Capitec Bank Holdings Limited Biannual Public Disclosures in terms of the Banks' Act, Regulation 43

FEB 2019

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. Capitec Bank Holdings Limited formally transitioned to IFRS 9 on 1 March 2018. The IFRS 9 Transitional Report was presented based on the group's 28 February 2018 financial information to illustrate the impact of implementing IFRS 9 on 1 March 2018.

The transitional report is available on Capitec's website at:
https://resources.capitecbank.co.za/Capitec_-_IFRS9_transitional_report.pdf

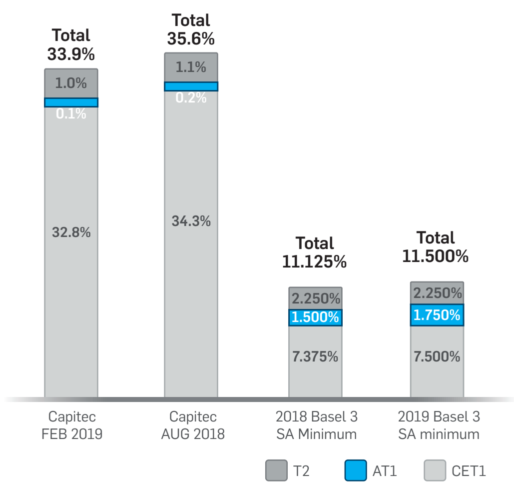
2. Period of reporting

This report covers the 6 months ended 28 February 2019. Comparative information is presented for the previous 6-month period ended 31 August 2018.

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 consolidated 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 2019 Basel 3 SA minimum includes the SA country buffer of 1.00% (2018: 1.25%). The level of this buffer is at the discretion of the SARB and it is subject to periodic review.*
- *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. 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 2019	31 Aug 2018
Composition of qualifying regulatory capital		
Ordinary share capital[(1)]	5 649 020	5 649 020
Foreign currency translation reserve	4 619	39 950
Accumulated profit	15 950 142	13 822 255
	21 603 781	19 511 225
Regulatory adjustments		
– Intangible assets in terms of IFRS	(316 282)	(268 172)
– Specified advances	480 650	472 267
– Unappropriated profit	(856 407)	(388 425)
Common Equity Tier 1 capital (CET1)	20 911 742	19 326 895
Issued preference share capital[(1)]	81 603	106 560
Phase out – non-loss absorbent[(2)(8)]	(3 912)	(2 973)
Additional Tier 1 capital (AT1)	77 691	103 587
Tier 1 capital (T1)	20 989 433	19 430 482
Issued subordinated debt[(1)]	1 822 000	2 441 000
Phase out – non-loss absorbent[(2)]	(1 822 000)	(2 326 600)
Deduction for third-party capital issued by bank subsidiary[(3)]	-	(24 516)
Total subordinated debt	-	89 884
Unidentified impairments	624 762	556 930
Tier 2 capital (T2)	624 762	646 814
Qualifying regulatory capital	21 614 195	20 077 296
CET1%	32.8	34.3
AT1%	0.1	0.2
T1%	32.9	34.5
T2%	1.0	1.1
Total capital adequacy %[(4)]	33.9	35.6
Composition of required regulatory capital		
On balance sheet	5 706 267	4 938 529
Off balance sheet	4 739	552
Credit risk	5 711 006	4 939 081
Operational risk	879 306	751 862
Equity risk in the banking book	51 291	78 590
Other assets	685 946	495 983
Total regulatory capital requirement[(5)]	7 327 549	6 265 516
Composition of risk-weighted assets[(6)]		
On balance sheet	49 619 716	44 391 273
Off balance sheet	41 209	4 963
Credit risk	49 660 925	44 396 236
Operational risk	7 646 139	6 758 309
Equity risk in the banking book	446 009	706 429
Other assets	5 964 751	4 458 270
Total risk-weighted assets	63 717 824	56 319 244
Total assets based on IFRS	100 427 749	93 631 332
Total risk-weighted assets – adjustments[(7)]	(36 709 925)	(37 312 088)
Total risk-weighted assets – regulatory	63 717 824	56 319 244

(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, under investor relations.*

(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 11.500% (2018: 11.125%) of risk-weighted assets, being the Basel global minimum requirement of 8.000%, the South African country-specific buffer of 1.000% (2018: 1.250%) and the Capital Conservation Buffer of 2.500% (2018: 1.875%) (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 28 February 2019, 68.49% (Aug 2018: 58.85%) 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.

