

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

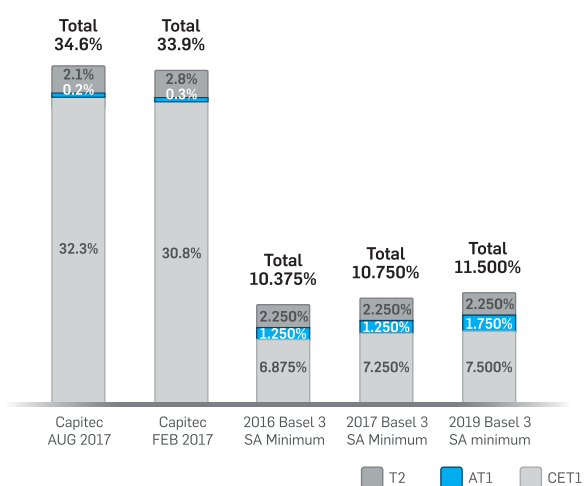
This report covers the 6 months ended 31 August 2017. Comparative information is presented for the previous 6-month period ended 28 February 2017.

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	31 Aug 2017	28 Feb 2017
Composition of qualifying regulatory capital		
Ordinary share capital ⁽¹⁾	5 649 020	5 649 020
Accumulated profit	11 376 607	10 329 731
	17 025 627	15 978 751
Regulatory adjustments		
– Intangible assets in terms of IFRS	(271 421)	(279 946)
– Specified advances	(8 979)	(2 927)
– Unappropriated profit	(302 733)	(808 996)
Common Equity Tier 1 capital (CET1)	16 442 494	14 886 882
Issued preference share capital ⁽¹⁾	138 487	150 998
Phase out – non-loss absorbent ^{(2) (8)}	(9 003)	(21 513)
Additional Tier 1 capital (AT1)	129 484	129 485
Tier 1 capital (T1)	16 571 978	15 016 367
Issued subordinated debt ⁽¹⁾	2 541 000	2 641 000
Phase out – non-loss absorbent ⁽²⁾	(1 838 400)	(1 588 400)
Deduction for third-party capital issued by bank subsidiary ⁽⁹⁾	(139 029)	(195 766)
Total subordinated debt	563 571	856 834
Unidentified impairments	514 970	491 168
Tier 2 capital (T2)	1 078 541	1 348 002
Qualifying regulatory capital	17 650 519	16 364 369
CET1%	32.3	30.8
AT1%	0.2	0.3
T1%	32.5	31.1
T2%	2.1	2.8
Total capital adequacy %⁽⁴⁾	34.6	33.9
Composition of required regulatory capital		
On balance sheet	4 419 376	4 213 819
Off balance sheet	-	-
Credit risk	4 419 376	4 213 819
Operational risk	657 341	622 840
Equity risk in the banking book	74 770	41 165
Other assets	326 354	312 511
Total regulatory capital requirement⁽⁵⁾	5 477 841	5 190 335
Composition of risk-weighted assets⁽⁶⁾		
On balance sheet	41 110 471	39 198 314
Off balance sheet	-	-
Credit risk	41 110 471	39 198 314
Operational risk	6 114 798	5 793 863
Equity risk in the banking book	695 533	382 933
Other assets	3 035 847	2 907 080
Total risk-weighted assets	50 956 649	48 282 190
Total assets based on IFRS	81 136 350	73 357 897
Total risk-weighted assets – adjustments ⁽⁷⁾	(30 179 701)	(25 075 707)
Total risk-weighted assets – regulatory	50 956 649	48 282 190

- ⁽¹⁾ 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.
- ⁽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 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.
- ⁽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 31 August 2017, 46.52% (Feb 2017: 41.69%) 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 (Feb 2017: 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	31 Aug 2017	28 Feb 2017
1	Total consolidated assets as per published financial statements	81 136 340	73 357 897
	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	21 393	18 498
5	Securities financing transactions (i.e. repos and similar secured lending)	3 317	766
6	Off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	55 839	45 761
7	Other adjustments	(280 400)	(282 873)
8	Leverage ratio exposure	80 936 489	73 140 049

