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

2018

1. Basis of compilation

The following information is compiled in terms of Regulation 43 of the Regulations relating to banks which incorporates the Basel Pillar 3 requirements on market discipline. All disclosures presented below are consistent with those disclosed in terms of International Financial Reporting Standards (IFRS) unless otherwise stated. The main differences between IFRS and the information disclosed in terms of the Regulations relate to the definition of capital, the calculation and measurement thereof and adjustments made to risk weighted assets.

2. Period of reporting

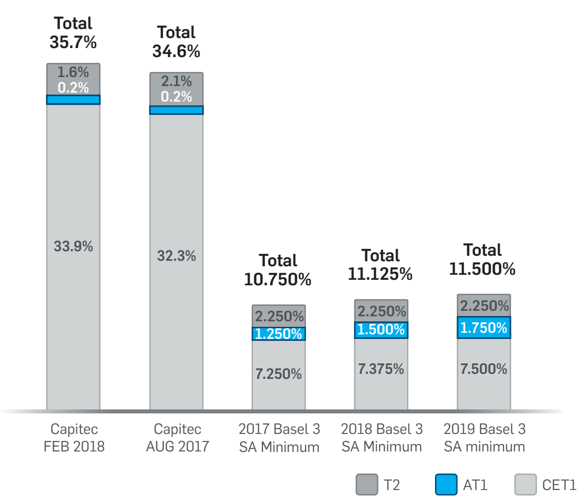
This report covers the 6 months ended 28 February 2018. Comparative information is presented for the previous 6-month period ended 31 August 2017.

3. Scope of reporting

This report covers the consolidated results of Capitec Bank Holdings Limited (Capitec).

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.

CAPITAL ADEQUACY BY TIER



- *CET1 – Common Equity Tier 1 capital is ordinary share capital and reserves after Basel deductions.*
- *AT1 – Additional Tier 1 capital – Capitec's perpetual preference shares qualify as entry-level AT1 capital, and are subject to phasing-out in terms of Basel 3 as they do not meet new loss absorbency standards.*
- *T2 – Tier 2 capital – Capitec Bank's subordinated debt instruments qualify as entry-level T2 capital, and are subject to phasing-out in terms of Basel 3 as they do not meet new loss absorbency standards. Subordinated debt is issued by Capitec's subsidiary as the interest cost is offset against relative revenue and is regarded as third party capital, subject to additional phasing-out rules, at a consolidated level. No subordinated debt instruments were issued by Capitec during the reporting period.*
- *Globally, the Basel 3 minimum capital adequacy percentage is 8%.*
- *The 2018 Basel 3 SA minimum includes the SA country buffer of 1.25% (2017: 1.50%). The level of this buffer is at the discretion of the SARB and it is subject to periodic review.*
- *SA minimum country buffer will be phased in untill it reaches 1% in 2019.*
- *The 2019 Basel 3 SA minimum includes the capital conservation buffer of 2.5% which phased in from the beginning of 2016. All banks must maintain this buffer to avoid regulatory restrictions on the payment of dividends and bonuses.*
- *Excluded from the SA minima are the Basel 3:*
  - *Bank-specific buffers. Bank-specific buffers include the Individual Capital Requirement (ICR) and the Domestic Systemically Important Bank (D-SIB) buffer. In terms of the Banks Act regulations, banks may not disclose their ICR requirement and D-SIB requirement. The D-SIB requirement will be phased in over four years commencing January 2016. Current regulations state that the South African country risk buffer and the D-SIB buffers on a combined basis cannot be more than 3.5%.*
  - *Countercyclical buffer that 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 only when credit growth exceeds real economic growth. Implementation commenced in January 2016 with a rate of zero.*
  - *Haircuts to be applied against minority and third-party capital issued by subsidiaries, which began phasing-in from 2013 at 20% per year.*

