Capitec Bank Holdings Limited

August 2019 (2nd quarter)

CC1 - Composition of Regulatory Capital

The capital disclosures detailed below address the prescribed Basel 3 template requirements. The Group is applying the Basel 3 regulatory adjustments in full as implemented by the South African Reserve Bank (SARB). These tables should be read in conjunction with section 2 - Regulatory Balance Sheet and section 3 - Reconciliation between transitional Basel 3 Table and the Regulatory Balance Sheet.

Row #	R'000	31 Aug 2019 Basel 3	Reconciliation table reference [1]
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	5 649 020	TABLE A
2	Retained earnings [2]	17 016 660	TABLE A
3	Accumulated other comprehensive income (and other reserves)	(5 125)	TABLE A
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies) Public sector capital injections grandfathered until 1 January 2018	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	**Common Equity Tier 1 capital before regulatory adjustments**	22 660 555	TABLE A
CET1 capital: regulatory adjustments			
7	Prudential valuation adjustments	–	
8	Goodwill (net of related tax liability)	–	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	438 986	TABLE B
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	
11	Cash-flow hedge reserve	(23 560)	TABLE B
12	Shortfall of provisions to expected losses	–	
13	Securitisation gain on sale	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	
15	Defined-benefit pension fund net assets	–	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in common equity	–	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–	
20	Mortgage servicing rights (amount above 10% threshold)	–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	
22	Amount exceeding the 15% threshold	–	
23	of which: significant investments in the common stock of financials	–	
24	of which: mortgage servicing rights	–	
25	of which: deferred tax assets arising from temporary differences	–	
26	National specific regulatory adjustments Regulatory adjustments applied to CET1 in respect of amounts subject to pre-Basel 3 treatment	(318 627)	
27	Regulatory adjustments applied to CET1 due to insufficient Additional Tier 1 (AT1) and Tier 2 (T2) to cover deductions	–	
28	**Total regulatory adjustments to CET1**	96 799	TABLE B
29	**CET1**	22 563 756	

Row #		31 Aug 2019 Basel 3	Reconciliation table reference [1]
AT1 capital : instruments			
30	Directly issued qualifying AT1 instruments plus related stock surplus	74 370	TABLE C
31	of which: classified as equity under applicable accounting standards	74 370	TABLE C
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from AT1	74 370	TABLE C
34	AT1 instruments (and CET1 instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	–	
35	of which: instruments issued by subsidiaries subject to phase out	–	
36	**AT1 capital before regulatory adjustments**	74 370	TABLE C
AT1 capital: regulatory adjustments			
37	Investments in own AT1 instruments	–	
38	Reciprocal cross-holdings in AT1 instruments	–	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	–	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
41	National specific regulatory adjustments Regulatory adjustments applied to CET1 in respect of amounts subject to pre-Basel 3 treatment	–	
42	Regulatory adjustments applied to AT1 due to insufficient T2 to cover deductions	–	
43	**Total regulatory adjustments to AT1 capital**	–	
44	**AT1 capital**	74 370	TABLE C
45	**Tier 1 capital (T1 = CET1 + AT1)**	22 638 126	
T2 capital and provisions			
46	Directly issued qualifying T2 instruments plus related stock surplus	–	
47	Directly issued capital instruments subject to phase out from T2	–	
48	T2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2) [3]	–	TABLE D
49	of which: instruments issued by subsidiaries subject to phase out	572 000	TABLE D
50	Provisions	647 418	TABLE D
51	**T2 capital before regulatory adjustments**	647 418	TABLE D
T2 capital : regulatory adjustments			
52	Investments in own T2 instruments	–	
53	Reciprocal cross-holdings in T2 instruments	–	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	–	
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does own more than 10% of the issued common share capital of the entity: amount previously desiginated for a 5% threshold but no longer meets the conditions (for G-SIBs only)	–	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
56	National specific regulatory adjustments	–	
	Regulatory adjustments applied to Common Equity Tier 2 in respect of amounts subject to pre-Basel 3 treatment	–	
57	**Total regulatory adjustments to T2 capital**	–	
58	**T2 capital**	647 418	TABLE D
59	**Total capital (TC = T1 + T2)**	23 285 544	
	Risk Weighted Assets (RWAs) in respect of amounts subject to pre-Basel 3 treatment		
60	**Total RWAs**	69 304 716	

