Capitec Bank Holdings Limited Biannual Public Disclosures in terms of the Banks' Act, Regulation 43

AUG 2018

1. Basis of compilation

The following information is compiled in terms of Regulation 43 of the Regulations relating to banks which incorporates the Basel Pillar 3 requirements on market discipline. All disclosures presented below are consistent with those disclosed in terms of International Financial Reporting Standards (IFRS) unless otherwise stated. The main differences between IFRS and the information disclosed in terms of the Regulations relate to the definition of capital, the calculation and measurement thereof and adjustments made to risk weighted assets. Capitec Bank Holdings Limited formally transitioned to IFRS 9 on 1 March 2018. The IFRS 9 Transitional Report was presented based on the group's 28 February 2018 financial information to illustrate the impact of implementing IFRS 9 on 1 March 2018. The transitional report is available on Capitec's website at: https://resources.capitecbank.co.za/Capitec_-_IFRS9_transitional_report.pdf

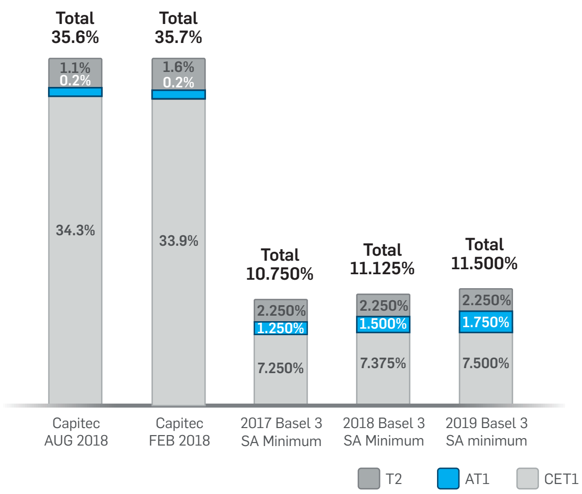
2. Period of reporting

This report covers the 6 months ended 31 August 2018. Comparative information is presented for the previous 6-month period ended 28 February 2018.

3. Scope of reporting

This report covers the consolidated results of Capitec Bank Holdings Limited (Capitec).
All subsidiaries are consolidated in the same manner for both accounting and supervisory reporting purposes. All companies are incorporated in the Republic of South Africa. The registered banking subsidiary of the group, Capitec Bank Limited, has no subsidiaries.

CAPITAL ADEQUACY BY TIER



- *CET1 – Common Equity Tier 1 capital is ordinary share capital and reserves after Basel deductions.*
- *AT1 – Additional Tier 1 capital – Capitec's perpetual preference shares qualify as entry-level AT1 capital, and are subject to phasing-out in terms of Basel 3 as they do not meet new loss absorbency standards.*
- *T2 – Tier 2 capital – Capitec Bank's subordinated debt instruments qualify as entry-level T2 capital, and are subject to phasing-out in terms of Basel 3 as they do not meet new loss absorbency standards. Subordinated debt is issued by Capitec's subsidiary as the interest cost is offset against relative revenue and is regarded as third party capital, subject to additional phasing-out rules, at a consolidated level. No subordinated debt instruments were issued by Capitec during the reporting period.*
- *Globally, the Basel 3 minimum capital adequacy percentage is 8%.*
- *The 2018 Basel 3 SA minimum includes the SA country buffer of 1.25% (2017: 1.50%). The level of this buffer is at the discretion of the SARB and it is subject to periodic review.*
- *SA minimum country buffer will be phased in untill it reaches 1% in 2019.*
- *The 2019 Basel 3 SA minimum includes the capital conservation buffer of 2.5% which phased in from the beginning of 2016. All banks must maintain this buffer to avoid regulatory restrictions on the payment of dividends and bonuses.*
- *Excluded from the SA minima are the Basel 3:*
  - *Bank-specific buffers. Bank-specific buffers include the Individual Capital Requirement (ICR) and the Domestic Systemically Important Bank (D-SIB) buffer. In terms of the Banks Act regulations, banks may not disclose their ICR requirement and D-SIB requirement. The D-SIB requirement will be phased in over four years commencing January 2016. Current regulations state that the South African country risk buffer and the D-SIB buffers on a combined basis cannot be more than 3.5%.*
  - *Countercyclical buffer that can range between 0% and 2.5% at the discretion of the monetary authorities. It is not expected that this buffer will be applied on a permanent basis and only when credit growth exceeds real economic growth. Implementation commenced in January 2016 with a rate of zero.*
  - *Haircuts to be applied against minority and third-party capital issued by subsidiaries, which began phasing-in from 2013 at 20% per year.*

