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 Three 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

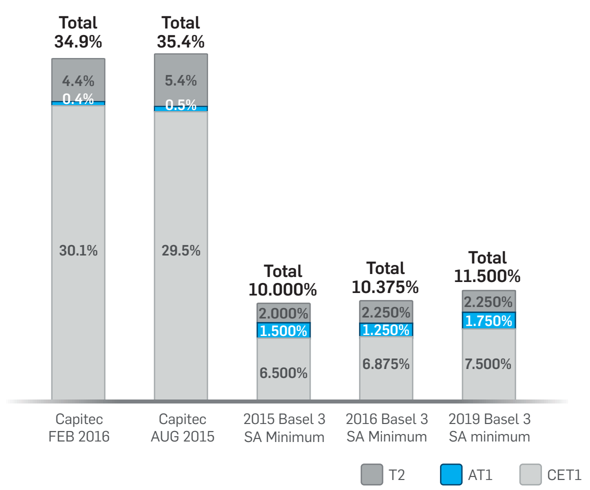
This report covers the 6 months ended 29 February 2016. Comparative information is presented for the previous 6-month period ended 31 August 2015.

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 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. 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	29 Feb 2016	31 Aug 2015
Composition of qualifying regulatory capital		
Ordinary share capital[1]	5 649 020	5 649 020
Accumulated profit	7 772 004	6 500 969
	13 421 024	12 149 989
Regulatory adjustments		
– Intangible assets in terms of IFRS	(242 648)	(230 246)
– Specified advances	(3 030)	(358)
– Unappropriated profit	(549 390)	(183 092)
Common Equity Tier 1 capital (CET1)	12 625 956	11 736 293
Issued preference share capital[1]	173 894	191 179
Phase out – non-loss absorbent[2][8]	(18 513)	(9 901)
Additional Tier 1 capital (AT1)	155 381	181 278
Tier 1 capital (T1)	12 781 337	11 917 571
Issued subordinated debt[1]	2 891 000	2 891 000
Phase out – non-loss absorbent[2]	(1 156 400)	(867 300)
Deduction for third-party capital issued by bank subsidiary[3]	(333 445)	(300 430)
Total subordinated debt	1 401 155	1 723 270
Unidentified impairments	459 703	437 506
Tier 2 capital (T2)	1 860 858	2 160 776
Qualifying regulatory capital	14 642 195	14 078 347
CET1%	30.1	29.5
AT1%	0.4	0.5
T1%	30.5	30.0
T2%	4.4	5.4
Total capital adequacy %[4]	34.9	35.4
Composition of required regulatory capital		
On balance sheet	3 582 854	3 498 674
Off balance sheet	-	231
Credit risk	3 582 854	3 498 905
Operational risk	291 797	290 446
Equity risk in the banking book	-	-
Other assets	214 434	186 703
Total regulatory capital requirement[5]	4 089 085	3 976 054
Composition of risk-weighted assets[6]		
On balance sheet	36 747 217	34 986 742
Off balance sheet	-	2 314
Credit risk	36 747 217	34 989 056
Operational risk	2 992 792	2 904 457
Equity risk in the banking book	-	-
Other assets	2 199 318	1 867 034
Total risk-weighted assets	41 939 327	39 760 547
Total assets based on IFRS	62 945 502	58 554 318
Total risk-weighted assets – adjustments[7]	(21 006 175)	(18 793 771)
Total risk-weighted assets – regulatory	41 939 327	39 760 547

[(1)] *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.*
[(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 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.*
[(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 year-end, 32.85% (2015: 26.18%) 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 20% or exposure of 5 times equity (Aug 2015: 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	29 Feb 2016	31 Aug 2015
1	Total consolidated assets as per published financial statements	62 945 510	58 554 318
	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	13 198	15 724
5	Securities financing transactions (i.e. repos and similar secured lending)	5 078	4 945
6	Off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	20 401	55 423
7	Other adjustments	(245 678)	(230 605)
8	**Leverage ratio exposure %**	**62 738 509**	58 399 805

