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

2015

1. Basis of compilation

The following information is compiled in terms of Regulation 43 of the Regulations relating to banks which incorporates the Basel Pillar Three requirements on market discipline. All disclosures presented below are consistent with those disclosed in terms of International Financial Reporting Standards (IFRS) unless otherwise stated. The main differences between IFRS and the information disclosed in terms of the Regulations relate to the definition of capital, the calculation and measurement thereof and adjustments made to risk weighted assets.

2. Period of reporting

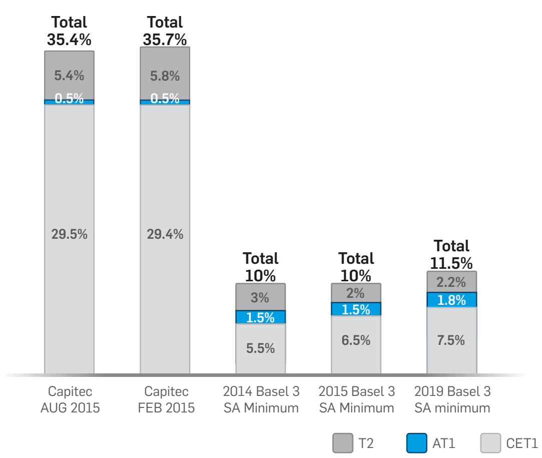
This report covers the 6 months ended 31 August 2015. Comparative information is presented for the previous 6-month period ended 28 February 2015.

3. Scope of reporting

This report covers the consolidated results of Capitec Bank Holdings Limited.

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 III as they do not meet new loss absorbency standards.*
- *T2 – Tier 2 capital – Capitec Bank's subordinated debt instruments qualify as entry-level T2 capital, and are subject to phasing-out in terms of Basel 3 as they do not meet new loss absorbency standards. Subordinated debt is issued by the bank subsidiary so that the interest cost is offset against revenue. Subordinated debt 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 2015 Basel 3 SA minimum includes the SA country buffer of 2% (2019: 1%). 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 phases in from 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 commences in January 2016.*
  - *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 2015	28 Feb 2015
Composition of qualifying regulatory capital		
Ordinary share capital[(1)]	5 649 020	5 649 071
Accumulated profit	6 500 969	5 700 459
	12 149 989	11 349 530
Regulatory adjustments		
– Intangible assets in terms of IFRS	(230 246)	(238 876)
– Specified advances	(358)	(178)
– Unappropriated profit	(183 092)	(482 226)
Common Equity Tier 1 capital (CET1)	11 736 293	10 628 250
Issued preference share capital[(1)]	191 179	207 175
Phase out – non-loss absorbent[(2) (8)]	(9 901)	(25 897)
Additional Tier 1 capital (AT1)	181 278	181 278
Tier 1 capital (T1)	11 917 571	10 809 528
Issued subordinated debt[(1)]	2 891 000	2 891 000
Phase out – non-loss absorbent[(2)]	(867 300)	(867 300)
Deduction for third-party capital issued by bank subsidiary[(3)]	(300 430)	(312 487)
Total subordinated debt	1 723 270	1 711 213
Unidentified impairments	437 506	398 251
Tier 2 capital (T2)	2 160 776	2 109 464
Qualifying regulatory capital	14 078 347	12 918 992
CET1%	29.5	29.4
AT1%	0.5	0.5
T1%	30.0	29.9
T2%	5.4	5.8
Total capital adequacy %[(4)]	35.4	35.7
Composition of required regulatory capital		
On balance sheet	3 498 674	3 183 153
Off balance sheet	231	-
Credit risk	3 498 905	3 183 153
Operational risk	290 446	253 131
Equity risk in the banking book	-	-
Other assets	186 703	183 357
Total regulatory capital requirement[(5)]	3 976 054	3 619 641
Composition of risk-weighted assets[(6)]		
On balance sheet	34 986 742	31 831 530
Off balance sheet	2 314	-
Credit risk	34 989 056	31 831 530
Operational risk	2 904 457	2 531 306
Equity risk in the banking book	-	-
Other assets	1 867 034	1 833 573
Total risk-weighted assets	39 760 547	36 196 409
Total assets based on IFRS	58 554 318	53 916 475
Total risk-weighted assets – adjustments[(7)]	(18 793 771)	(17 720 066)
Total risk-weighted assets – regulatory	39 760 547	36 196 409

