Ithala SOC Limited
Pillar 3 Disclosure
for the year ended March 31, 2020

	Tables and templates	Format	Frequency	Implementation date
Part 2 – Overview of risk management, key prudential metrics and RWA	KM1 – Key metrics (at consolidated group level)	Fixed	Quarterly	1 January 2018
	KM2 – Key metrics – TLAC requirements (at resolution group level)	Fixed	Quarterly	1 January 2019[a]
	See January 2015 *Revised Pillar 3 disclosure requirements* OVA – Bank risk management approach	Flexible	Annual	End-2016
	OV1 – Overview of RWA	Fixed	Quarterly	Phase I: end-2016 Phase II: end-2018
Part 3 – Linkages between financial statements and regulatory exposures	See January 2015 *Revised Pillar 3 disclosure requirements* LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	Flexible	Annual	End-2016
	See January 2015 *Revised Pillar 3 disclosure requirements* LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Flexible	Annual	End-2016
	See January 2015 *Revised Pillar 3 disclosure requirements* LIA – Explanations of differences between accounting and regulatory exposures amounts	Flexible	Annual	End-2016
	PV1 – Prudent valuation adjustments (PVA)	Fixed	Annual	End-2018
Part 4 – Composition of capital and TLAC	CC1 – Composition of regulatory capital	Fixed	Semiannual	End-2018
	CC2 – Reconciliation of regulatory capital to balance sheet	Flexible	Semiannual	End-2018
	CCA – Main features of regulatory capital instruments and of other TLAC-eligible instruments	Flexible	Semiannual	End-2018
	TLAC1 –TLAC composition for G-SIBs (at resolution group level)	Fixed	Semiannual	1 January 2019[a]
	TLAC2 – Material subgroup entity – creditor ranking at legal entity level	Fixed	Semiannual	1 January 2019[a]
	TLAC3 – Resolution entity – creditor ranking at legal entity level	Fixed	Semiannual	1 January 2019[a]
Part 5 – Macroprudential supervisory measures	GSIB1 – Disclosure of G-SIB indicators	Flexible	Annual	End-2018
	CCyB1 – Geographical distribution of credit exposures used in the countercyclical buffer	Flexible	Semiannual	End-2017
Part 6 – Leverage ratio	LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure	Fixed	Quarterly	End-2017
	LR2 – Leverage ratio common disclosure template	Fixed	Quarterly	End-2017
Part 7 – Liquidity	LIQA – Liquidity risk management	Flexible	Annual	End-2017
	LIQ1 – Liquidity Coverage Ratio (LCR)	Fixed	Quarterly	End-2017
	LIQ 2 – Net Stable Funding Ratio (NSFR)	Fixed	Semiannual	1 January 2018

	Tables and templates	Format	Frequency	Implementation date
Part 8 – Credit risk	See January 2015 *Revised Pillar 3 disclosure requirements* CRA – General qualitative information about credit risk	Flexible	Annual	End-2016
	See January 2015 *Revised Pillar 3 disclosure requirements* CR1 – Credit quality of assets	Fixed	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CR2 – Changes in stock of defaulted loans and debt securities	Fixed	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CRB – Additional disclosure related to the credit quality of assets	Flexible	Annual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CRC – Qualitative disclosure requirements related to credit risk mitigation techniques	Flexible	Annual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CR3 – Credit risk mitigation techniques – overview	Fixed	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CRD – Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk	Flexible	Annual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CR4 – Standardised approach – credit risk exposure and credit risk mitigation (CRM) effects	Fixed	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CR5 – Standardised approach – exposures by asset classes and risk weights	Fixed	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CRE – Qualitative disclosures related to IRB models	Flexible	Annual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CR6 – IRB – credit risk exposures by portfolio and probability of default (PD) range	Fixed	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CR7 – IRB – effect on RWA of credit derivatives used as CRM techniques	Fixed	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CR8 – RWA flow statements of credit risk exposures under IRB	Fixed	Quarterly	
	See January 2015 *Revised Pillar 3 disclosure requirements* CR9 – IRB – backtesting of PD per portfolio	Flexible	Annual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CR10 – IRB (specialised lending and equities under the simple risk weight method)	Flexible	Semiannual	
Part 9 – Counterparty credit risk	See January 2015 *Revised Pillar 3 disclosure requirements* CCRA – Qualitative disclosure related to counterparty credit risk	Flexible	Annual	End-2016

	Tables and templates	Format	Frequency	Implementation date
	See January 2015 *Revised Pillar 3 disclosure requirements* CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach	Fixed	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CCR2 – Credit valuation adjustment (CVA) capital charge	Fixed	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CCR3 – Standardised approach of CCR exposures by regulatory portfolio and risk weights	Fixed	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CCR4 – IRB – CCR exposures by portfolio and PD scale	Fixed	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CCR5 – Composition of collateral for CCR exposure	Flexible	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CCR6 – Credit derivatives exposures	Flexible	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* CCR7 – RWA flow statements of CCR exposures under the Internal Model Method (IMM)	Fixed	Quarterly	
	See January 2015 *Revised Pillar 3 disclosure requirements* CCR8 – Exposures to central counterparties	Fixed	Semiannual	
Part 10 – Securitisation	See January 2015 *Revised Pillar 3 disclosure requirements* SECA – Qualitative disclosure requirements related to securitisation exposures	Flexible	Annual	End-2016
	See January 2015 *Revised Pillar 3 disclosure requirements* SEC1 – Securitisation exposures in the banking book	Flexible	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* SEC2 – Securitisation exposures in the trading book	Flexible	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* SEC3 – Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor	Fixed	Semiannual	
	See January 2015 *Revised Pillar 3 disclosure requirements* SEC4 – Securitisation exposures in the banking book and associated capital requirements – bank acting as investor	Fixed	Semiannual	
Part 11 – Market risk	MRA – General qualitative disclosure requirements related to market risk	Flexible	Annual	Phase I: end-2016 Phase II: end-2019
	MR1 – Market risk under SA	Fixed	Semiannual	Phase I: end-2016 Phase II: end-2019
	MRB – Qualitative disclosures for banks using the IMA	Flexible	Annual	End-2019
	MRC – The structure of desks for banks using the IMA	Flexible	Semiannual	End-2019

	Tables and templates	Format	Frequency	Implementation date
	MR2 – RWA flow statements of market risk exposures under IMA (Phase I only) MR2 – Market risk IMA per risk type (Phase II only)	Fixed	Semiannual	Phase I: end-2016 Phase II: end-2019
	MR3 – IMA values for trading portfolios (Phase I only) MR3 – RWA flow statements of market risk exposures under IMA (Phase II only)	Fixed	Quarterly	Phase I: end-2016 Phase II: end-2019
	MR4 – Comparison of VaR estimates with gains/losses (Phase I only)	Flexible	Semiannual	Phase I: end-2016
Part 12 – Interest rate risk in the banking book	IRRBBA – IRRBB risk management objective and policies	Flexible	Annual	2018
	IRRBB1 – Quantitative information on IRRBB	Fixed	Annual	2018
Part 13 – Remuneration	REMA – Remuneration policy	Flexible	Annual	End-2017
	REM1 – Remuneration awarded during the financial year	Flexible	Annual	End-2017
	REM2 – Special payments	Flexible	Annual	End-2017
	REM3 – Deferred remuneration	Flexible	Annual	End-2017

[a] Or otherwise applicable, depending on the TLAC regime entering into force.

PART 2.

Overview of risk management, key prudential metrics and RWA

Template KM1: Key metrics (at consolidated group level)

Template KM2: Key metrics – TLAC requirements (at resolution group level)

Template OVA: Bank risk management approach

Template OV1: Overview of RWA

Template KM1: Key metrics (at consolidated group level)

		b	c	d	e	f
		31 March 2020	31 Dec 2019	30 Sep 2019	30 June 2019	31 March 2019
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	314 226	316 567	309 059	296 832	280 051
1a	Fully loaded ECL accounting model	314 226	316 567	309 059	296 832	280 051
2	Tier 1	314 226	316 567	309 059	296 832	280 051
2a	Fully loaded ECL accounting model Tier 1	314 226	316 567	309 059	296 832	280 051
3	Total capital	329 566	330 848	322 548	310 232	293 424
3a	Fully loaded ECL accounting model total capital	329 566	330 848	322 548	310 232	293 424
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	1 897 641	1 759 837	1 721 742	1 694 835	1 700 720
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 (%)	16,56	17,99	17,95	17,51	16,47
5a	Fully loaded ECL accounting model Common Equity Tier 1	16,56	17,99	17,95	17,51	16,47
6	Tier 1 ratio (%)	16,56	17,99	17,95	17,51	16,47
6a	Fully loaded ECL accounting model Tier 1 (%)	16,56	17,99	17,95	17,51	16,47
7	Total capital ratio (%)	17,37	18,80	18,73	18,30	17,25
7a	Fully loaded ECL accounting model total capital ratio (%)	17,37	18,80	18,73	18,30	17,25
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (25% from 2019) (%)	2,50	2,50	2,50	2,50	2,50
9	Countercyclical buffer requirement (%)	0,00	0,00	0,00	0,00	0,00
10	Bank G-SIB and/or D_SIB additional requirements (%)	0,00	0,00	0,00	0,00	0,00
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2,50	2,50	2,50	2,50	2,50
12	CET1 available after meeting the bank's minimum capital requirements (%)	1,56	2,99	2,95	2,51	1,47
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	3 140 575	3 043 530	3 320 151	3 149 047	2 919 709
14	Basel III leverage ratio (%) (row 2 / row 13)	10,01	10,40	9,31	9,43	9,59
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row 13)	10,01	10,40	9,31	9,43	9,59
	Liquidity Coverage Ratio					
15	Total HQLA	299 198	394 148	374 505	384 905	378 651
16	Total net cash outflow	57 027	39 844	30 483	32 491	40 689
17	LCR ratio (%)	525	989	1 229	1 185	931
	Net Stable Funding Ratio					
18	Total available stable funding	2 391 840	2 348 014	2 485 316	2 409 809	2 267 451
19	Total required stable funding	1 468 380	1 458 860	1 522 399	1 585 228	1 457 585
20	NSFR ratio	163	161	163	152	156

During 2019 the net cash outflow was calculated by taking into account only volatile deposits into account. For March 2020, the model to extract information was re-engineered to take into account stable deposits where the interest loss for early redemption exceeded the penalty charge. This has resulted in an increase in the net cash outflow, which changed the LCR ratio significantly from March 2019 to March 2020.

Template KM2: Key metrics – TLAC requirements (at resolution group level)

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
Resolution group 1						
1	Total loss-absorbing capacity (TLAC) available					
2	Total RWA at the level of the resolution group					
3	TLAC as a percentage of RWA (row 1 / row 2) (%)					
4	Leverage ratio exposure measure at the level of the resolution group					
5	TLAC as a percentage of leverage ratio exposure measure (row 1 / row 4) (%)					
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?					
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?					
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with Excluded Liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with Excluded Liabilities and that would be recognised as external TLAC if no cap was applied (%)					

Template OVA: Bank risk management approach

Prudent and effective risk management still underpins our approach to risk management with a renewed focus on creating sustainable value for our stakeholders through a clearer understanding of our broader universe of business risk. In the year under review, we continued to evolve our risk management approach to ensure flexibility and relevance to business needs in a changing operating environment, while facilitating appropriate standardisation.

A risk maturity assessment has been conducted and, while Ithala is still at the development stage of the risk management process, the exercise has provided the organisation with a better understanding of its risks and the interventions required to elevate risk management and strengthen the link between risk and strategy at Ithala. There is evidence that employees are more aware of potential risks and are reporting these more frequently, advancing the risk culture of the organisation.

We assess, manage and report on all significant risks in accordance with our defined risk reporting protocol. As part of our journey to become more proactive and responsive, we continuously monitor the external and internal environment to identify key developments related to our significant risks and the implications for Ithala and related key responses. Our process ensures emerging risks and material matters are actively monitored.

Unique and central to Ithala is the existential risk of not complying with the requirements of the Banking Licence Exemption Notice and the possibility of not being able to apply for the banking licence within the time made available by the notice issued by the SARB.

The risk management objectives for 2019/20 were thus aimed at positioning Ithala in a way that effectively mitigates this risk. Broadly stated, these objectives were:

- Increasing the value of business through a systematic approach to managing risk;
- Protecting the business through our 'three lines of defence' model; and
- Instilling a culture of collective responsibility, whereby the anticipation and management of risk is everyone's concern.

Key among these has been our legacy system and transition to a new core banking system. Delays in the implementation of the digital core banking platform due to inadequate planning, execution, skills and over-reliance on service providers resulted in project cost overruns. The management of this and other operational risks was exacerbated by another key risk to Ithala: the lack of stability in leadership over the period under review. These risks to the organisation hold up the broader risk universe that Ithala operates in at both a strategic and operational level which impacts Ithala's ability to implement its operating model, plan succession, manage contracts and make prudent investment decisions.

In response and towards achieving our risk management objectives, our Enterprise-wide Risk Management Framework (ERMF) was reviewed to enable our departments to respond effectively to risks and opportunities in a standardised and integrated manner. This approach is also supported with the implementation of our combined assurance model that works closely with the compliance and internal audit function on key areas within the organisation. This resulted in a turnaround plan with the following objectives:

- Stop revenue leakages and reduce costs to meet profitability requirements under the exemption notice;
- Allocate resources to critical areas of the business in their support until the business model is implemented;
- Improve the compliance culture within Ithala;

- Build internal supply chain management capacity with further improvements to be implemented in the 2020/21 financial year; and
- Review our credit processes and collections capabilities and our investment policy.

RISK APPETITE

Our risk appetite measures the extent and types of risk we are prepared to take in executing our strategy. It combines a top-down view of capacity to take risk, with a bottom-up view of the risk profile associated with each department's ambitions.

Financial risk appetite metrics were reviewed and have not changed for this financial year. We monitor our risk appetite against the indicators which form part of our regulatory requirements. Financial risk appetite metrics include Jaws, Return on Equity (RoE) and Return on Assets (RoA); credit risk appetite metrics include expected credit losses, non-performing loans and our credit risk-weighted assets and credit growth. Prudential requirements include Ithala's Capital Adequacy Ratio (CAR), Liquidity Coverage, Net Stable Funding and Cost-to-Income ratio.

Ithala monitors the impact of applicable risks on its financial risk appetite and tolerance thresholds and implements appropriate management action, where required, to ensure risk appetite metrics are managed within its appetite and tolerance levels.

STRESS TESTING

Our stress testing evaluates our financial position under severe, though plausible scenarios and includes defining our risk appetite and risk tolerance, strategic planning and budgeting process, and capital planning and management. We develop risk mitigation and contingency plans across a range of these stress conditions.

In our recovery and resolution planning, we assess the adequacy and plausibility of proposed recovery actions. We conduct stress testing across all major risk types by using a number of macro-economic stress scenarios.

Stress testing is augmented by product- and service specific stress testing and sensitivity analyses, to identify the drivers of our risk profile. The risk management function is tasked with ensuring stress testing is embedded in operational processes so that it is intuitive, relevant and part of business activities.

Our Risk and Capital Management Committee (RCMC) approves both the appropriateness of the stress scenarios we use and the impact of these situations on the risk profile for use in the internal capital adequacy assessment process (ICAAP) and our broader capital planning process.

In response to COVID-19, specific additional scenarios were modelled to monitor our liquidity risk and revise budgets to absorb the impact and long-term effects of the pandemic.

CAPITAL MANAGEMENT

Ithala's ICAAP aims to answer the questions pertaining to whether the organisation identifies all material risks and sets out in detail the range of processes and controls effectively in place to mitigate risks. The ICAAP furthermore demonstrates how it will ensure, at any point in time, that the organisation holds sufficient capital given its risk profile.

Elements of ICAAP – such as stress testing, scenario analyses, target levels of capital adequacy, risk management processes and risk appetite – are dealt with in detail in the ICAAP and reviewed annually. The organisation endeavours to continuously refine and improve its ICAAP in any areas where it is deemed necessary to improve compliance. Some of these steps and initiatives refer to future activities that will be developed as the sophistication of risk and capital management processes within the organisation increases to keep pace with the expansion of activities and services offered to clients.

CREDIT RISK

Credit risk arises from the potential that a borrower is either unwilling to perform on an obligation, or the borrower's ability to perform such obligation is impaired, resulting in economic loss to the organisation.

Credit risk consists of counterparty risk (including primary, pre-settlement, issuer and settlement risk) and concentration risk. Ithala applies the standardised approach to the capital requirement for credit risk.

The major portion of credit risk exposure arises via individuals in the form of home and home improvement loans, personal loans, cash loans and vehicle and taxi finance. The balance flows from businesses and property developers in the form of property development and commercial property loans.

From the 2018/19 financial year, our mitigation strategies were aimed at ensuring the risk absorbed to pursue strategic objectives remains within the approved risk appetite.

In the previous financial year and heading into the financial year under review, the objective was for the non-performing loan (NPL) percentage to remain below 5.0% with a concerted effort to reduce it to 3.5% over the next 24 months and beyond. This has been dramatically impaired with the onset of the global pandemic resulting in our NPL percentage peaking at 7% as of March 2020.

Going forward, the focus is on optimisation of the credit processes and the collections capabilities. This ensures that credit and collections are compliant and maintain a culture of responsible lending within the ambit of a robust risk policy which defines the risk appetite supported by stress testing outcomes.

LIQUIDITY RISK

Liquidity risk is the risk where Ithala will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity risk arises from mismatches between maturities of assets and liabilities. Ithala's business-as-usual liabilities are sufficiently matched with appropriate assets and it has significant liquidity available to cover its obligations. The organisation's liquidity and ability to meet financial obligations is constantly monitored by the Asset and Liability Committee (ALCO) and the RCMC.

The business activities of Ithala are geared towards short term maturities on deposits and long-term maturities on advances which compound the liquidity risk. This risk is monitored closely in terms of the regulations and as a regulatory requirement, but also a material matter to Ithala and central to the strategic objective and the primary material matter of achieving a banking licence.

The liquidity recovery plan was reviewed during the year whereby a set of triggers were developed to help identify the early stages of a liquidity crisis and respond accordingly.

OPERATIONAL RISK

Operational risk emanates from a failure in systems, people, processes, systems and external events. Ithala applies the basic indicator approach for operational risk. The organisation commenced with adoption of some aspects of a standardised approach to ensure the operational risk management processes are aligned to the Basel III regulatory reforms.

FRAUD RISK

Ithala has zero tolerance for fraud and as such, any fraudulent or unethical behaviour are consistently dealt with in line with our consequence management procedures and the criminal laws of our country. Our fraud risk management policy contains an end-to-end fraud risk solution for the proactive and reactive management of fraud risks that impact the organisation.

OUR FRAUD RISK MANAGEMENT PROCESS

During the year under review, the following fraud risk management processes were executed:

- In support of our risk management process, a branch fraud controls assessment was conducted, to understand how our anti-fraud controls worked on the ground;
- Vulnerabilities were assessed and we identified how to escalate these threats to the Executive Committee to remediate any gaps in the system to prevent fraud and corruption at Ithala; and
- Technology was identified as a key tool to strengthen our risk management process across the organisation and to combat fraud and corruption.

RISK MANAGEMENT TOOLS

The risk management tools we implemented assist the organisation to:

- Efficiently maintain the risk and control self-assessments of the organisation;
- Monitor risk exposure levels;
- Manage and monitor management action items relating to risks in their control environment; and
- Provide supporting information to assist management in prioritising actions according to their level of importance and urgency.

Finally, with the spread of the COVID-19 into South Africa and the subsequent national lockdown, several risks emerged that will have long-term effects.

Ithala continues to monitor the performance of its crisis management plan in terms of its response to the pandemic and how it poses risks relative to working from home, interest rate risk, the impact on liquidity and financial sustainability. While COVID-19 has brought about tremendous uncertainty, Ithala remains confident in its ability to measure, monitor and respond appropriately to risks in terms of our risk management processes, tools and governance structures.

Template OV1: Overview of RWA

		a	b	c
		RWA		Minimum capital requirements
		T	T-1	T
1	Credit risk (excluding counterparty credit risk)	1 227 204	1 142 492	184 081
2	Of which: standardised approach (SA)	1 227 204	1 142 492	184 081
3	Of which: foundation internal ratings-based (F-IRB) approach			
4	Of which: supervisory slotting approach			
5	Of which: advanced internal ratings-based (A-IRB) approach			
6	Counterparty credit risk (CCR)			
7	Of which: standardised approach for counterparty credit risk			
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)			
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds – look-through approach			
13	Equity investments in funds – mandate-based approach			
14	Equity investments in funds – fall-back approach			
15	Settlement risk			
16	Securitisation exposures in banking book			
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)			
19	Of which: securitisation standardised approach (SEC-SA)			
20	Market risk			
21	Of which: standardised approach (SA)			
22	Of which: internal model approaches (IMA)			
23	Capital charge for switch between trading book and banking book			
24	Operational risk	603 091	566 702	90 464
25	Amounts below the thresholds for deduction (subject to 250% risk weight)			
26	Other	67 346	50 643	10102
27	Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 26)	1 897 641	1 759 837	284 647

The figures used for operational risk for March 2020 (T) is significantly different when compared to the previous quarter (T-1) as the operational risk for T-1 was based on March 2019 BA 400 return (updated annually).

PART 3.

