PILLAR 3 DISCLOSURE
SEPTEMBER 2020

grobank

CONTENTS

1. Introduction

The purpose of this document is to disclose both qualitative and quantitative information regarding the Bank's capital adequacy position, risk profile and risk management practices in terms of the Basel III requirements under Regulation 43 of the regulations relating to banks.

In terms of Regulation 43(1) (e) (iii) of regulations relating to banks, minimum disclosure on capital adequacy of the bank is required on a quarterly basis. This announcement meets the on-going report requirement for quarterly disclosure in terms of Pillar 3 of the Basel III capital accord.

The Pillar 3 report is produced and published quarterly. This report is verified and approved internally in line with the Bank's disclosure policy.

The Pillar 3 report has not been audited by the Bank's external auditors.

Business Profile

Grobank was established in 1947 (formerly known as South African Bank of Athens Limited) and is a 99,93% subsidiary GroCapital Holdings Limited. The parent company's commitment to and close involvement with the Bank provides a solid foundation and supports the bank's strategy of being a niche bank in the food and agriculture value chain.

Restrictions on transfer of funds or regulatory capital

There are currently no restrictions or other major impediments on the transfer of funds or capital within the Bank.

2. Capital Management

The Bank is subject to minimum capital requirements as defined in the Banks Act and Regulations pertaining to Banks.

The Risk Management Committee considers the various risks faced by the Bank and analyses the need to hold capital against these risks whilst taking account of the regulatory requirements. In addition, the level of capital required to support the Bank's targeted business growth is taken into consideration.

The objective of the Bank's capital management approach is to ensure the maintenance of sound capital ratios, taking all the above requirements into account, whilst producing appropriate returns to shareholders. The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking industry in which the Bank operates;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The capital of the Bank consists of Tier 1 capital and Tier 2 in the form of IFRS general provision.
Capital adequacy and the use of regulatory capital are monitored by ALCCO, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the South African Reserve Bank (SARB), for supervisory purposes. The required information is filed with the SARB on a monthly basis.

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the SARB which takes into account the risk profile of the Bank.

Grobank met the minimum required capital adequacy ratio requirement as at the 30 September 2020 with a total capital adequacy of 12.41% and a Tier 1 capital adequacy of 11.72%, exceeding minimum regulatory requirements.

The regulatory capital requirements are strictly observed when managing economic capital. The Bank's regulatory capital comprises two tiers:

- Tier 1 capital: share capital and share premium, less accumulated losses. The book value of intangible assets is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: IFRS 9 general provisions

Regulatory Capital and Risk weighted assets – Table 2.1	R'000
	30-Sep-20
Ordinary Share Capital	91,482
Share Premium	734,838
Revaluation Reserves	
Total common equity tier 1 capital and unimpaired reserve funds	**826,320**
Retained Earnings/(Loss)	(440,827)
Regulatory deductions against primary capital	(123,697)
Total common equity tier 1 capital after regulatory adjustments	**261,795**
Tier 2 capital	
Portfolio impairment	15,333
Total qualifying capital and reserve funds	**277,128**
Risk Weighted Assets	**2,233,584**
Total Capital adequacy ratio	12.4073%
Tier 1 Capital adequacy ratio	11.7209%

Required capital adequacy ratios and amounts - Table 2.2	30-Sep-20	
	Percentages	Rand amounts (R'000)
	Common Equity Tier 1	Common Equity Tier 1
Base minimum (2)	4.5000%	**100,511**
Add-on: systemic risk add-on (Pillar 2A)	0.0000%	-
Add-on: countercyclical buffer (5)	0.0000%	-
Add-on: conservation buffer (6)	2.5000%	**55,840**
	7.0000%	**156,351**

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Composition of risk weighted assets and required regulatory capital- Table 2.3	Composition of Risk Weighted Assets	Base Minimum Required Regulatory Capital
30-Sep-20	**R'000**	**R'000**
Risk weighted exposure		
Credit Risk *	1,822,816	145,825
Counter party risk****	63,098	5,048
Operational Risk **	239,703	19,176
Market Risk ***	28,835	2,307
Other Assets	79,118	6,329
Equity Risk	15	1
Total	**2,233,584**	**178,687**

** RWA and required regulatory capital in terms of **credit risk** are measured using the standardised approach.*

*** RWA and required regulatory capital in terms of **operational risk** are measured using the standardised approach.*

**** RWA and required regulatory capital in terms of **market risk** are measured using the standardised approach.*
***** RWA and required regulatory capital in terms of **counterparty risk** are measured using the current exposure method under the standardised approach.*

Capital Structure

The Bank has one class of ordinary shares which carry no right to fixed income. The unissued shares are under the control of the directors subject to notification to and specific approval by GroCapital Holdings, until the next Annual General Meeting.

