

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

## 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.

## 2. Period of reporting

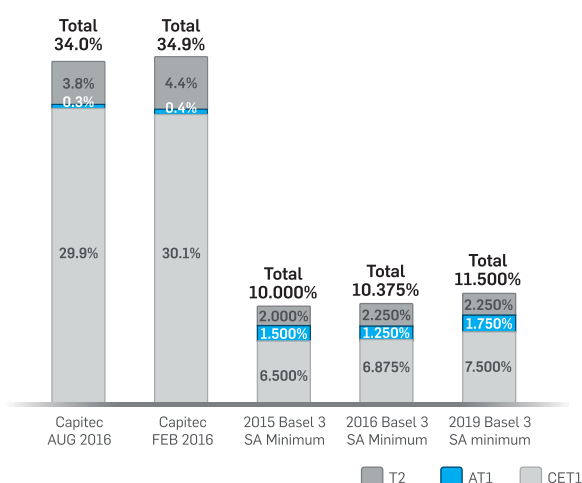
This report covers the 6 months ended 31 August 2016. Comparative information is presented for the previous 6-month period ended 29 February 2016.

## 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 the bank 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 2016 Basel 3 SA minimum includes the SA country buffer of 1.75% (2015: 2%). 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 until 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. Any 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. The implementation period commenced in January 2016 with a rate of zero percent.
  - 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 2016	29 Feb 2016
<b>Composition of qualifying regulatory capital</b>		
Ordinary share capital <sup>(1)</sup>	5 649 020	5 649 020
Accumulated profit	8 772 714	7 772 004
	<b>14 421 734</b>	<b>13 421 024</b>
Regulatory adjustments		
– Intangible assets in terms of IFRS	(400 406)	(242 648)
– Specified advances	(2 889)	(3 030)
– Unappropriated profit	(221 887)	(549 390)
<b>Common Equity Tier 1 capital (CET1)</b>	<b>13 796 552</b>	<b>12 625 956</b>
Issued preference share capital <sup>(1)</sup>	173 522	173 894
Phase out – non-loss absorbent <sup>(2) (8)</sup>	(18 141)	(18 513)
<b>Additional Tier 1 capital (AT1)</b>	<b>155 381</b>	<b>155 381</b>
<b>Tier 1 capital (T1)</b>	<b>13 951 933</b>	<b>12 781 337</b>
Issued subordinated debt <sup>(1)</sup>	2 891 000	2 891 000
Phase out – non-loss absorbent <sup>(2)</sup>	(1 350 200)	(1 156 400)
Deduction for third-party capital issued by bank subsidiary <sup>(9)</sup>	(261 084)	(333 445)
<b>Total subordinated debt</b>	<b>1 279 716</b>	<b>1 401 155</b>
Unidentified impairments	475 526	459 703
<b>Tier 2 capital (T2)</b>	<b>1 755 242</b>	<b>1 860 858</b>
<b>Qualifying regulatory capital</b>	<b>15 707 175</b>	<b>14 642 195</b>
CET1%	29.9	30.1
AT1%	0.3	0.4
T1%	30.2	30.5
T2%	3.8	4.4
<b>Total capital adequacy %<sup>(4)</sup></b>	<b>34.0</b>	<b>34.9</b>
<b>Composition of required regulatory capital</b>		
On balance sheet	3 703 619	3 582 854
Off balance sheet	-	-
Credit risk	3 703 619	3 582 854
Operational risk	540 448	291 797
Equity risk in the banking book	16 485	-
Other assets	243 180	214 434
<b>Total regulatory capital requirement<sup>(5)</sup></b>	<b>4 503 732</b>	<b>4 089 085</b>
<b>Composition of risk-weighted assets<sup>(6)</sup></b>		
On balance sheet	37 985 839	36 747 217
Off balance sheet	-	-
Credit risk	37 985 839	36 747 217
Operational risk	5 543 054	2 992 792
Equity risk in the banking book	169 072	-
Other assets	2 494 156	2 199 318
<b>Total risk-weighted assets</b>	<b>46 192 121</b>	<b>41 939 327</b>
Total assets based on IFRS	67 520 128	62 945 502
Total risk-weighted assets – adjustments <sup>(7)</sup>	(21 328 007)	(21 006 175)
<b>Total risk-weighted assets – regulatory</b>	<b>46 192 121</b>	<b>41 939 327</b>

