# Disclosures under Pillar 3 in terms of New Capital Adequacy Framework (Basel II) as on 31.03.2023

## 1. Capital Adequacy

(a) Bank maintains capital to cushion the risk of loss in value of exposure, businesses etc. so as to protect the interest of depositors, general creditors and stake holders against any unforeseen losses. Bank has a well-defined Internal Capital Adequacy Assessment Process (ICAAP) policy to comprehensively evaluate and document all risks and to provide appropriate capital so as to evolve a fully integrated risk/ capital model for regulatory capital.

In line with the guidelines of the Bank of Botswana, the Bank has adopted Standardized Approach for Credit Risk, Basic Indicator Approach for Operational Risk and Standardized Measurement Method for Market Risk for computing CRAR.

The capital requirement is affected by the economic environment, regulatory requirement and by the risk arising from bank's activities. Capital Planning exercise of the bank is carried out every year to ensure the adequacy of capital at the times of changing economic conditions, even at the time of economic recession. In capital planning process the bank reviews:

- Current capital requirement of the bank
- The targeted and sustainable capital in terms of business strategy, policy and risk appetite.

The future capital planning is done on a three-year outlook and is revised on an annual basis. The policy of the bank is to maintain capital as directed by Regulator and prescribed in the ICAAP Policy (12.50 % for the year 2023). At the same time, Bank has a policy to maintain capital to take care of the future growth in business so that the minimum capital required is maintained on continuous basis. On the basis of the estimation bank raises capital in Tier-1 or Tier-2 with due approval of its Board of Directors.

**(b) Capital requirements for credit risk:**

• Portfolios subject to Standardized approach: P 2,263,880 (000)

• Securitizations exposures: Nil

**(c) Capital requirements for market risk:**

- Foreign exchange risk (including gold): P 10,968 (000)

- Equity risk: NIL

**(d) Capital requirements for operational risk:**

• Basic Indicator Approach. P 61,661 (000)

• The Standardized Approach (if applicable): NA

**(e) Common Equity Tier 1, and Total Capital ratios:**

- Common Equity Tier I capital to Total RWA:21.68%
- Tier I capital to Total RWA: 21.68%
- Un impaired capital to total RWA: 22.89%

## General disclosures in respect of Credit Risk

IFRS 9 accounting methods on expected Credit Loss (ECL) model enables Bank to trace financial assets after initial recognition until their final maturity. Three different stages are recognized:

- **Stage 1:** Starting from the initial recognition of the asset; a provisioning level is measured or estimated as the ECL using a 12-month horizon. These losses are recognized for assets, credit risk of which has not increased significantly since initial recognition. For the purposes of these guidelines 12 month ECL will be referred to as stage 1 losses and related exposures will be referred to as stage 1 exposures;

- **Stage 2:** This stage includes financial instruments which have had a significant increase of credit risk since initial recognition. For these assets, the life time expected credit losses are estimated. These losses are recognized for assets credit risk of which has increased significantly since initial recognition. For the purposes of these guidelines lifetime ECL will be referred to as stage 2 losses and related exposures will be referred to as stage 2 exposures;

- **Stage 3:** Financial assets in this stage have objective evidence of impairment, i.e. classified as doubtful or default, at the reporting date and life time expected credit losses are estimated. These represent already identified incurred losses on financial assets. The standard does not explicitly distinguish these losses from lifetime ECL, however due to the fact that these losses are already incurred and in practice their way of calculation differs from way of calculation of losses estimated to be incurred in the future, for the purpose of these guidelines, these losses will be referred to as stage 3 losses and related exposures will be referred to as stage 3 exposures;

The table below shows the general approach for recognising expected credit losses in the three different stages:

| | Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|
| Loss Allowance | Expected credit losses<br>(12 months) | Life tile expected credit loss | Life time expected credit loss |
| Effective interest rate applicable to | Gross carrying amount | Gross carrying amount | Net carrying amount |

As the table indicates, the provision calculation differs per stage. In Stage 1, the expected credit loss is calculated over a period of 12 months while in Stage 2 and 3, the expected loss is based on the estimated life time.

## Staging assessment

The staging assessment is considered a critical area for the bank. If an exposure's credit risk has not increased significantly since initial recognition ('stage 1'), then the bank recognises only 12-month ECLs as a loss allowance. However, if the exposure has suffered a significant increase in credit risk ('stage 2'), then the bank recognises a loss allowance equal to lifetime ECLs. Therefore, the assessment – especially for longer dated portfolios – can have a significant impact on reported earnings and equity. The staging assessment also drives how exposures will be disclosed in the notes to the financial statements.