4. Regulatory capital adequacy

R'000	31 Aug 2018	28 Feb 2018
Composition of qualifying regulatory capital		
Ordinary share capital[1]	**5 649 020**	5 649 020
Foreign currency translation reserve	**39 950**	3 158
Accumulated profit	**13 822 255**	13 153 434
	19 511 225	18 805 612
Regulatory adjustments		
– Intangible assets in terms of IFRS	**(268 172)**	(283 011)
– Specified advances	**472 267**	(12 035)
– Unappropriated profit	**(388 425)**	(1 128 678)
Common Equity Tier 1 capital (CET1)	**19 326 895**	17 381 888
Issued preference share capital[1]	**106 560**	112 803
Phase out – non-loss absorbent[2] [8]	**(2 973)**	(9 216)
Additional Tier 1 capital (AT1)	**103 587**	103 587
Tier 1 capital (T1)	**19 430 482**	17 485 475
Issued subordinated debt[1]	**2 441 000**	2 441 000
Phase out – non-loss absorbent[2]	**(2 326 600)**	(2 076 600)
Deduction for third-party capital issued by bank subsidiary[3]	**(24 516)**	(80 962)
Total subordinated debt	**89 884**	283 438
Unidentified impairments	**556 930**	519 230
Tier 2 capital (T2)	**646 814**	802 668
Qualifying regulatory capital	**20 077 296**	18 288 143
CET1%	**34.3**	33.9
AT1%	**0.2**	0.2
T1%	**34.5**	34.1
T2%	**1.1**	1.6
Total capital adequacy %[4]	**35.6**	35.7
Composition of required regulatory capital		
On balance sheet	**4 938 529**	4 602 965
Off balance sheet	**552**	-
Credit risk	**4 939 081**	4 602 965
Operational risk	**751 862**	683 940
Equity risk in the banking book	**78 590**	56 819
Other assets	**495 983**	355 777
Total regulatory capital requirement[5]	**6 265 516**	5 699 501
Composition of risk-weighted assets[6]		
On balance sheet	**44 391 273**	41 374 966
Off balance sheet	**4 963**	-
Credit risk	**44 396 236**	41 374 966
Operational risk	**6 758 309**	6 147 776
Equity risk in the banking book	**706 429**	510 730
Other assets	**4 458 270**	3 197 993
Total risk-weighted assets	**56 319 244**	51 231 465
Total assets based on IFRS	**93 631 332**	84 957 233
Total risk-weighted assets – adjustments[7]	**(37 312 088)**	(33 725 768)
Total risk-weighted assets – regulatory	**56 319 244**	51 231 465

(1) *For further details of the main features of these instruments, please refer to the Main Features of Capital Instruments and Traditional Basel 3 template on the Capitec Bank website, under investor relations.*

(2) *Starting 2013, the non-loss absorbent AT1 and T2 capital is subject to a 10% per annum phase-out in terms of Basel 3.*

(3) *Starting 2013, a deemed surplus attributable to T2 capital of subsidiaries issued to outside third parties, is excluded from group qualifying capital in terms of the accelerated adoption of Basel 3. This deduction phases in at 20% per annum.*

(4) *The total capital adequacy ratio percentage is determined by dividing the total qualifying regulatory capital by total risk-weighted assets.*

(5) *This value is 11.125% (2017: 10.750%) of risk-weighted assets, being the Basel global minimum requirement of 8.000%, the South African country-specific buffer of 1.250% (2017: 1.500%) and the Capital Conservation Buffer of 1.875% (2017: 1.250%) (disclosable in terms of SARB November 2016 directive in order to standardise reporting across banks). In terms of the regulations the Individual Capital Requirement (ICR) is excluded.*

(6) *Risk-weighted assets are calculated by using regulatory percentages applied to the balance sheet, in order to establish the base for calculating the required regulatory capital.*

(7) *The adjustments reflect mainly the impact of the regulatory percentages and the addition of a risk-weighted equivalent for operational risk.*

(8) *The base value of preference shares phasing out in terms of Basel 3 is R258 969 000. At 31 August 2018, 58.85% (Feb 2018: 56.44%) of these shares had been repurchased as they no longer contributed to qualifying regulatory capital.*

5. Leverage ratio

Public disclosure of the leverage ratio (calculated using the prescribed leverage ratio template) and its components was made effective from 1 January 2015. The Basel 3 leverage ratio is defined as the capital measure (Tier 1 capital) divided by the exposure measure (Total exposures), and is expressed as a percentage. This measure acts as a backstop to the risk based leverage capital adequacy ratio (see 4), by acting as a floor to restrict the build-up of excessive leverage by banks.

Capitec is conservatively leveraged with a ratio of 21% or exposure of 5 times equity (Feb 2018: 21% or 5 times equity).

5.1 Summary of leverage ratio

Line #	Group leverage ratio framework R'000	31 Aug 2018	28 Feb 2018
	Capital and total exposures		
20	Tier 1 capital	**19 430 482**	17 485 475
21	Total exposures (sum of lines 3, 11, 16 and 19)	**94 010 321**	84 834 799
	Leverage ratio		
22	**Basel 3 leverage ratio%**	**20.7%**	20.6%
Line #	**Summary leverage ratio framework - bank level**		
	Capital and total exposures		
20	Tier 1 capital	**18 848 890**	17 120 416
21	Total exposures (sum of lines 3, 11, 16 and 19)	**93 680 061**	84 730 430
22	**Basel 3 leverage ratio%**	**20.1%**	20.2%

For further details on our Leverage ratio, please refer to the Leverage ratio common disclosure template for additional information on the Capitec website under investor relations.