5.2 Leverage ratio - common disclosure template

Line #	Group leverage ratio framework R'000	29 Feb 2016	31 Aug 2015
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and Security Financing Transactions 'STF's' but including collateral)	**61 914 555**	57 859 366
2	Asset amounts deducted in determining Basel 3 Tier 1 capital	**(245 678)**	(230 605)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**61 668 877**	57 628 761
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**225 403**	103 644
5	Add-on amounts for Potential Future Exposure 'PFE' associated with all derivatives transactions	**13 198**	15 724
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	**-**	-
11	**Deductions of receivables assets for cash variation margin provided in derivatives transactions (sum of lines 4 to 10)**	**238 601**	119 368
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**805 552**	591 308
13	Netted amounts of cash payables and cash receivables of gross SFT assets	**-**	-
14	Counterparty Credit Risk 'CCR' exposure for SFT assets	**5 078**	4 945
15	Agent transaction exposures	**-**	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**810 630**	596 253
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	**204 013**	535 717
18	Adjustments for conversion to credit equivalent amounts	**(183 612)**	(480 294)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**20 401**	55 423
	Capital and total exposures		
20	Tier 1 capital	**12 781 337**	11 917 571
21	Total exposures (sum of lines 3, 11, 16 and 19)	**62 738 509**	58 399 805
	Leverage ratio		
22	**Basel 3 leverage ratio%**	**20.4%**	20.4%
	Summary leverage ratio framework - bank level		
	Capital and total exposures		
20	Tier 1 capital	**12 671 930**	11 783 659
21	Total exposures (sum of lines 3, 11, 16 and 19 [bank])	**62 734 329**	58 391 611
22	**Basel 3 leverage ratio%[1]**	**20.2%**	20.2%

[1] 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[1] 29 Feb 2016	Average gross exposure[1] 31 Aug 2015	Aggregate gross period-end exposure[2] [4] 29 Feb 2016	Aggregate gross period-end exposure[2] [4] 31 Aug 2015	Exposure post risk mitigation[2] [3] [4] 29 Feb 2016	Exposure post risk mitigation[2] [3] [4] 31 Aug 2015	Risk weights[5] %
On balance sheet							
Corporate[6]	**3 019 030**	3 170 072	**2 839 793**	2 759 032	**2 678 227**	2 571 781	100
Sovereign[7]	**4 406 793**	3 647 512	**4 334 487**	4 415 223	**4 334 487**	4 415 223	-
Banks (claims < 3 mths original maturity)	**5 268 302**	3 857 595	**4 557 540**	4 291 804	**4 557 540**	4 291 804	20
Banks (claims > 3 mths original maturity)	**6 889 042**	6 689 456	**7 544 754**	7 745 987	**7 544 754**	7 745 987	50
Banks (Derivatives >3mths Aaa to Aa3)	**165 596**	47 976	**224 893**	105 653	**224 893**	105 653	20
Banks (Derivatives > 3 mths A1 to Baa3)	**13 828**	38 568	**13 708**	13 715	**13 708**	13 715	50
Retail personal loans							
– with unidentified impairments	**37 309 949**	34 643 922	**37 040 404**	34 930 568	**37 040 404**	34 930 568	75
– with identified impairments[8]	**3 313 668**	2 943 514	**3 839 721**	2 947 137	**3 839 721**	2 947 137	100
Subtotal	**60 386 208**	55 038 615	**60 395 300**	57 209 119	**60 233 734**	57 021 868	
Off balance sheet							
Corporate facilities	**1 363**	661	**-**	4 628	**-**	4 628	100
Retail personal loans							
– committed undrawn facilities	**-**	-	**-**	-	**-**	-	75
– conditionally revocable commitments[9]	**319 174**	433 448	**204 013**	531 090	**204 013**	531 090	-
Total exposure	**60 706 745**	55 472 724	**60 599 313**	57 744 837	**60 437 747**	57 557 586	

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) *78.0% (Aug 2015: 60.1%) 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) *An ageing of impaired advances based on arrears status is shown in 6.2.*

(9) *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. 34.6% (Aug 2015: 25.7%) 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 29 Feb 2016 R'000	6 MONTHS 31 Aug 2015 R'000
Ageing		
< 60 days	**1 971 940**	1 498 753
60 – 90 days	**325 498**	281 753
Total arrears	**2 297 438**	1 780 506