**The table below shows the triggering event for the classification of each stage**

| **Last Instalment received** | **Triggering event** | **Treatment of Interest** | **Staging assessment** |
|---|---|---|---|
| 0 - 30 days | **No or no significant** deterioration in credit quality | Interest is calculated by applying EIR (Effective interest rate) to the gross carrying amount, (ie before the loss allowance) | STAGE 1<br>(PERFORMING) |
| >31 - 90 days | **Significant** deterioration in credit quality,<br>Loan being past due for more than 30 days, significant delay in the provision of financial information, loss of job, death of the borrower, | Interest is calculated by applying EIR (Effective interest rate) to the gross carrying amount, (ie before the loss allowance) | STAGE 2<br>(UNDERPERFORMING) |

| | | | |
|---|---|---|---|
| > 90 days | **Credit impaired financial asset** eg;<br>- Financial difficulty<br>- breach of contract<br>-concessions granted<br>-bankruptcy or financial re-origination<br>-disappearance of active market. | Interest is calculated on amortised cost (ie net of loss allowance) | STAGE 3<br><br>(DEFAULT) |

**Strategies and Processes:**

The bank has a well-defined Loan Policy covering the important areas of credit risk management as under:

- Exposure ceilings to different sectors of the economy, different types of borrowers and their group and industry.
- Discretionary Lending Powers for different levels of authority of the bank
- Processes involved in dispensation of credit – pre-sanction inspection, rejection, appraisal, sanction, documentation, monitoring, and recovery.
- Fixation of pricing.

**The Credit Risk philosophy, architecture and systems of the bank are as under:**

**Credit Risk Philosophy**:

- To optimize the risk and return envisaged in order to see that the Economic Value Addition to Shareholders is maximized and the interests of all the stakeholders are protected alongside ensuring corporate growth and prosperity with safety of bank's resources.
- To regulate and streamline the financial resources of the bank in an orderly manner to enable the various channels to incline and achieve the common goal and objectives of the Bank.
- To instill a sense of credit culture enterprise-wide and to assist the operating staff.
- To provide need-based and timely availability of credit to various borrower segments.

- To strengthen the credit management skills namely pre-sanction, post-sanction monitoring, supervision and follow-up measures so as to promote a healthy credit culture and maintain quality credit portfolio in the bank.
- To deal with credit proposals more effectively with quality assessment, speedy delivery, in full compliance with extant guidelines.
- To comply with various regulatory requirements, Exposure norms, Income Recognition and Asset Classification guidelines and Capital Adequacy.

**Architecture and Systems of the Bank:**

- A Sub-Committee of Directors has been constituted by the Board to specifically oversee and co-ordinate Risk Management functions in the bank.
- Credit Policy Committee has been set up to formulate and implement various credit risk strategy including lending policies and to monitor Bank's Enterprise-wide Risk Management function on a regular basis.
- Formulating policies on standards for credit proposals, financial covenants, rating standards and benchmarks.
- Enforcement and compliance of the risk parameters and prudential limits set by the Board/regulator etc.,
- Laying down risk assessment systems, developing MIS, monitoring quality of loan portfolio, identification of problems and correction of deficiencies.
- Improving credit delivery system upon full compliance of laid down norms and guidelines.

**The Scope and Nature of Risk Reporting and / or Measurement System:**

The Bank has in place a robust credit risk rating system for its credit exposures. An effective way to mitigate credit risks is to identify potential risks in a particular asset, maintain healthy asset quality and at the same time impart flexibility in pricing assets to meet the required risk-return parameters as per the bank's overall strategy and credit policy.

**Quantitative Disclosures in respect of Credit Risk:-**

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

**(Amt in Pula 000)**

| Particulars | Fund Based | Non-Fund Based |
|---|---|---|
| **Total Credit RWA :** | 2,227,768 | 36,112 |

**(b) Industry type distribution of Gross Loans and advances:**

| | (Amt in Pula 000) |
|---|---|
| **Industry** | **Amt** |
| **Agriculture** | 63251 |
| **Mining and Quarrying** | 0.00 |
| **Manufacturing** | 61279 |
| **Construction** | 22717 |
| **Commercial Real Estate** | 438518 |
| **Tourism and Hotels** | 63700 |
| **Transport and Storage** | 3841 |
| **Trade, Restaurants and bars** | 657752 |
| **Business Services** | 306136 |
| **Residential Property** | 130471 |
| **Motor Vehicles** | 33068 |
| **Personal Loans** | 81352 |
| Total Loans & Advances | 1862085 |