Linkages between financial statements and regulatory exposures

Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Template LIA: Explanations of differences between accounting and regulatory exposure amounts

Template PV1: Prudent valuation adjustments (PVA)

Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	a	c	d	e	f	g
	Carrying values as reported in published financial statements & under scope of regulatory consolidation	Carrying values of items:				
		Credit risk	Counterparty credit	Securitisation	Market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and cash equivalents	784 261	784 360	0	0	0	0
Statutory investments	183 565	183 565	0	0	0	0
Investment and deposits with banks	254 243	254 243	0	0	0	0
Inventory	1 114	1 114	0	0	0	0
Loans and advances to customers	1 772 113	1 772 113	0	0	0	0
Receivables	11 617	11 617	0	0	0	0
Properties in possession	2 454	2 454	0	0	0	0
Tangible assets and Right of use asset	52 161	52 161	0	0	0	0
Intangible assets	14 966	0	0	0	0	14 966
Total assets	**3 076 494**	**3 061 528**	0	0	0	**14 966**
Liabilities						
Trade and other payables	113 302	0	0	0	0	113 302
Provisions	450	0	0	0	0	450
Loan account with holding company	13 110	0	0	0	0	13 110
Customer deposits	2 574 363	0	0	0	0	2 574 363
Long service obligation	12 914	0	0	0	0	12 914
Retirement benefit obligation	33 163	0	0	0	0	33 163
Total liabilities	**2 747 302**	0	0	0	0	**2 747 302**

Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	A	b	c	d	e
	Total	Items subject to:			
		Credit risk	Securitisation	Counterparty credit	Market risk
Asset carrying value amount under scope of regulatory consolidation	3 076 494	3 061 528	0	0	0
Liabilities carrying value amount under regulatory scope of consolidation	2 747 302	0	0	0	0
Total net amount under regulatory scope of consolidation	329 192	3 061 528	0	0	0
Off-balance sheet amounts	93 800	10 594	0	0	0
Differences in valuations	(111 066)	(111 066)	0	0	0
Differences due to different netting rules	0	0	0	0	0
Differences due to consideration of provisions	136 834	136 834	0	0	0
Differences due to prudential filters	0	0	0	0	0
Exposure amounts considered for regulatory purposes	**3 196 063**	**3 097 891**	**0**	**0**	**0**

Template LIA: Explanations of differences between accounting and regulatory exposure amounts

Purpose: Provide qualitative explanations on the differences observed between accounting carrying value (as defined in LI1) and amounts considered for regulatory purposes (as defined in LI2) under each framework.
Scope of application: The template is mandatory for all banks.
Content: Qualitative information.
Frequency: Annual.
Format: Flexible.

Banks must explain the origins of the differences between accounting amounts, as reported in financial statements amounts and regulatory exposure amounts, as displayed in templates LI1 and LI2.

(a)	Banks must explain the origins of any significant differences between the amounts in columns (a) and (b) in LI1.
(b)	Banks must explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2.
(c)	In accordance with the implementation of the guidance on prudent valuation,[13] banks must describe systems and controls to ensure that the valuation estimates are prudent and reliable. Disclosure must include: • Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used. • Description of the independent price verification process. • Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument).

The differences between the accounting and regulatory exposure amount is due to the following:

The amount of R14, 966m relates to assets, the relevant amount of which are to be deducted from the reporting banks core primary share capital and reserve funds

Template PV1: Prudent valuation adjustments (PVA)

Not applicable.

Part 4:

Composition of capital and TLAC

Template CC1: Composition of regulatory capital

Template CC2: Reconciliation of regulatory capital to balance sheet

Template CCA: Main features of regulatory capital instruments and of other TLAC-eligible instruments

Template TLAC1: TLAC composition for G-SIBs (at resolution group level)

Template TLAC2: Material subgroup entity – creditor ranking at legal entity level

Template TLAC3: Resolution entity – creditor ranking at legal entity level

Template CC1: Composition of regulatory capital

		a	b
		Amounts	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	599 448	
2	Retained earnings		
3	Accumulated other comprehensive income (and other reserves)		
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	**Common Equity Tier 1 capital before regulatory adjustments**	599 448	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudent valuation adjustments		
8	Goodwill (net of related tax liability)		
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	14 966	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)		
11	Cash flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework[25])		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined benefit pension fund net assets		
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)		
17	Reciprocal cross-holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in the common stock of banking, financial and insurance		

		a	b
		Amounts	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		(c) minus (f) minus 10% threshold
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	Of which: significant investments in the common stock of financials		
24	Of which: mortgage servicing rights		
25	Of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments	270 256	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0	
28	**Total regulatory adjustments to Common Equity Tier 1**	285 222	
29	**Common Equity Tier 1 capital (CET1)**	314 226	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus		(i)
31	Of which: classified as equity under applicable accounting standards		
32	Of which: classified as liabilities under applicable accounting standards		
33	*Directly issued capital instruments subject to phase-out from additional Tier 1*		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	*Of which: instruments issued by subsidiaries subject to phase-out*		
36	Additional Tier 1 capital before regulatory adjustments		
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own additional Tier 1 instruments		
38	Reciprocal cross-holdings in additional Tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common 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 regulatory consolidation		
41	National specific regulatory adjustments		
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions		
43	**Total regulatory adjustments to additional Tier 1 capital**		
44	**Additional Tier 1 capital (AT1)**	0	
45	**Tier 1 capital (T1 = CET1 + AT1)**	314 226	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus		
47	*Directly issued capital instruments subject to phase-out from Tier 2*		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	*Of which: instruments issued by subsidiaries subject to phase-out*		
50	Provisions	15 340	
51	**Tier 2 capital before regulatory adjustments**	15 340	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities		
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
54a	Investments in the other TLAC liabilities 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 of the entity: amount previously		

		a	b
		Amounts	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)		
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments		
57	**Total regulatory adjustments to Tier 2 capital**		
58	**Tier 2 capital (T2)**	15 340	
59	**Total regulatory capital (TC = T1 + T2)**	329 566	
60	**Total risk-weighted assets**	1 897 641	
	Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	16.56	
62	**Tier 1 (as a percentage of risk-weighted assets)**	16.56	
63	**Total capital (as a percentage of risk-weighted assets)**	17.37	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	2.50	
65	Of which: capital conservation buffer requirement	2.50	
66	Of which: bank-specific countercyclical buffer requirement	0	
67	Of which: higher loss absorbency requirement		
68	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	1.56	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	7.50	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	9.25	
71	National total capital minimum ratio (if different from Basel III minimum)	11.50	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investmeCCcnts in the capital and other TLAC liabilities of other financial entities		
73	Significant investments in the common stock of financial entities		
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)		
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)		
77	Cap on inclusion of provisions in Tier 2 under standardised approach		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 instruments subject to phase-out arrangements*		
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*		
82	*Current cap on AT1 instruments subject to phase-out arrangements*		
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*		
84	*Current cap on T2 instruments subject to phase-out arrangements*		
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*		

Common Equity Tier 1 capital before regulatory deductions increased from R529, 7m to R599, 4m due to capital injection of R69, 7m by Ithala shareholder in January 2020.

Template CC2: Reconciliation of Regulatory Capital to Balance Sheet

	a	c
	Carrying values as reported in published financial statements & under scope of regulatory consolidation	Reference
Assets		
Cash and cash equivalents	784 261	
Statutory investments	183 565	
Investment and deposits with banks	254 243	
Inventory	1 114	
Loans and advances to customers	1 772 113	
Receivables	11 617	
Properties in possession	2 454	
Tangible assets and Right of use asset	52 161	
Intangible assets	14 966	
Total assets	**3 076 494**	
Liabilities		
Trade and other payables	113 302	
Provisions	450	
Loan account with holding company	13 110	
Customer deposits	2 574 363	
Long service obligation	12 914	
Retirement benefit obligation	33 163	
Total Liabilities	**2 747 302**	
Equity		
Equity attributable to equity holders of parent		
Share Capital	190	
Share Premium	599 258	
Actuarial gains (losses)	15 579	
Accumulated loss	-285 835	
Total Equity	**329 192**	
Total liabilities and equity	**3 076 494**	

Share capital and Premium increased from R529, 7m as at 30 September 2019 to R599, 4m in March 2020 due to capital injection of R69, 7m by Ithala shareholder in January 2020.

Template CCA: Main features of regulatory capital instruments and of other TLAC-eligible instruments

Purpose: Provide a description of the main features of a bank's regulatory capital instruments and other TLAC-eligible instruments, as applicable, that are recognised as part of its capital base / TLAC resources.

Scope of application: The template is mandatory for all banks. In addition to completing the template for all regulatory capital instruments, G-SIB resolution entities should complete the template (including lines 3a and 34a) for all other TLAC-eligible instruments that are recognised as external TLAC resources by the resolution entities, starting from the TLAC conformance date. Internal TLAC instruments and other senior debt instruments are not covered in this template.

Content: Quantitative and qualitative information as required.

Frequency: Table CCA should be posted on a bank's website. It should be updated whenever the bank issues or repays a capital instrument (or other TLAC-eligible instrument where applicable), and whenever there is a redemption, conversion/writedown or other material change in the nature of an existing instrument. Updates should, at a minimum, be made semiannually. Banks should include the web link in each Pillar 3 report to the issuances made over the previous period.

Format: Flexible.

Accompanying information: Banks are required to make available on their websites the full terms and conditions of all instruments included in regulatory capital and TLAC.

		a
		Quantitative / qualitative information
1	Issuer	
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	
3	Governing law(s) of the instrument	
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	
4	Transitional Basel III rules	
5	Post-transitional Basel III rules	
6	Eligible at solo/group/group and solo	
7	Instrument type (types to be specified by each jurisdiction)	
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	599 448
9	Par value of instrument	
10	Accounting classification	
11	Original date of issuance	
12	Perpetual or dated	
13	Original maturity date	
14	Issuer call subject to prior supervisory approval	
15	Optional call date, contingent call dates and redemption amount	
16	Subsequent call dates, if applicable	
	Coupons / dividends	
17	Fixed or floating dividend/coupon	
18	Coupon rate and any related index	
19	Existence of a dividend stopper	
20	Fully discretionary, partially discretionary or mandatory	
21	Existence of step-up or other incentive to redeem	
22	Non-cumulative or cumulative	
23	Convertible or non-convertible	
24	If convertible, conversion trigger(s)	
25	If convertible, fully or partially	
26	If convertible, conversion rate	
27	If convertible, mandatory or optional conversion	
28	If convertible, specify instrument type convertible into	
29	If convertible, specify issuer of instrument it converts into	
30	Writedown feature	
31	If writedown, writedown trigger(s)	
32	If writedown, full or partial	
33	If writedown, permanent or temporary	
34	If temporary write-own, description of writeup mechanism	
34a	Type of subordination	

35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	
36	Non-compliant transitioned features	
37	If yes, specify non-compliant features	

Instructions

Banks are required to complete the template for each outstanding regulatory capital instrument and, in the case of G-SIBs, TLAC-eligible instruments (banks should insert "NA" if the question is not applicable).

Banks are required to report each instrument, including common shares, in a separate column of the template, such that the completed Table CCA would provide a "main features report" that summarises all of the regulatory capital and TLAC-eligible instruments of the banking group. G-SIBs disclosing these instruments should group them under three sections (horizontally along the table) to indicate whether they are for meeting (i) only capital (but not TLAC) requirements; (ii) both capital and TLAC requirements; or (iii) only TLAC (but not capital) requirements.

The list of main features represents a minimum level of required summary disclosure. In implementing this minimum requirement, each national authority is encouraged to add to this list if there are features that it are important to disclose in the context of the banks they supervise.

Rows

This table was developed in a spreadsheet that will be made available to banks on the Basel Committee's website. To complete most of the cells, banks simply need to select an option from a dropdown menu. Using the reference numbers in the left-hand column of the table above, the following table provides a more detailed explanation of what banks are required to report in each of the cells, and, where relevant, the list of options contained in the spreadsheet's dropdown menu.

Row number	**Explanation**	**Format / list of options (where relevant)**
1	Identifies issuer legal entity.	Free text
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Free text
3	Specifies the governing law(s) of the instrument	Free text
3a	Other TLAC-eligible instruments governed by foreign law (ie a law other than that of the home jurisdiction of a resolution entity) include a clause in the contractual provisions whereby investors expressly submit to, and provide consent to the application of, the use of resolution tools in relation to the instrument by the home authority notwithstanding any provision of foreign law to the contrary, unless there is equivalent binding statutory provision for cross-border recognition of resolution actions. Select "NA" where the governing law of the instrument is the same as that of the country of incorporation of the resolution entity.	Select from menu: [Contractual] [Statutory] [NA]
4	Specifies the regulatory capital treatment during the Basel III transitional phase (ie the component of capital from which the instrument is being phased out).	Select from menu: [Common Equity Tier 1] [Additional Tier 1] [Tier 2]
5	Specifies regulatory capital treatment under Basel III rules not taking into account transitional treatment.	Select from menu: [Common Equity Tier 1] [Additional Tier 1] [Tier 2] [Ineligible]
6	Specifies the level(s) within the group at which the instrument is included in capital.	Select from menu: [Solo] [Group] [Solo and Group]
7	Specifies instrument type, varying by jurisdiction. Helps provide more granular understanding of features, particularly during transition.	Select from menu: menu options to be provided to banks by each jurisdiction
8	Specifies amount recognised in regulatory capital.	Free text
9	Par value of instrument.	Free text
10	Specifies accounting classification. Helps to assess loss absorbency.	Select from menu: [Shareholders' equity] [Liability – amortised cost] [Liability – fair value option] [Non-controlling interest in consolidated subsidiary]
11	Specifies date of issuance.	Free text
12	Specifies whether dated or perpetual.	Select from menu: [Perpetual] [Dated]
13	For dated instrument, specifies original maturity date (day, month and year). For perpetual instrument, enter "no maturity".	Free text
14	Specifies whether there is an issuer call option.	Select from menu: [Yes] [No]
15	For instrument with issuer call option, specifies: (i) the first date of call if the instrument has a call option on a specific date (day, month and year); (ii) the instrument has a tax and/or regulatory event call; and (iii) the redemption price.	Free text
16	Specifies the existence and frequency of subsequent call dates, if applicable.	Free text
17	Specifies whether the coupon/dividend is fixed over the life of the instrument, floating over the life of the instrument, currently fixed but will move to a floating rate in the future, currently floating but will move to a fixed rate in the future.	Select from menu: [Fixed], [Floating] [Fixed to floating], [Floating to fixed]
18	Specifies the coupon rate of the instrument and any related index that the coupon/dividend rate references.	Free text
19	Specifies whether the non-payment of a coupon or dividend on the instrument prohibits the payment of dividends on common shares (ie whether there is a dividend stopper).	Select from menu: [Yes] [No]

Row number	Explanation	Format / list of options (where relevant)
20	Specifies whether the issuer has full, partial or no discretion over whether a coupon/dividend is paid. If the bank has full discretion to cancel coupon/dividend payments under all circumstances, it must select "fully discretionary" (including when there is a dividend stopper that does not have the effect of preventing the bank from cancelling payments on the instrument). If there are conditions that must be met before payment can be cancelled (eg capital below a certain threshold), the bank must select "partially discretionary". If the bank is unable to cancel the payment outside of insolvency, the bank must select "mandatory".	Select from menu: [Fully discretionary] [Partially discretionary] [Mandatory]
21	Specifies whether there is a step-up or other incentive to redeem.	Select from menu: [Yes] [No]
22	Specifies whether dividends/coupons are cumulative or non-cumulative.	Select from menu: [Non-cumulative] [Cumulative]
23	Specifies whether instrument is convertible or not.	Select from menu: [Convertible] [Non-convertible]
24	Specifies the conditions under which the instrument will convert, including point of non-viability. Where one or more authorities have the ability to trigger conversion, the authorities should be listed. For each of the authorities it should be stated whether the legal basis for the authority to trigger conversion is provided by the terms of the contract of the instrument (a contractual approach) or statutory means (a statutory approach).	Free text
25	For conversion trigger separately, specifies whether the instrument will: (i) always convert fully; (ii) may convert fully or partially; or (iii) will always convert partially.	Free text referencing one of the options above
26	Specifies rate of conversion into the more loss-absorbent instrument.	Free text
27	For convertible instruments, specifies whether conversion is mandatory or optional.	Select from menu: [Mandatory] [Optional] [NA]
28	For convertible instruments, specifies instrument type convertible into.	Select from menu: [Common Equity Tier 1] [Additional Tier 1] [Tier 2] [Other]
29	If convertible, specify issuer of instrument into which it converts.	Free text
30	Specifies whether there is a writedown feature.	Select from menu: [Yes] [No]
31	Specifies the trigger at which writedown occurs, including point of non-viability. Where one or more authorities have the ability to trigger writedown, the authorities should be listed. For each of the authorities it should be stated whether the legal basis for the authority to trigger conversion is provided by the terms of the contract of the instrument (a contractual approach) or statutory means (a statutory approach).	Free text
32	For each writedown trigger separately, specifies whether the instrument will: (i) always be written down fully; (ii) may be written down partially; or (iii) will always be written down partially.	Free text referencing one of the options above
33	For writedown instrument, specifies whether writedown is permanent or temporary.	Select from menu: [Permanent] [Temporary] [NA]
34	For instrument that has a temporary writedown, description of write-up mechanism.	Free text
34a	Type of subordination.	[Select from menu [Structural] [Statutory] [Contractual] [Exemption from subordination]
35	Specifies instrument to which it is most immediately subordinate. Where applicable, banks should specify the column numbers of the instruments in the completed main features template to which the instrument is most immediately subordinate. In the case of structural subordination, "NA" should be entered.	Free text
36	Specifies whether there are non-compliant features.	Select from menu: [Yes] [No]
37	If there are non-compliant features, asks bank/institution to specify which ones.	Free text

Capital comprises of issued ordinary shares and share premium.

Template TLAC1: TLAC composition for G-SIBs (at resolution group level)

		a
		Amounts
	Regulatory capital elements of TLAC and adjustments	
1	Common Equity Tier 1 capital (CET1)	
2	Additional Tier 1 capital (AT1) before TLAC adjustments	
3	AT1 ineligible as TLAC as issued out of subsidiaries to third parties	
4	Other adjustments	
5	AT1 instruments eligible under the TLAC framework	
6	Tier 2 capital (T2) before TLAC adjustments	
7	Amortised portion of T2 instruments where remaining maturity > 1 year	
8	T2 capital ineligible as TLAC as issued out of subsidiaries to third parties	
9	Other adjustments	
10	T2 instruments eligible under the TLAC framework	
11	TLAC arising from regulatory capital	
	Non-regulatory capital elements of TLAC	
12	External TLAC instruments issued directly by the bank and subordinated to excluded liabilities	
13	External TLAC instruments issued directly by the bank which are not subordinated to excluded liabilities but meet all other TLAC term sheet requirements	
14	Of which: amount eligible as TLAC after application of the caps	
15	External TLAC instruments issued by funding vehicles prior to 1 January 2022	
16	Eligible ex ante commitments to recapitalise a G-SIB in resolution	
17	TLAC arising from non-regulatory capital instruments before adjustments	
	Non-regulatory capital elements of TLAC: adjustments	
18	TLAC before deductions	
19	Deductions of exposures between MPE resolution groups that correspond to items eligible for TLAC (not applicable to SPE G-SIBs)	
20	Deduction of investments in own other TLAC liabilities	
21	Other adjustments to TLAC	
22	TLAC after deductions	
	Risk-weighted assets and leverage exposure measure for TLAC purposes	
23	Total risk-weighted assets adjusted as permitted under the TLAC regime	
24	Leverage exposure measure	
	TLAC ratios and buffers	
25	TLAC (as a percentage of risk-weighted assets adjusted as permitted under the TLAC regime)	
26	TLAC (as a percentage of leverage exposure)	
27	CET1 (as a percentage of risk-weighted assets) available after meeting the resolution group's minimum capital and TLAC requirements	
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	
29	Of which: capital conservation buffer requirement	
30	Of which: bank specific countercyclical buffer requirement	
31	Of which: higher loss absorbency requirement	

Template TLAC2: Material subgroup entity – creditor ranking at legal entity level

Not applicable.

Template TLAC3: Resolution entity – creditor ranking at legal entity level

Not applicable.

Part 5:

Macroprudential supervisory measures

Template GSIB1: Disclosure of G-SIB indicators

Template CCyB1: Geographical distribution of credit exposures used in the countercyclical capital buffer

Template GSIB1: Disclosure of G-SIB indicators

Not applicable.

Template CCyB1: Geographical distribution of credit exposures used in the countercyclical capital buffer

Not applicable.

Part 6:

Leverage ratio

Template LR1: Summary comparison of accounting assets vs leverage ratio exposure measure

Template LR2: Leverage ratio common disclosure template

Template LR1: Summary comparison of accounting assets vs leverage ratio exposure measure

		a
1	Total consolidated assets as per published financial statements	3076494
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	0
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	10594
7	Other adjustments	(83 347)
8	**Leverage ratio exposure measure**	3 003 741

Line 1 is made up of gross advances net of credit impairments, cash and investments and fixed and other assets. It is the amount disclosed in line 54 of the BA100 return for March 2020.

Template LR2: Leverage ratio common disclosure template

		a	b
		T	T-1
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	3 076 494	2 999 967
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(83 347)	(42 420)
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of rows 1 and 2)	2 993 147	2 957 547
Derivative exposures			
4	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)		
5	Add-on amounts for PFE associated with *all* derivatives transactions		
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework		
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
8	(Exempted CCP leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives		
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11	**Total derivative exposures (sum of rows 4 to 10)**		
Securities financing transaction exposures			
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions		
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	CCR exposure for SFT assets		
15	Agent transaction exposures		
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**		
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	93 800	98 440
18	(Adjustments for conversion to credit equivalent amounts)	(83 206)	(79 775)
19	**Off-balance sheet items (sum of rows 17 and 18)**	10 594	18 665
Capital and total exposures			
20	**Tier 1 capital**	314 226	316 567
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	3 003 741	2 976 212
Leverage ratio			
22	**Basel III leverage ratio**	10.46	10.64

Line 2 for quarter ended 31 March 2020 included credit impairment for investment in Land Bank.