5.2 Leverage ratio - common disclosure template

Line #	Group leverage ratio framework R'000	31 Aug 2017	28 Feb 2017
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and Security Financing Transactions 'STF's' but including collateral)	80 569 033	72 542 847
2	Asset amounts deducted in determining Basel 3 Tier 1 capital	(280 400)	(282 873)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	80 288 633	72 259 974
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	63 547	58 113
5	Add-on amounts for Potential Future Exposure 'PFE' associated with all derivatives transactions	21 393	18 498
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)	84 940	76 611
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	503 760	756 937
13	Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	Counterparty Credit Risk 'CCR' exposure for SFT assets	3 317	766
15	Agent transaction exposures	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	507 077	757 703
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	558 391	457 610
18	Adjustments for conversion to credit equivalent amounts	(502 552)	(411 849)
19	Off-balance sheet items (sum of lines 17 and 18)	55 839	45 761
Capital and total exposures			
20	Tier 1 capital	16 571 978	15 016 367
21	Total exposures (sum of lines 3, 11, 16 and 19)	80 936 489	73 140 049
Leverage ratio			
22	Basel 3 leverage ratio%	20.5%	20.5%
Summary leverage ratio framework - bank level			
Capital and total exposures			
20	Tier 1 capital	16 156 433	14 727 876
21	Total exposures (sum of lines 3, 11, 16 and 19)	80 793 677	73 134 064
22	Basel 3 leverage ratio%	20.0%	20.1%

⁽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⁾		Aggregate gross period-end exposure ⁽²⁾ (4)		Exposure post risk mitigation ^{(2) (3) (4)}		Risk weights ⁽⁵⁾
	31 Aug 2017	28 Feb 2017	31 Aug 2017	28 Feb 2017	31 Aug 2017	28 Feb 2017	%
On balance sheet							
Corporate ⁽⁶⁾	4 563 490	3 861 160	2 120 940	2 134 996	2 036 391	1 535 430	100
Sovereign ⁽⁷⁾	6 563 397	6 020 822	8 732 937	7 222 438	8 732 937	7 222 438	-
Banks (claims < 3 mths original maturity)	9 438 419	7 326 273	12 971 768	7 399 263	12 971 768	7 399 263	20
Banks (claims > 3 mths original maturity)	6 445 637	7 134 207	6 185 246	8 133 961	6 185 246	8 133 961	50
Banks (Derivatives >3mths Aaa to Aa3)	31 979	106 390	-	72 498	-	72 498	20
Banks (Derivatives > 3 mths A1 to Baa3)	57 819	6 594	84 941	4 113	84 941	4 113	50
Retail personal loans							
– with unidentified impairments	42 290 728	40 899 057	42 630 966	40 697 973	42 630 966	40 697 973	75
– with identified impairments ⁽⁸⁾	4 192 754	4 239 093	3 893 896	4 437 398	3 893 896	4 437 398	100
Subtotal	73 584 223	69 593 596	76 620 694	70 102 640	76 536 145	69 503 074	
Off balance sheet							
Corporate facilities	-	-	-	-	-	-	100
Retail personal loans							
– committed undrawn facilities	-	-	-	-	-	-	75
– conditionally revocable commitments ⁽⁹⁾	346 855	301 704	558 391	457 610	558 391	457 610	-
Total exposure	73 931 078	69 895 300	77 179 085	70 560 250	77 094 536	69 960 684	

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⁾ 93.0% (Feb 2017: 53.8%) 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 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. 59.4% (Feb 2017: 52.1%) 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 31 Aug 2017 R'000	6 MONTHS 28 Feb 2017 R'000
Ageing		
< 60 days	1 977 543	2 365 013
60 – 90 days	520 664	489 857
Total arrears	2 498 207	2 854 870

6.4 Write-offs and recoveries reflected in the income statement

	6 MONTHS 31 Aug 2017 R'000	6 MONTHS 28 Feb 2017 R'000
Net impairment charge on loans and advances:		
Bad debts (write-offs)	3 400 687	3 052 673
Movement in impairment allowance	(5 681)	56 222
Bad debts recovered	(583 572)	(587 965)
Net impairment charge	2 811 434	2 520 930

6.3 Analysis of credit impairments

All impairments presented below relate to retail personal loans.

