African Bank Holdings Limited
and African Bank Limited

PUBLIC PILLAR III DISCLOSURES

(in terms of the Banks Act, Regulation 43)

30 June 2023

African Bank
Audacity to **believe**

CONTENTS

1. EXECUTIVE SUMMARY

1.1. Overview

African Bank Holdings Limited (ABH or the ABH Group) and its 100% held banking subsidiary, African Bank Limited ("ABL" or "the Bank") commenced business on 4 April 2016. ABH was capitalised with a cash subscription for ordinary shares in the amount of R10 billion. ABH elected to capitalise ABL with the same amount, in return for ordinary shares. An extended liability term structure was established as a result of the restructuring of the old African Bank that was placed under curatorship on 10 August 2014 and subsequently renamed Residual Debt Services Limited (in curatorship) (RDS), (the Restructuring). ABL acquired a portfolio of assets and liabilities from RDS in terms of the Restructuring, which included part of the credit-worthy retail advances book. As at 1 November 2022, the Bank had acquiring Ubank Limited assets & liabilities for R80million and Grindrod Bank Limited for R1.5billion. The bank has consolidated the balance sheets and income statement for the reporting period 30 June 2023.

The balance sheets of African Bank and the African Bank Holding Limited remain strong, with advances appropriately provided for, strong capital adequacy and adequate cash resources of R6 billion at the group level. Liquidity, interest rate and foreign exchange risks are managed within our approved risk appetite framework.

The overall impact of the balance sheet structure remains setup for expansion in business. The key prudential ratios as at 30 June 2023, includes a CET1 ratio of 33.06%, a leverage ratio of 22.83%, a liquidity coverage ratio of 1179% and a net stable funding ratio of 145% at the African Bank level. Consequently, African Bank and African Bank Holdings Limited operate above the minimum required regulatory levels in respect of all prudential ratios.

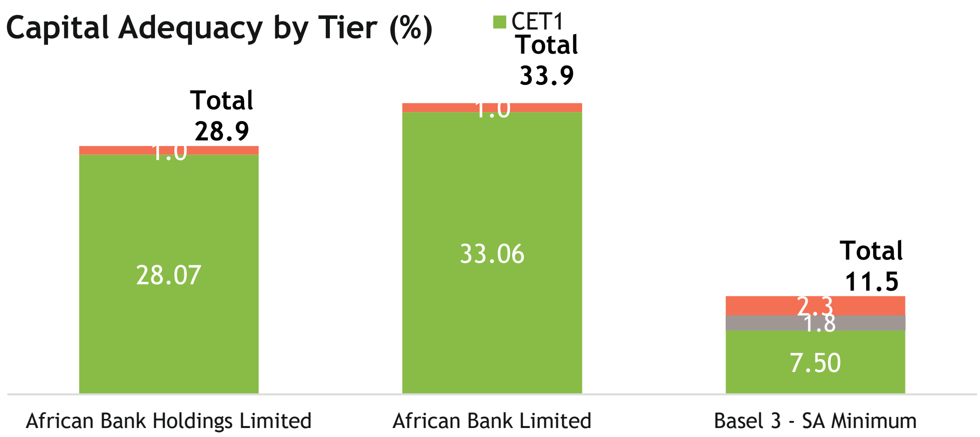
1.2. Governance

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 the information provided in this document has been prepared and reviewed in line with the Bank's approved control framework. The information provided in this report was subject to a similar and appropriate level of internal review as the information provided for financial reporting purposes.

