

Johannesburg Branch

BASEL III PILLAR 3 DISCLOSURE AS ON 31.12.2015

Capital Adequacy

(i) Qualitative Disclosures

The Bank has put in place a robust Risk Management Architecture with due focus on Capital/Profit optimization. i.e. to do maximum business out of the available capital which in turn optimise profit or return on equity. Bank is benchmarking on globally accepted sound risk management system, conforming to Basel III framework, enabling a more efficient equitable and prudent allocation of resources.

(ii) Quantitative disclosures

(a) Capital Requirement

SI No	Items	Amount (in ZAR'000)
		31.12.2015
	Common equity tier 1 capital and reserve funds	
	Paid in capital	250000
	Retained earnings	29366
	Less : unappropriated profits	9146
	Less : Accumulated other comprehensive income	0
	Total CET 1 capital and unimpaired reserve funds prior to regulatory adjustments	270220
	Specified adjustments to an deductions from CET 1	0
	Less : Intangible assets, other than goodwill, net of related deferred tax liability	0
	Qualifying common equity tier 1 capital and reserve funds	270220

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SI No	Items	Amount (in ZAR'000)
		31.12.2015
(a)	Capital requirements for Credit Risk	
	Portfolios subject to Standardized Approach	31427
	Securitization Exposures	-
(b)	Capital requirements for Market Risk	-
	Standardized Duration Approach	
	- Equity Risk	-
(c)	Capital requirements for Operational Risk	1813
	Basic Indicator Approach	-
(d)	Capital required for other Assets	108
(e)	Common Equity Tier 1, tier 1 and Total Capital:	
	- CET 1 Capital	270220
	- Tier 1 Capital	270220
	- Tier 2 Capital	-
	- Total Capital	270220
(f)	Common Equity Tier 1, Tier 1 and Total Capital ratios:	
	- CET 1 Ratio	83.05%
	- Tier 1 Ratio	83.05%
	- Tier 2 Ratio	-
	- CRAR	83.05%

(b) Risk Weighted Assets and Capital Requirement

(Amount in ZAR'000)

SI No.	Type of Risk	RWA	Capital requirement
		31.12.2015	31.12.2015
1.	Credit Risk	306607	31427
2	Market Risk	-	-
3	Operation Risk	17692	1813
4	Others	1053	108
5	Total	325352	33349



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Credit Risk

(i) Qualitative Disclosures

The Bank's policies primary objective is to strike a proper balance among the 3 core principles of liquidity, profitability and safety of assets and provide a holistic approach to risk management. This policy aims at achieving these objectives by applying the following broader principles: -

- Ensure credit growth, both quantitatively and qualitatively, confining to the types of lending, which by and large matches Branch liability profile for maximization of profits by augmenting interest and non-interest income.
- Maintaining the quality of assets at satisfactory level through proper appraisal, review and monitoring.
- Control various risks in lending through caps on per borrower/ group exposures, sectorial exposures, delegation of sanctioning powers to various levels, counter party risk and country risk exposure level etc and monitor the same to ensure balanced and diversified growth of credit.
- Proper classification of loans and advances and loan loss provisioning so as to reflect a true and fair view of profit/loss and assets/ liabilities.

Strategies and processes:

In order to realize the above objectives of Credit Risk Management, the Bank prescribes various methods for Credit Risk identification, measurement, grading and aggregation techniques, monitoring and reporting, risk control/ mitigation techniques and management of problem loans/ credits. The Bank has also defined target markets, risk acceptance criteria, credit approval authorities, and guidelines on credit origination/ maintenance procedures.

The strategies are framed keeping in view various measures for Credit Risk Mitigation, which includes identification of thrust areas and target markets, fixing of exposure ceiling based on regulatory guidelines and risk appetite of the Bank, minimizing concentration Risk, and pricing based on rating.

Bank from time to time would identify the potential and productive sectors for lending, based on the performance of the segments and demands of the economy. The Bank carefully restricts its exposures in sectors which have limiting growth potentials, based on the Bank's evaluation of industries/ sectors based on the prevailing economic scenario prospects, etc.

The operational processes and systems of the Bank relating to credit are framed on sound Credit Risk Management Principles and are subjected to periodical review.

