BANCABC BOTSWANA PILLAR III DISCLOSURES

AS AT 30 SEPTEMBER 2019

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Background and Scope

This document communicates BancABC Botswana's overall approach to Pillar III Disclosures. The document covers the banks' approach for determining the content, materiality and frequency of public disclosures.

Pillar III disclosures also known as Market Discipline is the third pillar under the International Convergence of Capital Measurement and Capital Standards (Basel II) and is a key objective of the Basel Committee on Banking Supervision (BCBS). The provision of meaningful information about common key risk metrics to market participants is a fundamental tenet of a sound banking system. It reduces information asymmetry and helps promote comparability of risk profiles of banks.

Pillar III aims to promote market discipline through regulatory disclosure requirements. These requirements enable market participants to assess more effectively key information relating to a bank's regulatory capital and risk exposures to instil confidence about a bank's exposure to risk and overall regulatory capital adequacy.

I. Scope of Application of the Disclosure Requirements

Qualitative Disclosures	
a.	The name of a bank in the group to which this Framework applies
b.	The qualitative disclosures allow market participants to influence the level of capital, risk assessment processes, capital adequacy remuneration practices of a bank.
c.	Any restrictions, or other major impediments, on the transfer of funds or regulatory capital within the group. A bank is therefore responsible beyond the disclosure requirements set out in this Directive, which provides the main features of the regulatory capital instruments and explanation of each feature, respectively.
Quantitative Disclosures	
d.	Full reconciliation of all regulatory scope of consolidation and how the balance sheet in the published financial results changes when the regulatory scope of consolidation is applied. If identical, the bank should state that there is no difference between the regulatory consolidation and accounting consolidation.
e.	The aggregate amounts (e.g., current book value) of a bank's total interests insurance entities, which are risk-weighted, rather than deducted from capital, as well as their names, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities. Mapping of each of the components of capital disclosed is also indicated on the disclosure tables.

II. Capital structure

Overall capital is classified as Tier I capital and Tier II capital. The Tier I consists of directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus, retained earnings, accumulated other comprehensive income and Additional Tier I capital being qualifying share premium, preference shares and all other instruments. Tier II capital includes subordinated debt, unaudited profits and general provision.

QUARTERLY PILLAR III DISCLOSURES AS AT SEPTEMBER 2019

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Basel III Common Equity Tier I Disclosure (With Transitional Adjustments)

	Common Equity Tier I capital: instruments and reserves	P'000
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus.	222,479
2	Retained earnings	762,607
3	Accumulated other comprehensive income (and other reserves)	14,536
4	Directly issued capital subject to phase out from CET1 CAPITAL (only applicable to non-joint stock companies)	79,451
6	**Common Equity Tier I capital before regulatory adjustments**	**1,079,072**
	Common Equity Tier I capital: regulatory adjustments	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(82,717)
28	**Total regulatory adjustments to Common equity Tier I**	**(82,717)**
29	**Common Equity Tier I capital (CET1 CAPITAL)**	**996,355**
43	**Total regulatory adjustments to Additional Tier I capital**	
44	**Additional Tier I capital (AT1)**	
45	**Tier I capital (T1 = CET1 CAPITAL + AT1)**	**996,355**
	Tier II capital: instruments and provisions	
46	Directly issued qualifying Tier II instruments plus related stock surplus	183,000
50	Provisions	71,902
51	**Tier II capital before regulatory adjustments**	**254,902**
	Tier II capital: instruments and provisions	
58	**Directly issued qualifying Tier II instruments plus related stock surplus**	**254,902**
59	**Provisions**	**1,251,257**
60	**Tier II capital before regulatory adjustments**	**6,806,993**
	Capital ratios and buffers	
61	Common Equity Tier I (as a percentage of risk weighted assets)	14.6%
62	Tier I (as a percentage of risk-weighted assets)	14.6%
63	Total capital (as a percentage of risk weighted assets)	18.4%
64	Institution specific buffer requirement (minimum CET1 CAPITAL requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.0%
65	of which: capital conservation buffer requirement	2.5%
66	of which: bank specific countercyclical buffer requirement	
67	of which: G-SIB buffer requirement	
	Common Equity Tier I available to meet buffers (as a percentage of risk weighted assets)	
National minima (if different from Basel III)	National Common Equity Tier I minimum ratio (if different from Basel III minimum)	4.5%
71	National total capital minimum ratio (if different from Basel III minimum)	15.0%
	Applicable caps on the inclusion of provisions in Tier II	
76	Provisions eligible for inclusion in Tier II in respect of exposures subject to standardised approach (prior to application of cap)	Provisions

