

# BancABC Botswana Pillar III Disclosures December 2017

#### **Pillar III Disclosure**

## 1. Risk Management Processes

Risk taking is an essential part of the business and BancABC adopted the Enterprise Risk Management (ERM) framework which is the process applied across the bank, designed to identify potential events that may affect the bank, and to manage risk to be within the bank's risk appetite and provide reasonable assurance regarding the achievement of the bank's objectives. Effective identification, assessment, monitoring and managing risks are key to the successful execution of strategy. Thus the bank promotes a risk culture in the organization.

The Board is responsible for formulating the underpinning objectives of the risk appetite framework. Risk accepted by the institution should be within the tolerance level set by the Board of directors in accordance with the Strategy, Existing Capital Constraints, Sustainable Earnings and Maintenance of desired Regulator and Credit Ratings for BancABC Botswana.

The Business Units are responsible and accountable for the risks associated with the running of their operations. They should promote risk awareness and ensure that risk decisions are taken in accordance with established delegated authorities.

It is the responsibility of every bank employee to ensure that all risks that the bank is exposed to are managed effectively as directed by various policies and procedures and also, where applicable, in accordance with relevant regulatory requirements.

BancABC Botswana's ERM philosophy is about the establishment and execution of bank-wide criteria for the acceptance, monitoring, control and management of risk. The guiding principles of ERM are:

- a. Decisions should be made with appropriate consideration of the impact on the overall organisation, not just the individual lines of business;
- b. The governance model should provide a forum for risks to be appropriately considered, discussed, debated, and factored into strategic business decisions;
- c. Governance should focus on and enable making risk management processes proactive rather than reactive;
- d. The risk governance structure should consider and reflect the roles and interaction with related functions, including compliance and internal audit;
- e. There should be a clear understanding of the requirements and appropriate resources to provide independent assurance (e.g. independent audit);
- f. The governance model must reflect separation of the three main areas of:
  - i. Business Units (BUs) that take risk and manage the risks they take;
  - ii. Risk Management that provides policy, guidance, recommendations, risk reporting and analysis; and
  - iii. Independent Assurance by Internal Audit.

The risk governance model should evolve over time, as the organisation changes.

The bank uses a five tier colouring code (GLYOR), to allow for a more granular assessment and classification of risk. GLYOR is short for Green, Lime, Yellow, Orange and Red. Below is the risk rating key:

Risk Classification key (GLYOR)				
Minor	Low	Moderate	High	Extreme

# 1.1 Capital/Solvency Risk Management

The bank ensures that it is adequately capitalized in line with regulatory requirements and Basel II, in particular, to cover for credit, operational and market risks. The bank recognizes that it is exposed to other risks and thus strives to maintain a capital buffer so as to have additional capital to cover for those risks.

The target risk status for solvency risk is minor. The strategy is to maintain strong capital levels and focus on growing quality, profitable assets.

## Mitigation

Growth is carefully aligned to available financial resources. The impacts of growing risk weighted assets on capital adequacy are continuously assessed. Actions are taken to reduce leverage or raise additional capital. The bank has set a soft limit of 17% capital adequacy ratio against the regulatory 15%. As at 31 December 2017, the solvency risk rating was minor as CAR, at 19%, was sufficiently above the soft limit. The bank has a strong capital position with Tier I accounting for 72% of total capital and Tier II, 28%, as at 31 December, 2017; Tier II is restricted to 50% of total capital.

#### 1.2 Credit Risk Management

Credit approval limits are set to designated committees. Independent credit risk committees are responsible for managing, measuring and mitigating credit risk.

Consumer Credits are assessed using a scorecard and credit is availed according to affordability.

The bank has the following credit committees:

- a. RETCO (Retail Credit Committee) considers credit applications for small and medium enterprises (SMEs) up to a limit of the equivalent of US\$250,000, otherwise recommends to MANCO;
- MANCO (Management Credit Committee) considers credit applications for corporates and approves up to a limit of US\$500,000, otherwise recommends to CREDCO. MANCO also considers credit applications for SMEs for amounts higher than US\$250,000 that are recommended by RETCO;
- c. CREDCO (Board Credit Committee) considers credit applications recommended by MANCO and approves up to a limit of US\$1 million, otherwise recommends to the Executive Credit Committee (EXCO);

- d. EXCO (Executive Credit Committee) considers applications recommended by CREDCO and approves up to a limit of US\$5 million, otherwise recommends to the ABCH Board Credit Committee; and
- e. The ABCH Board Credit committee considers applications above US\$5 million as recommended by EXCO.

