



**BIDVEST BANK LIMITED**

*(Registration number 2000/006478/06)*

**BASEL III**

**CONSOLIDATED PILLAR 3 DISCLOSURE**

**AS AT 31 MARCH 2019**

# Contents

## 1. Pillar 3 Public Disclosure

- 1.1 Introduction
- 1.2 Goals and objectives
- 1.3 Appropriateness assessment
- 1.4 Nature and extent of information

## 2. Risk Management

## 3. Risk Governance

- 3.1 Board of Directors
- 3.2 Audit Committee
- 3.3 Asset / Liability Committee
- 3.4 Credit Committee
- 3.5 Risk and Capital Management Committee

## 4. Interrelationship of risk management functions

- 4.1 First line of defence
- 4.2 Second line of defence
- 4.3 Third line of defence
- 4.4 Fourth line of defence

## 5. Main ERM categories

## 6. Risk Appetite

## 7. Components of the Bank's ERM framework

## 8. Capital management

- 8.1 Table 1: Components of the Bank's risk weighted exposure
- 8.2 Table 2 & 3: Capital composition
- 8.3 Table 4: Summary comparison of accounting assets vs leverage ratio exposure measure

## 9. Liquidity Coverage Ratio (LCR)

## 10. Net Stable Funding Ratio (NSFR)

# 1.PILLAR 3 PUBLIC DISCLOSURE

## 1.1 Introduction

With the development of the Basel III International Convergence of Capital Measurement and Capital Standards, the third Pillar thereof namely Market Discipline, complements the minimum capital requirements (Pillar I) and the Supervisory Review Process (Pillar II). Through this third pillar a set of disclosure requirements has been developed which allows market participants to assess key pieces of information on the capital, risk exposures, risk assessment processes, and hence the capital adequacy of the Bank.

Transparency and effective communication between Bidvest Bank Ltd (the Bank) and its stakeholders, as well as the general public, is of the utmost importance. The Bank therefore provides information that will enable the users of such information to form a fair opinion of the financial condition of the Bank.

In light of the above, the Bank's disclosure policy, as approved by the board, has been developed not only to meet the criteria of the Regulations, but also to implement a process to ensure the effectiveness of the Bank's disclosures.

## 1.2 Goals and objectives

The information disclosed by the Bank is consistent with that available to senior management and the board of directors (the Board) in their assessment and management of the risks of the Bank. By disclosing the information the Bank aims to meet the following goals and objectives:

- inform the market regularly about the Bank's exposure to all risk areas,
- provide a consistent and understandable disclosure of information that will enhance decision-making and comparability,
- provide a fair presentation of the Bank's financial position, including its capital adequacy position, and financial performance, business activities, risk profile and risk mitigation practices, and
- provide reliable, relevant and timely information.

## 1.3 Appropriateness assessment

The review of the Bank's disclosure strikes an appropriate balance between the need for meaningful disclosure and the protection of proprietary and confidential information, where the disclosure of information could make the Bank's investment in products or systems less valuable, and therefore undermine its competitive position, or which may be contrary to the provisions of any agreement.

The Bank further assesses whether the information disclosed adequately reflects the financial position of the Bank, and reasonably reflects the Bank's position in the banking environment.

The Board reviews the Bank's Disclosure Policy annually, to assess, whether the Bank's disclosure documents fulfil the requirements of the Regulations and whether any additional disclosures should be made, or the Bank's disclosure documents be amended. During such reviews it will be determined whether the Bank's disclosures meet industry standards.

#### **1.4 Nature and extent of information**

In order for the Bank to maintain a high level of transparency between itself and the market, the Bank has adopted the following approach towards determining the materiality, nature and extent of the information that will be disclosed to the public:

- information is considered to be material if its omission or misstatement could change or influence a user relying on that information to take banking, economic or investment decisions. Materiality is determined in accordance with the International Accounting Standards (IAS) and accounting concepts,
- the nature and extent of the information will be in compliance with the International Financial Reporting Standards (IFRS),
- the nature and extent of the information disclosed will be in compliance with the minimum requirements as set out in the Regulations and Basel III,
- the information will be consistent with the Bank's audited financial statements and subject to internal control and verification, and
- the information shall be consistent with that available to the directors and senior management to enable them to assess and manage the Bank's risk exposures.

## 2. Risk Management

The Board of Directors recognizes the importance of on-going identification and management of risk in order to maintain a sound financial and reputational condition. The Board adopts a risk management policy to affirm its awareness of the need to establish a program for enterprise risk management (ERM). The Board further commits to providing sufficient personnel and other resources to ensure full implementation of an enterprise risk management program. The Board also acknowledges that each of the Bank's activities has an element of risk. Due to the diverse nature of the Bank's business units, products and services, and the fact that not all risk can be transferred to third parties through insurance policies, contracts or waivers, the management of residual risk at all levels of the Bank is imperative. The Board has delegated responsibility for Risk Management Policy matters to the Risk and Capital Management Committee which is a sub-committee of the Board.

Bidvest Bank maintains an Enterprise Risk Management policy and framework to coordinate the many aspects of risk. The Bank's risk management policy articulates the content of the Bank's Enterprise Risk Management and Risk Appetite.

The Board expects executive management of the Bank to be committed to building a risk culture and increased awareness and a shared responsibility for risk management at all levels of the Bank. A clearly defined Risk Management Policy including a Risk Appetite Statement supports this.