6. Credit Risk

6.1 Gross credit risk exposures by sector

Gross regulatory credit exposures at balance sheet date are reflected below:

Basel 3 exposure categories R'000	Average gross exposure[1] 31 Aug 2018	28 Feb 2018	Aggregate gross period-end exposure[2] [4] 31 Aug 2018	28 Feb 2018	Exposure post risk mitigation[2] [3] [4] 31 Aug 2018	28 Feb 2018	Risk weights %
On balance sheet							
Corporate[6]	**4 907 426**	4 339 309	**5 106 759**	3 764 555	**5 055 893**	3 628 931	100
Sovereign[7]	**14 580 893**	11 977 984	**14 155 816**	13 096 689	**14 155 816**	13 096 689	0
Banks (claims < 3 mths original maturity)	**13 335 888**	9 502 551	**13 831 097**	11 666 113	**12 574 193**	10 242 254	20
Banks (claims > 3 mths original maturity)	**3 028 673**	5 279 692	**4 587 104**	3 720 150	**4 587 104**	3 720 150	50
Banks (Derivatives >3mths Aaa to Aa3)	**-**	-	**-**	-	**-**	-	20
Banks (Derivatives > 3 mths A1 to Baa3)	**21 114**	71 551	**38 497**	15 184	**38 497**	15 184	50
Retail personal loans							
– with general impairments	**43 912 091**	44 083 394	**44 401 167**	43 628 225	**44 401 167**	43 628 225	75
– with specific impairments[8]	**5 896 645**	3 862 755	**6 925 174**	3 977 170	**6 925 174**	3 977 170	various
Subtotal	**85 682 730**	79 117 236	**89 045 614**	79 868 086	**87 737 844**	78 308 603	
Off balance sheet							
Corporate facilities	**709**	-	**4 963**	-	**4 963**	-	100
Retail personal loans							
– retail guarantees	**-**	-	**-**	-	**-**	-	75
– committed undrawn facilities	**-**	-	**-**	-	**-**	-	75
– conditionally revocable commitments[9]	**512 312**	570 502	**784 138**	796 274	**784 138**	796 274	0
Total exposure	**86 195 751**	79 687 738	**89 834 715**	80 664 360	**88 526 945**	79 104 877	

As required by the regulations (which incorporate Basel requirements):

(1) Average gross exposure is calculated using daily balances for the last 6 months.

(2) Items represent exposure before the deduction of qualifying impairments on advances.

(3) Represents exposure after taking into account any qualifying collateral. Amounts are shown gross of impairments, which are deducted to calculate risk-weighted assets.

(4) 'Corporate' and 'Bank' exposures were calculated based on an average, using daily balances for month 6 of the respective reporting periods. All other items are the balances at the respective month-ends.

(5) The risk weightings reflected are the standard risk weightings applied to exposures, as required by the regulations. Risk weights for exposures (other than retail) are determined by mapping the exposure's Moody's International grade rating to a risk-weight percentage using the mapping table (shown on page 6). The risk weightings for retail exposures are specified directly in the banking regulations. A standard risk weight of 75% is applied to performing retail exposures while impaired exposures attract a standard 100% risk weight, net of allowed impairments.

(6) 98.3% (Feb 2018: 95.5%) of corporate (unrated) aggregate gross period-end exposure relates to investments in money market unit trusts.

(7) Sovereign comprises investments in RSA treasury bills and SARB debentures. These exposures are zero risk weighted.

(8) Per banking regulations, those retail personal loans which have been provided for in excess of 50% of the outstanding balance, are risk weighted at 50%.

(9) These commitments are as a result of undrawn credit facility and undrawn credit card amounts. The bank's contractual commitment is revocable should a client not meet their contractual obligations or where the bank has determined that the client's credit risk profile has changed. 62.8% (Feb 2018: 48.11%) is expected to be drawn down within one month. As these commitments are revocable, there is no capital charge in terms of the standardised approach for credit risk.

MAPPING MOODY'S INTERNATIONAL RATING GRADES TO RELATED RISK WEIGHTS

Long-term credit assessment	**Aaa to Aa3 %**	**A1 to A3 %**	**Baa1 to Baa3 %**	**Ba1 to B3 %**	**Below B3 %**	**Unrated %**
Sovereigns	0	20	50	100	150	100
Public sector entities	20	50	50	100	150	50
Banks	20	50	50	100	150	50
Security firms	20	50	50	100	150	50
Banks: short-term claims	20	20	20	50	150	20
Security firms: short-term claims	20	20	20	50	150	20
Long-term credit assessment	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Below B3**		
Corporate entities	20	50	100	150		100
Short-term credit assessment	**P-1**	**P-2**	**P-3**	**Other**		
Banks and corporate entities	20	50	100	150		

6.2 Credit quality of assets

31 August 2018

R'000	Gross loans and advances		Impairments	Net Loans
	Defaulted exposures (1)(4)	Non-defaulted exposures		
Stage 1	-	39 640 507	(2 879 537)	36 760 970
Stage 2	-	4 395 884	(1 444 547)	2 951 337
Stage 3	3 469 438	3 852 774	(5 146 494)	2 175 718
Total	3 469 438	47 889 165	(9 470 578)	41 888 025

1 March 2018

R'000	Gross loans and advances		Impairments	Net Loans
	Defaulted exposures (1)(3)	Non-defaulted exposures		
Stage 1	-	37 164 807	(2 674 424)	34 490 383
Stage 2	-	5 404 296	(1 591 080)	3 813 216
Stage 3	906 273	4 167 114	(2 449 260)	2 624 127
Total	906 273	46 736 217	(6 714 764)	40 927 726

28 February 2018

R'000	Gross loans and advances		Impairments	Net Loans
	Defaulted exposures (1)(3)	Non-defaulted exposures		
Loans and advances (2)	906 273	46 736 217	(5 828 095)	41 814 395

(1) Defaulted loans include loans which are more than 3 months in arrears which have not yet been handed over or written-off, and loans with a legal status.
(2) Historically up until 28 February 2018, loans more than 90 days in arrears or loans with a legal status were written off in full.
(3) The R906 million included in defaulted exposures at 28 February 2018 represents the present value of the future expected recoveries on loans which have been written off in full in the past (net of provision).
(4) Included in the R3 469 million defaulted exposures at 31 August 2018 is R399 million which represents the present value of the future expected recoveries on loans which have been written off in full in the past (net of provision).

