

BA 700 Capital Adequacy

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South African Reserve Bank

Background

- Basel Committee on Banking Supervision (BCBS) released the Basel III rules text in December 2010, effective 1 January 2013
- The Regulations relating to Banks have been amended to take into the Basel III rules text
- South African registered bank controlling companies, banks and branches of foreign banks will be required to comply as from 1 January 2013
- The form BA 700, BA 600 and BA 610 have been revised to cater for the new capital rules / requirements



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Changes to Regulation 38

- **Definition of capital**
 - **Common Equity Tier 1 (CET1)** *min req.*
 - Additional Tier 1 (AT1)
 - **Tier 1 (T1)** sum of CET1 and AT1 *min req.*
 - Tier 2 (T2)
 - **Total Capital** *min req.*

Final guidance on the capital framework and minimum ratios will be communicated during October

- **Reserve funds** qualifying as CET1
 - Share based payment reserves
 - Foreign currency translation reserve
 - Available for sale reserve
 - Property revaluation reserve (*previously only 50% qualified as T2 capital*)



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Changes to Regulation 38

- **Deductions** against qualifying capital
 - 100% deducted against CET1
(previously 50:50 deducted against T1 and T2 capital)
 - Certain securitisation exposures and significant investments in commercial entities now 1250% risk weighted, or such percentage that will result in an amount equivalent to a deduction against capital
- **Changes relating to deductions**
 - Deferred tax assets (DTA)
 - Investments in financial institutions
 - Gains and losses due to changes in own credit risk on fair valued liabilities
 - Defined pension fund assets
 - Mortgage services rights



Changes to Regulation 38

- **Regulatory capital buffers and additional minimum requirements** (to be phased-in from 1 Jan 2016 to 2019)
 - Capital conservation buffer
 - Countercyclical buffer
 - Domestic systemically important banks (D-SIB)
- **Removal of limits**
 - Term debt $\geq 50\%$ of Tier 1
 - Tier 2 \leq Tier 1
 - Perpetual preference shares $\leq 25\%$ of Tier 1



Changes to Regulation 38

- Change in the treatment of **Minority Interest**
 - The surplus capital relating to minority interest is excluded (previously 100% of minority interest qualified as capital)
- **Transitional arrangements**
 - Phase in of minimum capital levels and buffers
 - Phase out of non-qualifying capital instruments (non Basel 3 compliant instruments)
- **Leverage ratio**



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BA 700 layout

BA Line Items	Comments
1 to 8	Risk weighted assets and required capital per risk type
9 to 16	Minimum capital requirements (%) and (R'000) per capital tier and per add-on or buffer requirement
17	Capital adequacy ratio per capital tier (CET1, T1 and Total)
18 to 24	Calculation of capital excesses and shortfalls
25 to 26	Leverage ratio



BA 700 layout

BA Line Items	Comments
27 to 64	Calculation of qualifying Common Equity Tier 1 capital
65 to 77	Calculation of qualifying Tier 1 capital
78 to 89	Calculation of total qualifying capital
90 to 96	Reconciliation of unappropriated profits
97	Capital adequacy ratio per capital tier adjusted to include unappropriated profits
98 to 132	Reconciliation between qualifying capital and reserve funds and accounting equity and reserves



BA 700 layout

BA Line Items	Comments
133 to 237	Regulatory adjustments and deductions
238 to 249	Information related to the phase out of capital instruments
241 to 250	Income and distributions
251 to 259	Capital conservation
260 to 270	Leverage



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Line item 1 to 8

Summary information in respect of capital adequacy

Risk weighted exposure

Risk weighted exposure equivalent amount prior to concentration risk

Risk weighted exposure equivalent amount in respect of concentration risk

Risk weighted exposure amount in respect of threshold items

Aggregate risk weighted exposure equivalent amounts prior to specified add-ons or floors (total of item 1 to 3)

Additional risk weighted exposure equivalent amounts specified by the Registrar¹

Aggregate risk weighted exposure equivalent amounts (total of items 4 and 5)

Minimum required capital and reserve funds

Base minimum required capital and reserve funds per specified risk type, based on risk-weighted exposure (item 6 multiplied with item 9, column 3)

Minimum required capital and reserve funds per specified risk type, based on risk-weighted exposure (item 6 multiplied with item 16, column 3)

MSR, DTA + Investments in financial entities that are below certain thresholds and that are RW 250% + significant investments in commercial entities RW 1250%

Line no.	Risk exposure					
	Credit	Counterparty credit risk	Operational	Market	Equity	Other
	1	2	3	4	5	6
1						
2						
3						
4						
5						
6						
7						
8						



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Line items 9 to 17 (Illustrative – 1 January 2013)

Required capital adequacy ratios and amounts

Base minimum²

Add-on: systemically important bank/ controlling company³ (SIB)

Minimum required ratio, including SIB add-on (item 9 plus item 10)

Add-on: idiosyncratic requirement specified by the Registrar⁴

Minimum required ratio, prior to buffers (item 11 plus item 12)

Add-on: countercyclical buffer⁵

Add-on: conservation buffer⁶

Total minimum required ratio (total of items 13 to 15)

Capital adequacy ratio of the reporting bank/ controlling company

	Percentages			Rand amounts (R'000)		
	Common Equity tier 1	Tier 1	Total	Common Equity tier 1	Tier 1	Total
	1	2	3	4	5	6
9	4.50	6.00	9.50			
10	0.00	0.00	0.00			
11	4.50	6.00	9.50			
12	0.65	0.80	1.00			
13	5.15	6.80	10.50			
14	0.00	0.00	0.00			
15	0.00	0.00	0.00			
16	5.15	6.80	10.50			
17						

1% * (6.5%/10%)

1% * (8%/10%)