	6 MONTHS 31 Aug 2017 R'000	6 MONTHS 28 Feb 2017 R'000
Movement in impairments:		
Balance at beginning of period	5 930 377	5 874 155
Unidentified impairments	4 011 869	4 206 701
Identified impairments	1 918 508	1 667 454
Movement	(5 681)	56 222
Unidentified impairments	255 177	(194 832)
Identified impairments	(260 858)	251 054
Balance at end of period	5 924 696	5 930 377
Unidentified impairments	4 267 046	4 011 869
Identified impairments	1 657 650	1 918 508

6.5 Counterparty credit risk (CCR)

Risk weights	OTC derivative instruments	Securities financing transactions	OTC derivative instruments	Securities Financing Transactions
	31 Aug 2017 R'000	31 Aug 2017 R'000	28 Feb 2017 R'000	28 Feb 2017 R'000
20	-	-	72 498	-
50	84 941	-	4 113	-
100	-	3 317	-	766
	84 941	3 317	76 611	766

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 R1.5 million (Feb 2017: R1.1 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.

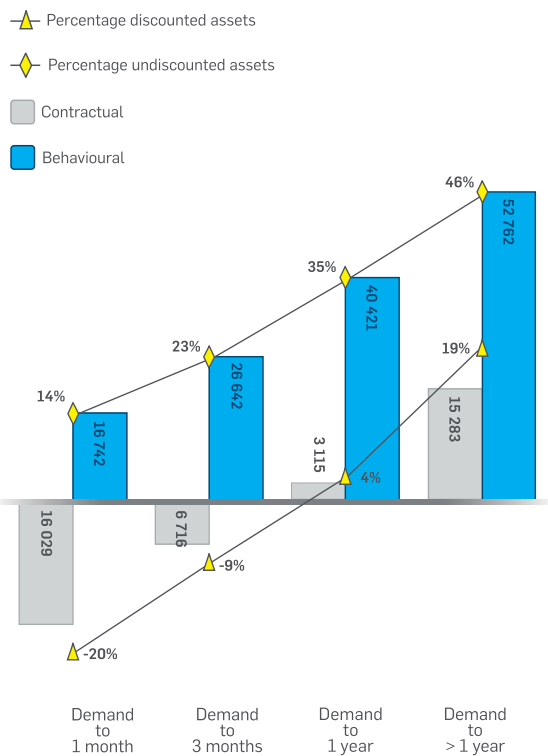
The main difference between the behavioural and contractual mismatches relates to the treatment of retail call deposits. 92.3% (Feb 2017: 91.9%) of retail demand deposits are reflected as stable, based on a one standard deviation measure of volatility, which is considered reasonable for business-as-usual 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

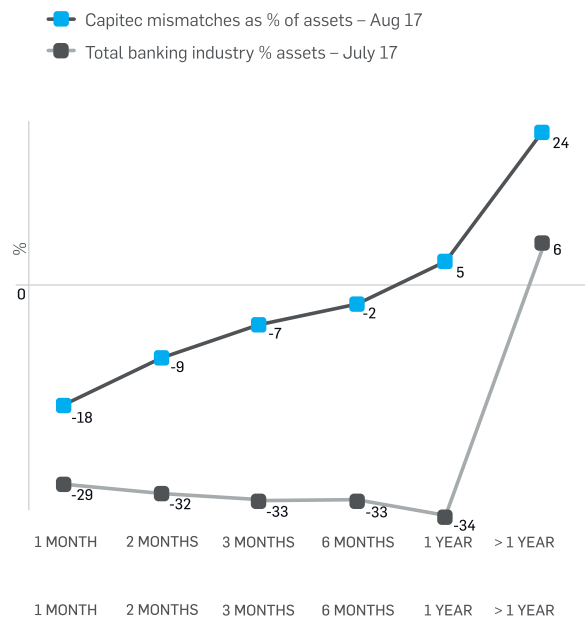
The industry comparison shows that Capitec's contractual mismatch as a percentage of assets is prudent relative to the total industry mismatch. The source data is as reported on the SARB BA 300 returns, which exclude the impact of loan impairments.

