African Bank Holdings Limited and African Bank Limited

PUBLIC PILLAR III DISCLOSURE

In terms of the Banks Act, Regulation 43 for quarter ended **31 December 2023**

These financial statements were prepared under the supervision of A. Chetti CA (SA)
Registration number: 2014/176855/06. NCR Registration number NCRCP7628
An Authorised Financial Services and Registered Credit Provider

African Bank
Audacity to **believe**

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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. 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 acquired Ubank Limited assets & liabilities for R80million and Grindrod Bank Limited for R1.5billion.

The Statement of Financial Position of African Bank and the African Bank Holding Limited now reflects a diversifying and scaling operation, with advances appropriately provided for, strong capital adequacy and adequate cash resources of R9.1 billion at the group level. This growth is in terms of the Excelerate25 Group strategy. Liquidity, interest rate and foreign exchange risks are managed within our approved risk appetite framework.

The key prudential ratios as at 31 December 2023 for both, ABH and ABL, operate well above minimum required regulatory levels in respect of all prudential ratios. These have been detailed in the report below.

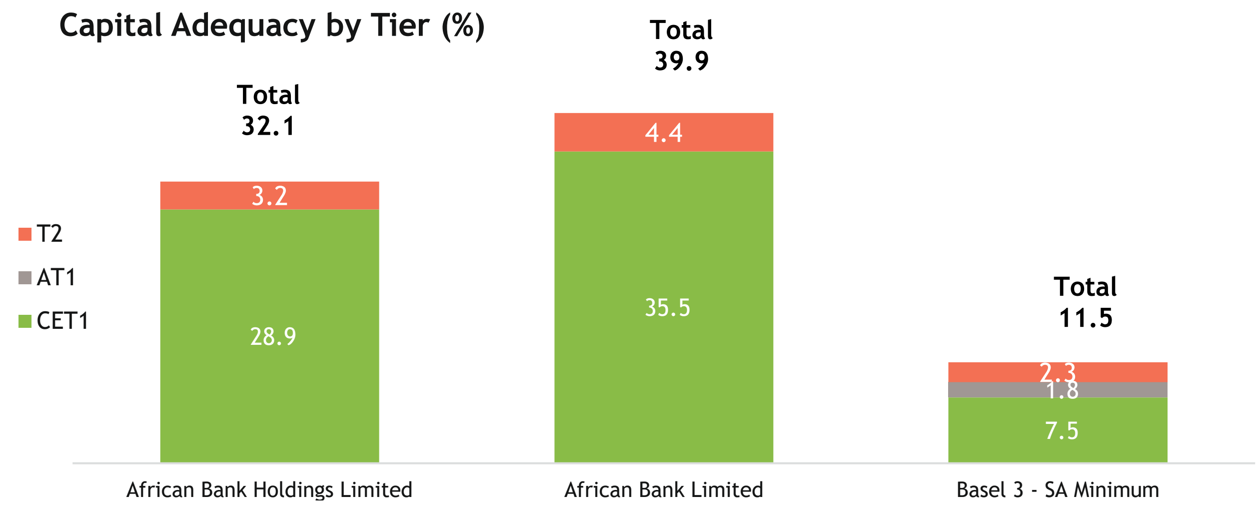
1.2. Governance

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.