Capitec is conservatively leveraged with a ratio of 21% or exposure of 5 times equity (Aug 2018: 21% or 5 times).

5.1 Summary of leverage ratio

Line #	Group leverage ratio framework R'000	28 Feb 2019	31 Aug 2018
	Capital and total exposures		
20	Tier 1 capital	**20 989 433**	19 430 482
21	Total exposures	**100 801 802**	94 010 321
	Leverage ratio		
22	**Basel 3 leverage ratio%**	**20.8%**	20.7%

Line #	Summary leverage ratio framework - bank level		
	Capital and total exposures		
20	Tier 1 capital	**20 283 033**	18 848 890
21	Total exposures	**100 477 209**	93 680 061
22	**Basel 3 leverage ratio%**	**20.2%**	20.1%

For further details on our Leverage ratio, please refer to the Leverage ratio common disclosure template for additional information on the Capitec website under investor relations.

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] 28 Feb 2019	Average gross exposure[1] 31 Aug 2018	Aggregate gross period-end exposure[2] [4] 28 Feb 2019	Aggregate gross period-end exposure[2] [4] 31 Aug 2018	Exposure post risk mitigation[2] [3] [4] 28 Feb 2019	Exposure post risk mitigation[2] [3] [4] 31 Aug 2018	Risk weights [5] %
On balance sheet							
Corporate[6]	**6 157 970**	4 907 426	**6 402 202**	5 106 759	**6 262 852**	5 055 893	100
Sovereign[7]	**12 628 587**	14 580 893	**13 176 711**	14 155 816	**13 176 711**	14 155 816	0
Banks (claims < 3 mths original maturity)	**14 422 645**	13 335 888	**11 877 158**	13 831 097	**10 156 473**	12 574 193	20
Banks (claims > 3 mths original maturity)	**7 305 578**	3 028 673	**10 331 464**	4 587 104	**10 331 464**	4 587 104	50/100
Banks (Derivatives >3mths Aaa to Aa3)	**-**	-	**-**	-	**-**	-	20
Banks (Derivatives > 3 mths A1 to Baa3)	**20 551**	21 114	**8 479**	38 497	**8 479**	38 497	50
Retail personal loans							
– with general impairments	**45 837 897**	43 912 091	**46 345 711**	44 401 167	**46 345 711**	44 401 167	75
– with specific impairments[8]	**7 638 058**	5 896 645	**8 440 489**	6 925 174	**8 440 489**	6 925 174	various
Subtotal	**94 011 286**	85 682 730	**96 582 214**	89 045 614	**94 722 179**	87 737 844	
Off balance sheet							
Corporate facilities	**-**	709	**-**	4 963	**-**	4 963	100
Retail personal loans							
– retail guarantees	**-**	-	**-**	-	**-**	-	75
– committed undrawn facilities	**-**	-	**-**	-	**-**	-	75
– conditionally revocable commitments[9]	**566 592**	512 312	**911 740**	784 138	**911 740**	784 138	0
Total exposure	**94 577 878**	86 195 751	**97 493 954**	89 834 715	**95 633 919**	88 526 945	

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 5). 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) *95.3% (Aug 2018: 98.3%) 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) *Per banking regulations, those retail personal loans which have been provided for in excess of 50% of the outstanding balance, are risk weighted at 50%.*

(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. 64.0% (Aug 2018: 62.8%) 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 Credit quality of assets