6.4 Write-offs and recoveries reflected in the income statement

	6 MONTHS 29 Feb 2016 R'000	6 MONTHS 31 Aug 2015 R'000
Net impairment charge on loans and advances:		
Bad debts (write-offs)	**1 862 742**	2 118 112
Movement in impairment allowance	**882 348**	391 887
Bad debts recovered	**(457 534)**	(396 918)
Net impairment charge	**2 287 556**	2 113 081

6.3 Analysis of credit impairments

All impairments presented below relate to retail personal loans.

	6 MONTHS 29 Feb 2016 R'000	6 MONTHS 31 Aug 2015 R'000
Movement in impairments:		
Balance at beginning of period	**4 249 257**	3 857 370
Unidentified impairments	**3 177 772**	2 701 059
Identified impairments	**1 071 485**	1 156 311
Movement	**882 348**	391 887
Unidentified impairments	**565 218**	476 713
Identified impairments	**317 130**	(84 826)
Balance at end of period	**5 131 605**	4 249 257
Unidentified impairments	**3 742 990**	3 177 772
Identified impairments	**1 388 615**	1 071 485

6.5 Counterparty credit risk (CCR)

Risk weights %	OTC derivative instruments 29 Feb 2016 R'000	Securities financing transactions 29 Feb 2016 R'000	OTC derivative instruments 31 Aug 2015 R'000	Securities Financing Transactions 31 Aug 2015 R'000
20	**224 893**	**0**	105 653	0
50	**13 708**	**0**	13 715	0
100	**0**	**5 078**	0	4 945
	238 601	**5 078**	119 368	4 945

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 R6.0 million (Aug 2015: R3.2 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

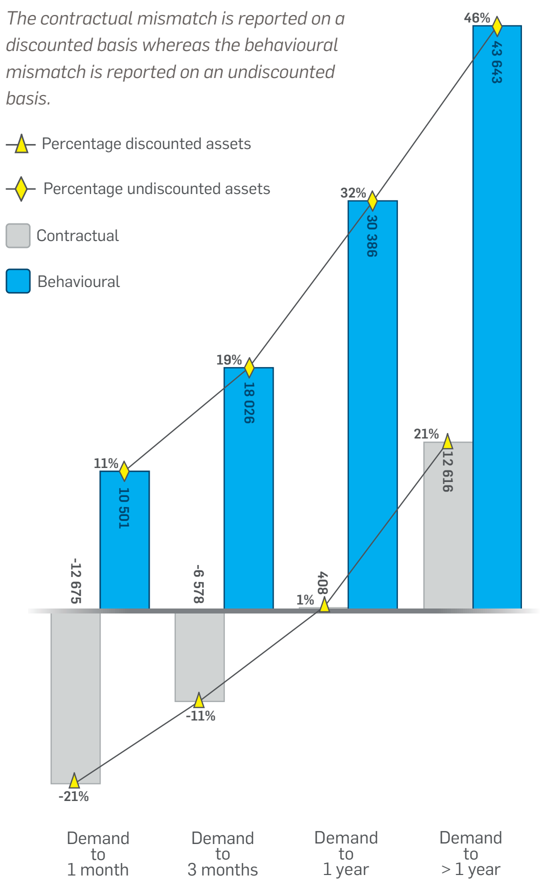
Both the contractual and behavioural mismatches benefit positively from the high component of equity funding. This creates a greater surplus of asset cash flows over liability cash flows than at banks with lower capital ratios.

The main difference between the behavioural and contractual mismatches relates to the treatment of retail call deposits. 92% (Aug 2015: 92%) 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.

