

## Capitec Bank Holdings Limited

August 2020 (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 - Linkages between financial statements and regulatory exposures.

Row #	R'000	31 Aug 2020 Basel 3
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	5 649 020
2	Retained earnings	20 302 336
3	Accumulated other comprehensive income (and other reserves)	28 288
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	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>25 979 644</b>
<b>CET1 capital: regulatory adjustments</b>		
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	849 487
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	614 807
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	85 029
11	Cash-flow hedge reserve	(48 735)
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	(159 848)
27	Regulatory adjustments applied to CET1 due to insufficient Additional Tier 1 (AT1) and Tier 2 (T2) to cover deductions	-
28	<b>Total regulatory adjustments to CET1</b>	<b>1 340 740</b>
29	<b>CET1</b>	<b>24 638 904</b>

Row #

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Basel 3

<b>AT1 capital : instruments</b>		
30	Directly issued qualifying AT1 instruments plus related stock surplus	51 794
31	of which: classified as equity under applicable accounting standards	51 794
32	of which: classified as liabilities under applicable accounting standards	-
33	Directly issued capital instruments subject to phase out from AT1	65 279
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	<b>AT1 capital before regulatory adjustments</b>	<b>51 794</b>
<b>AT1 capital: regulatory adjustments</b>		
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	<b>Total regulatory adjustments to AT1 capital</b>	<b>-</b>
44	<b>AT1 capital</b>	<b>51 794</b>
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>24 690 698</b>
<b>T2 capital and provisions</b>		
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)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	721 072
51	<b>T2 capital before regulatory adjustments</b>	<b>721 072</b>
<b>T2 capital : regulatory adjustments</b>		
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 designated 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	<b>Total regulatory adjustments to T2 capital</b>	<b>-</b>
58	<b>T2 capital</b>	<b>721 072</b>
59	<b>Total capital (TC = T1 + T2)</b>	<b>25 411 770</b>
	Risk Weighted Assets (RWAs) in respect of amounts subject to pre-Basel 3 treatment	
60	<b>Total RWAs</b>	<b>83 520 815</b>

Row #

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Basel 3**Capital ratios**

61	CET1 (as a percentage of RWAs)	29.5
62	T1 (as a percentage of RWAs)	29.6
63	TC (as a percentage of RWAs)	30.4
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) <sup>(2)</sup>	-
65	of which: capital conservation buffer requirement <sup>(3)</sup>	2.5
66	of which: bank specific countercyclical buffer requirement <sup>(4)</sup>	-
67	of which: G-SIB buffer requirement <sup>(5)</sup>	-
68	CET1 available to meet buffers (as a percentage of risk weighted assets)	22.4

**National Minima (if different from Basel 3)**

69	National CET1 minimum ratio (if different from Basel 3 minimum)	7.25
70	National T1 minimum ratio	8.875
71	National total capital minimum ratio	11.00

**Amounts below the threshold for deductions (before risk weighting)**

72	Non-significant investments in the capital of other financials	1 416 611
73	Significant investments in the common stock of financials	331 407
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	2 051 440

**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)	7 063 233
77	Cap on inclusion of provisions in T2 under standardised approach	721 072
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	51 794
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	13 485
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

<sup>(1)</sup> Retained earnings are stated net of unappropriated profits of R50 million.

<sup>(2)</sup> Bank-specific buffers include the Pillar 2B individual capital requirement (ICR) for specific bank risk and the Domestic Systemically Important Bank (D-SIB) buffers. Current regulations state that the Pillar 2A 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.

<sup>(3)</sup> 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 an additional 0.625%, to reach the final level of 2.5% of RWAs on 1 January 2019.

<sup>(4)</sup> 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.

<sup>(5)</sup> Capitec Bank is classified as a Domestic Systemically Important Bank (D-SIB) but not as a Global Systemically Important Bank (G-SIB).