28 February 2019

R'000	Gross loans and advances		Impairments	Net Loans
	Defaulted exposures [(1)]	Non-defaulted exposures		
Stage 1	-	41 587 493	(2 671 379)	38 916 114
Stage 2	-	4 851 164	(1 352 508)	3 498 656
Stage 3	4 853 237	3 587 251	(6 340 574)	2 099 914
Total	4 853 237	50 025 908	(10 364 461)	44 514 684

31 August 2018

R'000	Gross loans and advances		Impairments	Net Loans
	Defaulted exposures [(1)]	Non-defaulted exposures		
Stage 1	-	39 640 507	(2 879 537)	36 760 970
Stage 2	-	4 395 884	(1 444 547)	2 951 337
Stage 3	3 469 438	3 852 774	(5 146 494)	2 175 718
Total	3 469 438	47 889 165	(9 470 578)	41 888 025

1 March 2018

R'000	Gross loans and advances		Impairments	Net Loans
	Defaulted exposures [(1)]	Non-defaulted exposures		
Stage 1	-	37 164 807	(2 674 424)	34 490 383
Stage 2	-	5 404 296	(1 591 080)	3 813 216
Stage 3	906 273	4 167 114	(2 449 260)	2 624 127
Total	906 273	46 736 217	(6 714 764)	40 927 726

28 February 2018

R'000	Gross loans and advances		Impairments	Net Loans
	Defaulted exposures [(1)]	Non-defaulted exposures		
Loans and advances [(2)]	906 273	46 736 217	(5 828 095)	41 814 395

(1) *Defaulted loans include loans which are more than 3 months in arrears which have not yet been handed over or written-off, and loans with a legal status.*
(2) *Historically up until 28 February 2018, loans more than 90 days in arrears or loans with a legal status were written off in full.*

Analysis of loans in default

	28 Feb 2019 R'000	31 Aug 2018 R'000
Defaulted loans and debt securities at end of previous reporting period	3 469 438	906 273
Loans and debt securities that have defaulted since the last reporting period	1 630 580	3 461 538
Returned to non-defaulted status	(50 272)	(28 066)
Amounts written off	(196 509)	(870 307)
Other changes	-	-
Defaulted loans and debt securities at end of reporting period	4 853 237	3 469 438

6.3 Analysis of credit impairments

All impairments presented below relate to retail personal loans.

	Six months 28 Feb 2019	Six months 31 Aug 2018	IFRS9 1 Mar 2018
Movement in impairments:			
Balance at beginning of period	**9 470 577**	6 714 764	5 828 095
- Unidentified Impairments (IAS 39)			4 073 321
- Identified Impairments (IAS 39)			1 754 774
- Stage1 (IFRS 9)	**2 874 944**	2 674 424	
- Stage2 (IFRS 9)	**1 446 572**	1 591 080	
- Stage3 (IFRS 9)	**5 149 061**	2 449 260	
Movement	**893 884**	2 755 813	886 669
- Unidentified Impairments (IAS 39)			(4 073 321)
- Identified Impairments (IAS 39)			(1 754 774)
- Stage1 (IFRS 9)	**(203 565)**	200 520	2 674 424
- Stage2 (IFRS 9)	**(94 064)**	(144 508)	1 591 080
- Stage3 (IFRS 9)	**1 191 513**	2 699 801	2 449 260
Balance at end of period	**10 364 461**	9 470 577	6 714 764
- Unidentified Impairments (IAS 39)			
- Identified Impairments (IAS 39)			
- Stage1 (IFRS 9)	**2 671 379**	2 874 944	2 674 424
- Stage2 (IFRS 9)	**1 352 508**	1 446 572	1 591 080
- Stage3 (IFRS 9)	**6 340 574**	5 149 061	2 449 260

Stage 1: Includes up-to-date loans and advances, loans rescheduled from arrears and rehabilitated and loans rescheduled from up-to-date and rehabilitated.

