

Section 1 - Transitional Basel 3 table

The capital disclosures detailed below address the prescribed transitional 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 - Regulatory Balance Sheet and section 3 - Reconciliation between transitional Basel 3 Table and the Regulatory Balance Sheet.

Row #		31 Aug 2016 Basel 3	Reconciliation table reference ⁽¹⁾
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	TABLE A
2	Retained earnings ⁽²⁾	8 550 827	TABLE A
3	Accumulated other comprehensive income (and other reserves)	23 473	TABLE A
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	14 223 320	TABLE A
CET1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	400 406	TABLE B
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	23 473	TABLE B
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	2 889	
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	426 768	TABLE B
29	CET1	13 796 552	

Row #		31 Aug 2016 Basel 3	Reconciliation table reference ⁽¹⁾
AT1 capital : instruments			
30	Directly issued qualifying AT1 instruments plus related stock surplus	155 381	TABLE C
31	of which: classified as equity under applicable accounting standards	155 381	TABLE C
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from AT1	173 523	TABLE C
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	155 381	TABLE C
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	155 381	TABLE C
45	Tier 1 capital (T1 = CET1 + AT1)	13 951 933	
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) ⁽³⁾	1 279 716	TABLE D
49	of which: instruments issued by subsidiaries subject to phase out	2 891 000	TABLE D
50	Provisions	475 526	TABLE D
51	T2 capital before regulatory adjustments	1 755 242	TABLE D
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)	-	
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	1 755 242	TABLE D
59	Total capital (TC = T1 + T2)	15 707 175	
	Risk Weighted Assets (RWAs) in respect of amounts subject to pre-Basel 3 treatment		
60	Total RWAs	46 192 121	

Row #		31 Aug 2016 Basel 3	Reconciliation table reference ⁽¹⁾
Capital ratios			
61	CET1 (as a percentage of RWAs)	29.9	
62	T1 (as a percentage of RWAs)	30.2	
63	TC (as a percentage of RWAs)	34.0	
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) ⁽⁴⁾	–	
65	of which: capital conservation buffer requirement ⁽⁵⁾	0.625	
66	of which: bank specific countercyclical buffer requirement ⁽⁶⁾	–	
67	of which: G-SIB buffer requirement ⁽⁷⁾	–	
68	CET1 available to meet buffers (as a percentage of risk weighted assets) ⁽⁴⁾	–	
National Minima (if different from Basel 3)			
69	National CET1 minimum ratio (if different from Basel 3 minimum)	6.875	
70	National T1 minimum ratio	8.125	
71	National total capital minimum ratio	10.375	
Amounts below the threshold for deductions (before risk weighting)			
72	Non-significant investments in the capital of other financials	–	
73	Significant investments in the common stock of financials	–	
74	Mortgage servicing rights (net of related tax liability)	–	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	345 365	
Applicable caps on the 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)	3 095 454	
77	Cap on inclusion of provisions in T2 under standardised approach	475 526	
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	155 381	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	18 141	
84	Current cap on T2 instruments subject to phase out arrangements ⁽³⁾	1 279 716	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) ⁽³⁾	1 611 284	

⁽¹⁾ References are to tables in section 3.

⁽²⁾ Retained earnings are stated net of unappropriated profits of R222 million.

⁽³⁾ The amount excluded from Tier 2 capital due to the cap consists of two contributors. The first R1 350 million is the phase out of non-loss absorbent instruments calculated by applying the Basel 3 ceiling limits. The second haircut is for amounts attributable to third-parties (R261 million). The eligibility of subordinated debt issued out of the 100% owned bank subsidiary is limited as it is regarded as third-party capital. The haircuts that are applied against third-party capital issued by subsidiaries, phased in from 2013 at 20% per year.

⁽⁴⁾ 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.

⁽⁵⁾ The capital conservation buffer started phasing in from 1 January 2016. Phase in will begin at 0.625% of RWAs on 1 January 2016 and increase each subsequent year by an additional 0.625%, to reach the final level of 2.5% of RWAs on 1 January 2019.

⁽⁶⁾ 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. The implementation period commenced in January 2016 with a rate of zero percent.

⁽⁷⁾ Capitec Bank is not classified as a Globally Systemic Important Bank (G-SIB).