6.3 Analysis of credit impairments

All impairments presented below relate to retail personal loans.

	Six months 31 Aug 2018	IFRS9 1 Mar 2018	Six months 28 Feb 2018
Movement in impairments:			
Balance at beginning of period	**6 714 764**	5 828 095	5 924 696
- Unidentified Impairments (IAS 39)		4 073 321	4 267 046
- Identified Impairments (IAS 39)		1 754 774	1 657 650
- Stage1 (IFRS 9)	**2 674 424**		
- Stage2 (IFRS 9)	**1 591 080**		
- Stage3 (IFRS 9)	**2 449 260**		
Movement	**2 755 813**	886 669	(96 601)
- Unidentified Impairments (IAS 39)		(4 073 321)	(193 725)
- Identified Impairments (IAS 39)		(1 754 774)	97 124
- Stage1 (IFRS 9)	**200 520**	2 674 424	
- Stage2 (IFRS 9)	**(144 508)**	1 591 080	
- Stage3 (IFRS 9)	**2 699 801**	2 449 260	
Balance at end of period	**9 470 577**	6 714 764	5 828 095
- Unidentified Impairments (IAS 39)			4 073 321
- Identified Impairments (IAS 39)			1 754 774
- Stage1 (IFRS 9)	**2 874 944**	2 674 424	
- Stage2 (IFRS 9)	**1 446 572**	1 591 080	
- Stage3 (IFRS 9)	**5 149 061**	2 449 260	

Stage 1: Includes up-to-date loans and advances, loans rescheduled from arrears and rehabilitated and loans rescheduled from up-to-date and rehabilitated.

Stage 2: Includes up-to-date loans with Significant Increase in Credit Risk (SICR), loans up to 1 month in arrears and clients applying for debt review > 6 months.

Stage 3: Includes loans more than 1 month in arrears, up-to date loans rescheduled from arrears and not rehabilitated, up-to-date loans rescheduled from up-to-date and not rehabilitated, application for debt review < 6months, under debt review clients, clients handed over or with a legal status and residual post-write-off recoverable loans.

Per SARB Directive D5 of 2017, provisions on Stage 1 and Stage 2 exposures are classified as general/portfolio impairment provisions, whereas provisions on Stage 3 exposures are classified as specific impairment provisions.

IFRS 9 requires a minimum 12 month expected credit loss (ECL) for loans and advances for which there has not been a SICR (i.e. Stage 1 exposures).

A lifetime ECL applies to exposures with a significant increase in credit risk (Stage 2) and credit impaired exposures (Stage 3 exposures).

6.4 Write-offs and recoveries reflected in the income statement

	6 MONTHS 31 Aug 2018 R'000	6 MONTHS 28 Feb 2018 R'000
Net impairment charge on loans and advances:		
Bad debts (write-offs) [1]	**1 029 044**	3 262 004
Movement in impairment allowance [1]	**2 304 371**	(96 601)
Bad debts recovered	**(791 160)**	(696 847)
Net impairment charge	**2 542 255**	2 468 556

[1] By 31 August 2018, a large portion of loans more than 3 months in arrears have not yet been handed over or written off due to the change in the write-off policy. This has resulted in a build-up of loans and advances on balance sheet which are more than 3 months in arrears, with an appropriate provision at 31 August 2018. Up to 28 February 2018, these loans were written off.

6.5 Counterparty credit risk (CCR)

Risk weights %	OTC derivative instruments 31 Aug 2018 R'000	Securities financing transactions 31 Aug 2018 R'000	OTC derivative instruments 28 Feb 2018 R'000	Securities Financing Transactions 28 Feb 2018 R'000
20	**-**	**82 725**	-	76 480
50	**38 497**	**-**	15 184	-
100	**-**	**1 226**	-	1 448
	38 497	**83 951**	15 184	77 928

Counterparty Credit Risk (CCR) is calculated on the Current Exposure method based on the asset values as well as any potential future add-ons as prescribed by the Regulations. These values are reflected in the exposures as shown in 6.1.
The Standardised Credit Valuation Adjustment (CVA) capital charge relating to CCR was R1.2 million (Feb 2018: R0.4 million).

7. Liquidity measurements

7.1 Liquidity management

Liquidity risk is managed by the Assets and Liabilities Committee (ALCO) that oversees the activities of the treasury department which operates in terms of an approved Assets and Liabilities Management (ALM) policy and approved limits, managing cash on a centralised basis.

Further information regarding liquidity management is available in the Integrated Annual Report.

This section presents various measurements of the group liquidity position.

7.2 Contractual and behavioural liquidity mismatches

Both the contractual and behavioural mismatches benefit positively from the high component of equity funding. This creates a greater surplus of asset cash flows over liability cash flows than at banks with lower capital ratios.

