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

AUG 2022

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.

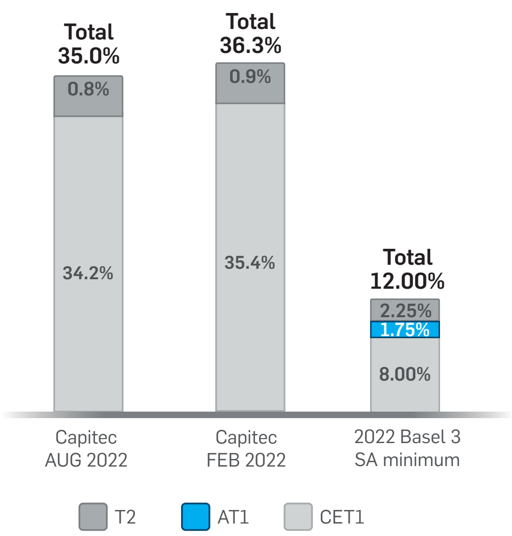
2. Period of reporting

This report covers the 6 months ended 31 August 2022. Comparative information is presented for the previous 6-month period ended 28 February 2022.

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 consolidated companies are incorporated in the Republic of South Africa.

CAPITAL ADEQUACY BY TIER



- *CET1 (Common Equity Tier 1) capital represents ordinary share capital and reserves after Basel deductions.*
- *AT1 (Additional Tier 1 capital) Capitec's perpetual preference shares have fully phased out on 1 January 2022 and do not qualify as AT1 capital.*
- *T2 (Tier 2 capital) Capitec has no subordinated debt instruments in issue.*
- *Globally, the Basel 3 minimum capital adequacy percentage is 8%.*
- *The Basel 3 SA minimum includes the global minimum requirement of 8%, the South African country-specific Pillar 2A buffer of 1%, the Capital Conservation Buffer of 2.5% and the Domestic Systemically Important Bank ("D-SIB") capital add-on of 0.5%. Directive 4 of 2020 requires banks to publicly disclose their Domestic Systemically Important Bank (D-SIB) capital add-on as part of their composition of regulatory capital disclosure. Capitec's D-SIB requirement currently amounts to 0.5%. Current regulations state that the South African Pillar 2A country risk buffer and the D-SIB buffers on a combined basis cannot exceed 3.5%. The capital conservation buffer is currently set at 2.5%.*
- *Excluded from the SA minima are the Basel 3:*
  - *Bank-specific buffers. Bank-specific buffers include the Idiosyncratic Capital Requirement (ICR). In terms of the Banks Act regulations, banks may not disclose their ICR.*
  - *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.*

4. Regulatory capital adequacy

R'000	31 Aug 2022	28 Feb 2022
Composition of qualifying regulatory capital		
Ordinary share capital[1]	**5 649 020**	5 649 020
Foreign currency translation reserve	**38 844**	31 438
Other reserves	**487 436**	474 779
Retained earnings	**29 538 165**	29 559 311
Total ordinary shareholder equity	**35 713 465**	**35 714 548**
Regulatory adjustments		
– Intangible assets, deferred tax assets excluding temporary differences and goodwill in terms of IFRS[8]	**(1 347 692)**	(1 329 617)
– Cash flow hedge reserve and other regulatory adjustments	**(2 665)**	(3 403)
– Unappropriated profit	**(1 083 544)**	(3 191 782)
Common Equity Tier 1 capital (CET1)	**33 279 564**	**31 189 746**
Issued preference share capital[1]	**50 576**	51 167
Phase out – non-loss absorbent[2] [7]	**(50 576)**	(51 167)
Additional Tier 1 capital (AT1)	**-**	-
Tier 1 capital (T1)	**33 279 564**	31 189 746
Unidentified impairments	**825 689**	749 377
Tier 2 capital (T2)	**825 689**	749 377
Qualifying regulatory capital	**34 105 253**	**31 939 123**
CET1%	**34.2**	35.4
AT1%	**-**	-
T1%	**34.2**	35.4
T2%	**0.8**	0.9
Total capital adequacy %[3]	**35.0**	**36.3**
Composition of required regulatory capital		
On balance sheet	**7 870 492**	7 102 134
Off balance sheet	**57 165**	48 570
Credit risk	**7 927 657**	7 150 704
Operational risk	**1 402 812**	1 267 979
Market risk	**1 233**	1 196
Equity risk	**685 271**	477 381
Other assets	**1 673 128**	1 669 230
Total regulatory capital requirement[4]	**11 690 101**	**10 566 490**
Composition of risk-weighted assets[5]		
On balance sheet	**65 587 436**	59 184 454
Off balance sheet	**476 372**	404 753
Credit risk	**66 063 808**	59 589 207
Operational risk	**11 690 100**	10 566 491
Market risk	**10 273**	9 965
Equity risk	**5 710 591**	3 978 176
Other assets	**13 942 731**	13 910 253
Total risk-weighted assets	**97 417 503**	**88 054 092**
Total assets based on IFRS	**182 709 553**	177 942 781
Total risk-weighted assets – adjustments [6]	**(85 292 050)**	(89 888 689)
Total risk-weighted assets – regulatory	**97 417 503**	88 054 092

(1) For further details of the main features of these instruments, please refer to the Main Features of Capital Instruments and Transitional Basel 3 template on the Capitec Bank website.

(2) Starting in 2013, the non-loss absorbent AT1 and T2 capital was subject to a 10% per annum phase-out in terms of Basel 3, and became fully phased-out on 1 January 2022.