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Line items 18 to 24

Summary information in respect of capital adequacy	Line no.	Common Equity Tier 1	Tier 1	Total
		1	2	3
Minimum required capital and reserve funds				
Minimum required capital and reserve funds prior to specified floors or add-ons (item)	18			
Additional capital requirement specified by the Registrar ¹	19			
Minimum required capital and reserve funds including specified floors or add-ons ¹ (total of items 18 and 19)	20			
Minimum required amount of capital and reserve funds in accordance with section 70 of the Act	21			
Aggregate amount of qualifying capital and reserve funds	22			
Excess/ (shortfall) capital and reserve funds prior to the buffer requirements and other specified minima (item 22 less item 13)	23			
Excess/ (shortfall) capital and reserve funds (item 22 less the higher of item 20 or 21)	24			

Equals line 16, columns 4 to 6

Mainly Basel I capital floors

R250m or agreed amount

Before capital conservation buffer and countercyclical buffers

After all buffers and add-ons



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Line items 27 to 41

Common Equity Tier 1 capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Movement during the reporting period (col 1 minus col 2)
		1	2	3
Common Equity Tier 1 capital and reserve funds attributable to common shareholders (total of items 28 to 31)	27			
Paid in capital¹	28	Zero or positive – accumulated losses in line 231		
Retained earnings	29			
Less: unappropriated profits ²	30			
Accumulated other comprehensive income/reserves³	31			
of which:	32			
Unrealised gains and losses on available for sale items	33			
Gains and losses on derivatives held as cash flow hedges	34			
Gains and losses resulting from converting foreign currency subsidiaries to the parent currency	35			
Actuarial reserve	36			
Unrealised gains and losses from a foreign currency hedge of a net investment in a foreign operation	37			
Property revaluation reserve	38			
Share-based payment reserve	39			
Other reserves (please specify)	40	as calculated on the BA 600		
Minority interest recognised in common equity tier 1 capital and reserve funds⁴	41			
Total common equity tier 1 capital and unimpaired reserve funds prior to regulatory adjustments (item 27 plus item 40)				



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Line items 42 to 53

Common Equity Tier 1 capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Movement during the reporting period (col 1 minus col 2)
		1	2	3
Total of specified adjustments to and deductions from common equity tier 1 capital and reserve funds² (total of items 43 to 53)	42			
Goodwill, net of related deferred tax liability	43			
Intangible assets, other than goodwill, net of related deferred tax liability	44			
Deferred tax assets, excluding temporary differences, net of related deferred tax liabilities	45			
Investments in own shares, excluding amounts already derecognised in terms of Financial Reporting Standards	46			
Reciprocal cross holdings in common equity	47			
Shortfall of eligible provisions compared to expected loss ¹	48			
Cash flow hedge reserve	49			
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	50			
Defined benefit pension fund assets	51			
Securitisation gain on sale (expected future margin income)	52			
Other regulatory adjustments (please specify)	53			

Line 237, column 1



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Line items 54 to 64

Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 41 less item 42)

Investments in the capital of financial entities where the bank does not own more than 10% of the issued common share capital (amount above the 10% threshold)

Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 54 less item 55)

Investments in the common stock of financial entities (amount above 10% threshold)

Mortgage servicing rights (amount above 10% threshold)

Deferred tax assets arising from temporary differences (amount above 10% threshold)

Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 56 less items 57 to 59)

Regulatory adjustments to be applied to common equity tier 1 capital and reserve funds due to insufficient additional Tier 1 capital and reserve funds to cover specified deductions

Common equity tier 1 capital and reserve funds after specified adjustments and deductions (item 60 less item 61)

Amount exceeding the 15% threshold³

Qualifying common equity tier 1 capital and reserve funds (item 62 less item 63)

54			
55			
56			
57			
58			
59			
60			
61			
62			
63			
64			

1. Relates to a bank that adopted the IRB approach for the measurement of the bank's exposure to credit risk.

2. Refer to regulation 38(5)(a)(i).

3. Refer to regulation 38(5)(b).



Line items 65 to 77

Additional Tier 1 capital and reserve funds and Total Tier 1 capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Movement during the reporting period (col 1 minus col 2)
		1	2	3
Additional Tier 1 capital and unimpaired reserve funds prior to adjustments and deductions (total of items 66, 70 and 72)	65			
Additional Tier 1 capital instruments issued ¹	66			
of which:	67			
classified as equity in terms of Financial Reporting Standards	68			
classified as liabilities in terms of Financial Reporting Standards	69			
directly issued capital instruments subject to phase out from additional Tier 1 capital	70			
Instruments recognized as additional Tier 1 capital issued by subsidiaries to third parties ²	71			
of which:	72			
instruments issued by subsidiaries subject to phase out	73			
Additional tier 1 unimpaired reserve funds	74			
Total of specified adjustments to and deductions from additional tier 1 capital and reserve funds	75			
of which:	76			
specified adjustments to and deductions from additional tier 1 capital and reserve funds ³	77			
specified adjustments to and deductions from tier 2 capital and reserve funds that are deducted from additional Tier 1 capital and reserve funds due to insufficient tier 2 capital and reserve funds to allow the relevant adjustment or deduction				
Qualifying additional tier 1 capital and reserve funds (item 65 less item 73)				
Total qualifying tier 1 capital and reserve funds (item 64 plus item 76)				

