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

1. Basis of compilation

The following information is compiled in terms of Regulation 43 of the Banks' Act 1990 (as amended) the ("Regulations") which incorporates the Basel II, 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. In the main, differences between IFRS and information disclosed in terms of the Regulations relate to the definition of capital and the calculation and measurement thereof.

2. Period of reporting

This report covers the six months ended 28 February 2011. Comparative information is presented for the previous six month period ended 31 August 2010.

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.

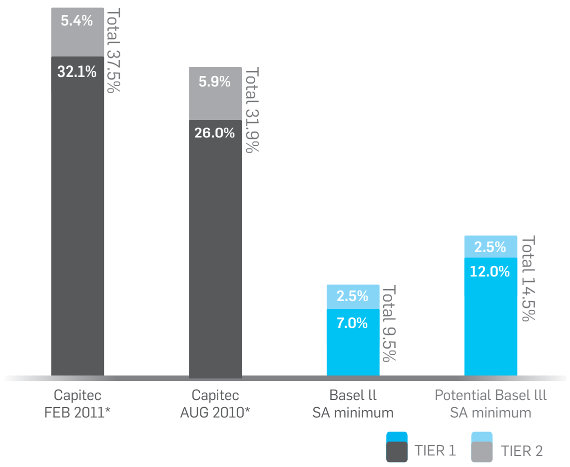
4. Detailed disclosures

4.1 Regulatory capital adequacy

	28 Feb 2011 R'000	31 Aug 2010 R'000
Primary (Tier 1) capital		
Ordinary share capital	**1 918 677**	796 852
Accumulated profit	**1 276 336**	994 582
Qualifying preference share capital	**258 969**	154 606
Intangible assets in terms of IFRS	**(34 357)**	32 854
Specified advances	**(22 153)**	21 369
Unappropriated profit	**(47 842)**	38 870
Regulatory adjustments	**(104 352)**	(93 093)
	3 349 630	1 852 947
Secondary (Tier 2) capital		
Unidentified impairments	**108 441**	73 359
Subordinated debt	**450 000**	350 000
	558 441	423 359
Total qualifying regulatory capital	**3 908 071**	2 276 306
Total capital adequacy % [1]	**37.5**	31.9
Primary %	**32.1**	26.0
Secondary %	**5.4**	5.9
Composition of required regulatory capital		
Credit risk (on balance sheet)	**2 160 521**	1 458 871
Operational risk	**312 311**	214 246
Equity risk in the banking book	**4 084**	3 571
Other assets	**125 670**	108 699
Total regulatory capital requirement	**2 602 586**	1 785 387
Composition of risk weighted assets		
Credit risk (on balance sheet)	**8 642 086**	5 835 482
Operational risk	**1 249 243**	856 986
Equity risk in the banking book	**16 335**	14 282
Other assets	**502 681**	434 798
Total risk-weighted assets	**10 410 345**	7 141 548
Total assets based on IFRS	**14 439 517**	10 996 792
Total risk-weighted assets – adjustments	**(4 029 172)**	(3 855 244)
Total risk-weighted assets – regulatory	**10 410 345**	7 141 548

[1] *The total capital adequacy ratio percentage is determined by dividing total qualifying regulatory capital by total risk-weighted assets.*
[2] *Risk weighted assets are calculated by using regulatory percentages applied to the group's balance sheet, in order to establish the base for calculating the required regulatory capital.*
[3] *The adjustments reflect, in the main, the impact of the regulatory percentages and the addition of a risk weighted equivalent for operational risk.*

CAPITAL ADEQUACY BY TIER



- *The Basel II and Basel III minimums include the South African country risk buffer of 1.5%. The level of this buffer is set at the discretion of the SARB and it is subject to periodic review.*
- *The SA minimums exclude bank-specific buffers.*
- *Globally, the Basel III minimum capital adequacy percentage is 8%. Added to this is a 2.5% "capital conservation buffer" that banks must maintain to avoid regulatory restrictions on the payment of dividends and bonuses. In addition to the capital conservation buffer there is a "countercyclical buffer" that can range between 0% and 2.5% at the discretion of the regulator. The countercyclical buffer will be built up during times when growth credit extention exceeds that of the real economy and is available for use when the general economy performs poorly. The capital conservation buffer must be met with ordinary shareholders' capital and reserves (common equity). The countercyclical buffer must be met with common equity or other fully loss-absorbing capital.*

* *The Banks Act rules in force as at 28 February 2011.*

4.2 Credit Risk

4.2.1 Gross credit risk exposures by sector

Gross regulatory credit exposures at balance sheet date are reflected below.