**(c) Asset Category of Gross Loans and Advances:**

| Sr. No. | Asset Category | (Amt in Pula 000) |
|---|---|---|
| a) | Stage 1 | 1553744 |
| b) | Stage 2 | 299913 |
| c) | Stage 3 ( NPAs) | 8428 |
| d) | Net NPAs | 4.00 |
| | **NPA Ratios** | |
| | Gross NPAs to gross advances | 0.45% |
| | Net NPAs to net advances | 0.00% |

| | | |
|---|---|---|
| **(i)** | **Movement of NPA(Gross)** | **( Amt in Pula 000)** |
| | Opening balance | 12563 |
| | Fresh Additions | 1265 |
| | Other additions | 0.00 |
| | Reductions<br>1. Recovery | -3102 |
| | 2.Write-off | -2298 |
| | Closing balance | 8428 |
| **(j)** | **Specific Provision** | |
| | Opening balance | 10799 |
| | Provision made during the year | 0.00 |
| | Write off (Deduction & Exch Diff) | -2375 |
| | Write back of excess provision / any other adjustment | 0 |
| | Closing balance | 8424 |
| | **General Provision** | |
| | Opening balance | 44057 |
| | Provision made during the year | 6000 |
| | Write off | 0.00 |
| | Write back of excess provision | 0.00 |
| | Closing balance | 50057 |
| | **Non Performing Investments** | |
| **(k)** | Amount of Non-Performing Investments | NIL |
| **(l)** | Amount of provisions held for non-performing investment | NIL |

## Credit Risk: Disclosures for Portfolios Subject to the Standardized Approaches

The exposure amounts after risk mitigation subject to Standardized Approach (rated and unrated) in the following three major risk buckets are as under:

| **Category of Risk Weight** | **Exposure Pula 000** | **RWA Pula 000** |
|---|---|---|
| **Below 100% risk weight** | 1,016,251 | 270,111 |
| **100% risk weight** | 1,957,657 | 1957657 |
| **More than 100 % risk weight** | 0 | 0 |
| **Total Fund based exposure** | 2 973 908 | 2,227,768 |

| | | |
|---|---|---|
| **Non fund Based exposure 100 % risk weight** | 36,112 | 36,112 |
| **Total ( FB+NFB)** | 3,010,020 | 2,263,880 |

## Credit risk mitigation: Disclosures for Standardized Approaches

Bank obtains various types of securities (which may also be termed as Primary and Collaterals) to secure the exposures (Fund based as well as Non-Fund based) on its borrowers. Wherever corporate guarantee is available as credit risk mitigate, the credit risk is transferred to the guarantor to the extent of guarantee available. Generally following types of securities (whether as primary securities or collateral securities) are taken:

1. Moveable assets like stocks, moveable machinery etc.
2. Immoveable assets like land, building, plant & machinery.
3. Book debts.
4. Shares and debentures of listed companies.
5. Bank's own deposits
6. Cash Margin against Non-fund based facilities.
7. Life Insurance Policies.
8. Debt Securities issued by Bank

The securities mentioned at Sr. No. 5 to 8 above are recognized as Credit Risk Mitigates for on-balance sheet netting under Basel-II standardized approach for credit risk, following Comprehensive Approach of Basel II norms.

The main types of guarantors against the credit risk of the bank are:

Individuals (Personal guarantees)

Corporate

CRM securities are also taken in non fund based facilities like Guarantees and Letters of Credit.

## Market Risk:

**Definition**: Market risk is defined as the risk of losses in on balance sheet and off balance sheet positions arising from movement in market prices, interest rates and exchange rates.

**Control and Management**: The market risk in the trading book will be monitored and managed as per appropriate control mechanism in place which have been well defined in Risk Management Policy. The Risk Management Committee meets in regular intervals and report is submitted to the Board. The Asset Liability Management Policy will guide the control and management of market risk in the banking book of the bank.

**Operational risk:**

**Definition**: Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition is ‘‘causal-based,’’ providing a breakdown of operational risk into four categories based on its sources: (a) people, (b) processes, (c) systems, and (d) external factors.

**Control and Management**: The control management of Operational Risk Management is defined in Risk Management Policy of the Bank. The Operational Risk Management Committee takes care of following issues:

Internal fraud, external fraud, employment practices and workplace safety, clients, products and business practices, damages to physical assets, business disruption and system failures, execution, delivery and process management.