Basel III Common Equity Tier I Disclosure (Fully Loaded)

	Common Equity Tier I capital: instruments and reserves	P'000
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus.	222,479
2	Retained earnings	762,607
3	Accumulated other comprehensive income (and other reserves)	14,536
6	**Common Equity Tier I capital before regulatory adjustments**	**999,622**
	Common Equity Tier I capital: regulatory adjustments	
9	Directly issued qualifying Tier II instruments plus related stock surplus	183,000
28	Provisions	**71,902**
29	**Tier II capital before regulatory adjustments**	**254,902**
43	**Total regulatory adjustments to Tier II capital**	
44	**Tier II capital (T2)**	**254,902**
45	**Total capital (TC = T1 + T2)**	**1,171,807**
	Total risk-weighted assets	**6,806,993**
	Capital ratios and buffers	
61	Common Equity Tier I (as a percentage of risk weighted assets)	13.5%
62	Tier I (as a percentage of risk-weighted assets)	13.5%
63	Total capital (as a percentage of risk weighted assets)	17.2%
64	Institution specific buffer requirement (minimum CET1 CAPITAL requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.0%
65	of which: capital conservation buffer requirement	2.5%
66	of which: bank specific countercyclical buffer requirement	
67	of which: G-SIB buffer requirement	
	Common Equity Tier I available to meet buffers (as a percentage of risk weighted assets)	
National minima (if different from Basel III)	National Common Equity Tier I minimum ratio (if different from Basel III minimum)	4.5%
71	National Tier I minimum ratio (if different from Basel III minimum)	
72	National total capital minimum ratio (if different from Basel III minimum)	15.0%
	Applicable caps on the inclusion of provisions in Tier II	
76	Provisions eligible for inclusion in Tier II in respect of exposures subject to standardised approach (prior to application of cap)	71,902

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Transitional Disclosures

		a	b	c	e	e
		Sep-19	**Jun-19**	**Mar-19**	**Sep-18**	**Sep-18**
	Available capital (P'000)					
1	Common Equity Tier 1 (CET1)	1,079,072	1,108,948	1,075,111	1,068,838	1,068,838
1a	Fully loaded ECL accounting model	999,622	1,029,497	995,661	979,070	979,070
2	Tier 1	996,355	1,024,528	990,544	1,008,629	1,008,629
2a	Fully loaded ECL accounting model Tier 1	916,905	945,078	911,094	918,862	918,862
3	Total capital	1,251,257	1,291,788	1,254,884	1,288,865	1,288,865
3a	Fully loaded ECL accounting model total capital	1,171,807	1,212,338	1,175,434	1,199,098	1,199,098
Risk-weighted assets (P'000)						
4	Total risk-weighted assets (RWA)	**6,806,993**	**6,883,750**	**6,732,545**	**6,812,634**	**6,812,634**
Risk-based capital ratios as a percentage of RWA (%)						
5	Common Equity Tier 1 ratio	15.9%	16.1%	16.0%	15.7%	15.7%
5a	Fully loaded ECL accounting model Common Equity Tier 1	14.7%	15.0%	14.8%	14.4%	14.4%
6	Tier 1 ratio	14.6%	14.9%	14.7%	14.8%	14.8%
6a	Fully loaded ECL accounting model Common Equity Tier 1	13.5%	13.7%	13.5%	13.5%	13.5%
7	Total capital ratio	18.4%	18.8%	18.6%	18.9%	18.9%
7a	Fully loaded ECL accounting model total capital ratio	17.2%	17.6%	17.5%	17.6%	17.6%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirements (2.5% from 2019) (%)	170,175	172,094	168,314	170,316	170,316