1.3. Capital adequacy ratios.

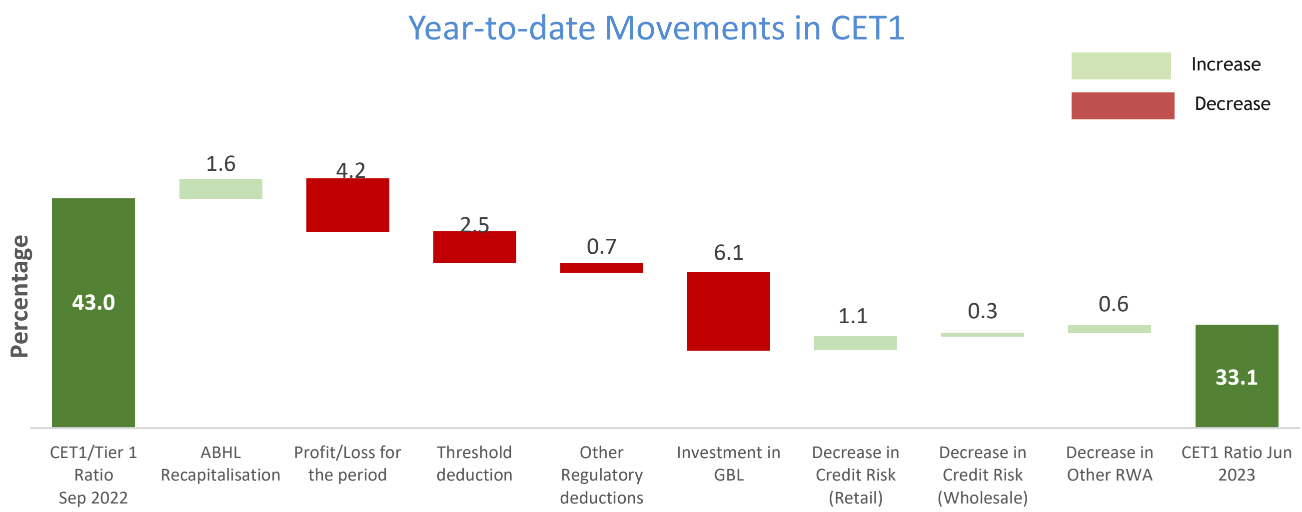
The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 30 June 2023 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 28.07% and 33.06% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 28.9% and 33.9% 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 2022 to 30 June 2023 as well as a comparison between the Bank and Group capital adequacy ratios, as at 30 June 2023, is shown below.

African Bank Limited



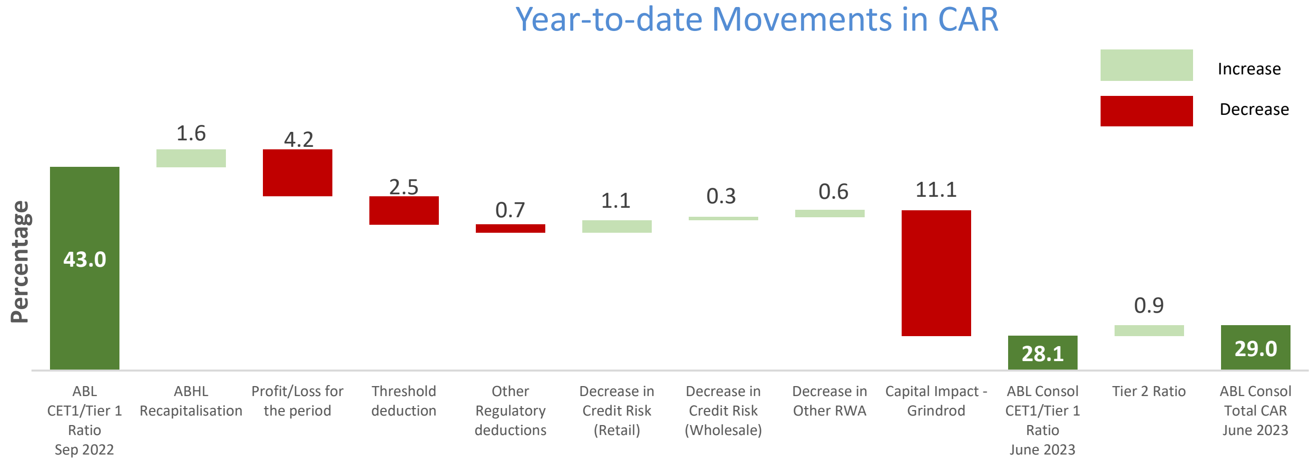
The decrease in CET1/Tier1 ratio from 30 September 2022 to 30 June 2023 is as a result of the increase in capital demand and the decrease in capital supply. The increase in capital demand is largely contributed by the increase in the retail credit risk due to growth in the advances to customers as well as the advances brought on due to the acquisition of UB's assets and liabilities.