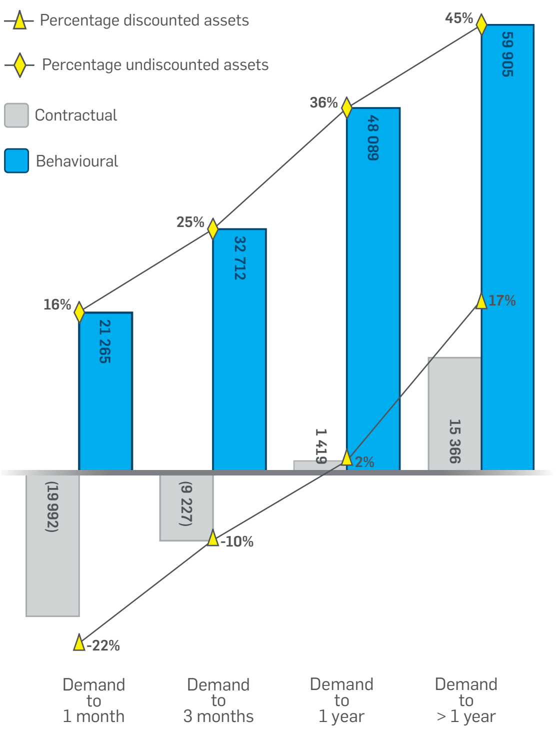
The main difference between the behavioural and contractual mismatches relates to the treatment of retail call deposits. 92.54% (Feb 2018: 91.41%) of retail demand deposits are reflected as stable, based on a one standard deviation measure of volatility, which is considered reasonable for business-as-usual conditions. In the behavioural analysis, retail fixed deposit and retail term loan contractual flows are adjusted for early settlement behaviour. Loan flows are also adjusted for expected credit losses.

Industry comparison

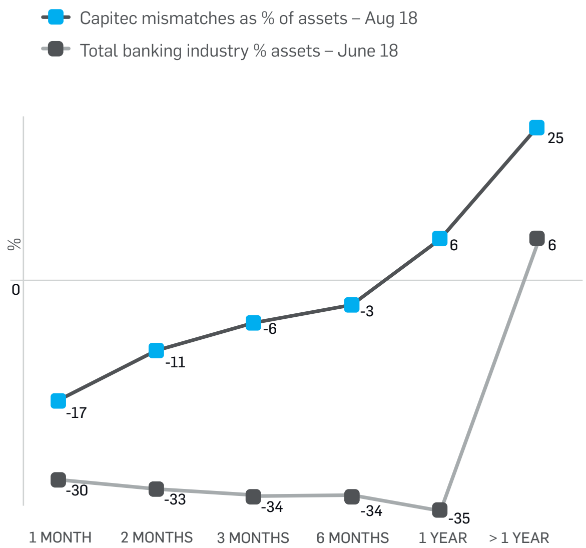
The industry comparison shows that Capitec's contractual mismatch as a percentage of assets is prudent relative to the total industry mismatch. The source data is as reported on the SARB BA 300 returns, which exclude the impact of loan impairments.

CONTRACTUAL AND BEHAVIOURAL LIQUIDITY MISMATCHES R'm

The contractual mismatch is reported on a discounted basis whereas the behavioural mismatch is reported on an undiscounted basis.



INDUSTRY COMPARISON – CUMULATIVE CONTRACTUAL LIQUIDITY MISMATCHES



7.3 Contractual Liquidity maturity analysis (mismatch)

The following table analyses assets and liabilities of the group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The table was prepared on the following basis:

- Asset and liability cash flows are presented on an undiscounted basis with an adjustment to reflect the total discounted result
- The cash flows of floating rate financial instruments are calculated using published forward market rates at balance sheet date
- The cash flows of derivative financial instruments are included on a gross basis
- Contractual cash flows with respect to off-balance sheet items which have not yet been recorded on the balance sheet, are excluded (Refer to page 8 and 9 for details of off-balance sheet items)
- Adjustments to loans and advances to clients relate to deferred loan fee income
- Non-cash liabilities, representing leave pay and the straight-lining of operating leases, are disclosed as adjustments to trade and other payables

