



Basel III Pillar 3 Disclosure

for the three months ended 31 Mar 2018

CONTENTS

1. Basel III Pillar 3 Capital Adequacy, Leverage and liquidity ratios	3
2. Risk Weighted Assets	4
3. Leverage	5
4. Liquidity Coverage Ratio	6
5. Appendix A (Main Features Template)	8

1. INTRODUCTION

This document is prepared in accordance with the Commonwealth Bank of South Africa's (CBSA) board of directors' approved processes and controls and complies with requirements of Regulation 43(1)(e)(iii) of the Banks Act (Act No 94 of 1990 as amended) and the revised Pillar III disclosure requirements as issued by the South African Reserve Bank Directives 4 of 2014, 11 of 2015 and 1 of 2018.

The report presents information on CBSA's capital adequacy, risk weighted assets (RWA), liquidity risk and leverage ratio, for the quarter ending 31 March 2018.

With regards to our organisational structure, the recently listed African Rainbow Capital (ARC) is our strategic empowerment partner and holds ten percent of TymeDigital by Commonwealth Bank SA as of 9 March 2018.

2. BASEL III PILLAR 3 CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY RATIOS

CBSA is well capitalised above the prescribed regulatory required capital limits as well as the Board approved Risk Appetite Statement (RAS) and trigger limits.

CBSA converted its legacy debt to equity during the quarter, this has rendered the Bank debt-free and increased the shareholders equity position, from the published December 2017 position. Refer to the Main Features template under the Appendices. for more detail on the updated equity position

The table below provides an overview of the group's prudential regulatory metrics.

KM1: KEY METRICS (at consolidated group level)

Available capital		CBSA Group	
		31-Mar-18	31-Dec-17
1 Common Equity Tier 1 (CET1)	(R'000)	599 809	552 978
2 Tier 1	(R'000)	599 809	552 978
3 Total capital	(R'000)	599 809	552 978
Risk-weighted assets			
4 Total risk-weighted assets (RWA)	(R'000)	856 384	919 942
Risk-based capital ratios as a percentage of RWA			
5 Common Equity Tier 1 ratio	(%)	70.04	60.11
6 Tier 1 ratio	(%)	70.04	60.11
7 Total capital ratio	(%)	70.04	60.11
Additional CET1 buffer requirements as a % of RWA			
8 Capital conservation buffer requirement (2.5% from 2019)	(%)	1.875	1.25
9 Countercyclical buffer requirement	(%)	0.00	0.00
10 Bank D-SIB additional requirements	(%)	0.00	0.00
Total of bank CET1 specific buffer requirements (%)		1.875	1.25
11 (row 8 + row 9+ row 10)	(%)		
12 CET1 available after meeting the bank's minimum capital requirements (%)	(%)	40.85	32.93
Basel III Leverage Ratio			
13 Total Basel III leverage ratio measure	(R'000)	769 221	1 040 262

Available capital		CBSA Group	
		31-Mar-18	31-Dec-17
14 Basel III leverage ratio (row 2/row 13)	(%)	77.98	53.16
Liquidity Coverage Ratio			
15 Total HQLA	(R'000)	96 563	24 635
16 Total net cash outflow	(R'000)	0.083	.016
LCR ratio	(%)	115 840 942	158 569 277
Net Stable Funding Ratio			
18 Total available stable funding	(R'000)	1 899 291	1 668 011
19 Total required stable funding	(R'000)	1 363 001	1 191 469
20 NSFR ratio	(%)	139	140

3. RISK WEIGHTED ASSETS (RWA)

As mentioned in the December 2017 half-yearly disclosure, the bank is yet to extend credit to the public but intends launching credit products during 2019. The main driver in the bank's risk weighted assets (RWA) to date is therefore the cash placements with other South African banking counterparties. These placements are overnight in nature and the RWA movement is directly related to the afore-mentioned placements and correlates accordingly.

The Bank has no derivatives, equity investments in the banking book, trading activities or exposures. The bank's securities holdings are limited to its holding of treasury bills as a build-up of its liquid asset portfolio.