[(1)] *For further details of the main features of these instruments, please refer to the Main Features of Capital Instruments and Transitional Basel 3 template on the Caiptec 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% of risk-weighted assets, being the Basel global minimum requirement of 8% and a South African country-specific buffer of 2%. In terms of the regulations the Individual Capital Requirement (ICR) is excluded.*
[(6)] *Risk-weighted assets are calculated by using regulatory percentages (regulatory risk adjustments) 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.*

5. Leverage ratio

Public disclosure of the leverage ratio (calculated using the prescribed leverage ratio template) and its components was made effective from 1 January 2015. The Basel 3 leverage ratio is defined as the capital measure (Tier 1 capital) divided by the exposure measure (Total exposures), and is expressed as a percentage. This measure acts as a backstop to the risk based leverage capital adequacy ratio (see 4), by acting as a floor to restrict the build-up of excessive leverage by banks.

Capitec is conservatively leveraged with a ratio of 20% or exposure of 5 times equity (Feb 2015: 20% or 5 times equity).

The exposure used in the calculation of the ratio (see 5.2) differs from the total assets as measured using IFRS as shown below:

5.1 Summary comparison of accounting assets vs leverage ratio exposure measure

Line #	R'000	31 Aug 2015	28 Feb 2015
1	Total consolidated assets as per published financial statements	**58 554 318**	53 916 475
	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	**15 724**	22 059
5	Securities financing transactions (i.e. repos and similar secured lending)	**4 945**	-
6	Off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	**55 423**	46 950
7	Other adjustments	**(230 605)**	(239 053)
8	**Leverage ratio exposure %**	**58 399 805**	53 746 431

5.2 Leverage ratio - common disclosure template

Line #	Group leverage ratio framework R'000	31 Aug 2015	28 Feb 2015
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and Security Financing Transactions 'STF's' but including collateral)	**57 859 366**	53 376 843
2	Asset amounts deducted in determining Basel 3 Tier 1 capital	**(230 605)**	(239 053)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**57 628 761**	53 137 790
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**103 644**	35 846
5	Add-on amounts for Potential Future Exposure 'PFE' associated with all derivatives transactions	**15 724**	22 059
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)**	**119 368**	57 905
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**591 308**	503 787
13	Netted amounts of cash payables and cash receivables of gross SFT assets	**-**	-
14	Counterparty Credit Risk 'CCR' exposure for SFT assets	**4 945**	-
15	Agent transaction exposures	**-**	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**596 253**	503 787
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	**535 717**	469 496
18	Adjustments for conversion to credit equivalent amounts	**(480 294)**	(422 547)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**55 423**	46 949
	Capital and total exposures		
20	Tier 1 capital	**11 917 571**	10 809 528
21	Total exposures (sum of lines 3, 11, 16 and 19)	**58 399 805**	53 746 431
	Leverage ratio		
22	**Basel 3 leverage ratio%**	**20.4%**	20.1%

	Summary leverage ratio framework - bank level		
	Capital and total exposures		
20	Tier 1 capital	**11 783 659**	10 725 759
21	Total exposures (sum of lines 3, 11, 16 and 19 [bank])	**58 391 611**	53 742 650
22	**Basel 3 leverage ratio%**[1]	**20.2%**	20.0%

[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] 31 Aug 2015	Average gross exposure[1] 28 Feb 2015	Aggregate gross period-end exposure[2][4] 31 Aug 2015	Aggregate gross period-end exposure[2][4] 28 Feb 2015	Exposure post risk mitigation[2][3][4] 31 Aug 2015	Exposure post risk mitigation[2][3][4] 28 Feb 2015	Risk weights[5] %
On balance sheet							
Corporate[6]	**3 170 072**	1 617 776	**2 759 032**	2 086 439	**2 571 781**	1 960 892	100
Sovereign[7]	**3 647 512**	3 921 671	**4 415 223**	3 361 552	**4 415 223**	3 361 552	-
Banks (claims < 3 mths original maturity)	**3 857 595**	2 745 677	**4 291 804**	2 411 444	**4 291 804**	2 411 444	20
Banks (claims > 3 mths original maturity)	**6 689 456**	5 455 252	**7 745 987**	5 849 613	**7 745 987**	5 849 613	50
Banks (Derivatives >3mths Aaa to Aa3)	**47 976**	-	**105 653**	-	**105 653**	-	20
Banks (Derivatives > 3 mths A1 to Baa3)	**38 568**	162 539	**13 715**	57 905	**13 715**	57 905	50
Retail personal loans							
– with unidentified impairments	**34 643 922**	33 855 375	**34 930 568**	33 479 975	**34 930 568**	33 479 975	75
– with identified impairments	**2 943 514**	2 673 922	**2 947 137**	2 847 588	**2 947 137**	2 847 588	100
Subtotal	**55 038 615**	50 432 212	**57 209 119**	50 094 516	**57 021 868**	49 968 969	
Off balance sheet							
Corporate facilities	**661**	-	**4 628**	-	**4 628**	-	100
Retail personal loans							
– committed undrawn facilities	**-**	2 679	**-**	-	**-**	-	75
– conditionally revocable commitments[9]	**433 448**	388 088	**531 090**	469 496	**531 090**	469 496	-
Total exposure	**55 472 724**	50 822 979	**57 744 837**	50 564 012	**57 557 586**	50 438 465	