- <sup>(1)</sup> For further details of the main features of these instruments, please refer to the Main Features of Capital Instruments and Transitional Basel 3 template on the Capitec Bank website.
- <sup>(2)</sup> Starting 2013, the non-loss absorbent AT1 and T2 capital is subject to a 10% per annum phase-out in terms of Basel 3.
- <sup>(3)</sup> 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.
- <sup>(4)</sup> The total capital adequacy ratio percentage is determined by dividing the total qualifying regulatory capital by total risk-weighted assets.
- <sup>(5)</sup> This value is 9.75% (2015: 10%) of risk-weighted assets, being the Basel global minimum requirement of 8% and a South African country-specific buffer of 1.75% (2015: 2%). In terms of the regulations the Individual Capital Requirement (ICR) is excluded.
- <sup>(6)</sup> 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.
- <sup>(7)</sup> The adjustments reflect mainly the impact of the regulatory percentages and the addition of a risk-weighted equivalent for operational risk.
- <sup>(8)</sup> The base value of preference shares phasing out in terms of Basel 3 is R258 969 000. At 31 August 2016 33.00% (Feb 2016: 32.85%) 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 2016: 20% or 5 times equity).

The exposure used in the calculation of the ratio (see 5.2) differs from the total assets as measured using IFRS as shown below:

### 5.1 Summary comparison of accounting assets vs leverage ratio exposure measure

Line #	R'000	31 Aug 2016	29 Feb 2016
1	Total consolidated assets as per published financial statements	67 520 351	62 945 510
	Adjustments for:		
2	Investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3	Fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Derivative financial instruments	22 716	13 198
5	Securities financing transactions (i.e. repos and similar secured lending)	14 191	5 078
6	Off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	26 308	20 401
7	Other adjustments	(403 294)	(245 678)
<b>8</b>	<b>Leverage ratio exposure %</b>	<b>67 180 272</b>	<b>62 738 509</b>

## 5.2 Leverage ratio - common disclosure template

Line #	Group leverage ratio framework R'000	31 Aug 2016	29 Feb 2016
<b>On-balance sheet exposures</b>			
1	On-balance sheet items (excluding derivatives and Security Financing Transactions 'STF's' but including collateral)	66 312 618	61 914 555
2	Asset amounts deducted in determining Basel 3 Tier 1 capital	(403 294)	(245 678)
<b>3</b>	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)</b>	<b>65 909 324</b>	<b>61 668 877</b>
<b>Derivative exposures</b>			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	142 645	225 403
5	Add-on amounts for Potential Future Exposure 'PFE' associated with all derivatives transactions	22 716	13 198
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	-	-
8	Exempted Central Counterparty '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	-	-
<b>11</b>	<b>Deductions of receivables assets for cash variation margin provided in derivatives transactions (sum of lines 4 to 10)</b>	<b>165 361</b>	<b>238 601</b>
<b>Securities financing transaction exposures</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	1 065 088	805 552
13	Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	Counterparty Credit Risk 'CCR' exposure for SFT assets	14 191	5 078
15	Agent transaction exposures	-	-
<b>16</b>	<b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>	<b>1 079 279</b>	<b>810 630</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	263 083	204 013
18	Adjustments for conversion to credit equivalent amounts	(236 775)	(183 612)
<b>19</b>	<b>Off-balance sheet items (sum of lines 17 and 18)</b>	<b>26 308</b>	<b>20 401</b>
<b>Capital and total exposures</b>			
20	Tier 1 capital	13 951 933	12 781 337
21	Total exposures (sum of lines 3, 11, 16 and 19)	67 180 272	62 738 509
<b>Leverage ratio</b>			
<b>22</b>	<b>Basel 3 leverage ratio%</b>	<b>20.8%</b>	<b>20.4%</b>
<b>Summary leverage ratio framework - bank level</b>			
<b>Capital and total exposures</b>			
20	Tier 1 capital	13 771 019	12 671 930
21	Total exposures (sum of lines 3, 11, 16 and 19 [bank])	67 177 177	62 734 329
<b>22</b>	<b>Basel 3 leverage ratio%<sup>(1)</sup></b>	<b>20.5%</b>	<b>20.2%</b>

<sup>(1)</sup> There is no material difference on an individual line basis between group and bank level.

