

# 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

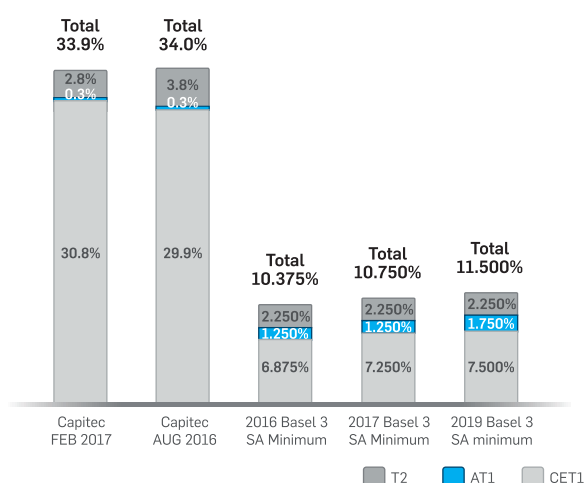
This report covers the 6 months ended 28 February 2017. Comparative information is presented for the previous 6-month period ended 31 August 2016.

## 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 Capitec's 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 2017 Basel 3 SA minimum includes the SA country buffer of 1.50% (2016: 1.75%). 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. The 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. Implementation commenced in January 2016 with a rate of zero.
  - 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	28 Feb 2017	31 Aug 2016
<b>Composition of qualifying regulatory capital</b>		
Ordinary share capital <sup>(1)</sup>	5 649 020	5 649 020
Accumulated profit	10 329 731	8 772 714
	<b>15 978 751</b>	14 421 734
Regulatory adjustments		
– Intangible assets in terms of IFRS	(279 946)	(400 406)
– Specified advances	(2 927)	(2 889)
– Unappropriated profit	(808 996)	(221 887)
<b>Common Equity Tier 1 capital (CET1)</b>	<b>14 886 882</b>	13 796 552
Issued preference share capital <sup>(1)</sup>	150 998	173 522
Phase out – non-loss absorbent <sup>(2) (8)</sup>	(21 513)	(18 141)
<b>Additional Tier 1 capital (AT1)</b>	<b>129 485</b>	155 381
<b>Tier 1 capital (T1)</b>	<b>15 016 367</b>	13 951 933
Issued subordinated debt <sup>(1)</sup>	2 641 000	2 891 000
Phase out – non-loss absorbent <sup>(2)</sup>	(1 588 400)	(1 350 200)
Deduction for third-party capital issued by bank subsidiary <sup>(9)</sup>	(195 766)	(261 084)
<b>Total subordinated debt</b>	<b>856 834</b>	1 279 716
Unidentified impairments	491 168	475 526
<b>Tier 2 capital (T2)</b>	<b>1 348 002</b>	1 755 242
<b>Qualifying regulatory capital</b>	<b>16 364 369</b>	15 707 175
CET1%	30.8	29.9
AT1%	0.3	0.3
T1%	31.1	30.2
T2%	2.8	3.8
<b>Total capital adequacy %<sup>(4)</sup></b>	<b>33.9</b>	34.0
<b>Composition of required regulatory capital</b>		
On balance sheet	4 213 819	3 703 619
Off balance sheet	-	-
Credit risk	4 213 819	3 703 619
Operational risk	622 840	540 448
Equity risk in the banking book	41 165	16 485
Other assets	312 511	243 180
<b>Total regulatory capital requirement<sup>(5)</sup></b>	<b>5 190 335</b>	4 503 732
<b>Composition of risk-weighted assets<sup>(6)</sup></b>		
On balance sheet	39 198 314	37 985 839
Off balance sheet	-	-
Credit risk	39 198 314	37 985 839
Operational risk	5 793 863	5 543 054
Equity risk in the banking book	382 933	169 072
Other assets	2 907 080	2 494 156
<b>Total risk-weighted assets</b>	<b>48 282 190</b>	46 192 121
Total assets based on IFRS	73 357 897	67 520 128
Total risk-weighted assets – adjustments <sup>(7)</sup>	(25 075 707)	(21 328 007)
<b>Total risk-weighted assets – regulatory</b>	<b>48 282 190</b>	46 192 121