The committee meets at regular intervals and submits the report to the Board.

**INTEREST RATE RISK IN BANKING BOOK:**

Interest rate risk is taken to be the current or prospective risk to both, the earning and capital of the bank, arising from adverse movements in interest rates. Interest rate risk is the risk where the changes in the market rates might adversely affect bank’s financial position. The immediate impact is on bank’s earning through the changes in Net Interest Income (NII) and a long term impact of changes in interest rates is on bank’s net worth.

Accordingly, the bank will use the following tools to manage the interest rate risk:

**(i) Maturity Analysis**

Rate sensitive assets and the rate sensitive liabilities are bucketed in 1-29 days, 1month-3 months, 3-6 months, 6-12 months, 1-3 years, 3-5 years and over 5 years. Bank has placed bucket wise mismatch limits in ALM policy to address interest rate risk. Measurement and monitoring is done on quarterly basis.

**(ii) Earning at Risk**

Earning at Risk is calculated on rate sensitive assets and the rate sensitive liabilities spanning up to the 1 year bucket. Bank has placed a limit for the EaR in the ALM policy. Measurement and monitoring is done on quarterly basis.

**Remuneration:**

**Directors:**

The remuneration of Directors shall be such sum or sums as may from time to time be determined by the Company in General Meeting as per the provision in Memorandum of Association/Article of Association of the company.

**Local Citizen Employees(Regular):**

The remuneration / Salary / Wages to Local Citizen employees are governed by the Human Resource policy of the bank. The salary structure has been defined in the policy for various cadres of employees. Annual increase in wages is arrived by due negotiation with the Union based on the Audited Financial of the year ending March , which in effect takes place from the 1st of April of the next Financial Year.

All local citizens working in the bank will be paid one month salary equal to the average salary from December last year to November month in the current year as bonus called 13th cheque. The 13th cheque will be payable in the month of December every year.

**Local Citizen Employees(Contractual /Fixed Term ):**

As per the Human Resource Policy of the Bank and Terms of contract.

**Managing Director and India Based Officers:**

The remuneration / Salary to Managing Director and India Based Officers are governed by the Policy of the Parent bank and Government of India.

**Salary / Remuneration Paid during the FY 2022-23 ( April 2022 to March 2023)**

| Category | Amt Paid<br>In thousand in BWP |
|---|---|
| Remuneration to Directors | 229 |
| Salary /Remuneration/ allowances to All Employees | 17464 |
| 13th Cheque Bonus to Local Citizen Employees | 259 |

**Table 22 (a)**
**Basel III Common Equity Tier I Disclosure Template (With Transitional Adjustments)**

**Amount in Pula 000**

| | | |
|---|---|---|
| **Common Equity Tier I capital: instruments and reserves** | | |
| 1 | Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus. | 181,000 |
| 2 | Retained earnings | 325,630 |
| 3 | Accumulated other comprehensive income (and other reserves) | |
| 4 | *Directly issued capital subject to phase out from CET1 CAPITAL (only applicable to non-joint stock companies)* | |
| 5 | Common share capital issued by subsidiaries and held by third parties (amount all owed in group CET1 CAPITAL) | |
| 6 | **Common Equity Tier I capital before regulatory adjustments** | **506,630** |
| **Common Equity Tier I capital: regulatory adjustments** | | |
| 7 | Prudential valuation adjustments | |
| 8 | Goodwill(net of related tax liability) | |
| 9 | Other intangibles other than mortgage-servicing rights (net of related tax liability) | |
| 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(asset out in paragraph562 of Basel II frame work) | |
| 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 the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above10% threshold) | |
| 20 | Mortgage servicing rights(amountabove10%threshold) | |
| 21 | Deferred tax assets arising from temporary differences (amount above10%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 | |
| 27 | Regulatory adjustments applied to Common Equity Tier I due to insufficient Additional Tier I and Tier II to cover deductions | |
| 27 a | Transitional Adjustment Amount added back to CET | |
| 28 | **Total regulatory adjustments to Common equity Tier I** | |
| 29 | **Common Equity Tier I capital(CET1 CAPITAL)** | **506,630** |
| | **Additional Tier I capital: instruments** | |
| 30 | Directly issued qualifying Additional Tier I 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 I* | |
| 34 | Additional Tier Instruments(andCET1 CAPITAL instruments not included in row 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 | **Additional Tier I capital before regulatory adjustments** | |
| **Additional Tier I capital: regulatory adjustments** | | |
| 37 | Investments in own Additional Tier I instruments | |
| 38 | Reciprocal cross-holdings in Additional Tier I 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 than10% of the issued common share capital of the entity (amount | |
| 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 | |
| 42 | Regulatory adjustments applied to Additional Tier I due to insufficient Tier II to cover deductions | |
| 43 | **Total regulatory adjustments to Additional Tier I capital** | |
| 44 | **Additional Tier I capital (AT1)** | |
| 45 | **Tier I capital(T1=CET1 CAPITAL+AT1)** | **506,630** |
| | **Tier II capital: instruments and provisions** | |
| 46 | Directly issued qualifying Tier II instruments plus related stock surplus | |
| *47* | *Directly issued capital instruments subject to phase out from Tier II* | |
| 48 | Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II) | |
| *49* | *Of which :instruments issued by subsidiaries subject to phase out* | |
| 50 | Provisions | **28,299** |