Stage 2: Includes up-to-date loans with Significant Increase in Credit Risk (SICR), loans up to 1 month in arrears and clients applying for debt review > 6 months.

Stage 3: Includes loans more than 1 month in arrears, up-to date loans rescheduled from arrears and not rehabilitated, up-to-date loans rescheduled from up-to-date and not rehabilitated, application for debt review < 6months, under debt review clients, clients handed over or with a legal status.

Per SARB Directive D5 of 2017, provisions on Stage 1 and Stage 2 exposures are classified as general/portfolio impairment provisions, whereas provisions on Stage 3 exposures are classified as specific impairment provisions.

IFRS 9 requires a minimum 12 month expected credit loss (ECL) for loans and advances for which there has not been a SICR (i.e. Stage 1 exposures). A lifetime ECL applies to exposures with a significant increase in credit risk (Stage 2 exposures) and credit impaired exposures (Stage 3 exposures).

6.4 Write-offs and recoveries reflected in the income statement

	6 Months 28 Feb 2019 R'000	6 Months 31 Aug 2018 R'000
Net impairment charge on loans and advances:		
Bad debts (write-offs) (1)	**239 212**	1 029 044
Movement in impairment allowance (1)	**1 344 792**	2 304 371
Bad debts recovered (2)	**323 986**	(791 160)
Net impairment charge	**1 907 990**	2 542 255

(1) *By 28 February 2019, a large portion of loans more than 3 months in arrears have not yet been handed over or written off due to the change in the write-off policy. This has resulted in a build-up of loans and advances on balance sheet which are more than 3 months in arrears, with an appropriate provision at 28 February 2019. Up to 28 February 2018, these loans were written off.*

(2) *The expected recoveries receivable (R906 million) on 1 March 2018 represented the net present value of expected future recoveries on loans that were written off in full previously under IAS39. Under IFRS9, no future expected receivable is recognised post write-off. The receivable was settled in the current period and bad debt recovered reduced by R906 million.*

6.5 Counterparty credit risk (CCR)

Risk weights %	OTC derivative instruments 28 Feb 2019 R'000	Securities financing transactions 28 Feb 2019 R'000	OTC derivative instruments 31 Aug 2018 R'000	Securities financing transactions 31 Aug 2018 R'000
20	**-**	**106 215**	-	82 725
50	**8 479**	**-**	38 497	-
100	**-**	**4 298**	-	1 226
	8 479	**110 513**	38 497	83 951

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 R0.3 million (Aug 2018: R1.2 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

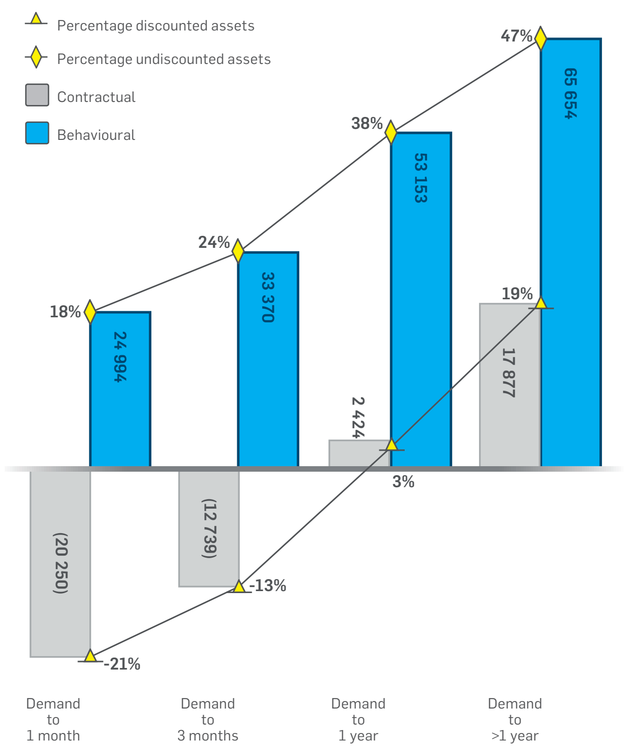
Both the contractual and behavioural mismatches benefit positively from the high component of equity funding. This creates a greater surplus of asset cash flows over liability cash flows than at banks with lower capital ratios.