The composition of these different committees is as follows:

COMMITTEE	RETCO	MANCO	CREDCO
Chairperson	Head of Finance	Managing Director	Non-executive Director
Members	Head of Credit	Head of Finance	Non-executive Director
	Head of Risk	Head of Credit	Managing Director
	Head of Business Banking	Head of Risk	

Head of Corporate attends MANCO as a proposer but does not vote. Other standing invites are the Head of Legal and the Head of Compliance.

The bank produces a credit rating for its customers and this goes on a scale of A+ to G, as demonstrated below. The rating is a reflection of a company's financial performance, particularly its ability to generate cash to service debt. In determining the risk rating a company's financial results are scored.

BancABC Rating Scale	BancABC Default Rates	BancABC Retail Score	Global Credit Rating Scale	Standard & Poor's Rating Scale	S & P 1-year default rates
A+	0.10%	246-255	AAA	AAA-AA	0.01%
Α	0.25%	236-245	AA+	AA-	0.05%
A-	0.33%	226-235	AA	A+	0.11%
B+	0.40%	216-225	AA-	А	0.08%
В	0.50%	201-215	A+	A-	0.05%
B-	0.66%	191-200	Α	BBB+	0.11%
C+	0.80%	181-190	A-	BBB	0.08%
С	0.96%	166-180	BBB+	BBB-	0.16%
C-	1.30%	156-165	BBB	BB+	0.26%
D+	1.80%	146-155	BBB-	BB	0.36%
D	2.65%	136-145	BB+	BB-	0.53%
D-	3.80%	126-135	BB	B+	0.76%
E+	7.85%	116-125	BB-	В	1.57%
Е	12.90%	106-115	B+	B-	2.58%
E-	16.88%	96-105	В	CCC+	6.75%
F+	26.00%	86-95	B-	CCC	10.40%
F	38.67%	76-85	CCC	CCC-	25.78%
F-	45.00%	61-75	-	CC	30.00%
G	Default	0-60	LD/DD	SD/D	35.00%

The target risk status for credit risk is moderate or better. The strategy is to align credit origination to macroeconomic indicators and client capacity to service debt and manage non-performing loans.

## Mitigation

The bank has set for itself a risk appetite of D- or better. Credits are discussed extensively at the respective committees to ensure understanding of credit application and taking of calculated risks.

Once funds are disbursed, performance is monitored to avoid deterioration of asset quality. The loan monitoring process is continuously being improved to enable early identification of potentially bad loans so that these are managed before being adversely classified. The business, as the first line of defence, manages performing credits up to 30 days arrears. When the accounts have arrears above 30 days, they are handed over to Credit Administration. Once arrears exceed 90 days, the accounts are handed over to debt collectors in the case of Corporate and SME credits and 60 days in the case of individuals.

Credit concentrations are carefully managed. While the bank may lend up to a maximum of 30% to any single client all exposures are managed below this level. The largest exposure to a single client made up 21% of capital as at end of December 2017.

The bank has set itself a threshold NPL ratio of 3.5%. Credit risk was rated high in December; the NPL ratio remained unchanged at 3.8% and was still outside the preferred threshold.

## 1.3 Liquidity and Funding Risk

The bank is exposed to funding liquidity risk. The bulk of the deposit liabilities are short-term yet the bank's assets are long-term in nature. The bank has a comprehensive liquidity and funding policy in place, whose primary objective is to ensure that the bank is able to fund the bank and enable it to continue to operate and meet obligations under adverse circumstances.

The bank has established liquidity guidelines that are intended to ensure that there is sufficient asset-based liquidity to withstand the potential impact of deposit attrition or diminished liquidity in the funding markets. The guidelines include maintaining an adequate liquidity reserve to cover potential funding requirements and diversified funding sources to avoid overdependence on volatile, less reliable funding markets.

Liquidity risk is managed according to the following principles:

**Excess Liquidity** – The bank seeks to maintain excess liquidity to meet a broad and comprehensive range of potential cash outflows and collateral needs in a stressed environment. While the regulatory liquid asset ratio (LAR) is 10%, the bank has set for itself a soft limit of 12%, where the 2% buffer provides a cushion during a stressed liquidity environment.

**Asset-Liability Management** – The bank has an Asset and Liability Committee (ALCO) through which anticipated holding periods of assets and their potential illiquidity in a stressed environment are assessed. Liquidity maturity mismatches and level of funding diversification across markets,

products and counterparties are managed, and efforts are made to maintain liabilities of appropriate tenor relative to the asset base.

**Contingency Funding Plan (CFP)** – The bank maintains a contingency funding plan to provide a framework for analysing and responding to a liquidity crisis situation or periods of market stress. The framework sets the plan of action to fund normal business activity in emergency and stress situations early enough. It provides management with a set of possible actions to address potential liquidity threats. The CFP operates in conjunction with the finance and treasury management policy and the assets and liabilities management (ALM) policy to ensure a coordinated approach to liquidity management.

