Bank of India (Botswana) Ltd
Gaborone , Botswana

Table - 21

Bank of India (Botswana) ltd does not have any subsidiaries and hence there is no scope of consolidation of financials for the purpose of reporting.

Table – 22
Common Equity Tier I

BWP In Millions

Common Equity Tier I Capital	41.068
Tier II Capital	0.560
Tier I + Tier II Capital – Total Capital	41.628
Tier I Capital as a percentage of Total Risk Weighted Assets	26.31%
Total Capital as a percentage of Total Risk Weighted Assets	26.67%

Table – 24

The bank's regulatory capital as managed by its management is divided into two tiers:

Tier 1 Capital: - Share capital, retained earnings and reserves (now loss for the subsidiary) created by appropriation of retained earnings. Prepaid expenses and deferred charges are deducted in arriving at Tier 1 Capital.

Tier 2 Capital: -Qualifying subordinate loan capital, collective impairment allowances i.e, provision on standard assets and unrealized gains arising on the fair valuation of equity instruments held as available for sale.

	Amount in BWP Mn
(a) Capital requirements for Credit Risk	153.62
➢ Portfolios subject to Standardised Approach	NA
➢ Securitisation Exposures	
(b) Capital requirements for Market Risk: Standardised Measurement Approach	0.296
➢ Interest Rate Risk	NA
➢ Foreign Exchange Risk (incl Gold)	0.044
➢ Equity Risk	NA
(c) Capital requirements for Operational Risk: Basic Indicator Approach	5.543
(d) Common Equity Tier I, Tier I and Total Capital ratios:	
➢ Common Equity Tier I (CET I)	27%
➢ Tier I capital (T 1)	-
➢ Total Capital Ratio	26%

Table 25

In BWP Mn

	Balance Sheet as in published financial statements	Under regulatory scope of consolidation
	As at period end	**As at Period end**
Assets		
Cash and Balances at central banks	7.24	
Items in the course of collection from other banks	-	
Trading portfolio assets	-	
Financial assets designated at fair value	70.15	
Derivative financial instruments	-	
Loan and advances to banks	10.75	
Loan and advances to customers	144.20	
Reverse repurchase agreements and other similar secured lending	29.99	
Available for sale financial investments	6.75	
Current and deferred tax assets	-	
Prepayments, accrued income and other assets	0.51	
Investment in associates and joint ventures	-	
Goodwill and intangible assets	-	
Property, plant and equipment	4.91	
Total Assets	274.50	
Liabilities		
Deposit from banks	50.99	
Items in the course of collection due to other banks	-	
Customer accounts	181.60	
Repurchase agreements and other similar secured borrowing	-	
Trading portfolio liabilities	-	
Financial liabilities designated at fair value	-	
Derivative financial instruments	-	
Debt securities in issue	-	
Accruals, deferred income and other liabilities	0.27	
Current and deferred tax liabilities	-	
Subordinate liabilities	-	
Provisions	-	
Retirement benefit liabilities	-	
Total liabilities	232.86	
Shareholder's Equity		
Paid - in share capital	50.00	
Retained earnings	(8.931)	
Accumulated other comprehensive income	0.56	
Total shareholder's equity	41.628	

Table 26

	Balance Sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at Period end	
Assets			
Cash and Balances at central banks			
Items in the course of collection from other banks			
Trading portfolio assets			
Financial assets designated at fair value			
Derivative financial instruments			
Loan and advances to banks			
Loan and advances to customers			
Reverse repurchase agreements and other similar secured lending			
Available for sale financial investments			
Current and deferred tax assets			
Prepayments, accrued income and other assets			
Investment in associates and joint ventures			
Goodwill and intangible assets			
Of which goodwill			a
Of which other intangibles (excluding MSRs)			b
Of which MSRs			c
Property, plant and equipment			
Total Assets			
Liabilities			
Deposit from banks			
Items in the course of collection due to other banks			
Customer accounts			
Repurchase agreements and other similar secured borrowing			
Trading portfolio liabilities			
Financial liabilities designated at fair value			
Derivative financial instruments			
Debt securities in issue			
Accruals, deferred income and other liabilities			
Current and deferred tax liabilities			
Of which DTLs related to goodwill			d