Risk is an inherent component of the Bank's activities. The ability to effectively identify, assess, measure, respond, monitor and report on risk in activities is critical to the achievement of the Bank's mission and strategic objectives. This risk management approach reflects the Bank's values, influences the Bank's culture and guides the Bank's operations. It is captured in policy statements, Board and management directives, operating procedures, training programs, and is demonstrated in daily activities by management and staff.

Enterprise Risk Management is a group of structured and consistent risk management processes that are applied across the Bank. The ERM program identifies, assesses, prioritizes, and provides a formal structure for the internal and external risks that impact the organization. These activities are categorized under commonly accepted categories of risk.

The ERM program is driven by a formal approach that is aligned with the Bank's profile and strategic objectives. It is enhanced by formalizing roles within the Bank, active committees, policies and procedures, reporting, communication, and technology. The ERM program produces various risk mitigation activities within the business units. The resulting strategic, financial, and operational risk mitigation activities implemented strengthen the Bank, reduce the potential for unexpected losses, and manage the volatility experienced by the Bank.

The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board sub-committees are responsible for developing and monitoring the Bank's risk

management policies in their specified areas. All Board subcommittees report regularly to the Board on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in strategy, products and services offered. The Bank, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board is satisfied that the risk management system and process for identifying, evaluating and managing significant risks is effective, and operated throughout the period of this report, providing reasonable assurance. The Board is further satisfied that the processes will identify and enable it to take adequate action against any material undue, unexpected or unusual risks. In the period under review, no such risks were identified.

A documented and regularly tested business continuity plan exists to ensure continuity of business-critical activities.

## **3. RISK GOVERNANCE**

### **3.1 Board of Directors**

Responsible for approving new policies and changes to all policies; participating in committees with managers, reviewing status; providing guidance on strategies and risk appetite; staying apprised of significant risk exposures; and ensuring that risks are managed within tolerance.

### **3.2 Audit Committee**

A Board level committee responsible for providing assistance to the Board of Directors in fulfilling their need for consistency and their responsibility to the shareholders and investment community related to corporate accounting, reporting practices, the quality and integrity of financial reports, and the quality and effective administration of the controls and procedures of all systems and work processes. In terms of the Banks Act (Act 94 of 1990, amended 2007) the Audit and Compliance Committee is responsible to assist the Board in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied in the Bank in the day-to-day management of its business. The Committee will facilitate and promote communication on the matters referred to above, between the Board and senior management, the external auditors and the internal auditors. The Committee will also be responsible to introduce such measures as, in the Committee's opinion, may serve to enhance the credibility and objectivity of financial statements and reports about the affairs of the Bank.

#### **Internal Audit**

It will be the task of the Internal Audit Department to provide reasonable assurance on the effectiveness and integrity of the Bank's risk management system in identifying, prioritising, managing and communicating significant exposure to risk and to provide reasonable assurance that the controls as designed are the most

appropriate to mitigate risks in a cost effective manner. Internal controls and procedures will be assessed in terms of the Internal Audit Charter of the Bank.

### **3.3 Asset / Liability Committee**

Chaired by an independent non-executive director, to oversee liquidity and interest rate risk programs, shock tests, monitor key risk indicators, develop and agree policies and procedures, set limits, prioritize activities and investments, and provide input to the senior management and the Board regarding the management of risks.

### **3.4 Credit Committee**

Chaired by an independent non-executive director and oversees credit risk activities, assessments and stress tests, develops and agrees on policies and procedures, sets limits, monitors key risk indicators, prioritizes activities and investments, and provides input to the senior management and the Board regarding the management of credit risks.

### **3.5 Risk and Capital Management Committee**

Chaired by an independent non-executive director, and oversees compliance and operational risk programs, assessments, develops and agrees on policies and procedures, sets limits, monitors key risk indicators, prioritizes activities and investments, and provides input to the senior management and the Board regarding the management of risks and the status of the programs, including matters relating to the Bank's capital adequacy levels.

## **4. INTERRELATIONSHIP OF RISK MANAGEMENT FUNCTIONS – FOUR LINES OF DEFENCE**

The Bank adopts the four lines of defence model.

### **4.1 First line of defence**

Business units are the first line of defence. They take risks and are responsible and accountable for the ongoing management of such risks. This includes identifying, assessing and reporting such exposures, taking into account the Bank's risk appetite and its policies, procedures and controls. The manner in which the business line executes its responsibilities reflects the Bank's existing risk culture.

### **4.2 Second line of defence**

The second line of defence includes an independent risk management function. The risk management function complements the business line's risk activities through its monitoring and reporting responsibilities. Among other things, it is responsible for overseeing the Bank's risk-taking activities and assessing risks and issues independently from the business line. The function promotes the importance of senior management and

business line managers in identifying and assessing risks critically rather than relying only on surveillance conducted by the risk management function. Among other things, the finance function plays a critical role in ensuring that business performance and profit and loss results are accurately captured and reported to the board, management and business lines that will use such information as a key input to risk and business decisions.

The second line of defence also includes an independent and effective compliance function. The compliance function, should among other things, routinely monitor compliance with laws, corporate governance rules, regulations, codes and policies to which the Bank is subject. The Board approves compliance policies that are communicated to all staff. The compliance function assesses the extent to which policies are observed and reports to senior management and, as appropriate, to the board on how the Bank is managing its compliance risk. The function also has sufficient authority, stature, independence, resources and access to the board.