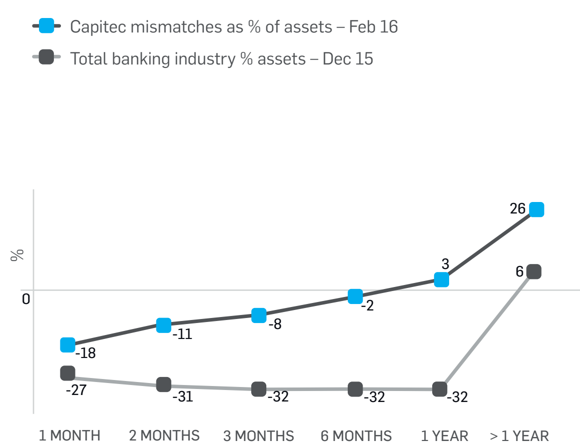
Industry comparison

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



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

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 2016						
Undiscounted assets						
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[(5)]	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
Undiscounted assets	14 565 380	12 052 967	22 685 833	45 362 841	(581 169)	94 085 852
Adjustments for undiscounted assets	(1 062 175)	(2 116 768)	(8 097 379)	(16 530 021)	-	(27 806 343)
Discounted assets						
Loan impairment provision	(496 738)	(224 566)	(811 650)	(3 598 651)	-	(5 131 605)
Total discounted assets	13 006 467	9 711 633	13 776 804	25 234 169	(581 169)	61 147 904
Undiscounted liabilities						
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
Undiscounted liabilities	25 718 562	3 831 790	7 770 294	16 106 148	172 907	53 599 701
Adjustments for undiscounted liabilities to depositors	(36 704)	(217 716)	(979 574)	(3 079 270)	-	(4 313 264)
Total discounted liabilities	25 681 858	3 614 074	6 790 720	13 026 878	172 907	49 286 437
Net liquidity excess /(shortfall)	(12 675 391)	6 097 559	6 986 084	12 207 291	(754 076)	11 861 467
Cumulative liquidity excess/(shortfall)[(1)]	(12 675 391)	(6 577 832)	408 252	12 615 543	11 861 467	11 861 467

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 2015						
Undiscounted assets						
Cash and cash equivalents - sovereigns	764 111	-	-	-	-	764 111
Cash and cash equivalents - banks	7 081 545	2 732 219	-	-	-	9 813 764
Money markets unit trusts - corporate other	9 381	-	-	-	-	9 381
Investments at fair value through profit or loss - sovereigns & banks[4]	300 000	768 180	400 000	-	-	1 468 180
Held to maturity investments - sovereigns & banks[5]	-	448	2 760 526	-	-	2 760 974
Term deposit investments	6 105	3 029 954	5 394 180	-	-	8 430 239
Loans and advances to clients - retail personal	2 905 768	3 864 533	15 502 328	46 631 687	(428 770)	68 475 546
Loans and advances to clients - retail other	8 005	-	-	-	-	8 005
Loans and advances to clients - corporate other	12 170	-	-	-	-	12 170
Other receivables	259 176	89	25 038	1 993	-	286 296
Derivative assets	(1 802)	(3 859)	(10 352)	146 889	-	130 876
Current income tax	-	-	102 365	-	-	102 365
Undiscounted assets	11 344 459	10 391 564	24 174 085	46 780 569	(428 770)	92 261 907
Adjustments for undiscounted assets	(1 227 521)	(2 008 315)	(7 918 777)	(19 878 193)	-	(31 032 806)
Discounted assets						
Loan impairment provision	(340 362)	(146 129)	(564 942)	(3 197 824)	-	(4 249 257)
Total discounted assets	9 776 576	8 237 120	15 690 366	23 704 552	(428 770)	56 979 844
Undiscounted liabilities						
Deposits and bonds	22 576 930	2 544 737	8 991 953	15 114 781	-	49 228 401
Trade and other payables	461 137	21 591	199 552	220 854	164 837	1 067 971
Current income tax	-	-	-	-	-	-
Provisions	-	-	-	67 149	-	67 149
Undiscounted liabilities	23 038 067	2 566 328	9 191 505	15 402 784	164 837	50 363 521
Adjustments for undiscounted liabilities to depositors	(32 142)	(202 637)	(965 135)	(2 986 202)	-	(4 186 116)
Total discounted liabilities	23 005 925	2 363 691	8 226 370	12 416 582	164 837	46 177 405
Net liquidity excess /(shortfall)	(13 229 349)	5 873 429	7 463 996	11 287 970	(593 607)	10 802 439
Cumulative liquidity excess/(shortfall)[1]	(13 229 349)	(7 355 920)	108 076	11 396 046	10 802 439	10 802 439