4. Regulatory capital adequacy

R'000	28 Feb 2018	31 Aug 2017
Composition of qualifying regulatory capital		
Ordinary share capital[1]	5 649 020	5 649 020
Foreign currency translation reserve	3 158	-
Accumulated profit	13 153 434	11 376 607
	18 805 612	17 025 627
Regulatory adjustments		
– Intangible assets in terms of IFRS	(283 011)	(271 421)
– Specified advances	(12 035)	(8 979)
– Unappropriated profit	(1 128 678)	(302 733)
Common Equity Tier 1 capital (CET1)	17 381 888	16 442 494
Issued preference share capital[1]	112 803	138 487
Phase out – non-loss absorbent[2][8]	(9 216)	(9 003)
Additional Tier 1 capital (AT1)	103 587	129 484
Tier 1 capital (T1)	17 485 475	16 571 978
Issued subordinated debt[1]	2 441 000	2 541 000
Phase out – non-loss absorbent[2]	(2 076 600)	(1 838 400)
Deduction for third-party capital issued by bank subsidiary[3]	(80 962)	(139 029)
Total subordinated debt	283 438	563 571
Unidentified impairments	519 230	514 970
Tier 2 capital (T2)	802 668	1 078 541
Qualifying regulatory capital	18 288 143	17 650 519
CET1%	33.9	32.3
AT1%	0.2	0.2
T1%	34.1	32.5
T2%	1.6	2.1
Total capital adequacy %[4]	35.7	34.6
Composition of required regulatory capital		
On balance sheet	4 602 965	4 419 376
Off balance sheet	-	-
Credit risk	4 602 965	4 419 376
Operational risk	683 940	657 341
Equity risk in the banking book	56 819	74 770
Other assets	355 777	326 354
Total regulatory capital requirement[5]	5 699 501	5 477 841
Composition of risk-weighted assets[6]		
On balance sheet	41 374 966	41 110 471
Off balance sheet	-	-
Credit risk	41 374 966	41 110 471
Operational risk	6 147 776	6 114 798
Equity risk in the banking book	510 730	695 533
Other assets	3 197 993	3 035 847
Total risk-weighted assets	51 231 465	50 956 649
Total assets based on IFRS	84 957 233	81 136 350
Total risk-weighted assets – adjustments[7]	(33 725 768)	(30 179 701)
Total risk-weighted assets – regulatory	51 231 465	50 956 649

[1] *For further details of the main features of these instruments, please refer to the Main Features of Capital Instruments and Traditional Basel 3 template on the Capitec Bank website, under investor relations.*

[2] *Starting 2013, the non-loss absorbent AT1 and T2 capital is subject to a 10% per annum phase-out in terms of Basel 3.*

[3] *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.*

[4] *The total capital adequacy ratio percentage is determined by dividing the total qualifying regulatory capital by total risk-weighted assets.*

[5] *This value is 11.125% (2017: 10.750%) of risk-weighted assets, being the Basel global minimum requirement of 8.000%, the South African country-specific buffer of 1.250% (2017: 1.500%) and the Capital Conservation Buffer of 1.875% (2017: 1.250%) (disclosable in terms of SARB November 2016 directive in order to standardise reporting across banks). In terms of the regulations the Individual Capital Requirement (ICR) is excluded.*

[6] *Risk-weighted assets are calculated by using regulatory percentages applied to the balance sheet, in order to establish the base for calculating the required regulatory capital.*

[7] *The adjustments reflect mainly the impact of the regulatory percentages and the addition of a risk-weighted equivalent for operational risk.*

[8] *The base value of preference shares phasing out in terms of Basel 3 is R258 969 000. At 28 February 2018, 56.44% (Aug 2017: 46.52%) of these shares had been repurchased as they no longer contributed to qualifying regulatory capital.*

5. Leverage ratio

Public disclosure of the leverage ratio (calculated using the prescribed leverage ratio template) and its components was made effective from 1 January 2015. The Basel 3 leverage ratio is defined as the capital measure (Tier 1 capital) divided by the exposure measure (Total exposures), and is expressed as a percentage. This measure acts as a backstop to the risk based leverage capital adequacy ratio (see 4), by acting as a floor to restrict the build-up of excessive leverage by banks.

Capitec is conservatively leveraged with a ratio of 21% or exposure of 5 times equity (Aug 2017: 21% or 5 times equity).

5.1 Summary of leverage ratio

Line #	Group leverage ratio framework R'000	28 Feb 2018	31 Aug 2017
	Capital and total exposures		
20	Tier 1 capital	**17 485 475**	16 571 978
21	Total exposures (sum of lines 3, 11, 16 and 19)	**84 834 799**	80 936 489
	Leverage ratio		
22	**Basel 3 leverage ratio%**	**20.6%**	20.5%

Line #	Summary leverage ratio framework - bank level		
	Capital and total exposures		
20	Tier 1 capital	**17 120 416**	16 156 433
21	Total exposures (sum of lines 3, 11, 16 and 19)	**84 730 430**	80 793 677
22	**Basel 3 leverage ratio%**	**20.2%**	20.0%

For further details on our Leverage ratio, please refer to the Leverage ratio common disclosure template for additional information on the Capitec website under investor relations.