The Bank has comprehensive credit risk identification processes as part of due diligence on credit proposals.



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The scope and nature of risk reporting and / or measurement systems:

Bank has an appropriate credit risk measurement and monitoring processes. The measurement of risk is through a pre-sanction exercise of credit risk rating and scoring models put in place by the Bank. The Bank has adopted 'Standardized Approach' for entire credit portfolio for credit risk measurement.

Policies for mitigating risk and strategies and processes for monitoring the continuing effectiveness of the mitigants :

Bank primarily relies on the borrower's financial strength and debt servicing capacity while approving credits. Bank does not excessively rely on collaterals or guarantees as a source of repayment or as a substitute for evaluating borrower's creditworthiness.

In order to manage the Bank's credit risk exposure, the Bank has adopted credit appraisal and approval policies and procedures that are reviewed and updated by the Risk Management Wing at Head office in consultation with other functional wings. The credit appraisal and approval process is broadly divided into credit origination, appraisal, assessment and approval, and dispensation.

The Bank's policy is to ensure portfolio diversification and evaluate overall exposure in a particular industry / sector in the light of forecasts of growth and profitability for that industry, and the risk appetite of the Bank. The Bank monitors exposures to major sectors of the economy and specifically exposure to various industries and sensitive sectors. The Bank's exposures to single and group borrowers as also substantial exposure is fixed as per the risk rating of the borrowers and monitored periodically in order to keep the exposure level within the prudential ceiling norms prescribed by host and home country regulators.

The credit approval process is a critical factor and commences with the mandatory credit risk rating of the borrower as a pre sanction exercise. The measurement of Credit Risk associated with the borrower evaluates indicative factors like; borrowers' financial position, cash flows, activity, current market trends, past trends, management capabilities, experience with associated business entities, nature of facilities etc. Bank has set up Credit Approval Committee for sanction of loans.

Loans Past due and Impaired: The Bank has policy based on the prudential norms applied for income recognition, asset classification and provisioning, to classify an exposure as Overdue, Special mention and Non Performing/Impaired.

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(ii) Quantitative Disclosures

(a) Total Gross Credit Risk Exposure

Amount (in ZAR'000)	
Particulars	31.12.2015
Fund Based Exposures	487735
Non-fund Based Exposures	100
Total Gross Credit Exposures	487835

(b) Geographic Distribution of Exposures:

Exposures	Amount (in ZAR'000)	
	Fund Based Exposures	Non-fund Based Exposures
	31.12.2015	31.12.2015
Domestic operations*	487735	100-
Overseas operations	-	-
Total	487735	100-

* Exposure in Republic of South Africa

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(c) Industry Type Distribution of Exposures

(in ZAR'000)			
SL NO.	INDUSTRY	Fund Based Outstanding	Non Fund Based Outstanding
		30.09.2015	30.09.2015
1.1	Mining and Quarrying	35275	-
1.2	Food Processing	-	-
	1.2.1 Sugar	-	-
	1.2.2 Edible Oils and Vanaspati	-	-
	1.2.3 Tea	-	-
	1.2.4 Others	-	-
1.3	Beverage & Tobacco	-	-
1.4	Textiles	-	-
	1.4.1 Cotton Textiles	-	-
	1.4.2 Jute Textiles	-	-
	1.4.3 Other Textiles	-	-
1.5	Leather & Leather Products	-	-
1.6	Wood and Wood Products	-	-
1.7	Paper & Paper Products	-	-
1.8	Petroleum, Coal Products and Nuclear Fuels	-	-
1.9	Chemicals and Chemical Products	-	-
	1.9.1 Fertilizer	-	-
	1.9.2 Drugs & Pharmaceuticals	-	-
	1.9.3 Petro Chemicals	-	-
	1.9.4 Others	-	-
1.10	Rubber, Plastic & their Products	-	-
1.11	Glass and Glassware	-	-
1.12	Cement and Cement Products	-	-
1.13	Basic Metal and Metal Products	-	-
	1.13.1 Iron and Steel	-	-
	1.13.2 Other Metal and Metal Products	-	-
1.14	All Engineering	-	-
	1.14.1 Electronics	-	-
	1.14.2 Electricity	-	-
	1.14.3 Others	-	-