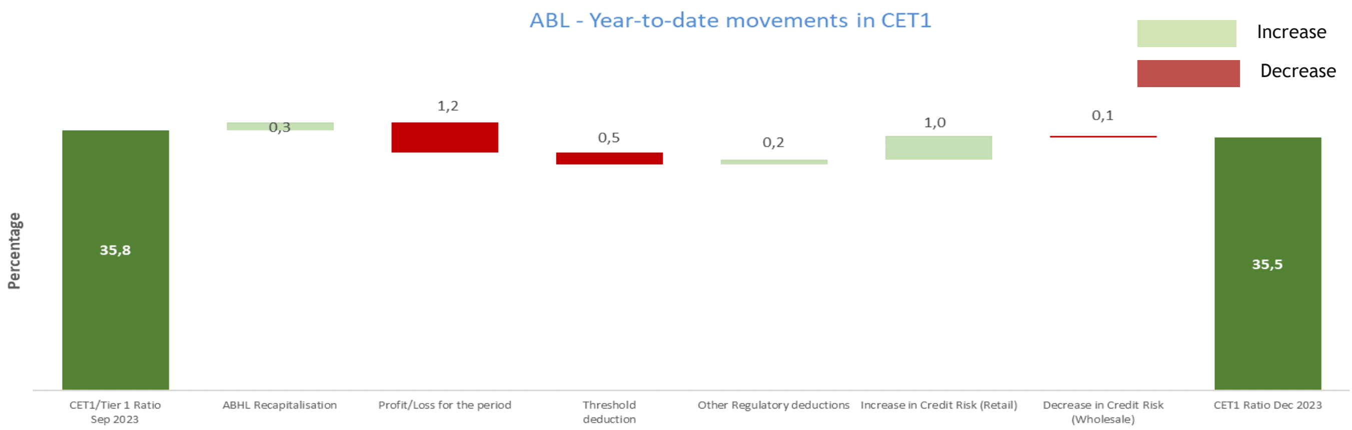
The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 31 December 2023 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 28.9% and 35.5% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 32.1% and 39.9% respectively.



YEAR-TO-DATE CET1/TIER 1 ANALYSIS

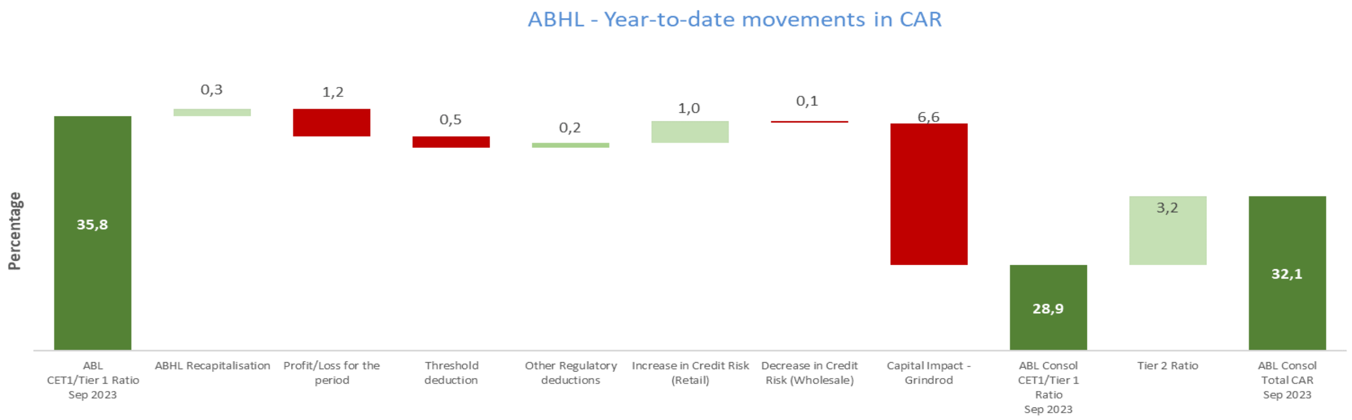
An analysis of the change in African Bank Limited's CET1 capital adequacy ratio movement from 30 September 2023 to 31 December 2023

African Bank Limited



The CET1/Tier1 ratio marginally decreased from 30 September 2023 to 31 December 2023. The decrease in capital supply was mostly off set by the decrease in capital demand. The decrease in capital supply was due to the losses reported at an ABL solo level for quarter ended 31 December 2023, and the decrease in capital demand was primarily driven by the decrease in the retail advances quarter on quarter.

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	Dec-23	Sep-23	Dec-23	Sep-23
Composition of qualifying regulatory capital				
Ordinary share capital & accumulated profit	11 544	11 559	13 746	13 662
Regulatory adjustments	(800)	(738)	(5 200)	(4 814)
Common Equity Tier 1 capital (CET1)	10 744	10 821	8 546	8 848
Total qualifying subordinated debt	-	-	-	-
Qualifying Portfolio Provisions	1 176	348	1 048	228
Tier 2 capital (T2)	1 176	348	1 048	228
Total Qualifying regulatory capital	11 920	11 169	9 594	9 076

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

1.4. Leverage ratio

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

The 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 the exposure measure was mainly due to a decrease in on-balance sheet exposures whereas the decrease in Tier 1 Qualifying Capital was due to increase in Capital deductions. The movement in the ABHL Leverage ratio was immaterial.