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) 60.1% (Feb 2015: 84.7%) of corporate (unrated) aggregate gross period-end exposure relates to investments in money market unit trusts.

(7) Sovereign comprises investments in RSA treasury bills and SARB debentures. These exposures are zero risk weighted.

(8) An ageing of impaired advances based on arrears status is shown in 6.2.

(9) These commitments are a result of undrawn loan amounts. The loans are approved with a contractual repayment period of one month or less. The bank's contractual commitment is revocable should a client not meet their contractual obligations or where the bank has determined that the client's credit risk profile has changed. 25.7% (Feb 2015: 22.7%) is expected to be drawn down within one month. As these commitments are revocable, there is no capital charge in terms of the standardised approach for credit risk.

MAPPING MOODY'S INTERNATIONAL RATING GRADES TO RELATED RISK WEIGHTS

Long-term credit assessment	Aaa to Aa3 %	A1 to A3 %	Baa1 to Baa3 %	Ba1 to B3 %	Below B3 %	Unrated %
Sovereigns	0	20	50	100	150	100
Public sector entities	20	50	50	100	150	50
Banks	20	50	50	100	150	50
Security firms	20	50	50	100	150	50
Banks: short-term claims	20	20	20	50	150	20
Security firms: short-term claims	20	20	20	50	150	20
Long-term credit assessment	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Below B3**		
Corporate entities	20	50	100	150		100
Short-term credit assessment	**P-1**	**P-2**	**P-3**	**Other**		
Banks and corporate entities	20	50	100	150		

6.2 Age analysis of arrears

	6 MONTHS 31 Aug 2015 R'000	6 MONTHS 28 Feb 2015 R'000
Ageing		
< 60 days	**1 498 753**	1 654 490
60 – 90 days	**281 753**	309 689
Total arrears	**1 780 506**	1 964 179

6.3 Write-offs and recoveries reflected in the income statement

	6 MONTHS 31 Aug 2015 R'000	6 MONTHS 28 Feb 2015 R'000
Net impairment charge on loans and advances:		
Bad debts (write-offs)	**2 118 112**	2 266 348
Movement in impairment allowance	**391 887**	94 522
Bad debts recovered	**(396 918)**	(342 802)
Net impairment charge	**2 113 081**	2 018 068

6.4 Analysis of credit impairments

All impairments presented below relate to retail personal loans.

	6 MONTHS 31 Aug 2015 R'000	6 MONTHS 28 Feb 2015 R'000
Movement in impairments:		
Balance at beginning of period	**3 857 370**	3 762 848
Unidentified impairments	**2 701 059**	2 591 506
Identified impairments	**1 156 311**	1 171 342
Movement	**391 887**	94 522
Unidentified impairments	**476 713**	109 553
Identified impairments	**(84 826)**	(15 031)
Balance at end of period	**4 249 257**	3 857 370
Unidentified impairments	**3 177 772**	2 701 059
Identified impairments	**1 071 485**	1 156 311

7. Liquidity measurements

7.1 Liquidity management

Liquidity risk is managed by 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