#### **4.3 Third line of defence**

The third line of defence consists of an independent and effective internal audit function. Among other things, it provides independent review and objective assurance on the quality and effectiveness of the Bank's internal control system, the first and second lines of defence and the risk governance framework including links to organisational culture, as well as strategic and business planning, compensation and decision-making processes. Internal audit is not involved in developing, implementing or operating the risk management function or other first or second line of defence functions.

#### **4.4 Fourth line of defence**

Assurance from external independent bodies such as the external auditors and other external bodies. External bodies may not have the existing familiarity with the organisation that an internal audit function has, but they can bring a new and valuable perspective. Additionally, their outsider status is clearly visible to third parties, so that they can not only be independent but be seen to be independent.

## **5. MAIN ERM CATEGORIES**

The Bank is exposed to various forms of risk in strategic, tactical and daily activities. The main risks the Bank is exposed to are set out in broad categories below.

### **Bank specific risks**

**Credit Risk:** The current and prospective risk to earnings or capital arising from an obligor's failure to meet the term of any contract with the Bank or otherwise perform as agreed. Credit risk is found in all activities where success depends on counterparty, issuer or borrower performance. Credit risk is managed within the risk appetite of the Bank. Acceptable credit risk identified in a credit application is mitigated through sufficient underlying security. To enhance the return on funds, and therefore shareholder value, a certain amount of risk has to be taken in the lending activities of the Bank. The risk tolerance of the Bank is, however, low and therefore all credits mitigated through sound credit principles, and all lending done against appropriate security, except where other factors deem it not necessary to obtain specific security.

The basic principle governing the Bank's lending philosophy is the need for management to satisfy itself that the business of the borrower has the capacity to deploy its assets in a way that will generate the earnings/cash flows on a sustainable basis to facilitate the repayment of any facilities granted.

**Interest Rate Risk:** The risk to earnings or capital arising from movements in interest rates. Interest rate risk arises from differences between the timing of rate changes and the timing of cash flows (re-pricing risk); from changing rate relationships among different yield curves affecting Bank activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in products (options risk).

**Liquidity Risk:** The current and prospective risk to earnings or capital arising from incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value. Liquidity risk can be divided into two sub-categories:

- *Market liquidity risk:* The ease with which assets can be liquidated; and
- *Funding liquidity risk:* The ease with which additional funding can be raised e.g. in the interbank or wholesale markets.

Effective liquidity risk management is a daily process to monitor and project cash flows to ensure adequate liquidity is maintained. The mismatch of cash flows could lead to situations where cash outflows exceed cash inflows in a given period. This may result in the Bank's failure to meet its obligations to pay creditors, repay depositors and fulfil commitments to lend.

Liquidity management is the process to meet the Bank's commitments as they fall due, at an appropriate cost, whilst maintaining market confidence in the Bank.

**Market Risk:** The risk to earnings or capital arising from changes in the value of traded portfolios of financial instruments. This risk arises from market-making, dealing and position-taking in interest rate, foreign exchange, equity and commodities markets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market risk is vested in ALCO. The Risk Department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

**Currency risk:** The risk of financial loss due to fluctuations in exchange rates.

**Solvency risk:** The risk of financial loss due to inability both to meet long-term fixed expenses and to have adequate funds for long-term expansion and growth.

**Concentration risk:** The risk of an adverse overall spread of the Bank's outstanding accounts over the number or variety of debtors to whom the Bank has lent money.

**Counterparty credit risk:** The risk arising from the possibility that the counterparty may default on amounts owned on a derivative transaction. Derivatives are financial instruments that derive their value from the performance of assets, interest or currency exchange rates, or indexes.

## **Other and operational risks**

**Compliance Risk:** The current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards. Compliance risk also arises in situations where the laws governing certain Bank products or activities of the Bank's clients may be ambiguous or untested. This risk exposes the Bank to fines, civil money penalties, payment of damages and the voiding of contracts. Compliance risk can lead to diminished reputation, reduced franchise value, limited business opportunities, reduced expansion potential and lack of contract enforceability.

**Strategic Risk:** The current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes. This risk is a function of the compatibility of the Bank's strategic goals, the business strategies developed to achieve those goals, the resources deployed against those goals and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks and managerial capacities and capabilities. The organization's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory and other environmental changes.

**Reputation Risk:** The current and prospective impact on earnings and capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or services, or continue servicing existing relationships. This risk may expose the institution to litigation, financial loss or a decline in its customer base. Reputation risk exposure is present throughout the organization and includes the responsibility to exercise an abundance of caution in dealing with customers and the community.

**Operational Risk:** The risk of loss resulting from inadequate or failed internal processes, people and systems from external events. This includes legal risk. These are the types of non-credit and non-interest rate exposures that can lead to financial loss – fraud, business outages, IT failures, vendor outages or failures, financial statement control issues and processing errors. The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses not part of operational risk with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The Operational Risk Committee is responsible for oversight of the Bank's operational risks.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

**Human resource risk:** The risk of financial loss due to failure of human resource policies and procedures, including failure to appoint and retain knowledgeable, skilled, talented staff.

**Technology risk:** The risk of financial loss due to technology related failure.

**Business continuity and disaster recovery risk:** The risk of financial loss due to insufficient business continuity or disaster recovery planning.