ANALYSIS OF REGULATORY CREDIT EXPOSURE

	Average gross exposure[1]		Aggregate gross year-end exposure[2] [4]		Exposure post risk mitigation[2] [3] [4]		Risk weights[5]
	28 Feb 2011	31 Aug 2010	28 Feb 2011	31 Aug 2010	28 Feb 2011	31 Aug 2010	
Basel II exposure categories	R'000	R'000	R'000	R'000	R'000	R'000	%
Corporate [6]	**135 251**	120 498	**616 875**	21 258	**616 875**	21 258	100
Sovereign [7]	**1 573 073**	1 887 352	**1 210 609**	1 493 427	**1 210 609**	1 493 427	0
Banks (claims < 3 months original maturity) [8]	**290 957**	661 943	**670 635**	719 243	**208 065**	466 917	20
Retail personal loans							
– performing[6]	**8 872 841**	6 245 943	**10 253 849**	7 413 487	**10 253 849**	7 413 487	75
– impaired [9]	**461 227**	362 648	**625 831**	360 775	**625 831**	360 775	100
On balance sheet	**11 333 349**	9 278 384	**13 377 799**	10 008 190	**12 915 229**	9 755 864	

As required by the Banks Act and regulations (which incorporate Basel II):

(1) *Average gross exposure is calculated using daily balances for the last six months.*
(2) *Items represent exposure before the deduction of qualifying impairments on advances.*
(3) *Represents exposure after taking into account 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 twelve of the respective year-ends. All other items are the balances at year-end.*
(5) *The risk weightings reflected are the standard risk weightings applied to exposures as required by the Banks Act.*
(6) *96% (2010: 73%) of corporate aggregate gross year-end exposure relates to investments in money market unit trusts.*
(7) *Sovereign comprises investments in RSA National Treasury bills and SARB debentures.*
(8) *Quantifying collateral in the form of highly liquid securities, arising from resale transactions, is deducted to arrive at post risk mitigation values. Most resale agreements are in respect of RSA National Treasury bills and are transacted via STRATE.*
(9) *An ageing of impaired advances is shown in note 6 to the annual financial statements.*

4.2.2 Age analysis of impaired advances

	28 Feb 2011	31 Aug 2010
	R'000	**R'000**
Ageing of impaired advances		
< 60 days	**558 682**	305 373
60 – 90 days	**67 149**	55 402
	625 831	360 775

4.2.3 Write-offs and recoveries reflected in the income statement

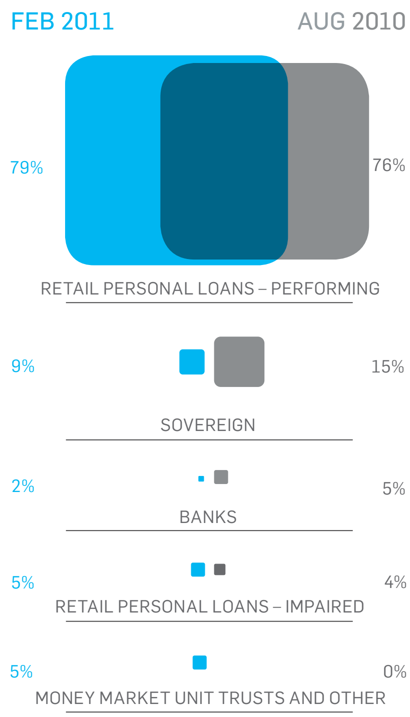
	SIX MONTHS 28 Feb 2011	SIX MONTHS 31 Aug 2010
	R'000	**R'000**
Net impairment charge on loans and advances:		
Bad debts (write-offs)	**347 646**	277 555
Movement in impairment allowance	**292 856**	169 537
Bad debts recovered	**(56 414)**	(44 002)
Net impairment charge	**584 088**	403 090

4.2.4 Analysis of credit impairments

All impairments presented below relate to retail personal loans.

	SIX MONTHS 28 Feb 2011	SIX MONTHS 31 Aug 2010
	R'000	**R'000**
Movement in impairments:		
Balance at beginning of period	**551 870**	382 333
Unidentified Losses	**351 818**	182 171
Identified Losses	**200 052**	200 162
Movement	**292 856**	169 537
Unidentified Losses	**160 264**	169 647
Identified Losses	**132 592**	(110)
Balance at end of period	**844 726**	551 870
Unidentified Losses	**512 082**	351 818
Identified Losses	**332 644**	200 052

CREDIT EXPOSURE BY TYPE
(NET OF RISK MITIGATION)



4.3 Liquidity maturity analysis

The following tables analyse the contractual maturity positions of the group's assets and liabilities on a static basis.