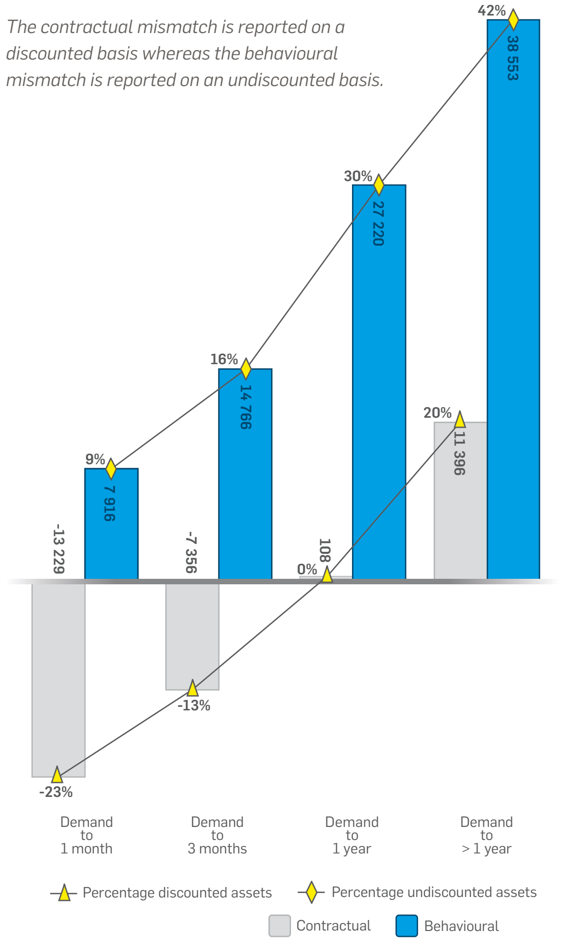
Both the contractual and behavioural mismatches benefit positively from the high component of equity funding. This creates a greater surplus of asset cash flows over liability cash flows than at banks with lower capital ratios.

The main difference between the behavioural and contractual mismatches relates to the treatment of retail call deposits. 92% (Feb 2015: 92%) of retail demand deposits are reflected as stable, based on a one standard deviation measure of volatility, which is considered reasonable for business-as-usual conditions. In the behavioural analysis, retail fixed deposit and retail term loan contractual flows are adjusted for early settlement behaviour. Loan flows are also adjusted for expected credit losses.

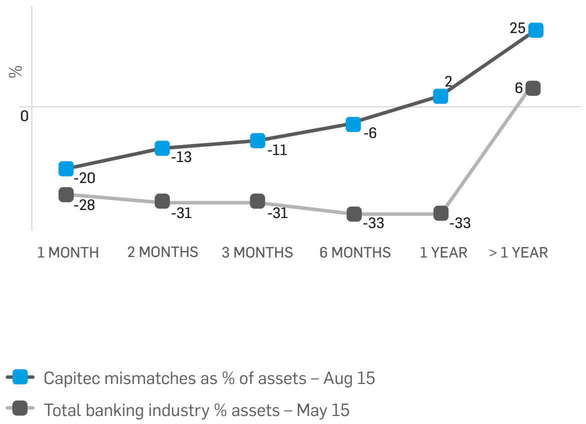
Industry comparison

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

CONTRACTUAL AND BEHAVIOURAL LIQUIDITY MISMATCHES R'm



INDUSTRY COMPARISON – CUMULATIVE CONTRACTUAL LIQUIDITY MISMATCHES



7.3 Contractual Liquidity maturity analysis (mismatch)

The following table analyses assets and liabilities of the group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The table was prepared on the following basis:

- Asset and liability cash flows are presented on an undiscounted basis with an adjustment to reflect the total discounted result
- The cash flows of floating rate financial instruments are calculated using published forward market rates at balance sheet date
- The cash flows of derivative financial instruments are included on a gross basis
- Contractual cash flows with respect to off-balance sheet items which have not yet been recorded on the balance sheet, are excluded (Refer to page 9 and 10 for details of off-balance sheet items)
- Adjustments to loans and advances to clients relate to deferred loan fee income
- Non-cash liabilities, representing leave pay and the straight-lining of operating leases, are disclosed as adjustments to trade and other payables

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

[1] Much of the liquidity shortfall in the demand to three month catagories results from the investment of excess cash in treasury bills with maturities in excess of three months. These instruments are highly liquid and can be converted to cash should the need arise.
[2] The definitions of sovereign, banks, corporate and retail are aligned with the Banks' Act Regulations.
[3] The adjustment includes adjustments to deferred initiation fees, leave pay provision, deferred income and straight-lining of lease accruals.
[4] 100% of Investments at fair value through profit or loss - sovereigns & banks relates to investments in sovereigns. (Feb: 96%)
[5] 80% of Investments at amortised cost - sovereigns & banks relates to investments in sovereigns. (Feb: NIL)