- <sup>(1)</sup> For further details of the main features of these instruments, please refer to the Main Features of Capital Instruments and Traditional 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 10.75% (2016: 9.75%) of risk-weighted assets, being the Basel global minimum requirement of 8%, the South African country-specific buffer of 1.5% (2016: 1.75%) and the Capital Conservation Buffer of 1.25% (disclosable in terms of SARB November 2016 directive in order to standardise reporting across banks). In terms of the regulations the Individual Capital Requirement (ICR) is excluded. Operational risk disclosure changed from 01 March 2016, per the SA Reserve Bank's instruction. The operational risk capital add-on, in accordance with the ASA method, has been converted to an equivalent Risk Weighted Asset (RWA). This reduced the Capital Adequacy Ratio by approximately 1.9% in March 2016, as qualifying capital remains the same but is divided by a higher RWA amount.
- <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 28 February 2017, 41.69% (Aug 2016: 33.00%) 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 (Aug 2016: 21% 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	28 Feb 2017	31 Aug 2016
1	Total consolidated assets as per published financial statements	73 357 897	67 520 351
	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	18 498	22 716
5	Securities financing transactions (i.e. repos and similar secured lending)	766	14 191
6	Off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	45 761	26 308
7	Other adjustments	(282 873)	(403 294)
<b>8</b>	<b>Leverage ratio exposure %</b>	<b>73 140 049</b>	<b>67 180 272</b>