Maturities of financial assets and liabilities (tables reflect discounted cash flows) (2) **R'000**	**Demand to one month**	**One to three months**	**Three months to one year**	**More than one year**	**Adjustment** (3)	**Total**
AUG 2018						
Undiscounted assets						
Cash and cash equivalents - sovereigns	1 172 407	-	-	-	-	1 172 407
Cash and cash equivalents - banks	18 373 854	9 534 732	-	-	(2 682)	27 905 904
Money markets unit trusts - corporate other	31 277	-	-	-	-	31 277
Financial investments - sovereigns & banks(4)	2 732 670	1 806 460	7 999 590	-	(9 496)	12 529 224
Term deposit investments	-	-	5 290 992	-	(674)	5 290 318
Financial assets – equity instruments at FVOCI	-	-	-	-	100 000	100 000
Loans and advances to clients - retail personal	4 527 090	5 309 573	20 756 205	54 508 228	(626 983)	84 474 113
Loans and advances to clients - retail other	-	-	-	-	-	-
Loans and advances to clients - corporate other	24 791	-	-	-	-	24 791
Other receivables	976 190	32 345	43 512	1 849	-	1 053 896
Net insurance receivable	-	-	256 766	-	-	256 766
Derivative assets	2 819	(765)	13 988	11 549	-	27 591
Current income tax asset	-	-	-	-	-	-
Undiscounted assets	27 841 098	16 682 345	34 361 053	54 521 626	(539 835)	132 866 287
Adjustments for undiscounted assets	(1 619 671)	(2 245 259)	(8 707 790)	(21 328 814)	-	(33 901 534)
Discounted assets						
Loan impairment provision	(2 417 230)	(635 799)	(1 871 621)	(4 545 927)	-	(9 470 577)
Total discounted assets	23 804 197	13 801 287	23 781 642	28 646 885	(539 835)	89 494 176
Undiscounted liabilities						
Retail deposits	42 229 750	2 973 116	11 215 756	13 155 398	-	69 574 020
Wholesale Deposits and bonds	311 779	170 160	2 386 592	3 803 154	-	6 671 685
Current income tax liabilities	-	-	72 650	-	-	72 650
Trade and other payables	1 284 382	31 811	217 229	123 191	248 012	1 904 625
Derivative liabilities	-	3 145	5 178	3 746	-	12 069
Provisions	-	-	-	40 709	-	40 709
Undiscounted Liabilities	43 825 911	3 178 232	13 897 405	17 126 198	248 012	78 275 758
Adjustments for undiscounted liabilities to depositors	(29 741)	(141 513)	(761 721)	(2 427 008)	-	(3 359 983)
Total discounted liabilities	43 796 170	3 036 719	13 135 684	14 699 190	248 012	74 915 775
Net liquidity excess /(shortfall)	(19 991 973)	10 764 568	10 645 958	13 947 695	(787 847)	14 578 401
Cumulative liquidity excess/(shortfall)(2)	(19 991 973)	(9 227 405)	1 418 553	15 366 248	14 578 401	14 578 401

Maturities of financial assets and liabilities (tables reflect discounted cash flows) [2] R'000	Demand to one month	One to three months	Three months to one year	More than one year	Adjustment [3]	Total
FEB 2018						
Undiscounted assets						
Cash and cash equivalents - sovereigns	1 137 659	-	-	-	-	1 137 659
Cash and cash equivalents - banks	17 768 738	6 237 218	-	-	-	24 005 956
Money markets unit trusts - corporate other	20 750	-	-	-	-	20 750
Financial investments - sovereigns & banks[4]	200 000	2 754 240	9 241 211	-	-	12 195 451
Term deposit investments	120 173	1 062 131	1 404 658	-	-	2 586 962
Financial assets – equity instruments at FVOCI	-	-	-	-	100 000	100 000
Loans and advances to clients - retail personal	3 107 374	4 899 080	19 590 007	51 532 936	(677 485)	78 451 912
Loans and advances to clients - retail other	-	-	-	-	-	-
Loans and advances to clients - corporate other	27 018	-	-	-	-	27 018
Other receivables	439 240	107 351	29 355	3 478	-	579 424
Net insurance receivable	-	-	245 204	-	-	245 204
Derivative assets	-	58	75	-	-	133
Current income tax assets	-	-	107 154	-	-	107 154
Undiscounted assets	22 820 952	15 060 078	30 617 664	51 536 414	(577 485)	119 457 623
Adjustments for undiscounted assets	(1 012 531)	(2 140 774)	(8 298 948)	(19 930 977)	-	(31 383 230)
Discounted assets						
Loan impairment provision	(558 587)	(282 284)	(1 129 994)	(3 857 230)	-	(5 828 095)
Total discounted assets	21 249 834	12 637 020	21 188 722	27 748 207	(577 485)	82 246 298
Undiscounted liabilities						
Retail deposits	36 074 638	2 463 316	10 065 863	12 634 549	-	61 238 366
Wholesale deposits and bonds	97 009	741 558	1 447 674	4 960 805	-	7 247 046
Current income tax liabilities	-	-	-	-	-	-
Trade and other payables	1 070 282	468 765	32 931	107 171	234 772	1 913 921
Derivative liabilities	13 117	4 651	18 718	21 168	-	57 654
Provisions	-	-	-	66 835	-	66 835
Undiscounted Liabilities	37 255 046	3 678 290	11 565 186	17 790 528	234 772	70 523 822
Discounting adjustment	(28 004)	(212 127)	(1 161 145)	(3 056 990)	-	(4 458 266)
Total discounted liabilities	37 227 042	3 466 163	10 404 041	14 733 538	234 772	66 065 556
Net liquidity excess /(shortfall)	(15 977 208)	9 170 857	10 784 681	13 014 669	(812 257)	16 180 742
Cumulative liquidity excess/(shortfall)[1]	(15 977 208)	(6 806 351)	3 978 330	16 992 999	16 180 742	16 180 742

(1) Much of the liquidity shortfall in the demand to three month categories results from the investment of excess cash in treasury bills with maturities in excess of three months. These instruments are highly liquid and can be converted to cash should the need arise.
(2) The definitions of sovereign, banks, corporate and retail are aligned with the Banks' Act Regulations.
(3) The adjustment includes adjustments to deferred initiation fees, leave pay provision, deferred income and straight-lining of lease accruals.
(4) 100% (Feb 2018: 99%) of Held-to-maturity investments - sovereigns & banks relates to investments in sovereigns.