Lines 151, 160, 191, 210 and 237



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Line items 78 to 89

Tier 2 capital and reserve funds and Total capital and reserve funds	Line no.	Balance at the end of the reporting period	Balance at the end of the previous reporting period	Movement during the reporting period (col 1 minus col 2)
		1	2	3
Tier 2 capital and unimpaired reserve funds prior to adjustments and deductions (total of items 79, 81 and 83)	78			
Tier 2 capital instruments issued¹	79			
of which:				
directly issued instruments subject to phase out from Tier 2 capital	80			
Instruments recognised as Tier 2 capital issued by subsidiaries to third parties ²	81			
of which:				
instruments issued by subsidiaries subject to phase out	82			
Tier 2 unimpaired reserve funds	83			
of which:				
general allowance for credit impairment, after deferred tax: standardised approach ³	84			
excess amount in respect of eligible provisions: IRB approach ⁴	85			
Total of specified adjustments to and deductions from tier 2 capital and reserve funds⁵	86			
Qualifying tier 2 capital and reserve funds (item 78 less item 86)	87			
Total qualifying capital and reserve funds (item 77 plus item 87)	88			
of which:				
allocated to support market risk	89			

Lines 155, 161, 192, 211 and 237



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Cross references

- The excess amount relating to a significant investment in a commercial entity is measured as the amount in excess of 15% of line items 41, 65 and 78 of form BA 700
- **BA 210:** Standardised approach watch list means credit exposures in excess of 1% of qualifying capital reported in item 88 of form BA 700
- IRB approach watch list means expected loss in excess of 1% of qualifying capital reported in item 88 of form BA 700
- The exposure to a related person equal to or exceeding 0.1% of qualifying capital as reported in item 88 column 1 of form BA 700
- Prescribed percentages i.r.o. concentration risk:
 - 10% of qualifying capital reported in item 88 of form BA 700
 - 25% of qualifying capital reported in item 88 of form BA 700
- Report (**BA 220**) separate details of any immovable asset bought-in, in respect of which the historic cost to date exceeds 1 per cent of the reporting bank's qualifying capital reported in item 88 of the form BA 700



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Line items 90 to 96

<i>Memorandum items: Reconciliation in respect of unappropriated profits</i>	Line no.	Current reporting period	Previous reporting period
		1	2
Balance in respect of unappropriated profits	90		
Movements during the period in respect of:			
Current profits/ (loss) after tax	91		
Payment of dividends	92		
Transfers from appropriated profits	93		
Transfers to appropriated profits	94		
Transfers (to) / from reserves not qualifying as common equity tier 1 capital	95		
Balance in respect of unappropriated profits (total of items 90, 91 and 93, less item 92, plus 95 when credit/ minus 95 when debit)	96		

Deducted in line 30



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Line item 97

<i>Memorandum item: Capital adequacy adjusted for unappropriated profits</i>	Line no.	Capital adequacy ratio: percentages		
		Common Equity Tier 1	Tier 1	Total
		1	2	3
Capital adequacy ratio, including unappropriated profits	97			



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Line items 98 to 108

Reconciliation between qualifying capital and reserve funds and accounting equity and reserves	Line no.	Balance sheet amount ¹	Amounts included under regulatory scope of consolidation	Amounts included for regulatory purposes
		1	2	3
Share capital and premium	98			
Retained earnings	99			
Other reserve funds (total of items 101 to 107)	100			
unrealised gains and losses on available for sale items	101			
gains and losses on derivatives held as cash flow hedges	102			
gains and losses resulting from converting foreign currency subsidiaries to the parent currency	103			
actuarial reserve	104			
unrealised gains and losses from a foreign currency hedge of a net investment in a foreign operation	105			
property revaluation reserve	106			
other reserves	107			
Minority interests	108			



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Line items 109 to 122

Reconciliation between qualifying capital and reserve funds and accounting equity and reserves	Line no.	Balance sheet amount ¹	Amounts included under regulatory scope of consolidation	Amounts included for regulatory purposes
		1	2	3
Regulatory adjustments: (total of items 110 to 122)	109			
Goodwill	110			
Intangible assets other than goodwill	111			
Mortgage servicing rights	112			
Deferred tax assets	113			
Investments in own shares, excluding amounts already derecognised in terms of Financial Reporting Standards)	114			
Reciprocal cross holdings in common equity	115			
Shortfall of provisions to expected losses	116			
Cash flow hedge reserve	117			
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	118			
Defined benefit pension fund assets	119			
Securitisation gain on sale (expected future margin income)	120			
Investments in financial entities	121			
Other	122			



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Line items 123 to 132

Reconciliation between qualifying capital and reserve funds and accounting equity and reserves	Line no.	Balance sheet amount ¹	Amounts included under regulatory scope of consolidation	Amounts included for regulatory purposes
		1	2	3
Qualifying common equity tier 1 capital and reserve funds	123			
Additional Tier 1 instruments	124			
Minority interests	125			
Regulatory adjustments	126			
Qualifying tier 1 capital and reserve funds	127			
Tier 2 instruments	128			
Minority interests	129			
General allowance for credit impairments	130			
Regulatory adjustments	131			
Total (of items)	132			



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Line items 133 to 138

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
No change from current treatment		
Goodwill:	133	
Total gross value of goodwill		
Associated deferred tax liability which would be extinguished if the goodwill becomes impaired or derecognised in terms of relevant Financial Reporting Standards	134	
Goodwill net of related tax liability (amount to be deducted from common equity tier 1 capital and reserve funds) (item 133 less item 134)	135	
No change from current treatment		
Intangible assets other than goodwill and mortgage servicing rights:	136	
Total gross value of all relevant intangible assets		
Associated deferred tax liability which would be extinguished if the relevant intangible assets becomes impaired or derecognised in terms of relevant Financial Reporting Standards	137	
Relevant intangible assets net of related tax liability (amount to be deducted from common equity tier 1 capital and reserve funds) (item 136 less item 137)	138	