Financial Disclosures

Qualitative Disclosures	(a)	African Banking Corporation Of Botswana Limited
	(b)	An outline of the difference in the basis of consolidation for accounting and regulatory purposes, within the group (a) that are fully consolidated. (b) that are pro-rata consolidated; (c) that are given a deduction treatment, and (d) equity accounted.
	(c)	Any restrictions, or other major impediments, on the transfer of funds or regulatory capital within the group.
	(d)	The aggregate amount of capital deficiencies in all subsidiaries, that are not included in the consolidation for regulatory purposes (i.e., that are deducted) and the name (s) of such subsidiaries.
Quantitative Disclosures	(e)	The aggregate amounts (e.g., current book value) of a bank's total interests insurance entities, which are risk-weighted, rather than deducted from capital, as well as their names, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities.

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Explanation of Capital disclosures

	Explanation of each row of the common disclosure numbers	P'000
1	Instruments issued by the parent company of the reporting group that meet all of the CET1 CAPITAL entry criteria set out in the Directive. This should be equal to the sum of common stock (and related surplus only) and other instruments for non-joint stock companies, both of which must meet the common stock criteria. This should be net of treasury stock and other investments in own shares to the extent that these are already derecognised on the balance sheet under the relevant accounting standards. Other paid-in capital elements must be excluded. All minority interest must be excluded.	222,479
2	Retained earnings, prior to all regulatory adjustments. In accordance with the Directive, this row should include interim profit and loss that has met any audit, verification or review procedures that the Bank has put in place. Dividends are to be removed in accordance with the applicable accounting standards, i.e. they should be removed from this row when they are removed from the balance sheet of the bank.	694,388
3	Accumulated other comprehensive income and other disclosed reserves, prior to all regulatory adjustments.	14,536
4	Directly issued capital instruments subject to phase-out from CET1 CAPITAL in accordance with the requirements of the Directive. This is only applicable to non-joint stock companies. Banks structured as joint-stock companies must report zero in this row.	-
5	Transitional Adjustment Amount Added Back to CET1	79,451
6	Common share capital issued by subsidiaries and held by third parties. Only the amount that is eligible for inclusion in group CET1 CAPITAL should be reported here, as determined by the application of the Directive.	-
7	Sum of rows 1 to 5.	**1,010,854**
10	Other intangibles other than mortgage-servicing rights (net of related tax liability), as set out in the Directive.	(82,717)
28	Total regulatory adjustments to Common equity Tier I, to be calculated as the sum of rows 7 to 22 plus rows 26 and 27.	**(82,717)**
29	Common Equity Tier I capital (CET1 CAPITAL), to be calculated as row 6 minus row 28.	**928,137**
45	Tier I capital, to be calculated as row 29 plus row 44.	**928,137**
46	Instruments issued by the parent company of the reporting group that meet all of the Tier II entry criteria set out in the Directive and any related stock surplus as set out in the Directive. All instruments issued of subsidiaries of the consolidated group should be excluded from this row. This row may include Tier II capital issued by an SPV of the parent company only if it meets the requirements set out in the Directive.	**183,000**
47	Current year unaudited profits	**68,218**
50	Provisions included in Tier II, calculated in accordance with the Directive.	**71,902**
51	The sum of rows 46 to 48 and row 50.	**323,120**
58	Tier II capital, to be calculated as row 51 minus row 57.	**323,120**
59	Total capital, to be calculated as row 45 plus row 58.	**1,251,257**
60	Total risk weighted assets of the reporting group.	**6,806,993**
61	Common Equity Tier I (as a percentage of risk weighted assets), to be calculated as row 29 divided by row 60 (expressed as a percentage).	**13.64%**
62	Tier I ratio (as a percentage of risk weighted assets), to be calculated as row 45 divided by row 60 (expressed as a percentage).	**13.64%**
63	Total capital ratio (as a percentage of risk weighted assets), to be calculated as row 59 divided by row 60 (expressed as a percentage).	**18.38%**
64	Institution specific buffer requirement (minimum CET1 CAPITAL requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets). To be calculated as 4.5% plus 2.5% plus the bank specific countercyclical buffer requirement calculated in accordance with paragraphs 142 to 145 of Basel III plus the bank G-SIB requirement (where applicable) as set out in Global systemically important banks: assessment methodology and the additional loss absorbency requirement: Rules text (November 2011). This row will show the CET1 CAPITAL ratio below which the bank will become subject to constraints on distributions.	