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

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 2017						
Undiscounted assets						
Cash and cash equivalents - sovereigns	1 354 131	642 100	-	-	-	1 996 231
Cash and cash equivalents - banks	15 364 423	6 612 061	-	-	-	21 976 484
Money markets unit trusts - corporate other	12 794	-	-	-	-	12 794
Held-to-maturity investments - sovereigns & banks ⁽⁴⁾	195 960	958 723	5 824 520	-	-	6 979 203
Term deposit investments	3 682	1 311 217	4 484 516	-	-	5 799 415
Available-for-sale financial assets	-	-	-	-	102 000	102 000
Loans and advances to clients - retail personal	3 146 454	4 851 956	19 371 505	50 434 007	(707 276)	77 096 646
Loans and advances to clients - retail other	-	-	4 828	2 414	-	7 242
Loans and advances to clients - corporate other	29 091	-	-	-	-	29 091
Other receivables	907 178	343	490 551	2 347	-	1 400 419
Derivative assets	228	(4 474)	60 118	9 050	-	64 922
Current income tax assets	-	-	52 027	-	-	52 027
Undiscounted assets	21 013 941	14 371 926	30 288 065	50 447 818	(605 276)	115 516 474
Discounting adjustment	(1 096 642)	(2 180 123)	(8 388 761)	(19 478 776)	-	(31 114 302)
Loan impairment provision	(598 252)	(282 193)	(1 096 061)	(3 948 190)	-	(5 924 696)
Total discounted assets	19 319 047	11 909 610	20 803 243	27 020 852	(605 276)	78 447 476
Undiscounted liabilities						
Deposits and bonds	34 570 532	2 780 321	11 795 977	17 993 490	-	67 140 320
Trade and other payables	808 080	28 008	292 518	119 999	236 620	1 485 225
Derivative liability	51	5 001	35 064	39 084	-	79 200
Provisions	-	-	-	41 949	-	41 949
Undiscounted Liabilities	35 378 663	2 813 330	12 123 559	18 194 522	236 620	68 746 694
Discounting adjustment	(30 916)	(216 719)	(1 151 314)	(3 341 342)	-	(4 740 291)
Total discounted liabilities	35 347 747	2 596 611	10 972 245	14 853 180	236 620	64 006 403
Net liquidity excess /(shortfall)	(16 028 700)	9 312 999	9 830 998	12 167 672	(841 896)	14 441 073
Cumulative liquidity excess/(shortfall)⁽¹⁾	(16 028 700)	(6 715 701)	3 115 297	15 282 969	14 441 073	14 441 073

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 2017						
Undiscounted assets						
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 ⁽⁴⁾	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
Undiscounted assets	17 732 268	14 797 047	26 377 914	49 113 991	(718 744)	107 302 476
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)
Total discounted assets	16 051 627	12 285 007	16 818 445	26 521 012	(718 744)	70 957 347
Undiscounted liabilities						
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
Undiscounted Liabilities	31 853 242	3 440 836	9 356 527	16 862 197	213 800	61 726 602
Discounting adjustment	(28 393)	(211 526)	(1 099 174)	(3 147 625)	-	(4 486 718)
Total discounted liabilities	31 824 849	8 229 310	8 257 353	13 714 572	213 800	57 239 884
Net liquidity excess /(shortfall)	(15 773 222)	9 055 697	8 561 092	12 806 440	(932 544)	13 717 463
Cumulative liquidity excess/(shortfall)⁽¹⁾	(15 773 222)	(6 717 525)	1 843 567	14 650 007	13 717 463	13 717 463

⁽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⁾ 95% (Feb 2017: 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:

	31 Aug 2017 R'000	28 Feb 2017 R'000
Property operating lease commitments		
The future aggregate minimum lease payments under non-cancellable leases are as follows:		
Within one year	451 864	421 522
From one to five years	1 285 801	1 244 708
After five years	288 342	298 150
Total future cash flows	2 026 007	1 964 380
Straight lining accrued	(125 017)	(113 997)
Future expenditure	1 900 990	1 850 383

	31 Aug 2017 R'000	28 Feb 2017 R'000
Other operating lease commitments		
Within one year	-	355
From one to five years	-	-
Future expenditure	-	355

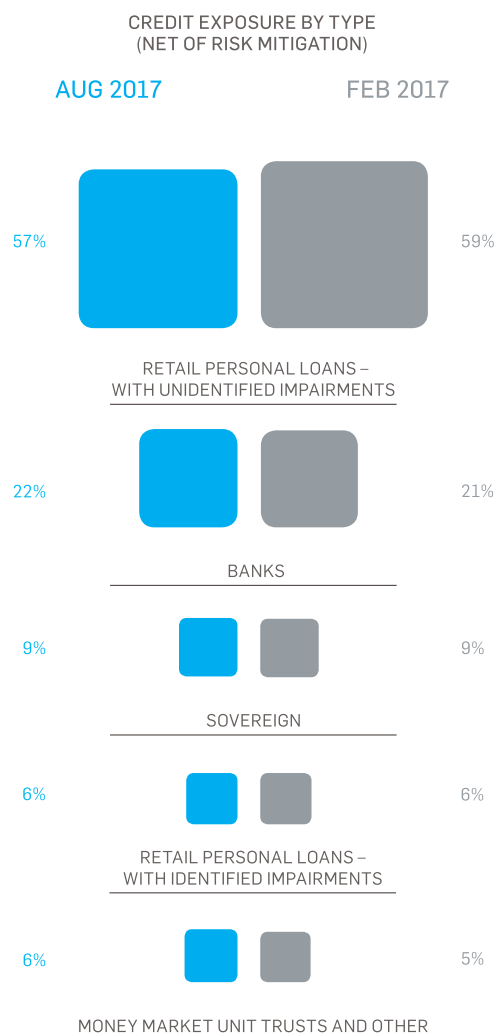
(b) *Capital commitments*

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 2018 financial year, are as follows:

	31 Aug 2017 R'000	28 Feb 2017 R'000
Capital commitments – approved by the board		
Contracted for:	114 166	232 023
Property and equipment	87 042	196 414
Intangible assets	27 124	35 609
Non-contracted for:	826 781	1 316 626
Property and equipment	572 122	923 647
Intangible assets	254 659	392 979
Future expenditure	940 947	1 548 649

(c) *Conditionally revocable retail commitments*

Conditionally revocable retail commitments totalled R558 million (Feb 2017 R458 million). 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. 59.4% (Feb 2017: 52.1%) 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.



7.4 Liquidity coverage ratio (LCR) - common disclosure template

The LCR is a 30-day stress test, using 92 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. 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) 31 Aug 2017	Total Weighted Value (Average) 31 Aug 2017	Total Weighted Value (Average) 28 Feb 2017
High-Quality Liquid Assets				
1	Total high-quality liquid assets (HQLA) (see 7.4.1)		9 467 151	9 266 216
Cash Outflows				
2	Retail deposits and deposits from small business customers, of which:	49 680 579	3 026 814	2 896 330
3	Stable deposits	-	-	-
4	Less-stable deposits	49 680 579	3 026 814	2 896 330
5	Unsecured wholesale funding, of which:	7 321 308	148 291	307 943
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
7	Non-operational deposits (all counterparties)	238 778	23 883	23 579
8	Unsecured debt	7 082 530	124 408	284 364
9	Secured wholesale funding	-	-	-
10	Additional requirements, of which:	481 483	14 931	13 268
11	Outflows related to derivative exposures and other collateral requirements	2 724	2 724	2 708
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	478 515	11 963	10 157
14	Other contractual funding obligations	244	244	403
15	Other contingent funding obligations	-	-	-
16	Total Cash Outflows		3 190 036	3 217 541
Cash Inflows				
17	Secured lending (e.g. reverse repos)	670 440	670 440	211 433
18	Inflows from fully performing exposures	9 193 303	8 485 300	7 313 497
19	Other cash inflows	38 182	423	1 005
20	Total Cash Inflows	9 901 925	9 156 163	7 525 935
21	Total HQLA		9 467 151	9 266 216
22	Total Net Cash Outflows ⁽¹⁾		797 509	804 385
23	Liquidity Coverage Ratio (%) ⁽²⁾		1 187%	1 152%

⁽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.