## 5.2 Leverage ratio - common disclosure template

Line #	Group leverage ratio framework R'000	28 Feb 2017	31 Aug 2016
<b>On-balance sheet exposures</b>			
1	On-balance sheet items (excluding derivatives and Security Financing Transactions 'STF's' but including collateral)	72 542 847	66 312 618
2	Asset amounts deducted in determining Basel 3 Tier 1 capital	(282 873)	(403 294)
<b>3</b>	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)</b>	<b>72 259 974</b>	<b>65 909 324</b>
<b>Derivative exposures</b>			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	58 113	142 645
5	Add-on amounts for Potential Future Exposure 'PFE' associated with all derivatives transactions	18 498	22 716
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>76 611</b>	<b>165 361</b>
<b>Securities financing transaction exposures</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	756 937	1 065 088
13	Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	Counterparty Credit Risk 'CCR' exposure for SFT assets	766	14 191
15	Agent transaction exposures	-	-
<b>16</b>	<b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>	<b>757 703</b>	<b>1 079 279</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	457 610	263 083
18	Adjustments for conversion to credit equivalent amounts	(411 849)	(236 775)
<b>19</b>	<b>Off-balance sheet items (sum of lines 17 and 18)</b>	<b>45 761</b>	<b>26 308</b>
<b>Capital and total exposures</b>			
20	Tier 1 capital	15 016 367	13 951 933
21	Total exposures (sum of lines 3, 11, 16 and 19)	73 140 049	67 180 272
<b>Leverage ratio</b>			
<b>22</b>	<b>Basel 3 leverage ratio%</b>	<b>20.5%</b>	<b>20.8%</b>
<b>Summary leverage ratio framework - bank level</b>			
<b>Capital and total exposures</b>			
20	Tier 1 capital	14 727 876	13 771 019
21	Total exposures (sum of lines 3, 11, 16 and 19)	73 134 064	67 177 177
<b>22</b>	<b>Basel 3 leverage ratio%</b>	<b>20.1%</b>	<b>20.5%</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>
	28 Feb 2017	31 Aug 2016	28 Feb 2017	31 Aug 2016	28 Feb 2017	31 Aug 2016	%
<b>On balance sheet</b>							
Corporate <sup>(6)</sup>	3 861 160	3 647 133	2 134 996	2 916 459	1 535 430	2 160 546	100
Sovereign <sup>(7)</sup>	6 020 822	4 663 262	7 222 438	5 398 503	7 222 438	5 398 503	-
Banks (claims < 3 mths original maturity)	7 326 273	6 167 282	7 399 263	6 932 029	7 399 263	6 932 029	20
Banks (claims > 3 mths original maturity)	7 134 207	6 686 142	8 133 961	7 862 061	8 133 961	7 862 061	50
Banks (Derivatives >3mths Aaa to Aa3 )	106 390	171 938	72 498	156 469	72 498	156 469	20
Banks (Derivatives > 3 mths A1 to Baa3)	6 594	11 444	4 113	8 892	4 113	8 892	50
Retail personal loans							
– with unidentified impairments	40 899 057	38 824 288	40 697 973	38 595 903	40 697 973	38 595 903	75
– with identified impairments <sup>(8)</sup>	4 239 093	4 136 492	4 437 398	4 205 735	4 437 398	4 205 735	100
<b>Subtotal</b>	<b>69 593 596</b>	<b>64 307 981</b>	<b>70 102 640</b>	<b>66 076 051</b>	<b>69 503 074</b>	<b>65 320 138</b>	
<b>Off balance sheet</b>							
Corporate facilities	-	-	-	-	-	-	100
Retail personal loans							
– committed undrawn facilities	-	-	-	-	-	-	75
– conditionally revocable commitments <sup>(9)</sup>	301 704	201 115	457 610	263 083	457 610	263 083	-
<b>Total exposure</b>	<b>69 895 300</b>	<b>64 509 096</b>	<b>70 560 250</b>	<b>66 339 134</b>	<b>69 960 684</b>	<b>65 583 221</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> 53.8% (Aug 2016: 45.2%) 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 as a result of undrawn credit facility and undrawn credit card amounts. 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. 52.1% (Aug 2016: 39.0%) 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 28 Feb 2017 R'000	6 MONTHS 31 Aug 2016 R'000
<b>Ageing</b>		
< 60 days	2 365 013	2 074 590
60 – 90 days	489 857	486 495
Total arrears	2 854 870	2 561 085

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

	6 MONTHS 28 Feb 2017 R'000	6 MONTHS 31 Aug 2016 R'000
<b>Net impairment charge on loans and advances:</b>		
Bad debts (write-offs)	3 052 673	2 394 808
Movement in impairment allowance	56 222	742 550
Bad debts recovered	(587 965)	(537 111)
Net impairment charge	2 520 930	2 600 247

## 6.3 Analysis of credit impairments

All impairments presented below relate to retail personal loans.

	6 MONTHS 28 Feb 2017 R'000	6 MONTHS 31 Aug 2016 R'000
<b>Movement in impairments:</b>		
Balance at beginning of period	5 874 155	5 131 605
Unidentified impairments	4 206 701	3 742 990
Identified impairments	1 667 454	1 388 615
Movement	56 222	742 550
Unidentified impairments	(194 832)	463 711
Identified impairments	251 054	278 839
Balance at end of period	5 930 377	5 874 155
Unidentified impairments	4 011 869	4 206 701
Identified impairments	1 918 508	1 667 454

## 6.5 Counterparty credit risk (CCR)

Risk weights	OTC derivative instruments	Securities financing transactions	OTC derivative instruments	Securities Financing Transactions
	28 Feb 2017 R'000	28 Feb 2017 R'000	31 Aug 2016 R'000	31 Aug 2016 R'000
20	72 498	0	156 469	0
50	4 113	0	8 892	0
100	0	766	0	14 191
	76 611	766	165 361	14 191

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 R1.1 million (Aug 2016: R3.3 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.