Financial (Regulatory v. IFRS)

TABLE 26-DIFFERENCE BETWEEN REGULATORY AND IFRS		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation As at period end 30 September 2019
Assets (P'000)		
Cash and balances at central banks		
Trading portfolio assets		
Financial assets designated at fair value		
Derivative financial instruments		
Loans and advances to banks		
Loans and advances to customers		79,451
Reverse repurchase agreements and other similar		
secured lending		
Available for sale financial investments		
Current and deferred tax assets		
Prepayments, accrued income and other assets		
Goodwill and intangible assets		
Property, plant and equipment		
Total assets		**79,451**
Liabilities		
Deposits from banks		
Customer accounts		
Repurchase agreements and other similar secured		
Borrowing		
Trading portfolio liabilities		
Financial liabilities designated at fair value		
Derivative financial instruments		
Accruals, deferred income and other liabilities		
Current and deferred tax liabilities		
Subordinated liabilities		
Provisions		
Total liabilities		
Shareholders' Equity		
Paid-in share capital		
Retained earnings		(79,451)
Accumulated other comprehensive income		
Total shareholders' equity		**79,451**

Financial compared to regulatory disclosure

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	As at period end 30 September 2019	As at period end 30 September 2019
Assets (P'000)		
Cash and balances at central banks	646,513	646,513
Items in the course of collection from other banks	632,373	632,373
Trading portfolio assets	842,192	842,192
Derivative financial instruments	63,276	63,276
Loans and advances to banks	449,632	449,632
Loans and advances to customers	6,138,852	6,218,302
Current and deferred tax assets	64,251	64,251
Prepayments, accrued income and other assets	81,679	81,679
Goodwill and intangible assets	103,396	103,396
Property, plant and equipment	126,896	126,896
Total assets	**9,149,059**	**9,228,510**
Liabilities		
Deposits from banks	162,286	162,286
Items in the course of collection due to other banks	13,587	13,587
Customer accounts	6,961,922	6,961,922
Borrowed funds	661,800	661,800
Derivative financial instruments	60,248	60,248
Accruals, deferred income and other liabilities	101,613	101,613
Subordinated liabilities (Tier II borrowings)	205,000	205,000
Provisions	41,905	41,905
Total liabilities	**8,208,362**	**8,208,362**
Shareholders' Equity		
Paid-in share capital	**222,479**	**222,479**
Retained earnings	683,156	762,607
Dividend declared	20,526	20,526
Accumulated other comprehensive income	14,536	14,536
Total shareholders' equity		
Total shareholders' equity	**940,698**	**1,020,148**

Common equity composition

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 from step 2.
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus.	222,479	
2	Retained earnings	783,133	
3	Accumulated other comprehensive income (and other reserves)	14,536	
6	**Common Equity Tier I capital before regulatory adjustments**	1,020,148	