**Systemic risk:** The risk of financial loss due to the financial system as a whole not being able to withstand the effects of a market crisis.

**Legal risk:** The risk of financial loss due to legal action against the Bank, or through the inability of the Bank to exercise its rights.

**Tax risk:** The risk of non-compliance to tax laws.

**Regulatory risk:** The risk of a change in regulations and law that might affect the Bank.

**Environmental risk:** The actual or potential threat of adverse effects on living organisms and the environment by effluents, emissions, wastes, resource depletion, etc., arising out of the Bank's activities.

## 6. RISK APPETITE

The Board of Directors and management use a balanced approach in determining acceptable levels of risk to undertake. The Bank will only tolerate those risks which permit it to:

- Achieve its stated strategic business objectives
- Provide a return that meets or exceeds expectations
- Comply with all applicable laws and regulations
- Conduct its business in a safe and sound manner.

The Board approves and management sets general risk appetite levels annually through several means.

- The overall internal and external risk environments are considered in conjunction with the strategic planning process.
- Key strategic business objectives and their financial and non-financial risk appetite levels are set annually and expressed in the strategic plan and policies. Within the scope of their authority and guidelines established in business plans, policies, and procedures, business unit managers make decisions regarding acceptable levels of risk. Managers are also responsible for implementing risk mitigation strategies of retention, control, avoidance and transfer.

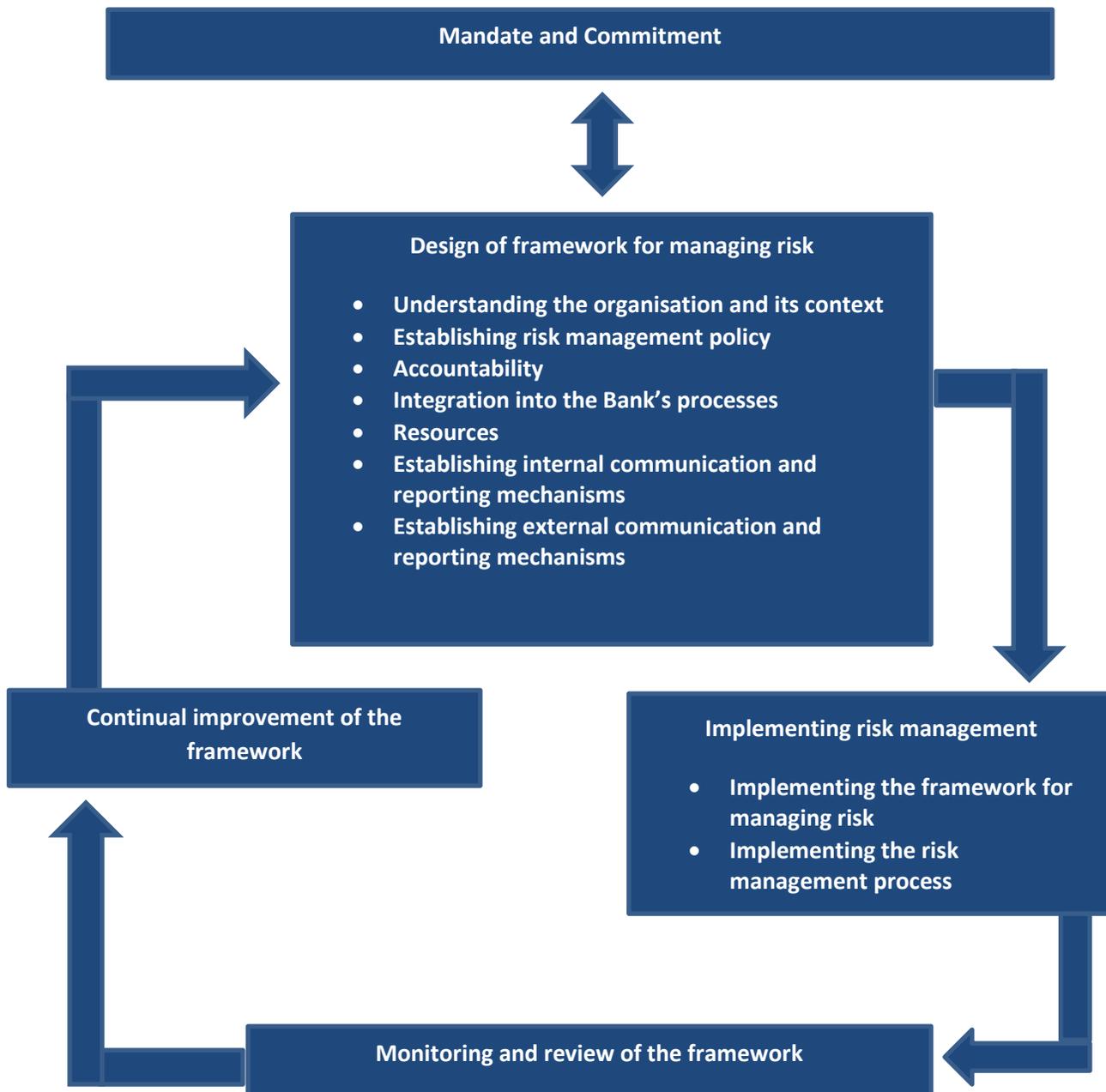
For monitoring and reporting purposes, Management and the Board use a set of Key Risk Indicators of inherent risk across the predefined risk categories, assessing if they are within tolerances, and if the trend is increasing, stable, or decreasing. These are tracked in a common reporting format. High risk indicators and action plans are tracked by the various committees with update reporting to the Board at least quarterly or as requested.