Part 7:

Liquidity

Template LIQA: Liquidity risk management

Template LIQ1: Liquidity Coverage Ratio (LCR)

Template LIQ2: Net Stable Funding Ratio (NSFR)

Template LIQA: Liquidity risk management

Liquidity risk

Liquidity risk relates to exposure to funding mismatches due to contractual differences in maturity dates and the repayment structure of assets and liabilities resulting in the Company not being able to meet its financial obligations.

Exposure to risks is measured as follows:
Liquidity risk is measured by conducting an analysis of net funding requirements, which is determined by analysing future cash flows based on the assumptions on the expected behaviour of assets and liabilities, and off statement of financial position items.

The nature of our business activities exposes the Company to liquidity risk. Liquidity risk exposure is due to contractual differences in maturity dates of assets and liabilities. Liabilities are generally short term with the major part maturing contractually within six months, whereas, assets are long term and the major part falls within the greater than 60 months maturity category. However, under normal circumstances adequate liquidity is maintained as deposits are rolled over and not withdrawn on maturity.

Evaluation of sufficiency of liquidity depends largely on the behaviour of cash flows under different scenarios, namely going concern / business as usual and stress situation. Each scenario will consider significant positive and negative liquidity movements that could occur.

Liquidity risk management strategies and processes include:

- Management of assets and liabilities to ensure sufficient resources to meet approved and anticipated advances, repayment of maturing liabilities, withdrawals and any other commitments which become due in the ordinary course of its business;
- Maintaining a diversified depositor base and limiting significant exposure to a single depositor or group of related depositors;
- Preparing cash flow projections regularly to assess available cash against cash requirements and determining funding sources;
- Maintaining a buffer of liquid assets in addition to statutory requirements;
- An assessment of the level of compliance with the statutory liquid asset requirements;
- An analysis of short term liquidity mismatch and the trend;
- An assessment of sources of liquid funds available for funding such mismatches and
- Projected cash inflow and outflow estimates and thus the net deficit or surplus over a time horizon.

Liquidity risk is measured by conducting an analysis of net funding requirements. Net funding requirements are determined by analysing future cash flows based on the assumptions of the expected behaviour of assets and liabilities and off balance sheet items.

Liquidity position is monitored on a monthly basis and reports are submitted to the ALCO members on a monthly basis and to all ALCO meetings.

Template LIQ1: Liquidity Coverage Ratio (LCR) Query – Still to be sorted – Daily Averages

		a	b
		Total unweighted value (average)	**Total weighted value** (average)
High-quality liquid assets			
1	Total HQLA	380 123	
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**		
3	Stable deposits	817 267	
4	Less stable deposits	691 296	69 130
5	**Unsecured wholesale funding, of which:**		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	456 273	45 627
7	Non-operational deposits (all counterparties)	68 347	27 339
8	Unsecured debt		
9	**Secured wholesale funding**	179 050	
10	**Additional requirements, of which:**		
11	Outflows related to derivative exposures and other collateral requirements		
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities		
14	**Other contractual funding obligations**	33 696	33 696
15	**Other contingent funding obligations**	15 958	798
16	**TOTAL CASH OUTFLOWS**	2 261 887	176 590
Cash inflows			
17	**Secured lending (eg reverse repos)**		
18	**Inflows from fully performing exposures**	21 412	10 706
19	Other cash inflows	635 693	605 666
20	**TOTAL CASH INFLOWS**	657 105	616 372
			Total adjusted value
21	**Total HQLA**	380 123	
22	**Total net cash outflows**	44 147	
23	**Liquidity Coverage Ratio (%)**	878	

The main drivers for Liquidity Coverage Ratio (LCR) is the HQLA and the total net cash outflow. The net cash outflow 25% of total cash outflow. The net cash outflow is the weighted total of the less stable deposits and stable deposits that will mature in less than 30 days.

The main composition for HQLA is the total cash and securities issued by the central government of RSA or the SA Reserve Bank, and in Ithala's case it's the Treasury Bills.

Template LIQ2: Net Stable Funding Ratio (NSFR)

		a	b	c	d	e
		Unweighted value by residual maturity				
(In currency amount)		No maturity[35]	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
Available stable funding (ASF) item						
1	Capital:	344 532	0	0	0	344 532
2	*Regulatory capital*	344 532	0	0	0	344 532
3	*Other capital instruments*					
4	Retail deposits and deposits from small business customers:	0	1 281 236	359 568	0	1 520 819
5	*Stable deposits*	0	0	0	0	0
6	*Less stable deposits*	0	1 281 236	359 568		1 520 819
7	Wholesale funding:	0	902 573	0	0	451 287
8	*Operational deposits*	0	0	0	0	0
9	*Other wholesale funding*	0	902 573	0	0	451 287
10	Liabilities with matching interdependent assets	0	0	0	0	0
11	Other liabilities:	0	0	0	0	0
12	*NSFR derivative liabilities*	0	0			0
13	*All other liabilities and equity not included in the above categories*	0	77 175	14 909	67 747	75 202
14	**Total ASF**					2 391 840
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)	0	0	0	0	9 106
16	Deposits held at other financial institutions for operational purposes	0	0	0	0	0
17	Performing loans and securities:	-	932 345	48 052	1 706 803	1 361 465
18	*Performing loans to financial institutions*	0	0	0	0	0

The available and required stable funding for September 2019 and March 2020 remained fairly constant, with marginal changes, thereby keeping the Net Stable Funding ratio the same at 163% for September 2019 and March 2020.

	secured by Level 1 HQLA					
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	0	896 938	45 759	0	157 420
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	0	31 212	1 714	378 865	338 498
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	0	0	0	0	0
22	*Performing residential mortgages, of which:*	0	4 195	579	1 327 938	865 547
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	0	4 195	579	1 327 938	865 547
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	0	0	0	0	0
25	Assets with matching interdependent liabilities					
26	Other assets:	0	247 596	-	82 313	97 279
27	*Physical traded commodities, including gold*	0	0	0	0	0
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	0	0			0
29	*NSFR derivative assets*	0	0			0
30	*NSFR derivative liabilities before deduction of variation margin posted*	0	0			0
31	*All other assets not included in the above categories*	0	247 596		82 313	97 279
32	Off-balance sheet items	0			10 594	530
33	**Total RSF**					1 468 380
34	**Net Stable Funding Ratio (%)**					163%

Part 8:

Credit risk

Template CRA: General qualitative information about credit risk

Template CR1: Credit quality of assets

Template CR2: Changes in stock of defaulted loans and debt securities

Table CRB: Additional disclosure related to the credit quality of assets

Template CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

Template CR3: Credit risk mitigation techniques – overview

Template CRD: Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

Template CR4: Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects

Template CR5: Standardised approach - exposures by asset classes and risk weights

Template CRE: Qualitative disclosures related to IRB models

Template CR6: IRB - Credit risk exposures by portfolio and PD range

Template CR7: IRB - Effect on RWA of credit derivatives used as CRM techniques

Template CR8: RWA flow statements of credit risk exposures under IRB

Template CR9: IRB - Backtesting of probability of default (PD) per portfolio

Template CR10: IRB (specialised lending and equities under the simple risk-weight method)

Template CRA: General qualitative information about credit risk

Purpose: Describe the main characteristics and elements of credit risk management (business model and credit risk profile, organisation and functions involved in credit risk management, risk management reporting).

Scope of application: The template is mandatory for all banks.

Content: Qualitative information.

Frequency: Annual.

Format: Flexible.

Banks must describe their risk management objectives and policies for credit risk, focusing in particular on:	
(a	How the business model translates into the components of the bank's credit risk profile
(b	Criteria and approach used for defining credit risk management policy and for setting credit risk limits
(c	Structure and organisation of the credit risk management and control function
(d	Relationships between the credit risk management, risk control, compliance and internal audit functions
(e)	Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors

Qualitative information:
The aim of credit risk management policy is to maintain credit risk exposure of the bank within agreed risk appetite as approved by Board of Directors.

Ithala SOC Limited manage credit risk at an acceptable level, taking into account the risk and reward trade off, and strive towards diversifying (the credit concentration risk) its portfolio of loans and advances, considering the following:

Client diversification, Product diversification, Industry exposures, Geographic exposure and Collateral.

The credit risk strategy is based on the following pillars:

a) Operating sound credit assessment process :

- Sound on-boarding business rules including affordability assessment as envisaged in Section 81(2) of the National Credit Act (Act 34 of 2005). Robust credit scorecards for the individual Loan Products

b) Monitoring and maintaining an effective Credit Portfolio: Loan book composition by product
c) Improving credit collection and recovery rates :

- Robust and dynamic collections process and strategy
- Continually improve Non-Performing Loan Book ratios against the Total Loan Book

The risk appetite is quantified in financial and performance metrics and where it is not possible or practical, qualitative principles will be used to quantify the risk appetite. The credit assessment of risk will be based on the credit scorecard and credit bureau scores.
The risk appetite will be informed by:

- Return on Equity
- Funding diversification
- Book growth
- Repayment ratios

Capital Adequacy and Portfolio are closely monitored to meet compliance requirements and is approved by Board. The Non-Performing Loan book has an annual target set by Board. Capital allocation for credit risk will be determined through the capital management process through Asset and Liability Committee (ALCO) and Risk and Capital Management Committee (RCMC).

The new products framework and shall be subject to approval by the Board. Once approved the product and its policies will be available on the internal intranet portal of Ithala. Further, it will be communicated to all employees. Risk Assessment shall be conducted and results thereof submitted together with the submission seeking approval of the new product / activity.

Lending rates on various loan types shall be prime linked, and sufficient to cover the cost of funds, loan administration, and probable losses associated credit risk within the risk appetite as defined. The minimum rate shall not be less than the average interbank yield plus a risk premium as set out by Assets and Liability Committee (ALCO).

Loan pricing (risk based) uses risk based on the credit scorecards as well as Loan to Purchase Price (LTP). Loans pricing shall also be informed by the Pricing Strategy document.

The budgeting process which is based on strategic plans will determine the Asset growth targets (approved by Board).

In order to manage concentration risk limits on exposure per client per facilities are set. Overall limit per individual borrower/ group of connected borrowers, is the lower of 10% of qualifying capital and reserves. Ithala shall not grant loans above the maximum loans amount as per Target Exposure per lending activity.

Approval limits for credit assessment officers shall be as per delegated powers of authority (reviewed annually or where necessary), approved by the Board of Directors. Approval of related party and staff loans as defined in the Related Party Policy shall be as per delegated powers of authority with the interested party not participating in the discussions and decision making in respect of the loan application.

The security shall be valued at pledge date or as close to the approval date as possible. Securities acceptable as primary security. For the purposes of the BA200 series, the value of security for the cash loan portfolio is to be used in the instance of credit risk mitigation. The value of security is used in the computation of specific credit impairment.

During the term of the loan agreement Credit life and Property insurance shall be maintained, at the cost of the debtor in compliance with the National Credit Act, section 106 (4)–(6) as read together with regulation 33 of the Banks Act:

- Maintenance of Credit Life Insurance: Credit life insurance ("the life policy") for an amount equal to the total of the outstanding obligations to Ithala at any time during the life cycle of the loan. (This covers the life of the debtor in the event of death, disability, terminal illness, or other insurable risk that is likely to impair the ability of the debtor to earn an income or meet the obligations under the credit agreement)

- Maintenance of Property Insurance: Property Insurance ("the property policy") for the amount equal to the market value/replacement value of the property during the life cycle of the loan. (This insurance covers the actual property against natural and unnatural damages such as fire, storm and other specified types of damages)

- Maintenance of Short Term Insurance: Short Team insurance for the amount equal to the market value/replacement value of the immovable asset during the life cycle of the loan. (This insurance covers the actual immovable asset "Vehicle and Taxi" against the loss or damage due to theft, accident which could result in to either minor or major repairs and total write-off, natural damage from hail storm and lightning)

- The maintenance of the Credit life, Property insurance and Short Term Insurance shall be provided by Ithala insurance through a nominated insurer otherwise provided by external insurer and shall be approved and validated by Ithala insurance department.

- After the loan is approved and draw down allowed, the loan should be continuously watched over. These include keeping track of borrowers' compliance with credit terms, identifying early signs of irregularity, conducting periodic valuation of collateral and monitoring timely repayments.

- The borrower should be contacted as and when the installment becomes due. Any exceptions such as non-payment or late payment should be tagged and communicated to the management. Proper records and updates should also be made after receipt. This responsibility lies with Credit. Credit is responsible for files in respect of monitoring defaults and collections. Original documents are kept at Securities, and only copies of should be worked with.
- Debt Restructure will involve debt rescheduling, restructuring, rehabilitation and extending the repayment period. Further details are in the Debt Restructure Policy.
- The collection strategy is based on cycle delinquency and will address the non-performing loan book ratios and targets on all loan advances.
- The Collection procedures will define criteria for identifying and reporting on delinquent loans subject to more frequent monitoring as well as possible corrective action, classification and/or provisioning.
- Customers experiencing difficulties in servicing the loan shall be invited to discuss possible options for

resolution. These shall include:

- Debt rescheduling / restructuring (refer to Rescheduling Key Control),
- Extending the repayment period, in term of delegated powers of authority, and
- Debt counseling, as per National Credit Act guidelines.
- For effective collections accounts shall be segmented into early stage, late stage collections and be dealt with by different teams.
- External debt collectors will also be used for either early stage or late stage collections where required before legal action is taken.
- Accounts that are written off, as per the Write-Off of Overdue Amounts Policy, shall be handed over to debt collectors for recovery and tracing, as necessary. The Collections Manager shall assess the prospect of recovery, the cost-benefit status of pursuing litigation having taken into account the exposure amount.

An aggregate loan portfolio analysis will include the following:

A summary of all loan types, including details of the number of clients, average maturity, and the average interest rate earned. Distribution of the loan portfolio, including various perspectives on the number of loans and total amounts, according to loan type, short (less than one year) and long term (more than one year) maturities, industries and /or other economic sectors, private borrowers, corporate, retail and related party / staff lending;

- loans by classification (per loan classification policy);
- non-performing loans by product line;
- credit impairment analysis, by product line, into portfolio impairments and specific impairments;
- segmental reporting, as stated in the Regulations to the Banks Act of 1990 (as amended).

Loans are considered non-performing when the installment due is left unpaid for more than 90 days.

The analysis of a non performing loan portfolio will cover:

- Aging of past due loans 90, 180, and 360 days – these can be broken down into type of customer and economic activity to determine overall trends and whether or not all customers are affected;
- Reasons for deterioration of the loan portfolio quality, to help identify possible measures to reverse a given trend;
- A list of non-performing loans, including all relevant details will be assessed on a case by case basis to determine if the situation is reversible;
- Impairment levels will be considered to determine the Ithala' s capacity to withstand loan defaults;
- The impact on Income Statement will be considered to determine exactly how Ithala will be affected by the deterioration of asset quality.

CREDIT IMPAIRMENTS (EXCEPTED CREDIT LOSS)

- Loan classification will provide the basis for determining an adequate level of provisions for possible loan losses.
- Possible loan losses will be provided for in accordance with:

  Financial Reporting Standards;

  Credit Impairment Policy;

Internal audit shall, as part of their audit procedures review the Credit Impairment policy to ensure that it complies with the relevant accounting standards.

The credit application scorecard shall be used to estimate the probability of default and acceptable pricing at customer acquisition stage. Based on the delinquency behaviour of the loan accounts, the loans will be classified into standard, special mention, sub-standard, doubtful and loss categories. As a minimum, Regulations 24(5) of the Banks Act of 1990 are to be applied in the loan classification.The behavior of the active loan accounts shall be linked to application scorecard to assess whether it is in line with the estimated probability of default. This information will also be used to update the application scorecard.

The credit monitoring system will include measures to:

- Ensure that Ithala understands the current financial condition of the borrower or counterparty;
- Monitor compliance with existing loan obligations:
- Assess, security coverage relative to the borrowers current condition;
- Identify contractual payment defaults and classify potential problem credits on a timely basis; and
- Direct problems promptly for remedial management

Executive management and Risk and Capital Management Committee (RCMC) shall receive periodic reports on the performance of the various behavioral classifications.

Individually significant exposures shall be monitored on an individual basis, and external factors that could affect their ability to service the loan shall be considered. For Ithala Limited, individually significant exposures are those that have an exposure greater than R1.2 million.

Stress testing shall be conducted to identify possible events and / or future changes in economic conditions that could have a negative impact on Ithala's credit exposure and assessment of Ithala's ability to withstand such changes.

INTER-BANK

Funds will only be invested with; and money markets instruments only acquired from banks (as issuers or creators of such instruments) as approved by the RCMC.

Exposure limitations, or facilities, for each approved bank will also be determined by the RCMC from time to time. In determining such facilities, due consideration will be given to the capital bases of the banks concerned, their parentage and credit rating as determined by professional rating agencies.

The approved Banks for the purposes of this section are ABSA, FirstRand, Investec, Nedbank and Standard Bank.

As approved by Board, the Interim Liquidity Investment Policy allows for the investment of limited funds in approved instruments with approved Counter Parties.

Exposure limits, as approved by the RCMC, may be exceeded by no more than 10% at the discretion of the Treasurer.

Template CR1: Credit quality of assets

		a	b	c	d	e	f	g
		Gross carrying values of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net Values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in Regulatory category of specific	Allocated in Regulatory category of General		
1	Loans	133 393	1 758 084	136 834	68 381	68 453	0	1 754 643
2	Debt Securities	0	334 810	0	0	0	0	334 810
3	Off-balance sheet exposures	0	10 594	0	0	0	0	10 594
4	Total	133 393	2 103 489	136 834	68 381	68 453	0	2 100 048

Definitions

Gross carrying values: on- and off-balance sheet items that give rise to a credit risk exposure according to the Basel framework. On- balance sheet items include loans and debt securities. Off-balance sheet items must be measured according to the following criteria: (a) guarantees given – the maximum amount that the bank would have to pay if the guarantee were called. The amount must be gross of any credit conversion factor (CCF) or credit risk mitigation (CRM) techniques. (b) Irrevocable loan commitments – total amount that the bank has committed to lend. The amount must be gross of any CCF or CRM techniques. Revocable loan commitments must not be included. The gross value is the accounting value before any allowance/impairments but after considering write-offs. Banks must not take into account any credit risk mitigation technique.

Write-offs for the purpose of this template are related to a direct reduction of the carrying amount when the entity has no reasonable expectations of recovery.

Defaulted exposures: banks should use the definition of default that they also use for regulatory purposes. Banks must provide this definition of default in the accompanying narrative.

Non-defaulted exposures: any exposure not meeting the above definition of default.

Allowances/impairments: total amount of impairments, made via an allowance against impaired and not impaired exposures (may correspond to general reserves in certain jurisdictions or may be made via allowance account or direct reduction – direct write-down in some jurisdictions) according to the applicable accounting framework.

Net values: Total gross value less allowances/impairments.

Template CR2: Changes in stock of defaulted loans and debt securities

		a
1	Defaulted loans and debt securities at end of the previous reporting period	110 118
2	Loans and debt securities that have defaulted since the last reporting period	30 471
3	Returned to non-defaulted status	1 284,0
4	Amounts written off	5 961,4
5	Other changes	49
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	133 393

Definitions

Defaulted exposure: such exposures must be reported net of write-offs and gross of (ie ignoring) allowances/impairments.

Loans and debt securities that have defaulted since the last reporting period: refers to any loan or debt securities that became marked as defaulted during the reporting period.

Return to non-defaulted status: refers to loans or debt securities that returned to non-default status during the reporting period.

Amounts written off: both total and partial write-offs.

Other changes: balancing items that are necessary to enable total to reconcile.

Table CRB: Additional disclosure related to the credit quality of assets

Purpose: Supplement the quantitative templates with information on the credit quality of a bank's assets.
Scope of application: The table is mandatory for all banks.
Content: Additional qualitative and quantitative information (carrying values).
Frequency: Annual.
Format: Flexible.

Banks must provide the following disclosures:	
Qualitative disclosures	
(a)	The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.
(b)	The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.
(c)	Description of methods used for determining impairments.
(d)	The bank's own definition of a restructured exposure.
Quantitative disclosures	
(e)	Breakdown of exposures by geographical areas, industry and residual maturity;
(f)	Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry;
(g)	Ageing analysis of accounting past-due exposures;
(h)	Breakdown of restructured exposures between impaired and not impaired exposures.

Qualitative Information

Past due is a loan in which the borrower is in default due to the fact that they have not made the scheduled payments for a specified period.

Impaired loans and advances are defined as loans and advances in respect of which the Company has raised specific credit impairments. A specific credit impairment is raised in respect of an asset that has triggered a loss event where the security held against the advance is insufficient to cover the total expected losses. Such a loss event may be, for example, significant financial difficulty of the borrower, a breach of contract such as a default, or delinquency in interest or principal payments.

A non-performing loan is an exposure where a specific credit impairment is raised, where the credit quality has declined significantly, or an obligation is past due for more than 90 days. An obligation is past due when the borrower has failed to honor it at the point when it fell due.