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Line items 139 to 146

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Deferred tax assets which do not rely on the future profitability of the bank to be realised	139	
Total gross amount		
Total net amount	140	
Deferred tax assets which do rely on the future profitability of the bank to be realised	141	
Total gross amount		
Total net amount	142	
of which:		
amounts arising from carry forwards of unused tax losses, unused tax credits and all other relevant amounts, net of the pro rata share of any deferred tax liabilities	143	
amounts arising from temporary differences, net of the pro rata share of any deferred tax liabilities	144	
Deferred tax asset amount to be deducted in full from common equity tier 1 capital and reserve funds	145	
Deferred tax asset amount subject to the threshold deduction treatment	146	



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Line items 147 to 150

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Investments in own shares and instruments qualifying as capital		
Total amount to be deducted from common equity tier 1 capital and reserve funds (total of items 148 to 150)	147	
Direct investments in own shares, net of any relevant short positions that involve no counterparty risk	148	
Indirect investments in own shares, such as holding of relevant index securities, net of any relevant short positions	149	
Total potential purchase cost of own shares which the group could be contractually obliged to purchase	150	



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Line items 151 to 158

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Total amount to be deducted from Additional Tier 1 capital and reserve funds (total of items 152 to 154)	151	
Direct investments in own Additional Tier 1 capital instruments, net of any relevant short positions that involve no counterparty risk	152	
Indirect investments in own Additional Tier 1 capital instruments, such as holding of relevant index securities, net of any relevant short positions	153	
Total potential purchase cost of own Additional Tier 1 capital which the group could be contractually obliged to purchase	154	
Total amount to be deducted from Tier 2 capital and reserve funds (total of items 156 to 158)	155	
Direct investments in own Tier 2 capital instruments, net of any relevant short positions that involve no counterparty risk	156	
Indirect investments in own Tier 2 capital instruments, such as holding of relevant index securities, net of any relevant short positions	157	
Total potential purchase cost of own Tier 2 capital which the group could be contractually obliged to purchase	158	



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Line items 159 to 164

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Reciprocal cross holdings in respect of:		
Common equity tier 1 capital instruments, that is, amount to be deducted from Common equity tier 1 capital	159	
Additional Tier 1 capital instruments, that is, amount to be deducted from Additional Tier 1 capital	160	
Tier 2 capital instruments, that is, amount to be deducted from Tier 2 capital	161	
Provisions and expected loss		
IRB approach		
Gross amount of eligible provisions	162	
Total eligible expected loss	163	
Shortfall of eligible provisions to expected losses to be deducted from common equity tier 1 capital and reserve funds (item 163 less item 162)	164	

No change from current treatment



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Line items 165 to 170

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Cash flow hedge reserve		
Total positive or negative value of the cash flow hedge reserve as stated on the balance sheet	165	1 000
of which:		
positive or negative amount that relates to the hedging of projected cash flows that are not recognised on the balance sheet (if gain report as positive; if loss report as negative)	166	200
positive or negative amount that relates to the hedging of projected cash flows on assets that are recognised on the balance sheet but are not fair valued on the balance sheet, such as loans and receivable (if gain report as positive; if loss report as negative)	167	300
positive or negative amount that relates to the hedging of projected cash flows on liabilities that are recognised on the balance sheet but are not fair valued on the balance sheet (if gain report as positive; if loss report as negative)	168	100
other items, including those related to projected cash flows on assets and liabilities which are recognised on the balance sheet and are fair valued (if gain report as positive; if loss report as negative)	169	400
Amount to be deducted from (or added to if negative) common equity tier 1 capital and reserve funds (total of items 166 to 168)	170	600



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Line items 171 to 177

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities		
Total cumulative net gains and (losses) in equity due to changes in the fair value of liabilities that are due to a change in the bank's own credit risk. Amount to be deducted from (or added to if negative) common equity tier 1 capital and reserve funds (if gain report as positive; if loss report as negative)	171	
of which:		
total cumulative net gains and (losses) in equity due to changes in the fair value of derivatives that are due to a change in the bank's own credit risk. Amount to be deducted from (or added to if negative) common equity tier 1 capital and reserve funds (if gain report as positive; if loss report as negative)	172	
Total derivative debit valuation adjustments	173	
Defined benefit pension fund assets		
For every separate defined benefit pension scheme which gives rise to a net asset on the balance sheet, the total of such net assets less any associated deferred tax liability that would be extinguished if the asset should be impaired	174	
Amount by which the above deduction from capital and reserve funds can be reduced by demonstrating unrestricted and unfettered access to assets in the relevant funds	175	
Amount to be included in risk-weighted assets in respect of the amounts used above to offset the deduction of pension fund assets	176	
Total amount to be deducted from common equity tier 1 capital and reserve funds	177	

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Line items 178 to 188

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital		
Gross holdings of common stock	178	
Permitted offsetting short positions in relation to the specific gross holdings included above	179	
Holdings of common stock net of short positions	180	800
Gross holdings of Additional Tier 1 capital	181	
Permitted offsetting short positions in relation to the specific gross holdings included above	182	
Holdings of Additional Tier 1 capital net of short positions	183	800
Gross holdings of Tier 2 capital	184	
Permitted offsetting short positions in relation to the specific gross holdings included above	185	
Holdings of Tier 2 capital net of short positions	186	800
Sum of all net holdings where the bank does not own more than 10% of the issued share capital (total of items 180, 183 and 186)	187	2 400
Common Equity Tier 1 capital after all regulatory adjustments that do not depend on a threshold	188	21 000