## 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 <sup>(1)</sup>		Aggregate gross period-end exposure <sup>(2)</sup> (4)		Exposure post risk mitigation <sup>(2) (3) (4)</sup>		Risk weights <sup>(5)</sup>
	31 Aug 2016	29 Feb 2016	31 Aug 2016	29 Feb 2016	31 Aug 2016	29 Feb 2016	%
<b>On balance sheet</b>							
Corporate <sup>(6)</sup>	3 647 133	3 019 030	2 916 459	2 839 793	2 160 546	2 678 227	100
Sovereign <sup>(7)</sup>	4 663 262	4 406 793	5 398 503	4 334 487	5 398 503	4 334 487	-
Banks (claims < 3 mths original maturity)	6 167 282	5 268 302	6 932 029	4 557 540	6 932 029	4 557 540	20
Banks (claims > 3 mths original maturity)	6 686 142	6 889 042	7 862 061	7 544 754	7 862 061	7 544 754	50
Banks (Derivatives >3mths Aaa to Aa3 )	171 938	165 596	156 469	224 893	156 469	224 893	20
Banks (Derivatives > 3 mths A1 to Baa3)	11 444	13 828	8 892	13 708	8 892	13 708	50
Retail personal loans							
– with unidentified impairments	38 824 288	37 309 949	38 595 903	37 040 404	38 595 903	37 040 404	75
– with identified impairments <sup>(8)</sup>	4 136 492	3 313 668	4 205 735	3 839 721	4 205 735	3 839 721	100
<b>Subtotal</b>	<b>64 307 981</b>	<b>60 386 208</b>	<b>66 076 051</b>	<b>60 395 300</b>	<b>65 320 138</b>	<b>60 233 734</b>	
<b>Off balance sheet</b>							
Corporate facilities	-	1 363	-	-	-	-	100
Retail personal loans							
– committed undrawn facilities	-	-	-	-	-	-	75
– conditionally revocable commitments <sup>(9)</sup>	201 115	319 174	263 083	204 013	263 083	204 013	-
<b>Total exposure</b>	<b>64 509 096</b>	<b>60 706 745</b>	<b>66 339 134</b>	<b>60 599 313</b>	<b>65 583 221</b>	<b>60 437 747</b>	

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

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

<sup>(2)</sup> Items represent exposure before the deduction of qualifying impairments on advances.

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

<sup>(4)</sup> '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.

<sup>(5)</sup> 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.

<sup>(6)</sup> 45.2% (Feb 2016: 78.0%) of corporate (unrated) aggregate gross period-end exposure relates to investments in money market unit trusts.

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

<sup>(8)</sup> An ageing of impaired advances based on arrears status is shown in 6.2.

<sup>(9)</sup> These commitments are a result of undrawn loan amounts. The loans are approved with a contractual repayment period of one month or less. 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. 39.0% (Feb 2016: 34.6%) 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 Age analysis of arrears

	6 MONTHS 31 Aug 2016 R'000	6 MONTHS 29 Feb 2016 R'000
<b>Ageing</b>		
< 60 days	2 074 590	1 971 940
60 – 90 days	486 495	325 498
<b>Total arrears</b>	<b>2 561 085</b>	<b>2 297 438</b>

## 6.4 Write-offs and recoveries reflected in the income statement

	6 MONTHS 31 Aug 2016 R'000	6 MONTHS 29 Feb 2016 R'000
<b>Net impairment charge on loans and advances:</b>		
Bad debts (write-offs)	2 394 808	1 862 742
Movement in impairment allowance	742 550	882 348
Bad debts recovered	(537 111)	(457 534)
<b>Net impairment charge</b>	<b>2 600 247</b>	<b>2 287 556</b>

## 6.3 Analysis of credit impairments

All impairments presented below relate to retail personal loans.