Capital Structure – Table 2.4	Sep-20
	R'000
Authorised	
100 000 000 ordinary shares of R1 each (par value)	100,000
Issued	
Ordinary Share Capital	91,482
Share Premium	
Share Premium	734,838

OVERVIEW OF RISK WEIGHTED ASSETS (OV1) DISCLOSURE TEMPLATE

ANNEXURE A

Name of bank/ controlling company .... GROBANK

Period ended 2020-09-30

		T	T - 90	T - 180	T - 270	T - 360	f
		a	b	c	d	e	
		RWA					Minimum capital requirements = 8%
		Sep-20	Jun-20	Mar-20	Dec-19	Sep-19	Sep-20
1	**Credit risk (excluding counterparty credit risk)**	**1,901,949**	**1,940,234**	**1,880,846**	**1,837,857**	**1,800,356**	**152,156**
2	Of which: standardised approach (SA)	1,901,949	1,940,234	1,880,846	1,837,857	1,800,356	152,156
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)**	**63,098**	**94,821**	**181,771**	**57,258**	**64,189**	**5,048**
7	Of which: standardised approach for counterparty credit risk	63,098	94,821	181,771	57,258	64,189	5,048
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**	**0**	**0**	**0**	**0**	**0**	**0**
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**	**28,835**	**2,219**	**9,637**	**1,095**	**1,609**	**2,307**
21	Of which: standardised approach (SA)	28,835	2,219	9,637	1,095	1,609	2,307
22	Of which: internal model approaches (IMA)						
23	Capital charge for switch between trading book and banking book						
24	**Operational risk**	**239,703**	**239,703**	**242,991**	**242,991**	**213,875**	**19,176**
25	Amounts below the thresholds for deduction (subject to 250% risk weight)						
26	Floor adjustment						
27	**Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 26)**	**2,233,584**	**2,276,977**	**2,315,245**	**2,139,201**	**2,080,029**	**178,687**

KEY METRICS DISCLOSURE TEMPLATE
ANNEXURE A - KM1
Name of bank/ controlling company ....GROBANK
Period ended 2020-09-30

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
	Available capital (amounts)	**Sep-20**	**Jun-20**	**Mar-20**	**Dec-19**	**Sep-19**
1	**Common Equity Tier 1 (CET1)**	261,795	336,426	355,761	308,513	284,503
1a	Fully loaded ECL accounting model					
2	**Tier 1**	261,795	336,426	355,761	308,513	284,503
2a	Fully loaded ECL accounting model Tier 1					
3	**Total capital**	**277,128**	**351,615**	**366,871**	**324,568**	**297,777**
3a	Fully loaded ECL accounting model total capital					
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	2,233,584	2,276,977	2,315,245	2,139,201	2,080,029
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	11.72%	14.78%	15.37%	14.42%	13.68%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)					
6	Tier 1 ratio (%)	11.72%	14.78%	15.37%	14.42%	13.68%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)					
7	**Total capital ratio (%)**	12.41%	15.44%	15.85%	15.17%	14.32%
7a	Fully loaded ECL accounting model total capital ratio (%)					
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical buffer requirement (%)	0.00%	0.0000%	0%	0%	0%
10	Bank G-SIB and/or D-SIB additional requirements (%)					
11	**Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)**	**2.500%**	**2.500%**	**2.500%**	**2.500%**	**2.500%**
12	CET1 available after meeting the bank's minimum capital requirements (%)	3.97%	7.03%	7.12%	6.17%	5.43%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	3,155,720	3,040,384	3,192,856	3,333,652	3,065,274
14	Basel III leverage ratio (%) (row 2 / row 13)	8.30%	11.07%	11.14%	9.25%	9.28%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)					
	Liquidity Coverage Ratio					
15	Total HQLA	267,429	295,535	456,400	390,020	258,400
16	Total net cash outflow	149,741	174,999	140,718	142,765	104,273
17	LCR ratio (%)	178.59%	168.88%	324.34%	273.19%	247.81%
	Net Stable Funding Ratio					
18	Total available stable funding	2,631,904	2,434,137	2,428,867	2,423,810	2,214,460
19	Total required stable funding	2,334,439	2,255,926	2,200,297	2,137,281	2,058,535
20	NSFR ratio	112.74%	107.90%	110.39%	113.41%	107.57%