(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% of Investments at fair value through profit or loss - sovereigns & banks relates to investments in sovereigns.*
(5) *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:

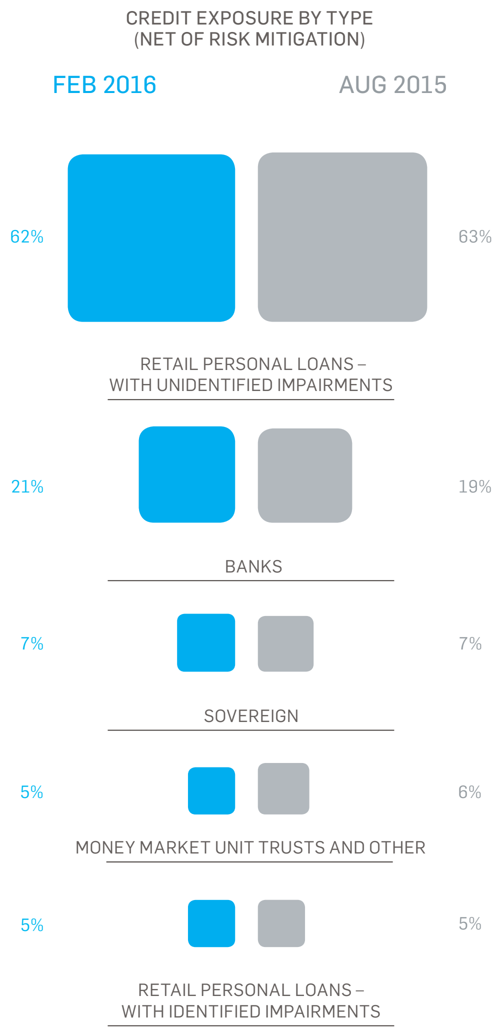
	29 Feb 2016 R'000	31 Aug 2015 R'000
Property operating lease commitments		
The future aggregate minimum lease payments under non-cancellable leases are as follows:		
Within one year	**353 711**	322 236
From one to five years	**1 072 435**	907 769
After five years	**278 522**	264 036
Total future cash flows	**1 704 668**	1 494 041
Straight lining accrued	**(89 184)**	(76 409)
Future expenditure	**1 615 484**	1 417 632

	29 Feb 2016 R'000	31 Aug 2015 R'000
Other operating lease commitments		
Within one year	**1 734**	2 007
From one to five years	**362**	1 150
Future expenditure	**2 096**	3 157

(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 2016 financial year, are as follows:

	29 Feb 2016 R'000	31 Aug 2015 R'000
Capital commitments – approved by the board		
Contracted for:	**370 773**	78 065
Property and equipment	**346 647**	70 448
Intangible assets	**24 126**	7 617
Non-contracted for:	**1 168 820**	413 768
Property and equipment	**701 586**	296 541
Intangible assets	**467 234**	117 227
Future expenditure	**1 539 593**	491 833



(c) Conditionally revocable retail loan commitments

Conditionally revocable retail loan commitments totalled R204 million (Aug 2015: R531 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. 34.6% (Aug 2015: 25.7%) 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) 29 Feb 2016	Total Weighted Value (Average) 29 Feb 2016	Total Weighted Value (Average) 31 Aug 2015
	High-Quality Liquid Assets			
1	**Total high-quality liquid assets (HQLA) (see 7.4.1)**		**6 671 459**	6 339 307
	Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	36 682 110	2 421 839	2 184 227
3	Stable deposits	-	-	-
4	Less-stable deposits	36 682 110	2 421 839	2 184 227
5	Unsecured wholesale funding, of which:	10 215 256	133 769	295 572
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
7	Non-operational deposits (all counterparties)	177 906	17 796	14 450
8	Unsecured debt	10 037 350	115 973	281 122
9	Secured wholesale funding		-	-
10	Additional requirements, of which:	245 502	10 268	18 287
11	Outflows related to derivative exposures and other collateral requirements	1 640	1 640	2 194
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	241 266	6 032	13 143
14	Other contractual funding obligations	2 596	2 596	2 950
15	Other contingent funding obligations	-	-	-
16	**Total Cash Outflows**		**2 565 876**	2 498 086
	Cash Inflows			
17	Secured lending (e.g. reverse repos)	403 304	403 304	567 061
18	Inflows from fully performing exposures	7 998 738	7 289 563	6 368 827
19	Other cash inflows	46 570	-	-
20	**Total Cash Inflows**	**8 448 612**	**7 692 867**	6 935 888
				Total Adjusted Value
21	Total HQLA		6 671 459	6 339 307
22	Total Net Cash Outflows(1)		641 469	624 522
23	**Liquidity Coverage Ratio (%)** (2)		**1040%**	1 015%