Further to the use of the 90 days past due assumption defined in the IFRS 9 standard, the Company uses status codes to indicate distressed accounts to be moved to Stage 3. The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty.

These are the instances

- Where a legal process has been instituted, which includes legal processes for deceased estates and insolvent estates;
- Borrower has applied or has been placed under liquidation or similar order;
- Where the borrower has not complied with special financial or non-financial conditions stated in the loan agreement.

Credit Impairment of Loans and Advances

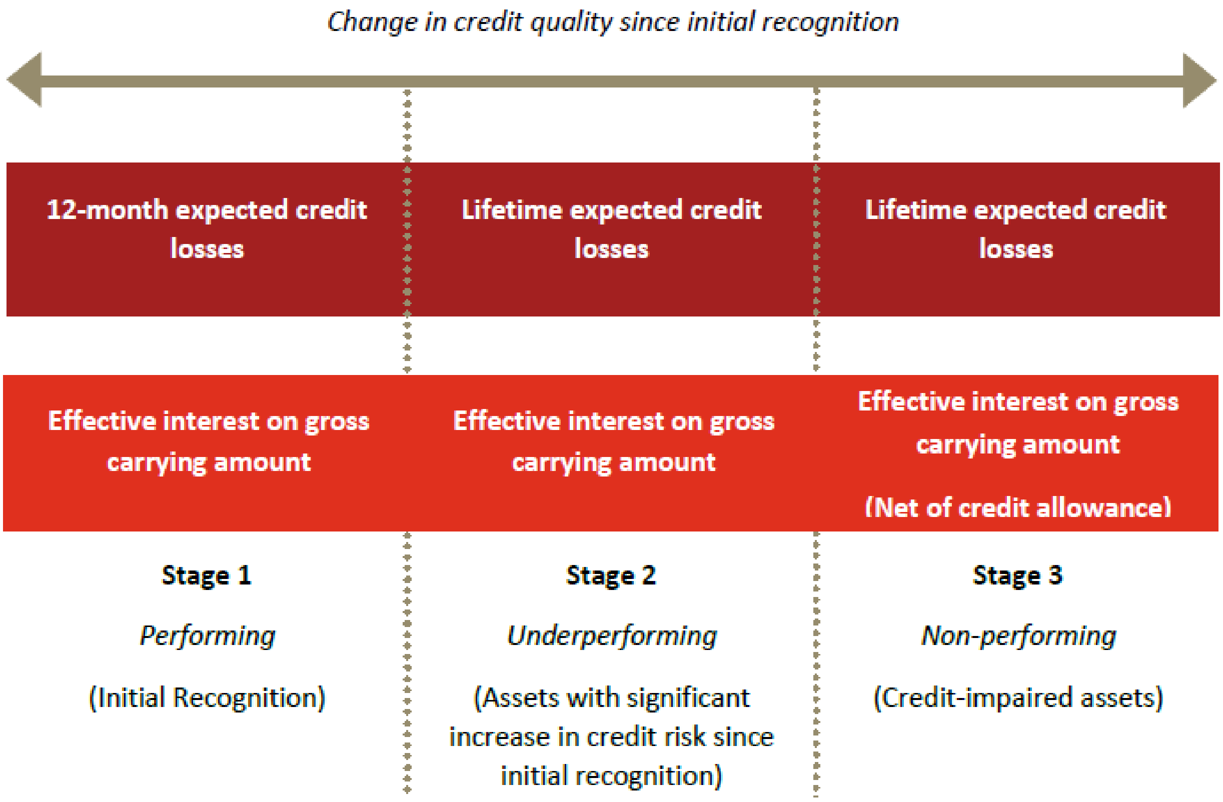
In July 2014, the International Accounting Standards Board released a final version of the IFRS 9 standard, aimed at replacing most of the previous guidance detailed in IAS 39. This included amended guidance for the classification and measurement of financial assets by introducing a fair value through other comprehensive income category for certain debt instruments. Additionally – and relevant to the scope of this model build – the standard also contained a new impairment model which is aimed at the earlier recognition of losses.

According to the proposed impairment standard, entities are required to measure expected credit losses over the expected remaining lifetime of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

Overview of the Model Structure

The standard outlines a general three-stage framework for impairing financial assets. This is defined on the basis of changes in credit risk quality since initial recognition.


Change in credit quality since initial recognition
12-month expected credit losses
Lifetime expected credit losses
Lifetime expected credit losses
Effective interest on gross carrying amount
Effective interest on gross carrying amount
Effective interest on gross carrying amount
(Net of credit allowance)
Stage 1
Performing
(Initial Recognition)
Stage 2
Underperforming
(Assets with significant increase in credit risk since initial recognition)
Stage 3
Non-performing
(Credit-impaired assets)

Facilities in Stage 1 are defined as not having had significant increases in credit risk since initial recognition, and Stage 1 is therefore the stage in which new facilities are originated. A 12-month Expected Credit Loss (ECL) – based on expected losses from default events possible over 12 months after the reporting date – are recognized on these facilities.

Stage 2 instruments are defined as facilities that have suffered significant increases in credit risk since initial recognition, but which do not have objective evidence of impairment. On these assets, lifetime expected credit losses are provided based on the losses expected over the entire expected lifetime of the financial instrument.

Facilities with objective evidence of impairment at the reporting date are classified into Stage 3, representing specific credit impaired assets. Lifetime expected losses are recognized on these facilities.

The standard requires management, when determining whether the credit risk on a financial instrument has increased significantly, to consider reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

An entity should apply a definition of default that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument, and it should consider qualitative factors (for example, financial covenants), where appropriate. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due, unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Ithala SOC IFRS 9 Model Design

In order to calculate impairment provisions in line with the requirements of the IFRS 9 impairment provisioning standard, Ithala SOC underwent an IFRS 9 model design process in 2018 aimed at building an impairment provisioning tool.

This engagement was structured as follows:

- Assessment of the available data and credit risk capabilities of Ithala SOC;
- Design of a conceptual model blueprint, with the proposed methodology to be applied in estimating the IFRS 9 impairment provision within the context of the data and systems available to the bank.
- Analysis and investigation into historical trends and data in order to determine the assumptions to be applied in the methodology.
- Implementation of the selected assumptions and methodology into an impairment provisioning tool.
- Parallel runs, back-testing and refinement of the model before finalisation of the results.

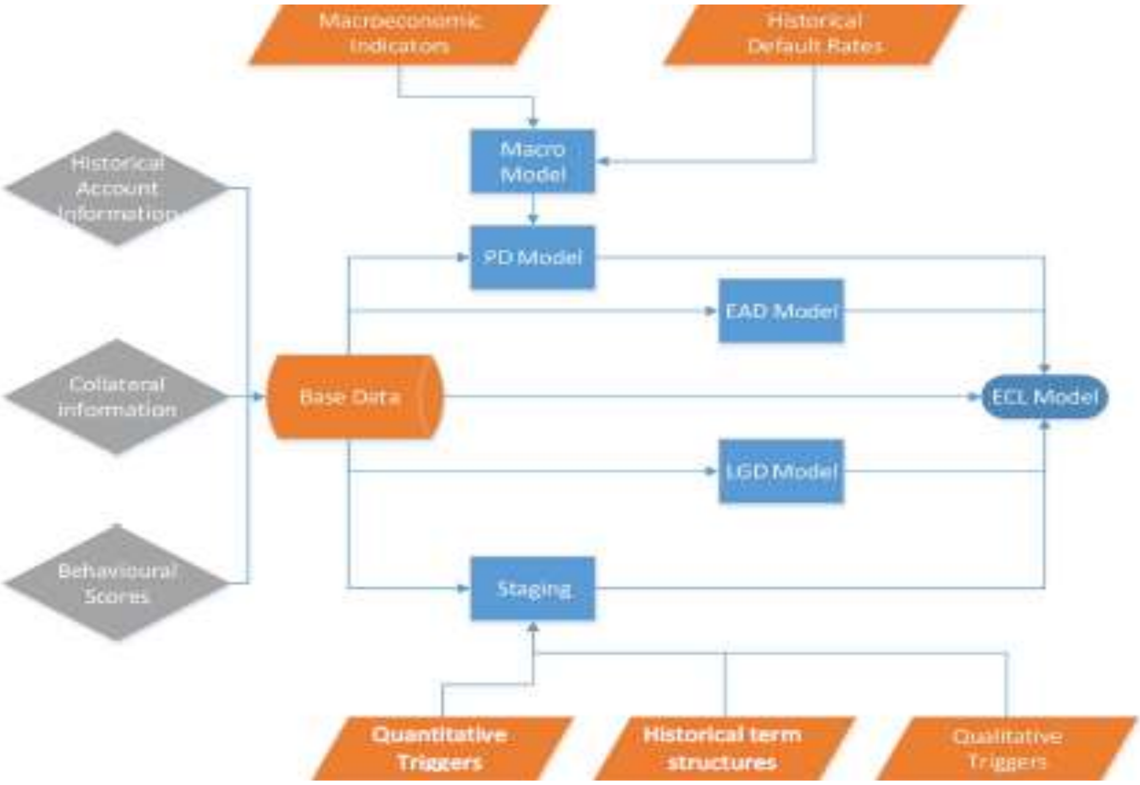
In the first quarter of 2020 the parameters were recalculated using the latest available data and the methodology was refined, the main updates are listed below:

- Included the latest available data, up to January 2020, in the analysis and parameter calculation;
- Included Vehicle and Taxi finance data from the DT data system;
- Added a curing rule out of Stage 3 for accounts that were in default;
- Updated the collateral haircuts based on historical experience;
- Use the Standard Bank KZN House Price Index instead of the FNB National House Price Index;
- Recalculated redefault rates (used in the LGD model) using only accounts that cured out of default;
- Changed the variables used in the macroeconomic model; and
- Refined the SICR rules.

Overview of the Expected Credit Loss calculation

Ithala SOC IFRS 9 impairment provisioning tool calculates the required impairment provision through a component loss model. Different components required to calculate the expected credit loss are combined in the final impairment calculation.

Different components required are:


Macroeconomic Indicators
Historical Default Rates
Macro Model
Historical Account Information
PD Model
EAD Model
Collateral information
Base Data
ECL Model
LGD Model
Behavioural Scores
Staging
Quantitative Triggers
Historical term structures
Qualitative Triggers

Historical account information refers to historical and current account level information used in calibrating the model and calculating the current required impairment on the existing book as at the reporting date;
Collateral information refers to data on collateral values (and subsequent updates to collateral values at the time of valuation) used in the calculation of the expected Loss Given Default.
Behavioral scores refers to credit bureau scores used in determining the definition of a significant increase in credit risk.
Base data refers to the aggregated base dataset used to calibrate the assumptions used in the model and in calculating the final expected credit loss as at the reporting date.
Macroeconomic indicators refer to the historical and forecast macroeconomic indicators used in the adjustment for forward looking macroeconomic information.
Historical default rates refer to historical information on the default experience of Ithala SOC, used in the calibration of the macroeconomic model used to include allowances for forward looking macroeconomic information.
Quantitative triggers refers to the quantitative thresholds / criteria for a significant increase in credit risk, as defined in the model.
Historical term structures refers to PD term structures as defined at origination of the loan;
Qualitative triggers refers to the qualitative thresholds / criteria for a significant increase in credit risk, as defined in the model.
Macro model refers to the macroeconomic model used to adjust default probabilities to allow for forward looking macroeconomic information.
PD Model refers to the calculation of the Probability of Default over the lifetime of the loan.
EAD Model refers to the calculation of the expected Exposure at Default over the lifetime of the Loan.
LGD Model refers to the calculation of the Loss Given Default over the lifetime of the loan.
Staging refers to the model used to classify loans between the different stages of the impairment model (i.e. Stage 1/2/3).
ECL Model refers to the model used to combine PDs, LGDs, EADs and macroeconomic information in order to calculate the required IFRS 9 impairment provision.

Restructured Credit Exposure

“Restructured Credit Exposure” in relation to a bank’s exposure to credit risk includes any loan, advance or facility in respect of which the bank granted a concession to the obligor owing to a deterioration in the obligor’s financial condition, that is, owing to a financial distressed situation of the relevant obligor,

Which financial distressed situation results or is likely to result in the relevant obligor no longer being able to meet the term or conditions originally agreed;
Which restructuring agreement;

May include a modification of terms or conditions such as, for example:

- a reduction in the relevant interest rate from that originally agreed;
- a reduction in the relevant interest amount due;
- a reduction in the relevant principal amount due;
- an amendment to the originally agreed contractual maturity or payment frequency;
- any forgiveness, deferral or postponement of a principle amount, interest amount or fee due;
- any subsequent increase in the relevant level of working capital or revolving facility;

May include the transfer from the obligor to the bank of real estate, receivables from third parties, other assets, or an equity interest in the obligor in full or partial satisfaction of the said loan, advance or facility;
May include the substitution or addition of a new debtor for the original obligor; shall be in writing;
Provided that no loan, advance, increased credit limit or facility extended or renewed by the reporting bank in its ordinary course of business at a stated interest rate or on terms or conditions equivalent to the current interest rate or terms or conditions for new debt with;
Similar risk shall constitute a restructured loan or credit exposure for purposes of these Regulations.”

Ageing Analysis, Impaired and not Impaired Advances per portfolio as at 31 March 2020

Housing and Commercial Property	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	963 866	**407 566**	**9 779**	**1 381 210**
Current	**0**	**33 045**	**5 306**	**38 351**
30 Days	**0**	**18 177**	**1 891**	**20 067**
60 Days	**0**	**9 109**	**107 995**	**117 104**
90 Days and above	**963 866**	**467 896**	**124 971**	**1 556 733**
Gross carrying amount	**(14 586)**	**(41 181)**	**(35 715)**	**(91 482)**
Loss Allowance	**949 279**	**426 715**	**89 256**	**1 465 251**
Carrying amount	**963 866**	**407 566**	**9 779**	**1 381 210**

Micro Finance - Secured	Stage 1	Stage 2	Stage 3	Total
	12-Month ECL	Lifetime ECL	Lifetime ECL	
Current	238 884	69 429	1 240	309 552
30 Days	333	10 199	30	10 563
60 Days	0	6 590	0	6 590
90 Days and above	0	513	4 397	4 910
Gross carrying amount	239 217	86 731	5 668	331 615
Loss Allowance	(1 572)	(9 616)	(2 573)	(13 761)
Carrying amount	237 645	77 115	3 095	317 854

Micro Finance - Unsecured	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-Month ECL	**Lifetime ECL**	**Lifetime ECL**	
Current	25	336	68	428
30 Days	0	14	0	14
60 Days	0	0	0	0
90 Days and above	0	0	2 303	2 303
Gross carrying amount	25	350	2 371	2 746
Loss Allowance	(2)	(249)	(2 312)	(2 563)
Carrying amount	**23**	101	59	183

Template CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

Purpose: Provide qualitative information on the mitigation of credit risk.

Scope of application: The template is mandatory for all banks.

Content: Qualitative information.

Frequency: Annual.

Format: Flexible

Banks must disclose:	
(a)	Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting.
(b)	Core features of policies and processes for collateral evaluation and management.
(c)	Information about market or credit risk concentrations under the credit risk mitigation instruments used (ie by guarantor type, collateral and credit derivative providers).

Qualitative Information

Off balance sheet activities will comprise mainly of guarantees and letters of undertaking issued.

Valuation scope

The Policy applies to all Ithala internal valuers and external valuers conducting valuations of all Ithala properties.

The Policy applies to the valuations of purchases of existing properties, vacant land, security loans (secured by mortgage bond over the client's own land and property), property building loans, additional home loans, non-performing loans, legal processes, Rural Home Loans, Affordable Housing [Rural Development Program (RDP)], insurance and Assets in Possession (AIPs).

The Policy applies to the re-valuation of all active and performing loans as required by South African Reserve Bank (SARB) Regulation.

The Policy outlines the acceptable value as collateral for, performing and non-performing Home Loans, (secured by mortgage bond over the clients own property), and Rural Home Loans.

The Policy outlines the acceptable collateral document, for VAF and Taxi Finance and Pension Backed Loans.

The Policy also outlines the acceptable value as collateral for VAF and Taxi Finance and Pension Backed Loans.

The objectives of the Valuation policy is to clearly outline the following:

The owners and the users of the Policy are internal and external valuers whose primary role is to assess; using accepted norms and ascertain the value of the property which is intended to be bonded to Ithala as a security.

To assess the risk element associated with the property and to ensure that Ithala's interest is protected at all times.

To assess the risk element associated with the asset in VAF and Taxi Finance and to ensure that Ithala's interest is protected at all times.

To assess the risk element associated with the pledge in the Pension Backed Loan and to ensure that Ithala's interest is protected at all times.

Policy Implementation for Loans Secured by the Mortgage Bond

Definition of market value under the International Valuation Standards is defined as:

The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing, wherein the parties has each acted knowledgeably, prudently and without compulsion.

Valuations methods

The methodology to be adopted when conducting physical valuations and desktop valuations through the life cycle of the loan by the Professional Valuer is as follows:

- Replacement/Cost Method
- Repeat Sales Model
- Comparable Sales Model
- Confidence Prediction Measure
- Income Approach Method
- Profit Method

For the purpose of this Policy, the Replacement/Cost Method, Repeat Sales Method, Comparable Method and, Confidence Prediction Measure will be used as the preferred methods.

The Income Approach Method and Profit Method is best suited for the income generation properties which fall's outside Ithala's scope of work.

Tools and equipment

Tools and Equipment to conduct the valuations are:

- Vehicle;
- Equipment to measure, and electronic devices;
- Safety clothing
- GPS navigator; and
- Property Transaction Databases (e.g. Lightstone, Property Intellect, etc).

Building loans

The Replacement/Cost Approach will be used for the property building loans.

Only builders registered with NHBRC will be accepted for finance, the property must be enrolled with NHBRC before commencing.

Small holdings

A small holding is a holding of agricultural land smaller than the farm which should be used primarily for residential.

New development end-user finance

Development company profile requirements:

- NBRC Registration Certificate;
- References;
- Company profile;
- Current and previous projects;
- Professional indemnity cover insurance;
- BBBEE Certificate; and
- Tax Clearance Certificate.

Development technical pre-approval requirements:

- Site plan;
- Proposed sectional title plan;
- Draft plans and phase if applicable;
- Environmental impact assessment report;
- Specification and schedule of finishes;
- Price list; and
- Sale list if it is an existing developments.

Rural development program and financed linked individual subsidy programme scheme

The Replacement/Cost Approach will be used for property purchases and building valuations.

Rural Home Loans

The Replacement/Cost Approach will be used for property purchases and building valuations.

The physical valuation for Rural Home Loans is to be conducted only at inception of the loan, this is done for the purpose of replacement and insurance and no re-valuation is to be conducted for Rural Home Loans.

Policy Implementation for Loans Secured by the NaTIS

The value that is taken in to account in relation to VAF and Taxi Finance is in the, TransUnion Auto Dealer's Guide. The acceptable document taken as collateral is a registration document NaTIS.

The acceptable collateral documentation for VAF and Taxi Finance is NaTIS and the acceptable retail and trade value to be taken from the TransUnion Auto Dealer's Guide. The acceptable collateral value is the total approved loan amount.

Policy Implementation for Loans Secured by the Pension/Provident Fund Pledge

The value take in to account as collateral for the Pension Backed Loan, is the pledge from the Pension and or Provident fund.

The acceptable collateral document for the Pension Backed Loan is the pledge cession of the pension/provident fund. The acceptable collateral value is the total approved loan amount.

Collateral Value

Collateral value to be taken in to account for the Home Loan is:

- The desktop valuation for Home Loans is to be conducted, if the accuracy score is above 80%, and, the safety score is above 90% and, the estimated market value for the suburb is within 10% of the required loans amount it will be acceptable at the pre-approval stage.

- If the accuracy score is below 80% and safety score is below 90% a physical valuation should be performed.

Collateral value to be taken in to account for Pension Backed Loan is:

- Pension and or Provident Fund pledged value, equivalent to the total approved loan amount.

Collateral value to be taken in to account for the Vehicle and Taxi Finance is:

- The total approved loan amount to be taken as the collateral value.

Collateral Value Application

The collateral value applies to loans at inception, and at reporting stage, for the provision purposes as per the Credit Impairment Policy.

Re-valuation

- Physical valuation for the non-performing loans to be conducted after one year anniversary as per approved scope.
- The desktop valuation will be conducted on all active and performing loans every third year for the duration of the Home Loan as per approved scope.
- No revaluation is conducted for Rural Home Loans.
- Physical valuation for Assets in Possession (AIP) to be conducted after one year anniversary.

Re-Valuation of AIPs Sold to Ithala Staff

As per the regulation 57, an application for the permission of the Registrar, in terms of section 91(2) (c) of the Banks Act, 1990 (Act No: 94 of 1990)

- a detailed Valuation of the Property by the internal registered valuer, and
- a detailed Valuation of the Property by an independent registered valuer,
- is required before the registrar can give consent to the sale of the AIP to the internal staff .

Schedule of Building Costs and Escalation Forecast

Source of reference are:

- Architecture Engineering Construction Operations and Management;
- Valuers Manual.

Guidelines to Replacement Costs

Source of reference are:

- Home Owners Insurance - Guideline to Replacement Costs

Credit risk concentrations /Market

In order to manage concentration risk limits on exposure per client per facilities are set. Overall limit per individual borrower/ group of connected borrowers, as defined in the Large Exposures and Aggregation Policy, is the lower of 10% of qualifying capital and reserves.

Ithala shall not grant loans above the maximum loans amount as per Target Exposure per lending activity.

