Capitec Bank Holdings Limited

February 2020 (4th quarter)

CC1 - Composition of Regulatory Capital

The capital disclosures detailed below address the prescribed Basel 3 template requirements. The Group is applying the Basel 3 regulatory adjustments in full as implemented by the South African Reserve Bank (SARB). These tables should be read in conjunction with section 2 - Linkages between financial statements and regulatory exposures.

Row #	R'000	29 Feb 2020 Basel 3
	Common Equity Tier 1 (CET1) capital: instruments and reserves	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	5 649 020
2	Retained earnings	19 808 393
3	Accumulated other comprehensive income (and other reserves)	3 511
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies) Public sector capital injections grandfathered until 1 January 2018	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	25 460 924
	CET1 capital: regulatory adjustments	
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	794 487
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	553 047
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11	Cash-flow hedge reserve	(21 345)
12	Shortfall of provisions to expected losses	-
13	Securitisation gain on sale	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financials	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments Regulatory adjustments applied to CET1 in respect of amounts subject to pre-Basel 3 treatment	(322 507)
27	Regulatory adjustments applied to CET1 due to insufficient Additional Tier 1 (AT1) and Tier 2 (T2) to cover deductions	-
28	**Total regulatory adjustments to CET1**	1 003 682
29	**CET1**	24 457 242

Row #		29 Feb 2020 Basel 3
AT1 capital : instruments		
30	Directly issued qualifying AT1 instruments plus related stock surplus	51 794
31	of which: classified as equity under applicable accounting standards	51 794
32	of which: classified as liabilities under applicable accounting standards	-
33	Directly issued capital instruments subject to phase out from AT1	73 098
34	AT1 instruments (and CET1 instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	**AT1 capital before regulatory adjustments**	51 794
AT1 capital: regulatory adjustments		
37	Investments in own AT1 instruments	-
38	Reciprocal cross-holdings in AT1 instruments	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments Regulatory adjustments applied to CET1 in respect of amounts subject to pre-Basel 3 treatment	-
42	Regulatory adjustments applied to AT1 due to insufficient T2 to cover deductions	-
43	**Total regulatory adjustments to AT1 capital**	-
44	**AT1 capital**	51 794
45	**Tier 1 capital (T1 = CET1 + AT1)**	24 509 036
T2 capital and provisions		
46	Directly issued qualifying T2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from T2	-
48	T2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	756 767
51	**T2 capital before regulatory adjustments**	756 767
T2 capital : regulatory adjustments		
52	Investments in own T2 instruments	-
53	Reciprocal cross-holdings in T2 instruments	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does own more than 10% of the issued common share capital of the entity: amount previously desiginated for a 5% threshold but no longer meets the conditions (for G-SIBs only)	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments	-
	Regulatory adjustments applied to Common Equity Tier 2 in respect of amounts subject to pre-Basel 3 treatment	-
57	**Total regulatory adjustments to T2 capital**	-
58	**T2 capital**	756 767
59	**Total capital (TC = T1 + T2)**	25 265 803
	Risk Weighted Assets (RWAs) in respect of amounts subject to pre-Basel 3 treatment	
60	**Total RWAs**	82 832 095

Row #		29 Feb 2020 Basel 3
Capital ratios		
61	CET1 (as a percentage of RWAs)	**29.5**
62	T1 (as a percentage of RWAs)	**29.6**
63	TC (as a percentage of RWAs)	**30.5**
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of RWAs) (2)	**-**
65	of which: capital conservation buffer requirement (3)	**2.5**
66	of which: bank specific countercyclical buffer requirement (4)	**-**
67	of which: G-SIB buffer requirement (5)	**-**
68	CET1 available to meet buffers (as a percentage of risk weighted assets) (3)	**21.5**
National Minima (if different from Basel 3)		
69	National CET1 minimum ratio (if different from Basel 3 minimum)	**7.50**
70	National T1 minimum ratio	**9.25**
71	National total capital minimum ratio	**11.50**
Amounts below the threshold for deductions (before risk weighting)		
72	Non-significant investments in the capital of other financials	**668 024**
73	Significant investments in the common stock of financials	**326 650**
74	Mortgage servicing rights (net of related tax liability)	**-**
75	Deferred tax assets arising from temporary differences (net of related tax liability)	**1 860 614**
Applicable caps on the inclusion of provisions in T2		
76	Provisions eligible for inclusion in T2 in respect of exposures subject to standardised approach (prior to application of cap)	**5 142 879**
77	Cap on inclusion of provisions in T2 under standardised approach	**756 767**
78	Provisions eligible for inclusion in T2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	**-**
79	Cap for inclusion of provisions in T2 under internal ratings-based approach	**-**
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	**-**
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	**-**
82	Current cap on AT1 instruments subject to phase out arrangements	**51 794**
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	**21 304**
84	Current cap on T2 instruments subject to phase out arrangements	**-**
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	**-**

(1) *Retained earnings are stated net of unappropriated profits of R46.8 million.*