Row #		31 Aug 2019 Basel 3	Reconciliation table reference [(1)]
Capital ratios			
61	CET1 (as a percentage of RWAs)	32.6	
62	T1 (as a percentage of RWAs)	32.7	
63	TC (as a percentage of RWAs)	33.6	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of RWAs) [(4)]	–	
65	of which: capital conservation buffer requirement [(5)]	2.5	
66	of which: bank specific countercyclical buffer requirement [(6)]	–	
67	of which: G-SIB buffer requirement [(7)]	–	
68	CET1 available to meet buffers (as a percentage of risk weighted assets) [(4)]	24.6	
National Minima (if different from Basel 3)			
69	National CET1 minimum ratio (if different from Basel 3 minimum)	7.500	
70	National T1 minimum ratio	9.250	
71	National total capital minimum ratio	11.500	
Amounts below the threshold for deductions (before risk weighting)			
72	Non-significant investments in the capital of other financials	493 984	
73	Significant investments in the common stock of financials	302 769	
74	Mortgage servicing rights (net of related tax liability)	–	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1 613 052	
Applicable caps on the inclusion of provisions in T2			
76	Provisions eligible for inclusion in T2 in respect of exposures subject to standardised approach (prior to application of cap)	4 255 324	
77	Cap on inclusion of provisions in T2 under standardised approach	647 418	
78	Provisions eligible for inclusion in T2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	
79	Cap for inclusion of provisions in T2 under internal ratings-based approach	–	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	–	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	
82	Current cap on AT1 instruments subject to phase out arrangements	74 370	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements [(3)]	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) [(3)]	572 000	

(1) References are to tables in section 3.

(2) Retained earnings are stated net of unappropriated profits of R440 million.

(3) The amount excluded from Tier 2 capital due to the cap consists of two contributors. The first R572 million is the phase out of non-loss absorbent instruments calculated by applying the Basel 3 ceiling limits. The second haircut is for amounts attributable to third-parties (R0 million). The eligibility of subordinated debt issued out of the 100% owned bank subsidiary is limited as it is regarded as third-party capital. The haircuts that are applied against third-party capital issued by subsidiaries, phased in from 2013 at 20% per year.

(4) Bank-specific buffers include the Individual Capital Requirement (ICR) for specific bank risk and the Domestically Systemic Important Bank (D-SIB) buffers. Current regulations state that the South African country risk buffer and the D-SIB on a combined basis cannot be more than 3.5%. In terms of South African Banks Act regulations, banks may not disclose their ICR requirement or D-SIB status.

(5) The capital conservation buffer started phasing in from 1 January 2016. Phase in began at 0.625% of RWAs on 1 January 2016 and increase each subsequent year by a additional 0.625%, to reach the final level of 2.5% of RWAs on 1 January 2019.

(6) The countercyclical buffer can range between 0% and 2.5% at the discretion of the monetary authorities. It is not expected that this buffer will be applied on a permanent basis and would only be applied when credit growth exceeds real economic growth. The implementation period commenced in January 2016 with a rate of zero percent.

(7) Capitec Bank is not classified as a Globally Systemic Important Bank (G-SIB).