	6 MONTHS 31 Aug 2016 R'000	6 MONTHS 29 Feb 2016 R'000
<b>Movement in impairments:</b>		
Balance at beginning of period	5 131 605	4 249 257
Unidentified impairments	3 742 990	3 177 772
Identified impairments	1 388 615	1 071 485
<b>Movement</b>	<b>742 550</b>	<b>882 348</b>
Unidentified impairments	463 711	565 218
Identified impairments	278 839	317 130
Balance at end of period	5 874 155	5 131 605
Unidentified impairments	4 206 701	3 742 990
Identified impairments	1 667 454	1 388 615

## 6.5 Counterparty credit risk (CCR)

Risk weights	OTC derivative instruments	Securities financing transactions	OTC derivative instruments	Securities Financing Transactions
	31 Aug 2016 R'000	31 Aug 2016 R'000	29 Feb 2016 R'000	29 Feb 2016 R'000
20	156 469	0	224 893	0
50	8 892	0	13 708	0
100	0	14 191	0	5 078
	<b>165 361</b>	<b>14 191</b>	<b>238 601</b>	<b>5 078</b>

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 R3.3 million (Feb 2016: R6.0 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.

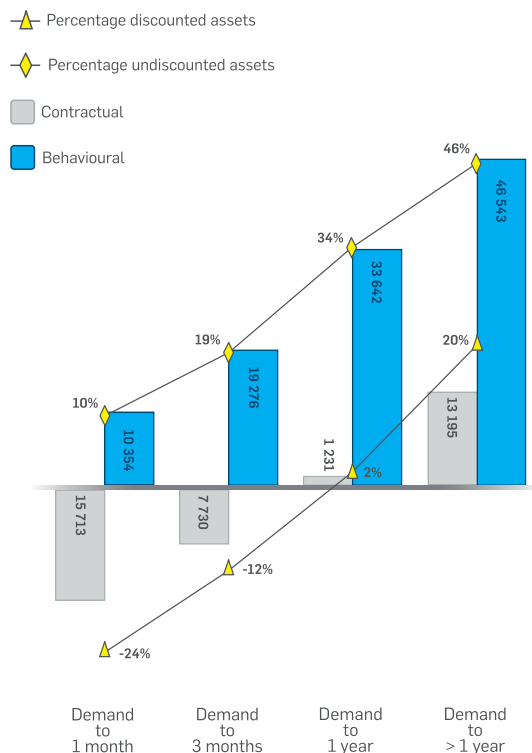
The main difference between the behavioural and contractual mismatches relates to the treatment of retail call deposits. 92.7% (Feb 2016: 92.7%) of retail demand deposits are reflected as stable, based on a one standard deviation measure of volatility, which is considered reasonable for business-as-usual 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

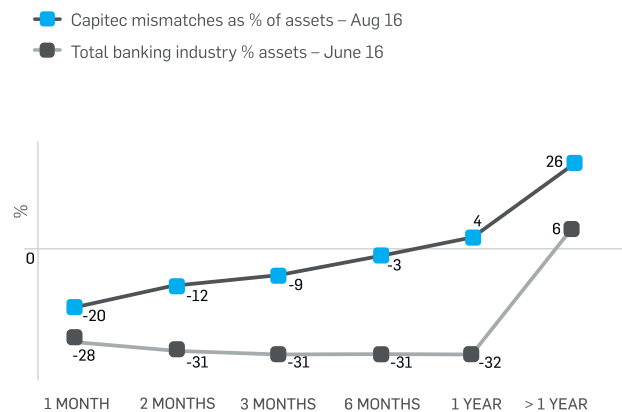
The industry comparison shows that Capitec's contractual mismatch as a percentage of assets is prudent relative to the total industry mismatch. The source data is as reported on the SARB BA 300 returns, which exclude the impact of loan impairments.

