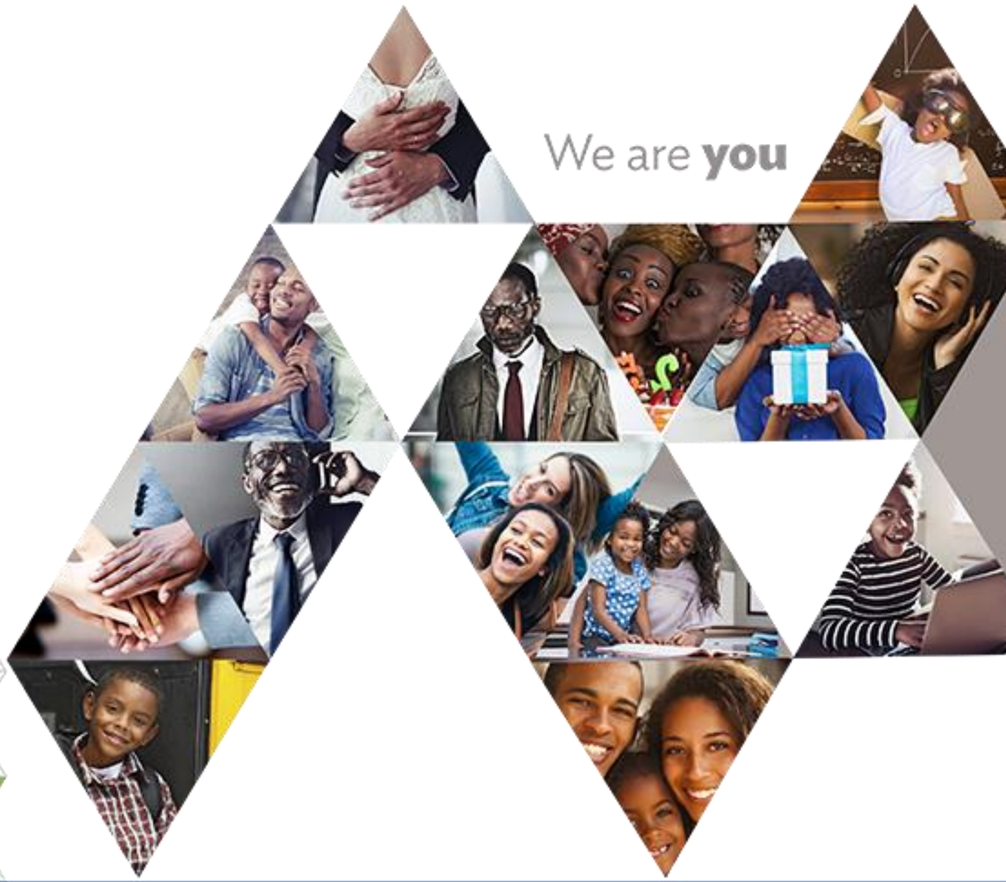
African Bank Holdings Limited
and
African Bank Limited

Quarterly Public Pillar III Disclosures
in terms of the Banks Act, Regulation 43
as at 31 December 2016



African Bank

African Bank Holdings Limited
and
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Quarterly Public Pillar III Disclosures

Executive Summary

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 of R 10 billion and, in turn, ABH elected to capitalise ABL with the same amount, also in return for ordinary shares. ABL acquired a portfolio of assets and liabilities from 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"). This acquisition comprised the more credit-worthy retail advances book. In terms of the Restructuring, a liability structure was established for ABL whereby the maturities of the funding liabilities acquired from RDS (less a haircut of 10% and a cash pay-out portion of an additional 10%) were effectively extended by three years and eight months.

