

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 2017 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⁾	11 073 874	TABLE A
3	Accumulated other comprehensive income (and other reserves)	(34 168)	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	16 688 726	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)	271 421	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	(34 168)	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	8 979	
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	246 232	TABLE B
29	CET1	16 442 494	

Row #		31 Aug 2017 Basel 3	Reconciliation table reference ⁽¹⁾
AT1 capital : instruments			
30	Directly issued qualifying AT1 instruments plus related stock surplus	129 484	TABLE C
31	of which: classified as equity under applicable accounting standards	129 484	TABLE C
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from AT1	138 487	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	129 484	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	129 484	TABLE C
45	Tier 1 capital (T1 = CET1 + AT1)	16 571 978	
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⁾	563 571	TABLE D
49	of which: instruments issued by subsidiaries subject to phase out	2 541 000	TABLE D
50	Provisions	514 970	TABLE D
51	T2 capital before regulatory adjustments	1 078 541	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	1 078 541	TABLE D
59	Total capital (TC = T1 + T2)	17 650 519	
	Risk Weighted Assets (RWAs) in respect of amounts subject to pre-Basel 3 treatment		
60	Total RWAs	50 956 649	

Row #	31 Aug 2017 Basel 3	Reconciliation table reference ⁽¹⁾
Capital ratios		
61 CET1 (as a percentage of RWAs)	32.3	
62 T1 (as a percentage of RWAs)	32.5	
63 TC (as a percentage of RWAs)	34.6	
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⁾	1.250	
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)	7.250	
70 National T1 minimum ratio	8.500	
71 National total capital minimum ratio	10.750	
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)	403 960	
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)	3 352 223	
77 Cap on inclusion of provisions in T2 under standardised approach	514 970	
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	129 484	
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	9 003	
84 Current cap on T2 instruments subject to phase out arrangements ⁽³⁾	563 571	
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) ⁽³⁾	1 977 429	

⁽¹⁾ References are to tables in section 3.

⁽²⁾ Retained earnings are stated net of unappropriated profits of R303 million.

⁽³⁾ The amount excluded from Tier 2 capital due to the cap consists of two contributors. The first R1 838 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 (R139 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 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.

⁽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 2017

	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	23 906 128	-	23 906 128	
Investments designated at amortised cost	-	-	-	
Held-to-maturity investments	6 700 962	-	6 700 962	
Available-for sale financial assets	102 000	-	102 000	
Term deposit investments	5 603 470	-	5 603 470	
Loans and advances to clients	40 618 923	-	40 618 923	
Other receivables	1 584 738	-	1 584 738	
Derivative assets	63 547	-	63 547	
Current income tax assets	52 027	-	52 027	
Interest in subsidiaries	-	-	-	
Interest in associate	104 307	-	104 307	
Property and equipment	1 724 867	-	1 724 867	
Intangible assets	271 421	-	271 421	
Deferred income tax assets	403 960	-	403 960	
Total assets	81 136 350	-	81 136 350	
Liabilities				
Deposits and bonds at amortised cost	62 405 637	-	62 405 637	
of which retail savings	33 522 637	-	33 522 637	
of which retail fixed deposits	21 878 334	-	21 878 334	
of which wholesale	823 977	-	823 977	
of which subordinated debt- unlisted bonds	656 467	-	656 467	TABLE D
of which subordinated debt- listed bonds	1 930 780	-	1 930 780	TABLE D
of which listed senior bonds	2 739 427	-	2 739 427	
of which other unlisted negotiable instruments	854 015	-	854 015	
of which reserve bank settlement balance	-	-	-	
Derivative liabilities	73 593	-	73 593	
Other liabilities	1 485 225	-	1 485 225	
Current income tax liabilities	-	-	-	
Provisions	41 949	-	41 949	
Total liabilities	64 006 404	-	64 006 404	
Equity				
Capital and reserves				
Ordinary share capital and premium	5 649 020	-	5 649 020	ROW 1
Cash flow hedge reserve	(34 168)	-	(34 168)	ROW 3, TABLE A
Retained earnings	11 376 607	-	11 376 607	TABLE A
Share capital and reserves attributable to ordinary shareholders	16 991 459	-	16 991 459	
Non-redeemable, non-cumulative, non-participating preference share capital and premium	138 487	-	138 487	TABLE C
Total equity	17 129 946	-	17 129 946	
Total equity and liabilities	81 136 350	-	81 136 350	

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

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

Table A	31 Aug 2017 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	11 073 874	ROW 2
Retained earnings ⁽²⁾	11 376 607	
Unappropriated profits	(302 733)	
Total as per Transitional Basel 3 Template	16 722 894	
Cash flow hedging reserves	(34 168)	ROW 3
Total as per Transitional Basel 3 Template	16 688 726	ROW 6

Table B		
Common Equity Tier 1 Regulatory Adjustments		
Other intangibles	(271 421)	ROW 9
Disallowed hedging reserves	34 168	ROW 11
National specific regulatory adjustments	(8 979)	ROW 26
Total as per Transitional Basel 3 Template	(246 232)	ROW 28

Table C		
Additional Tier 1 capital		
Non-redeemable, non-cumulative, non-participating preference shares ⁽²⁾	138 487	ROW 33
Phase out (grandfathering) of AT1 in terms of Basel 3 ceiling ⁽³⁾	(9 003)	
Total as per Transitional Basel 3 Template	129 484	ROW 30/31/36

Table D		
Tier 2 Capital		
Subordinated debt - unlisted bonds ⁽²⁾	656 467	
Subordinated debt - listed bonds ⁽²⁾	1 930 780	
	2 587 247	
Accrued interest not classified as T2 capital	(46 247)	
Total subordinated debt	2 541 000	ROW 49
Phase out (grandfathering) of subordinated debt in terms of Basel 3 ceiling ⁽³⁾	(1 838 400)	
Haircut on amounts attributable to third parties ⁽⁴⁾	(139 029)	
Tier 2 instruments issued by subsidiaries and held by third parties	563 571	ROW 48
General allowance for credit impairment	514 970	ROW 50
Total as per Transitional Basel 3 Template	1 078 541	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.