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 9 and 10 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

<b>Maturities of financial assets and liabilities</b> <b>(tables reflect discounted cash flows) <sup>(2)</sup></b> <b>R'000</b>	<b>Demand</b> <b>to one month</b>	<b>One to</b> <b>three</b> <b>months</b>	<b>Three</b> <b>months to</b> <b>one year</b>	<b>More</b> <b>than</b> <b>one year</b>	<b>Adjustment</b> <sup>(3)</sup>	<b>Total</b>
<b>AUG 2016</b>						
<b>Undiscounted assets</b>						
Cash and cash equivalents - sovereigns	850 143	-	-	-	-	850 143
Cash and cash equivalents - banks	9 720 980	4 553 396	-	-	-	14 274 376
Money markets unit trusts - corporate other	8 724	-	-	-	-	8 724
Held-to-maturity investments - sovereigns & banks(4)	143 330	1 164 260	4 268 257	-	-	5 575 847
Term deposit investments	113 504	2 267 910	4 867 625	-	-	7 249 039
Available-for-sale financial assets	-	-	-	100 000	-	100 000
Loans and advances to clients - retail personal	3 177 974	4 515 462	17 683 465	46 605 613	(649 366)	71 333 148
Loans and advances to clients - corporate other	10 116	-	-	-	-	10 116
Other receivables	384 149	7 806	6 728	71 235	-	469 918
Derivative assets	151	(1 584)	(1 635)	164 026	-	160 958
Current income tax asset	-	-	111 448	-	-	111 448
<b>Undiscounted assets</b>	<b>14 409 071</b>	<b>12 507 250</b>	<b>26 935 888</b>	<b>46 940 874</b>	<b>(649 366)</b>	<b>100 143 717</b>
Discounting adjustment	(1 154 295)	(2 171 689)	(8 362 260)	(17 339 749)	-	(29 027 993)
Loan impairment provision	(625 008)	(268 482)	(971 385)	(4 009 280)	-	(5 874 155)
<b>Total discounted assets</b>	<b>12 629 768</b>	<b>10 067 079</b>	<b>17 602 243</b>	<b>25 591 845</b>	<b>(649 366)</b>	<b>65 241 569</b>
<b>Undiscounted liabilities</b>						
Deposits and bonds	27 729 807	2 230 881	9 434 285	16 523 185	-	55 918 158
Trade and other payables	655 313	62 801	259 179	272 376	205 239	1 454 908
Current income tax liabilities	-	-	-	-	-	-
Provisions	-	-	-	64 488	-	64 488
<b>Undiscounted Liabilities</b>	<b>28 385 120</b>	<b>2 293 682</b>	<b>9 693 464</b>	<b>16 860 049</b>	<b>205 239</b>	<b>57 437 554</b>
Discounting adjustment	(42 294)	(209 941)	(1 052 161)	(3 231 759)	-	(4 536 155)
<b>Total discounted liabilities</b>	<b>28 342 826</b>	<b>2 083 741</b>	<b>8 641 303</b>	<b>13 628 290</b>	<b>205 239</b>	<b>52 901 399</b>
<b>Net liquidity excess /(shortfall)</b>	<b>(15 713 058)</b>	<b>7 983 338</b>	<b>8 960 940</b>	<b>11 963 555</b>	<b>(854 605)</b>	<b>12 340 170</b>
<b>Cumulative liquidity excess/(shortfall)<sup>(1)</sup></b>	<b>(15 713 058)</b>	<b>(7 729 720)</b>	<b>1 231 220</b>	<b>13 194 775</b>	<b>12 340 170</b>	<b>12 340 170</b>