6. Credit Risk

6.1 Gross credit risk exposures by sector

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

Basel 3 exposure categories R'000	Average gross exposure[1] 28 Feb 2018	31 Aug 2017	Aggregate gross period-end exposure[2] [4] 28 Feb 2018	31 Aug 2017	Exposure post risk mitigation[2] [3] [4] 28 Feb 2018	31 Aug 2017	Risk weights %
On balance sheet							
Corporate[6]	**4 339 309**	4 563 490	**3 764 555**	2 120 940	**3 628 931**	2 036 391	100
Sovereign[7]	**11 977 984**	6 563 397	**13 096 689**	8 732 937	**13 096 689**	8 732 937	0
Banks (claims < 3 mths original maturity)	**9 502 551**	9 438 419	**11 666 113**	12 971 768	**10 242 254**	12 971 768	20
Banks (claims > 3 mths original maturity)	**5 279 692**	6 445 637	**3 720 150**	6 185 246	**3 720 150**	6 185 246	50
Banks (Derivatives >3mths Aaa to Aa3)	**-**	31 979	**-**	-	**-**	-	20
Banks (Derivatives > 3 mths A1 to Baa3)	**71 551**	57 819	**15 184**	84 941	**15 184**	84 941	50
Retail personal loans							
– with unidentified impairments	**44 083 394**	42 290 728	**43 628 225**	42 630 966	**43 628 225**	42 630 966	75
– with identified impairments[8]	**3 862 755**	4 192 754	**3 977 170**	3 893 896	**3 977 170**	3 893 896	100/50
Subtotal	**79 117 236**	73 584 223	**79 868 086**	76 620 694	**78 308 603**	76 536 145	
Off balance sheet							
Corporate facilities	**-**	-	**-**	-	**-**	-	100
Retail personal loans							
– retail guarantees	**-**	-	**-**	-	**-**	-	75
– committed undrawn facilities	**-**	-	**-**	-	**-**	-	75
– conditionally revocable commitments[9]	**570 502**	346 855	**796 274**	558 391	**796 274**	558 391	0
Total exposure	**79 687 738**	73 931 078	**80 664 360**	77 179 085	**79 104 877**	77 094 536	

As required by the regulations (which incorporate Basel requirements):

[1] *Average gross exposure is calculated using daily balances for the last 6 months.*

[2] *Items represent exposure before the deduction of qualifying impairments on advances.*

[3] *Represents exposure after taking into account any 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 6 of the respective reporting periods. All other items are the balances at the respective month-ends.*

[5] *The risk weightings reflected are the standard risk weightings applied to exposures, as required by the regulations. Risk weights for exposures (other than retail) are determined by mapping the exposure's Moody's International grade rating to a risk-weight percentage using the mapping table (shown on page 6). The risk weightings for retail exposures are specified directly in the banking regulations. A standard risk weight of 75% is applied to performing retail exposures while impaired exposures attract a standard 100% risk weight, net of allowed impairments.*

[6] *95.5% (Aug 2017: 93.0%) of corporate (unrated) aggregate gross period-end exposure relates to investments in money market unit trusts.*

[7] *Sovereign comprises investments in RSA treasury bills and SARB debentures. These exposures are zero risk weighted.*

[8] *An ageing of impaired advances based on arrears status is shown in 6.2. Per banking regulations, those retail personal loans which have been provided for in excess of 50% of the outstanding balance, are risk weighted at 50%.*

[9] *These commitments are as a result of undrawn credit facility and undrawn credit card amounts. The bank's contractual commitment is revocable should a client not meet their contractual obligations or where the bank has determined that the client's credit risk profile has changed. 48.1% (Aug 2017: 59.4%) is expected to be drawn down within one month. As these commitments are revocable, there is no capital charge in terms of the standardised approach for credit risk.*

MAPPING MOODY'S INTERNATIONAL RATING GRADES TO RELATED RISK WEIGHTS

Long-term credit assessment	**Aaa to Aa3 %**	**A1 to A3 %**	**Baa1 to Baa3 %**	**Ba1 to B3 %**	**Below B3 %**	**Unrated %**
Sovereigns	0	20	50	100	150	100
Public sector entities	20	50	50	100	150	50
Banks	20	50	50	100	150	50
Security firms	20	50	50	100	150	50
Banks: short-term claims	20	20	20	50	150	20
Security firms: short-term claims	20	20	20	50	150	20
Long-term credit assessment	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Below B3**		
Corporate entities	20	50	100	150		100
Short-term credit assessment	**P-1**	**P-2**	**P-3**	**Other**		
Banks and corporate entities	20	50	100	150		

6.2 Age analysis of arrears

	6 MONTHS 28 Feb 2018 R'000	6 MONTHS 31 Aug 2017 R'000
Ageing		
< 60 days	**2 233 354**	1 977 543
60 – 90 days	**466 582**	520 664
Total arrears	**2 699 936**	2 498 207

6.3 Analysis of credit impairments

All impairments presented below relate to retail personal loans.