Of which DTLs related to intangible assets (excluding MSRs)			e
Of which DTLs related to MSRs			f
Subordinate liabilities			
Provisions			
Retirement benefit liabilities			
Total liabilities			
Shareholder's Equity			
Paid - in share capital	50.00		
Of which amount eligible for CET1 Capital	50.00		
Of which amount eligible for AT1	-		
Retained earnings	(8.931)		
Accumulated other comprehensive income	0.56		
Total shareholder's equity	41.628		

Table 27

Extract of Basel III common disclosure templet (with added column)

Common equity Tier I capital : instruments and reserves			
		Component of regulatory capital reported by bank	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from Step 2.**
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus.	NA	h
2	Retained earnings	NA	
3	Accumulated over comprehensive income (and other reserves)	NA	
4	Directly issued capital subject to phase out from CET1 CAPITAL (only applicable to non-joint stock companies)	NA	
5	Common share capital issued by subsidiaries and held by third parties (amount) allowed in group CET1 CAPITAL)	NA	
6	Common Equity Tier I capital before	NA	
7	Prudential valuation adjustments	NA	
8	Goodwill (net of related tax liabilities)	NA	a-d

Table - 30

Credit Risk: Qualitative Disclosures

Credit risk is a risk of financial loss to the bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the bank's loans and advances to customers and other banks, and investment debt securities.

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit committee. The credit department of the bank, reporting to the Credit committee is responsible for management of the bank's credit risk, including:-

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorization structure for approval and renewal of credit facilities. The credit limits are governed by the Credit policy, as approved by the board.

- Reviewing and assessing credit risks.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances).

Definitions of past due and impaired (for accounting purposes)

Overdrafts and other credit facilities without specific due dates shall be considered past due if:

- Exceeds the customer's borrowing limit.
- Customers borrowing limit is expired.
- Deposits are insufficient to cover the interest calculated and due for the period
- Bill has been dishonoured
- Bill or account is not paid on due date

- Loans which are payable in instalments are considered as past due in their entirety. If any of the instalments have become due and unpaid for thirty days or more.
- Outstanding Loans and advances reviewed by quantitative approach should be classified as follows

Outstanding Loans and advances reviewed by quantitative approach should be classified as follows:

No of Days Past Due	Classification	Provisioning
Arrears more than 90 days and less than 1 year	Substandard	10%
If arrears more than 1 year and have adequate security	Doubtful	20%+100% of shortfall
If arrears more than 2 years to 4 years and have adequate security	Doubtful	30%+100% of shortfall
If arrears more than 4 years and have adequate security	Doubtful	100%
If arrears more than 1 year and specific accounts identified as loss assets and have inadequate security	Loss	100%

Quantitative Disclosures:

1. The total gross credit exposures are: BWP in Million

Category	Amount
Fund Based	144.41
Non Fund Based	0

2. The geographic distribution of exposure is:

BWP in Million

	Domestic	Overseas
Fund Based	144.41	0
Non Fund Based	0	0

3. Industry type distribution of exposure is as under:

BWP in Million

Industry Name	Fund Based Amt Outstanding	Non Fund Based Amt Outstanding
Coal		
Mining		
Iron & Steel		
Other Metal & Metal Products		
All Engineering		
Of which Electronics		
Electricity		
Cotton Textiles		
Jute Textiles		
Other Textiles		
Sugar		
Tea		
Food Processing		
Vegetable Oil & Vanaspati		
Tobacco & Tobacco Products		
Paper & Paper Products		
Rubber & Rubber Products		
Chemical, Dyes, Paints etc.	0.44	
Of which Fertilisers	0.44	
Of which Petro-chemicals		
Of which Drugs & pharmaceuticals		
Cement		
Leather & Leather Products		
Gems & Jewellery	29.99	
Construction	0.45	
Petroleum		
Automobiles including trucks	4.24	
Infrastructure *		
Of which Power		
Of which Telecommunications		
Of which Roads & Ports		
Other Industries		
Residuary Other Adv. (to balance with Gross Adv.)	109.29	
Total	144.41	

4. The residual contractual maturity break down of assets is:

BWP in Million

Maturity Pattern	Advances*	Investments (gross)	F. C. Assets*
Next day			
2 ï 7 days	0.44		2.05
8 ï 14 days		15.38	8.40
15 ï 28 days	14.84	10.91	
29 days ï 3 months	6.98	28.03	
>3 months ï 6 months	51.03	12.87	
> 6months ï 1 year	35.67	11.02	
>1 year ï 3 years	9.16	28.37	
> 3 years ï 5 years	13.20		
> 5 years	13.09		