The decrease in capital supply is contributed largely by the investment made by ABL in GBL which triggers a deduction against capital for an investment in a banking entity as prescribed by the Regulations relating to Banks. Additional deductions are followed:

- Threshold deduction which relates to deferred tax amount greater than 10% of CET1 qualifying capital that triggers a deduction from CET1 qualifying capital for the 10% cap.
- The year-to-date loss reported for period ended 30 June 2023.

Other regulatory deductions include Intangible assets and the Goodwill from the Ubank acquisition.

REGULATORY CAPITAL BUILD-UP FROM ABL TO ABHL



The above graph reflects the movement from ABL CET1/Tier1 ratio to ABHL CET1/Tier1 and Total CAR. Apart from the movement in the ABL CET1/Tier1 covered in the previous graph which are repeated in this graph to illustrate the overall impact of GBL on the capital at an ABHL level. The capital impact for GBL captured in the graph represents the difference between the ABL capital ratio and the ABHL capital ratio after the RWA and qualifying capital impacts of GBL are brought into the capital calculations.

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

	African Bank Holdings Limited		African Bank Limited	
R million	Jun-23	Mar-23	Jun-23	Mar-23
Composition of qualifying regulatory capital				
Ordinary share capital & accumulated profit	10 825	10 935	13 330	13 330
Regulatory adjustments	(876)	(675)	(5 435)	(4 953)
Common Equity Tier 1 capital (CET1)	9 950	10 261	7 895	8 377
Total qualifying subordinated debt	-	-	-	-
Qualifying Portfolio Provisions	328	334	223	237
Tier 2 capital (T2)	328	334	223	237
Total Qualifying regulatory capital	10 278	10 595	8 118	8 614

(1) Refer to 7.2 for detailed disclosure of the above table.
(2) Included in the Regulatory adjustments is the GBL PVA deduction of R9.

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 leverage ratio decreased at an ABL level as result to the decrease in the exposure measure and decrease in the Tier 1 Qualifying Capital. The decrease in exposure was mainly driven by the slow sales in retail advances during the reporting quarter. The decrease in Tier 1 Qualifying Capital was driven largely by accumulated losses during the reporting quarter as compared to the previous quarter and further compounded by the increase in deferred tax asset which resulted in an increase in the threshold deduction against capital. The decrease in leverage ratio at an ABH level was primarily driven by the decrease in the Group Tier 1 Qualifying for the reporting quarter.

	African Bank Holdings Limited		African Bank Limited	
R million	**Jun-23**	**Mar-23**	**Jun-23**	**Mar-23**
Capital and total exposures				
Tier 1 capital	9 950	10 261	7 895	8 377
Total exposures	48 863	48 630	34 580	35 635
Basel III leverage ratio	**20,36%**	**21,10%**	**22,83%**	**23,51%**
Basel III leverage ratio regulatory minimum requirement	**4,00%**	**4,00%**	**4,00%**	**4,00%**

Refer to 8.2 for detailed disclosure 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 increase in the LCR from the previous reporting period was largely due to Government Bonds no longer encumbered as collateral for the Repo facility thereby increasing the HQLA during a quarter, and the total net cash outflows been lesser over the quarter ended 30 June 2023.