The table below provides an overview of the risk weighted assets for CBSA Group and Bank:

OV1: OVERVIEW OF RISK WEIGHTED ASSETS (RWA)

R'000	CBSA Group			CBSA Bank		
	RWA		MCR*	RWA		MCR*
	31-Mar-18	31-Dec-17	31-Mar-18	31-Mar-18	31-Dec-17	31-Mar-18
1 Credit risk (excluding counterparty credit risk)	252 761	316 319	28 120	227 257	291 069	25 282
2 Standardised approach (SA)	252 761	316 319	28 120	227 257	291 069	25 282
24 Operational risk	603 623	603 623	67 153	593 268	593 268	66 001
27 Total	856 384	919 942	95 273	820 525	884 337	91 283

* The minimum capital requirement per risk category for 2017 is 11.125% which comprises the base minimum (8.00%) plus the Pillar 2A systemic risk add-on (1.25%) plus the capital conservation buffer (1.875%).

The qualifying capital and reserves (QCR) position, quarter on quarter, was mainly due to an increase in the bank's shareholders equity (debt to equity conversion), which was offset by an increase in regulatory deductions against capital.

The increase in regulatory deductions are due to the increase in current period losses; stemming from the ramping up of spend, especially marketing, as we draw closer to the anticipated bank launch date.

4. LEVERAGE

The total exposures utilised in the leverage exposure measure are the same as the reported balance sheet exposures. The balance sheet does not contain any securities financing transactions (SFTs), derivatives, or off-balance sheet items which require the carrying value to be converted through a calculation or the application of specific factors.

The following tables reflect the leverage ratios of CBSA Group and Bank:

LR1: SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE

R'000	CBSA Group		CBSA Bank	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
1 Total consolidated assets as per published financial statements	1 230 085	1 498 805	1 132 762	1 402 754
7 Other adjustments	460 864	458 543	460 864	458 543
8 Leverage ratio exposure measure	769 221	1 040 262	671 898	944 211

The decrease in the numerator, of the leverage calculation, for the quarter ending 31 March 2018 was driven by the decrease of the main balance sheet contributing item (Cash Placements), due mainly to bank build spend.

The denominator decreased more than the numerator due to the related bank build expenses, which contributed to the current year losses, this is impaired against the bank's qualifying capital and reserves (QCR).

The disproportionate decreases of both the numerator and the denominator translated into an increase in the calculated leverage ratios between December 2017 and March 2018.

LR2: LEVERAGE RATIO COMMON DISCLOSURE

R'000	CBSA Group		CBSA Bank	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
On-balance sheet exposures				
On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1 230 085	1 498 805	1 132 762	1,402 754
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(460 864)	(458 543)	(460 864)	(458 543)
Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 3 1 and 2)	769 221	1 040 262	671 898	944 211
Derivative exposures				
4 Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	0	0	0	0
5 Add-on amounts for PFE associated with all derivatives transactions	0	0	0	0
6 Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework	0	0	0	0
7 (Deductions of receivable assets for cash variation margin provided in derivatives transactions)	0	0	0	0
8 (Exempted CCP leg of client-cleared trade exposures)	0	0	0	0
9 Adjusted effective notional amount of written credit derivatives	0	0	0	0
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0	0	0
11 Total derivative exposures (sum of rows 4 to 10)	0	0	0	0
Securities financing transactions				
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0	0	0	0
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0	0	0

R'000	CBSA Group		CBSA Bank	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
14 CCR exposure for SFT assets	0	0	0	0
15 Agent transaction exposures	0	0	0	0
16 Total securities financing transaction exposures (sum of rows 12 to 15)	0	0	0	0
Other off-balance sheet exposures				
17 Off-balance sheet exposure at gross notional amount	0	0	0	0
18 (Adjustments for conversion to credit equivalent amounts)	0	0	0	0
19 Off-balance sheet items (sum of rows 17 and 18)	0	0	0	0
Capital and total exposures				
20 Tier 1 capital	599 809	552 978	502 911	582 103
21 Total exposures (sum of rows 3, 11, 16 and 19)	769 221	1 040 262	671 898	944 211
Leverage ratio				
22 Basel III leverage ratio (%)	77.98	53.16	74.85	61.65

5. LIQUIDITY COVERAGE RATIO

When comparing the Liquidity Coverage Ratios (LCR), quarter on quarter, it should be noted that the figures for December 2017 were calculated off approximately 1 month's daily positions, due to the bank only commencing trading activities at the end of November 2017. The figures for the quarter ending 31 March 2018, consists of data points for a full quarter.