<b>Maturities of financial assets and liabilities (tables reflect discounted cash flows) <sup>(2)</sup> R'000</b>	<b>Demand to one month</b>	<b>One to three months</b>	<b>Three months to one year</b>	<b>More than one year</b>	<b>Adjustment <sup>(3)</sup></b>	<b>Total</b>
<b>FEB 2016</b>						
<b>Undiscounted assets</b>						
Cash and cash equivalents - sovereigns	815 397	-	-	-	-	815 397
Cash and cash equivalents - banks	9 829 613	3 539 220	-	-	-	13 368 833
Money markets unit trusts - corporate other	12 780	-	-	-	-	12 780
Held to maturity investments - sovereigns & banks <sup>(4)</sup>	300 000	1 164 862	2 259 519	-	-	3 724 381
Term deposit investments	507 685	3 120 278	3 760 798	-	-	7 388 761
Loans and advances to clients - retail personal	3 000 361	4 222 011	16 606 386	45 072 612	(581 169)	68 320 201
Loans and advances to clients - corporate other	11 448	-	-	-	-	11 448
Other receivables	89 133	5 437	-	27 181	-	121 751
Derivative assets	(1 037)	1 159	6 428	263 048	-	269 598
Current income tax	-	-	52 702	-	-	52 702
<b>Undiscounted assets</b>	<b>14 565 380</b>	<b>12 052 967</b>	<b>22 685 833</b>	<b>45 362 841</b>	<b>(581 169)</b>	<b>94 085 852</b>
Adjustments for undiscounted assets	(1 062 175)	(2 116 768)	(8 097 379)	(16 530 021)	-	(27 806 343)
<b>Discounted assets</b>						
Loan impairment provision	(496 738)	(224 566)	(811 650)	(3 598 651)	-	(5 131 605)
<b>Total discounted assets</b>	<b>13 006 467</b>	<b>9 711 633</b>	<b>13 776 804</b>	<b>25 234 169</b>	<b>(581 169)</b>	<b>61 147 904</b>
<b>Undiscounted liabilities</b>						
Deposits and bonds	25 079 370	3 568 686	7 750 131	15 855 225	-	52 253 412
Trade and other payables	639 192	263 104	20 163	143 018	172 907	1 238 384
Current income tax	-	-	-	-	-	-
Provisions	-	-	-	107 905	-	107 905
<b>Undiscounted liabilities</b>	<b>25 718 562</b>	<b>3 831 790</b>	<b>7 770 294</b>	<b>16 106 148</b>	<b>172 907</b>	<b>53 599 701</b>
Adjustments for undiscounted liabilities to depositors	(36 704)	(217 716)	(979 574)	(3 079 270)	-	(4 313 264)
<b>Total discounted liabilities</b>	<b>25 681 858</b>	<b>3 614 074</b>	<b>6 790 720</b>	<b>13 026 878</b>	<b>172 907</b>	<b>49 286 437</b>
<b>Net liquidity excess /(shortfall)</b>	<b>(12 675 391)</b>	<b>6 097 559</b>	<b>6 986 084</b>	<b>12 207 291</b>	<b>(754 076)</b>	<b>11 861 467</b>
<b>Cumulative liquidity excess/(shortfall)<sup>(1)</sup></b>	<b>(12 675 391)</b>	<b>(6 577 832)</b>	<b>408 252</b>	<b>12 615 543</b>	<b>11 861 467</b>	<b>11 861 467</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> The definitions of sovereign, banks, corporate and retail are aligned with the Banks' Act Regulations.

<sup>(3)</sup> The adjustment includes adjustments to deferred initiation fees, leave pay provision, deferred income and straight-lining of lease accruals.

<sup>(4)</sup> 83% (Feb 2016: 89%) 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 2016 R'000	29 Feb 2016 R'000
<b>Property operating lease commitments</b>		
The future aggregate minimum lease payments under non-cancellable leases are as follows:		
Within one year	392 885	353 711
From one to five years	1 210 789	1 072 435
After five years	299 799	278 522
Total future cash flows	1 903 473	1 704 668
Straight lining accrued	( 103 325)	(89 184)
Future expenditure	1 800 148	1 615 484

	31 Aug 2016 R'000	29 Feb 2016 R'000
<b>Other operating lease commitments</b>		
Within one year	1 135	1 734
From one to five years	-	362
Future expenditure	1 135	2 096

