



PILLAR III DISCLOSURE

**For the quarter ended
31 DECEMBER 2019**

Pillar 3 Reporting – Regulation 43 Public Disclosure

The following information is compiled in terms of Regulation 43 of the Banks Act 1990 (as amended), which incorporates the Basel Pillar 3 requirements. All disclosures presented below are consistent with those disclosed in terms of International Financial Reporting Standards (IFRS) and in compliance with the Bank's disclosure policy, unless otherwise stated.

In the main, differences between IFRS and information disclosed in terms of the Banks Act 1990 (as amended) and the Regulations thereto (the Regulations) relate to the definition of capital and the calculation and measurement thereof as well as to the concept of risk-weighted assets.

The quarterly disclosure requires quantitative information on capital, components of capital and the capital adequacy position.

In accordance with Regulation 43(1) (e) (ii) of the regulations relating to banks, the minimum requirements of the quantitative information to be disclosed to the public on a quarterly basis are:

- primary capital, including the primary capital adequacy ratio;
- total capital, including the total capital adequacy ratio;
- the components of capital;
- the total required amount of capital and reserve funds; and
- risk exposure or other items that is subject to rapid or material change.

SCOPE AND APPLICATION

Ithala SOC Limited is a wholly owned subsidiary of Ithala Development Finance Corporation Limited. Ithala Development Finance Corporation Limited is not registered as a controlling Company in terms of the Banks Act, and as such Pillar 3 disclosure requirements apply only to Ithala SOC Limited. However, the results of Ithala SOC Limited are consolidated with the Ithala Development Finance Corporation Limited performance results.

Ithala SOC Limited does not have any subsidiaries, hence accounting and regulatory reporting is on a single entity basis.

Regulatory Capital requirements as at 31 December 2019

Exposure	Capital requirements		Risk weighted exposure	
	31 Dec 2019 R'000	30 Sep 2019 R'000	31 Dec 2019 R'000	30 Sep 2019 R'000
Credit risk	171 374	161 869	1 142 492	1 079 124
Operational risk	85 005	85 005	566 702	566 702
Other	7 596	11 387	50 643	75 916
Total	263 976	258 261	1 759 837	1 721 742

SCOPE AND APPLICATION (Continued)

Capital Adequacy as at 31 December 2019

	Minimum Capital requirements	Actual	
		31 Dec 2019	30 Sep 2019
Capital Adequacy ratio	≥15.00%	18.79%	18.73%
Primary share capital and reserve funds adequacy ratio	≥9.625%	17.98%	17.95%
Total risk weighted assets (R'000)		1 759 837	1 721 742

As at 31 December 2019 the capital adequacy ratio was 18.79% (30 September 2019: 18.73%). The capital adequacy level was above the minimum capital adequacy ratio of 15.00%.

Capital Structure

Tier I capital is made up of issued ordinary shares, share premium and retained income. Tier II capital includes the general allowance for credit impairments.

	31 Dec 2019 R'000	30 Sep 2019 R'000
Share Capital	190	190
Share Premium	529 498	529 498
Reserves	(200 366)	(207 624)
Prescribed deductions against capital and reserve funds	(12 755)	(13 005)
Total Tier I capital	316 567	309 059
General provisions	14 281	13 489
Total Tier II capital	14 281	13 489
Total qualifying capital	330 848	322 548

ANNEXURE A

COMPOSITION OF CAPITAL DISCLOSURE TEMPLATE

Basel III common disclosure template to be used during the transition of regulatory adjustments (ie from 1 October to 31 December 2019)			AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
Common Equity Tier 1 capital: instruments and reserves			R'000
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	529 688	
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)		
	<i>Public sector capital injections grandfathered until 1 January 2018</i>		
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	529 688	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)		
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(12 755)	
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		
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 netted off 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, net of eligible short positions, 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 entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 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	(200 366)	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common equity Tier 1	(213 121)	
29	Common Equity Tier 1 capital (CET1)	316 567	
Additional Tier 1 capital : instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus		
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 line 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 net of eligible short positions, 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 (net of eligible short positions)		
41	National specific regulatory adjustments		
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		
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)	-	
45	Tier 1 capital (T1 = CET1 + AT1)	316 567	

Tier 2 capital 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 lines 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	14 281	
51	Tier 2 capital before regulatory adjustments	14 281	
Tier 2 capital : regulatory adjustments			
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		
57	Total regulatory adjustments to Tier 2 capital	14 281	
58	Tier 2 capital (T2)	14 281	
59	Total capital (TC = T1 + T2)	330 848	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	1 759 837	
60	Total risk weighted assets	1 759 837	
Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	17.98%	
62	Tier 1 (as a percentage of risk weighted assets)	17.98%	
63	Total capital (as a percentage of risk weighted assets)	18.79%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)		
65	of which: capital conservation buffer requirement		
66	of which: bank specific countercyclical buffer requirement		
67	of which: G-SIB buffer requirement		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)		
National Minima (if different from Basel 3)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	5.0%	
70	National Tier 1 minimum ratio	6.75%	
71	National total capital minimum ratio	9.00%	

Amounts below the threshold for deductions (before risk weighting)			
72	Non-significant investments in the capital of other financials		
73	Significant investments in the common stock of financials		
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)	14 281	
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)		