	6 MONTHS 28 Feb 2018 R'000	6 MONTHS 31 Aug 2017 R'000
Movement in impairments:		
Balance at beginning of period	**5 924 696**	5 930 377
Unidentified impairments	**4 267 046**	4 011 869
Identified impairments	**1 657 650**	1 918 508
Movement	**(96 601)**	(5 681)
Unidentified impairments	**(193 725)**	255 177
Identified impairments	**97 124**	(260 858)
Balance at end of period	**5 828 095**	5 924 696
Unidentified impairments	**4 073 321**	4 267 046
Identified impairments	**1 754 774**	1 657 650

6.4 Write-offs and recoveries reflected in the income statement

	6 MONTHS 28 Feb 2018 R'000	6 MONTHS 31 Aug 2017 R'000
Net impairment charge on loans and advances:		
Bad debts (write-offs)	**3 262 004**	3 400 687
Movement in impairment allowance	**(96 601)**	(5 681)
Bad debts recovered	**(696 847)**	(583 572)
Net impairment charge	**2 468 556**	2 811 434

6.5 Counterparty credit risk (CCR)

Risk weights %	OTC derivative instruments 28 Feb 2018 R'000	Securities financing transactions 28 Feb 2018 R'000	OTC derivative instruments 31 Aug 2017 R'000	Securities Financing Transactions 31 Aug 2017 R'000
20	**-**	**76 480**	-	-
50	**15 184**	**-**	84 941	-
100	**-**	**1 448**	-	3 317
	15 184	**77 928**	84 941	3 317

Counterparty Credit Risk (CCR) is calculated on the Current Exposure method based on the asset values as well as any potential future add-ons as prescribed by the Regulations. These values are reflected in the exposures as shown in 6.1.
The Standardised Credit Valuation Adjustment (CVA) capital charge relating to CCR was R0.4 million (Aug 2017: R1.5 million).

7. Liquidity measurements

7.1 Liquidity management

Liquidity risk is managed by the Assets and Liabilities Committee (ALCO) that oversees the activities of the treasury department which operates in terms of an approved Assets and Liabilities Management (ALM) policy and approved limits, managing cash on a centralised basis.

Further information regarding liquidity management is available in the Integrated Annual Report.

This section presents various measurements of the group liquidity position.

7.2 Contractual and behavioural liquidity mismatches

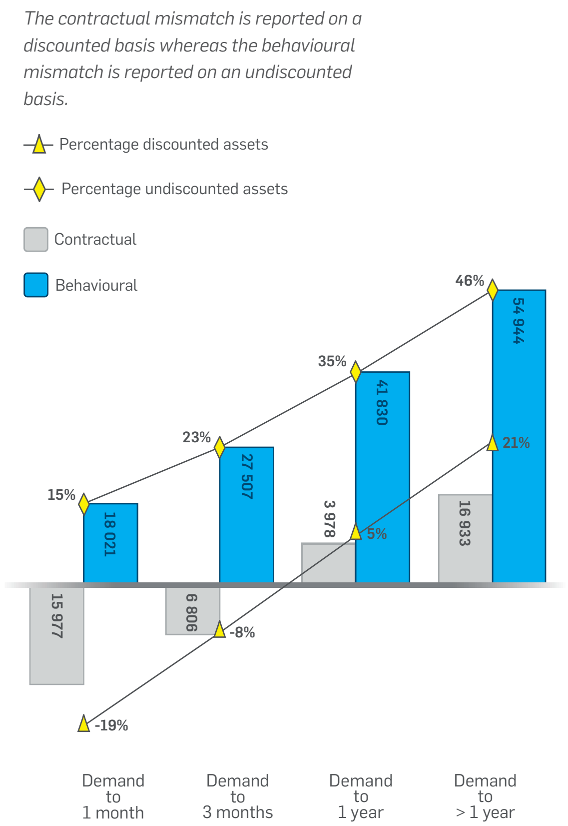
Both the contractual and behavioural mismatches benefit positively from the high component of equity funding. This creates a greater surplus of asset cash flows over liability cash flows than at banks with lower capital ratios.

The main difference between the behavioural and contractual mismatches relates to the treatment of retail call deposits. 91.4% (Aug 2017: 92.3%) 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. In the behavioural analysis, retail fixed deposit and retail term loan contractual flows are adjusted for early settlement behaviour. Loan flows are also adjusted for expected credit losses.

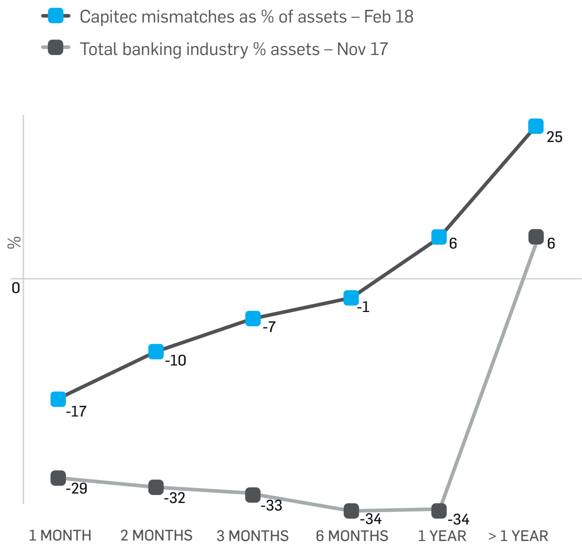
Industry comparison

The industry comparison shows that Capitec's contractual mismatch as a percentage of assets is prudent relative to the total industry mismatch. The source data is as reported on the SARB BA 300 returns, which exclude the impact of loan impairments.