	African Bank Holdings Limited		African Bank Limited	
R million	Dec-23	Sep-23	Dec-23	Sep-23
Capital and total exposures				
Tier 1 capital	10 744	10 821	8 546	8 848
Total exposures	49 447	50 199	35 024	35 526
Basel III leverage ratio	**21,7%**	**21,6%**	**24,4%**	**24,9%**
Basel III leverage ratio regulatory minimum requirement	**4,0%**	**4,0%**	**4,0%**	**4,0%**

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 an increase in cash inflow with a 75% capped outflow hence the decrease in average net cash outflows for the reporting quarter ended 31 December 2023.

African Bank Limited	Total weighted value (average)	Total weighted value (average)
R million	Dec-23	Sep-23
Total high-quality liquid assets	5 942	6 166
Total net cash outflows	543	936
Liquidity coverage ratio (%)	**1095%**	**659%**
Regulatory minimum requirement	100%	100%

African Bank Holdings Limited	Total weighted value (average)	Total weighted value (average)
R million	Dec-23	Sep-23
Total high-quality liquid assets	11 146	11 162
Total net cash outflows	2 181	2 388
Liquidity coverage ratio (%)	**511%**	**467%**
Regulatory minimum requirement	100%	100%

Refer to 9.5 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 decrease in NSFR of 3% from 30 September 2023 to 31 December 2023, is driven by a decrease in available stable funding and an increase in required stable funding. The available stable funding decrease is attributable to the net movement between funding and regulatory capital. The increase in the required stable funding was primarily due to an increase in performing loans.

African Bank Limited R million	Dec-23	Sep-23
NSFR (%)	**142%**	**145%**
Available stable funding	29 861	30 153
Required stable funding	20 985	20 738

(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 31 December 2023 and is included as a reference to the published Annual Financial Statements

Analysis of advances to customers as at 31 December 2023

R million	Term loans (2)	Credit Cards / Overdrafts (3)	Total
Gross amount due by customers	26 220	7 416	33 637
Impairment attributable to acquired advances and deferred fees	(896)	(11)	(906)
Gross advances	**25 325**	**7 405**	**32 730**
Impairment and deferred fees attributable to originated advances	(8 610)	(1 874)	(10 484)
Net advances	**16 715**	**5 531**	**22 246**

(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 R1.7 billion gross amount relating to corporate exposure.
(3) Retail credit card has an exposure of R7.3billion and overdrafts of R144million.

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 2023

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

African Bank Holdings Limited Environmental, Social and Governance Report 2023

African Bank Holdings Limited: consolidated and separate annual financial statements 30 September 2023, and

African Bank Limited: annual financial statements 30 September 2023

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 24)

- Credit risk management including approach to impairment provisioning (Note25)
- Market risk (Note26)
- Interest rate risk management (Note 26.1)
- Foreign exchange risk management (Note26.3)
- Liquidity risk (Note27)

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 31 December 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, had acquired GBL as its subsidiary during the 2023 financial year. The disclosures contained in this document reflect the impact of GBL in the relevant ABHL Group disclosures.