(2) *Bank-specific buffers include the individual capital requirement (ICR) for specific bank risk and the domestically systemic important bank (D-SIB) buffers. Current regulations state that the South African country risk buffer and the D-SIB on a combined basis cannot be more than 3.5%. In terms of South African Banks Act regulations, banks may not disclose their ICR requirement or D-SIB status.*

(3) *The capital conservation buffer started phasing in from 1 January 2016. Phase in began at 0.625% of RWAs on 1 January 2016 and increase each subsequent year by a additional 0.625%, to reach the final level of 2.5% of RWAs on 1 January 2019.*

(4) *The countercyclical buffer 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 would only be applied when credit growth exceeds real economic growth. This requirement is only expected to be introduced in 2016 in line with the Basel III timeline.*

(5) *Capitec Bank is not classified as a Globally Systemic Important Bank (G-SIB).*

Linkages between financial statements and regulatory exposures

This section outlines the treatment and the carrying values as published in the financial statements and used for the various regulatory risk categories, along with the carrying values of the items for the calculation of regulatory capital. Certain differences arise as a result of differing treatment under regulatory and IFRS rules. The carrying values of the items subject to the regulatory framework are based on average daily balances (where applicable) as required in terms of the Regulations relating to banks (Reg 23 & Reg 24). The Off-Balance Sheet amounts are post application of Credit Conversion Factors (CCF) and Credit Risk Mitigation (CRM) to derivative exposures under counterparty credit risk.

29 Feb 2020	Carrying values as reported in published financial statements & under scope of regulatory consolidation	Regulatory exposure carrying values of items:						
R'000		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Subject to deductions from capital	Subject to equity/ other risk	Total
Assets								
Cash, cash equivalents and money market funds	42 231 860	32 343 326	698 231	-	-	-	5 633 678	38 675 235
Financial assets at FVTPL	1 504 262	1 515 555	-	-	-	-	-	1 515 555
Financial investments	17 207 094	17 229 572	-	-	-	-	-	17 229 572
Net loans and advances	62 043 072	61 278 419	-	-	-	-	-	61 278 419
Other receivables	2 047 151	-	-	-	-	-	2 047 151	2 047 151
Net insurance receivable	217 423	-	-	-	-	-	217 423	217 423
Derivative assets	37 440	42 862	-	-	-	-	-	42 862
Financial assets - equity instruments at FVOCI	101 139	-	-	-	-	-	101 139	101 139
Current income tax asset	4 554	4 554	-	-	-	-	-	4 554
Interest in associates and joint ventures	460 501	-	-	-	-	-	453 077	453 077
Property and equipment	3 017 191	-	-	-	-	-	3 017 191	3 017 191
Right-of-use asset	2 460 025	-	-	-	-	-	2 460 025	2 460 025
Intangible assets including goodwill	1 373 801	-	-	-	-	1 373 801	-	1 373 801
Deferred income tax asset	1 862 573	-	-	-	-	-	1 862 573	1 862 573
Total assets	134 568 086	112 414 288	698 231	-	-	1 373 801	15 792 257	130 278 578
Liabilities								
Derivative liabilities	61 034	-	-	-	-	-	-	-
Current income tax liability	14 345	-	-	-	-	-	-	-
Deposits	99 649 107	428 686	-	-	-	-	-	-
Other liabilities	2 530 048	-	-	-	-	-	-	-
Wholesale funding	3 693 669	-	-	-	-	-	-	-
Lease liability	2 794 847	-	-	-	-	-	-	-
Provisions	171 210	-	-	-	-	-	-	-
Deferred income tax liability	72 986	-	-	-	-	-	-	-
Total liabilities	108 987 246	428 686	-	-	-	-	-	-
Equity								
Capital and reserves								
Ordinary share capital and premium	5 649 020	-	-	-	-	-	-	-
Cash flow hedge reserve	(21 345)	-	-	-	-	-	-	-
Other reserves	(4 962)	-	-	-	-	-	-	-
Foreign currency translation reserve	29 818	-	-	-	-	-	-	-
Retained earnings	19 855 211	-	-	-	-	-	-	-
Share capital and reserves attributable to ordinary shareholders	25 507 742	-	-	-	-	-	-	-
Non-redeemable, non-cumulative, non-participating preference share capital and premium	73 098	-	-	-	-	-	-	-
Total equity	25 580 840	-	-	-	-	-	-	-
Total equity and liabilities	134 568 086	-	-	-	-	-	-	-

Main sources of differences between regulatory amounts and carrying values in financial statements

29 Feb 2020 R'000	Total	Regulatory exposure carrying values of items:				
		Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework	Other risk framework
Asset carrying value amount under scope of regulatory consolidation	134 568 086	112 414 288	698 231	-	-	15 792 257
Liabilities carrying value amount under scope of regulatory consolidation	108 987 246	428 686	-	-	-	-
Total net amount under regulatory scope of consolidation	25 580 839	111 985 602	698 231	-	-	15 792 257
Off-balance sheet amounts	3 331 877	564 966	-	-	-	-
Exposure amounts considered for regulatory purposes	-	-	698 231	-	-	15 792 257