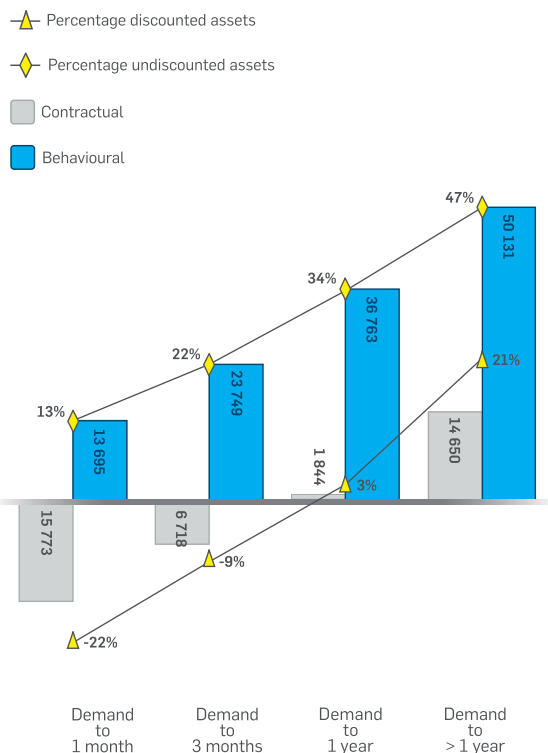
The main difference between the behavioural and contractual mismatches relates to the treatment of retail call deposits. 91.9% (Aug 2016: 92.7%) of retail demand deposits are reflected as stable, based on a one standard deviation measure of volatility, which is considered reasonable for business-as-usual 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

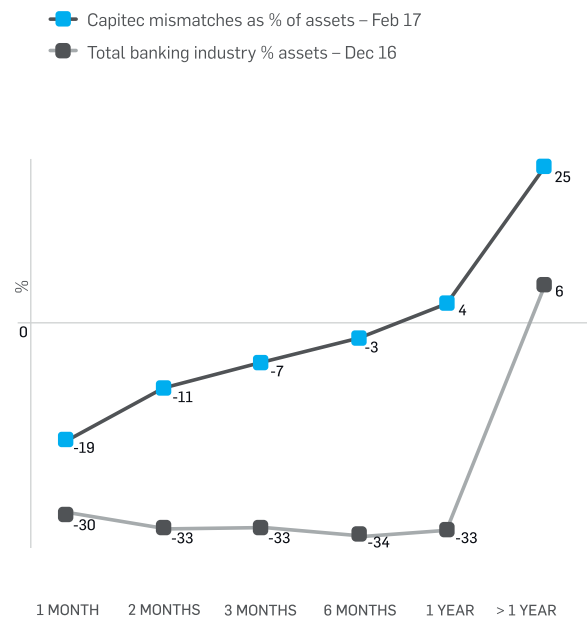
The industry comparison shows that Capitec's contractual mismatch as a percentage of assets is prudent relative to the total industry mismatch. The source data is as reported on the SARB BA 300 returns, which exclude the impact of loan impairments.