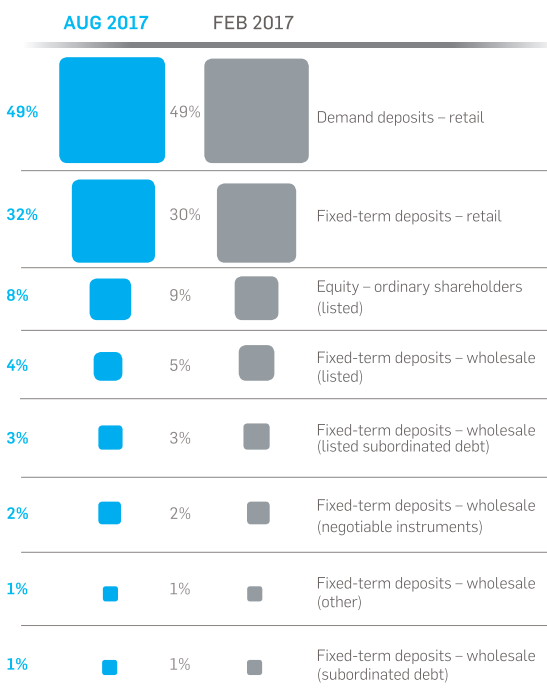
⁽²⁾ There is no difference between group and bank.

7.4.1 Composition of high-quality liquid assets

	31 Aug 2017	28 Feb 2017
Total level one R'000 qualifying high-quality liquid assets⁽¹⁾	9 467 151	9 266 216
Cash	2 889 130	3 149 994
Qualifying central bank reserves	944 853	909 452
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	5 633 168	5 206 770

⁽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		Fair values	
	USD	ZAR	Assets	Liabilities
AUG 2017				
Interest rate swaps	-	4 266 000	(645)	63 929
Cross currency interest rate swaps	30 000	343 500	(46 085)	-
Net	30 000	4 609 500	(46 730)	63 929
FEB 2017				
Interest rate swaps	-	3 896 000	(7 038)	27 624
Cross currency interest rate swaps	30 000	343 500	(51 074)	-
Net	30 000	4 239 500	(58 112)	27 624

Maturity analysis R'000	Demand to one month	One to three months	Three months to one year	More than one year	Grand total
AUG 2017					
Discounted swap cash flows	(176)	4 558	24 217	34 685	63 284
Discounted cross currency interest rate swap cash flows	-	4 707	(50 792)	-	(46 085)
Net	(176)	9 265	(26 575)	34 685	17 199
FEB 2017					
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)
Net	(226)	7 085	(48 564)	11 217	(30 488)

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	
	Foreign	ZAR	Assets	Liabilities
AUG 2017				
Forward foreign exchange contracts - USD	1 921	35 461	-	9 664
Forward foreign exchange contracts - EUR	13 798	209 726	16 817	-
Net		245 187	16 817	9 664
FEB 2017				
Forward foreign exchange contracts	4 225	74 986	-	17 974

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 R245 million (Feb 2017: R75 million).

8. The net stable funding ratio (NSFR)

	31 Aug 2017	28 Feb 2017
NSFR		
NSFR%	199	187
Required stable funding (R'm)	37 408	35 337
Available stable funding (R'm)	74 311	66 187

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 August 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	31 Aug 2017		28 Feb 2017	
	R'000	%	R'000	%
200 basis points shift				
Increase	(620 719)	(3.8)	(645 367)	(3.8)
Decrease	636 802	3.9	662 379	3.9

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.