					-	-
Comprehensive approach for credit risk mitigation (for SFTs)					-	-
VaR for SFTs					-	-
Total						**5**

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

8.12 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.

Rmillion	a	B
	EAD post-CRM	**RWA**
Total portfolios subject to the advanced CVA capital charge	-	-
(i) VaR component (including the 3 x multiplier)		
(ii) Stressed VaR component (including the 3 x multiplier)		
All portfolios subject to the standardised CVA capital charge	5	4
Total subject to the CVA capital charge	**5**	**4**

8.13 CCR EXPOSURES BY REGULATORY PORTFOLIOS AND RISK WEIGHTS

This exposure relates to interest rate swaps that are held with other banks which are largely collateralised, limiting the exposure at default to R5 million.

Rmillion	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	-	-	-	-	-	-	5	-	-	5
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**-**	**-**	**5**

8.14 COMPOSITION OF COLLATERAL FOR CCR EXPOSURE

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

Rmillion	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	-	38	-	38	-	-
Cash - other currencies	-	-	-	-	-	-
Total	**-**	**38**	**-**	**38**	**-**	**-**

9. LIQUIDITY MEASUREMENTS

9.1 LIQUIDITY MANAGEMENT

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

This section presents various measurements of the Group liquidity position. Further detail regarding liquidity risk is given in Note 26.3 to the ABL annual financial statements for the year ended 30 September 2017.

9.2 CONTRACTUAL AND BEHAVIOURAL LIQUIDITY MISMATCHES

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

9.3 CONTRACTUAL LIQUIDITY MATURITY ANALYSIS (MISMATCH)

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

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

The table was prepared on the following basis:

- Asset and liability cash flows are presented on an undiscounted basis with an adjustment to reflect the total discounted result;
- The cash flows of floating rate financial instruments are calculated using published forward market rates at balance sheet date;
- The cash flows of derivative financial instruments are included on a gross basis;
- Contractual cash flows with respect to off-balance sheet items which have not yet been recorded on the balance sheet, are excluded;
- Adjustments to loans and advances to clients relate to deferred loan fee income, and
- Non-cash liabilities, representing leave pay and the straight-lining of operating leases, are disclosed as adjustments to trade and other payables.

African Bank Limited

Assets and liabilities maturities *as at 31 March 2018* Rmillion	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	2 340	252	3 432	-	-	-	6 024
Regulatory deposits and sovereign debt securities	1 809	250	357	853	485	-	3 754
Derivative assets	-	-	-	42	-	-	42
Net advances	950	1 105	5 110	2 925	7 090	1 789	18 969
Accounts receivable and other assets	251	-	-	-	-	-	251
Investments	-	-	-	-	-	31	31
Loans to group companies	-	-	-	10	-	-	10
Property and equipment	-	-	-	-	-	468	468
Intangible assets	-	-	-	-	-	85	85
Deferred tax asset	-	-	-	-	-	571	571
Total assets	**5 350**	**1 607**	**8 899**	**3 830**	**7 575**	**2 944**	**30 205**
Liabilities and equity							
Short-term funding	673	1 299	4 051	-	-	-	6 023
Derivative liabilities	1	-	113	-	-	-	114
Creditors and other liabilities	333	-	156	-	-	50	539
Current tax	-	134	-	-	-	-	134
Bonds and other long-term funding	17	175	38	4 700	8 380	-	13 310
Subordinated bonds, debentures and loans	51	-	-	-	1 478	-	1 529
Deferred tax liability	-	-	-	-	-	-	-
Ordinary shareholder's equity	-	-	-	-	-	8 556	8 556
Total liabilities and equity	**1 075**	**1 608**	**4 358**	**4 700**	**9 858**	**8 606**	**30 205**
Net liquidity gap	**4 275**	**(1)**	**4 541**	**(870)**	**(2 283)**	**(5 662)**	**-**

The above table differs to the view presented under IFRS in the audited 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 outflow of cash subsequent to reporting date. These cash flows are regarded as transactions relating to future reporting periods and are therefore excluded from the static maturity analysis above. As a going concern, these outflows will be offset by future cash inflows.

(a) Operating lease commitments: Operating lease commitments totaling R342 million relate mainly to property operating lease commitments. The future minimum lease payments under non-cancellable operating leases will result in an outflow of cash subsequent to the reporting date.

(b) Committed undrawn credit card facilities: Committed undrawn credit card facilities totaled R713 million. These commitments are attributable to undrawn credit card amounts.

The future obligations for operating lease commitments, measured on a straight-lined basis, are as follows:

Rmillion	31 Mar 2018
Payable within one year	23
Payable between one and five years	319
Total	**342**

9.4 LIQUIDITY COVERAGE RATIO (LCR) – COMMON DISCLOSURE TEMPLATE

The LCR is a 30-day stress test, which requires the Bank to hold sufficient high-quality 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 increase in the LCR from the previous reporting period was as result of decrease in the total net cash outflows primarily as a result of lower derivative exposures and associated margin call balances, partially offset by lower high-quality liquid asset holdings over and above the prescribed minimum liquid asset requirements.