*Figures are shown on net basis

5. The gross NPAs are:

Category	BWP in Million
Sub Standard	
Doubtful ï 1	0.69
Doubtful ï 2	
Doubtful ï 3	
Loss	
TOTAL	**0.69**

6. The amount of net NPAs is 0.53.

7. The NPA ratios are as under:

   a. Gross NPAs to Gross Advances: -- 0.47%
   b. Net NPAs to Net Advances: -- 0.47%

8. The movement of gross NPA is as under:

BWP in Million

i) Opening balance at the beginning of the year	0.69
ii) Additions during the year	0
iii) Reductions during the year	0
iv) Closing balance at the end of the year (i+ii-iii)	**0.69**

9. The movement of provision for NPAs is as under:

BWP in Million

i) Opening balance at the beginning of the year (excluding floating provision)	0.13
ii) Provisions made during the year	0.03
iii) Write-off/write-back of excess provisions	-
iv) Closing balance at the end of the year (i+ii-iii)	**0.16**

10. The amount of non-performing investment is **0.68**:

11. The amount of provision held for non-performing investment is **0.16.**

12. The movement of provisions for depreciation on investments is as under:

BWP in Million

i) Opening balance at the beginning of the year	0
ii) Provisions made during the year	0
iii) Write-off/write-back of excess provisions	0
iv) Closing balance at the end of the year (i+ii-iii)	**0**

Table-32

Discussion of the Bank's Credit Risk Management Policies and processes:

Credit delivery and management is guided by Credit Policy and Credit Monitoring Policy which lays down guidelines for credit selection, monitoring and follow up.

The following tools are used for credit risk management/ mitigation –

- The Bank has a well-defined delegation of powers in place. All large exposures are evaluated by the Credit Committee of the Board.
- Prudential limits on various aspects of credit/investment like Single/Group borrower limits for various types of borrowers are in place.
- Risk Rating/Pricing - The bank has introduced rating models for various segments, which serve as a single point indicator of diverse risk factors of a counter party and support credit and pricing decisions.

Risk Measurement

At present Credit Risk is assessed through Risk rating at the individual level and through Risk Weighting of the assets at the portfolio level and capital is maintained based on Risk Weights.

Risk Review

Audit –Credit Risk Management Systems procedures are also subjected to internal audit for ensuring effectiveness.

Monthly interest application has become a useful tool to tackle potential delinquencies or defaults in standard accounts. To retain the asset quality, the Bank has adopted the following policy, Branches should promptly act and:-

i. Recover the overdues or at least the critical amount through active follow up with borrowers;

ii. Put the accounts under holding on operations in case of temporary cash flow mismatches;

iii. Reschedule the repayment terms as per expected cash flows;

iv. Restructure the dues in keeping with the expected cash flows and gaps in cash flows, if any as per guidelines given in the restructuring policy.

Any one or more of the above actions are taken by the Bank before the account becomes NPA.

<u>Measures for follow up of Stressed/ NPA Accounts</u>

The various means of monitoring / resolving NPAs generally available to the Banks are listed below:-

I. Before the account becoming NPA (Stressed A/c)

a. Close monitoring for compliance of sanction terms to maintain asset quality.

b. Reminders to be sent promptly whenever irregularities are observed.

c. To recover overdues quickly to ensure account does not slip to NPA category

d. Periodic inspection of the unit and charged assets along with analysis of financial data.

e. To restructure the dues before accounts become NPAs. Remedial action includes enhancement of moratorium period, funding of interest, and deferment of instalments.

II. After the account becoming NPA – following measure to be initiated for recovering Bank's dues. The following means have to be effectively pursued for resolution of NPAs.

a. Appropriation of liquid securities (TDR, shares, margin money etc.) and pledged goods, to reduce outstanding

b. Disposal of other securities, with the co-operation of borrowers.

c. Compromise settlement of dues through negotiation

d. Re-calling the advance

e. Filing suit in Court– Execution of decree

f. Lastly, after all the chances of recovery of dues are exhausted, we may resort to writing off of the balance dues. All these means have to be effectively pursued for resolution of NPAs.

Collateral Management –

The collaterals are obtained in the form of Bank's own Term Deposit receipts, Legal Mortgage over Immovable properties, Hypothecation charge over movable assets of the company, Pledge of shares etc.