L54



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Line items 189 to 198

Information related to specified regulatory adjustments and deductions	Line	Current reporting period
		1
Amount by which the sum of all holdings exceeds 10% of the common equity tier 1 capital and reserve funds, after all deductions that do not depend on a threshold, that is, the amount to be deducted from capital and reserve funds	189	300
Allocation of the deduction to-		
common equity tier 1 capital and reserve funds	190	100
tier 1 capital and reserve funds	191	100
total capital and reserve funds	192	100
Amounts not deducted but subject to relevant risk weighting (amounts below allocated on a pro rata basis)		
Holdings of-		
common stock net of short positions (item 180 less item 190)	193	700
additional Tier 1 capital net of short positions (item 183 less item 191)	194	700
Tier 2 capital net of short positions (item 186 less item 192)	195	700
Total risk weighted assets of amounts not deducted set out in items 193 to 195)		
of which: amounts that relate to holdings of-		
common stock net of short positions, that is, risk weighted assets of exposures in line item 193)	196	
additional Tier 1 capital net of short positions, that is, risk weighted assets of exposures in line item 194)	197	
Tier 2 capital net of short positions, that is, risk weighted assets of exposures in line item 195)	198	

Line items 199 to 211

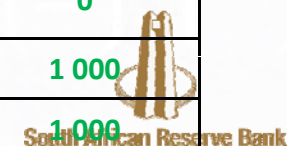
Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank owns more than 10% of the issued common share capital or where the entity is an affiliate		
Gross holdings of common stock	199	
Permitted offsetting short positions in relation to the specific gross holdings included above	200	
Holdings of common stock net of short positions	201	1 000
Gross holdings of Additional Tier 1 capital	202	
Permitted offsetting short positions in relation to the specific gross holdings included above	203	
Holdings of Additional Tier 1 capital net of short positions	204	1 000
Gross holdings of Tier 2 capital	205	
Permitted offsetting short positions in relation to the specific gross holdings included above	206	
Holdings of Tier 2 capital net of short positions	207	1 000
Common equity tier 1 after all regulatory adjustments except significant investments in financials, mortgage servicing rights and deferred tax asset temporary difference	208	20 900
Amount to be deducted from common equity tier 1 capital and reserve funds as a result of application of 10% cap	209	0
Amount to be deducted from Tier 1 capital and reserve funds	210	1 000
Amount to be deducted from Tier 2 capital and reserve funds	211	1 000

L56

$L201 - (10\% * L208)$

L204

L207



Line items 212 to 216

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Mortgage servicing rights Total amount of mortgage servicing rights classified as intangible assets	212	
Associated deferred tax liability which would be extinguished if the intangible asset becomes impaired or derecognised in terms of relevant Financial Reporting Standards	213	
Mortgage servicing rights net of related tax liability (item 212 less item 213)	214	2 100
Common Equity Tier 1 capital and reserve funds after all regulatory adjustments except significant investments in financials, mortgage servicing rights and deferred tax asset temporary difference	215	20 900
Amount to be deducted from Common Equity Tier 1 capital and reserve funds as a result of application of 10% cap	216	10

Not applicable in South Africa

L56

$L214 - (10\% * L215)$



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Line items 217 to 219

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Deferred tax assets due to temporary differences		
Net amount of deferred tax assets due to temporary differences	217	2 100
Common Equity Tier 1 capital and reserve funds after all regulatory adjustments except significant investments in financials and deferred tax asset temporary differences	218	20 900
Amount to be deducted from Common Equity Tier 1 capital and reserve funds as a result of application of 10% cap	219	10

L146

L56

$L217 - (10\% * L218)$



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Line items 220 to 229

Information related to specified regulatory adjustments and deductions	Line no.	Current reporting period
		1
Aggregate amount of items subject to the 15% limit in respect of significant investments in financial institutions, mortgage servicing rights and deferred tax assets that arise from temporary differences		
Significant investments in the common equity of financial entities not deducted as part of the 10% cap	220	1 000
Mortgage servicing rights not deducted as part of the 10% cap	221	2 090
Deferred tax assets due to temporary differences not deducted as part of the 10% cap	222	2 090
Sum of significant investments in financials, mortgage servicing rights and deferred tax asset temporary differences not deducted as a result of the 10% cap	223	5 180
Deduction from Common Equity Tier 1 capital and reserve funds in respect of amounts above the 15% cap	224	2 048
Amounts not deducted but risk weighted at 250%		
Significant investments in the common equity of financial entities	225	604
Mortgage servicing rights	226	1 264
Deferred tax assets due to temporary differences	227	1 264
Total (of items 225 to 227)	228	3 132
Items subject to risk weight of 1250%		
Significant investments in commercial entities	229	

L201 – L209

L214 – L216

L217 – L219

L223 – (15% * L62)

Line 3 Col 6= L228 X 250% + L229 X 1 250%



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Line items 230 to 237

Information related to specified regulatory adjustments and deductions	Line no.	Common Equity Tier 1	Additional Tier 1	Tier 2
		1	2	3
Other deductions				
Capital requirement in respect of foreign branches	230			
Accumulated losses	231			
Instruments in respect of which no value was received	232			
Financial assistance provided to persons acquiring qualifying instruments	233			
Qualifying instruments held in banks or other regulated institutions ¹	234			
Acknowledgement of debt issued to fund qualifying instruments	235			
Other regulatory adjustments ² (please specify)	236			
Total (of items 230 to 236)	237			

No change from current treatment

Bank solo submission only

1. Operation in the Republic, unconsolidated submission only.
2. To the extent not already deducted elsewhere.



South African Reserve Bank

Line items 238 to 240

	Line no.	Additional Tier 1 instruments issued by parent	Tier 2 instruments issued by the parent	Additional Tier 1 instruments issued by subsidiaries	Tier 2 instruments issued by subsidiaries
		1	2	3	4
Instruments subjected to phase out	238		200		
Base amount of instruments, after applying the specified limit that is in place during the current year	239		150		
Value of instruments included in qualifying capital, in the current period	240		150		

Example:

- The bank had R200 term debt instruments in issue, by June 2012, a hair cut of 20% (less than 5 years to maturity) is applied, leaving R160 term debt instruments as qualifying capital
- Due to the 50% limit of term debt instruments as percentage of Tier 1, only R150 term debt instruments qualified
- For the parallel run R150 should be reported as the 90% phase-out will only start in January 2013