### **Bank-wide Risk Appetite Statement**

The Bank considers both qualitative and quantitative measures as part of its risk appetite and focuses on capital, liquidity, profitability, and growth as primary measures. Financial operations are managed to obtain a reasonable risk / return relationship within the management of the various risks to which the Bank is exposed,

including strategy risk, credit risk, liquidity risk and reputational risk. The Bank’s risk appetite is linked to its short and longer term strategy focussing on higher return on equity, growth in profitability, year on year growth and revenue diversification. The Bank’s risk appetite also specifies, as part of risk appetite, risk tolerances around its risk appetite, such as acceptable limits of credit losses. The risk appetite is reviewed annually and is adjusted to take cognisance of target values and market prospects. The Bank’s overall risk appetite is relatively low.

## 7. COMPONENTS OF THE BANK’S ERM FRAMEWORK



## 8. CAPITAL MANAGEMENT

The South African Reserve Bank (“SARB”) sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements, the SARB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets, market risk exposure and operational risk exposure. The Bank follows the Standardised approach under Basel III and calculates requirements for market risk in its banking portfolios based upon the Bank’s market risk models and uses both external and internal grading as the basis for risk weightings for credit risk.

The Bank’s regulatory capital is analysed into two categories:

- Tier I capital, which includes ordinary share capital, share premium and appropriated retained earnings.
- Tier II capital, which includes collective impairment allowances.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-statement of financial position exposures.

The Bank’s internal capital adequacy assessment process (ICAAP) is formalised and approved by the Board. The Bank’s policy is to maintain a strong capital base so as to maintain investor, credit and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders’ return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank and its operations have complied with all externally imposed capital requirements throughout the year and previous year.

There have been no material changes in the Bank’s management of capital during the year.

The Bank’s ICAAP reflects its internal assessment of risk. The ICAAP determines the most suitable level of economic capital, i.e. the capital required to remain solvent under conditions that are extreme in nature. For potential losses arising from risk types that are statistically quantifiable, economic capital reflects the worst case loss, taking risk-adjusted returns on capital into account.

The final economic capital level determined through the ICAAP reflects the capital to be held for risks as assessed by management instead of implicated by a prescribed regulatory formula. The economic capital requirement is then compared to the regulatory capital requirement to determine the buffer to be held for uncertainties to ensure adequate capitalisation for the Bank.

Statement of financial position forecasting based on business and strategy planning allows management to ensure that minimum required capital ratios are adhered to.

The table below provides a breakdown of the Bank’s Risk Weighted Assets and required capital as at 31 March 2019.

The percentage minimum capital requirement used for calculating the capital requirement is constructed as follows: 8% minimum capital requirement, plus 1% systemic risk (Pillar 2A), plus 2.5% capital conservation buffer. Total: 11.50%.

Other risks reflected in the table above relate to property and equipment and other assets as contained in the Bank's statement of financial position.

Table 1: Components of the Bank's risk weighted exposure

	RWA		Minimum capital requirements
	Mar-19	Mar-18	Mar-19
Credit risk (excluding counterparty Credit Risk (CCR) Credit Valuation Adjustment (CVA)	3,557,347	3,620,675	409,095
Of which standardised approach (SA)	3,557,347	3,620,675	409,095
Of which internal rating-based (IRB) approach	-	-	-
Counterparty Credit Risk Credit Valuation Adjustment (CVA)	11,621	25,088	1,336
Of which standardised approach for counterparty credit risk (SA - CCR)	11,621	25,088	1,336
Of which internal model method (IMM)	-	-	-
Equity positions in banking book	70,919	108,199	8,156
Market Risk	18,813	16,993	2,163
Of which standardised approach (SA)	18,813	16,993	2,163
Of which internal model method approaches (IMM)	-	-	-
Operational Risk	2,765,194	3,092,199	317,997
Of which Basic Indicator Approach	-	-	-
Of which Standardised approach	2,765,194	3,092,199	317,997
Of which Advanced Measurement Approach	-	-	-
Other risks	2,222,425	2,086,719	255,579
<b>Total</b>	<b>8,646,319</b>	<b>8,952,873</b>	<b>994,326</b>

## 8.2 Table 2 & 3: Capital composition

As at 31 March 2019 the Bank was adequately capitalised and the below capital related items are highlighted.