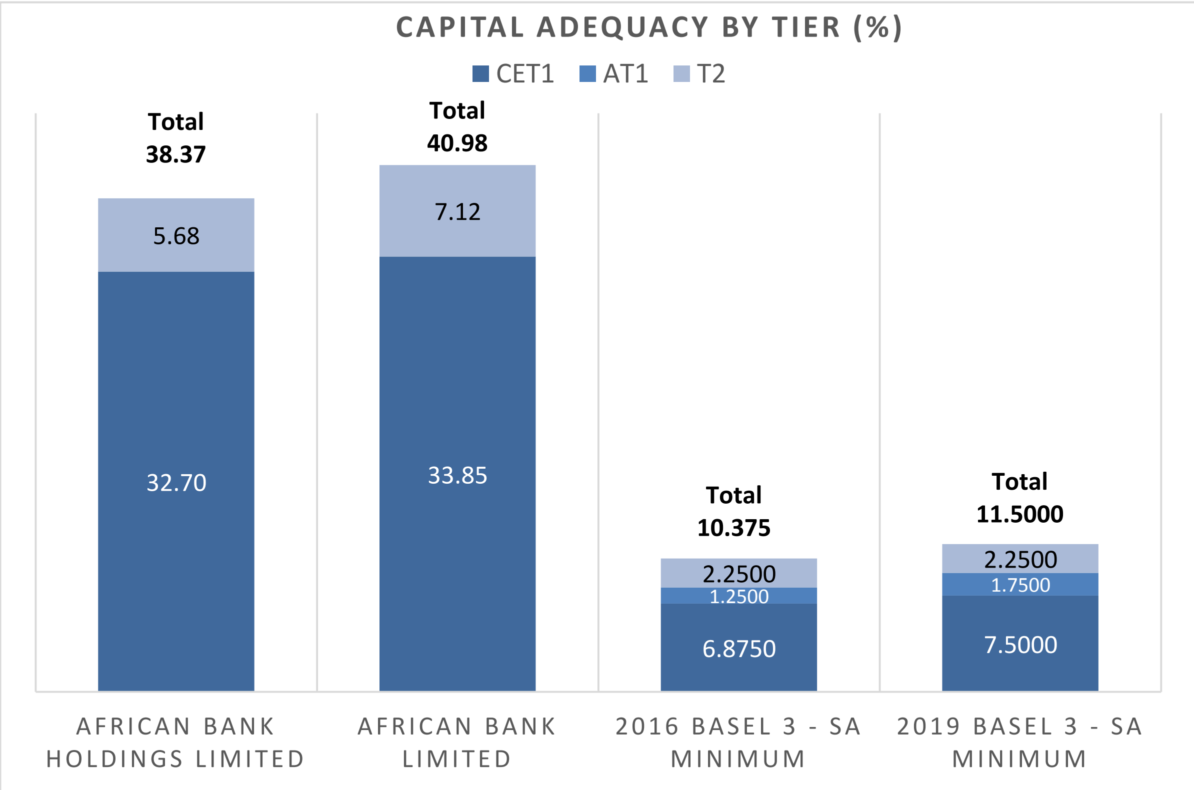
The ABH Group published its maiden Annual Financial Statements for the period ended 31 December 2016, as well as the Annual Public Pillar III Disclosures as at 31 December 2016. These documents, which provide detailed insights to the financial performance and position of the ABH Group, are available on the African Bank investor relations website https://www.africanbank.co.za/

The overall balance sheet of ABL remains strong, with advances well provided for, high capital adequacy and cash holdings of R 11.03 billion. Liquidity risk, interest rate risk and foreign exchange risk are also conservatively managed.

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, at the African Bank Limited level as at 31 December 2016, include a CET1 ratio of 33.9%, a leverage ratio of 22.3% and a liquidity coverage ratio of 410%.

1.2. Capital Adequacy Ratios

The capital adequacy ratios and qualifying regulatory capital for African Bank Holdings Limited and African Bank Limited as at 31 December 2016 are set out in the graph and table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 32.7% and 33.9% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 38.4% and 41.0% respectively for the Group and Bank respectively. The increase in the capital adequacy ratios from the prior reporting period is primarily driven by the impact of the liability management exercise, reflected in a lower credit risk weighted assets requirement for wholesale deposits as a result of lower cash holdings. Due to the effect of the prescribed calculation methodology, this impact was not fully present in the prior reporting period.



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

R'm	African Bank Holdings Limited		African Bank Limited	
	31 Dec 2016	30 Sep 2016	31 Dec 2016	30 Sep 2016
Composition of qualifying regulatory capital				
Ordinary share capital	10,000	10,000	10,000	10,000
Regulatory adjustments	(1,784)	(1,802)	(1,764)	(1,789)
Common Equity Tier 1 capital (CET1)	**8,216**	**8,198**	**8,236**	**8,211**
Total subordinated debt	1,179	1,248	1,485	1,485
Portfolio Impairments	248	278	248	278
Tier 2 capital (T2)	**1,427**	**1,526**	**1,733**	**1,763**
Qualifying regulatory capital	**9,643**	**9,724**	**9,969**	**9,974**

Refer to 3.2 of the detailed disclosure for a detailed breakdown of the above table

1.3. Leverage Ratio

The Basel 3 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 risk-based 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 was primarily driven by a reduction in total exposures as a result of a reduction in derivative exposures. In the prior reporting period, these derivative exposures were expressed on a gross basis and are now reflected net of collateral for the current reporting period.