| | | |
|---|---|---|
| 51 | **Tier II capital before regulatory adjustments** | **28,299** |
| **Tier II capital: regulatory adjustments** | | |
| 52 | Investments in own Tier II instruments | |
| 53 | Reciprocal cross-holding sin Tier I instruments | |
| 54 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where thebankdoesnotownmorethan10% | |
| 55 | Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions). | |
| 56 | National specific regulatory adjustments | |
| 57 | **Total regulatory adjustments to Tier II capital** | |
| 58 | **Tier II capital(T2)** | **28,299** |
| 59 | **Total capital(TC=T1+T2)** | **534,929** |
| 60 | **Total risk-weighted assets** | **2,336,509** |
| **Capital ratios and buffers** | | |
| 61 | Common Equity Tier I (as a percentage of risk weighted assets) | 21.68% |
| 62 | *Tier I(as a percentage of risk-weighted assets)* | 1.21% |
| 63 | *Total capital (as a percentage of risk weighted assets)* | 22.89% |
| 64 | *Institution specific buffer requirement (minimum CET1 CAPITAL requirement plus capital conservation buffer plus counter cyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)* | |
| 65 | *Of which: capital conservation buffer requirement* | |
| 66 | *Of which: bank specific counter cyclical buffer requirement* | |
| 67 | *Of which: G-SIB buffer requirement* | |
| 68 | | |
| | ***Common Equity Tier I available to meet buffers (as a percentage of risk weighted assets)*** | |
| | *National Common Equity Tier I minimum ratio(if different from Basel III minimum)* | 9.18% |
| 70 | *National Tier I minimum ratio(if different from Basel III minimum)* | 9.18% |
| 71 | *National total capital minimum ratio(if different from Basel III minimum)* | 10.39% |
| ***Amounts below the thresholds for deduction (before risk-weighting)*** | | |
| 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)* | |
| ***Applicable caps on the inclusion of provisions in Tier II*** | | |

| | | |
|---|---|---|
| 76 | *Provisions eligible for inclusion in Tier II in respect of exposures subject to standardized approach (prior to application of cap)* | |
| 77 | *Cap on inclusion of provisions in Tier II under standardised approach* | |
| 78 | *Provisions eligible for inclusion in Tier II in respect of exposures subject to internal ratings-based approach( prior to application of cap)* | |
| 79 | *Cap for inclusion of provisions in Tier II under internal ratings-based approach* | |
| ***Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2015 and 1Jan2020)*** | | |
| *80* | *Current cap on CET1 CAPITAL instruments subject to phase out arrangements* | |
| *81* | *Amount excluded from CET1 CAPITAL due to cap (excess over cap after redemptions and maturities)* | |
| *82* | *Current cap on AT 1 instruments subject to phase out arrangements* | |
| *83* | *Amount excluded from AT 1 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 22 (b)**