Table 2: Capital composition

Description	R'000
Total Capital and Reserves	2,738,342
Qualifying capital and reserves	2,043,055
Of which: Tier I	2,039,294
Of which: Tier II	3,761
Total amount of qualifying capital required	994,326
Total risk weighted assets	8,646,319
Capital Adequacy Ratio (CAR) (qualifying capital and reserves)	23.63%
Capital Adequacy Ratio (CAR) (Total capital and reserves)	31.67%
Regulatory minimum CAR	11.50%
Internal board approved CAR	15.00%

Table 3: Capital composition

Basel III common disclosure used during the transition of regulatory adjustments from 1 June 2013 to 1 January 2018		
Common Equity Tier I capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	527,779
2	Retained earnings	1,716,097
3	Accumulated other comprehensive income (and other reserves)	12,443
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-
	<i>Public sector capital injections grandfathered until 1 January 2018</i>	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	Common Equity Tier 1 capital before regulatory adjustments	<b>2,256,319</b>

Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	
8	Goodwill (net of related tax liability)	14,831
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	202,193
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	
11	Cash-flow hedge reserve	
12	Shortfall of provisions to expected losses	
13	Securitisation gain on sale	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	
15	Defined benefit pension fund net assets	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	
17	Reciprocal cross-holdings in common equity	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	
19	Significant investments in common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	
20	Mortgage servicing rights (amount above 10% threshold)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	
22	Amount exceeding the 15% threshold	
23	of which: significant investments in the common stock of financials	
24	of which: mortgage servicing rights	
25	of which: deferred tax assets arising from temporary differences	
26	National specific regulatory adjustments	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
	OF WHICH:	
	OF WHICH:	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	

28	<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>217,024</b>
29	<b>Common Equity Tier 1 capital (CET1)</b>	<b>2,039,295</b>
<b>Additional Tier 1 capital: instruments</b>		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	
34	Additional Tier 1 instruments (and CET1) instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	
35	Of which: instruments issued by subsidiaries subject to phase out	
36	<b>Additional Tier 1 capital before regulatory adjustments</b>	
<b>Additional Tier 1 capital: regulatory adjustments</b>		
37	Investments in own Additional Tier 1 instruments	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	
41	National specific regulatory adjustments	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
	OF WHICH:	
	OF WHICH:	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
43	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	
44	<b>Additional Tier 1 capital (AT1)</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>2,039,295</b>
<b>Tier 2 capital and provisions</b>		
46	<b>Directly issued qualifying Tier 2 instruments plus related stock surplus</b>	
47	<b>Directly issued capital instruments subject to phase out from Tier 2</b>	

48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Provisions	3,761
51	Tier 2 capital before regulatory adjustments	<b>3,761</b>
<b>Tier 2 capital: regulatory adjustments</b>		
52	Investment in own Tier 2 instruments	
53	Reciprocal cross-holdings in Tier 2 instruments	
54	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	
55	regulatory consolidation (net of eligible short positions)	
56	National specific regulatory adjustments	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
	OF WHICH:	
	OF WHICH:	
57	<b>Total regulatory adjustments to Tier 2 capital</b>	
58	<b>Tier 2 capital (T2)</b>	<b>3,761</b>
59	<b>Total capital (TC = T1 + T2)</b>	<b>2,043,056</b>
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	8,646,319
	OF WHICH:	
	OF WHICH:	
60	<b>Total risk weighted assets</b>	
<b>Capital ratios</b>		
61	Common Equity Tier 1 (as percentage of risk weighted assets)	23.58%
62	Tier 1 (as percentage of risk weighted assets)	23.58%
63	Total capital (as percentage of risk weighted assets)	23.63%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	-
65	of which: capital conservation buffer requirements	2.50%

66	of which: bank-specific countercyclical buffer requirement	0%
67	of which: G-SIB buffer requirement	0%
68	Common Equity Tier 1 available to meet buffers (as percentage of risk weighted assets)	23.58%
<b>National Minima (if different from Basel 3)</b>		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	7.50%
70	National Tier 1 minimum ratio	9.25%
71	National total capital minimum ratio	11.5
<b>Amounts below the threshold for deductions (before risk weighting)</b>		
72	Non-significant investments in the capital of other financials	
73	Significant investments in the common stock of financials	
74	Mortgage servicing rights (net of related tax liability)	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to the application of cap)	3,761
77	Cap on inclusion of provisions in Tier 2 under standardised approach (1.25% of RWE)	108,079
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of cap)	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
80	Current cap on CET1 instruments subject to phase out arrangements	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	
82	Current cap on AT1 instruments subject to phase out arrangements	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	
84	Current cap on T2 instruments subject to phase out arrangements	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

**Table 4: Leverage ratio**

**Summary comparison of accounting assets vs leverage ratio exposure measure**

	Item	R'000
1	Total consolidated assets as per published financial statements	9,494,811
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-53,748
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-184,158
4	Adjustments for derivative financial instruments	13,977
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	551,430
7	Other adjustments	
<b>8</b>	<b>Leverage ratio exposure</b>	<b>9,822,312</b>

	Item	Leverage ratio framework
<b>On-balance sheet exposures</b>		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	9,494,811
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-237,906
<b>3</b>	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)</b>	<b>9,256,905</b>
<b>Derivative exposures</b>		
4	Replacement cost associated with <i>all</i> derivatives transactions (ie net of eligible cash variation margin)	6,347
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	7,630
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)	
<b>11</b>	<b>Total derivative exposures (sum of lines 4 to 10)</b>	<b>13,977</b>
<b>Securities financing transaction exposures</b>		
12	Gross SFT <i>assets</i> (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	
<b>16</b>	<b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>	
<b>Other off-balance sheet exposures</b>		

17	Off-balance sheet exposure at gross notional amount	2,130,471
18	(Adjustments for conversion to credit equivalent amounts)	-1,579,041
19	<b>Off-balance sheet items (sum of lines 17 and 18)</b>	551,430
<b>Capital and total exposures</b>		
20	<b>Tier 1 capital</b>	2,039,294
21	<b>Total exposures (sum of lines 3, 11, 16 and 19)</b>	9,822,312
<b>Leverage ratio</b>		
22	<b>Basel III leverage ratio</b>	20.76%