Target market is the Public in general that are permanently employed and are South African citizens.
Self-employed individuals that can provide verifiable proof of regular income

Template CR3: Credit risk mitigation techniques – overview

Purpose: Disclose the extent of use of credit risk mitigation techniques.

Scope of application: The template is mandatory for all banks.

Content: Carrying values. Banks must include all CRM techniques used to reduce capital requirements and disclose all secured exposures, irrespective of whether the SA or IRB approach is used for risk-weighted assets calculation.

Frequency: Semiannual.

Format: Fixed. (Jurisdictions may require additional sub-rows to provide a more detailed breakdown in rows but must retain the four rows listed below.) Where banks are unable to categorise exposures secured by collateral, financial guarantees or credit derivative into “loans” and “debt securities”, they can either (i) merge two corresponding cells, or (ii) divide the amount by the pro-rata weight of gross carrying values; they must explain which method they have used.

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	25 617	1 757 671	244 069	0	0	0	0
2	Debt securities	334 810	0	0	0	0	0	0
3	Total	360 428	1 757 671	244 069	0	0	0	0
4	Of which defaulted	1 951	90 459	15 034	0	0	0	0

Definitions

Exposures unsecured- carrying amount: carrying amount of exposures (net of allowances/impairments) that do not benefit from a credit risk mitigation technique.

Exposures secured by collateral: carrying amount of exposures (net of allowances/ impairments) partly or totally secured by collateral, regardless of what portion of the original exposure is secured.

Exposures secured by collateral – of which secured amount: amounts of the exposure portions, which are secured by collateral. Where the value of the collateral (meaning the amount that the collateral can be settled for) exceeds the value of the exposure, the bank must report the exposure amount (ie it does not report the over-collateralisation).

Exposures secured by financial guarantees: carrying amount of exposures (net of allowances/impairments) partly or totally secured by financial guarantees, regardless of what portion of the original exposure is guaranteed.

Exposures secured by financial guarantees – of which secured amount: amounts of the exposure portions, which are covered by the financial guarantee. Where the value of the guarantee (amount that can be obtained if the guarantee is called) is above the amount of the exposure, the bank must report the amount of the exposure, ie not to report the excess value.

Exposures secured by credit derivatives: carrying amount of exposures (net of allowances/ impairments) partly or totally secured by credit derivatives, regardless of what portion of the original exposure is secured.

Exposures secured by credit derivatives – of which secured amount: amounts of the exposure portions which are secured by the credit derivatives. Where the value of the credit derivative (amount that the credit derivative can be settled for) is above the amount of the exposure, the bank must report the amount of the exposure, ie not to report the excess value.

Template CRD: Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

Purpose: Supplement the information on a bank's use of the standardised approach with qualitative data on the use of external ratings.

Scope of application: The table is mandatory for all banks that: (a) use the credit risk standardised approach (or the simplified standardised approach); and (b) make use of external credit ratings for their RWA calculation.

In order to provide meaningful information to users, the bank may choose not to disclose the information requested in the table if the exposures and RWA amounts are negligible. It is however required to explain why it considers the information not to be meaningful to users, including a description of the portfolios concerned and the aggregate total RWAs these portfolios represent.

Content: Qualitative information.

Frequency: Annual.

Format: Flexible.

A. For portfolios that are risk-weighted under the standardised approach for credit risk, banks must disclose the following information:	
(a)	Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;
(b)	The asset classes for which each ECAI or ECA is used;
(c)	A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book (see paragraphs 99–101 of the Basel framework); and
(d)	The alignment of the alphanumerical scale of each agency used with risk buckets (except where the relevant supervisor publishes a standard mapping with which the bank has to comply).

Funds will only be invested with; and money markets instruments only acquired from banks (as issuers or creators of such instruments) as approved by the RCMC.
Exposure limitations, or facilities, for each approved bank will also be determined by the Risk and Capital Management Committee (RCMC) from time to time. In determining such facilities, due consideration will be given to the capital bases of the banks concerned, their parentage and credit rating as determined by professional rating agencies.

The approved Banks for the purposes of this section are ABSA, FirstRand, Investec, Nedbank and Standard Bank.

As approved by Board, the Interim Liquidity Investment Policy allows for the investment of limited funds in approved instruments with approved Counter Parties.

Exposure limits, as approved by the RCMC, may be exceeded by no more than 10% at the discretion of the Treasurer.

Fitch Ratings credit rating agency is used to for the assessment of risk exposure in terms of the Investments.

Template CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

Purpose: Illustrate the effect of CRM (comprehensive and simple approach) on standardised approach capital requirements' calculations. RWA density provides a synthetic metric on riskiness of each portfolio.

Scope of application: The template is mandatory for banks using the standardised or the simplified standardised approach.

For banks using other than the standardised approach for most of their credit exposures, exposures and RWA amounts under the standardised approach may be negligible. In such circumstances, and to provide only meaningful information to users, the bank may choose not to disclose the template for the exposures treated under the standardised approach. The bank must however explain why it considers the information not to be meaningful to users. The explanation must include a description of the exposures included in the respective portfolios and the aggregate total of RWAs from such exposures.

Content: Regulatory exposure amounts.

Frequency: Semiannual.

Format: Fixed. (The columns cannot be altered. The rows reflect the asset classes as defined under the Basel framework. Jurisdictions may amend the rows to reflect any differences in their implementation of the standardised approach.)

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant change over the reporting period and the key drivers of such changes.

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereigns and their central banks	183 565	0	183 565,00	0	0	0%
2	Non-central government public sector entities	50 103	0	50 103	0	10 021	20%
3	Multilateral development banks		0	0	0	0	0
4	Banks	813 148	0	813 148	0	375 088	46%
5	Securities firms	0	0	0	0	0	0
6	Corporates	0	0	0	0	0	0
7	Regulatory retail portfolios	355 657	0	353 769	0	245 764	69%
8	Secured by residential property	1 505 814	10 594	1 432 069	10 594	596 332	41%
9	Secured by commercial real estate	0	0	0	0	0	0
10	Equity	0	0	0	0	0	0
11	Past-due loans	75 633	0	75 633	0	52 934	70%
12	Higher-risk categories	0	0	0	0	0	0
13	Other assets	146 343	0	146 343	0	67 346	46%
14	**Total**	3 130 263	10 594	3 054 630	10 594	1 347 484	0

Definitions

Rows:

Higher-risk categories: Banks must include the exposures included in paragraphs 79 and 80 of the Basel framework that are not included in other regulatory portfolios (eg exposure weighted at 150% or higher risk weights reflecting the higher risks associated with these assets). From 1 January 2017 when the *Banks' equity investments in funds* framework[17] enters into force, corresponding requirements must not be reported in this template but only in OV1.

Other assets: refers to assets subject to specific risk weight as set out by paragraph 81 of the Basel framework and to significant investments in commercial entities that receive a 1250% risk weight according to paragraph 90 fourth bullet of Basel III.

Columns:

Exposures before credit conversion factors (CCF) and CRM – On-balance sheet amount: banks must disclose the regulatory exposure amount (net of allowances and write-offs) under the regulatory scope of consolidation gross of (ie before taking into account) the effect of credit risk mitigation techniques.

Exposures before CCF and CRM – Off-balance sheet amount: banks must disclose the exposure value, gross of conversion factors and the effect of credit risk mitigation techniques under the regulatory scope of consolidation.

Credit exposure post-CCF and post-CRM: This is the amount to which the capital requirements are applied. It is a net credit equivalent amount, after having applied CRM techniques and CCF.

RWA density: Total risk-weighted assets/exposures post-CCF and post-CRM. The result of the ratio must be expressed as a percentage.

Linkages across templates

The amount in [CR4:14/c+CR4:14/d] is equal to the amount in [CR5:14/j]

Template CR5: Standardised approach – exposures by asset classes and risk weights

		a	B	c	d	e	f	g	h	i	j
	Risk weight* Asset classes	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereigns and their central banks	183 565	0	0	0	0	0	0	0	0	183 565
2	Non-central government public sector entities	0	0	50 103	0	0	0	0	0	0	50 103
3	Multilateral development banks	0	0	0	0	0	0	0	0	0	0
4	Banks	0	0	547 575	0	0	0	265 573	0	0	813 148
5	Securities firms	0	0	0	0	0	0	0	0	0	0
6	Corporates	0	0	0	0	0	0	0	0	0	0
7	Regulatory retail portfolios	0	0	0	0	0	347 154	6 615	(0)	0	353 769
8	Secured by residential property	0	0	0	1 330 891	(0)	88 402	12 777		10 594	1 442 663
9	Secured by commercial real estate	0	0	0	0	0	0	0	0	0	0
10	Equity	0	0	0	0	0	0	0	0	0	0
11	Past-due loans	0	0	0	0	45 946		29 141	547		75 633
12	Higher-risk categories	0	0	0	0	0	0	0	0	0	0
13	Other assets	64 031	0	0	0	0	0	67 346		14 966	146 343

14	**Total**	**247 596**	0	**597 678**	**1 330 891**	**45 945**	**435 556**	**381 452**	**547**	25 560	3 065 224

*Banks subject to the simplified standardised approach should indicate risk weights determined by the supervisory authority in the columns.

Definitions

Total credit exposure amount (post-CCF and CRM): the amount used for the capital requirements calculation (both for on- and off-balance sheet amounts), therefore net of allowances and write-offs and after having applied CRM techniques and CCF but before the application of the relevant risk weights.

Past-due loans: past-due loans correspond to the unsecured portion of any loan past due for more than 90 days, as defined in paragraph 75 of the Basel framework.

Higher-risk categories: Banks must include in this row the exposures included in paragraphs 79 and 80 of the Basel framework that are not included in other regulatory portfolios (eg exposure weighted at 150% or higher risk weight reflecting the higher risks associated with these assets). Exposures reported in this row should not be reported in the rows above. From 1 January 2017 when the *Banks' equity investments in funds* framework enters into force, corresponding requirements must not be reported in this template but only in OV1.

Equity investments in funds: will become applicable from 1 January 2017 when the corresponding framework enters into force.

Other assets: refers to assets subject to specific risk weight set out by paragraph 81 of the Basel framework and to significant investment in commercial entities that receive a 1250% risk-weight according to paragraph 90, fourth bullet, of Basel III.

Template CRE: Qualitative disclosures related to IRB models

Purpose: Provide additional information on IRB models used to compute RWA.

Scope of application: The table is mandatory for banks using AIRB or FIRB approaches for some or all of their exposures.

To provide meaningful information to users, the bank must describe the main characteristics of the models used at the group-wide level (according to the scope of regulatory consolidation) and explain how the scope of models described was determined. The commentary must include the percentage of RWAs covered by the models for each of the bank's regulatory portfolios.

Content: Qualitative information.

Frequency: Annual.

Format: Flexible.

Banks must provide the following information on their use of IRB models:

(a)	Internal model development, controls and changes: role of the functions involved in the development, approval and subsequent changes of the credit risk models.
(b)	Relationships between risk management function and internal audit function and procedure to ensure the independence of the function in charge of the review of the models from the functions responsible for the development of the models.
(c)	Scope and main content of the reporting related to credit risk models.
(d)	Scope of the supervisor's acceptance of approach.
(e)	For each of the portfolios, the bank must indicate the part of EAD within the group (in percentage of total EAD) covered by standardised, FIRB and AIRB approach and the part of portfolios that are involved in a roll-out plan.
(f)	The number of key models used with respect to each portfolio, with a brief discussion of the main differences among the models within the same portfolios.
(g)	Description of the main characteristics of the approved models: (i) definitions, methods and data for estimation and validation of PD (eg how PDs are estimated for low default portfolios; if there are regulatory floors; the drivers for differences observed between PD and actual default rates at least for the last three periods); and where applicable: (ii) LGD (eg methods to calculate downturn LGD; how LGDs are estimated for low default portfolio; the time lapse between the default event and the closure of the exposure); (iii) credit conversion factors, including assumptions employed in the derivation of these variables;

Template CR6: IRB – Credit risk exposures by portfolio and PD range

Purpose: Provide main parameters used for the calculation of capital requirements for IRB models. The purpose of disclosing these parameters is to enhance the transparency of banks' RWA calculations and the reliability of regulatory measures.

Scope of application: The template is mandatory for banks using either the FIRB or the AIRB approach for some or all of their exposures.

Content: Columns (a) and (b) are based on accounting carrying values and columns (c) to (l) are regulatory values. All are based on the scope of regulatory consolidation.

Frequency: Semiannual.

Format: Fixed. The columns, their contents and the PD scale in the rows cannot be altered, but the portfolio breakdown in the rows will be set at the jurisdiction level to reflect exposure categories under local implementation of the IRB approaches. Where a bank makes use of both FIRB and AIRB approaches, it must disclose one template for each approach.

Accompanying narrative: Banks are expected to supplement the template with a narrative to explain the effect of credit derivatives on RWAs.

		a	b	c	d	e	f	g	h	i	j	k	l
	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
PortfolioX													
	0.00 to <0.15												
	0.15 to <0.25												
	0.25 to <0.50												
	0.50 to <0.75												
	0.75 to <2.50												
	2.50 to <10.00												
	10.00 to <100.00												
	100.00 (Default)												
	Sub-total												
Total (all portfolios)													

Definition

Rows

Portfolio X includes the following prudential portfolios for the FIRB approach: (i) Sovereign; (ii) Banks; (iii) Corporate; (iv) Corporate – Specialised Lending; (v) Equity (PD/LGD methods described in paragraphs 350–358 of Basel II and paragraph 90, second bullet, of Basel III); (vi) Purchased receivables, and the following prudential portfolios for the AIRB approach: (i) Sovereign; (ii) Banks; (iii) Corporate; (iv) Corporate – Specialised Lending; (v) Equity (PD/LGD method as described in paragraphs 350–358 of Basel II and paragraph 90, second bullet, of Basel III); (vi) Retail – qualifying revolving (QRRE); (vii) Retail – Residential mortgage exposures; (viii) Retail – SME; (ix) Other retail exposures; (x) Purchased receivables. Information on FIRB and AIRB portfolios, respectively, must be reported in two separate templates.

Default: The data on defaulted exposures may be further broken down according to jurisdiction's definitions for categories of defaulted exposures.

Columns

PD scale: Exposures shall be broken down according to the PD scale used in the template instead of the PD scale used by banks in their RWA calculation. Banks must map the PD scale they use in the RWA calculations into the PD scale provided in the template.

Original on-balance sheet gross exposure: amount of the on-balance sheet exposure gross of accounting provisions (before taking into account the effect of credit risk mitigation techniques).

Off-balance sheet exposure pre conversion factor: exposure value without taking into account value adjustments and provisions, conversion factors and the effect of credit risk mitigation techniques.

Average CCF: EAD post-conversion factor for off-balance sheet exposure to total off-balance sheet exposure pre-conversion factor.

EAD post-CRM: the amount relevant for the capital requirements calculation.

Number of obligors: corresponds to the number of individual PDs in this band. Approximation (round number) is acceptable.

Average PD: obligor grade PD weighted by EAD.

Average LGD: the obligor grade LGD weighted by EAD. The LGD must be net of any CRM effect.

Average maturity: the obligor maturity in years weighted by EAD; this parameter needs to be filled in only when it is used for the RWA calculation.

RWA density: Total risk-weighted assets to EAD post-CRM.

EL: the expected losses as calculated according to paragraphs 375–379 of the Basel framework;

Provisions: provisions calculated according to paragraph 380 of the Basel framework.

Template CR7: IRB – Effect on RWA of credit derivatives used as CRM techniques

Purpose: Illustrate the effect of credit derivatives on the IRB approach capital requirements' calculations. The pre-credit derivatives RWA before taking account of credit derivatives mitigation effect has been selected to assess the impact of credit derivatives on RWA. This is irrespective of how the CRM technique feeds into the RWA calculation.

Scope of application: The template is mandatory for banks using the AIRB and/or FIRB approaches for some or all of their exposures.

Content: Risk-weighted assets (subject to credit risk treatment).

Frequency: Semiannual.

Format: Fixed.

Columns are fixed but the portfolio breakdown in the rows will be set at jurisdiction level to reflect exposure categories required under local implementation of IRB approaches.

Accompanying narrative: Banks may supplement the template with a narrative commentary to explain the effect of credit derivatives on the bank's RWAs.

		a	b
		pre-credit derivatives RWA	Actual RWA
1	Sovereign – FIRB		
2	Sovereign – AIRB		
3	Banks – FIRB		
4	Banks – AIRB		
5	Corporate – FIRB		
6	Corporate – AIRB		
7	Specialised lending – FIRB		
8	Specialised lending – AIRB		
9	Retail – qualifying revolving (QRRE)		
10	Retail – residential mortgage exposures		
11	Retail –SME		
12	Other retail exposures		
13	Equity – FIRB		
14	Equity – AIRB		
15	Purchased receivables – FIRB		
16	Purchased receivables – AIRB		
17	**Total**		

Pre-credit derivatives RWA: hypothetical RWA calculated assuming the absence of recognition of the credit derivative as a CRM technique.

Actual RWA: RWA calculated taking into account the CRM technique impact of the credit derivative.

Template CR8: RWA flow statements of credit risk exposures under IRB

Purpose: Present a flow statement explaining variations in the credit risk-weighted assets (RWA) determined under an IRB approach.

Scope of application: The template is mandatory for banks using the AIRB and/or FIRB approaches.

Content: Risk-weighted assets corresponding to credit risk only (counterparty credit risk excluded). Changes in RWA amounts over the reporting period for each of the key drivers should be based on a bank's reasonable estimation of the figure.

Frequency: Quarterly.

Format: Fixed. Columns and rows 1 and 9 cannot be altered. Banks may add additional rows between rows 7 and 8 to disclose additional elements that contribute significantly to RWA variations.

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant change over the reporting period and the key drivers of such changes.

		a
		RWA amounts
1	**RWA as at end of previous reporting period**	
2	Asset size	
3	Asset quality	
4	Model updates	
5	Methodology and policy	
6	Acquisitions and disposals	
7	Foreign exchange movements	
8	Other	
9	**RWA as at end of reporting period**	

Asset size: organic changes in book size and composition (including origination of new businesses and maturing loans) but excluding changes in book size due to acquisitions and disposal of entities.

Asset quality: changes in the assessed quality of the bank's assets due to changes in borrower risk, such as rating grade migration or similar effects.

Model updates: changes due to model implementation, changes in model scope, or any changes intended to address model weaknesses.

Methodology and policy: changes due to methodological changes in calculations driven by regulatory policy changes, including both revisions to existing regulations and new regulations.

Acquisitions and disposals: changes in book sizes due to acquisitions and disposal of entities.

Foreign exchange movements: changes driven by market movements such as foreign exchange movements.

Other: this category must be used to capture changes that cannot be attributed to any other category. Banks should add additional rows between rows 7 and 8 to disclose other material drivers of RWA movements over the reporting period.

Template CR9: IRB – Backtesting of probability of default (PD) per portfolio

Purpose: Provide backtesting data to validate the reliability of PD calculations. In particular, the template compares the PD used in IRB capital calculations with the effective default rates of bank obligors. A minimum five-year average annual default rate is required to compare the PD with a "more stable" default rate, although a bank may use a longer historical period that is consistent with its actual risk management practices.

Scope of application: The template is mandatory for banks using the AIRB and/or FIRB approaches. Where a bank makes use of a FIRB approach for certain exposures and an AIRB approach for others, it must disclose two separate sets of portfolio breakdown in separate templates.

To provide meaningful information to users on the backtesting of their internal models through this template, the bank must include in this template the key models used at the group-wide level (according to the scope of regulatory consolidation) and explain how the scope of models described was determined. The commentary must include the percentage of RWAs covered by the models for which backtesting results are shown here for each of the bank's regulatory portfolios.

Content: Modelling parameters used in IRB calculation.

Frequency: Annual.

Format: Flexible.

The portfolio breakdown in the rows will be set at jurisdiction level to reflect exposure categories required under local implementations of IRB approaches.

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes. Banks may wish to supplement the template when disclosing the amount of exposure and the number of obligors whose defaulted exposures have been cured in the year.

a	b	c	d	e	f		g	h	i
Portfolio X*	PD Range	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which: new defaulted obligors in the year	Average historical annual default rate
					End of previous year	End of the year			

* The dimension *Portfolio X* includes the following prudential portfolios for the FIRB approach:

(i) Sovereign; (ii) Banks; (iii) Corporate; (iv) Corporate – Specialised lending; (v) Equity (PD/LGD method); (vi) Purchased receivables, and the following prudential portfolios for the AIRB approach:

(i) Sovereign; (ii) Banks; (iii) Corporate; (iv) Corporate - Specialised Lending; (v) Equity (PD/LGD method); (vi) Retail – qualifying revolving (QRRE); (vii) Retail – Residential mortgage exposures; (viii) Retail – SME; (ix) Other retail exposures; (x) Purchased receivables.

External rating equivalent: one column has to be filled in for each rating agency authorised for prudential purposes in the jurisdictions where the bank operates;

Weighted average PD: the same as reported in template CR6;

Arithmetic average PD by obligors: PD within range by number of obligor within the range;

Number of obligors: two sets of information are required: (i) the number of obligors at the end of the previous year; (ii) the number of obligors at the end of the year subject to reporting;

Defaulted obligors in the year: number of defaulted obligors during the year; *of which: new obligors defaulted in the year:* number of obligors having defaulted during the last 12-month period that were not funded at the end of the previous financial year;

Average historical annual default rate: the five-year average of the annual default rate (obligors at the beginning of each year that are defaulted during that year/total obligor hold at the beginning of the year) is a minimum. The bank may use a longer historical period that is consistent with the bank's actual risk management practices.