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:		Dec-23	Sep-23	Jun-23	Mar-23	Dec-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)	10 744	10 821	9 949	10 260	10 177
1a	Fully loaded ECL accounting model	10 744	10 821	9 949	10 260	10 177
2	Tier 1	10 744	10 821	9 949	10 260	10 177
2a	Fully loaded accounting model Tier 1	10 744	10 821	9 949	10 260	10 177
3	Total capital	11 920	11 169	10 277	10 594	10 522
3a	Fully loaded ECL accounting model total capital	11 920	11 169	10 277	10 594	10 522
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	37 129	37 200	35 451	36 019	36 814
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	28,9	29,2	28,1	28,5	27,6
5a	Fully loaded ECL accounting model CET1 (%)	28,9	29,2	28,1	28,5	27,6
6	Tier 1 ratio (%)	28,9	29,2	28,1	28,5	27,6
6a	Fully loaded ECL accounting model Tier 1 ratio	28,9	29,2	28,1	28,5	27,6
7	Total capital ratio (%)	32,1	30,0	29,0	29,4	28,6
7a	Fully loaded ECL accounting model total capital ratio (%)	32,1	30,0	29,0	29,4	28,6
Additional CET1 buffer requirements as a percentage						
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 (%)	21,438	21,589	20,566	20,987	20,100
Basel III Leverage Ratio (3)						
13	Total Basel III leverage ratio measure	49 431	50 199	48 870	48 672	50 222
14	Basel III leverage ratio (%) (row 2/row 13)	21,7	21,6	20,4	21,1	20,3
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	21,7	21,6	20,4	21,1	20,3
Liquidity Coverage Ratio (2) (3)						
15	Total HQLA	11 146	11 162	9 555	8 225	7 812
16	Total net cash outflow	2 181	2388	879	958	797
17	LCR ratio (%)	511	467	1088	858	981
Net Stable Funding Ratio (2) (3)						
18	Total available stable funding	29 861	30 153	29 755	30 063	30 388
19	Total required stable funding	20 985	20 738	20 551	21 466	21 995
20	NSFR ratio (%)	142	145	145	140	138

(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]
		Dec-23	Sep-23	Dec-23	Dec-23	Sep-23	Dec-23
1	**Credit risk (excluding counterparty credit risk)**	**29 170**	**29 070**	**3 355**	**18 854**	**19 386**	**2 168**
2	Of which standardised approach (SA)	29 170	29 070	3 355	18 854	19 386	2 168
4	**Counterparty credit risk**	**11**	**9**	**1**	**7**	**5**	**1**
5	Of which standardised approach for counterparty credit risk (SA-CCR) [3]	11	9	1	7	5	1
10	**Credit valuation adjustment (CVA)** [3]	8	6	1	3	1	0
11	**Equity positions under the simple risk weight approach and the internal model method**	1 137	1 244	131	12	11	1
12	**Equity investment in funds - Look-through approach** [4]	-	-	-	-	-	-
20	**Market risk**	**16**	**15**	**2**	**14**	**13**	**2**
21	Of which standardised approach (SA) [5]	16	15	2	14	13	2
24	**Operational risk** [6]	**3 509**	**3 509**	**404**	**2 385**	**2 385**	**274**
25	**Amounts below thresholds for deduction (subject to 250% risk weight)**	**2 778**	**2 770**	319	**2 271**	**2 313**	261
26	**Floor adjustment** [7]	**500**	**578**	**58**	**500**	**578**	**58**
27	**Total**	**37 128**	**37 200**	**4 270**	**24 045**	**24 692**	**2 765**

(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 is no exposure to equity investment in funds at reporting date.
(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)
	Dec-23	Sep-23	Dec-23	Dec-23	Sep-23	Dec-23
Of which standardised approach (SA) - Loans and advances	**27 781**	**27 838**	**3 195**	**17 547**	**27 838**	**2 018**
Retail Exposures	15 709	16 417	1 807	15 709	16 417	1 807
Non-Retail Exposures (excluding Sovereign exposures)	12 072	11 421	1 388	1 838	11 421	211

7. COMPOSITION OF CAPITAL

The capital adequacy ratios and qualifying regulatory capital for ABH and ABL as at 31 December 2023 are set out in the table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 28.9% and 35.5% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 32.1% and 39.9% respectively.