African Bank Limited	Total weighted value (average)	Total weighted value (average)
R million	**Jun-23**	**Mar-23**
Total high-quality liquid assets	4 835	3 505
Total net cash outflows	410	490
Liquidity coverage ratio (%)	**1179%**	**716%**
Regulatory minimum requirement	100%	100%

African Bank Holdings Limited	Total weighted value (average)	Total weighted value (average)
R million	Jun-23	Mar-23
Total high-quality liquid assets	9 555	8 225
Total net cash outflows	879	958
Liquidity coverage ratio (%)	**1088%**	**858%**
Regulatory minimum requirement	100%	100%

Refer to 10.5 for detailed disclosure of the above table.

ABL has included the GBL Liquidity ratios in the Bank Group LCR in the above table.

1.6. Net stable funding ratio ("NSFR")

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

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

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

The increase in NSFR of 5% from 31 March 2023 to 30 June 2023, is driven by a decrease in available stable funding and the decrease in required stable funding. The available stable funding decrease is attributable to a decrease in regulatory Capital of R328 million and decrease of R109million in Business banking deposit then offset by increase in Consumer Banking deposits of R119 million June 2023. The decrease in the required stable funding was primarily due to a decrease retail advance.

African Bank Limited R million	Jun-23	Mar-23
NSFR (%)	**145%**	**140%**
Available stable funding	29 774	30 063
Required stable funding	20 551	21 466

(1) *Refer to 10.6 for detailed disclosure of the above table.*

1.7. References of quantitative standardised tables and templates

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

2. BASIS OF COMPILATION

The information contained in this report is based on the month-end actual results and, in some instances, the average balances as contained in the ABH and ABL regulatory returns. 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 advances to customers for ABL as at 30 June 2023 and is included as a reference to the published Interim Financial Statements

Analysis of advances to customers as at 30 June 2023 (1)

R million	Term loans (2)	Credit Cards / Overdrafts (3)	Total
Gross amount due by customers	28,656	5,946	34,603
Impairment attributable to acquired advances and deferred fees	(2,931)	(13)	(2,944)
Gross advances	**25,725**	**5,934**	**31,658**
Impairment and deferred fees attributable to originated advances	(9,868)	(1,472)	(11,340)
Net advances	**15,857**	**4,462**	**20,319**

(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 R1.9 billion gross amount relating to corporate exposure.
(3) Included in the credit cards is an exposure of R111.6 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 ABH 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 is given by way of a reference to the specific note in the annual financial statements of African Bank Holdings Limited.

- Accounting policies (Note 1.1)
- Risk management (Note 26)
- Credit risk management including approach to impairment provisioning (Note27)
- Market risk (Note28)
- Interest rate risk management (Note 28.1)
- Foreign exchange risk management (Note28.3)
- Liquidity risk (Note29)

THE ABH INTEGRATED REPORT GIVES A COMPREHENSIVE OVERVIEW OF THE RISK AREAS COVERED WHILE THE ABL AND ABH ANNUAL FINANCIAL STATEMENTS PROVIDE FURTHER DETAIL OF THE APPROACH TO RISK MANAGEMENT AND THE RISK TYPES TT.

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 June 2023 for the ABH Group and its 100% held banking subsidiary, ABL.