Template CR10: IRB (specialised lending and equities under the simple risk-weight method)

Purpose: Provide quantitative disclosures of banks' specialised lending and equity exposures using the simple risk-weight approach.

Scope of application: The template is mandatory for banks using one of the approaches included in the template. The breakdown by regulatory categories included in the template is indicative as the data included in the template are provided by banks according to applicable domestic regulation.

Content: Carrying values, exposure amounts and RWA.

Frequency: Semiannual.

Format: Flexible. (Jurisdictions may notably amend the rows to reflect regulatory categories in their local implementation of the approach.)

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

Specialised lending											
Other than HVCRE											
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	RW	Exposure amount					RWA	Expected losses
					PF	OF	CF	IPRE	Total		
Strong	Less than 2.5 years			50%							
	Equal to or more than 2.5 years			70%							
Good	Less than 2.5 years			70%							
	Equal to or more than 2.5 years			90%							
Satisfactory				115%							
Weak				250%							
Default				–							
Total											

HVCRE							
Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	RW	Exposure amount	RWA	Expected losses
Strong	Less than 2.5 years			70%			
	Equal to or more than 2.5 years			95%			

Good	Less than 2.5 years			95%			
	Equal to or more than 2.5 years			120%			
Satisfactory				140%			
Weak				250%			
Default				–			
Total							
Equities under the simple risk-weight approach							
Categories		On-balance sheet amount	Off-balance sheet amount	RW	Exposure amount	RWA	
Exchange-traded equity exposures				190%			
Private equity exposures				290%			
Other equity exposures				370%			
Total							

Definitions

HVCRE: High-volatility commercial real estate.

On-balance sheet amount: banks must disclose the amount of exposure (net of allowances and write-offs) under the regulatory scope of consolidation.

Off-balance sheet amount: banks must disclose the exposure value without taking into account conversion factors and the effect of credit risk mitigation techniques.

Exposure amount: the amount relevant for the capital requirement's calculation, therefore after having applied CRM techniques and CCF.

Expected losses: amount of expected losses calculated according to paragraphs 377–379 of the Basel framework.

PF: Project finance

OF: Object finance

CF: Commodities finance

IPRE: Income producing real estate

Part 9:

Counterparty credit risk

Template CCRA: Qualitative disclosure related to counterparty credit risk

Template CCR1: Analysis of counterparty credit risk (CCR) exposure by approach

Template CCR2: Credit valuation adjustment (CVA) capital charge

Template CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights

Template CCR4: IRB – CCR exposures by portfolio and PD scale

Template CCR5: Composition of collateral for CCR exposure

Template CCR6: Credit derivatives exposures

Template CCR7: RWA flow statements of CCR exposures under Internal Model Method (IMM)

Template CCR8: Exposures to central counterparties

Template CCRA: Qualitative disclosure related to counterparty credit risk

Purpose: Describe the main characteristics of counterparty credit risk management (eg operating limits, use of guarantees and other CRM techniques, impacts of own credit downgrading).
Scope of application: The table is mandatory for all banks.
Content: Qualitative information.
Frequency: Annual.
Format: Flexible.

Banks must provide:	
(a)	Risk management objectives and policies related to counterparty credit risk, including:
(b)	The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures;
(c)	Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs;
(d)	Policies with respect to wrong-way risk exposures;
(e)	The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade.

Template CCR1: Analysis of counterparty credit risk (CCR) exposure by approach

Purpose: Provide a comprehensive view of the methods used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method.

Scope of application: The template is mandatory for all banks.

Content: Regulatory exposures, RWA and parameters used for RWA calculations for all exposures subject to the counterparty credit risk framework (excluding CVA charges or exposures cleared through a CCP).

Frequency: Semiannual.

Format: Fixed.

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

		a	b	c	d	e	f
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives) [19]				1.4		
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	VaR for SFTs						
6	**Total**						

Definitions

Replacement Cost (RC): For trades that are not subject to margining requirements, the RC is the loss that would occur if a counterparty were to default and was closed out of its transactions immediately. For margined trades, it is the loss that would occur if a counterparty were to default at present or at a future date, assuming that the closeout and replacement of transactions occur instantaneously. However, closeout of a trade upon a counterparty default may not be instantaneous. The replacement cost under the Current Exposure Method is described under the Basel framework, Annex 4, paragraph 92(i). The replacement cost under the standardised approach for measuring counterparty credit risk exposures is described in *The standardised approach for measuring counterparty credit risk exposures* (see footnote 18).

Potential Future Exposure is any potential increase in exposure between the present and up to the end of the margin period of risk. The potential future exposure for the Current Exposure Method is described in Basel framework, Annex 4, paragraph 92(i). The potential future exposure for the standardised approach is described in *The standardised approach for measuring counterparty credit risk exposures*.

Effective Expected Positive Exposure (EEPE) is the weighted average over time of the effective expected exposure over the first year, or, if all the contracts in the netting set mature before one year, over the time period of the longest-maturity contract in the netting set where the weights are the proportion that an individual expected exposure represents of the entire time interval (see Annex 4, paragraph 2E).

EAD post-CRM: exposure at default. This refers to the amount relevant for the capital requirements calculation having applied CRM techniques, credit valuation adjustments according to paragraph 9 of Annex 4 (as supplemented by Basel III in paragraph 105) and specific wrong-way adjustments (see Annex 4, paragraph 58).

Template CCR2: Credit valuation adjustment (CVA) capital charge

Purpose: Provide the CVA regulatory calculations (with a breakdown by standardised and advanced approaches).

Scope of application: The template is mandatory for all banks with exposures subject to CVA capital charges.

Content: Risk-weighted assets and corresponding exposures at default.

Frequency: Semiannual.

Format: Fixed

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

		a	b
		EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) VaR component (including the 3×multiplier)		
2	(ii) Stressed VaR component (including the 3×multiplier)		
3	All portfolios subject to the Standardised CVA capital charge		
4	Total subject to the CVA capital charge		

Definitions

Advanced CVA capital charge: the amount of the advanced capital charge calculated according to paragraphs 98–103 of Annex 4 of the Basel framework.

Standardised CVA capital charge: the amount of the standardised capital charge calculated according to paragraph 104 of Annex 4 of the Basel framework or with the definition provided in domestic regulation if use of external credit ratings is not permitted.

EAD post-CRM: exposure at default. This refers to the amount used for the capital requirements calculation. It is therefore the amount of the credit valuation adjustments according to paragraph 9 of Annex 4 of the Basel framework (as supplemented by Basel III in its paragraph 105) and of the specific wrong-way adjustments (see Annex 4, paragraph 58), having applied CRM techniques.

Template CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights

Purpose: Provide a breakdown of counterparty credit risk exposures calculated according to the standardised approach: by portfolio (type of counterparties) and by risk weight (riskiness attributed according to standardised approach).

Scope of application: The template is mandatory for all banks using the credit risk standardised approach to compute RWA for counterparty credit risk exposures, irrespective of the CCR approach used to determine exposure at default.

If a bank deems that the information requested in this template is not meaningful to users because the exposures and RWA amounts are negligible, the bank may choose not to disclose the template. The bank is, however, required to explain in a narrative commentary why it considers the information not to be meaningful to users, including a description of the exposures in the portfolios concerned and the aggregate total of RWAs amount from such exposures.

Content: Credit exposure amounts.

Frequency: Semiannual.

Format: Fixed.

(The rows and columns may be amended at jurisdiction level to reflect different exposure categories required as a consequence of the local implementation of the standardised approach.)

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

	a	b	c	d	e	f	g	h	i
Risk weight*,** Regulatory portfolio*	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns									
Non-central government public sector entities (PSEs)									
Multilateral development banks (MDBs)									
Banks									
Securities firms									
Corporates									
Regulatory retail portfolios									
Other assets									
Total									

**The breakdown by risk weight and regulatory portfolio included in the template is for illustrative purposes. Banks may complete the template with the breakdown of asset classes according to the local implementation of the Basel framework.*

***Banks subject to the simplified standardised approach should indicate risk weights determined by the supervisory authority in the columns.*

Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

Other assets: the amount excludes exposures to CCPs, which are reported in CCR8.

Template CCR4: IRB – CCR exposures by portfolio and PD scale

Purpose: Provide all relevant parameters used for the calculation of counterparty credit risk capital requirements for IRB models.

Scope of application: The template is mandatory for banks using an AIRB or FIRB approach to compute RWA for counterparty credit risk exposures, whatever CCR approach is used to determine exposure at default. Where a bank makes use of an FIRB approach for certain exposures and an AIRB approach for others, it must disclose two separate sets of portfolio breakdown in two separate templates.

To provide meaningful information, the bank must include in this template the key models used at the group-wide level (according to the scope of regulatory consolidation) and explain how the scope of models described in this template was determined. The commentary must include the percentage of RWAs covered by the models shown here for each of the bank's regulatory portfolios.

Content: RWA and parameters used in RWA calculations for exposures subject to the counterparty credit risk framework (excluding CVA charges or exposures cleared through a CCP) and where the credit risk approach used to compute RWA is an IRB approach.

Frequency: Semiannual.

Format: Fixed. Columns and PD scales in the rows are fixed. However, the portfolio breakdown shown in the rows will be set by each jurisdiction to reflect the exposure categories required under local implementations of IRB approaches.

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

		a	b	c	d	e	f	g
	PD scale	EAD post-	Average PD	No. of obligors	Average LGD	Average	RWA	RWA
Portfolio X								
	0.00 to <0.15							
	0.15 to <0.25							
	0.25 to <0.50							
	0.50 to <0.75							
	0.75 to <2.50							
	2.50 to <10.00							
	10.00 to <100.00							
	100.00 (Default)							
	Sub-total							
Total (sum of portfolios)								

Definitions

Rows

Portfolio X refers to the following prudential portfolios for the FIRB approach: (i) Sovereign; (ii) Banks; (iii) Corporate; and the following prudential portfolios for the AIRB approach: (i) Sovereign; (ii) Banks; (iii) Corporate. The information on FIRB and AIRB portfolios must be reported in separate templates.

Default: The data on defaulted exposures may be further broken down according to a jurisdiction's definitions for categories of defaulted exposures.

Columns

PD scale: Exposures shall be broken down according to the PD scale used in the template instead of the PD scale used by banks in their RWA calculation. Banks must map the PD scale they use in the RWA calculations to the PD scale provided in the template;

EAD post-CRM: exposure at default. The amount relevant for the capital requirements calculation, having applied the CCR approach and CRM techniques, but gross of accounting provisions;

Number of obligors: corresponds to the number of individual PDs in this band. Approximation (round number) is acceptable;

Average PD: obligor grade PD weighted by EAD;

Average LGD: the obligor grade LGD weighted by EAD. The LGD must be net of any CRM effect;

Average maturity: the obligor maturity weighted by EAD;

RW density: Total risk-weighted assets to EAD post-CRM.

Template CCR5: Composition of collateral for CCR exposure

Purpose: Provide a breakdown of all types of collateral posted or received by banks to support or reduce the counterparty credit risk exposures related to derivative transactions or to SFTs, including transactions cleared through a CCP.

Scope of application: The template is mandatory for all banks.

Content: Carrying values of collateral used in derivative transactions or SFTs, whether or not the transactions are cleared through a CCP and whether or not the collateral is posted to a CCP.

Frequency: Semiannual.

Format: Flexible (the columns cannot be altered but the rows are flexible).

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency						
Cash – other currencies						
Domestic sovereign debt						
Other sovereign debt						
Government agency debt						
Corporate bonds						
Equity securities						
Other collateral						
Total						

Definitions

Segregated refers to collateral which is held in a bankruptcy-remote manner according to the description included in paragraphs 200–203 of the *Capital requirements for bank exposures to central counterparties*, April 2014.

Unsegregated refers to collateral that is not held in a bankruptcy-remote manner.

Template CCR6: Credit derivatives exposures

Purpose: Illustrate the extent of a bank's exposures to credit derivative transactions broken down between derivatives bought or sold.

Scope of application: This template is mandatory for all banks.

Content: Notional derivative amounts (before any netting) and fair values.

Frequency: Semiannual.

Format: Flexible (the columns are fixed but the rows are flexible).

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

	a	b
	Protection bought	Protection sold
Notionals		
Single-name credit default swaps		
Index credit default swaps		
Total return swaps		
Credit options		
Other credit derivatives		
Total notionals		
Fair values		
Positive fair value (asset)		
Negative fair value (liability)		

Template CCR7: RWA flow statements of CCR exposures under Internal Model Method (IMM)

Purpose: Present a flow statement explaining changes in counterparty credit risk RWA determined under the Internal Model Method for counterparty credit risk (derivatives and SFTs).

Scope of application: The template is mandatory for all banks using the Internal Model Method for measuring exposure at default of exposures subject to the counterparty credit risk framework, irrespective of the credit risk approach used to compute RWA from exposures at default.

Content: Risk-weighted assets corresponding to counterparty credit risk (credit risk shown in CR8 is excluded). Changes in RWA amounts over the reporting period for each of the key drivers should be based on a bank's reasonable estimation of the figure.

Frequency: Quarterly.

Format: Fixed. Columns and rows 1 and 9 are fixed. Banks may add additional rows between rows 7 and 8 to disclose additional elements that contribute to RWA variations.

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant change over the reporting period and the key drivers of such changes.

		a
		Amounts
1	**RWA as at end of previous reporting period**	
2	Asset size	
3	Credit quality of counterparties	
4	Model updates (IMM only)	
5	Methodology and policy (IMM only)	
6	Acquisitions and disposals	
7	Foreign exchange movements	
8	Other	
9	**RWA as at end of current reporting period**	

Asset size: organic changes in book size and composition (including origination of new businesses and maturing exposures) but excluding changes in book size due to acquisitions and disposal of entities.

Credit quality of counterparties: changes in the assessed quality of the bank's counterparties as measured under the credit risk framework, whatever approach the bank uses. This row also includes potential changes due to IRB models when the bank uses an IRB approach.

Model updates: changes due to model implementation, changes in model scope, or any changes intended to address model weaknesses. This row addresses only changes in the IMM model.

Methodology and policy: changes due to methodological changes in calculations driven by regulatory policy changes, such as new regulations (only in the IMM model).

Acquisitions and disposals: changes in book sizes due to acquisitions and disposal of entities.

Foreign exchange movements: changes driven by changes in FX rates.

Other: this category is intended to be used to capture changes that cannot be attributed to the above categories. Banks should add additional rows between rows 7 and 8 to disclose other material drivers of RWA movements over the reporting period.

Template CCR8: Exposures to central counterparties

Purpose: Provide a comprehensive picture of the bank's exposures to central counterparties. In particular, the template includes all types of exposures (due to operations, margins, contributions to default funds) and related capital requirements.

Scope of application: The template is mandatory for all banks (once it becomes applicable, ie from 1 January 2017).

Content: Exposures at default and risk-weighted assets corresponding to exposures to central counterparties.

Frequency: Semiannual.

Format: Fixed. Banks are requested to provide a breakdown of the exposures by central counterparties (qualifying, as defined below, or not qualifying).

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

		a	b
		EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**		
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC derivatives		
4	(ii) Exchange-traded derivatives		
5	(iii) Securities financing transactions		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Pre-funded default fund contributions		
10	Unfunded default fund contributions		
11	**Exposures to non-QCCPs (total)**		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13	(i) OTC derivatives		
14	(ii) Exchange-traded derivatives		
15	(iii) Securities financing transactions		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Pre-funded default fund contributions		
20	Unfunded default fund contributions		

Definitions

Exposures to central counterparties: This includes any trades where the economic effect is equivalent to having a trade with the CCP (eg a direct clearing member acting as an agent or a principal in a client-cleared trade). These trades are described in paragraphs 192–203 of *Capital requirements for bank exposures to central counterparties*, April 2014.

EAD post-CRM: exposure at default. The amount relevant for the capital requirements calculation, having applied CRM techniques, credit valuation adjustments according to paragraph 9 of Annex 4 of the Basel framework (as supplemented by Basel III, paragraph 105) and specific wrong-way adjustments (see Annex 4, paragraph 58).

A *qualifying central counterparty* (QCCP) is an entity that is licensed to operate as a CCP (including a licence granted by way of confirming an exemption), and is permitted by the appropriate regulator/overseer to operate as such with respect to the products offered. This is subject to the provision that the CCP is based and prudentially supervised in a jurisdiction where the relevant regulator/overseer has established, and publicly indicated, that it applies to the CCP on an ongoing basis, domestic rules and regulations that are consistent with the CPSS-IOSCO *Principles for Financial Market Infrastructures*. See BCBS, *Capital requirements for bank exposures to central counterparties*, April 2014, for the comprehensive definition and associated criteria.

Initial margin means a clearing member's or client's funded collateral posted to the CCP to mitigate the potential future credit exposure of the CCP to the clearing member arising from the possible future change in the value of their transactions. For the purposes of this template, initial margin does not include contributions to a CCP for mutualised loss-sharing arrangements (ie in cases where a CCP uses initial margin to mutualise losses among the clearing members, it will be treated as a default fund exposure).

Prefunded default fund contributions are prefunded clearing member contributions towards, or underwriting of, a CCP's mutualised loss-sharing arrangements.

Unfunded default fund contributions are unfunded clearing member contributions towards, or underwriting of, a CCP's mutualised loss-sharing arrangements.

Segregated refers to collateral which is held in a bankruptcy-remote manner according to the description included in paragraphs 200– 203 of the *Capital requirements for bank exposures to central counterparties,* April 2014.

Unsegregated refers to collateral that is not held in a bankruptcy-remote manner.

Part 10:
Securitisation

Template SECA: Qualitative disclosure requirements related to securitisation exposures

Template SEC1: Securitisation exposures in the banking book

Template SEC2: Securitisation exposures in the trading book

Template SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor

Template SEC4: Securitisation exposures in the banking book and associated capital requirements – bank acting as investor

The scope of the securitisation[20] section:

- covers all securitisation exposures[21] in Table SEC-A and in templates SEC1 and SEC2;
- focuses on banking book securitisation exposures subject to capital charges according to the securitisation framework in templates SEC 3 and SEC 4; and
- excludes capital charges related to securitisation positions in the trading book that are reported in Part 7 – Market risk.

Only securitisation exposures that meet the criteria for risk transfer recognition are disclosed in templates SEC3 and SEC4. Conversely, all securitisation exposures, including those that do not meet the risk transfer recognition criteria, are reported in templates SEC1 and SEC2. As a result, templates SEC1 and SEC2 may include exposures that are subject to capital requirements according to both the credit risk and market risk frameworks and that are also included in other parts of the Pillar 3 report. There is no double-counting of capital requirements as templates SEC3 and SEC4 are limited to exposures subject to the securitisation framework.

Securitisation refers to the definition of what constitutes a securitisation under the Basel framework. Securitisation exposures correspond to securitisation exposures as defined in the Basel framework. According to this framework, securitisation exposures can include, but are not restricted to, the following: asset-backed securities, mortgage-backed securities, credit enhancements, liquidity facilities, interest rate or currency swaps, credit derivatives and tranched cover as described in paragraph 199 of the Basel II framework. Reserve accounts, such as cash collateral accounts, recorded as an asset by the originating bank must also be treated as securitisation exposures. Securitisation exposures refer to retained or purchased exposures and not to underlying pools.

Template SECA: Qualitative disclosure requirements related to securitisation exposures

Not applicable.

Template SEC1: Securitisation exposures in the banking book

Not applicable.

Template SEC2: Securitisation exposures in the trading book

Not applicable.

Template SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor

Not applicable.

Template SEC4: Securitisation exposures in the banking book and associated capital requirements – bank acting as investor

Not applicable.

Template SECA: Qualitative disclosure requirements related to securitisation exposures

Not applicable.

Template SEC1: Securitisation exposures in the banking book

Not applicable.

Template SEC2: Securitisation exposures in the trading book

Not applicable.

Template SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor

Not applicable.

Template SEC4: Securitisation exposures in the banking book and associated capital requirements – bank acting as investor

Not applicable.

Part 11:

Market risk

Template MRA: General qualitative disclosure requirements related to market risk

Template MR1: Market risk under the SA

Template MRB: Qualitative disclosures for banks using the IMA

Template MRC: The structure of desks for banks using IMA

Template MRA: General qualitative disclosure requirements related to market risk

Not applicable.

Template MR1: Market risk under the SA

Not applicable.

Template MRB: Qualitative disclosures for banks using the IMA

Not applicable.

Template MRC: The structure of desks for banks using IMA

Not applicable.

Template MR2: Market risk IMA per risk type

Not applicable.

Template MR3: RWA flow statements of market risk exposures under the IMA

Not applicable.