The main difference between the behavioural and contractual mismatches relates to the treatment of retail call deposits. 92.28% (Aug 2018: 92.54%) 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.

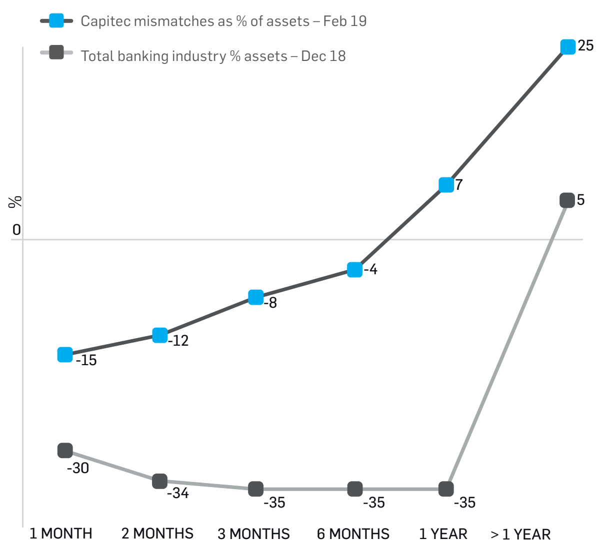
Industry comparison
The industry comparison shows that Capitec's contractual mismatch as a percentage of assets is prudent relative to the total industry mismatch. The source data is as reported on the SARB BA 300 returns, which exclude the impact of loan impairments.

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 – CUMALITIVE 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 11 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 2019						
Undiscounted assets						
Cash and cash equivalents - sovereigns	1 163 650	-	-	-	-	1 163 650
Cash and cash equivalents - banks	22 538 055	5 494 806	-	-	(4 315)	28 028 546
Money markets unit trusts - corporate other	35 496	-	-	-	-	35 496
Financial investments - sovereigns & banks[1][4]	1 471 610	1 728 260	7 936 690	-	(8 663)	11 127 897
Term deposit investments	24 403	1 102 809	8 586 860	-	(2 889)	9 711 183
Financial assets – equity instruments at FVOCI	-	-	-	100 000	-	100 000
Loans and advances to clients - retail personal	5 223 786	5 498 162	21 749 520	56 588 732	(608 742)	88 451 458
Loans and advances to clients - retail other	-	-	-	-	-	-
Loans and advances to clients - corporate other	23 372	-	-	-	-	23 372
Other receivables	1 198 819	115 080	84 734	20 359	-	1 418 992
Net insurance receivable	-	-	236 391	-	-	236 391
Derivative assets	-	59	(83)	575	-	551
Current income tax asset	-	-	286 046	-	-	286 046
Undiscounted assets	31 679 191	13 939 176	38 880 158	56 709 666	(624 609)	140 583 582
Adjustments for undiscounted assets	(1 218 922)	(2 273 769)	(8 975 529)	(21 986 088)	-	(34 454 308)
Discounted assets						
Loan impairment provision	(3 021 694)	(563 073)	(2 038 570)	(4 741 124)	-	(10 364 461)
Total discounted assets	27 438 575	11 102 334	27 866 059	29 982 454	(624 609)	95 764 813
Undiscounted liabilities						
Retail deposits	46 497 973	2 866 125	11 495 083	14 022 798	-	74 881 979
Wholesale funding	72 154	371 916	2 222 196	3 034 663	-	5 700 929
Trade and other payables	1 148 611	566 352	106 634	141 754	239 280	2 202 631
Derivative liabilities	272	2 599	7 389	5 316	-	15 576
Provisions	-	-	-	91 005	-	91 005
Undiscounted Liabilities	47 719 010	3 806 992	13 831 302	17 295 536	239 280	82 892 120
Adjustments for undiscounted liabilities to depositors	(30 544)	(215 494)	(1 128 074)	(2 766 055)	-	(4 140 167)
Total discounted liabilities	47 688 466	3 591 498	12 703 228	14 529 481	239 280	78 751 953
Undiscounted Net liquidity excess /(shortfall)	(19 061 513)	9 569 111	23 010 286	34 673 006	(863 889)	47 327 001
Undiscounted Cumulative liquidity excess/ (shortfall)[2]	(19 061 513)	(9 492 402)	13 517 884	48 190 890	47 327 001	47 327 001