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>FEB 2017</b>						
<b>Undiscounted assets</b>						
Cash and cash equivalents - sovereigns	1 957 106	698 000	-	-	-	2 655 106
Cash and cash equivalents - banks	11 545 068	4 520 353	-	-	-	16 065 421
Money markets unit trusts - corporate other	6 855	-	-	-	-	6 855
Held-to-maturity investments - sovereigns & banks <sup>(4)</sup>	240 000	1 656 973	3 611 740	-	-	5 508 713
Term deposit investments	110 487	3 176 224	3 553 678	-	-	6 840 389
Available-for-sale financial assets	100 000	-	-	-	-	100 000
Loans and advances to clients - retail personal	3 063 925	4 744 656	18 864 778	49 108 078	(718 744)	75 062 693
Loans and advances to clients - corporate other	10 164	-	-	-	-	10 164
Other receivables	698 436	4 753	284 231	2 139	-	989 559
Derivative assets	227	(3 912)	63 487	3 774	-	63 576
<b>Undiscounted assets</b>	<b>17 732 268</b>	<b>14 797 047</b>	<b>26 377 914</b>	<b>49 113 991</b>	<b>(718 744)</b>	<b>107 302 476</b>
Discounting adjustment	(1 084 396)	(2 222 778)	(8 492 958)	(18 614 620)	-	(30 414 752)
Loan impairment provision	(596 245)	(289 262)	(1 066 511)	(3 978 359)	-	(5 930 377)
<b>Total discounted assets</b>	<b>16 051 627</b>	<b>12 285 007</b>	<b>16 818 445</b>	<b>26 521 012</b>	<b>(718 744)</b>	<b>70 957 347</b>
<b>Undiscounted liabilities</b>						
Deposits and bonds	31 088 297	3 066 531	9 317 048	16 594 249	-	60 066 125
Current income tax liabilities	92 694	(62 353)	-	-	-	30 341
Trade and other payables	662 937	433 376	29 012	161 525	213 800	1 500 650
Derivative liability	9 314	3 282	10 467	25 399	-	48 462
Provisions	-	-	-	81 024	-	81 024
<b>Undiscounted Liabilities</b>	<b>31 853 242</b>	<b>3 440 836</b>	<b>9 356 527</b>	<b>16 862 197</b>	<b>213 800</b>	<b>61 726 602</b>
Discounting adjustment	(28 393)	(211 526)	(1 099 174)	(3 147 625)	-	(4 486 718)
<b>Total discounted liabilities</b>	<b>31 824 849</b>	<b>8 229 310</b>	<b>8 257 353</b>	<b>13 714 572</b>	<b>213 800</b>	<b>57 239 884</b>
<b>Net liquidity excess /(shortfall)</b>	<b>(15 773 222)</b>	<b>9 055 697</b>	<b>8 561 092</b>	<b>12 806 440</b>	<b>(932 544)</b>	<b>13 717 463</b>
<b>Cumulative liquidity excess/(shortfall)<sup>(1)</sup></b>	<b>(15 773 222)</b>	<b>(6 717 525)</b>	<b>1 843 567</b>	<b>14 650 007</b>	<b>13 717 463</b>	<b>13 717 463</b>



<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 <sup>(4)</sup>	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
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>

<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% (Aug 2016: 83%) 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:

	28 Feb 2017 R'000	31 Aug 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	421 522	392 885
From one to five years	1 244 708	1 210 789
After five years	298 150	299 799
Total future cash flows	1 964 380	1 903 473
Straight lining accrued	( 113 997)	(103 325)
Future expenditure	1 850 383	1 800 148

	28 Feb 2017 R'000	31 Aug 2016 R'000
<b>Other operating lease commitments</b>		
Within one year	355	1 135
From one to five years	-	-
Future expenditure	355	1 135