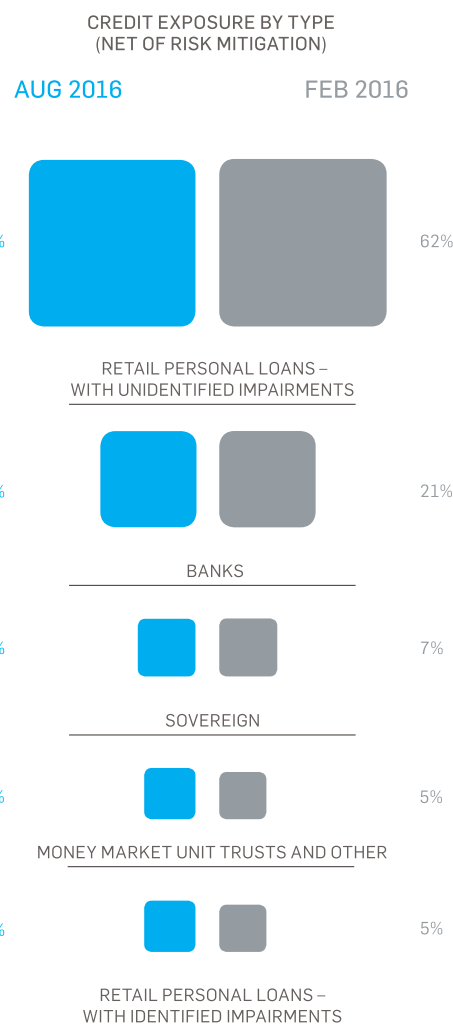
**(b) Capital commitments**

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 2017 financial year, are as follows:

	31 Aug 2016 R'000	29 Feb 2016 R'000
<b>Capital commitments – approved by the board</b>		
Contracted for:	298 489	370 773
Property and equipment	244 699	346 647
Intangible assets	53 790	24 126
Non-contracted for:	644 285	1 168 820
Property and equipment	461 487	701 586
Intangible assets	182 798	467 234
Future expenditure	942 774	1 539 593

**(c) Conditionally revocable retail loan commitments**

Conditionally revocable retail loan commitments totalled R263 million (Feb 2016: R204 million). These commitments are as a result of undrawn loan amounts. These loans are advanced with a contractual repayment period of one month or less. 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. 39.0% (Feb 2016: 34.6%) of the value of these commitments is expected to be drawn down within one month. As these are of one month duration, repayment of any future draw downs must also occur within the month.



## 7.4 Liquidity coverage ratio (LCR) - common disclosure template

The LCR is a 30-day stress test, using the 3 month end balances as data points 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 and bank R'000	Total Unweighted Value (Average) 31 Aug 2016	Total Weighted Value (Average) 31 Aug 2016	Total Weighted Value (Average) 29 Feb 2016
<b>High-Quality Liquid Assets</b>				
<b>1</b>	<b>Total high-quality liquid assets (HQLA) (see 7.4.1)</b>		<b>7 371 310</b>	6 671 459
<b>Cash Outflows</b>				
2	Retail deposits and deposits from small business customers, of which:	<b>42 191 010</b>	<b>2 721 491</b>	2 421 839
3	Stable deposits	-	-	-
4	Less-stable deposits	<b>42 191 010</b>	<b>2 721 491</b>	2 421 839
5	Unsecured wholesale funding, of which:	<b>8 767 713</b>	<b>241 391</b>	133 769
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
7	Non-operational deposits (all counterparties)	<b>208 610</b>	<b>20 895</b>	17 796
8	Unsecured debt	<b>8 559 103</b>	<b>220 496</b>	115 973
9	Secured wholesale funding		-	-
10	Additional requirements, of which:	<b>275 267</b>	<b>13 276</b>	10 268
11	Outflows related to derivative exposures and other collateral requirements	<b>3 738</b>	<b>3 738</b>	1 640
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	<b>268 709</b>	<b>6 718</b>	6 032
14	Other contractual funding obligations	<b>2 820</b>	<b>2 820</b>	2 596
15	Other contingent funding obligations	-	-	-
<b>16</b>	<b>Total Cash Outflows</b>		<b>2 976 158</b>	2 565 876
<b>Cash Inflows</b>				
17	Secured lending (e.g. reverse repos)	<b>626 486</b>	<b>626 486</b>	403 304
18	Inflows from fully performing exposures	<b>8 726 790</b>	<b>8 028 141</b>	7 289 563
19	Other cash inflows	<b>37 331</b>	<b>2 304</b>	-
<b>20</b>	<b>Total Cash Inflows</b>	<b>9 390 607</b>	<b>8 656 931</b>	7 692 867
21	Total HQLA		<b>7 371 310</b>	6 671 459
22	Total Net Cash Outflows <sup>(1)</sup>		<b>744 040</b>	641 469
<b>23</b>	<b>Liquidity Coverage Ratio (%)</b> <sup>(2)</sup>		<b>991%</b>	1040%

<sup>(1)</sup> 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.

