

# Contents

<b>Chapter 1: Registrar of Banks' review .....</b>	<b>1</b>
1.1 Introduction .....	1
1.2 Key international developments, recommendations and focus areas .....	1
1.3 Flavour-of-the-year topics for 2012.....	4
1.4 Update on the implementation of a twin peaks model of financial regulation in South Africa .....	6
1.5 Financial stability developments and trends.....	7
1.6 Compliance with anti-money laundering and the combating of the financing of terrorism standards.....	7
1.7 Participation in international surveys .....	8
1.8 Participation in international regulatory and supervisory forums.....	8
1.9 Participation in domestic regulatory and supervisory forums .....	12
1.10 Regional co-operation and interaction .....	13
1.11 Expression of gratitude .....	13
<b>Chapter 2: Overview of supervisory activities .....</b>	<b>14</b>
2.1 Introduction .....	14
2.2 Credit risk .....	14
2.3 Market risk.....	16
2.4 Operational risk.....	17
2.5 Liquidity risk.....	19
2.6 Capital management .....	20
2.7 Pillar 3: Disclosure .....	21
2.8 Consolidated supervision.....	21
2.9 Anti-money laundering and countering the financing of terrorism.....	22
2.10 Co-operative banks .....	22
<b>Chapter 3: Developments relating to banking legislation .....</b>	<b>23</b>
3.1 Introduction .....	23
3.2 The Banks Act, 1990 .....	23
3.3 Update regarding amendments to the Regulations relating to Banks .....	24
3.4 Illegal deposit-taking.....	25
3.5 Developments regarding Postbank.....	27
<b>Chapter 4: Banking-sector overview .....</b>	<b>28</b>
4.1 Introduction .....	28
4.2 Structural features of the banking sector .....	28
4.3 On- and off-balance-sheet composition .....	30
4.4 Off-balance-sheet activities .....	39

4.5	Profitability .....	41
4.6	Capital adequacy .....	45
4.7	Liquidity risk.....	49
4.8	Credit risk .....	52
4.9	Market risk.....	63
4.10	Equity risk in the banking book .....	68

## Appendices

1.	Organisational structure of the Bank Supervision Department.....	70
2.	Registered banks, mutual banks and local branches of foreign banks.....	72
3.	Name changes and cancellation of registration of banks and branches of foreign banks during the period 1 January 2012 to 31 December 2012 .....	74
4.	Registered controlling companies as at 31 December 2012 .....	75
5.	Foreign banks with approved local representative offices .....	76
6.	Circulars, directives and guidance notes issued in 2012 .....	78
7.	Exemptions and exclusions from the application of the Banks Act, 1990.....	79
8.	Approval of applications in terms of section 52 of the Banks Act, 1990 (Act No. 94 of 1990), for local banking groups to acquire or establish foreign interests for the period 1 January 2012 to 31 December 2012 .....	80
9.	Memorandums of understanding concluded between the Bank Supervision Department of the South African Reserve Bank and foreign supervisors as at 31 December 2012.....	81
10.	Selected information on South African banks .....	83

References .....	115
------------------	-----

Abbreviations .....	115
---------------------	-----

Glossary .....	116
----------------	-----

## Box

4.1	Calculation of expected loss for internal ratings-based banks.....	58
-----	--	----

## Figures

1.1	Structure of the Basel Committee on Banking Supervision (2012).....	9
2.1	Reporting methods applied by banks as at 31 December 2012 (credit risk).....	15
2.2	Reporting methods applied by banks as at 31 December 2012 (operational risk) .....	17
3.1	Inspections relating to illegal deposit-taking schemes.....	26
4.1	Shareholding structure of the South African banking sector (nominal value of shares) (per cent) .....	29
4.2	Global presence of South African banking groups .....	30
4.3	Total banking-sector assets, gross loans and advances, and their respective year-on-year growth rates.....	30
4.4	Composition of total banking-sector assets .....	31
4.5	Annual growth rates of the three largest loan categories as at 31 December 2012 .....	32
4.6	Composition of gross loans and advances (per cent).....	32



