GLOSSARY[1]

ACCIs – Additional cash collection initiatives launched by the Bank to improve cash collections and to account for the gap between the impairment indicated by the impairment model and the actual impairment recorded in the general ledger. In the 2013 financial year there were three such initiatives;

Activation rate – the rate at which an account that is classified as NPL, NML or ML makes a payment;

BA900 – banker's acceptance form 900, a statutory return required to be completed monthly by each bank in South Africa and submitted to the SARB, constituting in essence a balance sheet of the relevant bank rendered in prescribed form;

Back tests – in context, tests performed in order to evaluate the accuracy of a model (typically a goodwill or impairment model), by comparing the cash receipts predicted by the model for a particular time against the actual cash receipts as recorded in the books of the Bank for that same period;

Basel III – A comprehensive set of reform measures designed to improve the regulation, supervision and risk management within the banking sector. The Basel Committee on Banking Supervision published the first version of Basel

[1] The glossary was supplied by Deloitte, save for "Economic profit/loss".

III in late 2009, giving banks approximately three years to satisfy all requirements. Largely in response to the credit crisis of 2008, banks are required to maintain appropriate leverage ratios and meet certain capital requirements.

Cash uplifts – cash collections on defaulted loans additional to what is projected on the basis of historical experience. These imply extraordinary additional collection afforest. The concept is closely related to that of ACCIs;

CD – means “contractual delinquency”, a term used in connection with the classification of a loan as either in the PL “bucket”, NPL “bucket” or ML “bucket”, in accordance with the number of months for which instalments had been missed. CD0 refers to a loan for which zero instalments had been missed; CD1 refers to a loan for which 1 instalment had been missed and so on. The following table explains the different buckets in relation to the 2012 financial year:

CD bucket break down

Status	**CD Bucket**	**Arrears/Criteria**
Performing (PL)	CD0, CD1, CD2,and CD3	Less than 30 days. More than 30 days but less than or equal to 90 days.

Non-performing (NPL)	A CD bucket greater than CD3	More than 3 instalments (more than 90 days) in arrears.
Written-off (ML)	A CD bucket greater than 13	A recency of 17 or greater.

Coverage – refers to the total impairments raised (on the PL and NPL books) as a percentage of the NPL book. This percentage is impacted by transfers of amounts from the NPL book to the ML book through a change to the write-off CD period or specific write-offs (at management's discretion) from the NPL book to the ML book. As the ML book is disclosed in the financial statements on a net basis, the impairment amount that forms part of the ML books is not taken into account for coverage purposes;

CRA – credit risk accounting policy, an executive management policy that governs the principles that are to be applied in determining the accounting treatment in regard to credit risk on both the Bank and Ellerine advances books a well as the principles to be applied to manage the credit risk that the Bank is exposed to due to loss if a customer fails to perform his or her obligations to the Bank; including failing to perform within the agreed term. The CRA provides the standard terms and conditions for extending credit, and the customer qualifying criteria;

Decay factors – refers to a decrease factor used in the impairment model to adjust the predicted cash flows in later years to align with the actual cash receipts history. It is also a decrease factor applied to current data (for instance in calculating expected cash flows from recently launched ACCIs) to compensate for expected declines in the success of such an initiative over time;

DMTN – domestic medium term note, a bond programme established in South Africa and listed on the JSE;

Economic profit/loss – Economic profit is the reported headline earnings less a charge for an imputed cost of equity (based on shareholder funds multiplied by the estimated average cost of equity for ABIL), resulting in a measure of shareholder value creation. If the return on equity in a year does not exceed the cost of capital on economic loss is sustained.