**Basel III Common Equity Tier I Disclosure Template (Fully Loaded)**

**Amount in P 000**

| | | |
|---|---|---|
| **Common Equity Tier I capital: instruments and reserves** | | |
| 1 | Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus. | 181,000 |
| 2 | Retained earnings | 325,630 |
| 3 | Accumulated other comprehensive income (and other reserves) | |
| 4 | *Directly issued capital subject to phase out from CET1 CAPITAL (only applicable to non-joint stock companies)* | |
| 5 | Common share capital issued by subsidiaries and held by third parties (amount all owed in group CET1 CAPITAL) | |
| 6 | **Common Equity Tier I capital before regulatory adjustments** | **506,630** |
| **Common Equity Tier I capital: regulatory adjustments** | | |
| 7 | Prudential valuation adjustments | |
| 8 | Goodwill(net of related tax liability) | |
| 9 | Other intangibles other than mortgage-servicing rights (net of related tax liability) | |
| 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(asset out in paragraph562 of Basel II frame work) | |
| 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 the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above10% threshold) | |
| 20 | Mortgage servicing rights(amountabove10%threshold) | |
| 21 | Deferred tax assets arising from temporary differences (amount above10%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 | |
| 27 | Regulatory adjustments applied to Common Equity Tier I due to insufficient Additional Tier I and Tier II to cover deductions | |
| 28 | **Total regulatory adjustments to Common equityTier I** | |
| 29 | **Common Equity Tier I capital(CET1 CAPITAL)** | **506,630** |
| | **Additional Tier I capital: instruments** | |
| 30 | Directly issued qualifying Additional Tier I 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 I* | |
| 34 | Additional Tier Instruments(andCET1 CAPITALinstrumentsnotincludedinrow5) 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 | **Additional Tier I capital before regulatory adjustments** | |
| **Additional Tier I capital: regulatory adjustments** | | |
| 37 | Investments in own Additional Tier I instruments | |
| 38 | Reciprocal cross-holdings in Additional Tier I 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 than10% of the issued common share capital of the entity (amount | |

| | | |
|---|---|---|
| 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 | |
| 42 | Regulatory adjustments applied to Additional Tier I due to insufficient Tier II to cover deductions | |
| 43 | **Total regulatory adjustments to Additional Tier I capital** | |
| 44 | **Additional Tier I capital (AT1)** | |
| 45 | **Tier I capital(T1=CET1 CAPITAL+AT1)** | **506,630** |
| | **Tier II capital: instruments and provisions** | |
| 46 | Directly issued qualifying Tier II instruments plus related stock surplus | |
| *47* | *Directly issued capital instruments subject to phase out from Tier II* | |
| 48 | Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II) | |
| *49* | *Of which :instruments issued by subsidiaries subject to phase out* | |
| 50 | Provisions | 28,299 |
| 51 | **Tier II capital before regulatory adjustments** | 28,299 |
| | **Tier II capital: regulatory adjustments** | |
| 52 | Investments in own Tier II instruments | |
| 53 | Reciprocal cross-holding sin Tier I instruments | |
| 54 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where thebankdoesnotownmorethan10% | |
| 55 | Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions). | |
| 56 | National specific regulatory adjustments | |
| 57 | **Total regulatory adjustments to Tier II capital** | |
| 58 | **Tier II capital(T2)** | 28,299 |
| 59 | **Total capital(TC=T1+T2)** | **534,929** |
| 60 | **Total risk-weighted assets** | **2,336,509** |
| | Capital ratios and buffers | |
| 61 | Common Equity Tier I (as a percentage of risk weighted assets) | 21.68% |
| 62 | *Tier I(as a percentage of risk-weighted assets)* | 21.68% |
| 63 | *Total capital (as a percentage of risk weighted assets)* | 22.89% |
| 64 | *Institution specific buffer requirement (minimum CET1 CAPITAL requirement plus capital conservation buffer plus counter cyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)* | |
| 65 | *Of which: capital conservation buffer requirement* | |

| | | |
|---|---|---|
| 66 | *Of which: bank specific counter cyclical buffer requirement* | |
| 67 | *Of which:G-SIB buffer requirement* | |
| 68 | | |
| | *Common Equity Tier I available to meet buffers (as a percentage of risk weighted assets)* | |
| | *National Common Equity Tier I minimum ratio(if different from Basel III minimum)* | 9.18% |
| 70 | *National Tier I minimum ratio(if different from Basel III minimum)* | 9.18% |
| 71 | *National total capital minimum ratio(if different from Basel III minimum)* | 10.39% |
| *Amounts below the thresholds for deduction (before risk-weighting)* | | |
| 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)* | |
| *Applicable caps on the inclusion of provisions in Tier II* | | |
| 76 | *Provisions eligible for inclusion in Tier II in respect of exposures subject to standardized approach (prior to application of cap)* | |
| 77 | *Cap on inclusion of provisions in Tier II under standardized approach* | |
| 78 | *Provisions eligible for inclusion in Tier II in respect of exposures subject to internal ratings-based approach( prior to application of cap)* | |
| 79 | *Cap for inclusion of provisions in Tier II under internal ratings-based approach* | |
| *Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2015 and 1Jan2020)* | | |
| *80* | *Current cap on CET1 CAPITAL instruments subject to phase out arrangements* | |
| *81* | *Amount excluded from CET1 CAPITAL due to cap (excess over cap after redemptions and maturities)* | |
| *82* | *Current cap on AT 1 instruments subject to phase out arrangements* | |
| *83* | *Amount excluded from AT 1 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 22 (c): Transitional Disclosures**

