

Bulletin:

Capitec Bank Ltd. Ratings Not Affected By Market Report

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JOHANNESBURG (S&P Global Ratings) Jan. 31, 2018--S&P Global Ratings said today that its ratings on South Africa-based Capitec Bank Ltd. (BB/Stable/B) are not affected by an investment report published by Viceroy Research on Jan. 30, 2018, or by the market's reaction to the report.

In the report, Viceroy Research requests that the South African Reserve Bank place Capitec under immediate curatorship and alleges that the value of Capitec's loan book is "massively overstated." The market's reaction was significant, with the bank's share price losing over 20% before recovering after the South African Reserve Bank released a statement defending the soundness of the bank's capitalization and liquidity. To date, the bank has experienced only mild funding outflows and its liquidity remains sound.

Our ratings on the bank continue to reflect those on South Africa (foreign currency BB/Stable/B), as well as the bank's strong capitalization and conservative reserving, which is appropriate for high normalized credit losses. We also factor in the bank's good earnings stability for a monoline unsecured consumer lender.

RELATED RESEARCH AND CRITERIA

Related Criteria

- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, Aug. 14, 2017
- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Ratings On Eight South African Financial Institutions Lowered Following Similar Action On Sovereign, Nov. 29, 2017

REGULATORY DISCLOSURES

Regulatory disclosures applicable to the most recent credit rating action can be found at "Ratings On Eight South African Financial Institutions Lowered Following Similar Action On Sovereign," published Nov. 29, 2017, on RatingsDirect.

GLOSSARY

- Capital and earnings: A measure of a bank's ability to absorb losses.
- Cost of risk: As a percentage of total loans, the charge for bad and doubtful debts.
- Counterparty credit rating: A form of issuer credit rating, which is a forward-looking opinion about an obligor's overall creditworthiness.
- Funding and liquidity: A combined assessment of the strength and stability of a bank's funding mix and its ability to manage its liquidity needs in adverse market and economic conditions over an extended period.
- National scale rating: An opinion of an obligor's creditworthiness or overall capacity to meet specific financial obligations, relative to other issuers and issues in a given country or region.
- Risk position: Our view of the specific risk characteristics of a particular bank.
- Return on equity (ROE): Annualized net income after preferred dividends divided by average common equity.
- Stand-alone credit profile (SACP): An interim step in assessing a bank's overall creditworthiness. It includes government support, but not extraordinary government support.

Only a rating committee may determine a rating action and this report does not constitute a rating action.

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