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 2018						
Undiscounted assets						
Cash and cash equivalents - sovereigns	1 172 407	-	-	-	-	1 172 407
Cash and cash equivalents - banks	18 373 854	9 534 732	-	-	(2 682)	27 905 904
Money markets unit trusts - corporate other	31 277	-	-	-	-	31 277
Financial investments - sovereigns & banks (1) (4)	2 732 670	1 806 460	7 999 590	-	(9 496)	12 529 224
Term deposit investments	-	-	5 290 992	-	(674)	5 290 318
Financial assets – equity instruments at FVOCI	-	-	-	-	100 000	100 000
Loans and advances to clients - retail personal	4 527 090	5 309 573	20 756 205	54 508 228	(626 983)	84 474 113
Loans and advances to clients - retail other	-	-	-	-	-	-
Loans and advances to clients - corporate other	24 791	-	-	-	-	24 791
Other receivables	976 190	32 345	43 512	1 849	-	1 053 896
Net insurance receivable	-	-	256 766	-	-	256 766
Derivative assets	2 819	(765)	13 988	11 549	-	27 591
Current income tax asset	-	-	-	-	-	-
Undiscounted assets	27 841 098	16 682 345	34 361 053	54 521 626	(539 835)	132 866 287
Adjustments for undiscounted assets	(1 619 671)	(2 245 259)	(8 707 790)	(21 328 814)	-	(33 901 534)
Discounted assets						
Loan impairment provision	(2 417 230)	(635 799)	(1 871 621)	(4 545 927)	-	(9 470 577)
Total discounted assets	23 804 197	13 801 287	23 781 642	28 646 885	(539 835)	89 494 176
Undiscounted liabilities						
Retail deposits	42 229 750	2 973 116	11 215 756	13 155 398	-	69 574 020
Wholesale Deposits and bonds	311 779	170 160	2 386 592	3 803 154	-	6 671 685
Current income tax liabilities	-	-	72 650	-	-	72 650
Trade and other payables	1 284 382	31 811	217 229	123 191	248 012	1 904 625
Derivative liabilities	-	3 145	5 178	3 746	-	12 069
Provisions	-	-	-	40 709	-	40 709
Undiscounted Liabilities	43 825 911	3 178 232	13 897 405	17 126 198	248 012	78 275 758
Adjustments for undiscounted liabilities to depositors	(29 741)	(141 513)	(761 721)	(2 427 008)	-	(3 359 983)
Total discounted liabilities	43 796 170	3 036 719	13 135 684	14 699 190	248 012	74 915 775
Undiscounted Net liquidity excess /(shortfall)	(18 402 043)	12 868 314	18 592 027	32 849 501	(787 847)	45 119 952
Undiscounted Cumulative liquidity excess/ (shortfall)(2)	(18 402 043)	(5 533 729)	13 058 298	45 907 799	45 119 952	45 119 952

(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, straight-lining of lease accruals and ECL.*
(4) *100% (Aug 2018: 100%) of Financial 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

The group leases various branches under non-cancellable operating leases expiring within one to eleven years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Excess space is sub-let to third parties also under non-cancellable operating leases.