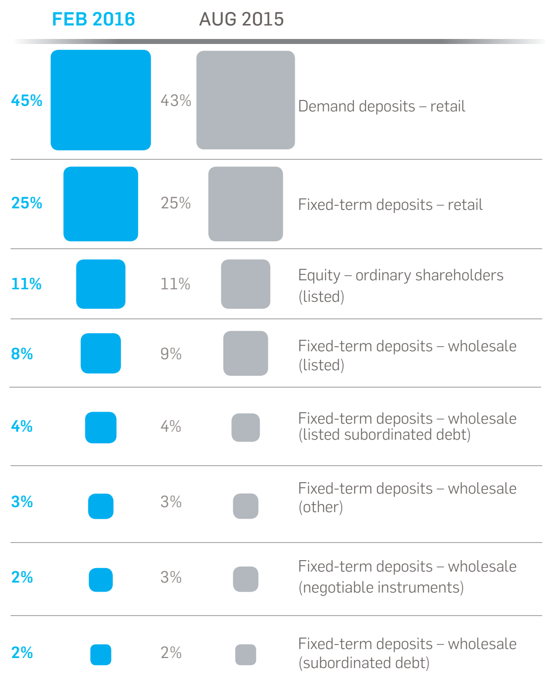
(1) As Capitec has a net cash inflow after applying the run-off factors, outflows for the purpose of the ratio are deemed to be 25% of gross outflows.
(2) There is no difference between group and bank.

7.4.1 Composition of high-quality liquid assets

	29 Feb 2016	31 Aug 2015
Total level one R'000 qualifying high-quality liquid assets[1]	**6 671 459**	6 339 307
Cash	**2 705 986**	2 414 469
Qualifying central bank reserves	**818 293**	761 289
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	**3 147 180**	3 163 549

[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 amount in ZAR	Fair values Assets	Fair values Liabilities
FEB 2016			
Interest rate swaps	**4 026 349**	**(78 090)**	**-**
Cross currency interest rate swaps	**343 500**	**(147 313)**	**-**
Net	**4 369 849**	**(225 403)**	**-**
AUG 2015			
Interest rate swaps	4 726 349	(42 777)	-
Cross currency interest rate swaps	343 500	(60 866)	-
Net	5 069 849	(103 643)	-

Maturity analysis R'000	Demand to one month	One to three months	Three months to one year	More than one year	Grand total
FEB 2016					
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)**
Net	**1 035**	**(1 145)**	**(6 104)**	**(219 189)**	**(225 403)**
AUG 2015					
Discounted swap cash flows	1 798	(1 924)	(5 366)	(37 285)	(42 777)
Discounted cross currency interest rate swap cash flows	-	5 546	14 709	(81 121)	(60 866)
Net	1 798	3 622	9 343	(118 406)	(103 643)

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)

NSFR	29 Feb 2016	31 Aug 2015
NSFR%	**145**	142
Required stable funding (R'm)	**34 406**	32 822
Available stable funding (R'm)	**49 968**	46 654

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	29 Feb 2016		31 Aug 2015	
	R'000	%	R'000	%
200 basis points shift				
Increase	**(700 840)**	(4.2)	(569 928)	(4.2)
Decrease	**725 017**	4.4	613 483	4.3

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.