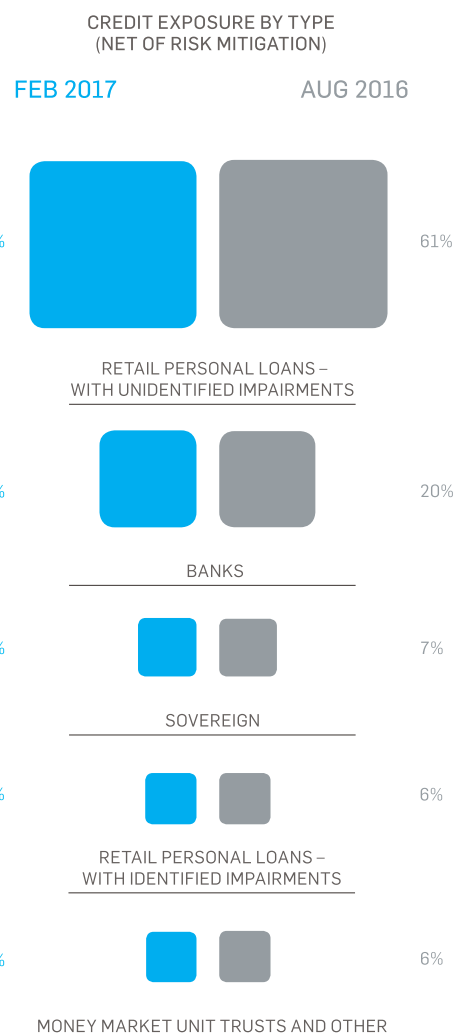
**(b) Capital commitments**

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:

	28 Feb 2017 R'000	31 Aug 2016 R'000
<b>Capital commitments – approved by the board</b>		
Contracted for:	232 023	298 489
Property and equipment	196 414	244 699
Intangible assets	35 609	53 790
Non-contracted for:	1 316 626	644 285
Property and equipment	923 647	461 487
Intangible assets	392 979	182 798
Future expenditure	1 548 649	942 774

**(c) Conditionally revocable retail commitments**

Conditionally revocable retail loan commitments totalled R458 million (Aug 2016: R263 million). 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. 52.1% (Aug 2016: 39.0%) 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 90 days (actual data points for the quarter) to calculate an average for the quarter, which requires banks to hold sufficient high-quality liquid assets to cover envisaged net outflows. The 3 month end balances were used as data points for the quarter ending 31 August 2016. 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) 28 Feb 2017	Total Weighted Value (Average) 28 Feb 2017	Total Weighted Value (Average) 31 Aug 2016
<b>High-Quality Liquid Assets</b>				
<b>1</b>	<b>Total high-quality liquid assets (HQLA) (see 7.4.1)</b>		<b>9 266 216</b>	7 371 310
<b>Cash Outflows</b>				
2	Retail deposits and deposits from small business customers, of which:	<b>44 629 933</b>	<b>2 896 330</b>	2 721 491
3	Stable deposits	-	-	-
4	Less-stable deposits	<b>44 629 933</b>	<b>2 896 330</b>	2 721 491
5	Unsecured wholesale funding, of which:	<b>8 119 216</b>	<b>307 943</b>	241 391
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
7	Non-operational deposits (all counterparties)	<b>235 741</b>	<b>23 579</b>	20 895
8	Unsecured debt	<b>7 883 475</b>	<b>284 364</b>	220 496
9	Secured wholesale funding	-	-	-
10	Additional requirements, of which:	<b>409 387</b>	<b>13 268</b>	13 276
11	Outflows related to derivative exposures and other collateral requirements	<b>2 708</b>	<b>2 708</b>	3 738
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	<b>406 276</b>	<b>10 157</b>	6 718
14	Other contractual funding obligations	<b>403</b>	<b>403</b>	2 820
15	Other contingent funding obligations	-	-	-
<b>16</b>	<b>Total Cash Outflows</b>		<b>3 217 541</b>	2 976 158
<b>Cash Inflows</b>				
17	Secured lending (e.g. reverse repos)	<b>211 433</b>	<b>211 433</b>	626 486
18	Inflows from fully performing exposures	<b>8 477 516</b>	<b>7 313 497</b>	8 028 141
19	Other cash inflows	<b>45 111</b>	<b>1 005</b>	2 304
<b>20</b>	<b>Total Cash Inflows</b>	<b>8 734 060</b>	<b>7 525 935</b>	8 656 931
21	Total HQLA		<b>9 266 216</b>	7 371 310
22	Total Net Cash Outflows <sup>(1)</sup>		<b>804 385</b>	744 040
<b>23</b>	<b>Liquidity Coverage Ratio (%)</b> <sup>(2)</sup>		<b>1 152%</b>	991%

<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.