R'm	African Bank Holdings Limited		African Bank Limited	
	31 Dec 2016	30 Sep 2016	31 Dec 2016	30 Sep 2016
Capital and total exposures				
Tier 1 capital	8,216	8,198	8,236	8,211
Total exposures	36,845	39,829	36,859	39,810
Basel III leverage ratio	**22.3%**	**20.6%**	**22.3%**	**20.6%**
Basel III leverage ratio regulatory minimum requirement	*4.0%*	*4.0%*	*4.0%*	*4.0%*

Refer to 4.2 of the detailed disclosure for a detailed breakdown of the above table

1.4. Liquidity Coverage Ratio

The Liquidity Coverage Ratio ("LCR") is a 30-day stress test, which requires the bank to hold sufficient high-quality liquidity assets to cover envisaged net cash 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 a direct result of increasing the holdings of government bonds over and above the minimum high quality liquid assets as required for regulatory liquid holdings, as part of the banks cash investment strategy. This was the driver for increasing the holdings of high quality liquid assets from R1,312 million to R2,140 from the previous reporting period.

African Bank Limited **R'm**	**Total Weighted Value (Average)** **31 Dec 2016**	**Total Weighted Value (Average)** **30 Sep 2016**
Total high-quality liquid assets	**2,140**	**1,312**
Total Net Cash Outflows	**522**	**664**
Liquidity Coverage Ratio (%)	**410%**	**198%**
Regulatory minimum requirement	*70%*	*70%*

Refer to 5.1 of the detailed disclosure for a detailed breakdown of the above table

2. Basis of compilation

The following information is compiled in terms of Regulation 43 of the regulations relating to banks, which incorporates the Basel Pillar 3 requirements on market discipline. All disclosures presented below are consistent with those disclosed in terms of International Financial Reporting Standards (IFRS), unless otherwise stated.

The main differences between IFRS and the information disclosed in terms of the regulations relates to the definition of capital, the calculation and measurement thereof and adjustments made to risk weighted assets, as required by the applicable regulations.

The basis of reporting for matters related to the portfolio of advances to customers acquired by African Bank Limited from Residual Debt Services (in curatorship) Limited ("the acquired advances") also differs from the IFRS approach applied in the audited annual financial statements.

The acquired advances are accounted for on the amortised cost basis in the audited annual financial statements, however the value used for initial recognition as at 4 April 2016 was determined based on the fair value of the acquired advances as at acquisition. Given that, the acquired advances were initially recorded on a net basis, without any impairment stock raised, and any impairment subsequently recognised will be a function of the difference between the expected returns as at acquisition and the actual returns, discounted to their present value using the expected rate of return as at acquisition.

To eliminate any distortion of the prudential returns and to facilitate comparative analysis, the implied impairment stock is calculated by applying the current impairment policies and practices to the gross amount due by customers ("the implied impairment"). The balancing difference between the amortised acquisition value (as described above) and the sum of the gross amount due by customers, less the implied impairment thereof, is added to the implied impairment to ensure that the sum of the derived gross components as used for regulatory reporting (being the gross amount due by customers, less the implied impairment, plus or minus the balancing difference to the net IFRS basis), is equal to the net IFRS basis as applied in the audited annual financial statements.

The above concept is illustrated in the analysis contained in the table below.

Analysis of total advances to customers as at 31 December 2016

R'm	Term loans	Credit Cards	Total
Gross amount due by customers [1]	21,168	6,480	27,648
Deferred fees	(44)	-	(44)
Sub total	**21,124**	**6,480**	**27,604**
Actual impairment and implied impairment	(5,580)	(1,690)	(7,270)
Net advances to customers	**15,544**	**4,790**	**20,334**

(1) The gross amounts due by customers are the actual month-end balances, whereas the amounts pertaining to credit cards in the rest of this document are based on average daily balances as required in terms of the Regulations relating to banks (Reg. 23 & Reg. 24).

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

African Bank Holdings Limited
and
African Bank Limited

Quarterly Public Pillar III Disclosures

Detailed disclosure
in terms of the Banks Act, Regulation 43
as at 31 December 2016

1. Period of reporting

This report covers the period from 1 October 2016 to 31 December 2016 for the ABH Group and its 100% held banking subsidiary, ABL. The Group and the Bank commenced operations on 4 April 2016 and published financial statements for the period from this date to 30 September 2016. Comparative disclosures are related to the period from 4 April 2016 to 30 September 2016.