Part 12:

Interest rate risk in the banking book

Template IRRBBA: IRRBB risk management objectives and policies

Template IRRBB1: Quantitative information on IRRBB

Template IRRBBA: IRRBB risk management objectives and policies

Purpose: Provide a description of the risk management objectives and policies concerning IRRBB.	
Scope of application: Mandatory for all banks within the scope of application set out in Section III of *interest rate risk in the banking book* (April 2016).	
Content: Qualitative and quantitative information. Quantitative information is based on the daily or monthly average of the year or on the data as at the reporting date.	
Frequency: Annual.	
Format: Flexible.	
Qualitative disclosure	
a	A description of how the bank defines IRRBB for purposes of risk control and measurement.
b	A description of the bank's overall IRRBB management and mitigation strategies. Examples are: monitoring of economic value of equity (EVE) and net interest income (NII) in relation to established limits, hedging practices, conduct of stress testing, outcome analysis, the role of independent audit, the role and practices of the ALCO, the bank's practices to ensure appropriate model validation, and timely updates in response to changing market conditions.
c	The periodicity of the calculation of the bank's IRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB.
d	A description of the interest rate shock and stress scenarios that the bank uses to estimate changes in the economic value and in earnings.
e	Where significant modelling assumptions used in the bank's internal measurement systems (IMS) (ie the EVE metric generated by the bank for purposes other than disclosure, eg for internal assessment of capital adequacy) are different from the modelling assumptions prescribed for the disclosure in Template IRRBB1, the bank should provide a description of those assumptions and their directional implications and explain its rationale for making those assumptions (eg historical data, published research, management judgment and analysis).
f	A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment.
g	A high-level description of key modelling and parametric assumptions used in calculating ΔEVE and ΔNII in Table B, which includes: • For ΔEVE, whether commercial margins and other spread components have been included in the cash flows used in the computation and discount rate used. • How the average repricing maturity of non-maturity deposits has been determined (including any unique product characteristics that affect assessment of repricing behaviour). • The methodology used to estimate the prepayment rates of customer loans, and/or the early withdrawal rates for time deposits, and other significant assumptions. • Any other assumptions (including for instruments with behavioural optionalities that have been excluded) that have a material impact on the disclosed ΔEVE and ΔNII in Table B, including an explanation of why these are material. • Any methods of aggregation across currencies and any significant interest rate correlations between different currencies.
h	(Optional) Any other information which the bank wishes to disclose regarding its interpretation of the significance and sensitivity of the IRRBB measures disclosed and/or an explanation of any significant variations in the level of the reported IRRBB since previous disclosures.

None.

Template IRRBB1: Quantitative information on IRRBB

In reporting currency	ΔΔΔΔΔΔΔΔ		ΔΔΔΔΔΔ ΔΔ	
Period	**T**	**T–1**	**T**	**T–1**
Parallel up			11 237	9 021
Parallel down			-21 849	-18 126
Steepener				
Flattener				
Short rate up			2%	2%
Short rate down			-2%	-2%
Maximum				
Period	**T**		**T–1**	
Tier 1 capital	314 226		280 051	

Part 13:

Remuneration

Template REMA: Remuneration policy

Template REM1: Remuneration awarded during the financial year

Template REM2: Special payments

Template REM3: Deferred remuneration

Template REMA: Remuneration policy

1. PURPOSE

The purpose of the compensation and rewards policy is to implement guiding principles for a standardized approach in the application of remuneration and benefits practices by line managers and Human Resources staff within Ithala.

2. SCOPE

This is a customized version of the approved Ithala Group policy, and it only applies at Ithala SOC Limited.

3. RELATED POLICIES AND CODES

3.1 Internal References:

3.1.1 Employment Policy

3.1.2 Talent Development Policy

3.1.3 Remunerations and Benefits Procedures

3.1.4 Performance and Succession Management Policy

3.1.5 Employee Wellness Policy

3.1.6 Employee Wellness Procedures

3.1.7 General Conditions of Employment

3.2 External Reference:

3.2.1 SABPP HR Professional Practice 2015

3.2.2 Best Practices-Remuneration- SABPP 2012

3.2.3 Employment Equity Act

3.2.4 Labour Relations Act

3.2.5 Pension / Provident Fund Act 24 of 1956

3.2.6 SARS Guide for Employers

3.2.7 Basic Conditions of Employment Act

3.2.8 UIF Act

4. DEFINITIONS / ABBREVIATIONS

4.1 **'Defined Contribution Provident Fund':** A Defined Contribution Fund does not undertake to provide a specific benefit and the benefit payable is influenced by investment performance. In this fund the member carries the risk.

4.2 **‘Defined Contribution Pension Fund’:** A Defined Contribution Fund does not undertake to provide a specific benefit and the benefit payable is influenced by investment performance. In this fund the member carries the risk.

4.3 **‘Defined Benefit Provident Fund’:** A Defined Benefit Fund undertakes to provide a specific retirement benefit in terms of the rules of the fund. In this fund the employer carries the risk.

4.4 **‘Injury on duty’ means** and accident arising from or during the course of employment, resulting in personal injury, illness, or death of an employee.

4.5 **HRSEC:** Human Resource Social & Ethics Committee of the Board

4.6 **‘Salary’ – C5 and below** means Salary and other benefits.

4.7 **‘Salary’ – D1 and above** means total cost to company package will be used.

4.8 **‘Short-term incentives’** means incentives that are applicable for up to one year, such as **incentive target, discretionary bonus,** and **profit share** and up to the discretion of the HRC.

5. ROLES AND RESPONSIBILITIES

5.1 The Chief Executive Officer is ultimately accountable for the company, and each line manager will be responsible for effectively managing the resources of their department and so will be engaged directly to make recommendations in all remuneration discussions that affect their subordinates, based on competence levels and subject to agreed guidelines.

5.2 The Human Resources Division is responsible for guidance and is the custodian of compliance, legislation, and management reports.

6. POLICY

6.1 REMUNERATION

6.1.1 Remuneration Philosophies

i. Remuneration will be managed at all times, to be both externally and internally equitable

ii. The remuneration system will be sufficiently flexible so as to provide managers at all levels with a tool which can be used to attract, retain and motivate staff of the calibre that is needed to achieve organizational goals

iii. Remuneration practices will be open and transparent at a policy level, but will respect the confidentiality of the remuneration of the individual.

iv. Remuneration will be paid in 12 monthly instalments on the 25th day of the month unless it falls on the weekend or a Public Holiday. In such instances it will be paid on a day proceeding such days.

6.1.2 Remuneration benchmarking

i. Ithala's policy is to perform a remuneration benchmarking exercise regularly, normally every two to three years. This will be mandated by the HRRC.

ii. This practice compares internal salary data points to external data points to obtain a perspective of how competitive an organisation's remuneration position is, and uses the job description and job evaluation as inputs.

iii. The job description will describe the content of what the person in the job does and may include other related information such as the requirements to execute the job successfully and will include the following components:

a) Job Title
b) Division/Department/Unit
c) Purpose Statement
d) Organogram Structure
e) Outputs/Key Result Areas
f) Qualification and Experience
g) Competencies

iv. Remuneration levels in market data sources (surveys) are typically shown in percentiles which are defined as follows:

10th Percentile	90% of the sample earns less and 10% earns more than this salary level
Lower Quartile	75% of the sample earns more and 25% earns less than this salary level
Median	50% of the sample earns more and 50% earns less than this salary level
Upper Quartile	25% of the sample earns more and 75% earns less than this salary level
90th Percentile	10% of the sample earns more and 90% earns less than this salary level

v. The Human Resources Unit will review salary benchmarking results and submit proposals for consideration by Executive Committee who will make recommendations to the HRSEC.

6.1.3 Commencing Salaries

i. The appropriate salary range as per salary benchmarking must be determined. It is policy to recruit up to the 50th percentile of the job benchmarking. The final offer is determined by the line authority in concurrence with the Head: Human Resources or Human Resources representative.

ii. The divisional manager is required to obtain special approval for any offer higher than the 50th percentile as per Delegated powers of authority. The offer must be within reason after taking operational and business factors into account such as critical skills shortages.

6.1.4 Job Evaluation/Grading

i. Job evaluation is the process of determining, without regard for personalities or personal competencies, the worth of one job relative to another and of measuring the intrinsic worth of the job.

ii. All positions will be evaluated using the approved job evaluation system and referenced to other recognized grading systems.

iii. Unions will observe on bargaining unit positions and will not have voting powers.

iv. The job profiles will be the reference point in evaluation jobs, with input from the responsible manager, and where necessary, the job incumbent. Critical and scarce skills, decision making, complexity of the job and required experience and qualification will be taken into account.

v. Re-evaluation will be undertaken periodically, unless there is a significant change in job content, which may require immediate re-evaluation. Such re-evaluation also applies to positions earmarked as temporary appointments or short term or fixed term appointments

6.1.5 Remuneration and Benefits per employment category

i. The remuneration of employees in grade C and below will be contracted on the basis of salary plus benefits (BASE salary plus benefits package basis), whilst jobs graded D and above will be on a total cost of employment.

ii. Total cost of employment is defined as basic annual salary plus benefits. Total cost to company does not include the value of leave or operational allowances.

iii. Employees on grade D and above will be allowed flexibility to structure their cost of employment packages to suit their needs within the parameters of the Income Tax Act, Ithala policies and other regulations.

iv. A summary of the salary basis and allowable benefits per employee category are shown in Table 1:

Table 1: Summary of Salary Basis and Benefits:

Employee Category	**Salary Basis**	**Benefits (excluding operational benefits)**
Grades A to C	Total Base Salary= Basic Salary+ Guaranteed 13th Cheque	Employer's contributions to retirement fund Employer's contribution to Medical Aid Housing Allowance Vehicle Allowance (Incidental to trade)

Managers and Professionals D and higher	Total Cost To Company	Employers contributions to retirement fund (which includes Group life) Employers contribution to Medical Aid Travel allowance All allowances not defined as operational allowances An additional benefit which is not structured in total cost to company is a potential short-term incentive bonus or performance rewards which is at the discretion of management.

6.1.6 Operational Allowances

i. Operational allowances are excluded from total cost of employment and include Standby allowance, Acting allowance, Overtime, Shift allowance, Cell phone allowance, Travel costs, Relocation allowance and Vehicle allowance

ii. The payment of operational allowances takes place in accordance with the policies applicable for such an allowance.

6.1.7 Structuring of Total Cost of Employment from Grade D and above

An employee on grade D and above can structure the package provided that is in writing and implemented on the first month following the acceptance of offer.

6.1.7.1 The following elements can be used to structure a package:

I. Benefit schemes. Membership of retirement and medical aid schemes is compulsory for all employees in permanent employment.

II. Travel Allowance. Employee’s position must require the use of private vehicle for the execution of the functions and duties, and largely governed by the directives of South African Receiver of Revenue. Employees are obligated to provide own vehicle for travel on behalf of

Ithala. An employee may take 30% of monthly package as a vehicle allowance and it shall be his / her responsibility to give applicable proof to SARS at income tax year end.

III. Employees may structure their package to provide for a once off annual payment or bonus of the equivalent value as part of monthly remuneration, provided that where the provision of annual bonus is selected the following applies:

a. Bonus year is December to November;

b. The amount of the bonus is one twelfth of the retirement funding income (RFI) of the bonus cycle;

c. The bonus is paid at the end of November; and

d. The accumulated bonus is paid on termination of service.

6.1.8 Annual Cost of Living Adjustments

i. Remuneration will be adjusted annually on 1st of April by means of a cost of living adjustment that is considerate of inflation forecast and through collective bargaining process (where it is relevant).

ii. Adjustments for managers and professionals at D band and higher will be based on Total Cost To Company aadjustments. Adjustments for employees C and lower will be based on the basic salary, with benefits that are adjusted according to policy or collective agreements.

iii. The Chief Financial Officer will ensure that annual adjustments to the pay structure have been budgeted for. Divisional budgets should include rewards and incentives for employees that occupy positions that are graded C band and below.

6.1.9 Performance Reward

i. Rewards for performance shall be paid in the form of notch increments for A-C Bands and shall be determined by the notches adopted within the pay scales and shall be linked to Performance Management. This shall be considered on an annual basis, provided that implementation shall be effective 1 April annually.

ii. Reward for Performance related increments for D - F Band is discretionary based on the performance of the individual, the business unit and the entity. They shall be approved by the Remunerations Committee of the Board. Such increments shall be considered on an annual basis, provided that the implementation shall be done annually effective from 1 April every year or as per instruction from the Remuneration Committee.

iii. Employees shall be required to have completed a minimum of six (6) months service to become eligible for such performance related increments.

vi. Performance related increments that result in employee's salary pay rates exceeding the maximum pay rates, shall result in such an employee being paid a once off lump payment. Differential salary notches for employees in grades A to C will apply as follows:

1. The notches are effective after 5 years of service with the organisation.

2. The notches are four amounts, between the minimum and maximum salary, of each grade, for employees, starting from 6 to 10 years of service.

3. The performance notch will be afforded after an employee has reached the maximum scale. This will ensure that an employee is rewarded for performance and not only receive the approved annual percentage increase.

vii. The salary notch within the relevant grades is based on performance. Qualifying employees must have completed 2 performance reviews and acquired an average rating of 3 or above over the four quarters to qualify to move up a notch.

viii. Recognition of appropriate experience for the purpose of notch progression.

ix. Recognition of performance for accelerated progression and pay progression within salary grade.

6.1.10 Adhoc Increases

i. Adhoc increases will be given on approval by Human Resources in consultation with the Chief Executive Officer.

ii. Adhoc increases will be considered twice annually in April and October, unless it's for retention purposes wherein an employee resigns and that department wants to retain them.

6.1.11 Human Resources Remuneration/ Remuneration Committee

i. The REMCO will:

a. Mandate regular benchmarking exercises and consider recommendations made by the Executive Committee based on the results.

b. Facilitate the development, implementation and review of remuneration-related strategies

c. Give guidance, technical support and make recommendations to EXCO and HRRC on remuneration and benefits issues

d. Develop and implement a communication strategy for remuneration and benefits related issues

e. Ensure that support tools and documentation are available to ensure ease of cost modelling, financial planning, etc.

f. The HRRC/ REMCO will mandate the review of Ithala's remuneration strategies every three (3) years to ensure that systems and practices remain current and appropriate in supporting its strategic business

ii. To facilitate budgetary planning and mandating processes for salary and wage negotiations, the Human Resources will facilitate the preparation of report(s) for consideration by EXCO.

iii. Reports referred to above will include:

a. Market surveys

b. Cost of living and / or inflation

c. Affordability of an adjustment to the pay structure

d. Local and national collective agreements on adjustment of remuneration

6.1.12 Overtime

6.1.13 Overtime is paid to employees from Grades A – C as per Basic Conditions of Employment Act, for work that cannot be carried out during normal working hours. The payment of overtime worked during weekends and Public Holidays.

6.1.12.1. Ordinary Working Days

i. An employee shall be paid at **one and one-half (1½)** times the relevant hourly rate.

ii. An employee may not be required to work more than **ten (10) hours equalling 40pm** overtime a **week,** unless it is by agreement.

iii. An agreement may not require an employee to work more than **twelve** (**12**)

hours overtime on any day.

6.1.12.2. Sundays

i. An employee shall be paid at twice the relevant hourly rate for the whole time worked, **unless**:

  a. An employee normally works on a **Sunday** (e.g. Security Guards), in which case such an employee shall be paid at **one and one-half (1½)** times of the applicable the wage.

  b. An employee works less than the ordinary shift on **Sunday** and **double** payment for each hour worked is less than the employee's ordinary daily wage, in which case the employee shall be paid the employee's ordinary daily wage.

ii. If a shift worked by an employee falls on a **Sunday** and another day, the whole shift is deemed to have been worked on a **Sunday**, unless a greater portion of the shift was worked on the other day, in which case the whole shift is deemed to have been on the other day.

6.1.12.3. Public Holidays

i. An employee who works on a public holiday shall be paid at **double** the wage the employee would ordinarily have received for work on that day.

ii. If a shift worked by an employee falls on a public holiday and another day, the whole shift is deemed to have been worked on the public holiday. However, if the greater portion of the shift is worked on the day other than the holiday, the whole shift is deemed to have been worked and payable where more hours have been accumulated.

6.1.12.4. Time off

By agreement, an employee will be granted paid time off in terms of overtime worked.

6.2 Ithala Pension and Provident Funds

6.2.1. Normal Retirement Age

i. **DC Pension Fund** - All members retire at age 65 years.

ii. **DC Provident Fund** - All members retire at age 65 years.

iii. **DB Provident Fund** - All members retire between the ages of 55 years and 60 years.

6.2.2. Contributions

i. All members contribute 7.5% of pensionable salary to the funds and Ithala contributes inclusive of risk benefit as follows:

- For Defined provident contribution fund = 12,19%
- For Defined pension contribution fund = 12,66%
- For Defined benefit provident fund = 18,28%

ii. Risk benefit rates are reviewed annually, currently all risk insurances are with Old Mutual.

iii. Members on D band and above package contribute the full premium as this is included in the total package, i.e. 7.5% plus company portion applicable to fund to which they belong.

iv. All contributions are made on a salary sacrifice basis, i.e. tax is calculated after these amounts are deducted.

v. The rates for all provident and pension employer contribution are reviewed annually in August after risk rates reviews.

6.2.3. Contribution Rates

Band	**Percentage rate**
D	65%

E	70%
F	100%

6.2.4. Early Retirement:

Employees can opt to take early retirement depending on the rules of their subscribed pension or provident fund. These are as follows:

i. DC Pension Fund – Employee can retire up to 15 years before normal retirement date.

ii. DC Provident Fund – Employee may retire between 55 years and 65 years.

iii. DB Provident Fund – Employee may retire 5 years before normal retirement age which is 60 years, i.e. between 55 years and 60 years

6.3 Medical aid

6.3.1 All employees of Ithala must belong to an officially appointed Medical Aid Scheme i.e. subject to their rule (unless proof is given of membership to their spouses' medical aid). Ithala carries out an annual review of Medical Aids to ensure the schemes chosen are the best cover for cost to employees. All A- C band employees who join their spouses' medical scheme will not be subsidized and proof of membership must be given to HR Remuneration and Benefits Division annually.

6.3.2 All applications for membership of the schemes must be completed prior to date of engagement and reach HR Remunerations and Benefits Division on the date of commencement with Ithala. Summaries of Medical Schemes will be included in the employee's appointment documentation. Contact details of medical broker will be available from Human Resources should employee require further discussion on funds or assistance with plan choice.

6.3.3 Every January the employees will be given the opportunity to revise their medical aid plans from the available schemes.

6.3.4 Prior to making changes / relinquishing membership of the current scheme, employees are advised to acquaint themselves with the rules of the schemes, e.g. waiting periods, exclusion of certain benefits due to health conditions, age restrictions, etc.

6.3.5 Subsidy on Retirement

i. Employees, who became members before 1 September 1998, qualify to receive a 100% Ithala subsidy.
ii. Employees, who became members after 1 September 1998, but before 01 August 2000, qualify to receive 4% of Ithala subsidy for every completed year of service prior to retirement.
iii. All employees who joined the schemes from 1 August 2000, do not qualify to receive an Ithala subsidy at retirement.

6.3.6 Ithala medical aid contributions are revised annually and are payable from January in line with the approval by Ithala Executive Committee.

6.4 Allowance and reimburse tariffs

6.4.1 The Incidental Allowance will be reimbursed at an hourly rate for full period away in Ithala business based on the total number of completed hours that employees are away on Ithala business.

6.4.2 Where employees are required to stay overnight, but do not reside at any recognised hotel, a Casual Subsistence Allowance and Incidental Allowance will be paid. No proof of expenditure will be required.

6.4.3 Where, on successive nights, employees stay at different venues (i.e., recognised hotels versus other places of residence), employees will be reimbursed.

6.4.4 The various methods of reimbursement are regarded as the maximum tariffs. Executives have the discretion to determine which hotels they will recognise and also to reduce the tariffs payable to employees should it become evident that it is being used for undue enrichment of employees.

6.4.5 Note: Should circumstances necessitate that an employee stay in a 4 or 5 star hotel, approval must be obtained from the responsible Executive, prior to the time of departure.

6.4.6 General Subsistence Allowance: The actual accommodation expenses at recognised hotels, inclusive of breakfast, dinner (up to a maximum of an approved applicable rate by Executive Management per dinner, excluding bar expenses) and parking overnight will be reimbursed. Applicable proof shall be attached to claim.

6.4.7 Where employees are required to travel away from their normal place of work, during day-time, a Refreshment Allowance will be paid for extended periods exceeding 12 hours to a maximum of an approved applicable rate by Executive Management based on a maximum of up to 15% of the overnight allowance allowed by the Receiver of Revenue. Proof of expenditure will be required.

6.4.8 Travel Tariffs

It is the policy of **Ithala** that:

a. Employees will be reimbursed for the use of their private or subsidised vehicles for business purposes, at tariffs based on Department of Transport rates**,** reviewed quarterly in March, June, September and December, and approved by the CEO.

b. Employees on grades A to C who receive a monthly vehicle allowance will be reimbursed at the combined total for Sub Scheme A plus Sub Scheme C**,** i.e. they will be reimbursed for the cost of fuel per kilometre only.

c. Business travel claims for business kilometres will be based on the kilometres from the employee's work place to the business destination i.e. if the claim from workplace to business destination is within the 10kms radius that should be the maximum of the claim.

6.4.9 **Foreign Travel**

a. Allowances and reimbursements are provided to employees whilst away from home, on foreign travel, for Ithala business.

Foreign Travel Reimbursement: Fixed daily allowance – up to a maximum of an approved applicable rate by Executive Management per day (No receipts are required for this allowance).

b. The definition of foreign travel, excludes travelling to **Lesotho, Swaziland, Botswana, Zimbabwe, Mozambique and Namibia.**

c. Fixed daily allowances to cover the cost of meals, "convenience" travel (e.g., taxis), refreshments, private telephone calls etc., will be provided. Currently different allowances apply for Far East and Europe travel. However, where an employee has been invited to a foreign country and the host bears the cost of:

i. All meals, then 33% of the fixed daily allowance will apply; and

ii. Meals, excluding supper, then 67% of the fixed daily allowance will apply

iii. The allowance for travel to the USA will be the same as that of Europe. Allowances for trips to countries in Africa are to be based on the above, but are to be determined prior to a trip taking place.

d. A **reserve allowance** will be allowed to cover any incidental unexpected costs e.g., medical expenses, the replacement of lost or stolen clothing etc., which will be refundable to **Ithala** upon the return of the employee.

e. **Ithala** will pay, on submission of adequate proof:

i. airport taxes;

ii. hotel room / accommodation costs (bed, overnight only);

iii. inter-city travel costs, where such travel is not part of the original travel plan, and where such expenses were incurred for business purposes;

iv. Reasonable business entertainment costs and airport to hotel travel costs.

f. All air travel by the Chief Executive Officer will be business class and employees travelling internationally, in excess of 5 hours, may travel on business class.

