

BASEL III PILLAR 3 DISCLOSURE AS ON 30.06.2015

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)
		30.06.2015
	Common equity tier 1 capital and reserve funds	
	Paid in capital	250000.00
	Retained earnings	12417.73
	Less : unappropriated profits	3846.05
	Less : Accumulated other comprehensive income	0
	Total CET 1 capital and unimpaired reserve funds prior to regulatory adjustments	258571.68
	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	258571.68

SI No	Items	Amount (in ZAR'000)
		30.06.2015
(a)	Capital requirements for Credit Risk	
	Portfolios subject to Standardized Approach	24298.00
	Securitization Exposures	-
(b)	Capital requirements for Market Risk	
	Standardized Duration Approach	
	- Equity Risk	-
(c)	Capital requirements for Operational Risk	
	Basic Indicator Approach	-
(d)	Capital required for other Assets	233.00
(e)	Common Equity Tier 1, tier 1 and Total Capital:	
	- CET 1 Capital (Including unappropriated profits)	262417.73
	- Tier 1 Capital (Including unappropriated profits)	262417.73

	- Tier 2 Capital	-
	- Total Capital (Including unappropriated profits)	262417.73
(f)	Common Equity Tier 1, Tier 1 and Total Capital ratios:	
	- CET 1 Ratio	109.65%
	- Tier 1 Ratio	109.65%
	- Tier 2 Ratio	-
	- CRAR	109.65%

(b) Risk Weighted Assets and Capital Requirement

(Amount in ZAR'000)

Sl No.	Type of Risk	RWA	Capital requirement
		30.06.2015	30.06.2015
1.	Credit Risk	237050.00	24298.00
2	Market Risk	-	-
3	Operation Risk	-	-
4	Others	2277.00	233.00
5	Total	239327.00	24531.00

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.

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.

(i) **Quantitative Disclosures**

(a) **Total Gross Credit Risk Exposure**

Amount (in ZAR'000)	
Particulars	30.06.2015
Fund Based Exposures	356459.43
Non-fund Based Exposures	3000.00
Total Gross Credit Exposures	359459.43

(b) **Geographic Distribution of Exposures:**

Exposures	Amount (in ZAR'000)	
	Fund Based Exposures	Non-fund Based Exposures
	30.06.2015	30.06.2015
Domestic operations*	356459.43	3000.00
Overseas operations	-	-
Total	356459.43	3000.00

* Exposure in Republic of South Africa



(c) Industry Type Distribution of Exposures

(in ZAR'000)			
SL NO.	INDUSTRY	Fund Based Outstanding	Non Fund Based Outstanding
		30.06.2015	30.06.2015
1.1	Mining and Quarrying	6097.92	-
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	15910.35	-
	1.13.1 Iron and Steel	-	-
	1.13.2 Other Metal and Metal Products	15910.35	-
1.14	All Engineering	-	-
	1.14.1 Electronics	-	-
	1.14.2 Electricity	-	-
	1.14.3 Others	-	-

1.15	Vehicles, Vehicle Parts and Transport Equipment	-	-
1.16	Gems & Jewellery	92127.39	-
1.17	Construction	-	-
1.18	Infrastructure	3681.42	-
	1.18.1 Power	3681.42	-
	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	238642.35	3000.00
	INDUSTRY (Total of Small, Medium and Large Scale)	356459.43	3000.00

(d) Residual Contractual Maturity Breakdown of Assets

Maturity Pattern	(Amount in ZAR'000)		
	Advances 30.06.2015	Investments 30.06.2015	Placements 30.06.2015
0 to 1 day	564.35		
2 to 7 days	9103.60		43000.00
8 to 14 days	0		41000.00
15 to 28 days	16.85		0
29 days to 3 months	32658.51		64000.00
Over 3 months & upto 6 months	15845.70		59000.00
Over 6 months & upto 1 year	17890.21		
Over 1 year & upto 3 years	47582.96		
Over 3 year & upto 5 years	11595.17		
Over 5 years	3902.85	10016.78	
Without Maturity			282.40
Total	139160.25	10016.78	207282.40

(f) 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	-

g) 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)		10123
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which :	480	48
3	Stable deposits		
4	Less stable deposits	480	48
5	Unsecured wholesale funding, of which :	20007	18764
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	20007	18764
8	Unsecured debt		
9	Secured wholesale funding		
10	Additional requirements, of which :	51056	5080
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	51056	5080
14	Other contractual funding obligations		
15	Other contingent funding obligations		
16	TOTAL CASH OUTFLOWS		14775
CASH INFLOWS			
17	Secured lending (eg reverse repos)		
18	Inflows from fully performing exposures		
19	Other cash inflows	81303	74138
20	TOTAL CASH INFLOWS	81303	74138
			TOTAL ADJUSTED VALUE
21	TOTAL HQLA		10124
22	TOTAL NET CASH OUTFLOWS		5973
23	LIQUIDITY COVERAGE RATIO (%)		526%

Disclosures of accounting assets and leverage ratio for June 2015		Table 1
Item	(Amount in ZAR'000)	
1	Total consolidated assets as per published financial statements	361692
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)	25506
7	Other adjustments	0
8	Leverage ratio exposure	387198
9	Leverage ratio	66.78%

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)	361692
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)	361692
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	115534
18	(Adjustments for conversion to credit equivalent amounts)	-90028
19	Off-balance sheet items (sum of lines 17 and 18)	25506
Capital and total exposures		
20	Tier 1 capital	258572
21	Total exposures (sum of lines 3, 11, 16 and 19)	387198
Leverage ratio		
22	Basel III leverage ratio	66.78%

