PILLAR 3 DISCLOSURE
MARCH 2021

grobank

CONTENTS **Page**

grobank

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 restrictions or other major impediments in place on the transfer of funds or capital within the Bank due the low current levels of capital as stipulated by the bank regulations..

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 did not meet the minimum required capital adequacy ratio requirement as at 31 March 2021 with a total capital adequacy of 3.54% and a Tier 1 capital adequacy of 2.90%, thus falling below the 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
	31-Mar-21
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)	(686 342)
Regulatory deductions against primary capital	(78 665)
Total common equity tier 1 capital after regulatory adjustments	**61 312**
Tier 2 capital	
Portfolio impairment	13 612
Total qualifying capital and reserve funds	**74 924**
Risk Weighted Assets	**2 117 642**
Total Capital adequacy ratio	3,5381%
Tier 1 Capital adequacy ratio	2,8953%

Required capital adequacy ratios and amounts - Table 2.2	31-Mar-21	
	Percentages	Rand amounts (R'000)
	Common Equity Tier 1	Common Equity Tier 1
Base minimum (2)	4,5000%	**95 294**
Add-on: systemic risk add-on (Pillar 2A)	0,0000%	-
Add-on: countercyclical buffer (5)	0,0000%	-
Add-on: conservation buffer (6)	2,5000%	**52 941**
	7,0000%	**148 235**

grobank

Composition of risk weighted assets and required regulatory capital- Table 2.3	Composition of Risk Weighted Assets	Base Minimum Required Regulatory Capital
31-Mar-21	**R'000**	**R'000**
Risk weighted exposure		
Credit Risk *	1 606 382	128 511
Counter party risk****	53 064	4 245
Operational Risk **	254 483	20 359
Market Risk ***	3 494	280
Other Assets	200 203	16 016
Equity Risk	15	1
Total	**2 117 642**	**169 411**

** 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	Mar-21
	R'000
Authorised	
1 000 000 000 ordinary shares of R1 each (par value)	1 000 000
Issued	
Ordinary Share Capital	91 482
Share Premium	
Share Premium	734 838
Term-debt instruments	
Debentures	

	OVERVIEW OF RISK WEIGHTED ASSETS (OV1) DISCLOSURE TEMPLATE						
	ANNEXURE A						
	Name of bank/ controlling company .... GROBANK						
	Period ended 2021-03-31						
		T	T - 90	T - 180	T - 270	T - 360	f
		a	b	c	d	e	
		RWA					Minimum capital requirements = 8%
		Mar-21	Dec-20	Sep-20	Jun-20	Mar-20	Mar-21
1	**Credit risk (excluding counterparty credit risk)**	**1 806 600**	**1 784 733**	**1 901 949**	**1 940 234**	**1 880 846**	**144 528**
2	Of which: standardised approach (SA)	1 806 600	1 784 733	1 901 949	1 940 234	1 880 846	144 528
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)**	**53 064**	**78 284**	**63 098**	**94 821**	**181 771**	**4 245**
7	Of which: standardised approach for counterparty credit risk	53 064	78 284	63 098	94 821	181 771	4 245
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**	**3 494**	**3 373**	**28 835**	**2 219**	**9 637**	**280**
21	Of which: standardised approach (SA)	3 494	3 373	28 835	2 219	9 637	280
22	Of which: internal model approaches (IMA)						
23	Capital charge for switch between trading book and banking book						
24	**Operational risk**	**254 483**	**254 483**	**239 703**	**239 703**	**242 991**	**20 359**
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)**	**2 117 642**	**2 120 873**	**2 233 584**	**2 276 977**	**2 315 245**	**169 411**

KEY METRICS DISCLOSURE TEMPLATE
ANNEXURE A - KM1
Name of bank/ controlling company …………………..GROBANK
Period ended ………………………. 2021-03-31

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
	Available capital (amounts)	**Mar-21**	**Dec-20**	**Sep-20**	**Jun-20**	**Mar-20**
1	**Common Equity Tier 1 (CET1)**	61 312	88 580	261 795	336 426	355 761
1a	Fully loaded ECL accounting model					
2	**Tier 1**	61 312	88 580	261 795	336 426	355 761
2a	Fully loaded ECL accounting model Tier 1					
3	**Total capital**	**74 924**	**101 004**	**277 128**	**351 615**	**366 871**
3a	Fully loaded ECL accounting model total capital					
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	2 117 642	2 120 873	2 233 584	2 276 977	2 315 245
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	2,90%	4,18%	11,72%	14,78%	15,37%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)					
6	Tier 1 ratio (%)	2,90%	4,18%	11,72%	14,78%	15,37%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)					
7	**Total capital ratio (%)**	3,54%	4,76%	12,41%	15,44%	15,85%
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) (%)	2,50%	2,50%	2,50%	2,50%	2,50%
9	Countercyclical buffer requirement (%)	0%	0%	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)**	**2,50%**	**2,50%**	**2,50%**	**2,50%**	**2,50%**
12	CET1 available after meeting the bank’s minimum capital requirements (%)	0,00%	0,00%	3,97%	7,03%	7,12%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	3 054 003	3 019 529	3 155 720	3 040 384	3 192 856
14	Basel III leverage ratio (%) (row 2 / row 13)	2,01%	2,93%	8,30%	11,07%	11,14%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)					
	Liquidity Coverage Ratio					
15	Total HQLA	225 644	247 231	267 429	295 535	456 400
16	Total net cash outflow	140 073	153 371	149 741	174 999	140 718
17	LCR ratio (%)	161,09%	161,20%	178,59%	168,88%	324,34%
	Net Stable Funding Ratio					
18	Total available stable funding	2 493 400	2 656 471	2 631 904	2 434 137	2 428 867
19	Total required stable funding	2 500 524	2 391 929	2 334 439	2 255 926	2 200 297
20	NSFR ratio	99,72%	111,06%	112,74%	107,90%	110,39%