## 9. LIQUIDITY COVERAGE RATIO

### LCR common disclosure template

		TOTAL UNWEIGHTED VALUE (average)	TOTAL WEIGHTED VALUE (average)
<b>HIGH-QUALITY LIQUID ASSETS</b>			
1	Total high-quality liquid assets (HQLA)		589,039
<b>CASH OUTFLOWS</b>			
2	Retail deposits and deposits from small business customers, of which:	3,731,221	373,122
3	Stable deposits		
4	Less stable deposits	3,731,221	373,122
5	Unsecured wholesale funding, of which:	2,434,100	1,080,413
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	2,434,100	1,080,413
8	Unsecured debt		
9	Secured wholesale funding		85,735
10	Additional requirements, of which:	178,990	178,990
11	Outflows related to derivative exposures and other collateral requirements	178,990	178,990
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities		
14	Other contractual funding obligations	270,789	27,079
15	Other contingent funding obligations	1,596,460	77,352
16	<b>TOTAL CASH OUTFLOWS</b>		1,822,691
<b>CASH INFLOWS</b>			
17	Secured lending (eg reverse repos)		
18	Inflows from fully performing exposures	3,301,643	3,218,712
19	Other cash inflows	116,258	116,258

20	<b>TOTAL CASH INFLOWS</b>		3,334,970
TOTAL ADJUSTED VALUE			
21	<b>TOTAL HQLA</b>		589,039
22	<b>TOTAL NET CASH OUTFLOWS</b>		455,673
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>		129%

## 10. NET STABLE FUNDING RATIO (NSFR)

The Net Stable Funding Ratio (NSFR) is one of the Basel Committee’s key reforms to promote a more resilient banking sector. The NSFR requires the Bank to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to the Bank’s regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability.

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an ongoing 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 (“Required stable funding”) of the Bank is a function of the liquidity characteristics and residual maturities of the various assets held by the Bank as well as those of its off-balance sheet (OBS) exposures.

The amount of available stable funding (ASF) is measured based on the broad characteristics of the relative stability of the Bank’s funding sources, including the contractual maturity of its liabilities and the differences in the propensity of different types of funding providers to withdraw their funding. The amount of ASF is calculated by first assigning the carrying value of the Bank’s capital and liabilities to various categories. The amount assigned to each category is then multiplied by an ASF factor, and the total ASF is the sum of the weighted amounts. Carrying value represents the amount at which a liability or equity instrument is recorded before the application of any regulatory deductions, filters or other adjustments.

The amount of required stable funding is measured based on the broad characteristics of the liquidity risk profile of the Bank’s assets and OBS exposures. The amount of required stable funding is calculated by first assigning the carrying value of the Bank’s assets to various categories. The amount assigned to each category is then multiplied by its associated required stable funding (RSF) factor, and the total RSF is the sum of the weighted amounts added to the amount of OBS activity (or potential liquidity exposure) multiplied by its associated RSF factor.

\*(The above information is based on the Basel Committee on Banking Supervision October 2014 paper: “Basel III: the net stable funding ratio”)

Net stable funding ratio (NSFR)		Total			
Available stable funding	Line no.	< 6 months	≥ 6 months to < 1 year	≥1 year	Weighted total
R'000		1	2	3	4
Tier 1 and Tier 2 capital (Basel III 2022), before capital deductions and excluding Tier 2 instruments with residual maturity of less than one year	1	-	-	2,260,078	2,260,078
Capital instruments not included above with an effective residual maturity of one year or more	2	-	-	-	-
"Stable" demand and/or term deposits from retail and small business customers	3	-	-	-	-
"Less stable" demand and/or term deposits from retail and small business customers	4	2,778,694	952,527	-	3,358,099
Funding from non-financial corporates (total of items 6 and 7)	5	1,907,035	223,838	-	1,065,436
Operational deposits	6				-
Non-operational deposits and funding	7	1,907,035	223,838	-	1,065,436
Funding from central banks (total of items 9 and 10)	8	-	-	-	-
Operational deposits	9	-	-	-	-
Non-operational deposits and funding	10	-	-	-	-
Funding from sovereigns/PSEs/MDBs/NDBs (total of items 12 and 13)	11	3,373	-	-	1,687
Operational deposits	12				-
Non-operational deposits and funding	13	3,373	-	-	1,687
Funding from other legal entities (total of items 15 to 17)	14	-	-	-	-
Operational deposits	15	-	-	-	-
Non-operational deposits and funding raised in South Africa and denominated in ZAR, excluding banks	16	-	-	-	-
Non-operational deposits and funding not included in line 16	17	-	-	-	-
Deposits from members of the same cooperative network of banks	18	-	-	-	-
NSFR derivative liabilities (items 19 less 20)	19	-	-	-	-
NSFR derivative liabilities (gross of variation margin posted)	20	-	-	-	-
Total variation margin posted	21	-	-	-	-
Interdependent liabilities	22	-	-	-	-
All other liabilities and equity categories not included above	23	897,496	-	478,117	478,117