Off balance sheet items

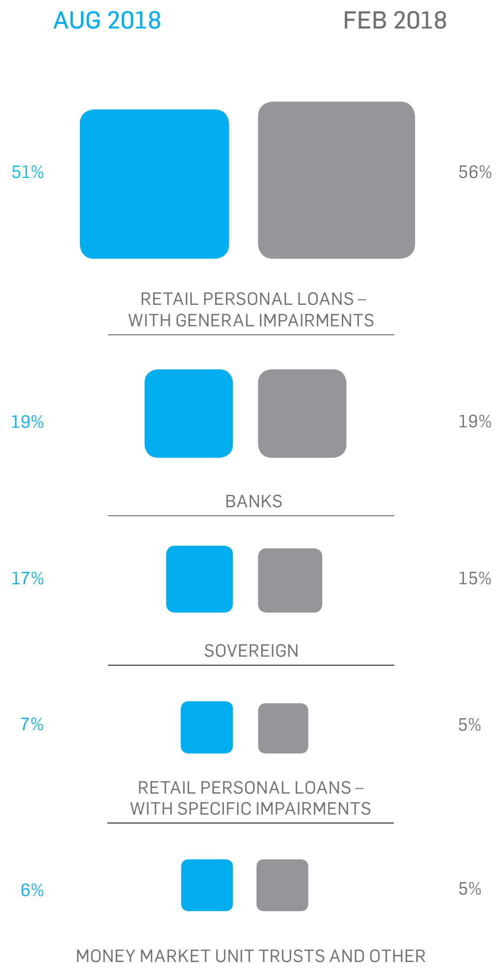
The following off balance sheet items will result in a future outflow of cash subsequent to reporting date. These cash flows are regarded as transactions relating to future reporting periods and are therefore excluded from the static maturity analysis above. As a going concern, these outflows will be offset by future cash inflows.

(a) Operating lease commitments

Operating lease commitments relate mainly to property operating lease commitments. The future minimum lease payments under non-cancellable operating leases will result in an outflow of cash subsequent to the reporting date. The future obligations measured on a straight-lined basis are as follows:

	31 Aug 2018 R'000	28 Feb 2018 R'000
Property operating lease commitments		
The future aggregate minimum lease payments under non-cancellable leases are as follows:		
Within one year	**496 852**	468 968
From one to five years	**1 317 287**	1 292 109
After five years	**220 643**	269 015
Total future cash flows	**2 034 782**	2 030 092
Straight lining accrued	**(141 215)**	(135 151)
Future expenditure	**1 893 567**	1 894 941

CREDIT EXPOSURE BY TYPE
(NET OF RISK MITIGATION)



(b) Capital commitments

Capital commitments for the acquisition of information technology hardware, improvements to leased premises and support services, that are expected to result in cash outflows by the end of the 2019 financial year, are as follows:

	31 Aug 2018 R'000	28 Feb 2018 R'000
Capital commitments – approved by the board		
Contracted for:	**716 769**	163 426
Property and equipment	**697 790**	147 649
Intangible assets	**18 979**	15 777
Non-contracted for:	**712 452**	1 139 166
Property and equipment	**526 736**	896 644
Intangible assets	**185 716**	242 522
Future expenditure	**1 429 221**	1 302 592

(c) Conditionally revocable retail commitments

Conditionally revocable retail commitments totalled R784 million (Feb 2018: R796 million). These commitments are as a result of undrawn credit facility and undrawn credit card amounts. The bank's contractual commitment is revocable should a client not meet their contractual obligations or where the bank has determined that the client's credit risk profile has changed. 62.8% (Feb 2018: 48.1%) is expected to be drawn down within one month. As these commitments are revocable, there is no capital charge in terms of the standardised approach for credit risk.

7.4 Liquidity coverage ratio (LCR)

The LCR is a 30-day stress test, using 92 days (actual data points for the quarter) to calculate an average for the quarter, which requires banks to hold sufficient high-quality liquid assets to cover envisaged net outflows. These outflows are calibrated using prescribed Basel factors applied to assets and liabilities in a static run-off model. Basel definitions are used to identify high-quality liquid assets.

The LCR calculation has been revised to include the updated Basel weightings and disclosures made effective January 2015.

Line #	Group R'000	Total Adjusted Value 31 Aug 2018	Total Adjusted Value 28 Feb 2018
21	Total HQLA	**18 696 766**	18 056 043
22	Total Net Cash Outflows[1]	**972 041**	961 511
23	**Liquidity Coverage Ratio (%)** [2]	**1 923%**	1 878%

For further details on our LCR ratio, please refer to the Liquidity coverage ratio (LCR) common disclosure template on the Capitec website under investor relations.

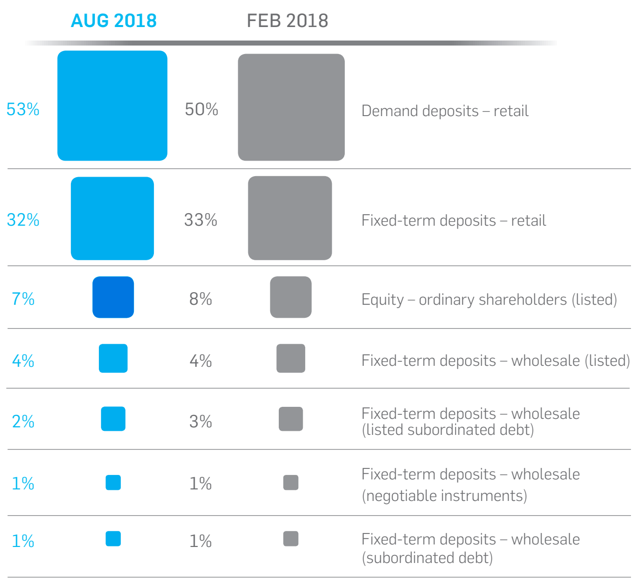
(1) As Capitec has a net cash inflow after applying the run-off factors, outflows for the purpose of the ratio are deemed to be 25% of gross outflows.
(2) There is no difference between group and bank.