The main contributing factor for the change in the LCR was the increase in the bank's high-quality liquid assets (HQLA), due to the purchase of an additional treasury bill during the quarter. The bank continues to build its liquid assets portfolio to ensure compliance with both the growing regulatory requirements, as well as creating sufficient liquidity should it be required to do so by a liquidity crisis or a trigger event.

The total net outflows increased due to an increase in less stable deposits, as a result of the bank increasing the number of transactional staff deposits for testing purposes during the bank readiness testing.

The net movement during the quarter, resulted in an approximate increase of 73% in the average LCR, quarter on quarter.

31-Mar-2018		CBSA Group		CBSA Bank	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
R'000					
High-quality liquid assets					
1	Total HQLA		96,563		96,563
Cash outflows					
2	Retail deposits and deposits from small business customers:	3	0.3334	3	0.3334
3	Stable deposits				
4	Less stable deposits	3	0.3334	3	0.3334
16	TOTAL CASH OUTFLOWS		0.3334		0.3334
Cash inflows					
17	Secured lending (eg reverse repo)				
18	Inflows from fully performing exposures	592 630	592 630	592 630	592 630

31-Mar-2018

R'000

		CBSA Group		CBSA Bank	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
19	Other cash inflows				
20	TOTAL CASH INFLOWS	592 630	592,630	592 630	592 630
21	Total HQLA		96 563		96 563
22	Total net cash outflows		0.083		0.083
23	Liquidity coverage ratio (%)		115 840 942		115 840 942

December 2017 numbers are based on daily positions for approximately 30 days due to the bank commencement date;
March 2018 numbers are based on a full quarter.

APPENDIX A – MAIN FEATURES DISCLOSURE

Disclosure template for main features of regulatory capital instruments		CBSA Group	CBSA Group	CBSA Bank
1	Issuer	Commonwealth Bank of Australia (CBA)	African Rainbow Capital (ARC)	Commonwealth Bank of South Africa (Holding Company)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	A1	A1	A2
3	Governing law(s) of the instrument	South Africa	South Africa	South Africa
	Regulatory treatment			
4	Transitional Basel III rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
6	Eligible at solo/group/group & solo	CBSA Group	CBSA Group	CBSA Bank Solo
7	Instrument type (types to be specified by each jurisdiction)	CET1	CET1	CET1
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	1 742	193	1 645
9	Par value of instrument	1 742	193	1 645
10	Accounting classification	Shareholders' Equity	Shareholders' Equity	Shareholders' Equity
11	Original date of issuance	Various dates between 26/08/2015 to 09/03/2018	09/03/2018	Various dates between 26/08/2015 to 11/01/2018
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	No Maturity	No Maturity	No Maturity
14	Issuer call subject to prior supervisory approval	No	No	No
15	Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable	Not Applicable	Not Applicable
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	Not Applicable	Not Applicable	Not Applicable
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Fully Discretionary	Fully Discretionary
21	Existence of step up or other incentive to redeem	Not Applicable	Not Applicable	Not Applicable
22	Noncumulative or cumulative	Non-Cumulative	Non-Cumulative	non-Cumulative
23	Convertible or non-convertible	Non-Convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger (s)	Not Applicable	Not Applicable	Not Applicable
25	If convertible, fully or partially	Not Applicable	Not Applicable	Not Applicable
26	If convertible, conversion rate	Not Applicable	Not Applicable	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable	Not Applicable	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable	Not Applicable	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable	Not Applicable	Not Applicable
30	Write-down feature	Not Applicable	Not Applicable	Not Applicable
31	If write-down, write-down trigger(s)	Not Applicable	Not Applicable	Not Applicable
32	If write-down, full or partial	Not Applicable	Not Applicable	Not Applicable
33	If write-down, permanent or temporary	Not Applicable	Not Applicable	Not Applicable

Disclosure template for main features of regulatory capital instruments		CBSA Group	CBSA Group	CBSA Bank
34	If temporary write-down, description of write-up mechanism	Not Applicable	Not Applicable	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable	Not Applicable	Not Applicable
36	Non-compliant transitioned features	Not Applicable	Not Applicable	Not Applicable
37	If yes, specify non-compliant features	Not Applicable	Not Applicable	Not Applicable