Comment:

- The base amount is determined only once, in December 2012, thereafter it is reduced by 10% p.a.
- Tier 2 instruments will still be subject to a 20% hair cut in the last 5 years
- This table monitors the qualifying instruments to ensure it do not exceed the reported base amount, which should be seen as a limit



South African Reserve Bank

Line item 241 to 250

Information related to capital distribution and income for the rolling six-month period ending at the reporting date	Line no.	For the six months ending at the current reporting date
		1
Income		
Profit after tax	241	
Profit after tax prior to the relevant distributions specified below	242	
Distributions for the rolling six-month period ending at the reporting date (total of items 244 to 249)	243	
Common share dividends	244	
Other coupon/dividend payments on Tier 1 instruments	245	
Common stock share buybacks	246	
Other Tier 1 buyback or repayment (gross)	247	
Discretionary staff compensation/bonuses	248	
Other(please specify)	249	
Specified distributions as percentage of income before distributions	250	

Comment:

- Line items 241 to 250 is only to be completed by banks that have utilised part of their specified capital buffers



South African Reserve Bank

Line item 251 to 259

Illustrative example:

- Assume conservation buffer = 2,5% and countercyclical buffer = 2,5%, totalling 5%

Capital conservation ¹	Line no.	Common equity Tier 1	Tier 1	Total capital
		1	2	3
Minimum required capital adequacy ratio (before the conservation buffer requirement and the countercyclical buffer requirement)	251	5.15	6.80	10.50
1 st Quartile (100% conservation)	252	6.40	8.05	11.75
2 nd Quartile (80% conservation)	253	7.65	9.30	13.00
3 rd Quartile (60% conservation)	254	8.90	10.55	14.25
4 th Quartile (40% conservation)	255	10.15	11.80	15.50
Actual capital adequacy ratio	256	10.20	12.00	13.50
Percentage capital conservation to be applied in terms of the relevant requirements specified in regulations 38(8)(f) and (g)	257	0.00	0.00	60.00
				Total
				1
Maximum percentage distribution ²	258			40.00
Adherence to capital conservation requirement ³	259			

1. Refer to regulation 38(8)(f).

2. Based on the inverse of the maximum percentage reported in item 257, columns 1 to 3.

3. Report "y" if item 258 exceeds item 250, or "n" if item 258 does not exceed item 250.



South African Reserve Bank

Line items 25 to 26

Summary information in respect of leverage	Line no.	Current reporting month	Current quarter ¹
		1	2
Leverage ratio (item 77, column 1, divided by item 260, column 1)	25		
Specified minimum leverage ratio ²	26		4%

1. The average of the relevant month-end leverage ratios for the reporting month and the two months preceding the reporting month.
2. Refer to regulation 38(17).

- To be completed in terms of regulations 38(17)
 - Line 26 Col 1: Grey out as it is the rolling quarter average that minimum is based on.
 - Line 26 Col 2: The minimum requirement for the leverage ratio is 4%



South African Reserve Bank

Line items 260 to 269

Leverage	Line no.	Current reporting period
		1
Total exposure for the calculation of the leverage ratio	260	
Total exposures (total of items 264 to 266 and 267 to 269)	261	
Regulatory adjustments	262	
Total additional assets to be included ¹	263	
On-balance sheet items²		
Other assets ³	264	
Securities financing transactions ⁴	265	
Derivatives ⁴	266	
Derivatives and off-balance sheet items		
Derivatives ⁵	267	
Off-balance sheet items with a > 10% CCF in the Republic ⁶	268	
Off-balance sheet items with a 10% CCF in the Republic ⁶	269	
Hash total	270	

1. Refer to regulation 38(17)(b)(iii)(B).
2. Amounts should be net of specific provisions and valuations adjustments.
3. Based on gross value (assume no netting or CRM).
4. Based on the relevant value determined in terms of the requirements specified in these Regulations, including any relevant requirement related to netting.
5. Based on the potential future exposure calculated in terms of the current exposure method specified in these Regulations, including any relevant requirement related to netting.
6. Based on the relevant notional amount.

Questions



South African Reserve Bank

Thank you



South African Reserve Bank



BA 600 Consolidated Return

Presenter - Naresh Balwanth



South African Reserve Bank

Line items 1 to 14

Summary of matters related to group capital adequacy	Line no.	Common equity tier 1 capital and reserve funds	Tier 1 capital and reserve funds ¹	Tier 2 capital and reserve funds	Total (col. 2 + 3)
		1	2	3	4
Total risk adjusted exposure (item 34, column 15)	1	Prudential Minimum Requirement			
Equivalent risk weighted exposure: approved amount of surplus capital in insurance entities	2				
Total group risk weighted exposure (total of items 1 and 2)	3				
Minimum required capital adequacy ratio ²	4				
Bank specific add-on to minimum required capital adequacy ratio ³	5	HLA requirement for D-SIB, Countercyclical buffer, capital conservation buffer, Pillar 2B requirement			
Total adjusted minimum required capital adequacy ratio (total of items 4 and 5)	6				
Minimum required amount of capital and reserve funds (item 3 column 4 * item 4)	7				
Additional specified required amount of capital and reserve funds (item 3 column 4 * item 5)	8				
Total minimum required amount of capital and reserve funds (total of items 7 and 8)	9				
Consolidated qualifying amount of capital and reserve funds ^{4, 5, 6}	10				
Approved amount of surplus capital in regulated insurance entities	11				
Approved adjustment to qualifying capital and reserve funds: increase/(decrease)	12				
Adjusted consolidated qualifying capital and reserve funds (item 10 plus 11 plus/(minus) 12)	13				
Group capital adequacy ratio (%) (item 13 divided by item 3, column 4)	14	Compare to Line item 6			

Line items 15 to 21

Memorandum items:

Removed: Group capital adequacy ratio (Line 13)
and Primary capital adequacy ratio (line 14)
Now: Compare Line 14 to Line 6

		Calculated ratio or total	Specified minimum
		1	2
Tier 2 capital as % of Tier 1 capital (item 10 col 3/ item 10 col 2)	15		
Non significant and other group entities as % of total, based on net income after tax (item 30 col 4 as % of item 32 col 4)	16		≤ 20%
Non significant and other group entities as % of total, based on total assets (item 30 col 5 as % of item 32 col 5)	17		≤ 10%
Common Equity Tier 1 capital held by minorities included in consolidated Common Equity Tier 1 capital ⁷	18		
Tier 1 capital held by minorities included in consolidated Additional Tier 1 capital	19		
Capital held by minorities included in consolidated Tier 2 capital ⁷	20		
Number of entities included in item 31	21		

New: Line items 18 to 20 – relating to minority interest
Check that reconciles to BA 700, validation rule to minority interest table



South African Reserve Bank

Line items 22 to 34

Group capital adequacy	Line no.	Regulatory approach ^{1, 2}	Interest held (%)	Book value of investment	Net income after tax based on FRS	Total assets based on FRS
Entities included in banking group		1	2	3	4	5
Registered banks (Specify)	22					
Eliminations	23					
Sub-total: registered banks (item 22 less item 23)	24					
Bank controlling company (Specify)	25					
Significant financial entities (Specify)	26					
Significant commercial entities (Specify)	27					
Significant insurance entities (Specify)	28					
Securitisation entities (Specify)	29					
Aggregate of non-significant and other group entities	30					
Eliminations	31					
Total (of items 24 to 30, less item 31) ⁶	32					
Definition and other differences between these Regulations and FRS, and goodwill	33					
Group total (item 32 plus 33)	34					

No change to Line item descriptions and column heading for cols 1 to 4



South African Reserve Bank

Group capital adequacy		Line no.	Risk weighted exposure or equivalent						
			Credit risk ³	Counter-party credit risk ³	Operational risk ³	Market risk ³	Equity risk ³	Other ³	Sub-total (sum of col. 6 to 11)
Entities included in banking group			6	7	8	9	10	11	12
Registered banks (Specify)		22							
Eliminations		23							
Sub-total: registered banks (item 22 less item 23)		24							
Bank controlling company (Specify)		25							
Significant financial entities (Specify)		26							
Significant commercial entities (Specify)		27							
Significant insurance entities (Specify)		28							
Securitisation entities (Specify)		29							
Aggregate of non-significant and other group entities		30							
Eliminations		31							
Total (of items 24 to 30, less item 31) ⁶		32							
Definition and other differences between these Regulations and FRS, and goodwill		33							
Group total (item 32 plus 33)		34							

New column: Alignment to Basel III disclosure requirements

Change: Un-greyed: Line 23 Cols 6 to 12 Banks will now be required to complete.

Change: Un-greyed: Line 31 Cols 6 to 12 Banks will now be required to complete.

New column: Alignment to Basel III disclosure requirements

Change: Un-greyled: Line 23 Cols 6 to 12
Banks will now be required to complete.

Change: Un-greyled: Line 31 Cols 6 to 12
Banks will now be required to complete.

Group capital adequacy	Line no.	Risk weighted exposure or equivalent		
		Intra-group exposure	Additional risk weighted exposure specified by the Registrar ^{4, 5}	Total (col. 12 - 13 + 14)
Entities included in banking group		13	14	15
Registered banks (Specify)	22			
Eliminations	23			
Sub-total: registered banks (item 22 less item 23)	24			
Bank controlling company (Specify)	25			
Significant financial entities (Specify)	26			
Significant commercial entities (Specify)	27			
Significant insurance entities (Specify)	28			
Securitisation entities (Specify)	29			
Aggregate of non-significant and other group entities	30			
Eliminations	31			
Total (of items 24 to 30, less item 31) ⁶	32			
Definition and other differences between these Regulations and FRS, and goodwill	33			
Group total (item 32 plus 33)	34			

Change:

Previous form referred to Additional required amount of capital and reserve funds



South African Reserve Bank

Group capital adequacy Entities included in banking group	Line no.	Analysis of capital and reserve funds								Calculated capital adequacy ratio of each relevant entity	Minimum required capital adequacy ratio of each relevant entity
		Total shareholder equity based on FRS	Other instruments issued	Non qualifying capital and reserve funds ¹	Prescribed deductions against capital and reserve funds	Qualifying capital and reserve funds					
						Total (col. 16+17-18-19)	of which: common equity tier 1 capital and reserve funds	of which: additional tier 1 capital and reserve funds	of which: tier 2 capital and reserve funds,		
		16	17	18	19	20	21	22	23	24	25
Registered banks (Specify)	22										
Eliminations	23										
Sub-total: registered banks (item 22 less item 23)	24										
Aggregate of non-significant and other group entities	30										
Eliminations	31										
Total (of items 24 to 30, less item 31)	32										
Definition and other differences between these Regulations and FRS	33										
Group total (item 32 plus 33)	34										

Alignment to Basel III terminology

Illustrative example

- Assume that in a banking group there is a holding company (i.e. Bank P) and banking subsidiary (i.e. Bank S), where Bank P owns 70% of the common shares of Bank S. Bank S has the following items common equity (R100) , deposits (R1100) and assets (R1200). For illustrative purposes assume Bank S has risk weighted assets of R1200 and intra-group exposure of R200.