Section 2 - Regulatory Balance Sheet as at 31 August 2016

	Group	Adjustment ⁽¹⁾	Component of regulatory capital reported by group	Transitional table/ Reconciling table Reference
	R'000	R'000	R'000	
Assets				
Cash, cash equivalents and money market funds	15 089 560	-	15 089 560	
Investments designated at amortised cost	-	-		
Held-to-maturity investments	5 349 813	-	5 349 813	
Available-for sale financial assets	100 000	-	100 000	
Term deposit investments	7 040 588	-	7 040 588	
Loans and advances to clients	36 937 597	-	36 937 597	
Other receivables	595 057	-	595 057	
Derivative assets	142 645	-	142 645	
Current income tax assets	111 448	-	111 448	
Interest in subsidiaries	-	-	-	
Interest in associate	-	-	-	
Property and equipment	1 407 650	-	1 407 650	
Intangible assets ⁽²⁾	400 405	-	400 405	
Deferred income tax assets	345 365	-	345 365	
Total assets	67 520 128	-	67 520 128	
Liabilities				
Deposits and bonds at amortised cost	51 383 628	-	51 383 628	
of which retail savings	26 892 737	-	26 892 737	
of which retail fixed deposits	16 140 046	-	16 140 046	
of which wholesale	977 229	-	977 229	
of which subordinated debt- unlisted bonds	1 009 871	-	1 009 871	TABLE D
of which subordinated debt- listed bonds	1 930 745	-	1 930 745	TABLE D
of which listed senior bonds	3 492 032	-	3 492 032	
of which other unlisted negotiable instruments	940 968	-	940 968	
of which reserve bank settlement balance	-	-	-	
Other liabilities	1 453 283	-	1 453 283	
Provisions	64 488	-	64 488	
Total liabilities	52 901 399	-	52 901 399	
Equity				
Capital and reserves				
Ordinary share capital and premium	5 649 020	-	5 649 020	ROW 1
Cash flow hedge reserve	23 473	-	23 473	ROW 3, TABLE A
Retained earnings	8 772 714	-	8 772 714	TABLE A
Share capital and reserves attributable to ordinary shareholders	14 445 207	-	14 445 207	
Non-redeemable, non-cumulative, non-participating preference share capital and premium	173 522	-	173 522	TABLE C
Total equity	14 618 729	-	14 618 729	
Total equity and liabilities	67 520 128	-	67 520 128	

⁽¹⁾ For consolidation purposes there is no difference in the IFRS and Regulatory Balance Sheet.

⁽²⁾ Other than mortgage-servicing-rights.

Section 3 - Reconciliation between transitional Basel 3 Table and the Regulatory Balance Sheet

Table A	31 Aug 2016 R'000	Transitional Basel 3 Table reference ⁽¹⁾
Common Equity Tier 1 Capital		
Share capital and premium ⁽²⁾	5 649 020	ROW 1
Adjusted retained earnings	8 550 827	ROW 2
Retained earnings ⁽²⁾	8 772 714	
Unappropriated profits	(221 887)	
	14 199 847	
Cash flow hedging reserves	23 473	ROW 3
Total as per Transitional Basel 3 Template	14 223 320	ROW 6

Table B		
Common Equity Tier 1 Regulatory Adjustments		
Other intangibles	(400 406)	ROW 9
Disallowed hedging reserves	(23 473)	ROW 11
National specific regulatory adjustments	(2 889)	ROW 26
Total as per Transitional Basel 3 Template	(426 768)	ROW 28

Table C		
Additional Tier 1 capital		
Non-redeemable, non-cumulative, non-participating preference shares ⁽²⁾	173 522	ROW 33
Phase out (grandfathering) of AT1 in terms of Basel 3 ceiling ⁽³⁾	(18 141)	
Total as per Transitional Basel 3 Template	155 381	ROW 30/31/36

Table D		
Tier 2 Capital		
Subordinated debt - unlisted bonds ⁽²⁾	1 009 871	
Subordinated debt - listed bonds ⁽²⁾	1 930 745	
	2 940 616	
Accrued interest not classified as T2 capital	(49 616)	
Total subordinated debt	2 891 000	ROW 49
Phase out (grand fathering) of subordinated debt in terms of Basel 3 ceiling ⁽³⁾	(1 350 200)	
Haircut on amounts attributable to third parties ⁽⁴⁾	(261 084)	
Tier 2 instruments issued by subsidiaries and held by third parties	1 279 716	ROW 48
General allowance for credit impairment	475 526	ROW 50
Total as per Transitional Basel 3 Template	1 755 242	ROW 51/58

⁽¹⁾ References are to the rows in section 1.

⁽²⁾ Represents the balance per Regulatory Balance Sheet, refer section 2.

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

⁽⁴⁾ 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.