LEVERAGE RATIO DISCLOSURE TEMPLATE
ANNEXURE A
Name of bank/ controlling company .... GROBANK
Period ended 2021-03-31

Annexure A - LR1

Table 1

	Summary comparison of accounting assets vs leverage ratio exposure measure	Mar-21	Dec-20
	Item	R'000	R'000
1	Total consolidated assets as per published financial statements	2 962 720	2 939 231
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	30 644	11 282
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)	125 936	140 938
7	Other adjustments	(65 296)	(71 923)
8	**Leverage ratio exposure**	**3 054 003**	**3 019 528**

Table 2

	Leverage ratio common disclosure template - LR2	Leverage ratio framework	
		Mar-21	Dec-20
	Item	R'000	R'000
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2 942 285	2 886 587
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-65 296	-71 923
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**2 876 989**	**2 814 665**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	18 324	52 643
5	Add-on amounts for PFE associated with all derivatives transactions	32 755	11 282
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)**	**51 079**	**63 925**
	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	294 979	354 211
18	(Adjustments for conversion to credit equivalent amounts)	-169 044	-213 272
19	**Off-balance sheet items (sum of lines 17 and 18)**	**125 936**	**140 939**
	Capital and total exposures		
20	**Tier 1 capital**	**61 312**	**88 580**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**3 054 003**	**3 019 529**
	Leverage ratio		
22	**Basel III leverage ratio**	**2,01%**	**2,93%**

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

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

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 31-Mar-21
High Quality Liquid Assets	242,525
Net Cash Outflows	172,672
Minimum Required Liquidity Coverage Ratio	100%
Actual Liquidity Coverage Ratio	**140.45%**

LIQUIDITY COVERAGE RATIO (LCR) DISCLOSURE TEMPLATE ANNEXURE A - LIQ1 Name of bank/ controlling company ………………… GROBANK Period ended ……………………… 2021-03-31		a	b
		Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	Total HQLA	225 644	225 644
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**		
3	Stable deposits		
4	Less stable deposits	934 228	93 423
5	**Unsecured wholesale funding, of which:**		
6	networks of cooperative banks		
7	Non-operational deposits (all counter-parties)	651 828	408 210
8	Unsecured debt		
9	**Secured wholesale funding**		
10	**Additional requirements, of which:**		
11	requirements	18 178	18 178
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	278 150	34 339
14	**Other contractual funding obligations**	-	-
15	**Other contingent funding obligations**	122 821	6 141
16	**TOTAL CASH OUTFLOWS**	**2 005 205**	**560 291**
17	Secured lending (eg. reverse repos)		
18	Inflows from fully performing exposures	724 436	585 849
19	Other cash inflows	18 902	1 890
20	**TOTAL CASH INFLOWS**	**743 338**	**587 739**
			Total adjusted value
21	**Total HQLA**		**225 644**
22	**Total net cash outflows**		**140 073**
23	**Liquidity Coverage Ratio (%)**		**161,09%**

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

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

NET STABLE FUNDING RATIO (NSFR) DISCLOSURE TEMPLATE
ANNEXURE B - LIQ2
Name of bank/ controlling company .... GROBANK
Period ended 2021-03-31

	(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			839 932	839 932
3	Other capital instruments				
4	**Retail deposits and deposits from small business customers**				
5	Stable deposits				
6	Less stable deposits	1 180 875	50 214	6 758	1 114 738
7	**Wholesale funding:**				
8	Operational deposits				
9	Other wholesale funding	1 105 264	51 583	96 250	538 729
10	**Liabilities with matching interdependent assets**				
11	**Other liabilities**				
12	NSFR derivative liabilities			23 110	-
13	All other liabilities and equity not included in the above categories	308 689	-	-	-
14	TOTAL ASF				2 493 400

	(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)**	**329 335**			**12 118**
16	Deposits held with other financial institutions for operational purposes				
17	**Performing loans and securities:**	**622 625**	**100 857**	**1 303 847**	**1 186 048**
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	475 965			71 395
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:**	**127 272**	**82 804**	**716 974**	**714 466**
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:**	**19 388**	**18 053**	**586 873**	**400 188**
23	With a risk weight of less than or equal to 35% under Basel II standardised approach for credit risk	19 388	18 053	586 873	400 188
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:**	-	-	**1 328 723**	**1 285 178**
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			43 545	-
30	NSFR derivative liabilities before deduction of variation margin posted				
31	All other assets not included in above categories			1 285 178	1 285 178
32	Off-balance sheet items				17 180
33	TOTAL RSF				2 500 524
34	NET STABLE FUNDING RATIO %				99,72%

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