5. SCOPE OF REPORTING

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

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

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

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

6.1. KM1 – Key metrics

	Period ended:	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22
	African Bank Holdings Limited (R million)	(T)	(T-1)	(T-2)	(T-3)	(T-4)
	Available capital (amounts) (1) (3)					
1	Common Equity Tier 1 (CET1)	9 949	10 260	10 177	10 782	10 684
1a	Fully loaded ECL accounting model	9 949	10 260	10 177	10 782	10 684
2	Tier 1	9 949	10 260	10 177	10 782	10 684
2a	Fully loaded accounting model Tier 1	9 949	10 260	10 177	10 782	10 684
3	Total capital	10 277	10 594	10 522	11 014	10 903
3a	Fully loaded ECL accounting model total capital	10 277	10 594	10 522	11 014	10 903
4	Total risk-weighted assets (RWA)	35 451	36 019	36 814	25 383	24 556
5	Common Equity Tier 1 ratio (%)	28,07	28,49	27,60	42,50	43,50
5a	Fully loaded ECL accounting model CET1 (%)	28,07	28,49	27,60	42,50	43,50
6	Tier 1 ratio (%)	28,06	28,48	27,60	42,50	43,50
6a	Fully loaded ECL accounting model Tier 1 ratio	28,06	28,48	27,60	42,50	43,50
7	Total capital ratio (%)	28,99	29,41	28,60	43,40	44,30
7a	Fully loaded ECL accounting model total capital ratio (%)	28,99	29,41	28,60	43,40	44,30
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2,500	2,500	2,500	2,500	2,500
9	Countercyclical buffer requirement (%)	-	-	-	-	-
10	Bank D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2,500	2,500	2,500	2,500	2,500
12	CET1 available after meeting the bank's minimum capital requirements (%)	20,566	20,987	20,100	35,000	36,000
13	Total Basel III leverage ratio measure	48 870	48 672	50 222	31 024	30 347
14	Basel III leverage ratio (%) (row 2/row 13)	20,36	21,08	20,30	34,80	35,20
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	20,36	21,08	20,30	34,80	35,20
15	Total HQLA	9 555	8 225	7 812	2 122	2 358
16	Total net cash outflow	879	958	797	365	305
17	LCR ratio (%)	1088	858	981	582	772
18	Total available stable funding	29 755	30 063	30 388	26 610	24 972
19	Total required stable funding	20 551	21 466	21 995	18 540	17 452
20	NSFR ratio (%)	145	140	138	144	143

(1) 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[2]		Minimum capital requirements[1]	RWA		Minimum capital requirements[1]
		Jun-23	Mar-23	Jun-23	Jun-23	Mar-23	Jun-23
1	**Credit risk (excluding counterparty credit risk)**	**27 582**	**27 848**	**3 172**	**18 851**	**20 000**	**2 168**
2	Of which standardised approach (SA)	27 582	27 848	3 172	18 851	20 000	2 168
4	**Counterparty credit risk**	**9**	**11**	**1**	**5**	**3**	**1**
5	Of which standardised approach for counterparty credit risk (SA-CCR) [3]	9	11	1	5	3	1
10	**Credit valuation adjustment (CVA)** [3]	5	9	1	1	-	-
11	**Equity positions under the simple risk weight approach and the internal model method**	1 301	1 387	150	11	10	1
12	**Equity investment in funds - Look-through approach** [4]	-	-	-	-	-	-
20	**Market risk**	**15**	**14**	**2**	**13**	**12**	**1**
21	Of which standardised approach (SA) [5]	15	14	2	13	12	1
24	**Operational risk** [6]	**3 497**	**3 497**	**402**	**2 430**	**2 430**	**279**
25	**Amounts below thresholds for deduction (subject to 250% risk weight)**	**2 607**	**2 651**	300	**2 132**	**2 214**	245
26	**Floor adjustment** [7]	**436**	**603**	**50**	**436**	**603**	**50**
27	**Total**	**35 451**	**36 019**	**4 077**	**23 878**	**25 272**	**2 746**

(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%).*
(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 a Ubank Visa Share equity investment of R9.8 million during quarter ended 30 June 2023 as reported on form BA340.*
(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.*

(1) R million	African Bank Holdings Limited			African Bank Limited		
	RWA		Minimum capital requirements (1)	RWA		Minimum capital requirements (1)
	Jun-23	Mar-23	Jun-23	Jun-23	Mar-23	Jun-23
Of which standardised approach (SA) - Loans and advances	**26 266**	**26 736**	**3 021**	**17 796**	**18 958**	**2 047**
Retail Exposures	15 860	17 018	1 824	15 860	17 018	1 824
Non-Retail Exposures (excluding Sovereign exposures)	10 406	9 718	1 197	1 936	1 940	223

7. COMPOSITION OF CAPITAL

The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 30 June 2023 are set out in the table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 28.07% and 33.06% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 28.9% and 33.9% respectively.