LEVERAGE RATIO DISCLOSURE TEMPLATE
ANNEXURE A
Name of bank/ controlling company .... GROBANK
Period ended 2020-09-30

Annexure A - LR1
Table 1

Summary comparison of accounting assets vs leverage ratio exposure measure		Sep-20	Jun-20
	Item	R'000	R'000
1	Total consolidated assets as per published financial statements	3,052,863	2,892,784
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation		
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure		
4	Adjustments for derivative financial instruments	18,542	21,867
5	Adjustment for securities financing transactions (ie repos and similar secured lending)		
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off- balance sheet exposures)	193,011	232,950
7	Other adjustments	(108,697)	(107,216)
8	**Leverage ratio exposure**	**3,155,720**	**3,040,384**

Table 2

	Leverage ratio common disclosure template - LR2	Leverage ratio framework	
		Sep-20	Jun-20
	Item	R'000	R'000
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	3,017,267	2,834,156
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-108,697	-107,216
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**2,908,570**	**2,726,939**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	35,596	58,628
5	Add-on amounts for PFE associated with all derivatives transactions	18,542	21,867
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting		
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 lines 4 to 10)**	**54,138**	**80,495**
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales 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 lines 12 to 15)**	-	-
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	392,348	400,207
18	(Adjustments for conversion to credit equivalent amounts)	-199,336	-167,257
19	**Off-balance sheet items (sum of lines 17 and 18)**	**193,011**	**232,950**
	Capital and total exposures		
20	**Tier 1 capital**	**261,795**	**336,426**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**3,155,720**	**3,040,384**
	Leverage ratio		
22	**Basel III leverage ratio**	**8.30%**	**11.07%**

*** Minimum Regulatory requirement for Leverage ratio = 4.00%**

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3. Liquidity risk

Introduction

The purpose of this document is to disclose both qualitative and quantitative information regarding the Bank's Liquidity position, in specific the Liquidity Coverage Ratio in terms of the Basel III requirements under Regulation 43 of the regulations relating to banks.

In terms of Regulation 43(1)(e)(iii)(F) of regulations relating to banks, minimum disclosure on the Liquidity Coverage Ratio of the bank is required on a quarterly basis. This announcement meets the on-going report requirement for quarterly disclosure in terms of Pillar 3 of the Basel III capital accord.

The Pillar 3 report is produced and published quarterly. This report is verified and approved internally in line with the Bank's disclosure policy.
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Liquidity Risk

Liquidity risk is defined as the risk of not being able to generate sufficient cash to meet the Bank's commitment to lenders, depositors and other creditors at any point in time. The management of liquidity is primarily designed to ensure that depositors' funding requirements can be met and that the Bank has sufficient funding in place to ensure payment of daily transactions.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short-, medium- and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Liquidity risk management is essentially inseparable from the core banking activities of advances growth and profitability management. Liquidity risk management form an integral part of proactive asset and liability management, which is managed by the Bank's Asset, Liability and Capital Committee (ALCCO).

Stress scenarios and testing have been undertaken thereby allowing the Bank to identify and be prepared for such eventualities. These scenarios have ensured that the Bank is well prepared to manage any liquidity risks that may occur.