African Bank Limited Rmillion	Total unweighted value (average) (1)	Total weighted value (average) (1)	Total weighted value (average) (1)
	31 Mar 2018	31 Mar 2018	30 Sep 2017
Total high-quality liquid assets (HQLA) (see 7.4.1)		**3 011**	**3 687**
Cash outflows			
Retail deposits and deposits from small business customers, of which:	38	4	2
Stable deposits	-	-	-
Less-stable deposits	38	4	2
Unsecured wholesale funding, of which:	394	385	693
Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
Non-operational deposits (all counterparties)	15	6	-
Unsecured debt	379	379	693
Secured wholesale funding	-	-	-
Additional requirements, of which:	-	-	-
Outflows related to derivative exposures and other collateral requirements	121	121	171
Outflows related to loss of funding on debt products	-	-	-
Credit and liquidity facilities	823	134	117
Other contractual funding obligations	281	14	15
Other contingent funding obligations	-	-	-
Total cash outflows	**1 522**	**651**	**999**
Cash inflows			
Secured lending (e.g. reverse repos)	-	-	-
Inflows from fully performing exposures	3 272	3 003	3 499
Other cash inflows	394	394	0
Total cash inflows	**3 272**	**3 003**	**3 499**
		Total Adjusted Value	Total Adjusted Value
Total HQLA		**3 011**	**3 687**
Total net cash outflows (2)		**163**	**250**
Liquidity coverage ratio (%) (3)		**1 915%**	**1 740%**

(1) The average numbers are calculated using the daily LCR figures for the quarter ended 31 March 2018
(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

9.4.1 Composition of high-quality liquid assets

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

Rmillion	31 Mar 2018	30 Sep 2017
Total level one qualifying high-quality liquid assets [(1)]	3 011	3 687
Cash	2	1
Qualifying central bank reserves	402	405
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	2 606	3 281

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

9.4.2 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
Rm	RWA
Outright products	**351**
- Interest rate risk (general and specific)	-
- Equity risk (general and specific)	-
- Foreign exchange risk	351
- Commodity risk	-
Options	**-**
- Simplified approach	-
- Delta-plus method	-
- Scenario approach	-
- Securitisation	-
Total	**351**

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

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

10. THE NET STABLE FUNDING RATIO (NSFR)

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding, 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 is required from January 2018.

The NSFR was stable compared to the prior period, as a result of the available stable funding and the required stable funding reducing primarily as a result of the liability buy backs of R1.9 billion. Available stable funding has reduced further as a result of a greater proportion existing liabilities falling within the one year horizon.

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**
Capital:	10 296	-	-	-	10 296
Regulatory capital	10 296	-	-	-	10 296
Other capital instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:	-	141	163	374	648
Stable deposits	-	-	-	-	-
Less stable deposits	-	141	163	374	648
Wholesale funding:		2 845	2 980	12 706	15 150
Operational deposits	-	-	-	-	-
Other wholesale funding	-	2 845	2 980	12 706	15 150
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities:	50	598	156	-	128
NSFR derivative liabilities	-	-	-	-	-
All other liabilities and equity not included in the above categories	50	598	156	-	128
Total ASF					**26 221**

[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**
Total NSFR high-quality liquid assets ("HQLA")	-	-	-	-	144
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
Performing loans and securities:		7 289	5 872	10 025	13 859
Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	3 553	2 443	10	1 764
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	3 736	3 429	10 015	12 095
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
Performing residential mortgages, of which:	-	-	-	-	-
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
Assets with matching interdependent liabilities	-	-	-	-	-
Other liabilities:	-	-	-	-	11
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
NSFR derivative assets	-	-	-	-	-
NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	11
All other assets not included in the above categories	-	-	-	4 065	4 065
Off-balance sheet items	-	713	-	-	36
Total RSF					**18 116**
Net Stable Funding Ratio (%)					**145%**

[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.

11. 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 26.2.1 to the African Bank Limited Annual Financial Statements for the year ended 30 September 2017. 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 small.
An interest rate increase resulted in 0.90% increase and an interest rate decrease resulted in (0.90%) decrease as a percentage of qualifying capital and reserve funds.

Interest rate sensitivity (Rmillion)	31 Mar 2018	30 Sep 2017
Increase	89	38
Decrease	(90)	(37)

12. 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 2017, 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
Part 2 – Overview of risk management and RWA	OVA – Bank risk management approach	3 (Referenced o AFS)
	OV1 – Overview of RWA	6.1
Part 4 – Credit Risk	CRA – General information about credit risk	8 (Note 27 of AFS)
	CR1 – Credit quality of assets	8.1
	CR2 – Changes in stock of defaulted loans and debt securities	8.2
	CRB – Additional disclosure related to the credit quality of assets	8.3 to 8.6
	CRC – Qualitative disclosure requirements related to credit risk mitigation techniques	3 (Referenced to AFS)
	CR3 – Credit risk mitigation techniques – Overview	8.8
	CRD – Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk	8.7
	CR4 – Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects	8.9
	CR5 – Standardised approach – exposures by asset classes and risk weights	8.10
Part 5 – 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	8.11
	CCR2 – Credit valuation adjustment (CVA) capital charge	8.12
	CCR3 – Standardised approach of CCR exposures by regulatory portfolio and risk weights	8.13
	CCR5 – Composition of collateral for CCR exposures	8.14
Part 7 – Market risk	MRA – Qualitative disclosure requirements related to market risk	3 (Referenced to AFS)
	MR1 – Market risk under standardised approach	9.4.2