7.1. Composition of regulatory capital

R million	African Bank Holdings Limited		African Bank Limited		Reference [1]
Section A	Jun-23	Mar-23	Jun-23	Mar-23	
Common Equity Tier 1 Capital					
Ordinary share capital & premium	10 000	10 000	13 330	13 330	Row 1
Accumulated profit [3]	825	935	-	-	Row 2
Total as per Transitional Basel 3 Template	**10 825**	**10 935**	**13 330**	**13 330**	Row 6
Section B					
Common Equity Tier 1 Regulatory Adjustments					
- Intangible assets in terms of IFRS	(272)	(207)	(220)	(207)	
- Other regulatory adjustments, including accumulated losses [2]	(604)	(468)	(5 216)	(4 746)	
Total as per Transitional Basel 3 Template	**(876)**	**(675)**	**(5 435)**	**(4 953)**	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	328	334	223	237	Row 50
Total as per Transitional Basel 3 Template	**328**	**334**	**223**	**237**	Row 58
Total Qualifying regulatory capital	**10 278**	**10 595**	**8 118**	**8 614**	
Section E					
Summary of Capital Adequacy Ratios					
CET1%	28,07	28,49	33,06	33,15	
AT1%	-	-	-	-	
T1%	28,07	28,49	33,06	33,15	
T2%	0,93	0,93	0,93	0,94	
Total capital adequacy %	**28,99**	**29,42**	**33,99**	**34,09**	

(1) *Refer to 7.3 (Composition of Capital Disclosure Template) for references to the rows.*
(2) *A significant portion of the regulatory adjustment includes accumulated losses for ABL (refer 7.3 below).*
(3) *The amount excludes unappropriated profits.*

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 leverage ratio decreased at an ABL level due to the decrease in the exposure measure which also considering decrease in the Tier 1 Qualifying Capital. The decrease in exposure was mainly driven by the decrease in Consumer Banking advances during the reporting quarter. The decrease in Tier 1 Qualifying Capital was mainly due to the increase in accumulated losses during reporting quarter as compared to the previous quarter and the increase in deferred tax asset resulted in an increase in the threshold deduction against capital. The decrease in leverage ratio at an ABH level was primarily driven by the increase in the Group exposure measures offset by decrease in Tier 1 Qualifying Capital because of the dividend received from AIG during the reporting quarter.

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 June 2023.

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

R million	African Bank Holdings Limited		African Bank Limited	
	Jun-23	**Mar-23**	**Jun-23**	**Mar-23**
Total consolidated assets as per published financial statements	47 444	46 796	32 908	33 593
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(795)	(615)	-	-
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	-	-
Adjustments for derivative financial instruments	(117)	(90)	(116)	(92)
Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-	-	-	-
Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	814	676	149	158
Other adjustments (1)	1 524	1 905	1 703	2 048
Leverage ratio exposure	48 870	48 672	34 643	35 706

(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	
		Jun-23	Mar-23	Jun-23	Mar-23
	On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives and Securities Financing Transactions ("SFTs") *, but including collateral)	48 906	48 611	35 394	36 277
2	Asset amounts deducted in determining Basel III Tier 1 capital	(866)	(665)	(967)	(802)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**48 041**	**47 946**	**34 427**	**35 475**
	Derivative exposures				
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	5	5	1	1
5	Add-on amounts for PFE associated with all derivatives transactions	4	2	3	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)**	**9**	**8**	**4**	**2**
	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	524	433	15	16
18	(Adjustments for conversion to credit equivalent amounts)	290	243	135	142
19	**Off-balance sheet items (sum of lines 17 and 18)**	814	676	149	158
20	Tier 1 capital	9 950	10 261	7 895	8 377
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**48 863**	**48 630**	**34 580**	**35 635**
	Leverage ratio				
22	**Basel III leverage ratio**	**20,36%**	**21,10%**	**22,83%**	**23,51%**

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

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. The Group has a board approved Liquidity and Funding Risk Policy that sets out the overall approach to liquidity and funding risk management of ABH 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 overwhelming 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 31 to the ABL audited annual financial statements for the year ended 30 September 2022.