Employees traveling with the Chief Executive Officer may not travel business class.

6.4.10 Vehicle Allowance - C Band and Below

a. Employees whose position requires a vehicle as a "Tool of Trade" the position requires business travel for certain functions to be carried out, travelling in excess of 1 200 km per month, will receive a vehicle allowance, unless the employee is promoted or demoted.

b. The vehicle allowance is intended to assist with the monthly instalments on the vehicle, insurance and wear and tear, and will be paid for a four year cycle from 1 June 2015 / date of inception. Travel claims will be reviewed annually to ensure that employee is travelling in excess of 1 200 kms per month and where this no longer applies; the vehicle allowance will be terminated at the end of the four year cycle.

c. Vehicle allowances will be reviewed on an annual basis.

d. It is the responsibility of employees to include in their Income Tax Returns all relevant information relating to the vehicle for which they are receiving an allowance and to keep a log book.

6.4.11 Vehicle Allowance - D Band and higher

a. All D Band and higher employees' vehicle allowance forms part of the Remuneration Package.

b. Employees are allowed up to **30%** of the Remuneration Package for vehicle allowance.

c. In terms of **Income Tax** legislation, the onus is on the employer to deduct tax on the remuneration and / or payment in kind, from the tax payer. **Ithala** will, therefore, deduct the applicable tax for all allowances and reimbursements made to employees on the **VA Scheme**.

d. It is the responsibility of employees to include in their **Income Tax Returns** all relevant information relating to the vehicle for which they are receiving an allowance and to keep a log book.

6.5 Reimbursement of cellular phone payment *Ithala will reimburse*

6.5.1. Ithala will reimburse employees for the following amounts inclusive of VAT:

i. The monthly subscription cost.
ii. The cost of an itemised billing printout.
iii. Usage of smartphones for work emails utilising data bundles
iv. The cost of business calls.

6.5.2. The reimbursement for all costs referred to in point 1.1 will be limited to up to a maximum of an approved applicable rate by Executive Management. Any costs in excess of the approved rate will be for the employee's account.

6.5.3. Should staff and / or Ithala negotiate discounts to the standard contract, this to be for the benefit of Ithala and for call costs to the benefit of both staff and Ithala. Should other discounts be negotiated the CEO, in consultation with the Head: Information Technology shall decide who should benefit.

6.5.4. Notwithstanding paragraph 1.2, it is acknowledged that some posts may require greater use of cellular phones and that the monthly claim will exceed R500.00. In these instances, a written motivation must be submitted by the employee and approved by the Departmental Executive, in consultation with the CEO, who may set a higher limit if it is considered to be a regular occurrence.

6.5.5. Departmental Executives may set a limit lower than the approved amount by Executive Management should the post not require frequent use of a cellular phone.

6.5.6. The reimbursement to employees will be done monthly via the S & T Form.

6.5.7. Claims for invoices that are older than 3 months must be approved by the Departmental Executive.

6.5.8. The line manager must motivate applications for Mobile Phones through a formal submission to be approved by the Departmental Executive.

6.5.9. The application must be considered against criteria on a need basis and merit for approval by an Executive.

6.5.10. An Executive may approve a car-kit if the employee concerned is often on the road and as a matter of necessity, be able to communicate from that vehicle whilst travelling on a public road.

6.6 Vacation Leave Entitlement: Employees employed prior to 1 September 2016

6.6.1 The vacation leave cycle commences on the employees date of appointment.

6.6.2 Paid vacation leave is classified and granted on the following bases:

GRADES	**CATEGORY 1 & 3 (6-7 days per week)**			**CATEGORY 2 (5 days per week)**		
Permanent & Part	**Less than 5 Years' Service**	**Between 5 & 10 Years' Service**	**Longer than 10 Years' Service**	**Less than 5 Years' Service**	**Between 5 & 10 Years' Service**	**Longer than 10 Years' Service**
A Band	21 days p.a.	30 days p.a.	34 days p.a.	15 days p.a.	22 days p.a.	25 days p.a.
B1 to C1	30 days p.a.	34 days p.a.	41 days p.a.	22 days p.a.	25 days p.a.	30 days p.a.
C2 – C5	34 days p.a.	34 days p.a.	41 days p.a.	25 days p.a.	25 days p.a.	30 days p.a.
D & Above	41 days p.a.	41 days p.a.	41 days p.a.	30 days p.a.	30 days p.a.	30 days p.a.
Temp Staff	**21 days p.a. (1.75 days per completed month)**			**15 days p.a. (1.25 days per completed month)**		

6.6.3 Vacation leave is credited monthly to an employee's leave balance, i.e. the relevant accrual as per table in 6.6.2 is divided by 12 and credited to employees leave when payroll is run. A prorate amount will be credited in the first month of employment should an employee not start on the first of the month.

6.6.4 The days that make up the shutdown period, for Ithala employees between Christmas and New Year's Day, will be deducted from the employees vacation leave and should be applied for via CRS DIY System.

6.7 Vacation Leave Entitlement: Employees employed after 1 September 2016

6.7.1 The vacation leave cycle commences on the employees date of appointment.

6.7.2 Paid leave of 21 working days for all employees working a 5 day week and 24 consecutive days for employees working 6 / 7 days per week will be granted per annum. This leave entitlement will remain the same whilst in the employment of Ithala.

6.7.3 The shutdown period, for Ithala Development employees, between Christmas and New Year's Day will be deducted from the employees vacation leave and should be applied for via the CRS DIY System.

6.8 Utilisation of Vacation Leave:

6.8.1 The Basic Conditions of Employment Act (BCEA), 75 of 1997 (BCEA) state that the employer must grant an employee at least 21 consecutive days' vacation leave on full remuneration in respect of each annual cycle or 1 day for every 17 days worked.

6.8.2 Any vacation leave as per clause 6.8.1 that is not utilised in a service year will be forfeited.

6.8.3 All employee shall be allowed to accumulate up to 21 days' vacation leave in line with BCEA.

6.8.4 This applies to employees on suspension who can apply for leave via their line manager.

6.8.5 Employees will be permitted to take half a day's leave under the same conditions applying to vacation leave.

6.8.6 Statutory leave may not be paid out at any stage other than on termination of employment for whatever reason, i.e. resignation, death, retrenchment, dismissal and ill health. Payment for annual leave shall be done in accordance with the provision of BCEA.

6.8.7 An employee, who leaves Ithala's employ, having exceeded the leave entitlement, will have the monetary value of the excess in leave deducted from the final salary.

6.8.8 Vacation leave may not be taken during the period of notice to terminate employment unless pre-approved by the line manager.

6.9 Sick Leave Entitlement: Employees employed prior to 1 September 2016

6.9.1 Sick leave on full pay is granted in three year cycles, commencing on the employee's starting date with Ithala. Sick leave equivalent to 90 days over a period of 36 consecutive months will be granted to all employees respectively on conditions stipulated hereunder. During the first 6 months of employment, 1 day of paid sick leave for each completed 26 days worked is granted. Sick leave exceeding this shall be unpaid.

6.10 Sick Leave Entitlement: Employees employed after to 1 September 2016

6.10.1 Sick leave on full pay is granted annually commencing from the employee's date of appointment. Sick leave equivalent to 36 *working* days will be granted.

6.11 Policy Statements on Sick Leave

6.11.1 Sick leave cannot be carry forward if not utilised and days not used shall be forfeited automatically. No portion will be paid out on termination

6.11.2 If an employee has been absent from work because of illness for more than 2 consecutive days or on more than 2 occasions during an 8 week period or on work days immediately preceding or after a rest day, weekend or Public Holiday, a medical certificate specifying the duration of illness shall be submitted along with any other acceptable proof. The certificate must be signed by a registered medical practitioner or any other person certified to diagnose and treat illnesses as envisaged in terms of law and specifically BCEA.

6.11.3 Generally only 6 days sick leave in circumstances where no medical certificate needs to be submitted will be granted in any rolling 12 month period from the date of first absence.

6.11.4 Any sick leave required in the event of normal sick leave having been exhausted, may be approved by the CEO and HR on full pay taking into account the employee's past sick leave history, the nature and reason of the illness and other relevant criteria. If poor attendance record exists, the employee may be required to first utilise accumulated annual leave or alternatively unpaid leave may be considered.

6.11.5 If the employee is too ill to work it is important that the immediate supervisor or manager be notified before work or the commencement of shift (or if this is not reasonably practicable, as soon as possible thereafter) so that arrangements can be made timeously to handle work commitments for the day. Furthermore, should an employee be absent for a longer period and the supervisor or line manager is not notified, such an employee shall be classified as an absconder and the necessary disciplinary processes shall be initiated.

6.11.6 If the employee knows that a major operation is required, it is important that the supervisor or line manager be notified so that arrangements can be made to sustain relevant work

commitments. Due consideration must be given to the right to privacy of the employee and the focus should remain on impact at the workplace.

6.11.7 Should an employee fall ill while on vacation, sick leave may be credited on application by number of days that the employee was ill, provided a valid medical certificate is presented upon return to work.

6.12 Study Leave for Relevant and Approved Study

i. Paid leave will be granted to sit and study for examination for relevant and / or approved qualification which has been brought to the attention of management at the outset of studies or alternatively at the earliest possible time.

ii. When studying for and writing examinations, Ithala will grant the day of the examination as well as the day prior thereto as special leave. Where the day prior thereto is a rest day, the day prior to the rest day shall be granted in accordance with the above principle.

iii. Any leave required in excess hereof shall be regarded as vacation leave or unpaid leave as the case maybe.

iv. If the employee fails the examination twice further entitlements to leave will be forfeited for that particular examination.

6.13 Special Study Leave

i. Any employee who pursues Masters or Doctorate studies will be entitled to 20 days, and is subject to the approval of the Chief Executive Officer.

ii. For all other postgraduate qualification, the employee will qualify for a maximum of 8 days, and this is subject to the relevant Executive.

6.14 Family Responsibility / Compassionate Leave

i. Employees are entitled to 5 days paid family responsibility leave per annum which the employee is entitled to as follows:

a. When the employee's child is sick;

b. In the event of the death of an immediate family member. This includes the employee's spouse or life partner, employee's parent, adoptive parent, grandparent, child, adopted child, grandchild or sibling.

ii. Ithala may require reasonable proof of an event contemplated above.

iii. This leave is not accumulative on year on year basis and unused days shall be forfeited automatically.

6.15 Maternity Leave

i. Employees with more than 12 months service on the expected date of confinement will be eligible for four (4) months paid maternity leave and further two (2) months unpaid maternity leave on request.

ii. Employees would be required to sign and agree to serve Ithala for the month's equivalent to maternity leave taken.

iii. Should the employee decide not to return to work after confinement, or if she decides to resign within the first six (6) months following confinement, she will be liable to repay Ithala any monies paid to her during confinement on a prorate basis. These monies will be deducted from the final pay due to an employee, and should funds not be sufficient, Ithala and the employee will enter into an agreement to settle on terms and conditions favourable to both parties.

iv. Employees other than those referred to above are entitled to four (4) months unpaid maternity leave.

v. It is the responsibility of the employee to make provision for the continuation of benefit contributions during unpaid maternity leave.

vi. Maternity leave may start four (4) weeks before the expected date of delivery unless otherwise advised by a medical practitioner or a certified midwife to commence earlier.

vii. It is advisable that employees with less than twelve (12) months service acquaint themselves with provision of Unemployment Insurance Fund for purposes of maternity benefits.

viii. Employees may not be required to return to work for six (6) weeks after birth unless a medical practitioner or midwife certifies that she is fit to do so.

ix. An employee who bears a still-born (which includes a miscarriage during the third trimester of pregnancy) may remain on maternity leave for 6 weeks after the stillbirth or longer if a medical practitioner certifies that it is necessary for her health and safety.

x. Ithala may not permit or expect an employee who is pregnant or an employee who is nursing her child to perform work that is hazardous to her health or that of a child. In such cases, and up to six (6) months after the birth, Ithala must offer suitable employment if it is practicable. The Code of Good Practice - Arrangement of Working Time must be read along with this section.

xi. This maternity policy shall apply to adoption provided that:

a. The adoptive child shall mean a child not older than six (6) years of age;

b. All the legal documentation bearing testimony of approved adoption is duly provided to the Human Resources Division.

6.16 Paternity Leave

Employees are entitled to 10 days paid paternity leave (excluding family responsibility leave) per annum which the employee is entitled to as follows:

i. When an employee's child is born or an adoption

ii. This paternity policy shall apply to adoption provided that:

iii. The adoptive child shall mean a child not older than six (6) years of age;

iv. If the child is older than 6 years old a submission by the employee to the CEO must be approved.

v. All the legal documentation bearing testimony of approved adoption is duly provided to the Human Resources Division.

6.17 Court Leave

i. Employees subpoenaed to attend a hearing or court hearings as a witness are entitled to paid leave equivalent to the days as required by the Registrar of the relevant court. Employees are required to submit the original subpoena in support of their application.

ii. No leave is granted if the employee is a respondent or defendant.

6.18 Sports Leave

i. Employees are entitled to a paid sport leave under the following conditions:

ii. chosen as a member of a sports team of at least provincial status; or

iii. who have been nominated to referee in a sporting event of at least provincial status.

iv. The period of such special leave may not exceed 12 calendar days per annum.

6.19 Injured On Duty leave

The following conditions apply in cases of employees injured in course and scope of their employment:

i. The employee's sick leave will initially be debited with the number of days booked off duty.

ii. Upon the acceptance of the ensuing claim by the Workmen's Compensation Commissioner, the employee's sick leave record will then be credited accordingly.

6.20 Unpaid Leave

i. In the event of insufficient vacation leave being available to an employee and that such an employee has to take leave because of circumstances then the employee will be permitted to take such leave as unpaid leave.

ii. Employees who have taken unpaid leave for a period of 1 month or more shall not accrue any vacation leave during the unpaid leave period.

iii. If unpaid leave is taken for a period of 15 consecutive days and longer the employee will also be liable for Ithala's contribution in addition to his own contribution towards the Ithala Pension / Provident Fund, Medical Aid Scheme, Ithala Vehicle Scheme, Ithala Housing Subsidy, etc., where applicable, on a pro rata basis.

6.21 Stay-Away / Unrest

i. All absence due to any form of industrial action will be treated on a no work no pay basis and as such implicated employees will be marked for unpaid leave. Where a decision to close an office is taken by the organisation on the day prior to the planned industrial action due to uncertainty of the safety of employees who are not participating in the industrial action, affected employees will be entitled to take annual leave.

6.22 Acting Allowances

It is the policy of **Ithala** that acting allowances of 10% of an employee's basic salary will be granted by the Departmental Executive for employees acting in a higher role.

For Executive Positions, the acting allowance will be approved by the Remuneration Committee.

The principles to be respected when applying this policy and procedure are as follows:

i. The Acting allowance is applicable to all employees who are required by their management to act in a capacity higher than the current position that they are occupying;

ii. The payment of an Acting Allowance will only be viewed as valid if written approval was given by the appropriate manager, who may not be below the level of the Divisional Manager;

iii. Acting in a higher position is viewed as a development opportunity and must therefore be dealt with on a rotational basis;

iv. Acting Allowance is paid on arrear basis and will only be paid upon an employee having acted beyond 30 days.

v. Payment for acting allowance shall be effected on the second month of acting and at the end of the period the last payment will be at the end of the following month. Employees who have acted for thirty (30) or less days will not qualify for an Acting Allowance;

vi. An employee may act in a position for a maximum of 3 months where after a rotation will be put in place as per succession plan.

vii. When submitted to the Human Resources Remuneration and Benefits Division, the acting allowance claim must be approved by the appropriate management level, as reflected in the procedure;

viii. An employee who acted in a higher position, and if such acting complies with the provision of this procedure, will receive an acting allowance equal to 10% of the employee’s basic salary.

ix. The payment of an acting allowance will not have any bearing on any other conditions of employment or any other payments including 13th cheque, incentive bonus, allowances i.e. housing.

x. This policy will only apply if it is required of an employee to act in a higher capacity and will not apply if it is expected of an employee to act in a position of a similar level, irrespective of any difference that may exist regarding the level of remuneration.

xi. Acting in a higher capacity, irrespective of the period of acting, will not in any way give the right to be appointed in a position, if such position is or becomes vacant.

xii. The Acting Allowance will be calculated based on the following formula:

Rand value of Acting Allowance = Daily rate x number of

days acted Daily Rate = 10% of basic salary

Average number of working days (21.75)

6.23 Recognition of long service

i. The recognition of long service will be paid as follows:

10 years uninterrupted service	=	5% of annual salary
15 years uninterrupted service	=	7.5% of annual salary
20 years and above uninterrupted service	=	10% of annual salary

ii. Annual Salary for Grades A to C is based on the Total Base Salary and Grades D to F based on Total Cost to Company.

iii. In addition to a long service letter, a framed long service certificate, signed by the Chief Executive Officer, will be handed to long serving employees.

iv. Long service functions will be arranged as follows:

a. Ten years and longer service: The awarding of certificates will be handed to employees at an annual event at which the venue, time and attendants will be at the discretion of the Chief Executive Officer, or their nominees, based on Treasury guidance.

b. All long servicing employees will be acknowledged by the Chief Executive Officer at the Corporate Quarterly briefings.

6.24 Payment of subscriptions: professional institutions

i. **Ithala** recognises that membership of certain professional institutions by employees is of mutual benefit to both the employee and **Ithala**.

ii. Financial support will be provided for membership of a maximum of **one** relevant professional institution at the discretion of the **Executive**.

iii. Financial support will **not** be provided for individual membership of a professional institution should **Ithala** have **Corporate** membership **(e.g.** the **Development Society of Southern Africa)**.

iv. The responsibility for the judicious application of **Ithala** funds in sponsoring employees is assigned to the **Executive** concerned and co-ordinated by the **Head: Human Resources**.

v. Applications for financial assistance relating to membership of professional institutions must be made to the **Executive** concerned, who may authorise such expenditure.

vi. Authorised applications must be forwarded to the **Head: Human Resources** who will arrange for their payment.

7. ADOPTION AND APPROVAL OF POLICY BY THE BOARD

NAME	DESIGNATION	SIGNATURE	DATE
	HEAD: HR		
	LEGAL SERVICES		
	CHIEF EXECUTIVE OFFICER		
	CHAIRPERSON - HRSEC COMMITTEE		
	CHAIRPERSON - BOARD OF DIRECTORS		

Template REM1: Remuneration awarded during the financial year

			a	b
	Remuneration amount		Senior management	Other material risk-takers
1	Fixed remuneration	Number of employees	12	425
2		Total fixed remuneration (3 + 5 + 7)	15 481 878	131 970 745
3		Of which: cash-based	15 481 878	131 970 745
4		Of which: deferred	0	0
5		Of which: shares or other share-linked instruments	0	0
6		Of which: deferred	0	0
7		Of which: other forms	0	0
8		Of which: deferred	0	0
9	Variable remuneration	Number of employees	10	245
10		Total variable remuneration (11 + 13 + 15)	36 527	2 583 496
11		Of which: cash-based	36 527	2 583 496
12		Of which: deferred	0	0
13		Of which: shares or other share-linked instruments	0	0
14		Of which: deferred	0	0
15		Of which: other forms	0	0
16		Of which: deferred	0	0
17	Total remuneration (2 + 10)		15 518 404	134 554 241

Template REM2: Special Payments

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management	0	0	0	0	0	0
Other material risk-takers	315	5 687 111	0	0	0	0

Template REM3: Deferred remuneration

Not Applicable

Annexure I

Abbreviations

ABCP	Asset-backed commercial paper
AIRB	Advanced IRB
AMA	Advanced measurement approaches
CCF	Credit conversion factor
CCP	Central counterparty
CCR	Counterparty credit risk
CR	Credit risk
CRM	Credit risk mitigation
CVA	Credit valuation adjustment
EAD	Exposure at default
ECA	Export credit agency
ECAI	External credit assessment institution
EL	Expected loss
ERBA	External Ratings Based Approach
FIRB	Foundation IRB
HVCRE	High-volatility commercial real estate
IAA	Internal assessment approach
IMM	Internal Models Method
IPRE	Income-producing real estate
IRB	Internal ratings-based
IRBA	Internal ratings-based advanced approach
IRBF	Internal ratings-based foundation approach
IRC	Incremental risk charge
LGD	Loss-given-default
MDB	Multilateral development bank
MR	Market risk
OF	Object finance
PD	Probability of default
PF	Project finance
PSE	Public sector entity
QCCP	Qualifying central counterparty
QRRE	Qualifying revolving retail exposures
RBA	Ratings-based approach
RWA	Risk-weighted assets
SA	Standardised approach
SEC	Securitisations
SFA	Supervisory formula approach
SL	Specialised lending
SME	Small- and medium-sized enterprises
SPE	Special purpose entity
SSFA	Simplified supervisory formula approach