Liquidity Coverage Ratio – Table 2.1

	R'000
	30-Sep-20
High Quality Liquid Assets	278,978
Net Cash Outflows	150,181
Minimum Required Liquidity Coverage Ratio	100%
Actual Liquidity Coverage Ratio	**185.76%**

LIQUIDITY COVERAGE RATIO (LCR) DISCLOSURE TEMPLATE			
ANNEXURE A - LIQ1			
Name of bank/ controlling company ………………….. GROBANK			
Period ended ………………………. 2020-09-30			
		a	**b**
		Total unweighted value (average)	**Total weighted value (average)**
High-quality liquid assets			
1	Total HQLA	267,429	267,429
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**		
3	Stable deposits		
4	Less stable deposits	731,667	73,167
5	**Unsecured wholesale funding, of which:**		
6	Operational deposits (all counter-parties) and deposits		
7	Non-operational deposits (all counter-parties)	752,260	476,590
8	Unsecured debt		
9	**Secured wholesale funding**		
10	**Additional requirements, of which:**		
11	Outflows related to derivative exposures and other	20,629	20,629
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	280,169	19,674
14	**Other contractual funding obligations**	-	-
15	**Other contingent funding obligations**	178,106	8,905
16	**TOTAL CASH OUTFLOWS**	**1,962,832**	**598,965**
17	Secured lending (eg. reverse repos)		
18	Inflows from fully performing exposures	904,828	752,198
19	Other cash inflows	18,832	1,883
20	**TOTAL CASH INFLOWS**	**923,660**	**754,081**
			Total adjusted
21	**Total HQLA**		**267,429**
22	**Total net cash outflows**		**149,741**
23	**Liquidity Coverage Ratio (%)**		**178.59%**

*** Minimum Regulatory requirement for Liquidity Coverage ratio = 80.00% (COVID**

***LCR UNWEIGHTED VALUE BASED ON 90DAYS AVERAGE BEFORE RUN-OFF FACTOR**

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NET STABLE FUNDING RATIO (NSFR) DISCLOSURE TEMPLATE
ANNEXURE B - LIQ2
Name of bank/ controlling company .... GROBANK
Period ended 2020-09-30

	(In currency amount)	Unweighted value by residential maturity			Weighted value
		< 6 months	≥ 6 months to < 1 year	≥1 year	
	Available stable funding (ASF) item				
1	**Capital:**				
2	Regulatory capital			841,653	841,653
3	Other capital instruments				
4	**Retail deposits and deposits from small business customers**				
5	Stable deposits				
6	Less stable deposits	1,181,489	32,431	3,233	1,095,761
7	**Wholesale funding:**				
8	Operational deposits				
9	Other wholesale funding	813,020	337,752	171,250	694,489
10	**Liabilities with matching interdependent assets**				
11	**Other liabilities**				
12	NSFR derivative liabilities			32,560	-
13	All other liabilities and equity not included in the above categories	94,518	-	-	-
14	**TOTAL ASF**				**2,631,904**

	(In currency amount)	Unweighted value by residential maturity			Weighted value
		< 6 months	≥ 6 months to < 1 year	≥1 year	
	Required stable funding (RSF) item				
15	**Total NSFR High-quality liquid assets (HQLA)**	**326,332**			**13,947**
16	Deposits held with other financial institutions for operational purposes				
17	**Performing loans and securities:**	**612,403**	**108,148**	**1,404,654**	**1,269,963**
18	Performing loans to financial institutions secured by Level 1 HQLA				
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	449,277			67,391
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:**	**143,932**	**89,067**	**769,544**	**770,612**
21	With a risk weight of less than or equal to 35% under Basel II standardised approach for credit risk				
22	**Performing residential mortgages, of which:**	**19,194**	**19,080**	**635,110**	**431,959**
23	With a risk weight of less than or equal to 35% under Basel II standardised approach for credit risk	19,194	19,080	635,110	431,959
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities				
25	**Assets with matching interdependent liabilities**				
26	**Other assets:**	**-**	**-**	**1,090,167**	**1,028,302**
27	Physical traded commodities, including gold				
28	Assets posted as initial margin for derivative contracts and distribution to default funds of CCPs				
29	NSFR derivative assets			68,156	6,292
30	NSFR derivative liabilities before deduction of variation margin posted				
31	All other assets not included in above categories			1,022,010	1,022,010
32	**Off-balance sheet items**				**22,227**
33	**TOTAL RSF**				**2,334,439**
34	**NET STABLE FUNDING RATIO %**				**112.74%**

***Minimum Regulatory Requirement for Net Stable Funding Ratio = 100%**