



South African Reserve Bank

**Co-operative Banking Supervision Unit
Floor 04
370 Church Street
Pretoria
0002**



CO-OPERATIVE BANKS DEVELOPMENT AGENCY

**Floor 27
240 Vermeulen Street
Pretoria
0002**

2011-04-10

GN9/2011

**GUIDANCE NOTE 9/2011 ISSUED IN TERMS OF SECTION 45(e) OF THE
CO-OPERATIVE BANKS ACT, 2007**

**CREDIT RISK RETURN
(FORM-CBR7)**

1. INTRODUCTION

Guidelines are provided for the completion of the Credit Risk return (FORM-CBR7). FORM-CBR7 is part of the Co-operative Banks Act Supervisors' Rules (the Rules) as published in *Government Gazette* No.32860 dated 12 January 2010. These guidelines should be read in conjunction with the Co-operatives Act, 2006 (Act No.14 of 2005) (the Co-operatives Act), the Co-operative Banks Act 2007 (Act No.40 of 2007) (the Act), the regulations issued in terms of Section 86 of the Act (the Regulations) and the Rules.

2. PURPOSE

The purpose of FORM-CBR7 is to assist the respective Supervisors to determine the basic level of discipline maintained by co-operative banks in their credit risk management processes and to ensure that credit risk exposure is contained within acceptable parameters. Credit risk can be defined as the potential that a co-operative bank borrower will fail to meet payment obligations in accordance with the terms agreed with the co-operative bank. Management of co-operative banks is not only expected to manage risk in respect of each individual member, but to manage the credit risk inherent in its entire portfolio, given that loans granted to members are the greatest source of credit risk.

3. COMPLETION OF FORM-CBR7

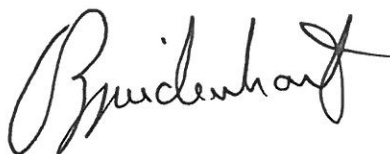
The completed return (FORM-CBR7) should be submitted under cover of a signed FORM-CBR0 within twenty (20) business days immediately following the month end to which it relates. Both the managing director and the chief financial officer of the co-operative bank must sign FORM-CBR0. In cases where the managing director is also the Chief Financial Officer, the chairperson of the board must co-sign FORM CBR0 with the managing director. Every page of the attachments to FORM-CBR0 must be initialled by the signatories.

Extracts from FORM-CBR7 are reflected in the shaded areas, followed by the guidance notes and examples in the non-shaded areas.

CREDIT RISK	Line no.	Repayable in instalments		Other loans and advances	Total
		Mortgage loans	Instalment sales and leases		
		1	2	3	4
Delinquency amounts					
Indicate when loan policy of Co-operative bank stipulates an amount is delinquent	1	1 month	1 month	1 month	
Gross amount delinquent at beginning of the month	2	35000	15000	10000	60000
Reflect the total amount of the loans that are considered to be delinquent at the beginning of the month.					
Less: Recovered during the month	3	5000	5000	2000	12000
Reflect the amount of delinquent loans repaid during the month under review.					
Add: Delinquencies that arose during the month	4	8000	5000	2000	15000
Reflect the value of new loan delinquencies during the month under review					
Less: Loan loss provisions	5	4000	2000	1000	7000
The amount provided for/set aside for potential loss during the month under review. The Regulations require the following minimum provisioning to be made: 35 percent in respect of all loans delinquent for a period of one (1) month but not longer than 6 months plus 50 percent in respect of all loans delinquent for a period of longer than 6 months but not longer than 12 months plus 100 percent in respect of all loans delinquent for a period of longer than 12 months.					
Net amount delinquent at end of the month	6	34000	11000	9000	54000
Line 2 - line 3 + line 4 - line 5		+35000-5000 +8000-4000	+15000-5000 +5000-2000	+1000-8000 +2000-1000	+60000-12000 +15000-7000
Market value of security held	7	10000	4000	2000	16000
Reflect the market value of security held (The amount likely to be realised if security is sold immediately- "fire sale" scenario)					

Total (net delinquency net of security held)	8	24000	7000	7000	38000
Line 6 - line 7.		34000-10000	11000-4000	9000-2000	54000-16000
Amounts written off during the financial year	9	20000	4000	6000	30000
Reflect the total amount written-off during the current financial year against provisions and against income (Line 10 + line11)					
Against provisions	10	15000	3000	2000	20000
Reflect the cumulative amount that has been provided for in relation to the amount written off.					
Income statement	11	5000	1000	4000	10000
Reflect the amount written-off during the financial year against the income statement where no provisioning has been made.					
General debt provision (gross)	12	6000	30000	2000	38000
Reflect the actual provisioning made in respect of total loans in accordance with Regulation 4(1)(b) (the minimum requirement is 2% provisioning in respect of all loans in addition to the capital adequacy ratio).					

FORM-CBR7 must be submitted under cover of FORM-CBR0 to the relevant Supervisor.



SARB Supervisor
André Bezuidenhout



CBDA Supervisor
David de Jong