Maturities of financial assets and financial liabilities	Note	Demand to one month R'000	One to three months R'000	Three months to one year R'000	More than one year R'000	Adjustment [1] R'000	Total R'000
FEB 2011							
Undiscounted assets							
Cash and cash equivalents	4	2 841 918	–	–	–	–	2 841 918
Investments designated at fair value	5	225 744	248 810	537 500	–	–	1 012 054
Undiscounted assets		3 067 662	248 810	537 500	–	–	3 853 972
Adjustments for undiscounted assets		(411)	(2 847)	(20 132)	–	–	(23 390)
Discounted assets							
Loans and advances to clients	6	895 717	953 143	3 419 393	6 017 098	(369 159)	10 916 192
Loan impairment provision	6	(105 764)	(199 336)	(441 602)	(98 024)	–	(844 726)
Other receivables	8	14 762	–	4 662	2 136	–	21 560
Total discounted assets		3 871 966	999 770	3 499 821	5 921 210	(369 159)	13 923 608
Undiscounted liabilities							
Loans and deposits at amortised cost	13	4 419 413	1 013 657	1 673 440	5 202 138	–	12 308 648
Trade and other payables	14	214 280	45 838	51 928	119 367	58 333	489 746
Current income tax liabilities		986	–	34 047	–	–	35 033
Provisions	15	–	–	–	14 403	–	14 403
Undiscounted liabilities		4 634 679	1 059 495	1 759 415	5 335 908	58 333	12 847 830
Adjustments for undiscounted liabilities to depositors		(4 423)	(58 490)	(304 717)	(1 491 196)	–	(1 858 826)
Total discounted liabilities		4 630 256	1 001 005	1 454 698	3 844 712	58 333	10 989 004
Net liquidity excess/(shortfall)		(758 290)	(1 235)	2 045 123	2 076 498	(427 492)	2 934 604
Cumulative liquidity excess/(shortfall)		(758 290)	(759 525)	1 285 598	3 362 096	2 934 604	2 934 604

[1] Adjustments to loans and advances to clients relate to deferred initiation fee income. Adjustments to trade and other payables relate to non-cash accounting adjustments in respect of the straight-lining of future operating lease expenses and provision for leave pay.

The liquidity shortfall in the demand to three month mismatch resulted from the investment of excess cash in treasury bills with maturities in excess of one and three months. These instruments are highly liquid and can be converted to cash should the need arise.

AUG 2010

Maturities of financial assets and financial liabilities	Demand to one month R'000	One to three months R'000	Three months to one year R'000	More than one year R'000	Adjustment [1] R'000	Total R'000
Undiscounted assets						
Cash and cash equivalents	2 085 503	-	-	-	-	2 085 503
Investments at fair value through profit or loss	56 592	173 980	1 003 480	-	-	1 234 052
Total undiscounted assets	2 142 095	173 980	1 003 480	-	-	3 319 555
Adjustments for undiscounted assets	(109)	(2 072)	(32 598)	-	-	(34 779)
Discounted assets						
Loans and advances to clients	1 022 510	770 976	2 609 235	3 644 067	(250 533)	7 796 255
Loan impairment provision	(69 277)	(127 359)	(288 650)	(66 584)	-	(551 870)
Other receivables	10 931	-	-	2 122	-	13 053
Total discounted assets	3 106 150	815 525	3 291 467	3 579 605	(250 533)	10 542 214
Undiscounted liabilities						
Loans and deposits at amortised cost from depositors	3 337 172	422 138	2 049 951	4 249 200	-	10 058 461
Trade and other payables	174 573	15 453	118 673	59 014	55 102	422 815
Current income tax liabilities	9 865	641	-	17 806	-	28 312
Provisions	-	-	-	11 693	-	11 693
Total undiscounted liabilities	3 521 610	438 232	2 168 624	4 337 713	55 102	10 521 281
Adjustments for undiscounted liabilities to depositors	(3 526)	(61 918)	(276 187)	(1 118 016)	-	(1 459 647)
Total discounted liabilities	3 518 084	376 314	1 892 437	3 219 697	55 102	9 061 634
Net liquidity (shortfall) / excess	(411 934)	439 211	1 399 030	359 908	(305 635)	1 480 580
Cumulative liquidity (shortfall) / excess	(411 934)	27 277	1 426 307	1 786 215	1 480 580	1 480 580