#### **Mitigation**

A liquidity position is produced daily and analysed. A Liquidity Risk Committee meets on a weekly basis to assess and manage the overall liquidity position of the bank. Liquidity ratios are closely monitored. LAR should be at least 12% in line with the set soft limit, and the LDR should be at most 90%.

A stressed liquidity report is produced and assessed; it is a forward looking measure of liquidity after considering imminent maturities and disbursements. This shows the liquidity coverage ratio (LCR); that is the extent to which available high quality liquid assets can cover net outgoing cash. The required liquidity contingency funding is also indicated in the daily report. The bank aims to have a LCR of at least 50%.

The bank targets a liquidity risk rating of moderate or better. As at 31 December 2017 the liquidity risk rating was moderate. The LAR was 11.9% and below the internal limit of 12%; the LDR was 96%, although after considering all available funding it was 86%. The LCR was above the 50% minimum, at 79%.

#### 1.4 Interest Rate Risk Management

Changes in interest rates impact on the net interest margin of the bank. The Asset and Liability Committee (ALCO) considers the bank's sensitivity to interest rate movements and regularly reviews the repricing mismatches.

The bank's assets are largely funded by short-dated deposits. Pricing is linked to the prime lending rate so that although the assets are long-term, the bank can reprice immediately upon a change in policy rates and this minimizes the mismatch risk. The bank strives to match asset and liability re-pricing positions as far as possible but this is a challenge because investor appetite is for short periods; most investors do not want to lock in for long periods so as to enjoy the compounding effect on interest income and to be able to access their funds quicker in the event of alternative attractive investment instruments becoming available.

#### Mitigation

ALCO monitors the mismatch positions and actively manages the interest rate in the banking book. Pricing of liabilities is guided by ALCO.

Business is encouraged to diversify and improve the deposit mix. The bank has set for itself the following limits:

	Limit	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Up to 30 days	60% max.	38.6%	46.7%	47.9%	47.3%	41.5%
Plus 30 days up to 90 days	40% max.	41.5%	26.1%	37.8%	29.3%	33.8%
Plus 90 days up to 6 months	10% min.	7.9%	18.5%	9.9%	10.4%	11.5%
More than six months	10% min.	12.0%	8.8%	4.4%	13.0%	13.2%

Continuous efforts are made to identify new sources of deposits and to lengthen the liability profile.

The target interest rate risk rating is moderate, and interest rate risk was rated high as at 31 December in recognition of the reliance on short dated wholesale deposits to fund long-term loans at prime-linked rates.

#### 1.5 Foreign Exchange Risk

The bank's exposure to foreign currency risk is minimal. The bank monitors the unhedged position of the bank in all foreign currencies. The regulator limits the net open position to 15% of regulatory capital for a single currency and to 30% of regulatory capital for an aggregate of currencies.

The bank's target rating for foreign exchange risk is low and the rating as at 31 December 2017, was low. The net open position (NOP) on foreign currency of the bank as a percentage of unimpaired capital was 8.2%. The exposures for all the currencies were within the regulatory requirement of +/-15% for each currency relative to the unimpaired capital. The bank continually monitors the net open position and adheres to net open position limits.

## 1.6 Operational Risk Management

Operational risks are present in all levels of the business and are taken into consideration in all business decisions. Operational risk is the risk of losses resulting from inadequate or failed internal processes, people or systems or the risk arising from external events.

Key Risk Indicators have been rolled out across business units and are fundamental to the management of operational risk. Thresholds are set and events are continuously monitored against the set thresholds. All business unit heads are responsible for operational risk management in their respective units and have to ensure that losses are recorded, rated, monitored and tracked until they are closed.

The bank has a recovery site at Continuity SA in Phakalane that exists as a contingency plan for unanticipated business disruptions such as fire that would render the head office building inaccessible. All head office departments have their own business plans that would be invoked such that operations continue at the recovery site without causing much disruption to the

business. The recovery site is set up with all requisite infrastructure. Tests are conducted periodically.

Branches also have business continuity plans, but in the case of business disruption at branches requiring invoking business continuity plans, service would be referred to alternative branches. Each branch business continuity plan states exactly which branch business is to be referred to. BancABC has a total of eight branches.