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 2015						
Undiscounted assets						
Cash and cash equivalents - sovereigns	761 481	-	-	-	-	761 481
Cash and cash equivalents - banks	9 650 303	799 416	-	-	-	10 449 719
Corporate cash investments	-	101 525	-	-	-	101 525
Money markets unit trusts - corporate other	8 240	-	-	-	-	8 240
Investments at fair value through profit or loss - sovereigns & banks [4]	1 623	577 540	2 169 847	-	-	2 749 010
Term deposit investments	273 695	3 761 421	1 830 989	-	-	5 866 105
Loans and advances to clients - retail personal	2 742 871	3 528 034	14 440 536	44 767 577	(330 353)	65 148 665
Loans and advances to clients - retail other	7 020	-	-	-	-	7 020
Loans and advances to clients - corporate other	13 702	-	-	-	-	13 702
Other receivables	105 037	714	-	5 939	-	111 690
Derivative assets	(79)	(1 357)	(4 301)	43 485	-	37 784
Current income tax	-	-	37 635	-	-	37 635
Undiscounted assets	13 563 893	8 767 293	18 474 706	44 817 001	(330 353)	85 292 540
Adjustments for undiscounted assets	(1 308 668)	(1 852 579)	(7 340 117)	(18 511 420)	-	(29 012 784)
Discounted assets						
Loan impairment provision	(332 179)	(147 941)	(584 423)	(2 792 827)	-	(3 857 370)
Total discounted assets	11 923 046	6 766 773	10 550 166	23 512 754	(330 353)	52 422 386
Undiscounted liabilities						
Deposits and bonds	20 116 795	2 227 827	6 959 632	16 089 687	-	45 393 941
Trade and other payables	547 867	262 581	32 593	118 574	145 199	1 106 814
Current income tax	-	-	-	-	-	-
Provisions	-	-	-	64 268	-	64 268
Undiscounted liabilities	20 664 662	2 490 408	6 992 225	16 272 529	145 199	46 565 023
Adjustments for undiscounted liabilities to depositors	(29 507)	(196 695)	(922 446)	(3 063 640)	-	(4 212 288)
Total discounted liabilities	20 635 155	2 293 713	6 069 779	13 208 889	145 199	42 352 735
Net liquidity excess /(shortfall)	(8 712 109)	4 473 060	4 480 387	10 303 865	(475 552)	10 069 651
Cumulative liquidity excess/(shortfall) [1]	(8 712 109)	(4 239 049)	241 338	10 545 203	10 069 651	10 069 651

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 2015 R'000	28 Feb 2015 R'000
Property operating lease commitments		
The future aggregate minimum lease payments under non-cancellable leases are as follows:		
Within one year	**322 236**	307 476
From one to 5 years	**907 769**	835 503
After 5 years	**264 036**	214 233
Total future cash flows	**1 494 041**	1 357 212
Straight lining accrued	**(76 409)**	(70 473)
Future expenditure	**1 417 632**	1 286 739

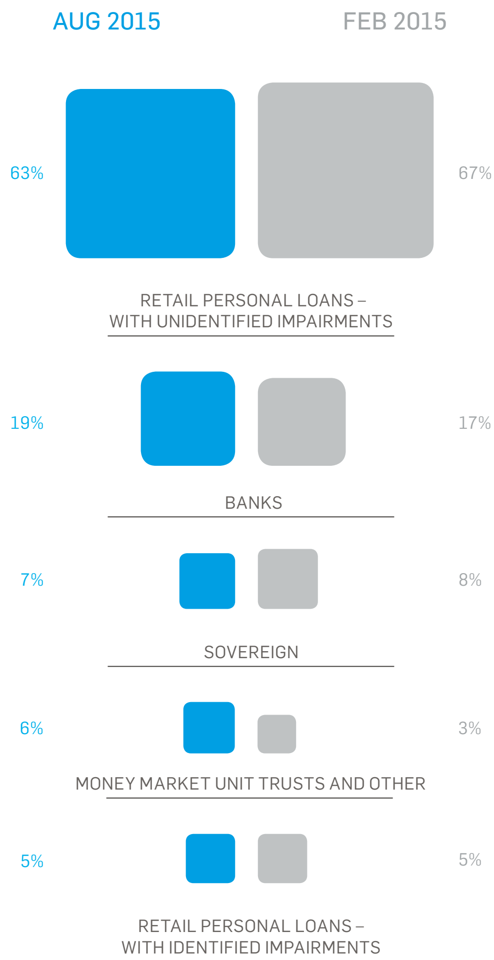
	31 Aug 2015 R'000	28 Feb 2015 R'000
Other operating lease commitments		
Within one year	**2 007**	1 107
From one to 5 years	**1 150**	365
Future expenditure	**3 157**	1 472