South African Reserve Bank

Minority interest Entities included in banking group	Line no.	Analysis of minority interest							
		Source of capital ¹	Qualifying capital and reserve funds net of deductions	Paid in amount plus related reserves/ retained earnings owned by third parties gross of all deductions	Lower of the risk- weighted assets of the subsidiary and the contribution to consolidated risk- weighted exposure	Minimum required capital adequacy ratio ² (%)	Surplus capital of the subsidiary		Amount held by third parties to be included in consolidated equity ⁴
							Total	Amount attributable to third parties ³	
1	2	3	4	5	6	7	8		
Registered banks Specify	35								
		1	100	30	1 000	7%	30	9	21
Significant financial entities Specify	36								
					Lower of RWA before consolidation (1 200), RWA after consolidation (1 000)				
Securitisation entities Specify	37								
					Col 2 – (Col4 X Col5) 100 – (1 000 X 7%)				
Aggregate of non- significant and other group entities	38								
						Col6 X Col 5 30 X 30%			
							Col 3 - Col 7 30 - 9		
Group total (of items 35 to 38)	39								

1. Based on the following keys: "1" = common equity tier 1 capital; "2" = additional tier 1 capital, "3" = tier 2 capital.

2. Based on the relevant minimum required capital adequacy ratio specified in terms of these Regulations. See item 4 above.

3. Refer to regulation 38(16).

4. Items 35 to 38, column 8, is equal to column 3 less column 7.



South African Reserve Bank

BA 600 – to note


- There were no changes to the following tables:
 - intragroup exposures;
 - group large exposures; and
 - group currency riskno changes were made, expect for line item numbering
- New table has been added for liquidity risk



Questions



South African Reserve Bank



BA 610

Foreign Operations

Presenter - Naresh Balwanth



South African Reserve Bank

Line items 155 to 165

D. CAPITAL ADEQUACY

Summary information in respect of capital adequacy	Line no.	Risk exposure					
		Credit	Counterparty credit risk	Operational	Market	Equity	Other
		1	2	3	4	5	6
Required capital adequacy ratio							
Minimum prescribed capital adequacy ratio (percentage)	155						
Additional requirement specified by the Registrar (percentage)	156						
Minimum required capital adequacy ratio (total of items 155 and 156)	157						
Risk weighted exposure							
Risk weighted exposure equivalent amount prior to concentration risk	158						
Risk equivalent amount in respect of concentration risk	159						
Aggregate risk weighted exposure equivalent amounts (total of items 158 and 159)	160						
Minimum required capital and reserve funds							
Minimum required capital and reserve funds based on risk-weighted exposure (item 157 multiplied with item 160)	161						
Additional capital requirement specified by the Registrar ¹	162						
Subtotal (total of items 161 and 162)	163						
Minimum amount of required capital and reserve funds specified in relevant legislation	164						
Minimum required capital and reserve funds in respect of the reporting entity ²	165						

Alignment to Basel III terminology

Line items 166 to 172

		Common equity tier 1 capital and reserve funds	Additional tier 1 capital and reserve funds	Tier 2 capital and reserve funds	Total (of col 1 to 3)
		1	2	3	4
Qualifying capital and reserve funds					
Paid in capital and qualifying capital instruments	166				
Retained earnings	167				
Accumulated other comprehensive income ³	168				
Minority interests	169				
Regulatory adjustments	170				
Aggregate amount of qualifying capital and reserve funds (total of items 166 to 169, less item 170)	171				
Excess / (shortfall) (item 171, column 4, less item 165 column 7)	172				

Alignment to Basel III terminology

Line item 166 to 168 was previously reported in 1 line item now the detail will be required

New in terms of Basel III

1. Including any relevant required amount relating to an imposed capital floor (not to duplicate any requirement reported in item 156).
2. Greater of item 163 or 164.
3. General allowance for credit impairments and excess amount of provisions over expected losses to be included in column 3.



South African Reserve Bank

Line items 173 to 177

Memorandum items	Line no.	Prescribed limit or ratio	Ratio of reporting entity
		1	2
Common Equity Tier 1 capital adequacy ratio	173		
Tier 1 capital adequacy ratio	174		
Total capital adequacy ratio	175		
Host capital ratio ¹	176		
Host minimum required ratio	177		

Limits relating to non-redeemable preference share, secondary and tertiary capital to primary capital, subordinated debt to primary capital and hybrid debt to primary capital

Line 173 to 175 – aligned to Basel III terminology

1. Actual ratio, based on the rules of the relevant foreign/host supervisor.



South African Reserve Bank

Line items 178 to 187

Summarised version of the reconciliation on the BA 700

Reconciliation between qualifying capital and reserve funds and accounting equity and reserves	Line no.	Balance Sheet amount ¹	Amounts included for regulatory purposes
		1	2
Paid in capital and qualifying capital instruments	178		
Retained earnings	179		
Accumulated other comprehensive income	180		
Minority interests	181		
Regulatory adjustments	182		
Qualifying common equity tier 1 capital and reserve funds (total of items 178 to 181, less item 182)	183		
Additional Tier 1 capital and reserve funds after regulatory adjustments	184		
Qualifying tier 1 capital and reserve funds (total of items 183 and 184)	185		
Tier 2 capital and reserve funds after regulatory adjustments and general allowance for credit impairments	186		
Total qualifying capital and reserve funds (total of items 185 and 186)	187		

1. Determined in accordance with relevant Financial Reporting Standards and reported in the relevant audited financial statements.



South African Reserve Bank

Questions



South African Reserve Bank

Basel III parallel run - Guidance Notes 6 and 8

Proposed amended form	Reporting month			
	September 2012	October 2012	November 2012	December 2012
BA 600	Controlling company consolidated on 22 November 2012			Controlling company consolidated on 20 February 2012
BA 610				5 February 2013
BA 700	Bank in Republic on 12 November 2012 Controlling company consolidated on 22 November 2012	Bank in Republic on 10 Desember 2012		Controlling company consolidated on 20 February 2012



South African Reserve Bank

Thank you



South African Reserve Bank