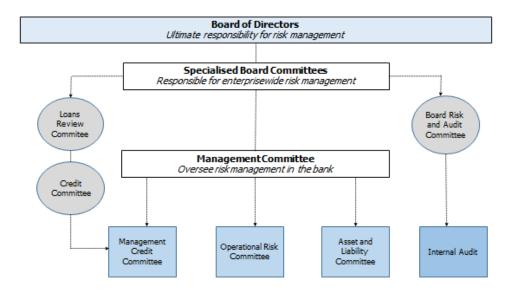
#### Mitigation

Risk Control Self Assessments (RCSAs) are conducted at Business Unit level and results recorded in a risk register. Identified risks are measured according to severity and frequency or probability of occurrence. The identified risks are tracked for closure and discussed at the monthly Risk and Control Committee meeting. Staff are encouraged to report operational risk incidents. This is done in the form of a web-based incident report stating the risk, loss impact and cause. Events reported through the incident report form are also captured in the risk register and monitored for closure.

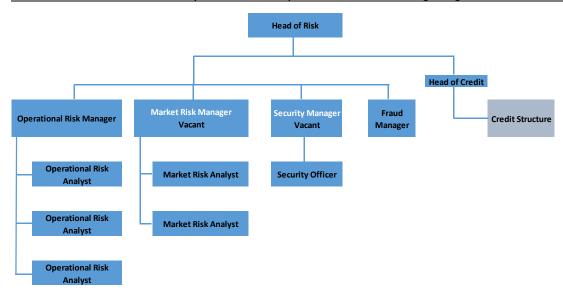
The bank's target operational risk rating is low, and the threshold of realized operational loss is 1% of bank revenue. In the twelve months ended 31 December 2017, the operational loss to revenue ratio was 0.14% and operational risk was rated moderate. The rating recognises the residual risk after considering controls in place to mitigate operational losses. The risk status will improve as the bank is working on process automation and systems upgrade.

# 2. Structure and Organisation of the Risk Management Function Risk Governance

The BancABC board manages the bank's risk exposure directly and through various other delegated committees as depicted in the following diagram:



The structure of the Risk Department is depicted in the following diagram.



# 3. Scope and Nature of Risk Reporting and Measurement Systems

The ERM methodology within the bank uses the three lines of defence or control approach.

- i. The business as first line of defence is responsible for the day to day management of risks and bears the consequence of loss through capital allocation.
- ii. Risk Management as the second line of defence assists in developing risk capacity, risk appetite, strategies and policies. It provides oversight support, monitoring and control. Risk Management ensures that pertinent risk information is accurately and timely captured, compiled and escalated appropriately through the governance structures to enable the Board to retain effective control of the bank's risk position.
- iii. Internal Audit is the third line of defence and provides independent assurance on the overall effectiveness of the risk governance framework, design and implementation.

# 4. Policies for hedging and mitigating risks

To manage the risk spectrum, the bank deploys the following risk policies:

- a. Enterprise Risk Framework
- b. Risk Appetite Statement
- c. Stress Testing
- d. Credit
- e. Market Risk
- f. Capital Management
- g. Liquidity Framework
- h. Compliance
- i. Operational Risk

- j. Strategic Risk
- k. Business Continuity

These policies are complemented by various Business Unit specific policies and guidelines where procedures and processes for managing internal controls are clearly articulated. The effectiveness or weaknesses of controls are monitored through the Risk Control Self Assessments.

# 5. The Internal Capital Adequacy Assessment

BancABC Botswana has put in place an Internal Capital Adequacy Assessment Process (ICAAP) to ensure that appropriate levels of capital are set for the risks faced in its portfolios. The ICAAP process assesses the bank's overall capital adequacy in relation to its risk profile, as well as a strategy for maintaining adequate capital levels.

Capital management includes the management of the supply of capital versus the demand for the capital; that is, it involves the execution of the Capital Management Plan. The primary objectives of Capital Management are the following:

- a. Actively managing the gap between supply and demand for capital so as to reduce capital costs and increase capital velocity;
- b. Increasing strategic and tactical flexibility in the deployment of capital to allow for the timely re-allocation of capital;
- c. Improving the liquidity of Risk Weighted Assets (RWA) to ensure that the balance sheet remains flexible; and
- d. Reporting on developments as well as advising ALCO on both the supply and demand for capital.

The regular monitoring of capital adequacy are integral to the process.

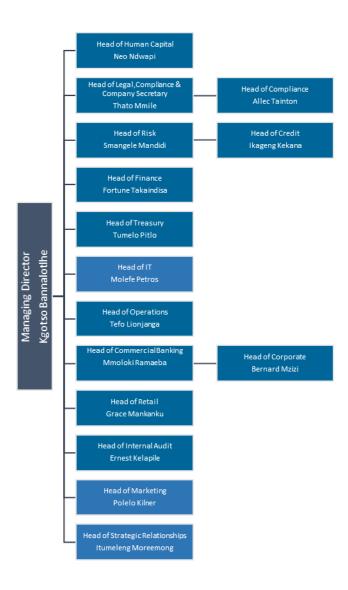
Actual results and capital developments are measured versus the actual and forecasted capital position on an ongoing basis. Appropriate actions are proposed and subsequently executed to correct any potential imbalance, i.e. the need to raise either capital or relief capital.