CONTRACTUAL AND BEHAVIOURAL LIQUIDITY MISMATCHES R'm



INDUSTRY COMPARISON – CUMULATIVE CONTRACTUAL LIQUIDITY MISMATCHES



7.3 Contractual Liquidity maturity analysis (mismatch)

The following table analyses assets and liabilities of the group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The table was prepared on the following basis:

- Asset and liability cash flows are presented on an undiscounted basis with an adjustment to reflect the total discounted result
- The cash flows of floating rate financial instruments are calculated using published forward market rates at balance sheet date
- The cash flows of derivative financial instruments are included on a gross basis
- Contractual cash flows with respect to off-balance sheet items which have not yet been recorded on the balance sheet, are excluded (Refer to page 8 and 9 for details of off-balance sheet items)
- Adjustments to loans and advances to clients relate to deferred loan fee income
- Non-cash liabilities, representing leave pay and the straight-lining of operating leases, are disclosed as adjustments to trade and other payables

Maturities of financial assets and liabilities (tables reflect discounted cash flows) [2] **R'000**	**Demand to one month**	**One to three months**	**Three months to one year**	**More than one year**	**Adjustment** [3]	**Total**
FEB 2018						
Undiscounted assets						
Cash and cash equivalents - sovereigns	1 137 659	-	-	-	-	1 137 659
Cash and cash equivalents - banks	17 768 738	6 237 218	-	-	-	24 005 956
Money markets unit trusts - corporate other	20 750	-	-	-	-	20 750
Held-to-maturity investments - sovereigns & banks[4]	200 000	2 754 240	9 241 211	-	-	12 195 451
Term deposit investments	120 173	1 062 131	1 404 658	-	-	2 586 962
Available-for-sale financial assets	-	-	-	-	100 000	100 000
Loans and advances to clients - retail personal	3 107 374	4 899 080	19 590 007	51 532 936	(677 485)	78 451 912
Loans and advances to clients - retail other	-	-	-	-	-	-
Loans and advances to clients - corporate other	27 018	-	-	-	-	27 018
Other receivables	439 240	107 351	29 355	3 478	-	579 424
Net insurance receivable	-	-	245 204	-	-	245 204
Derivative assets	-	58	75	-	-	133
Current income tax assets	-	-	107 154	-	-	107 154
Undiscounted assets	22 820 952	15 060 078	30 617 664	51 536 414	(577 485)	119 457 623
Adjustments for undiscounted assets	(1 012 531)	(2 140 774)	(8 298 948)	(19 930 977)	-	(31 383 230)
Discounted assets						
Loan impairment provision	(558 587)	(282 284)	(1 129 994)	(3 857 230)	-	(5 828 095)
Total discounted assets	21 249 834	12 637 020	21 188 722	27 748 207	(577 485)	82 246 298
Undiscounted liabilities						
Retail deposits and bonds	36 074 638	2 463 316	10 065 863	12 634 549	-	61 238 366
Wholesale deposits and bonds	97 009	741 558	1 447 674	4 960 805	-	7 247 046
Current income tax liabilities	-	-	-	-	-	-
Trade and other payables	1 070 282	468 765	32 931	107 171	234 772	1 913 921
Derivative liability	13 117	4 651	18 718	21 168	-	57 654
Provisions	-	-	-	66 835	-	66 835
Undiscounted Liabilities	37 255 046	3 678 290	11 565 186	17 790 528	234 772	70 523 822
Discounting adjustment	(28 004)	(212 127)	(1 161 145)	(3 056 990)	-	(4 458 266)
Total discounted liabilities	37 227 042	3 466 163	10 404 041	14 733 538	234 772	66 065 556
Net liquidity excess /(shortfall)	(15 977 208)	9 170 857	10 784 681	13 014 669	(812 257)	16 180 742
Cumulative liquidity excess/(shortfall)[1]	(15 977 208)	(6 806 351)	3 978 330	16 992 999	16 180 742	16 180 742