Emergence period - also referred to as LEP (loss emergence period), represents the Bank's estimate (for accounting purposes) of the average amount of time from the point at which a loss is incurred (but not yet identified) to the point at which the loss is observed and confirmed. This term is closely related to IBNR. At all relevant times the Bank used an assumed 7 days as an emergence period;

EMTN – euro medium term note, a foreign bond programme established in the European market in Switzerland and the United Kingdom;

IBNR – incurred but not reported. There re two forms of IBNR that are relevant to the ABIL group: credit impairment IBNR and insurance IBNR. Insurance IBNR refers to a reserve (in financial years before 2013) or a provisions (in the 2013 financial year, after a change in accounting policy) recorded in the reserves of the ABIL insurance entities. Credit impairment IBNR former refers to an impairment provision raised on the PL book of the Bank. Both refer to loss events that have transpired, but have not yet been reported. In the context of PLs, it recognises the statistical effects of loss events that have taken place at the time of assessment, but which have not yet been notified or reported to the entity at the time of the assessment of the value of the PLs.

IFRS – International Financial Reporting Standards, which is a set of accounting standards developed by the IASB in an effort to create a single global standard for financial statements for public companies;

Impairment – A loan is impaired when it is not likely the lender will collect the substantial value of the loan, because the creditworthiness of a borrower has fallen;

ISA – International Standards on Auditing, a framework of auditing standards that is followed for conducting audits;

LSM – a living standards measure, which divides the South African population into 10 LSM groups, 10 being the highest and one being the lowest, and groups people according to their living standards using criteria such as degree of urbanization and ownership of cars and major appliances as opposed to income only;

LTIP – long-term incentive plan, a reward system designed to improve employees' long-term performance by providing rewards that is linked to the ABIL share price, although the scheme was settled in cash;

Management's discretionary factors – input factors into the impairment model that is based on management's judgment as opposed to items that may be factually substantiated, particularly prevalent in impairment models prior to 2012;

ML – memorandum ledger, referring to the Bank's book of written-off advances, which are written off against the impairment allowance account for NPLs and carried at their recoverable amount (in 2012 at 18 cents in the Rand and in 2013 at 6 cents in the Rand). These loans are still valued using the same discounted cash flow model as is used for NPLs except that recency is not taken into account;

NML - near memorandum ledger, meaning those loans which are NPL but were close to being written off;

NPLs – non-performing loans, referring to loans that have reached the “ point of impairment”. In the Bank’s case a loan was classified as NPL when it reached CD4;

NPV – net present value, in this context discounting future cash inflows and outflows to a present monetary value using a discount rate. In the case of loan impairment calculations, IAS39 requires that the effective interest rate at the date of inception of the loan should be used as the discount factor. In other fair value situations (such as goodwill calculations) market related discount factors are used;

PD – probability of default, referring to the degree of likelihood that the borrower of a loan will not be able to make the necessary scheduled repayments;

PLs – performing loans, ie loans where the debtor is regarded as substantially comply with legal obligations under the loan. In the cast of the Bank, loans which were classified as CD3 or less, were regarded as performing. The impairment calculation on PLs was done utilizing the concept of IBNR;

Recency – the number of months since the last payment has been received. The Bank defined “payment” as when it received at least 90% of the amount of the instalment. The recency month refers to the actual month when the last partial payment was received.

Regulatory capital – the three “ tiers” of regulatory capital provided for by Basel III, namely (i) common equity tier 1 capital, (ii) additional tier 1 capital, and (iii) tier 2 capital;

Relyant Insurance – Relyant Insurance Company Limited operating under a short-term insurance licence, a wholly-owned indirect subsidiary of Ellerine Holdings;

Relyant Life – Relyant Life Assurance Company Limited operating under a long-term insurance licence, a wholly-owned indirect subsidiary of Ellerine Holdings;

Roll rate – the historically calculated percentage of accounts that will more from one CD bucket to another over a period of time. In the Bank’s case the roll rates are calculated over a one month period;

Sensitivities – a statistical technique used to determine how different values of an independent variable would impact a particular variable under a given set of assumptions;

Vintage – a pool of loans classified according to a unique characteristic, such as origination date (by month or by quarter), product and geographical area.