In assigning capital for credit risk, the bank is guided by the Basel II principles of assigning risk weights to the different credit exposures. The bank adopted the Basic Indicator Approach for assigning capital to operational risk; whereby the average revenue (net interest income *plus* non-interest income) over a three year period for which revenue was positive is taken and multiplied by an operational risk factor of 0.15 to come up with the capital charge for operational risk. A risk weight factor of 6.7 associated with operational risk is then applied to come up with the associated risk weighted assets for operational risk.

In assigning capital for market risk the bank uses the standardized measurement method whereby the absolute value of the net open position is taken as the capital charge and a factor of 6.7 applied to come up with the respective risk weighted assets for market risk.

The bank does not yet assign a capital charge to interest rate risk in the banking book.

# **MANCO STRUCTURE**



## **Remuneration and Nominations Committee (REMCO)**

BancABC is committed to creating, sustaining and maintaining a high performance culture in accordance with the Bank's strategy of ensuring that the bank has the right people in the right roles at the right time. The Bank's remuneration policy sets out the purpose, framework, procedures and standards related to remuneration. Its objectives include to –:

- attract and retain high calibre staff;
- assist in creating a high-performance culture, where consistent good or excellent performance is rewarded;
- ensure that all employees are remunerated fairly;
- compete for talent in an increasingly competitive labour market, through ensuring that remuneration compares satisfactorily with the market realities; and
- motivate individual and team performance that creates stakeholder value for the organisation.

Remuneration Committee (REMCO) which is responsible to lead the process for Board appointments and to ensure that the Board and its committees have an appropriate balance of skills, experience, availability, independence and knowledge of the Company to enable them to discharge their respective responsibilities effectively.

The remuneration committee also advises the Board on developing an overall remuneration policy that is aligned with the business strategy and objectives, risk appetite, values and long term interests of the Company, recognizing the interests of all stakeholders.

As part of their mandate, REMCO ensures that the remuneration policy covers the following objectives:

- attract and retain high caliber staff;
- assist in creating a high-performance culture, where consistent good or excellent performance is rewarded;
- ensure that all employees are remunerated fairly;
- compete for talent in an increasingly competitive labour market, through ensuring that remuneration compares satisfactorily with the market realities; and
- Motivate individual and team performance that creates stakeholder value for the organization.

Remuneration is reviewed regularly to ensure the Bank remains competitive with market prevailing conditions. The reviews are based on regular performance reviews against set deliverables over certain periods. The bank participates in remuneration market surveys to ensure

competitiveness and alignment to market movements and trends. The remuneration market data is used to determine salary reviews depending on the bank's affordability and the overall bank's performance.

In determining salary reviews; the following are considered:

- Bank's affordability/ ability to pay
- Market movements internal and external benchmarking
- Individual and unit's performance
- Bank's bonus provisions

Executive Directors and senior management's remuneration is approved by REMCO and their contracts of employment do not contain unusual benefits provisions and they have reasonable termination clauses with reasonable notice periods.

Remuneration of Risk and Compliance staff is part of the general bank's remuneration policy and they have agreed Cost to Company (CTC) remuneration at the time of employment. Any additional variable pay in the form of Annual Cash Incentives or Long term incentives is based on individual performance against set targets.

The Group Long-Term Incentive Plan ("LTIP") forms part of variable compensation and is used to attract, retain and motivate staff that influence the long-term sustainability and strategic objectives of BancABC and Group. The purpose of the LTIP is to foster sustainable performance, or value creation, over the long term, which is aligned with BancABC's strategy and which enhances shareholder value. Its main characteristic is the promise to deliver value over a future vesting period once performance criteria are met or exceeded. This award is applicable to Senior Staff (MDs, Directors, Regional and Group Heads). The LTIP is a conditional cash based incentive scheme, which contains bonus unit and performance unit elements. The LTIP is discretionary and vesting will occur after three (3) years of the bonus grant subject to continued employment by the eligible employee. Settlement of the bonus grant will be in cash.

The bank has a guaranteed 13<sup>th</sup> cheque for eligible staff. Severance payments amounting to **BWP 4,005,999.78** were made during the financial period ending 31 December 2017.

We had no employees with deferred remuneration, split into cash, shares and share-linked instruments and other forms during the financial period ending 31 December 2017 Breakdown of amount of remuneration awards for the financial Period ending 31 December 2017:

	BWP'000
Staff costs	P 121,450,961.09
Variable costs- bonus	P 4,874,135.12

## **Performance Management**

The Bank's performance Management Policy aims to promote the achievement of BancABC's objectives through the effective management of employee performance.