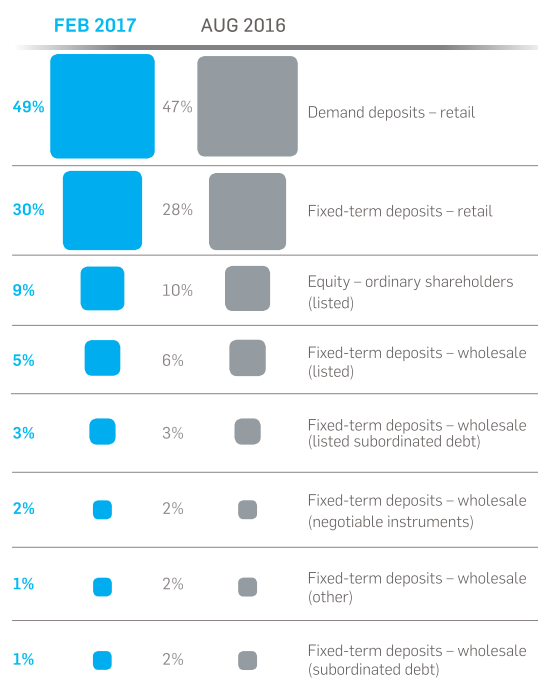
<sup>(2)</sup> There is no difference between group and bank.

## 7.4.1 Composition of high-quality liquid assets

	28 Feb 2017	31 Aug 2016
<b>Total level one R'000 qualifying high-quality liquid assets<sup>(1)</sup></b>	<b>9 266 216</b>	7 371 310
Cash	<b>3 149 994</b>	2 745 920
Qualifying central bank reserves	<b>909 452</b>	849 652
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	<b>5 206 770</b>	3 775 738

<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		Fair values	
	USD	ZAR	Assets	Liabilities
<b>FEB 2017</b>				
Interest rate swaps	-	3 896 000	(7 038)	27 624
Cross currency interest rate swaps	30 000	343 500	(51 074)	-
<b>Net</b>	<b>30 000</b>	<b>4 239 500</b>	<b>(58 112)</b>	<b>27 624</b>
<b>AUG 2016</b>				
Interest rate swaps	-	4 401 349	(35 023)	17 043
Cross currency interest rate swaps	30 000	343 500	(107 622)	-
<b>Net</b>	<b>30 000</b>	<b>4 744 849</b>	<b>(142 645)</b>	<b>17 043</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>FEB 2017</b>					
Discounted swap cash flows	(226)	2 097	7 498	11 217	20 586
Discounted cross currency interest rate swap cash flows	-	4 988	(56 062)	-	(51 074)
<b>Net</b>	<b>(226)</b>	<b>7 085</b>	<b>(48 564)</b>	<b>11 217</b>	<b>(30 488)</b>
<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>

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.

R'000	Notional		Fair values	
	USD	ZAR	Assets	Liabilities
<b>FEB 2017</b>				
Forward foreign exchange contracts	4 225	74 986	-	17 974
<b>AUG 2016</b>				
Forward foreign exchange contracts	4 225	74 986	-	8 231

Forward foreign exchange contracts represent commitments to purchase foreign currency, including undelivered spot transactions and were entered into to match corresponding expected future transactions to the amount of R75 million (Aug 2016: R75 million).

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

	28 Feb 2017	31 Aug 2016
<b>NSFR</b>		
NSFR%	187	152
Required stable funding (R'm)	35 337	36 188
Available stable funding (R'm)	66 187	55 090

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. Basel has proposed adjustments to the calibration of the ratio. The February 2017 NSFR ratio is based on the latest Basel regulations.

## 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	28 Feb 2017		31 Aug 2016	
	R'000	%	R'000	%
<b>200 basis points shift</b>				
Increase	(645 367)	(3.8)	(626 052)	(3.7)
Decrease	662 379	3.9	640 009	3.8

## 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 28 February 2017, 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.