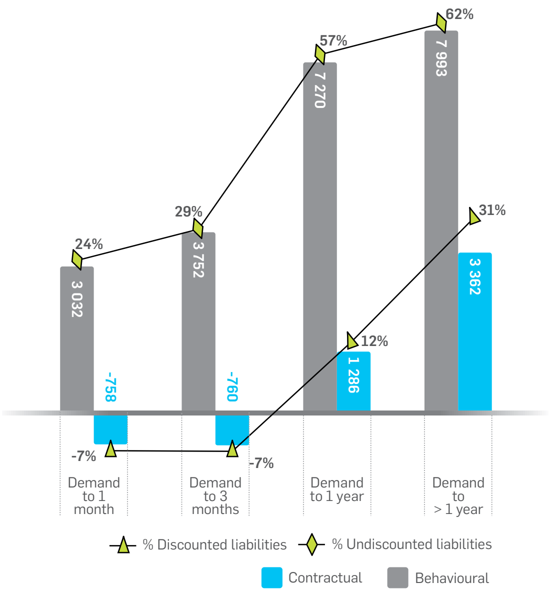
[1] Adjustments to loans and advances to clients relate to deferred initiation fee income. Adjustments to trade and other payables relate to non-cash accounting adjustments in respect of the straight-lining of future operating lease expenses and provision for leave pay.

DIVERSIFICATION OF FUNDING SOURCES

FEB 2011	AUG 2010	
29%	29%	Demand deposits – retail
23%	17%	Equity – ordinary shareholders (listed)
17%	18%	Fixed-term deposits – retail
15%	19%	Fixed-term deposits – wholesale (listed)
7%	9%	Fixed-term deposits – wholesale (other)
4%	4%	Fixed-term deposits – wholesale (negotiable instruments)
3%	3%	Fixed-term deposits – wholesale (subordinated debt)
2%	1%	Equity – preference shareholders (listed)

- *Capitec has no exposure to institutional or corporate call accounts.*
- *Wholesale (listed) comprises domestic medium term notes listed on the Bond Exchange of South Africa. Investors in these bonds comprise: banks, insurance companies, fund managers, and pension and provident funds.*
- *Wholesale (other) comprises deposits negotiated through bilateral agreements, including those with European development finance institutions (DFIs).*
- *Retail refers to individuals/natural persons.*

CONTRACTUAL AND BEHAVIOURAL LIQUIDITY MISMATCHES R'm



- *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 demand deposits. 93% 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.*
- *The contractual mismatch is reported on a discounted basis whereas the behavioural mismatch is reported on an undiscounted basis.*

4.4 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.

	28 Feb 2011		31 Aug 2010	
	Sensitivity of equity		Sensitivity of equity	
	R'000	**%**	**R'000**	**%**
200 basis points shift				
Increase	**(70 455)**	(1.8)	(21 254)	(1.0)
Decrease	**95 192**	2.4	14 068	0.7

4.5 Equity risk in the banking book

Capitec Bank Holdings Limited is not an investment bank and does not maintain proprietary positions in equity investments. All equity investments within the group are strategic in nature being a consequence of normal strategic operational transactions. The group did not hold any investments in listed equities at 28 February 2011. (Nil: 31 August 2010)

	SIX MONTHS 28 Feb 2011 R'000	SIX MONTHS 31 Aug 2010 R'000
Equities in the banking book at fair value through profit or loss		
Unlisted investments at fair value		
Balance at the beginning of the period	14 283	16 742
Amortised cost	3 117	3 125
Cumulative fair value adjustment - other market risk	11 166	13 617
(Disposals)/Additions at cost	(3 084)	(8)
Fair value adjustment	(5 136)	(2 451)
Interest rate risk	-	-
Credit risk	-	-
Exchange rate risk	(787)	(818)
Other market risk	2 823	(1 633)
Realised on disposals	3 100	-
Balance at the end of the period	16 335	14 283
Amortised cost	33	3 117
Cumulative fair value adjustment - other market risk	16 302	11 166

5. Qualitative disclosures and accounting policies

The Regulations require that certain qualitative disclosures and statements on accounting policy be made. These disclosures and statements on accounting policy were made in the group annual report for the financial year ended 28 February 2011. The above discloses should be read in conjunction with these qualitative disclosures made in the corporate governance and risk management review and statements on group accounting policy contained in the group's annual report at 28 February 2011.