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1.15	Vehicles, Vehicle Parts and Transport Equipment	-	-
1.16	Gems & Jewellery	44802	-
1.17	Construction	-	-
1.18	Infrastructure	-	-
	1.18.1 Power	-	-
	1.18.2 Telecommunications	-	-
	1.18.3 Roads	-	-
	1.18.4 Airports	-	-
	1.18.5 Ports	-	-
	1.18.6 Railways (other than Indian Railways)	-	-
	1.18.7 Other Infrastructure	-	-
1.19	Other Industries	407658	100
	INDUSTRY (Total of Small, Medium and Large Scale)	487735	100

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d.) Amount of Non-Performing Assets (Gross)

Sl No	Items		Amount (in ZAR'000)
			30.06.2015
a)	Gross NPAs		-
	▪	Sub-Standard	-
	▪	Doubtful 1	-
	▪	Doubtful 2	-
	▪	Doubtful 3	-
▪	Loss	-	
b)	Net NPAs		-
c)	NPA Ratios		
	▪	Gross NPAs to Gross Advances (%)	-
▪	Net NPAs to Net Advances (%)	-	
d)	Movement of NPAs (gross)		
	▪	Opening balance	-
	▪	Additions	-
	▪	Reductions	-
▪	Closing Balance	-	
e)	Movement of Provisions for NPAs		
	▪	Opening Balance	-
	▪	Adjustment towards Exchange Fluctuations	-
	▪	Provisions made during the period	-
	▪	Write-off	-
	▪	write back of excess provisions	-
▪	Closing Balance	-	
f)	Amount of Non-Performing Investments		-
g)	Amount of Provisions held for Non-Performing Investments		-
h)	Movement of Provisions for Depreciation on Investments		
	▪	Opening Balance	-
	▪	Provisions made during the period	-
	▪	Write-off	-
	▪	Write Back of excess Provisions	-
▪	Closing Balance	-	

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LCR Disclosure

(Amount in ZAR'000)			
		TOTAL UNWEIGHTED VALUE (average)	TOTAL WEIGHTED VALUE (average)
HIGH QUALITY LIQUID ASSETS			
1	Total high quality liquid assets (HQLA)		14842
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which :	1745	174
3	Stable deposits		
4	Less stable deposits	1745	174
5	Unsecured wholesale funding, of which :	103060	52524
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	103060	52524
8	Unsecured debt		
9	Secured wholesale funding		
10	Additional requirements, of which :	11243	1124
11	Outflows related to derivative exposures and other collateral requirements		
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	11243	1124
14	Other contractual funding obligations		
15	Other contingent funding obligations		
16	TOTAL CASH OUTFLOWS		53822
CASH INFLOWS			
17	Secured lending (eg reverse repos)		
18	Inflows from fully performing exposures	2214	1107
19	Other cash inflows	147904	147904
20	TOTAL CASH INFLOWS	150118	149011
			TOTAL ADJUSTED VALUE
21	TOTAL HQLA		14842
22	TOTAL NET CASH OUTFLOWS		13456
	LIQUIDITY COVERAGE RATIO (%)		110%

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Leverage Ratio

Disclosures of accounting assets and leverage ratio for Dec 2015		Table 1
	Item	(Amount in ZAR'000)
1	Total consolidated assets as per published financial statements	478494
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	0
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1664
7	Other adjustments	0
8	Leverage ratio exposure	480158
9	Leverage ratio	56.28%

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Leverage ratio common disclosure template		Table 2
	Item	Leverage framework ratio
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	478494
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	0
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	478494
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	0
5	Add-on amounts for PEE associated with all derivatives transactions	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	Total derivative exposures (sum of lines 4 to 10)	0
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	CCR exposure for SFT assets	0
15	Agent transaction exposures	0
16	Total securities financing transaction exposures (sum of lines 12 to 15)	0
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	8169
18	(Adjustments for conversion to credit equivalent amounts)	-6505
19	Off-balance sheet items (sum of lines 17 and 18)	1664
	Capital and total exposures	
20	Tier 1 capital	270220
21	Total exposures (sum of lines 3, 11, 16 and 19)	480158
	Leverage ratio	
22	Basel III leverage ratio	56.28%