2. Scope of reporting

This report contains capital adequacy information for ABHL and its 100% held banking subsidiary, ABL. The further disclosures for ABL include 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, African Bank Limited, has no subsidiaries.

3. Regulatory capital adequacy

3.1. 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 of unsecured personal loans, credit cards and interbank deposits.

R'm	African Bank Holdings Limited			African Bank Limited		
	RWA		Minimum capital requirements (1)	RWA		Minimum capital requirements (1)
	Dec-16	Sep-16	Dec-16	Dec-16	Sep-16	Dec-16
Credit risk (excluding counterparty credit risk)	**19,732**	**22,178**	**1,924**	**19,731**	**22,178**	**1,924**
– Of which standardised approach (SA)	19,732	22,178	1,924	19,731	22,178	1,924
– Of which internal rating-based (IRB) approach	-	-	-	-	-	-
Counterparty credit risk	**135**	**139**	**13**	**135**	**139**	**13**
– Of which standardised approach for counterparty credit risk (SA-CCR) (2)	135	139	13	135	139	13
– Of which internal model method (IMM)	-	-	-	-	-	-
Market risk	**432**	**338**	**42**	**432**	**338**	**42**
– Of which standardised approach (SA)	432	338	42	432	338	42
– Of which internal model approaches (IMM)	-	-	-	-	-	-
Operational risk	**3,015**	**2,359**	**294**	**2,919**	**2,359**	**285**
– Of which Basic Indicator Approach	-	-	-	-	-	-
– Of which standardised Approach (3)	3,015	2,359	294	2,919	2,359	285
– Of which Advanced Measurement Approach	-	-	-	-	-	-
Other risk	**1,813**	**1,830**	**177**	**1,110**	**1,046**	**108**
Total	**25,127**	**26,844**	**2,450**	**24,327**	**26,060**	**2,372**

(1) The minimum capital requirement per risk category is 9.75% which comprises the base minimum (8.000%) plus the Pillar 2A systemic risk add-on (1.750%)
(2) African Bank currently applies the current exposure method to calculate counterparty credit risk
(3) African Bank currently applies the alternative standardised approach in calculating its operational risk

3.2. Composition of regulatory capital

The qualifying regulatory capital and capital adequacy ratios for African Bank Holdings Limited and African Bank Limited as at 31 December 2016 are set out in the table below. The Group remains well capitalised with CET1 and Tier 1 ratios of 32.7% and 33.9% at a consolidated Group and Bank level respectively. The corresponding total capital adequacy ratios are 38.4% and 41.0% respectively for the Group and Bank respectively. The increase in the capital adequacy ratios from the prior reporting period is primarily driven by the impact of the liability management exercise, reflected in a lower credit risk weighted assets requirement for wholesale deposits as a result of lower cash holdings. Due to the effect of the prescribed calculation methodology, this impact was not fully present in the prior reporting period.

R'm	African Bank Holdings Limited		African Bank Limited	
	31 Dec 2016	30 Sep 2016	31 Dec 2016	30 Sep 2016
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	(89)	(92)	(89)	(92)
- Other regulatory adjustments, including accumulated losses	(1,695)	(1,710)	(1,675)	(1,697)
Common Equity Tier 1 capital (CET1)	**8,216**	**8,198**	**8,236**	**8,211**
Additional Tier 1 capital (AT1)	-	-	-	-
Tier 1 capital (T1)	**8,216**	**8,198**	**8,236**	**8,211**
Issued subordinated debt	1,485	1,485	1,485	1,485
Surplus capital attributable to minorities/third parties	(306)	(237)	-	-
Total subordinated debt	1,179	1,248	1,485	1,485
Portfolio Impairments	248	278	248	278
Tier 2 capital (T2)	1,427	1,526	1,733	1,763
Qualifying regulatory capital	9,643	9,724	9,969	9,974
CET1%	32.7	30.5	33.9	31.5
AT1%	0.0	0.0	0.0	0.0
T1%	32.7	30.5	33.9	31.5
T2%	5.7	5.7	7.1	6.8
Total capital adequacy %	38.4	36.2	41.0	38.3

4. 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 3 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 risk-based capital adequacy ratio (see 3, above), by acting as a floor to restrict the build-up of excessive leverage by banks.

African Bank is conservatively leveraged with a ratio of 22.3% of exposure. This is as a result of the well capitalised balance sheet. This section contains a detailed calculation of the leverage ratio. The increase in the leverage ratio from the prior reporting period, for both Group and Bank was primarily driven by a reduction in total exposures as a result of a reduction in derivative exposures. In the prior reporting period, these derivative exposures were expressed on a gross basis and are now reflected net of collateral for the current reporting period.

