

# Basel III Common Equity Tier I Disclosure Template

March 2016  
Quarter 1



## CAPITAL ADEQUACY

### "Capital Management"

The bank's objectives when managing capital, which is a broader concept than the 'equity' on statement of financial position, are to:

- comply with the capital requirements set by the regulators of the banking markets the entity operates;
- Safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for other stakeholders; and
- Maintain a strong capital base to support the development of its business.

The bank's regulatory capital is divided into two tiers:

- Tier 1 capital: stated capital and distributable reserves;
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

Bank of Botswana requires each bank or banking bank to hold the minimum level of the regulatory capital of P5 million, as well as to maintain the following capital adequacy ratios:

- Tier 1 and Tier 2 capital to risk weighted assets at a minimum of 15%, referred to as capital adequacy ratio.
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- Tier 2 capital to Tier 1 capital limited at a ratio of 50% in the determination of capital adequacy.

### COMMON EQUITY TIER I CAPITAL: INSTRUMENTS AND RESERVES

Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	230,000.00
Retained earnings	58,352
Directly issued capital subject to phase out from CET1 CAPITAL (only applicable to non-joint stock companies)	-
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 CAPITAL)	-
Common Equity Tier I capital before regulatory adjustments	288,352

### COMMON EQUITY TIER I CAPITAL: REGULATORY ADJUSTMENTS

Prudential valuation adjustments	-
Goodwill (net of related tax liability)	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	4,091
Cash-flow hedge reserve	-
Shortfall of provisions to expected losses	-
Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-
Defined-benefit pension fund net assets	-
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
Reciprocal cross-holdings in common equity	-
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)	-
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)	-
Mortgage servicing rights (amount above 10% threshold)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amount exceeding the 15% threshold	-
of which: significant investments in the common stock of financials	-
of which: mortgage servicing rights	-
of which: deferred tax assets arising from temporary differences	-
National specific regulatory adjustments	-
Regulatory adjustments applied to Common Equity Tier I due to insufficient Additional Tier I and Tier II to cover deductions	-
Total regulatory adjustments to Common equity Tier I	4,091
Common Equity Tier I capital (CET1 CAPITAL)	284,261

### ADDITIONAL TIER I CAPITAL: INSTRUMENTS

Directly issued qualifying Additional Tier I instruments plus related stock surplus	-
of which: classified as equity under applicable accounting standards	-
of which: classified as liabilities under applicable accounting standards	-
Directly issued capital instruments subject to phase out from Additional Tier I	-
Additional Tier I instruments (and CET1 CAPITAL instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
of which: instruments issued by subsidiaries subject to phase out	-
Additional Tier I capital before regulatory adjustments	-

### ADDITIONAL TIER I CAPITAL: REGULATORY ADJUSTMENTS

Investments in own Additional Tier I instruments	-
Reciprocal cross-holdings in Additional Tier I instruments	-
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)	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
National specific regulatory adjustments	-
Regulatory adjustments applied to Additional Tier I due to insufficient Tier II to cover deductions	-
Total regulatory adjustments to Additional Tier I capital	-
Additional Tier I capital (AT1)	-
Tier I capital (T1 = CET1 CAPITAL + AT1)	284,261

### TIER II CAPITAL: INSTRUMENTS & PROVISIONS

Directly issued qualifying Tier II instruments plus related stock surplus	100,000
Directly issued capital instruments subject to phase out from Tier II	40,000
Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries	-
of which: instruments issued by subsidiaries subject to phase out	-
Unpublished profits	9,500
Provisions	27,949
Tier II capital before regulatory adjustments	177,449

### TIER II CAPITAL: REGULATORY ADJUSTMENTS

Investments in own Tier II instruments	-
Reciprocal cross-holdings in Tier II instruments	-
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)	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
National specific regulatory adjustments	-
Total regulatory adjustments to Tier II capital	-
Tier II capital (T2)	177,449
Total capital (TC = T1 + T2)	461,710
Total risk-weighted assets	2,864,587

### TIER II CAPITAL: REGULATORY ADJUSTMENTS

Common Equity Tier I (as a percentage of risk weighted assets)	9.92%
Tier I (as a percentage of risk-weighted assets)	9.92%
Total capital (as a percentage of risk weighted assets)	16.1%
Institution specific buffer requirement (minimum CET1 CAPITAL requirement plus capital conservation buffer)	-
of which: capital conservation buffer requirement	2.5%
of which: bank specific countercyclical buffer requirement	-
of which: G-SIB buffer requirement	-

### COMMON EQUITY TIER I AVAILABLE TO MEET BUFFERS (AS A PERCENTAGE OF RISK WEIGHTED ASSETS)

National Common Equity Tier I minimum ratio (if different from Basel III minimum)	10%
National Tier I minimum ratio (if different from Basel III minimum)	10%
National total capital minimum ratio (if different from Basel III minimum)	15%

### AMOUNTS BELOW THE THRESHOLDS FOR DEDUCTION (BEFORE RISK-WEIGHTING)

Non-significant investments in the capital of other financials	-
Significant investments in the common stock of financials	-
Mortgage servicing rights (net of related tax liability)	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-

### APPLICABLE CAPS ON THE INCLUSION OF PROVISIONS IN TIER II

Provisions eligible for inclusion in Tier II in respect of exposures subject to standardised approach (prior to cap on inclusion of provisions in Tier II under standardised approach)	27,949.00
Cap on inclusion of provisions in Tier II under standardised approach	-
Provisions eligible for inclusion in Tier II in respect of exposures subject to internal ratings-based approach (prior to cap for inclusion of provisions in Tier II under internal ratings-based approach)	-
Cap for inclusion of provisions in Tier II under internal ratings-based approach	-

### CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT ARRANGEMENTS (ONLY APPLICABLE BETWEEN 1 JAN 2015 AND 1 JAN 2020)

Current cap on CET1 CAPITAL instruments subject to phase out arrangements	40,000.00
Amount excluded from CET1 CAPITAL due to cap (excess over cap after redemptions and maturities)	-
Current cap on AT1 instruments subject to phase out arrangements	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
Current cap on T2 instruments subject to phase out arrangements	-

#### Capital Requirements for credit risk

Standardised Approach Risk Weighted Assets	2,697,677.84
Capital Required	404,651.68

#### Capital Requirements for market risk

Standardised Measurement Approach Risk Weighted Assets	9,384.88
Capital Required	1,407.73

#### Capital Requirements for operational risk

Basic Indicator Approach Risk Weighted Assets	157,524.69
Capital Required	23,628.70

#### Total Capital Ratio

Tier I Capital	281,404.47
Tier II Capital	177,448.95
Total Capital	461,710
Total Risk Weighted Assets	2,864,587.41
Total Capital Ratio	16.12%

#### Tier 1 Capital Ratio

Tier I Capital	281,404.47
Total Risk Weighted Assets	2,864,587.41
Tier I Capital Ratio	9.82%

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Chairman