9.2. 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 June 2023 the Group received 80% of its total funding from retail depositors which includes the Ubank and GBL deposits which increased from 78% as at 31 March 2023.

The Group has a conservative liquidity risk appetite, holding cash reserves greater than or equal to 6 months of expected net cash outflows, including operational cash flows and contractual maturities. Under this scenario, which is effectively a stress scenario, the Group does not expect to roll any maturing wholesale deposits.

Further stress tests are applied whereby key inputs into the cash flow forecast are stressed. Appropriate management actions are formulated to address these liquidity stresses.

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 June 2023.

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 R739 million. These commitments are attributable to undrawn credit card amounts. Group undrawn commitments including Grindrod Bank R996.3million.
(b) Committed undrawn corporate facilities fully utilised.
(c) Uncommitted undrawn overdraft facilities totalled R14.5million. These commitments are attributable to undrawn overdraft amounts. Group uncommitted undrawn including Grindrod R524million.
(a) Letter of guarantees to client amount to R 563 million.

9.5. 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 maturity of Treasury Bills, and the total net cash outflows over the quarter ended 30 June 2023.

African Bank Limited R million	Total unweighted value (average) (1)	Total weighted value (average) (1)	Total weighted value (average) (1)
	Jun-23	**Jun-23**	**Mar-23**
Total high-quality liquid assets (HQLA) (see 10.5.1)	**4 835**	**4 835**	**3 505**
Cash outflows			
Retail deposits and deposits from small business customers, of which:	**17 009**	**952**	**943**
Stable deposits	-	-	-
Less-stable deposits	17 009	952	943
Unsecured wholesale funding, of which:	**524**	**520**	**720**
Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
Non-operational deposits (all counterparties)	-	-	-
Unsecured debt	524	520	720
Secured wholesale funding	146	-	-
Additional requirements, of which:	-	-	**-**
Outflows related to derivative exposures and other collateral requirements	1 435	168	227
Outflows related to loss of funding on debt products	-	-	-
Credit and liquidity facilities	795	40	42
Other contractual funding obligations	538	27	27
Other contingent funding obligations	-	-	-
Total cash outflows	**20 448**	**1 707**	**1 959**
Cash inflows			
Secured lending (e.g., reverse repos)	-	-	-
Inflows from fully performing exposures	1 433	862	3 003
Other cash inflows	-	-	-
Total cash inflows	**1 433**	**862**	**3 003**

	Total Adjusted Value	Total Adjusted Value
Total HQLA	**4 835**	**3 505**
Total net cash outflows (2)	**410**	**490**
Liquidity coverage ratio (%) (3)	**1179%**	**716%**

(1) *The average numbers are calculated using the daily LCR figures for the quarter ended 30 June 2023.*