The exposure used in the calculation of the ratio (see 4.2) differs from the total assets as measured using IFRS as shown below:

4.1 Summary comparison of accounting assets vs leverage ratio exposure measure

		African Bank Holdings Limited		African Bank Limited	
Line #	R'm	31 Dec 2016	30 Sep 2016	31 Dec 2016	30 Sep 2016
1	Total consolidated assets as per published financial statements	36,472	37,711	36,460	37,691
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(25)	-	-	-
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	(1,665)	26	(1,665)	26
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)	174	167	174	167
7	Other adjustments (1)	1,890	1,925	1,890	1,925
8	Leverage ratio exposure	36,846	39,829	36,859	39,809

(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.

4.2 Leverage ratio disclosure

Line #	R'm	African Bank Holdings Limited		African Bank Limited	
		31 Dec 2016	30 Sep 2016	31 Dec 2016	30 Sep 2016
	On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	36,596	37,498	36,609	37,478
2	Asset amounts deducted in determining Basel III Tier 1 capital	(89)	(92)	(89)	(92)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**36,507**	**37,406**	**36,520**	**37,386**
	Derivative exposures				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	140	2,230	140	2,230
5	Add-on amounts for PFE associated with all derivatives transactions	24	26	24	26
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets 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)**	**164**	**2,256**	**164**	**2,256**
	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)**	**-**	**-**	**-**	**-**

		African Bank Holdings Limited		African Bank Limited	
	Other off-balance sheet exposures				
17	Off-balance sheet exposure at gross notional amount	797	826	797	826
18	(Adjustments for conversion to credit equivalent amounts)	(623)	(659)	(623)	(659)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**174**	**167**	**174**	**167**
	Capital and total exposures				
20	Tier 1 capital	8,216	8,198	8,236	8,211
21	Total exposures (sum of lines 3, 11, 16 and 19)	36,845	39,829	36,859	39,809
	Leverage ratio				
22	**Basel III leverage ratio**	**22.3%**	**20.6%**	**22.3%**	**20.6%**

5.1 Liquidity coverage ratio ("LCR") - common disclosure template

The LCR is a 30-day stress test, which requires the bank to hold sufficient high-quality liquid assets to cover envisaged net cash 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 a direct result of increasing the holdings of government bonds, over and above the minimum high quality liquid assets required in terms of regulatory liquid holdings, as part of the Banks cash investment strategy. This was the direct driver for increasing the holdings of high quality liquid assets from R1,312 million to R2,140 from the previous reporting period.

African Bank Limited R'm	Total Unweighted Value (Average) (1) 31 Dec 2016	Total Weighted Value (Average) (1) 31 Dec 2016	Total Weighted Value (Average) (1) 30 Sep 2016
Total high-quality liquid assets (HQLA) (see 5.1.1)		**2,140**	**1,312**
Cash Outflows			
Retail deposits and deposits from small business customers, of which:	**8**	**1**	**5**
Stable deposits	-	-	-
Less-stable deposits	8	1	5
Unsecured wholesale funding, of which:	**1,998**	**1,998**	**2,526**
Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
Non-operational deposits (all counterparties)	-	-	-
Unsecured debt	1,998	1,998	2,526
Secured wholesale funding	-	-	-
Additional requirements, of which:	-	-	-
Outflows related to derivative exposures and other collateral requirements	2	2	78
Outflows related to loss of funding on debt products	-	-	-
Credit and liquidity facilities	819	71	47
Other contractual funding obligations	304	15	-
Other contingent funding obligations	-	-	-
Total Cash Outflows	**3,131**	**2,087**	**2,656**
Cash Inflows			
Secured lending (e.g. reverse repos)	-	-	-
Inflows from fully performing exposures	5,964	5,327	9,880
Other cash inflows	0	0	116
Total Cash Inflows	**5,964**	**5,327**	**9,996**
		Total Adjusted Value	**Total Adjusted Value**
Total HQLA		**2,140**	**1,312**
Total Net Cash Outflows (2)		**522**	**664**
Liquidity Coverage Ratio (%) (3)		**410%**	**198%**

(1) The Average numbers are calculated using the month-end figures for the last quarter
(2) African Bank Limited 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

5.1.1 Composition of high-quality liquid assets

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

R'm	31 Dec 2016	30 Sep 2016
Total level one qualifying high-quality liquid assets (1)	**2,140**	**1,312**
Cash	3	2
Qualifying central bank reserves	560	453
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	1,577	857

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