

Capitec Bank Holdings Limited

February 2019 (4th quarter)

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 2019	Reconciliation Basel 3 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⁾	15 093 735	TABLE A
3	Accumulated other comprehensive income (and other reserves)	(4 969)	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	20 737 786	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)	316 282	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	(9 588)	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	(480 650)	
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	(173 956)	TABLE B
29	CET1	20 911 742	

Row #	28 Feb 2019 Reconciliation table Basel 3	reference ⁽¹⁾
AT1 capital : instruments		
30	77 691	TABLE C
31	77 691	TABLE C
32	-	
33	81 603	TABLE C
34	-	
35	-	
36	77 691	TABLE C
AT1 capital: regulatory adjustments		
37	-	
38	-	
39	-	
40	-	
41	-	
42	-	
43	-	
44	77 691	TABLE C
45	20 989 433	
T2 capital and provisions		
46	-	
47	-	
48	-	TABLE D
49	1 822 000	TABLE D
50	624 762	TABLE D
51	624 762	TABLE D
T2 capital : regulatory adjustments		
52	-	
53	-	
54	-	
55	-	
56	-	
57	-	
58	624 762	TABLE D
59	21 614 195	
60	63 717 824	

Row #	28 Feb 2019 Basel 3	Reconciliation table reference ⁽¹⁾
Capital ratios		
61	32.8	
62	32.9	
63	33.9	
64	-	
65	2.500	
66	-	
67	-	
68	-	
National Minima (if different from Basel 3)		
69	7.500	
70	9.250	
71	11.500	
Amounts below the threshold for deductions (before risk weighting)		
72	-	
73	-	
74	-	
75	1 596 079	
Applicable caps on the inclusion of provisions in T2		
76	4 023 887	
77	624 762	
78	-	
79	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	-	
81	-	
82	77 691	
83	3 912	
84	-	
85	1 822 000	

⁽¹⁾ References are to tables in section 3.

⁽²⁾ Retained earnings are stated net of unappropriated profits of R856 million.

⁽³⁾ The amount excluded from Tier 2 capital due to the cap consists of two contributors. The first R1 822 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 (R0 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 an 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 2019

	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	29 144 530	-	29 144 530	
Investments designated at amortised cost	-	-	-	
Financial Investments (Held-to-maturity investments)	10 732 394	-	10 732 394	
Financial assets – equity instruments at FVOCI	100 000	-	100 000	
Term deposit investments	9 331 297	-	9 331 297	
Net loans and advances	44 514 684	-	44 514 684	
Other receivables	1 642 526	-	1 642 526	
Net insurance receivable	236 391	-	236 391	
Derivative assets	479	-	479	
Current income tax assets	286 046	-	286 046	
Interest in subsidiaries	-	-	-	
Interest in associate	317 193	-	317 193	
Property and equipment	2 209 847	-	2 209 847	
Intangible assets	316 283	-	316 283	
Deferred income tax assets	1 596 079	-	1 596 079	
Total assets	100 427 749	-	100 427 749	
Liabilities				
Deposits and bonds at amortised cost	76 443 613	-	76 443 613	
of which retail savings	45 140 650	-	45 140 650	
of which retail fixed deposits	26 224 635	-	26 224 635	
of which wholesale	98 771	-	98 771	
of which subordinated debt- unlisted bonds	508 640	-	508 640	TABLE D
of which subordinated debt- listed bonds	1 336 980	-	1 336 980	TABLE D
of which listed senior bonds	2 737 447	-	2 737 447	
of which other unlisted negotiable instruments	396 490	-	396 490	
of which reserve bank settlement balance	-	-	-	
Derivative liabilities	14 704	-	14 704	
Other liabilities	2 202 631	-	2 202 631	
Current income tax liabilities	-	-	-	
Provisions	91 005	-	91 005	
Total liabilities	78 751 953	-	78 751 953	
Equity				
Capital and reserves				
Ordinary share capital and premium	5 649 020	-	5 649 020	ROW 1
Cash flow hedge reserve	(9 588)	-	(9 588)	ROW 3, TABLE A
Foreign currency translation reserve	4 619	-	4 619	
Retained earnings	15 950 142	-	15 950 142	TABLE A
Share capital and reserves attributable to ordinary shareholders	21 594 193	-	21 594 193	
Non-redeemable, non-cumulative, non-participating preference share capital and premium	81 603	-	81 603	TABLE C
Total equity	21 675 796	-	21 675 796	
Total equity and liabilities	100 427 749	-	100 427 749	

⁽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 2019 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	15 093 735	ROW 2
Retained earnings ⁽²⁾	15 950 142	
Unappropriated profits	(856 407)	
Total as per Transitional Basel 3 Template	20 742 755	
Cash flow hedging and foreign currency translation reserve	(4 969)	ROW 3
Total as per Transitional Basel 3 Template	20 737 786	ROW 6

Table B		
Common Equity Tier 1 Regulatory Adjustments		
Other intangibles	(316 282)	ROW 9
Disallowed hedging reserves	9 588	ROW 11
National specific regulatory adjustments	480 650	ROW 26
Total as per Transitional Basel 3 Template	173 956	ROW 28

Table C		
Additional Tier 1 capital		
Non-redeemable, non-cumulative, non-participating preference shares ⁽²⁾	81 603	ROW 33
Phase out (grandfathering) of AT1 in terms of Basel 3 ceiling ⁽³⁾	(3 912)	
Total as per Transitional Basel 3 Template	77 691	ROW 30/31/36

Table D		
Tier 2 Capital		
Subordinated debt - unlisted bonds ⁽²⁾	508 640	
Subordinated debt - listed bonds ⁽²⁾	1 336 980	
	1 845 620	
Accrued interest not classified as T2 capital	(23 620)	
Total subordinated debt	1 822 000	ROW 49
Phase out (grandfathering) of subordinated debt in terms of Basel 3 ceiling ⁽³⁾	(1 822 000)	
Haircut on amounts attributable to third parties ⁽⁴⁾	-	
Tier 2 instruments issued by subsidiaries and held by third parties	-	ROW 48
General allowance for credit impairment	624 762	ROW 50
Total as per Transitional Basel 3 Template	624 762	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.