Amount in Pula 000

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | T 31/03/2023 | T-1 31/12/2022 | T-2 30/09/2022 | T-3 30/06/2022 | T-4 31/03/2022 |
| | **Available capital (P'000)** | | | | | |
| 1 | Common Equity Tier 1 (CET1) | 506,630 | 433,213 | 433,213 | 442,263 | 442,258 |
| 1a | Fully loaded ECL accounting model | 506,630 | 433,213 | 433,213 | 442,263 | 442,258 |
| 2 | Tier 1 | 506,630 | 433,213 | 433,213 | 442,263 | 442,258 |
| 2a | Fully loaded ECL accounting model Tier 1 | 506,630 | 433,213 | 433,213 | 442,263 | 442,258 |
| 3 | Total capital (unimpaired) | 534,929 | 504,669 | 482,932 | 471,551 | 454,134 |
| 3a | Fully loaded ECL accounting model total capital | 534,929 | 504,669 | 482,932 | 471,551 | 454,134 |
| | **Risk-weighted assets (P'000)** | | | | | |
| 4 | Total risk-weighted assets (RWA) | 2,336,509 | 2367,304 | 2292,912 | 2103,443 | 1871,788 |
| | **Risk-based capital ratios as a percentage of RWA (%)** | | | | | |
| 5 | Common Equity Tier 1 ratio | 21.68% | 18.30% | 18.89% | 21.03% | 23.62% |
| 5a | Fully loaded ECL accounting model Common Equity Tier 1 | 21.68% | 18.30% | 18.89% | 21.03% | 23.62% |
| 6 | Tier 1 ratio | 21.68% | 18.30% | 18.89% | 21.03% | 23.62% |
| 6a | Fully loaded ECL accounting model Common Equity Tier 1 | 21.68% | 18.30% | 18.89% | 21.03% | 23.62% |
| 7 | Total Capital ratio | 22.89% | 21.32% | 21.06% | 22.42% | 24.26% |
| 7a | Fully loaded ECL accounting model total capital ratio | 22.89% | 21.32% | 21.06% | 22.42% | 24.26% |
| | **Additional CET1 buffer requirements as a percentage of RWA** | | | | | |
| 8 | Capital conservation buffer requirements (2.5% from 2019) (%) | NA | NA | NA | NA | NA |
| 9 | Countercyclical requirement (%) | NA | NA | NA | NA | NA |
| 10 | Bank G-SIB and/or D-SIB additional requirements (%) | NA | NA | NA | NA | NA |
| 11 | Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10) | NA | NA | NA | NA | NA |
| 12 | CET1 available after meeting the bank's minimum capital requirement (P'000) | NA | NA | NA | NA | NA |

Table 25 Amount in Pula 000

| | Balance sheet as in published financial statements | Under regulatory scope of consolidation |
|---|---|---|
| | As at period end | As at period end |
| **Assets** | | |
| Cash and balances at central banks | 62,462 | 62,462 |
| Items in the course of collection from other banks | 777,811 | 777,811 |
| Trading portfolio assets | 454,896 | 454,896 |
| Financial assets designated at fair value | | |
| Derivative financial instruments | | |
| Loans and advances to banks | | |
| Loans and advances to customers | 18,03,591 | 18,03,591 |
| Reverse repurchase agreements and other similar Secured lending | | |
| Available for sale financial investments | | |
| Current and deferred tax assets | 10 | 10 |
| Prepayments, accrued income and other assets | 7,845 | 7,845 |
| Investments in associates and joint ventures | | |
| Good will and intangible assets | | |
| Right to Use Assets | 13,245 | 13,245 |
| Property, plant and equipment | 3,585 | 3,585 |
| **Total assets** | **3,123,445** | **3,123,445** |
| **Liabilities** | | |
| Deposits / Borrowings from banks | 291,513 | 291,513 |
| Items in the course of collection due to other banks | | |
| Customer accounts | 2,299,670 | 2,299,670 |
| Repurchase agreements and other similar secured borrowing | | |
| Trading portfolio liabilities | | |
| Financial liabilities designated at fair value | | |
| Derivative financial instruments | | |
| Debt securities in issue | | |
| Accruals, deferred income and other liabilities | 11,210 | 11,210 |
| Current and deferred tax liabilities | 0 | 0 |
| Finance Lease Liability | 14,422 | 14,422 |
| Subordinated liabilities | | |
| Provisions | | |
| Retirement benefit liabilities | | |
| **Total liabilities** | **2,616,815** | **2,616,815** |

| **Shareholders' Equity** | | |
|---|---|---|
| Paid-in share capital | 181,000 | 181,000 |
| Retained earnings | 325,630 | 325,630 |
| Accumulated other comprehensive income | | |
| **Total share holder's equity** | **506,630** | **506,630** |