CC2 - Reconciliation of Regulatory Capital to Balance Sheet

	Group	Adjustment [1]	Component of regulatory capital reported by group	Reconciling table Reference
	R'000	R'000	R'000	
Assets				
Cash, cash equivalents and money market funds	37 150 037	-	37 150 037	
Financial Investments (Held-to-maturity investments)	14 463 531	-	14 463 531	
Financial assets – equity instruments at FVOCI	100 000	-	100 000	
Term deposit investments	5 510 875	-	5 510 875	
Net loans and advances	47 402 563	-	47 402 563	
Other receivables	1 370 954	-	1 370 954	
Net insurance receivable	185 130	-	185 130	
Derivative assets	4 543	-	4 543	
Interest in associate	328 399	-	328 399	
Property and equipment	2 557 073	-	2 557 073	
Right of use asset	2 469 606	-	2 469 606	
Intangible assets	438 986	-	438 986	
Deferred income tax assets	1 613 052	-	1 613 052	
Total assets	113 594 749	-	113 594 749	
Liabilities				
Deposits and bonds at amortised cost	85 324 494	-	85 324 494	
of which retail savings	50 896 139	-	50 896 139	
of which retail fixed deposits	30 479 260	-	30 479 260	
of which wholesale	103 103	-	103 103	
of which subordinated debt- unlisted bonds	-	-	-	TABLE D
of which subordinated debt- listed bonds	586 297	-	586 297	TABLE D
of which listed senior bonds	2 991 654	-	2 991 654	
of which other unlisted negotiable instruments	268 041	-	268 041	
of which reserve bank settlement balance	-	-	-	
Derivative liabilities	34 241	-	34 241	
Other liabilities	2 245 909	-	2 245 909	
Lease liability	2 710 736	-	2 710 736	
Current income tax liabilities	26 822		26 822	
Provisions	77 506	-	77 506	
Total liabilities	90 419 708	-	90 419 708	
Equity				
Capital and reserves				
Ordinary share capital and premium	5 649 020	-	5 649 020	ROW 1
Cash flow hedge reserve	(23 560)	-	(23 560)	ROW 3, TABLE A
Foreign currency translation reserve	18 435	-	18 435	
Retained earnings	17 456 776	-	17 456 776	TABLE A
Share capital and reserves attributable to ordinary shareholders	23 100 671	-	23 100 671	
Non-redeemable, non-cumulative, non-participating preference share capital and premium	74 370	-	74 370	TABLE C
Total equity	23 175 041	-	23 175 041	
Total equity and liabilities	113 594 749		113 594 749	

[1] *For consolidation purposes there is no difference in the IFRS and Regulatory Balance Sheet.*

CC2 - Reconciling Table

Table A	31 Aug 2019 Basel 3	Basel 3 Table reference [1]
Common Equity Tier 1 Capital		
Share capital and premium [2]	5 649 020	ROW 1
Adjusted retained earnings	17 016 660	ROW 2
Retained earnings [2]	17 456 776	
Unappropriated profits	(440 116)	
Total as per Transitional Basel 3 Template	22 665 680	
Cash flow hedging and foreign currency translation reserve	(5 125)	ROW 3
Total as per Transitional Basel 3 Template	22 660 555	ROW 6

Table B		
Common Equity Tier 1 Regulatory Adjustments		
Other intangibles	(438 986)	ROW 9
Disallowed hedging reserves	23 560	ROW 11
National specific regulatory adjustments	318 627	ROW 26
Total as per Transitional Basel 3 Template	(96 799)	ROW 28

Table C		
Additional Tier 1 capital		
Non-redeemable, non-cumulative, non-participating preference shares [2]	74 370	ROW 33
Phase out (grandfathering) of AT1 in terms of Basel 3 ceiling [3]	-	
Total as per Transitional Basel 3 Template	74 370	ROW 30/31/36

Table D		
Tier 2 Capital		
Subordinated debt - unlisted bonds [2]	-	
Subordinated debt - listed bonds [2]	586 297	
	586 297	
Accrued interest not classified as T2 capital	(14 297)	
Total subordinated debt	572 000	ROW 49
Phase out (grand fathering) of subordinated debt in terms of Basel 3 ceiling [3]	(572 000)	
Haircut on amounts attributable to third parties [4]	-	
Tier 2 instruments issued by subsidiaries and held by third parties	-	ROW 48
General allowance for credit impairment	647 418	ROW 50
Total as per Transitional Basel 3 Template	647 418	ROW 51/58

(1) *References are to the rows in section 1.*
(2) *Represents the balance per Regulatory Balance Sheet, refer section 2.*
(3) *Starting 2013, the non-loss absorbent AT1 and T2 capital is subject to a 10% per annum phase-out in terms of Basel 3.*
(4) *Starting 2013, a deemed surplus attributable to T2 capital of subsidiaries issued to outside third parties, is excluded from group qualifying capital in terms of the accelerated adoption of Basel 3. This deduction phases in at 20% per annum.*