(b) Capital commitments

Capital commitments for the acquisition of information technology hardware, improvements to leased premises and support services, that are expected to result in cash outflows by the end of the 2016 financial year, are as follows:

	31 Aug 2015 R'000	28 Feb 2015 R'000
Capital commitments – approved by the board		
Contracted for:	**78 065**	63 842
Property and equipment	**70 448**	54 400
Intangible assets	**7 617**	9 442
Non-contracted for:	**413 768**	629 092
Property and equipment	**296 541**	496 697
Intangible assets	**117 227**	132 395
Future expenditure	**491 833**	692 934

CREDIT EXPOSURE BY TYPE
(NET OF RISK MITIGATION)



(c) Conditionally revocable retail loan commitments

Conditionally revocable retail loan commitments totalled R531 million (Feb 2015: R469 million). These commitments are as a result of undrawn loan amounts. These loans are advanced with a contractual repayment period of one month or less. The bank's contractual commitment is revocable should a client not meet their contractual obligations or where the bank has determined that the client's credit risk profile has changed. 25.7% (Feb 2015: 22.7%) of the value of these commitments is expected to be drawn down within one month. As these are one month loans, repayment of any future draw downs must also occur within the month.

7.4 Liquidity coverage ratio (LCR) - common disclosure template

The LCR is a 30-day stress test, using the 3 month end balances as data points to calculate an average for the quarter, which requires banks to hold sufficient high-quality liquid assets to cover envisaged net outflows. These outflows are calibrated using prescribed Basel factors applied to assets and liabilities in a static run-off model. Basel definitions are used to identify high-quality liquid assets.

The LCR calculation has been revised to include the updated Basel weightings and disclosures made effective January 2015.

Line #	Group and bank R'000	Total Unweighted Value (Average) 31 Aug 2015	Total Weighted Value (Average) 31 Aug 2015	Total Weighted Value (Average) 28 Feb 2015
	High-Quality Liquid Assets			
1	**Total high-quality liquid assets (HQLA) (see 7.4.1)**		**6 339 307**	6 006 253
	Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	33 681 937	2 184 227	1 888 919
3	Stable deposits	-	-	-
4	Less-stable deposits	33 681 937	2 184 227	1 888 919
5	Unsecured wholesale funding, of which:	10 732 448	295 572	81 094
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-
7	Non-operational deposits (all counterparties)	144 457	14 450	15 729
8	Unsecured debt	10 587 991	281 122	65 365
9	Secured wholesale funding		-	-
10	Additional requirements, of which:	529 329	18 287	16 088
11	Outflows related to derivative exposures and other collateral requirements	2 194	2 194	1 754
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	524 185	13 143	11 410
14	Other contractual funding obligations	2 950	2 950	2 924
15	Other contingent funding obligations	-	-	-
16	**Total Cash Outflows**		**2 498 086**	1 986 101
	Cash Inflows			
17	Secured lending (e.g. reverse repos)	567 061	567 061	334 876
18	Inflows from fully performing exposures	7 034 618	6 368 827	6 239 006
19	Other cash inflows	58 877	-	154
20	**Total Cash Inflows**	**7 660 556**	**6 935 888**	6 574 036
				Total Adjusted Value
21	Total HQLA		6 339 307	6 006 253
22	Total Net Cash Outflows[1]		624 522	496 525
23	**Liquidity Coverage Ratio (%)[2]**		**1 015%**	1 210%