7.1. Composition of regulatory capital

R million	African Bank Holdings Limited		African Bank Limited		Reference [1]
Section A	Dec-23	Sep-23	Dec-23	Sep-23	
Common Equity Tier 1 Capital					
Ordinary share capital & premium	10 000	10 000	13 746	13 662	Row 1
Accumulated profit [3]	1 544	1 559	-	-	Row 2
Total as per Transitional Basel 3 Template	**11 544**	**11 559**	13746	**13 662**	Row 6
Section B					
Common Equity Tier 1 Regulatory Adjustments					
- Intangible assets in terms of IFRS	(307)	(354)	(243)	(299)	
- Other regulatory adjustments, including accumulated losses [2]	(493)	(384)	(4 957)	(4 516)	
Total as per Transitional Basel 3 Template	**(800)**	**(738)**	**(5 200)**	(4 814)	Row 28
Section C					
Additional Tier 1 capital (AT1)	-	-	-	-	
Section D					
Subordinated debt	828	-	828	-	
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	1 176	348	1 048	228	Row 50
Total as per Transitional Basel 3 Template	**1 176**	**348**	**1 048**	**228**	Row 58
Total Qualifying regulatory capital	**11 920**	**11 169**	**9 594**	**9 076**	
Section E					
Summary of Capital Adequacy Ratios					
CET1%	29,0	29,2	35,5	35,8	
AT1%	0,0	0,0	0,0	0,0	
T1%	29,0	29,2	35,5	35,8	
T2%	3,1	0,8	4,4	0,9	
Total capital adequacy %	**32,1**	**30,0**	**39,9**	**36,8**	

(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 31 December 2023.

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

Line #	R million	African Bank Holdings Limited		African Bank Limited	
		Dec-23	Sep-23	Dec-23	Sep-23
1	Total consolidated assets as per published financial statements	47 675	48 199	33 786	34 175
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(557)	(412)	-	-
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	(140)	(118)	(142)	(117)
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)	1 223	1 266	273	316
7	Other adjustments (1)	1 231	1 264	1 108	1 153
8	Leverage ratio exposure	49 431	50 199	35 024	35 526

(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	
		Dec-23	Sep-23	Dec-23	Sep-23
	On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives and Securities Financing Transactions ("SFTs")*, but including collateral)	49 004	49 653	35 640	36 027
2	Asset amounts deducted in determining Basel III Tier 1 capital	(789)	(727)	(894)	(820)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**48 215**	**48 927**	**34 746**	**35 207**
	Derivative exposures				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	5	4	2	1
5	Add-on amounts for PFE associated with all derivatives transactions	4	3	3	2
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**	**7**	**5**	**3**
	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	621	501	13	14
18	(Adjustments for conversion to credit equivalent amounts)	602	765	260	301
19	**Off-balance sheet items (sum of lines 17 and 18)**	1 223	1266	273	316
20	Tier 1 capital	10 744	10 821	8 546	8 848
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**49 447**	**50 199**	**35 024**	**35 526**
	Leverage ratio				
22	**Basel III leverage ratio**	**21,7%**	**21,6%**	**24,4%**	**24,9%**

** 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 2023.

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 31 December 2023 the Group received 81% of its total funding from retail depositors which includes the Ubank and GBL deposits which increased by 1% from 30 September 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 31 December 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 R862 million. These commitments are attributable to undrawn credit card amounts. Group undrawn commitments including Grindrod Bank R1.194million.
(b) Committed undrawn corporate facilities totalled R197.9 million.
(c) Uncommitted undrawn overdraft facilities totalled R12.5 million. These commitments are attributable to undrawn overdraft amounts. Group uncommitted undrawn including Grindrod R621 million.
(a) Letter of guarantees to client amount to R 1.102 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 increase in the LCR from the previous reporting period was largely due to an increase in cash inflow with a 75% capped outflow hence the decrease in average net cash outflows for the reporting quarter ended 31 December 2023.

	African Bank Limited R million	Total unweighted value (average) (1)	Total weighted value (average) (1)	Total weighted value (average) (1)
		Dec-23	**Dec-23**	**Sep-23**
1	**Total high-quality liquid assets (HQLA) (see 10.5.1)**	**5 942**	**5 942**	**6 166**
	Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**17 014**	**944**	**958**
3	Stable deposits	-	-	-
4	Less-stable deposits	17 014	944	958
5	**Unsecured wholesale funding, of which:**	**540**	**540**	**518**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
7	Non-operational deposits (all counterparties)	-	-	-
8	Unsecured debt	540	540	518
9	Secured wholesale funding	-	-	-
10	**Additional requirements, of which:**	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	2 204	154	124
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	1 100	68	43
14	Other contractual funding obligations	1 071	53	54
15	Other contingent funding obligations	-	-	-
16	**Total cash outflows**	**21 930**	**1 760**	**1 698**
	Cash inflows			
17	Secured lending (e.g. reverse repos)	-	-	-
18	Inflows from fully performing exposures	1 727	1 217	665
19	Other cash inflows	0	0	-
20	**Total cash inflows**	**1 727**	**1 217**	**665**