Total ASF (Total of items 1 to 5, 8, 11, 14, 18, 19, 22, 23)	24	-	-	-	7,163,417
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Required stable funding - on balance-sheet items		Total			Weighted total
		< 6 months	≥ 6 months to < 1 year	≥ 1 year	
R'000		1	2	3	4
Coins and banknotes	25	209,867	-	-	-
Total central bank placements (total of items 27 and 28)	26	176,191	-	-	8,166
Required central bank reserves	27	163,322	-	-	8,166
Other placements with the central bank	28	12,879	-	-	-
Securities held where the institution has an offsetting reverse repurchase transaction when the security on each transaction has the same unique identifier (eg ISIN number) and such securities are reported on the balance sheet of the reporting institutions	29	-	-	-	-
Deposits held at other banks which are members of the same cooperative network of banks	30	-	-	-	-
Loans to financial institutions (total of items 32, 35 and 38)	31	3,180,951	2,314	19,529	497,829
Loans to financial institutions secured by Level 1 collateral and where the bank has the ability to freely rehypothecate the received collateral for the life of the loan (total of items 33 and 34)	32	-	-	-	-
Unencumbered	33	-	-	-	-
Remaining period of encumbrance	34	-	-	-	-
All other secured loans to financial institutions (total of 36 and 37)	35	-	-	-	-
Unencumbered	36	-	-	-	-
Remaining period of encumbrance	37	-	-	-	-
Unsecured loans to financial institutions (total of 39 and 40)	38	3,180,951	2,314	19,529	497,829
Unencumbered	39	3,180,951	2,314	19,529	497,829
Remaining period of encumbrance	40	-	-	-	-
Securities eligible as Level 1 HQLA (total of items 42 and 43)	41	228,089	176,283	-	20,219
Unencumbered	42	228,089	176,283	-	20,219
Remaining period of encumbrance	43	-	-	-	-
Securities eligible for Level 2A HQLA (total of items 45 and 46)	44	-	-	-	-
Unencumbered	45	-	-	-	-
Remaining period of encumbrance	46	-	-	-	-

Securities eligible for Level 2B HQLA (total of items 48 and 49)	47	-	-	-	-
Unencumbered	48	-	-	-	-
Remaining period of encumbrance	49	-	-	-	-
Deposits held at financial institutions for operational purposes	50	435,1242	-	-	217,621
Loans to non-financial corporate clients with a residual maturity of less than one year	51	728,918	381,767	-	555,343
Loans to sovereigns, central banks, PSEs, MDBs and NDBs with a residual maturity of less than one year	52	14,646	2,583	-	8,615
Residential mortgages of any maturity that would qualify for the 35% or lower risk weight under the Basel II standardised approach for credit risk	53	-	-	6,999	4,549
Other loans, excluding loans to financial institutions, with a residual maturity of one year or greater that would qualify for the 35% or lower risk weight under the Basel II standardised approach for credit risk (total of items 55 and 56)	54	-	-	28,924	18,801
Unencumbered	55	-	-	28,924	18,801
Remaining period of encumbrance	56	-	-	-	-
Performing loans (except loans to financial institutions and loans reported in above categories) with risk weights greater than 35% under the Basel II standardised approach for credit risk	57	6,813	1,515	995,820	850,611
Non-HQLA exchange traded equities and physical traded commodities, including gold (total items 59 and 60)	58	-	-	-	-
Unencumbered	59	-	-	-	-
Remaining period of encumbrance	60	-	-	-	-
Non-HQLA securities not in default	61	-	-	-	-
Other short-term unsecured instruments and transactions with a residual maturity of less than one year	62	-	-	-	-
All asset encumbered not included above	63	-	-	-	-
NSFR derivative assets (items 65 less 66)	64	-	-	-	-
NSFR derivative assets (gross of variation margin received)	65	-	-	-	-
Cash variation margin received	66	-	-	-	-
Required stable funding associated with derivative liabilities	67	-	-	-	-
Total initial margin posted	68	-	-	-	-

Items deducted from regulatory capital	69	-	-	-	-
Interdependent assets	70	-	-	-	-
Trade date receivables	71	-	-	-	-
All other assets not included in above categories	72	-	-	2,904,707	2,904,707
Total on balance-sheet RSF (total of items 25, 26, 29 to 31, 41, 44, 47, 50 to 54, 57, 58, 61 to 63, 64, 67 to 72)	73	4,980,717	564,462	3,955,979	5,086,459

Required stable funding - off balance-sheet items		Amount	Weighted total
Irrevocable or conditionally revocable liquidity facilities	74	-	-
Irrevocable or conditionally revocable credit facilities	75	270,789	13,539
Unconditionally revocable liquidity facilities	76	-	-
Unconditionally revocable credit facilities	77	1,243,662	62,183
Trade finance-related obligations (including guarantees and letters of credit)	78	352,798	17,640
Guarantees and letters of credit unrelated to trade finance obligations	79	-	-
Non-contractual obligations (total of items 80 to 83)	80	-	-
Debt-buy back requests (incl related conduits)	81	-	-
Structured products	82	-	-
Managed funds	83	-	-
Other non-contractual obligations	84	-	-
Total Off Balance-sheet RSF (total of items 73 to 79)	85	1,867,250	93.362
Calculating the NSFR		-	-
Total ASF (item 24)	86	7,163,417	-
Total RSF (Total of items 73 and 85)	87	5,179,821	-
NSFR (Item 86 divided by 87 multiplied with 100)	88	138%	-