(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.*

	African Bank Holdings Limited R million	Total unweighted value (average) (1)	Total weighted value (average) (1)	Total weighted value (average) (1)
		Jun-23	Jun-23	Mar-23
1	**Total high-quality liquid assets (HQLA) (see 10.5.1)**	**9 555**	**9 555**	**8 225**
	Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**19 385**	**1 189**	**1 181**
3	Stable deposits	-	-	-
4	Less-stable deposits	19 385	1 189	1 181
5	**Unsecured wholesale funding, of which:**	**7 258**	**2 116**	**2 316**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
7	Non-operational deposits (all counterparties)	6 735	1 596	1 596
8	Unsecured debt	524	520	720
9	Secured wholesale funding	397	-	-
10	**Additional requirements, of which:**	-	-	**-**
11	Outflows related to derivative exposures and other collateral requirements	1 435	168	227
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	795	40	42
14	Other contractual funding obligations	886	48	48
15	Other contingent funding obligations	403	20	20
16	**Total cash outflows**	**30 561**	**3 581**	**3 834**
	Cash inflows			
17	Secured lending (e.g., reverse repos)	257	-	-
18	Inflows from fully performing exposures	2 889	2 114	4 255
19	Other cash inflows	17	17	18
20	**Total cash inflows**	**3 164**	**2 131**	**4 273**
			Total Adjusted Value	Total Adjusted Value
21	**Total HQLA**		**9 555**	**8 225**
22	**Total net cash outflows** (2)		**879**	**958**
23	**Liquidity coverage ratio (%)** (3)		**1088%**	**858%**

9.5.1. 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.

African Bank Limited (R million)	Jun-23	Mar-23
Total level one qualifying high-quality liquid assets (1)	**4 835**	**3 505**
Cash	86	157
Qualifying central bank reserves	1 717	999
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	3 032	2 349

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

African Bank Holdings Limited (R million)	Jun-23	Mar-23
Total level one qualifying high-quality liquid assets (1)	**9 555**	**8 225**
Cash	86	157
Qualifying central bank reserves	2 074	1 356
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	7 395	6 712

9.6. 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 increase in NSFR of 5% from 31 March 2023 to 30 June 2023, is driven by a decrease in available stable funding and the decrease in required stable funding. The available stable funding decrease is attributable to a decrease in regulatory Capital of R328 million and decrease of R109million in Business banking deposit then offset by increase in Consumer Banking deposits of R119 million June 2023. The decrease in the required stable funding was primarily due to a decrease retail advance.

	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:	10 645	-	-	-	10 645
2	*Regulatory capital*	10 645	-	-	-	10 645
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	7 940	1 657	7 700	16 337
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	7 940	1 657	7 700	16 337
7	Wholesale funding:		745	1 531	1 716	2 773
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	745	1 531	1 716	2 773
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	1 213	-	-	-
12	*NSFR derivative liabilities*		-	-	-	
13	*All other liabilities and equity not included in the above categories*	-	1 213	-	-	-
14	**Total ASF**					**29 755**

(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")					196
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:		5 145	4 153	11 354	14 237
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*	-	180	-	-	27
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:*	-	4 964	4 153	11 354	14 210
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:	-	1	-	120	-
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*				120	-
30	*NSFR derivative liabilities before deduction of variation margin posted*		1,4			-
31	All other assets not included in the above categories	-	-	-	6 081	6 081
32	Off-balance sheet items		754	-	-	38
33	***Total RSF***					**20 551**
34	***Net Stable Funding Ratio (%)***					**145%**

10. QUALITATIVE DISCLOSURES AND ACCOUNTING POLICIES

The regulations require that certain qualitative disclosures and statements on accounting policy be made. These were made in the annual financial statements and integrated annual report for the financial period ended 30 September 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

**The Group has disclosed the PVA adjustment reported in line 203 of the form BA700 on the Regulatory capital adjustment tables. PVA disclosure Tables for Pillar III reported on an annual basis.*

	Tables and templates	Reference to Pillar 3
Overview of risk management and RWA	OVA – Bank risk management approach	3 (Referenced o AFS)
	KM1 - Key metrics (at consolidated group level)	6.1
	OV1 – Overview of RWA	6.2
Leverage ratio	LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure	8.1
	LR2 - Leverage ratio common disclosure template	8.2
Liquidity risk	LIQ1 – Liquidity Coverage Ratio	9.5
	LIQ2 – Nest Stable Funding Ratio	9.6