

Section 1 - Transitional Basel 3 table

The capital disclosures detailed below address the prescribed transitional 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 #		28 Feb 2017 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⁾	9 520 735	TABLE A
3	Accumulated other comprehensive income (and other reserves)	(11 736)	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	15 158 019	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)	279 946	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	(11 736)	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	2 927	
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	271 137	TABLE B
29	CET1	14 886 882	

Row #		28 Feb 2017 Basel 3	Reconciliation table reference ⁽¹⁾
AT1 capital : instruments			
30	Directly issued qualifying AT1 instruments plus related stock surplus	129 485	TABLE C
31	of which: classified as equity under applicable accounting standards	129 485	TABLE C
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from AT1	150 998	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	129 485	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	129 485	TABLE C
45	Tier 1 capital (T1 = CET1 + AT1)	15 016 367	
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⁾	856 834	TABLE D
49	of which: instruments issued by subsidiaries subject to phase out	2 641 000	TABLE D
50	Provisions	491 168	TABLE D
51	T2 capital before regulatory adjustments	1 348 002	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)	-	
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	1 348 002	TABLE D
59	Total capital (TC = T1 + T2)	16 364 369	
	Risk Weighted Assets (RWAs) in respect of amounts subject to pre-Basel 3 treatment		
60	Total RWAs	48 282 190	

Row #		28 Feb 2017 Basel 3	Reconciliation table reference ⁽¹⁾
Capital ratios			
61	CET1 (as a percentage of RWAs)	30.8	
62	T1 (as a percentage of RWAs)	31.1	
63	TC (as a percentage of RWAs)	33.9	
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⁾	1.250	
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⁾	–	
National Minima (if different from Basel 3)			
69	National CET1 minimum ratio (if different from Basel 3 minimum)	7.250	
70	National T1 minimum ratio	8.500	
71	National total capital minimum ratio	10.750	
Amounts below the threshold for deductions (before risk weighting)			
72	Non-significant investments in the capital of other financials	–	
73	Significant investments in the common stock of financials	–	
74	Mortgage servicing rights (net of related tax liability)	–	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	459 929	
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)	3 024 729	
77	Cap on inclusion of provisions in T2 under standardised approach	491 168	
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	129 485	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	21 513	
84	Current cap on T2 instruments subject to phase out arrangements ⁽³⁾	856 834	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) ⁽³⁾	1 784 166	

⁽¹⁾ References are to tables in section 3.

⁽²⁾ Retained earnings are stated net of unappropriated profits of R809 million.

⁽³⁾ The amount excluded from Tier 2 capital due to the cap consists of two contributors. The first R1 588 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 (R196 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).

Section 2 - Regulatory Balance Sheet as at 28 February 2017

	Group	Adjustment ⁽¹⁾	Component of regulatory capital reported by group	Transitional table/ Reconciling table Reference
	R'000	R'000	R'000	
Assets				
Cash, cash equivalents and money market funds	18 677 222	-	18 677 222	
Investments designated at amortised cost	-	-	-	
Held-to-maturity investments	5 326 724	-	5 326 724	
Available-for sale financial assets	100 000	-	100 000	
Term deposit investments	6 600 749	-	6 600 749	
Loans and advances to clients	39 204 980	-	39 204 980	
Other receivables	1 126 839	-	1 126 839	
Derivative assets	58 113	-	58 113	
Current income tax assets	-	-	-	
Interest in subsidiaries	-	-	-	
Interest in associate	-	-	-	
Property and equipment	1 523 395	-	1 523 395	
Intangible assets	279 946	-	279 946	
Deferred income tax assets	459 929	-	459 929	
Total assets	73 357 897	-	73 357 897	
Liabilities				
Deposits and bonds at amortised cost	55 582 271	-	55 582 271	
of which retail savings	30 116 518	-	30 116 518	
of which retail fixed deposits	17 922 702	-	17 922 702	
of which wholesale	824 119	-	824 119	
of which subordinated debt- unlisted bonds	755 921	-	755 921	TABLE D
of which subordinated debt- listed bonds	1 929 271	-	1 929 271	TABLE D
of which listed senior bonds	3 169 928	-	3 169 928	
of which other unlisted negotiable instruments	863 812	-	863 812	
of which reserve bank settlement balance	-	-	-	
Derivative liabilities	45 598	-	45 598	
Other liabilities	1 500 650	-	1 500 650	
Current income tax liabilities	30 341	-	30 341	
Provisions	81 024	-	81 024	
Total liabilities	57 239 884	-	57 239 884	
Equity				
Capital and reserves				
Ordinary share capital and premium	5 649 020	-	5 649 020	ROW 1
Cash flow hedge reserve	(11 736)	-	(11 736)	ROW 3, TABLE A
Retained earnings	10 329 731	-	10 329 731	TABLE A
Share capital and reserves attributable to ordinary shareholders	15 967 015	-	15 967 015	
Non-redeemable, non-cumulative, non-participating preference share capital and premium	150 998	-	150 998	TABLE C
Total equity	16 118 013	-	16 118 013	
Total equity and liabilities	73 357 897	-	73 357 897	

⁽¹⁾ For consolidation purposes there is no difference in the IFRS and Regulatory Balance Sheet.

Section 3 - Reconciliation between transitional Basel 3 Table and the Regulatory Balance Sheet

Table A	28 Feb 2017 R'000	Transitional Basel 3 Table reference ⁽¹⁾
Common Equity Tier 1 Capital		
Share capital and premium ⁽²⁾	5 649 020	ROW 1
Adjusted retained earnings	9 520 735	ROW 2
Retained earnings ⁽²⁾	10 329 731	
Unappropriated profits	(808 996)	
	15 169 755	
Cash flow hedging reserves	(11 736)	ROW 3
Total as per Transitional Basel 3 Template	15 158 019	ROW 6

Table B		
Common Equity Tier 1 Regulatory Adjustments		
Other intangibles	(279 946)	ROW 9
Disallowed hedging reserves	11 736	ROW 11
National specific regulatory adjustments	(2 927)	ROW 26
Total as per Transitional Basel 3 Template	(271 137)	ROW 28

Table C		
Additional Tier 1 capital		
Non-redeemable, non-cumulative, non-participating preference shares ⁽²⁾	150 998	ROW 33
Phase out (grandfathering) of AT1 in terms of Basel 3 ceiling ⁽³⁾	(21 513)	
Total as per Transitional Basel 3 Template	129 485	ROW 30/31/36

Table D		
Tier 2 Capital		
Subordinated debt - unlisted bonds ⁽²⁾	755 921	
Subordinated debt - listed bonds ⁽²⁾	1 929 271	
	2 685 192	
Accrued interest not classified as T2 capital	(44 192)	
Total subordinated debt	2 641 000	ROW 49
Phase out (grand fathering) of subordinated debt in terms of Basel 3 ceiling ⁽³⁾	(1 588 400)	
Haircut on amounts attributable to third parties ⁽⁴⁾	(195 766)	
Tier 2 instruments issued by subsidiaries and held by third parties	856 834	ROW 48
General allowance for credit impairment	491 168	ROW 50
Total as per Transitional Basel 3 Template	1 348 002	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.