Maturities of financial assets and liabilities (tables reflect discounted cash flows) [2] R'000	Demand to one month	One to three months	Three months to one year	More than one year	Adjustment [3]	Total
AUG 2017						
Undiscounted assets						
Cash and cash equivalents - sovereigns	1 354 131	642 100	-	-	-	1 996 231
Cash and cash equivalents - banks	15 364 423	6 612 061	-	-	-	21 976 484
Money markets unit trusts - corporate other	12 794	-	-	-	-	12 794
Held-to-maturity investments - sovereigns & banks[4]	195 960	958 723	5 824 520	-	-	6 979 203
Term deposit investments	3 682	1 311 217	4 484 516	-	-	5 799 415
Available-for-sale financial assets	-	-	-	-	102 000	102 000
Loans and advances to clients - retail personal	3 146 454	4 851 956	19 371 505	50 434 007	(707 276)	77 096 646
Loans and advances to clients - retail other	-	-	4 828	2 414	-	7 242
Loans and advances to clients - corporate other	29 091	-	-	-	-	29 091
Other receivables	907 178	343	490 551	2 347	-	1 400 419
Derivative assets	228	(4 474)	60 118	9 050	-	64 922
Current income tax assets	-	-	52 027	-	-	52 027
Undiscounted assets	21 013 941	14 371 926	30 288 065	50 447 818	(605 276)	115 516 474
Discounting adjustment	(1 096 642)	(2 180 123)	(8 388 761)	(19 478 776)	-	(31 114 302)
Loan impairment provision	(598 252)	(282 193)	(1 096 061)	(3 948 190)	-	(5 924 696)
Total discounted assets	19 319 047	11 909 610	20 803 243	27 020 852	(605 276)	78 447 476
Undiscounted liabilities						
Deposits and bonds	34 570 532	2 780 321	11 795 977	17 993 490	-	67 140 320
Trade and other payables	808 080	28 008	292 518	119 999	236 620	1 485 225
Derivative liability	51	5 001	35 064	39 084	-	79 200
Provisions	-	-	-	41 949	-	41 949
Undiscounted Liabilities	35 378 663	2 813 330	12 123 559	18 194 522	236 620	68 746 694
Discounting adjustment	(30 916)	(216 719)	(1 151 314)	(3 341 342)	-	(4 740 291)
Total discounted liabilities	35 347 747	2 596 611	10 972 245	14 853 180	236 620	64 006 403
Net liquidity excess /(shortfall)	(16 028 700)	9 312 999	9 830 998	12 167 672	(841 896)	14 441 073
Cumulative liquidity excess/(shortfall)[1]	(16 028 700)	(6 715 701)	3 115 297	15 282 969	14 441 073	14 441 073

(1) *Much of the liquidity shortfall in the demand to three month categories results from the investment of excess cash in treasury bills with maturities in excess of three months. These instruments are highly liquid and can be converted to cash should the need arise.*

(2) *The definitions of sovereign, banks, corporate and retail are aligned with the Banks' Act Regulations.*

(3) *The adjustment includes adjustments to deferred initiation fees, leave pay provision, deferred income and straight-lining of lease accruals.*

(4) *99% (Aug 2017: 95%) of Held-to-maturity investments - sovereigns & banks relates to investments in sovereigns.*

Off balance sheet items

The following off balance sheet items will result in a future outflow of cash subsequent to reporting date. These cash flows are regarded as transactions relating to future reporting periods and are therefore excluded from the static maturity analysis above. As a going concern, these outflows will be offset by future cash inflows.

(a) Operating lease commitments

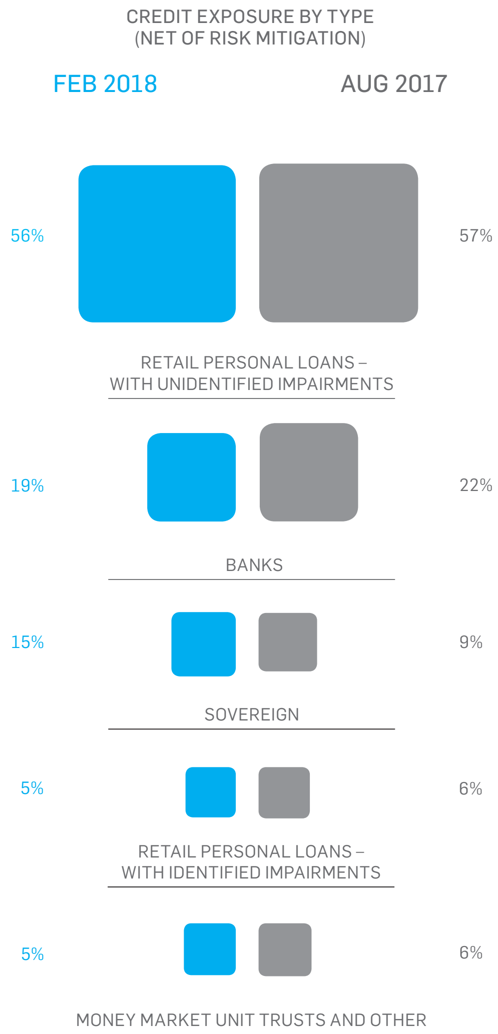
Operating lease commitments relate mainly to property operating lease commitments. The future minimum lease payments under non-cancellable operating leases will result in an outflow of cash subsequent to the reporting date. The future obligations measured on a straight-lined basis are as follows:

	28 Feb 2018 R'000	31 Aug 2017 R'000
Property operating lease commitments		
The future aggregate minimum lease payments under non-cancellable leases are as follows:		
Within one year	**468 968**	451 864
From one to five years	**1 292 109**	1 285 801
After five years	**269 015**	288 342
Total future cash flows	**2 030 092**	2 026 007
Straight lining accrued	**(135 151)**	(125 017)
Future expenditure	**1 894 941**	1 900 990

(b) Capital commitments

Capital commitments for the acquisition of information technology hardware, improvements to leased premises and support services, that are expected to result in cash outflows by the end of the 2018 financial year, are as follows:

	28 Feb 2018 R'000	31 Aug 2017 R'000
Capital commitments – approved by the board		
Contracted for:	**163 426**	114 166
Property and equipment	**147 649**	87 042
Intangible assets	**15 777**	27 124
Non-contracted for:	**1 139 166**	826 781
Property and equipment	**896 644**	572 122
Intangible assets	**242 522**	254 659
Future expenditure	**1 302 592**	940 947



(c) Conditionally revocable retail commitments

Conditionally revocable retail commitments totalled R796 million (Aug 2017 R558 million). These commitments are as a result of undrawn credit facility and undrawn credit card amounts. The bank's contractual commitment is revocable should a client not meet their contractual obligations or where the bank has determined that the client's credit risk profile has changed. 48.1% (Aug 2017: 59.4%) is expected to be drawn down within one month. As these commitments are revocable, there is no capital charge in terms of the standardised approach for credit risk.

7.4 Liquidity coverage ratio (LCR)

The LCR is a 30-day stress test, using 90 days (actual data points for the quarter) to calculate an average for the quarter, which requires banks to hold sufficient high-quality liquid assets to cover envisaged net outflows. These outflows are calibrated using prescribed Basel factors applied to assets and liabilities in a static run-off model. Basel definitions are used to identify high-quality liquid assets.

The LCR calculation has been revised to include the updated Basel weightings and disclosures made effective January 2015.

Line #	Group R'000	Total Adjusted Value 28 Feb 2018	Total Adjusted Value 31 Aug 2017
21	Total HQLA	**18 056 043**	9 467 151
22	Total Net Cash Outflows[1]	**961 511**	797 509
23	**Liquidity Coverage Ratio (%)** [2]	**1 878%**	1 187%

For further details on our LCR ratio, please refer to the Liquidity coverage ratio (LCR) common disclosure template on the Capitec website under investor relations.

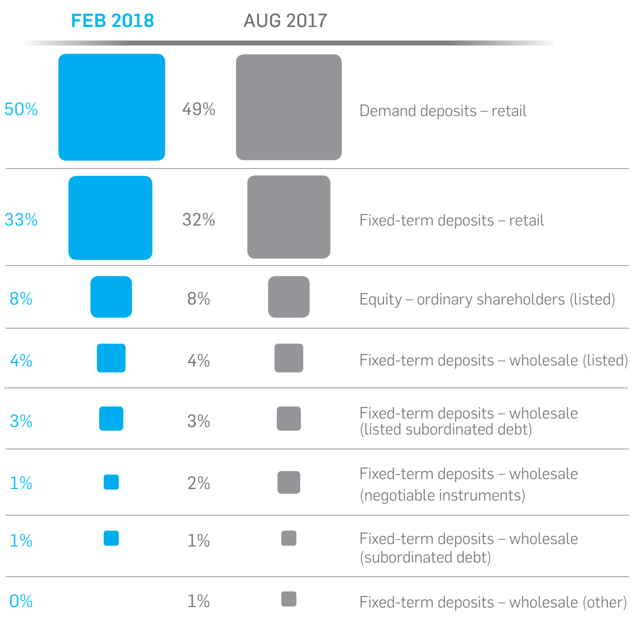
[1] As Capitec has a net cash inflow after applying the run-off factors, outflows for the purpose of the ratio are deemed to be 25% of gross outflows.
[2] There is no difference between group and bank.