**Table 26**

**Expanded Regulatory Balance Sheet**

| | **Balance sheet as in published financial statements** | **Under regulatory scope of consolidation** | **Reference** |
|---|---|---|---|
| | **As at period end** | **As at period end** | |
| **Assets** | | | |
| Cash and balances at central banks | 62,462 | 62,462 | |
| Items in the course of collection from other banks | 777,811 | 777,811 | |
| Trading portfolio assets | 454,896 | 454,896 | |
| Financial assets designated at fair value | | | |
| Derivative financial instruments | | | |
| Loans and advances to banks | | | |
| Loans and advances to customers | 18,03,591 | 18,03,591 | |
| Reverse repurchase agreements and other similar secured lending | | | |
| Available for sale financial investments | | | |
| Current and deferred tax assets | 10 | 10 | |
| Prepayments, accrued income and other assets | 7,845 | 7,845 | |
| Investments in associates and joint ventures | | | |
| Good will and intangible assets | | | |
| of which goodwill | | | |
| of which other intangibles(excluding MSRs) | | | |
| of which MSRs | | | |
| Right to use Assets | 13,245 | 13,245 | |
| Property, plant and equipment | 3,585 | 3,585 | |
| **Total assets** | **3,123,445** | **3,123,445** | |
| **Liabilities** | | | |
| Deposits / Borrowings from banks | 291,513 | 291,513 | |
| Items in the course of collection due to other banks | | | |
| Customer accounts | 2,299,670 | 2,299,670 | |

| | | | |
|---|---|---|---|
| Repurchase agreements and other similar secured borrowing | | | |
| Trading portfolio liabilities | | | |
| Financial liabilities designated at fair value | | | |
| Derivative financial instruments | | | |
| Debt securities in issue | | | |
| Accruals, deferred income and other liabilities | 11,210 | 11,210 | |
| Current and deferred tax liabilities | 0 | 0 | |
| Of which DTLs related to goodwill | | | |
| Of which DTLs related to intangible assets (excluding MSRs) | | | |
| Of which DTLs related to MSRs | | | |
| Finance Lease Liability | 14,422 | 14,422 | |
| Subordinated liabilities | | | |
| Provisions | | | |
| Retirement benefit liabilities | | | |
| **Total liabilities** | **2,616,815** | **2,616,815** | |
| **Shareholders' Equity** | | | |
| Paid-in share capital | 181000 | 181,000 | |
| of which amount eligible for CET1 CAPITAL | 181000 | 181,000 | |
| of which amount eligible for AT1 | 181000 | 181,000 | |
| Retained earnings | 325,630 | 325,630 | |
| Accumulated other comprehensive income | | | |
| **Total shareholders 'equity** | **506,630** | **506,630** | |

**Table 27**
**Extract of Basel III common disclosure template (with added column)**

| Common Equity Tier I capital: instruments and reserves | | | |
|---|---|---|---|
| | | Component of regulatory capital reported by bank | Source based on Reference numbers/letters of the balance sheet under the regulatory scope of consolidation fromstep2. |
| *1* | Directly issued qualifying common share (and equivalent for non-joint stock Companies) capital plus related stock surplus. | 181,000 | |
| *2* | Retained earnings | 325,630 | |
| *3* | Accumulated other comprehensive income(and other reserves) | | |
| *4* | *Directly issued capital subject to phase out fromCET1 CAPITAL(only applicable to non- joint stock companies)* | | |
| *5* | Commonsharecapitalissuedbysubsidiariesandheldbythirdparties(amount) allowedingroupCET1 CAPITAL) | | |
| *5a* | **Transitional Adjustment Added back to CET 1** | | |
| 6 | **Common Equity Tier I capital before regulatory adjustments** | **506,630** | |
| 7 | Prudential valuation adjustments | | |
| 8 | Goodwill(net of related tax liability) | | |