7.4.1 Composition of high-quality liquid assets

	31 Aug 2018	28 Feb 2018
Total level one R'000 qualifying high-quality liquid assets[1]	**18 696 766**	18 056 043
Cash	**2 920 585**	3 266 936
Qualifying central bank reserves	**1 163 719**	1 112 195
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	**13 331 671**	11 780 097
Specified marketable securities from sovereigns, central banks, public sector entities, multilateral development banks and development banks	**1 280 791**	1 896 815

(1) Capitec does not have any investments in level two high-quality liquid assets

7.4.2 Diversification of funding sources



- *Capitec has no exposure to institutional or corporate call accounts.*
- *Fixed-term deposits - wholesale (listed) and wholesale (listed subordinated debt) comprises domestic medium-term notes listed on the JSE Limited. Investors in these bonds comprise: banks, insurance companies, fund managers and pension and provident funds.*
- *Wholesale (other) comprises deposits negotiated on a bilateral basis.*
- *Retail refers to individuals/natural persons.*

7.4.3 Derivative exposures and potential collateral calls

The below tables provide information on the potential exposure to margin calls on derivative exposures. All derivatives are entered into for the sole purpose of risk mitigation in the banking book.

Derivative financial instruments: cash flow hedges

R'000	Notional USD	Notional ZAR	Fair values Assets	Fair values Liabilities
AUG 2018				
Interest rate swaps	**-**	**3 516 000**	**(10 652)**	**11 404**
Net	**-**	**3 516 000**	**(10 652)**	**11 404**
FEB 2018				
Interest rate swaps	-	3 766 000	(129)	38 546
Net	-	3 766 000	(129)	38 546

Maturity analysis R'000	Demand to one month	One to three months	Three months to one year	More than one year	Grand total
AUG 2018					
Discounted swap cash flows	**628**	**3 862**	**2 982**	**(6 720)**	**752**
Net	**628**	**3 862**	**2 982**	**(6 720)**	**752**
FEB 2018					
Discounted swap cash flows	296	4 532	14 728	18 861	38 417
Net	296	4 532	14 728	18 861	38 417

Gains and losses recognised in comprehensive income on swap contracts will be continuously released to the income statement in line with the interest expense and foreign currency movement on the underlying hedged items.

The forecast cash flows presented above show how the cash flow hedging reserve will be released to the income statement over time. The swaps have quarterly reset and settlement dates. The forecast cash flows were based on contracted interest and ruling exchange rates.

R'000	Notional Foreign	Notional ZAR	Fair values Assets	Fair values Liabilities
AUG 2018				
Forward foreign exchange contracts - USD	**-**	**-**	**-**	**-**
Forward foreign exchange contracts - EUR	**10 399**	**167 009**	**(15 315)**	**-**
Net		**167 009**	**(15 315)**	**-**
FEB 2018				
Forward foreign exchange contracts - USD	1 921	35 461	-	12 820
Forward foreign exchange contracts - EUR	7 000	109 030	-	3 210
Net		144 491	-	16 030

8. The net stable funding ratio (NSFR)

NSFR	31 Aug 2018	28 Feb 2018
NSFR%	**205**	206
Required stable funding (R'm)	**41 710**	37 205
Available stable funding (R'm)	**85 334**	76 621

The NSFR is designed to ensure closer matching of long-term asset cash flows with long-term funding cash flows. A ratio of 100% or more represents compliance. Compliance is required from 2018.

Early compliance with the two recent Basel ratios underscores Capitec's conservative approach to liquidity management. Our NSFR% is calculated as per the SARB rules in force. Basel has proposed adjustments to the calibration of the ratio. The NSFR ratio is based on the latest Basel regulations.

For further details on our NSFR ratio, please refer to the LIQ2: Net Stable Funding Radio (NSFR) common disclosure template on the Capitec website under investor relations.

9. Interest rate risk

The equity sensitivity analysis below shows how the value of equity would be impacted by a 200 basis point increase or decrease in interest rates. The resulting values are expressed as a percentage of equity before applying the change in rates. The analysis is performed on a discounted run-off basis in line with the regulations.

Sensitivity of equity	31 Aug 2018		28 Feb 2018	
	R'000	%	**R'000**	**%**
200 basis points shift				
Increase	**(674 446)**	**(2.9)**	(699 604)	(3.3)
Decrease	**694 741**	**3.0**	722 962	3.4

10. Qualitative disclosures and accounting policies

The regulations require that certain qualitative disclosures and statements on accounting policy be made. These were made in the Integrated Annual Report for the financial period ended 28 February 2018, in the remuneration report, corporate governance and risk management review and statements on group accounting policy. The disclosures in this report should be read together with the Integrated Annual Report, Main Features of Capital Instruments, Key Metrics (KM1) and Transitional Basel 3 Template. These disclosures can be found on the Capitec Bank website under Investor Relations, Financial results, Banks Act Public Disclosure.