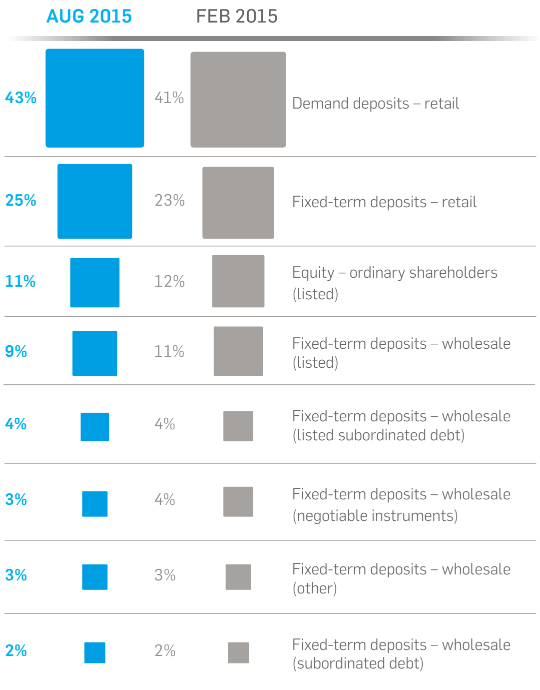
[1] *As Capitec has a net cash inflow after applying the run-off weightings, outflows for the purpose of the ratio are deemed to be 25% of gross ouflows.*
[2] *There is no difference between group and bank level.*

7.4.1 Composition of high-quality liquid assets

	31 Aug 2015	28 Feb 2015
Total level one R'000 qualifying high-quality liquid assets[1]	**6 339 307**	6 006 253
Cash	**2 414 469**	2 367 139
Qualifying central bank reserves	**761 289**	749 044
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	**3 163 549**	2 890 070

[1] *Capitec does not have any investments in level two high-quality liquid assets*

7.4.2 Diversification of funding sources



- *Capitec has no exposure to institutional or corporate call accounts.*
- *Fixed-term deposits - wholesale (listed) and wholesale (listed subordinated debt) comprises domestic medium-term notes listed on the JSE Limited. Investors in these bonds comprise: banks, insurance companies, fund managers and pension and provident funds.*
- *Wholesale (other) comprises deposits negotiated on a bilateral basis.*
- *Retail refers to individuals/natural persons.*

7.4.3 Derivative exposures and potential collateral calls

The below tables provide information on the potential exposure to margin calls on derivative exposures.

All derivatives are entered into for the sole purpose of risk mitigation in the banking book.

Derivative financial instruments: cash flow hedges

R'000	Notional amount in ZAR	Fair values Assets	Liabilities
AUG 2015			
Interest rate swaps	**4 726 349**	**(42 777)**	**-**
Cross currency interest rate swaps	**343 500**	**(60 866)**	**-**
Net	**5 069 849**	**(103 643)**	**-**
FEB 2015			
Interest rate swaps	6 130 349	(29 273)	22 127
Cross currency interest rate swaps	343 500	(5 060)	1
Net	6 473 849	(34 333)	22 128

Maturity analysis R'000	Demand to one month	One to three months	Three months to one year	More than one year	Grand total
AUG 2015					
Discounted swap cash flows	**1 798**	**(1 924)**	**(5 366)**	**(37 285)**	**(42 777)**
Discounted cross currency interest rate swap cash flows	**-**	**5 546**	**14 709**	**(81 121)**	**(60 866)**
Net	**1 798**	**3 622**	**9 343**	**(118 406)**	**(103 643)**
FEB 2015					
Discounted swap cash flows	1 870	(1 100)	(327)	(7 589)	(7 146)
Discounted cross currency interest rate swap cash flows	–	6 197	17 508	(28 764)	(5 059)
Net	1 870	5 097	17 181	(36 353)	(12 205)

Gains and losses are recognised in other comprehensive income on rate swap contracts and 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.

Derivative financial instruments: economic hedges

R'000	Notional USD	Notional ZAR	Fair values Assets	Fair values Liabilities
	R'000	R'000	R'000	R'000
AUG 2015				
Forward foreign exchange contracts	-	-	-	-
FEB 2015				
Forward foreign exchange contracts	1 942	20 976	(1 513)	-

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 NIL (Feb 2015: R21 million).

8. The net stable funding ratio (NSFR)

NSFR	31 Aug 2015	28 Feb 2015
NSFR%	**142**	138
Required stable funding (R'm)	**32 822**	31 257
Available stable funding (R'm)	**46 654**	43 215

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. These changes make it easier to comply. If these changes were applied at 31 August 2015 the NSFR% ratio would have been 174%.

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 2015 R'000	%	28 Feb 2015 R'000	%
200 basis points shift				
Increase	**(569 928)**	(4.2)	(428 945)	(3.5)
Decrease	**613 483**	4.3	434 686	3.6

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 2015, 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.