All employees are expected to perform their duties in a competent and efficient manner in line with their respective employment contractual requirements; inherent duties and responsibilities of the position; organizational requirements, policies and processes; legislative requirements and acceptable standards with reference to - quality, timelines, attitude and behavior; and key performance contract indicators (KPI's) or outcomes.

As a high performance driven organization, staff contracts are reviewed on a regular basis with agreed Key Performance Indicators ("KPI's") with the organization. The main purpose of the Performance Assessment and Appraisal Process is to determine whether the agreed KPIs have been reached, and if reached; the remuneration will be reviewed and staff member awarded accordingly.

**Corporate Banking:** as underwriters of credit they take credit risk and have to manage the risk they take within the bank's risk appetite. There are 6 Loan officers (Account Relationship Managers) at Corporate Banking including the Head of the Unit. The unit also takes deposits and has to ensure that the customers they take on board are not in violation of the AML guidelines.

**Retail and Business Banking:** This business unit likewise underwrites credit and has to manage the credit risks they take as well as ensure that customers boarded fit the bank's risk profile.

There are set procedures that have to be followed in the conduct of their duties, violation of which exposes the bank to risks. It is the responsibility of every staff member to follow set procedures.

**Treasury:** This business unit manages the bank's balance sheet. It has to ensure the bank is adequately funded to manage liquidity risks. Failure to manage the book exposes the bank to liquidity and funding risk, interest rate risk and foreign exchange risk. The staff complement at Treasury including the Head is 8.Deals have to be done within approved mandates and mismatches managed within limits.

**Finance Head:** in charge of capital management and planning, has to advise on e.g. potential capital actions and dividend strategy.

All business heads / senior management are considered to be risk takers. They have a responsibility to identify, measure, monitor and report risks inherent in their units and are responsible for implementing board approved policies and ensuring their staff understand and implement risk mitigating strategies. There are 14 Members of senior management, who are part of the total staff compliment of 307.

Quantitative information about employees' exposure to implicit (e.g.

Fluctuations in the value of shares or performance units) and explicit adjustments (e.g., malus, claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:

## None

# **Financial Disclosures**

# Table 22-Capital Structure

	Common Equity Tier I capital: instruments and reserves	
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related	222, 470
1	stock surplus.	222 479
2	Retained earnings	831 753
3	Accumulated other comprehensive income (and other reserves)	11 073
4	Directly issued capital subject to phase out from CET1 CAPITAL (only applicable to non-joint stock	
5	companies)  Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1	
	CAPITAL)	4.047.207
6		1 065 305
	Common Equity Tier I capital: regulatory adjustments	
- 7 8		
		(26.127)
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)  Total regulatory adjustments to Common equity Tier I	(36 137)
	Common Equity Tier I capital (CET1 CAPITAL)	(36 137)
29	-	1 029 168
37	Additional Tier I capital: regulatory adjustments  Investments in own Additional Tier I instruments	
	Reciprocal cross-holdings in Additional Tier I instruments	
36	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 common	
39	share capital of the entity (amount above 10% threshold)	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of	
40	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)	1 029 168
	Tier II capital: instruments and provisions	
46	Tier II capital: instruments and provisions  Directly issued qualifying Tier II instruments plus related stock surplus	129 425
		129 425 55 000
	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by	
47	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)	
47 48 49	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out	
47 48 49 50	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits	55 000
47 48 49 50 51	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II	55 000 - 17 387
47 48 49 50 51	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments	55 000
47 48 49 50 51 52	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Tier II capital: regulatory adjustments	55 000 - 17 387
47 48 49 50 51 52	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Tier II capital: regulatory adjustments  Investments in own Tier II instruments	55 000 - 17 387
47 48 49 50 51 52 52 53	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Tier II capital: regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments	55 000 - 17 387
47 48 49 50 51 52 52 53 57	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Tier II capital: regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments  Total regulatory adjustments to Tier II capital	- 17 387 <b>201 812</b>
47 48 49 50 51 52 52 53 57 58	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Tier II capital: regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments  Total regulatory adjustments to Tier II capital  Tier II capital (T2)	- 17 387 201 812
47 48 49 50 51 52 52 53 57 58	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Tier II capital: regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments  Total regulatory adjustments to Tier II capital  Tier II capital (TC)  Total capital (TC = T1 + T2)	- 17 387 201 812 - 201 812 1 230 980
47 48 49 50 51 52 52 53 57 58	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Tier II capital: regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments  Total regulatory adjustments to Tier II capital  Tier II capital (T2)	- 17 387 201 812
47 48 49 50 51 52 52 53 57 58	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Tier II capital: regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments  Total regulatory adjustments to Tier II capital  Tier II capital (TC)  Total capital (TC = T1 + T2)	- 17 387 201 812 - 201 812 1 230 980
47 48 49 50 51 52 52 53 57 58	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Tier II capital: regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments  Total regulatory adjustments to Tier II capital  Tier II capital (TC)  Total capital (TC = T1 + T2)  Total risk-weighted assets	- 17 387 201 812 - 201 812 1 230 980
47 48 49 50 51 52 52 53 57 58 59 60	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Tier II capital: regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments  Total regulatory adjustments to Tier II capital  Tier II capital (T2)  Total capital (TC = T1 + T2)  Total risk-weighted assets  Capital ratios and buffers	- 17 387 201 812 - 201 812 1 230 980 6 225 211
47 48 49 50 51 52 52 53 57 58 59 60	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments  Total regulatory adjustments to Tier II capital  Tier II capital (TC)  Total capital (TC = T1 + T2)  Total risk-weighted assets  Capital ratios and buffers  Common Equity Tier I (as a percentage of risk weighted assets)	- 17 387 201 812 - 201 812 1 230 980 6 225 211
47 48 49 50 51 52 52 53 57 58 59 60	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments  Total regulatory adjustments to Tier II capital  Tier II capital (T2)  Total capital (TC = T1 + T2)  Total risk-weighted assets  Capital ratios and buffers  Common Equity Tier I (as a percentage of risk weighted assets)  Tier I (as a percentage of risk-weighted assets)	- 17 387 201 812 - 201 812 1 230 980 6 225 211 16.53%
47 48 49 50 51 52 52 53 57 58 59 60	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments  Total regulatory adjustments to Tier II capital  Tier II capital (TC)  Total capital (TC = T1 + T2)  Total risk-weighted assets  Capital ratios and buffers  Common Equity Tier I (as a percentage of risk weighted assets)	- 17 387 201 812 - 201 812 1 230 980 6 225 211
47 48 49 50 51 52 52 53 57 58 59 60	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Tier II capital: regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments  Total regulatory adjustments to Tier II capital  Tier II capital (T2)  Total capital (TC = T1 + T2)  Total risk-weighted assets  Capital ratios and buffers  Common Equity Tier I (as a percentage of risk weighted assets)  Total capital (as a percentage of risk weighted assets)	- 17 387 201 812 - 201 812 1 230 980 6 225 211 16.53%
47 48 49 50 51 52 53 57 58 59 60	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Tier II capital: regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments  Total regulatory adjustments to Tier II capital  Tier II capital (T2)  Total capital (TC = T1 + T2)  Total risk-weighted assets  Capital ratios and buffers  Common Equity Tier I (as a percentage of risk weighted assets)  Total capital (as a percentage of risk weighted assets)  Common Equity Tier I available to meet buffers (as a percentage of risk weighted assets)	- 17 387 201 812 - 201 812 1 230 980 6 225 211 16.53% 16.53% 19.77%
47 48 49 50 51 52 52 53 57 58 59 60	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Tier II capital: regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments  Total regulatory adjustments to Tier II capital  Tier II capital (T2)  Total rapital (T2 = T1 + T2)  Total risk-weighted assets  Capital ratios and buffers  Common Equity Tier I (as a percentage of risk weighted assets)  Total capital (as a percentage of risk weighted assets)  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)	- 17 387 201 812 - 201 812 1 230 980 6 225 211 16.53%
47 48 49 50 51 52 53 57 58 59 60	Directly issued qualifying Tier II instruments plus related stock surplus  Directly issued capital instruments subject to phase out from Tier II  Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)  of which: instruments issued by subsidiaries subject to phase out  Current year unaudited profits  Provisions and other reserves eligible for inclusion in Tier II  Tier II capital before regulatory adjustments  Tier II capital: regulatory adjustments  Investments in own Tier II instruments  Reciprocal cross-holdings in Tier II instruments  Total regulatory adjustments to Tier II capital  Tier II capital (T2)  Total rapital (T2 = T1 + T2)  Total risk-weighted assets  Capital ratios and buffers  Common Equity Tier I (as a percentage of risk weighted assets)  Total capital (as a percentage of risk weighted assets)  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)	- 17 387 201 812 - 201 812 1 230 980 6 225 211 16.53% 16.53% 19.77%

# Table 21- Qualitative and Quantitative Disclosures

Qualitative Disclosures	(a) IAtrican Banking Corporation Ot 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.	
Quantitative	(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.	
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.	