		Total Adjusted Value	Total Adjusted Value
21	**Total HQLA**	**5 942**	**6 166**
22	**Total net cash outflows (2)**	**543**	**936**
23	**Liquidity coverage ratio (%) (3)**	**1095%**	**659%**

(1) The average numbers are calculated using the daily LCR figures for the quarter ended 31 December 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)]
		Dec-23	**Dec-23**	**Sep-23**
1	**Total high-quality liquid assets (HQLA) (see 10.5.1)**	**11 146**	**11 146**	**11 162**
	Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**19 726**	**1 216**	**1 212**
3	Stable deposits	-	-	-
4	Less-stable deposits	19 726	1 216	1 212
5	**Unsecured wholesale funding, of which:**	**7 807**	**2 474**	**2 216**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	0
7	Non-operational deposits (all counterparties)	7 267	1 934	1 698
8	Unsecured debt	540	540	518
9	Secured wholesale funding	10	-	0
10	**Additional requirements, of which:**	-	-	**0**
11	Outflows related to derivative exposures and other collateral requirements	2 204	154	124
12	Outflows related to loss of funding on debt products	-	-	0
13	Credit and liquidity facilities	1 100	68	43
14	Other contractual funding obligations	1 802	96	81
15	Other contingent funding obligations	585	29	17
16	**Total cash outflows**	**33 234**	**4 036**	**3 694**
	Cash inflows			
17	Secured lending (e.g. reverse repos)	15	-	-
18	Inflows from fully performing exposures	2 380	1 783	1 148
19	Other cash inflows	73	73	60
20	**Total cash inflows**	**2 468**	**1 855**	**1 209**
			Total Adjusted Value	Total Adjusted Value
21	**Total HQLA**		**11 146**	**11 162**
22	**Total net cash outflows** [(2)]		**2 181**	**2 388**
23	**Liquidity coverage ratio (%)** [(3)]		**511%**	**467%**

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)	Dec-23	Sep-23
Total level one qualifying high-quality liquid assets (1)	**5 942**	**6 166**
Cash	77	68
Qualifying central bank reserves	1 789	2 823
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	4 077	3 275

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

African Bank Holdings Limited (R million)	Dec-23	Sep-23
Total level one qualifying high-quality liquid assets (1)	**11 146**	**11 162**
Cash	335	203
Qualifying central bank reserves	2 993	3 804
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	7 818	7 155

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 decrease in NSFR of 3% from 30 September 2023 to 31 December 2023, is driven by a decrease in available stable funding and an increase in required stable funding. The available stable funding decrease is attributable to the net movement between funding and regulatory capital. The increase in the required stable funding was primarily due to an increase in performing loans.

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:	12 045	-	-	-	12 045
Regulatory capital	12 045	-	-	-	12 045
Other capital instruments	-	-	-	-	-
Retail deposits and deposits from small business customers:	-	7 733	1 908	7 113	15 790
Stable deposits	0	-	-	-	-
Less stable deposits	0	7 733	1 908	7 113	15 790
Wholesale funding:		1 827	1 467	603	2 026
Operational deposits	-	-	-	-	-
Other wholesale funding	1	1 827	1 467	603	2 026
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities:	-	-	-	-	-
NSFR derivative liabilities		-	-	-	
All other liabilities and equity not included in the above categories	-	-	-	-	-
Total ASF					**29 861**

(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")					225
Deposits held at other financial institutions for operational purposes	-	-	-	-	-
Performing loans and securities:		5 498	4 197	10 875	13 933
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	-	451	-	-	68
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	5 047	4 197	10 875	13 865
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:	0	0	0	-	0
Physical traded commodities, including gold	-				-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
NSFR derivative assets				-	0
NSFR derivative liabilities before deduction of variation margin posted		0,0			0
All other assets not included in the above categories	-	-	-	-	6 774
Off-balance sheet items		1 073	-	-	54
Total RSF					**20 985**
Net Stable Funding Ratio (%)					**142%**

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 2023, 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