Minimum conditions for the acceptance of collateral:

For collateral to be valid and enforceable the bank ensures that the assets accepted as collateral are marketable, legally enforceable and can be taken control of if necessary. It is also ensured that the market value of the asset is readily determinable or can be reasonably established and verified. For internal control purposes, the bank has a list of types of assets acceptable as collateral and the maximum loan to value ratio for each of these assets taken as primary security. The bank also takes into account statutory restriction while taking collaterals.

a) Validity of collateral;

i) Enforceability

Bank ensures that credit documentation supporting the collateral, is legally enforceable in all relevant jurisdictions and empowers the Bank to apply the collateral freely to discharge the borrower's obligations.

ii) Title and ownership

Bank always verifies the existence and ownership of the assets being received as collateral before acceptance and ensures that there is no prior claim by any other party on the said collateral. Bank secures its control of the collateral prior to the drawdown of credit facilities. Charges on collaterals are promptly registered with the relevant authorities wherever applicable.

Collateral position	limit (as % of unimpaired capital)
1) Secured by collateral, the value of which is at least	
a) 125% of the credit accommodation secured by it (fully secured)	30
b) Secured by collateral the value of which is less than 125% Of the credit accommodation secured by it (partly secured)	30
c) Unsecured	30

b) Loan-to-value ratios

Bank has specified the maximum loan-to-value ratio (margin) for major types of asset to be accepted as primary security. Such ratios are commensurate with the relative risk of the assets and should be able to provide an adequate buffer against potential losses in realizing the collateral

c) Valuation

Bank has a Board approved policy in place for valuation of properties accepted for bank's exposures, where Basis of valuation, Qualification of Valuer and Frequency of revaluation are laid down for compliance across the bank.

d) Safe Keeping Of Collateral And Control To Their Access

Authority and responsibility has been delegated to relevant individuals and departments for approving the acceptance, monitoring or safe custody of collaterals

e) Additional / Replacement of Collateral;

Procedures for requesting additional collateral are clearly documented

f) Insurance;

All eligible collaterals except those specially exempted are covered by insurance for relevant risks and detailed guidelines for the same are in place

g) Sale of Collateral;

The Bank has clear and robust procedure for the timely liquidation of collateral.

Quantitative Disclosures:

(a) For each separately disclosed credit risk portfolio the total exposure (after, where applicable, on or off balance sheet netting) that is covered by eligible financial collateral: after application of haircuts	BWP…………Mn

(b) For each separately disclosed portfolio the total exposure (after, where applicable, on or off balance sheet netting) that is covered by guarantees/credit derivatives (whenever specially permitted by regulator)	BWP…………Mn

Table 34

The general qualitative disclosure requirements for market risk including the portfolios covered by the standardized approach are as under.

i. Market risk: Market risk arises from open positions in interest rate, currency and equity products. The board sets limits and reviews it at regular interval on the risk that may be accepted. Further the exposure is monitored on daily basis.

ii. Liquidity risk: The bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loans drawn and guarantees, from margin and other calls on cash settlement. The board has set limit based on their experience of the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facility that should be in place to cover withdrawals at unexpected levels of demand.

iii. Interest rate risk: The bank is exposed to various risks associated with the effect of fluctuation in the prevailing levels of market interest rates on its financial position and cash flow. The bank has the discretion to change the rates on deposits, loans and advances in line with changes in market trend. These measures minimize the bank’s exposure to interest rate risk.

iv. Currency risk: The bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate. The bank is involved in foreign currency market only to the extent of buying and selling to the extent of required currency. The bank is not involved in foreign currency forward contracts and thus the risk is limited.

Quantitative Disclosure –

The capital requirements for	BWP in Mn

Interest rate risk	
Equity position risk	
Foreign exchange risk	

Table 35

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market, liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all the bank's activities.

The bank's objective is to manage the operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiate and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the senior management at each branch level. The responsibility is supported by the development of overall standards for management of operational risks in the following areas:-

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective

Operational Risk Capital Charge is calculated thorough Basic Indicator Approach.

Table 37

The bank is exposed to various risks associated with the effect of fluctuation in the prevailing levels of market interest rates on its financial position and cash flow. The bank has the discretion to change the rates on deposits, loans and advances in line with changes in market trend. These measures minimize the bank's exposure to interest rate risk.