Table 23- Explanation of Capital disclosures

	Explanation of each row of the common disclosure Row number	
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.	831 753
3	Accumulated other comprehensive income and other disclosed reserves, prior to all regulatory adjustments.	11 073
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	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.	-
6	Sum of rows 1 to 5.	1 065 305
9	Other intangibles other than mortgage-servicing rights (net of related tax liability), as set out in the Directive.	(36 137)
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.	(36 137)
29	Common Equity Tier I capital (CET1 CAPITAL), to be calculated as row 6 minus row 28.	1 029 168
30	Instruments issued by the parent company of the reporting group that meet all of the AT1 entry criteria set out in the Directive and any related stock surplus as set out in the Directive. All instruments issued by subsidiaries of the consolidated group should be excluded from this row. This row may include Additional Tier I capital issued by an SPV of the parent company only if it meets the requirements set out in the Directive.	-
43	The sum of rows 37 to 42.	-
44	Additional Tier I capital, to be calculated as row 36 minus row 43.	-
45	Tier I capital, to be calculated as row 29 plus row 44.	1 029 168
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.	129 425
47	Directly issued capital instruments subject to phase out from Tier II in accordance with the Directive.	55 000
47	Current year unaudited profits	
50	Provisions included in Tier II, calculated in accordance with the Directive.	17 387
51	The sum of rows 46 to 48 and row 50.	201 812
57	The sum of rows 52 to 56.	201.012
58 59	Tier II capital, to be calculated as row 51 minus row 57.	201 812
60	Total capital, to be calculated as row 45 plus row 58.  Total risk weighted assets of the reporting group.	1 230 980 6 225 211
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).	16.53%
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).	16.53%
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).	19.77%

Table 25- Financial (Regulatory v. IFRS)

	WEEN REGULATORY AND IF	
	Balance sheet as in published	Under regulatory scope of
	financial statements	consolidation
	As at period end	As at period end
Assets		
Cash and balances at central		
banks		
Items in the course of collection		
from other banks		
Trading portfolio assets		
Financial assets designated at fair value		
Derivative financial instruments		
Loans and advances to banks		
Loans and advances to banks  Loans and advances to		
customers		
Reverse repurchase agreements		
and other similar		
secured lending		
Available for sale financial		
investments		
Current and deferred tax assets		
Prepayments, accrued income		
and other assets		
Investments in associates and		
joint ventures		
Goodwill and intangible assets		
Property, plant and equipment		
Total assets		
Liabilities		
Deposits from banks		
Items in the course of collection		
due to other banks		
Customer accounts		
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		
Current and deferred tax		
liabilities		
Subordinated liabilities		
Provisions		
Retirement benefit liabilities		
Total liabilities		
Shareholders' Equity		
Paid-in share capital		
Retained earnings		
Accumulated other		
comprehensive income		
Total shareholders' equity		

Table 26- Financial compared to regulatory disclosure

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	As at period end 31 Dec 2018	As at period end 31 Dec 2018
Assets		
Cash and balances at central banks	369 567	369 567
Items in the course of collection from other banks	628 403	628 403
Trading portfolio assets	632 673	632 673
Derivative financial instruments	63 967	63 967
Loans and advances to banks	425 038	425 038
Loans and advances to customers	5 795 372	5 795 372
Current and deferred tax assets	17 020	17 020
Prepayments, accrued income and other assets	37 305	37 306
Goodwill and intangible assets	90 341	90 341
of which goodwill	90 341	90 341
of which other intangibles (excluding MSRs)	90 341	90 341
Property, plant and equipment	68 033	68 033
Total assets	8 127 719	8 127 719
Liabilities		
Deposits from banks	128 252	128 252
Items in the course of collection due to other banks	35 137	35 137
Customer accounts	6 059 935	6 059 935
Borrowed funds	499 481	499 481
Derivative financial instruments Accruals, deferred income and other	61 577	61 577
liabilities	83 849	83 850
Subordinated liabilities (Tier II	184 425	194.425
borrowings)	164 423	184 425
Provisions	9 756	9 756
Total liabilities	7 062 414	7 062 414
Shareholders' Equity	222 470	222 470
Paid-in share capital of which amount eligible for CET1	222 479	222 479
CAPITAL	222 479	222 479
of which amount eligible for AT1	-	-
Retained earnings	831 753	831 753
Accumulated other comprehensive		
income	11 073	11 073
Subordinated liabilities	-	-
Total shareholders' equity	1 065 305	1 065 305

Table 27- Common equity composition

Comr	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.				
	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus.	222 479					
2	Retained earnings	831 753					
3	Accumulated other comprehensive income (and other reserves)	11 073					
6	Common Equity Tier I capital before regulatory adjustments	1 065 305					