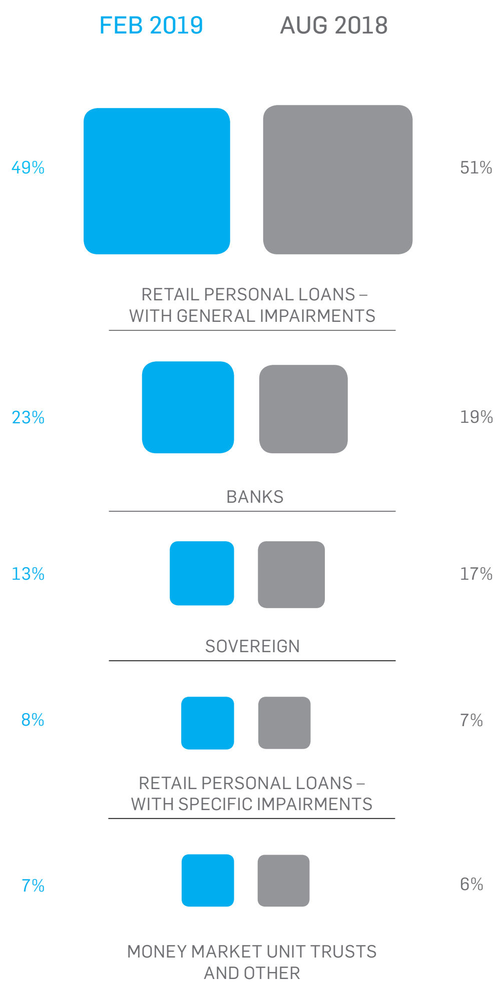
	28 Feb 2019 R'000	31 Aug 2018 R'000
Property operating lease commitments		
The future aggregate minimum lease payments under non-cancellable leases are as follows:		
Within one year	**508 383**	496 852
From one to five years	**1 254 205**	1 317 287
After five years	**157 654**	220 643
Total future cash flows	**1 920 242**	2 034 782
Straight lining accrued	**(147 418)**	(141 215)
Future expenditure	**1 772 824**	1 893 567

(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 2019 financial year, are as follows:

	28 Feb 2019 R'000	31 Aug 2018 R'000
Capital commitments – approved by the board		
Contracted for:	**688 365**	716 769
Property and equipment	**572 348**	697 790
Intangible assets	**116 017**	18 979
Non-contracted for:	**1 412 930**	712 452
Property and equipment	**973 314**	526 736
Intangible assets	**439 616**	185 716
Future expenditure	**2 101 295**	1 429 221

CREDIT EXPOSURE BY TYPE (NET OF RISK MITIGATION)



(c) Conditionally revocable retail commitments

Conditionally revocable retail commitments totalled R912 million (Aug 2018: R784 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. 64.0% (Aug 2018: 62.8%) 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)

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. 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 R'000	Total Adjusted Value 28 Feb 2019	Total Adjusted Value 31 Aug 2018
21	Total HQLA	**16 352 197**	18 696 766
22	Total Net Cash Outflows[(1)]	**1 127 690**	972 041
23	**Liquidity Coverage Ratio (%)** [(2)]	**1 450%**	1 923%

For further details on our LCR ratio, please refer to the Liquidity coverage ratio (LCR) common disclosure template on the Capitec website under investor relations.