4.7	Foreign-currency loans and advances (as a percentage of total assets) and the total of foreign-currency deposits and foreign-currency funding (as a percentage of total liabilities) .....	33
4.8	Composition of liabilities .....	34
4.9	Asset and liability position in derivative financial instruments (as a percentage of equity attributable to equity holders) .....	34
4.10	Composition of deposits .....	35
4.11	Sources of total deposits .....	36
4.12	Composition of total equity .....	36
4.13	Financial leverage multiple .....	37
4.14	Growth rates of total banking-sector assets and equity attributable to equity holders (year on year).....	37
4.15	Composition of total banking-sector assets in respect of the five largest banks, branches of international banks and other banks.....	38
4.16	Banking-sector assets for banks solo, banks consolidated and consolidated banking groups.....	38
4.17	Composition of total equity for consolidated banking groups.....	39
4.18	Total off-balance-sheet items in relation to total banking-sector assets.....	40
4.19	Composition of total off-balance-sheet items.....	40
4.20	Composition of the income statement (unsmoothed).....	41
4.21	Credit losses to net interest income (unsmoothed) .....	42
4.22	Composition of gross operating income (smoothed).....	42
4.23	Composition of operating expenses (smoothed) .....	43
4.24	Net interest income ratio (smoothed) .....	44
4.25	Profitability ratios (smoothed) .....	44
4.26	Jaws ratio and cost-to-income ratio (smoothed) .....	45
4.27	Capital-adequacy ratios (bank solo) .....	46
4.28	Composition of qualifying regulatory capital and reserve funds (bank solo) .....	47
4.29	Term debt instruments qualifying as regulatory capital (as a percentage of total term debt instruments) .....	47
4.30	Total risk-weighted exposure (bank solo).....	48
4.31	Capital-adequacy ratios (consolidated banking groups) .....	49
4.32	Statutory liquid assets (actual versus required) .....	50
4.33	Composition of on-balance-sheet contractual terms for total banking-sector assets and liabilities.....	50
4.34	Contractual maturity of liabilities (as a percentage of total banking-sector liabilities).....	51
4.35	Business-as-usual maturity of liabilities (as a percentage of total banking-sector liabilities) .....	51
4.36	Concentration of short-term deposit funding (as a percentage of total banking-sector liabilities).....	52
4.37	Gross credit exposures and risk-weighted exposures per asset class .....	53
4.38	Impaired advances to gross loans and advances .....	54
4.39	Specific and portfolio credit impairments.....	55
4.40	Specific and portfolio credit impairments ratios .....	55
4.41	Risk-weighting distribution of credit exposures under the standardised approach.....	56
4.42	Classification of credit risk exposures under the standardised approach.....	57



4.43	Exposures classified as 'sub-standard', 'doubtful' and 'loss' measured against specific credit impairments and collateral .....	58
4.44	Distribution of retail exposures at default classified into standard probability of default bands.....	60
4.45	Distribution of corporate exposures at default classified into standard probability of default bands.....	60
4.46	Total exposure at default.....	61
4.47	Total default exposure and default ratio per asset class.....	61
4.48	Composition of retail default exposures and their respective default ratios .....	62
4.49	Composition of corporate default exposures (excluding specialised lending) and small and medium corporate enterprises' default exposures, and their respective default ratios.....	63
4.50	Composition of regulatory capital requirement in respect of market risk.....	64
4.51	Composition of monthly turnover in derivative contracts (gross notional value) ....	65
4.52	Composition of unexpired derivative contracts at month-end (net fair value).....	66
4.53	Aggregated effective net open foreign-currency position (as a percentage of qualifying regulatory capital).....	66
4.54	Aggregated effective net open foreign-currency position per currency .....	67
4.55	Position in foreign-currency instruments .....	68
4.56	Composition of capital requirement for equity risk in the banking book .....	68

## Tables

3.1	Inspections relating to illegal deposit-taking schemes.....	26
4.1	South African banking sector: Number of entities registered or licensed.....	28
4.2	South African banking sector: Number of approvals for local and international expansions granted in terms of section 52 of the Banks Act, 1990 .....	29
4.3	Key credit risk indicators reported by internal ratings-based banks .....	59