7.4.1 Composition of high-quality liquid assets

	28 Feb 2018	31 Aug 2017
Total level one R'000 qualifying high-quality liquid assets[1]	**18 056 043**	9 467 151
Cash	**3 266 936**	2 889 130
Qualifying central bank reserves	**1 112 195**	944 853
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	**11 780 097**	5 633 168
Specified marketable securities from sovereigns, central banks, public sector entities, multilateral development banks and development banks	**1 896 815**	-

[1] Capitec does not have any investments in level two high-quality liquid assets

7.4.2 Diversification of funding sources



- *Capitec has no exposure to institutional or corporate call accounts.*
- *Fixed-term deposits - wholesale (listed) and wholesale (listed subordinated debt) comprises domestic medium-term notes listed on the JSE Limited. Investors in these bonds comprise: banks, insurance companies, fund managers and pension and provident funds.*
- *Wholesale (other) comprises deposits negotiated on a bilateral basis.*
- *Retail refers to individuals/natural persons.*

7.4.3 Derivative exposures and potential collateral calls

The below tables provide information on the potential exposure to margin calls on derivative exposures. All derivatives are entered into for the sole purpose of risk mitigation in the banking book.

Derivative financial instruments: cash flow hedges

	Notional		Fair values	
R'000	**USD**	**ZAR**	**Assets**	**Liabilities**
FEB 2018				
Interest rate swaps	-	**3 766 000**	**(129)**	**38 546**
Cross currency interest rate swaps	-	-	-	-
Net	-	**3 766 000**	**(129)**	**38 546**
AUG 2017				
Interest rate swaps	-	4 266 000	(645)	63 929
Cross currency interest rate swaps	30 000	343 500	(46 085)	-
Net	30 000	4 609 500	(46 730)	63 929

Maturity analysis R'000	**Demand to one month**	**One to three months**	**Three months to one year**	**More than one year**	**Grand total**
FEB 2018					
Discounted swap cash flows	**296**	**4 532**	**14 728**	**18 861**	**38 417**
Discounted cross currency interest rate swap cash flows	-	-	-	-	-
Net	**296**	**4 532**	**14 728**	**18 861**	**38 417**
AUG 2017					
Discounted swap cash flows	(176)	4 558	24 217	34 685	63 284
Discounted cross currency interest rate swap cash flows	-	4 707	(50 792)	-	(46 085)
Net	(176)	9 265	(26 575)	34 685	17 199

Gains and losses recognised in comprehensive income on swap contracts will be continuously released to the income statement in line with the interest expense and foreign currency movement on the underlying hedged items.

The forecast cash flows presented above show how the cash flow hedging reserve will be released to the income statement over time. The swaps have quarterly reset and settlement dates. The forecast cash flows were based on contracted interest and ruling exchange rates.

	Notional		Fair values	
R'000	**Foreign**	**ZAR**	**Assets**	**Liabilities**
FEB 2018				
Forward foreign exchange contracts - USD	**1 921**	**35 461**	-	**12 820**
Forward foreign exchange contracts - EUR	**7 000**	**109 030**	-	**3 210**
Net		**144 491**	-	**16 030**
AUG 2017				
Forward foreign exchange contracts - USD	1 921	35 461	-	9 664
Forward foreign exchange contracts - EUR	13 798	209 726	16 817	-
Net		245 187	16 817	9 664

Forward foreign exchange contracts represent commitments to purchase foreign currency, including undelivered spot transactions and were entered into to match corresponding expected future transactions to the amount of R144 million (Aug 2017: R245 million).

8. The net stable funding ratio (NSFR)

NSFR	28 Feb 2018	31 Aug 2017
NSFR%	**206**	199
Required stable funding (R'm)	**37 205**	37 408
Available stable funding (R'm)	**76 621**	74 311

The NSFR is designed to ensure closer matching of long-term asset cash flows with long-term funding cash flows. A ratio of 100% or more represents compliance. Compliance is required by 2018.

Early compliance with the two recent Basel ratios underscores Capitec's conservative approach to liquidity management. Our NSFR% is calculated as per the SARB rules in force. Basel has proposed adjustments to the calibration of the ratio. The February 2018 NSFR ratio is based on the latest Basel regulations.

For further details on our NSFR ratio, please refer to the LIQ2: Net Stable Funding Radio (NSFR) common disclosure template on the Capitec website under investor relations.

9. 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.

Sensitivity of equity	28 Feb 2018		31 Aug 2017	
	R'000	%	**R'000**	**%**
200 basis points shift				
Increase	**(699 604)**	**(3.3)**	(620 719)	(3.8)
Decrease	**722 962**	**3.4**	636 802	3.9

10. Qualitative disclosures and accounting policies

The regulations require that certain qualitative disclosures and statements on accounting policy be made. These were made in the Integrated Annual Report for the financial period ended 28 February 2018, in the remuneration report, corporate governance and risk management review and statements on group accounting policy. The disclosures in this report should be read together with the Integrated Annual Report, Main Features of Capital Instruments and Transitional Basel 3 Template. These disclosures can be found on the Capitec Bank website under Investor Relations, Financial results, Banks Act Public Disclosure.