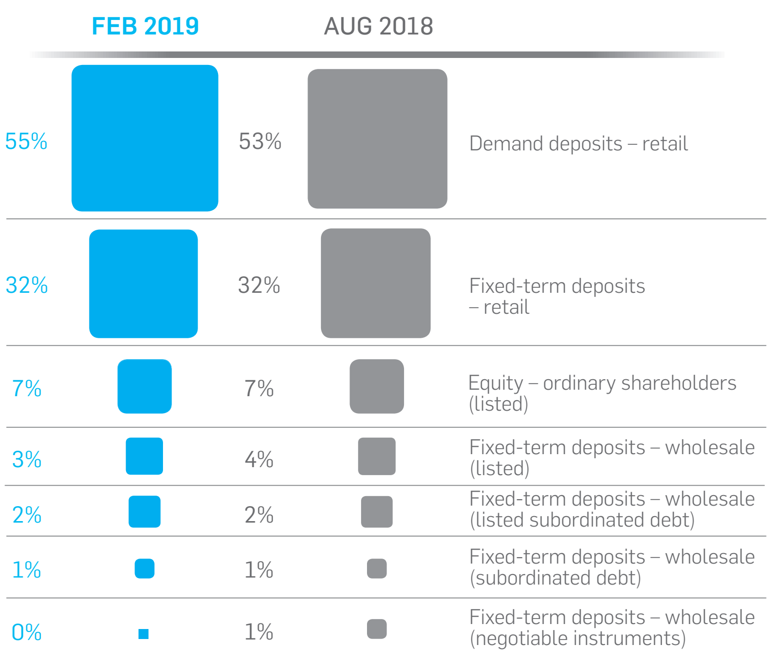
[(1)] As Capitec has a net cash inflow after applying the run-off factors, outflows for the purpose of the ratio are deemed to be 25% of gross outflows.
[(2)] There is no difference between group and bank.

7.4.1 Composition of high-quality liquid assets

	28 Feb 2019	31 Aug 2018
Total level one R'000 qualifying high-quality liquid assets[(1)]	**16 352 197**	18 696 766
Cash	**3 442 220**	2 920 585
Qualifying central bank reserves	**1 156 994**	1 163 719
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	**10 547 491**	13 331 671
Specified marketable securities from sovereigns, central banks, public sector entities, multilateral development banks and development banks	**1 205 492**	1 280 791

[(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 (negotiable instruments) 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

	Notional		Fair values	
R'000	**USD**	**ZAR**	**Assets**	**Liabilities**
FEB 2019				
Interest rate swaps	-	**3 322 000**	**(479)**	**14 704**
Net	-	**3 322 000**	**(479)**	**14 704**
AUG 2018				
Interest rate swaps	-	3 516 000	(10 652)	11 404
Net	-	3 516 000	(10 652)	11 404

Maturity analysis R'000	**Demand to one month**	**One to three months**	**Three months to one year**	**More than one year**	**Grand total**
FEB 2019					
Discounted swap cash flows	**271**	**2 508**	**7 134**	**4 312**	**14 225**
Net	**271**	**2 508**	**7 134**	**4 312**	**14 225**
AUG 2018					
Discounted swap cash flows	628	3 862	2 982	(6 720)	752
Net	628	3 862	2 982	(6 720)	752

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.

	Notional		Fair values	
R'000	**Foreign**	**ZAR**	**Assets**	**Liabilities**
FEB 2019				
Forward foreign exchange contracts - EUR	-	-	-	-
Net	-	-	-	-
AUG 2018				
Forward foreign exchange contracts - EUR	10 399	167 009	(15 315)	-
Net	10 399	167 009	(15 315)	-

8. The net stable funding ratio (NSFR)

NSFR	28 Feb 2019	31 Aug 2018
NSFR%	**196**	205
Required stable funding (R'm)	**46 548**	41 710
Available stable funding (R'm)	**91 044**	85 334

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 from 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 NSFR ratio is based on the latest Basel regulations.

For further details on our NSFR ratio, please refer to the LIQ2: Net Stable Funding Radio (NSFR) common disclosure template on the Capitec website under investor relations.

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 2019		31 Aug 2018	
	R'000	**%**	**R'000**	**%**
200 basis points shift				
Increase	**(760 837)**	**(2.7)**	(674 446)	(2.9)
Decrease	**785 186**	**2.8**	694 741	3.0

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 2019, 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, Key Metrics (KM1) and Transitional Basel 3 Template.

These disclosures can be found on **https://www.capitecbank.co.za/investor-relations**