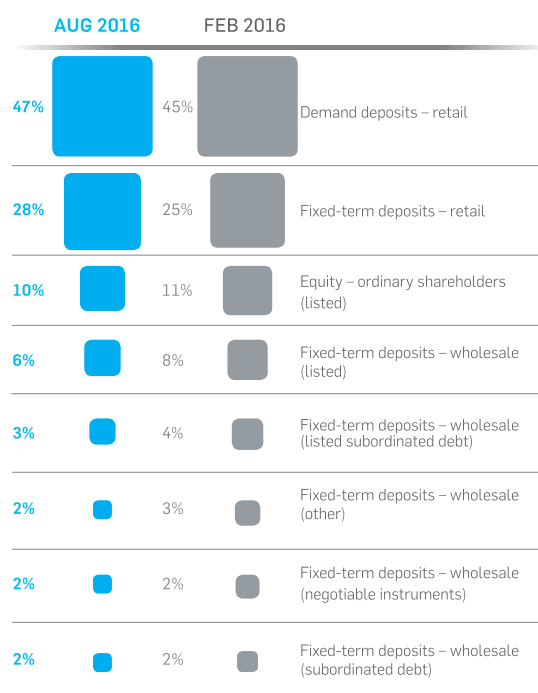
<sup>(2)</sup> There is no difference between group and bank.

## 7.4.1 Composition of high-quality liquid assets

	31 Aug 2016	29 feb 2016
<b>Total level one R'000 qualifying high-quality liquid assets<sup>(1)</sup></b>	<b>7 371 310</b>	6 671 459
Cash	<b>2 745 920</b>	2 705 986
Qualifying central bank reserves	<b>849 652</b>	818 293
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	<b>3 775 738</b>	3 147 180

<sup>(1)</sup> 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 amount in ZAR	Fair values	
		Assets	Liabilities
<b>AUG 2016</b>			
Interest rate swaps	4 401 349	( 35 023)	17 043
Cross currency interest rate swaps	343 500	( 107 622)	-
<b>Net</b>	<b>4 744 849</b>	<b>( 142 645)</b>	<b>17 043</b>
<b>FEB 2016</b>			
Interest rate swaps	4 026 349	( 78 090)	-
Cross currency interest rate swaps	343 500	( 147 313)	-
<b>Net</b>	<b>4 369 849</b>	<b>( 225 403)</b>	<b>-</b>

Maturity analysis R'000	Demand to one month	One to three months	Three months to one year	More than one year	Grand total
<b>AUG 2016</b>					
Discounted swap cash flows	( 151)	294	( 4 598)	( 13 525)	( 17 980)
Discounted cross currency interest rate swap cash flows	-	4 566	12 049	( 124 237)	( 107 622)
<b>Net</b>	<b>( 151)</b>	<b>4 860</b>	<b>7 451</b>	<b>( 137 762)</b>	<b>( 125 602)</b>
<b>FEB 2016</b>					
Discounted swap cash flows	1 035	( 5 489)	( 17 659)	( 55 977)	( 78 090)
Discounted cross currency interest rate swap cash flows	-	4 344	11 555	( 163 212)	( 147 313)
<b>Net</b>	<b>1 035</b>	<b>( 1 145)</b>	<b>( 6 104)</b>	<b>( 219 189)</b>	<b>( 225 403)</b>

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.

## 8. The net stable funding ratio (NSFR)

	31 Aug 2016	29 Feb 2016
<b>NSFR</b>		
NSFR%	152	145
Required stable funding (R'm)	36 188	34 406
Available stable funding (R'm)	55 090	49 968

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 by 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.

## 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 2016		29 Feb 2016	
	R'000	%	R'000	%
<b>200 basis points shift</b>				
Increase	(626 052)	(3.7)	(700 840)	(4.2)
Decrease	640 009	3.8	725 017	4.4

## 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 29 February 2016, 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 and Transitional Basel 3 Template. These disclosures can be found on the Capitec Bank website under Investor Relations, Financial results, Banks Act Public Disclosure.