(3) The total capital adequacy ratio percentage is determined by dividing the total qualifying regulatory capital by total risk-weighted assets.

(4) This value is currently 12% of risk-weighted assets, being the Basel global minimum requirement of 8%, the South African country-specific Pillar 2A buffer of 1%, the Capital Conservation Buffer of 2.5% and the Domestic Systemically Important Bank ("D-SIB") capital add-on of 0.5%. In terms of the regulations relating to banks the Individual Capital Requirement ("ICR") Pillar 2B requirement is excluded.

(5) 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.

(6) The adjustments reflect mainly the impact of the regulatory percentages and the addition of a risk-weighted equivalent for operational risk.

(7) The base value of preference shares which phased-out in terms of Basel 3 is R258 969 000. At 31 August 2022, 80.47% (Feb 2022: 80.24%) of these shares had been repurchased as they no longer contributed to qualifying regulatory capital.

(8) In terms of the regulations relating to banks, goodwill and intangible assets net of the related deferred tax liability, are treated as specified adjustments and are deducted from Common Equity Tier 1 (CET1) capital and reserve funds.

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.

Capitec is conservatively leveraged with a ratio of 18.1% (Feb 2022: 17.5%).

5.1 Summary of leverage ratio

Line #	Leverage ratio framework R'000	Capitec Bank Holdings Limited 31 Aug 2022	Capitec Bank Holdings Limited 28 Feb 2022	Capitec Bank Limited 31 Aug 2022	Capitec Bank Limited 28 Feb 2022
	Capital and total exposures				
20	Tier 1 capital	**33 279 564**	31 189 746	**30 341 385**	28 646 137
21	Total exposures	**183 739 998**	178 617 863	**181 984 921**	177 138 489
	Leverage ratio				
22	**Basel 3 leverage ratio%**	**18.1%**	17.5%	**16.7%**	16.2%

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

6. Credit risk

6.1 Summary of on Balance Sheet and off Balance Sheet Credit Exposure

The table below summarises the daily average credit exposures for the six month period ending on 31 August 2022 and 28 February 2022 respectively for Capitec Bank Holdings Limited.

Asset Class R'000	Average gross credit exposure 31 Aug 2022	Average gross credit exposure 28 Feb 2022
Liquid assets	**22 792 052**	23 498 415
Cash and cash equivalents - Banks	**13 891 481**	12 659 808
Cash and cash equivalents - Sovereign	**3 034 724**	2 818 728
Resale agreements with banks	**4 756 835**	6 409 305
Resale agreements with corporates	**-**	988 786
Other balances with central banks	**1 109 012**	621 788
Negotiable securities	**-**	-
Gross loans and advances	**88 756 657**	80 815 455
Retail personal term loans	**55 301 692**	54 058 732
Retail revolving credit	**24 053 697**	18 457 146
Mortgage loans	**7 092 518**	6 218 539
Instalment sales and leases	**2 298 391**	2 066 906
Other advances	**10 359**	14 132
Gross other assets	**66 996 474**	67 787 601
Term deposit investments - Banks	**2 519 922**	1 061 359
Financial investments - Sovereign	**64 433 902**	66 701 895
Derivative financial assets	**42 650**	24 347
On-balance sheet exposure	**178 545 183**	172 101 471
Guarantees	**703 426**	661 766
Letters of credit	**10 539**	17 420
Committed undrawn facilities	**194 452**	188 962
Conditionally revocable commitments	**14 850 401**	11 276 393
Off-balance sheet exposure	**15 758 818**	12 144 541
Total credit exposure	**194 304 001**	184 246 012

6.2 Credit Quality of assets

The table below summarises the group's asset classes by IFRS 9 stage and splits the exposures between default and non-default. The table also indicates whether the exposure is calculated on a month-end basis or on a daily average balance method and the total impairment provisions on each asset class.

31 Aug 2022 R'000	Month Average / Month-end exposure	Credit Exposure Value			
		Defaulted exposures	Non-defaulted exposures	Impairments	Net
Stage 1		-	137 886 425	(5 237 252)	132 649 173
Retail term loans	Month-end	-	29 737 541	(2 643 070)	27 094 471
Retail revolving credit	Monthly Ave	-	19 810 751	(2 248 862)	17 561 889
Sovereigns and their central banks	Monthly Ave	-	64 253 006	(111 464)	64 141 542
Banks	Monthly Ave	-	11 980 111	(3 954)	11 976 157
Corporate exposures	Both	-	3 922 453	(105 083)	3 817 370
Residential mortgage advances	Month-end	-	3 139 090	(9 237)	3 129 853
SME Secured lending	Month-end	-	3 719 460	(47 651)	3 671 809
Other exposures (SME unsecured lending and public sector entities)	Both	-	1 324 013	(67 931)	1 256 082
Stage 2		-	13 500 908	(3 278 948)	10 221 960
Retail term loans	Month-end	-	8 268 698	(1 706 487)	6 562 211
Retail revolving credit	Monthly Ave	-	4 088 252	(1 366 766)	2 721 486
Sovereigns and their central banks	Monthly Ave	-	-	-	-
Banks	Monthly Ave	-	-	-	-
Corporate exposures	Both	-	786 776	(147 451)	639 325
Residential mortgage advances	Month-end	-	178 017	(16 826)	161 191
SME Secured lending	Month-end	-	106 248	(19 600)	86 648
Other exposures (SME unsecured lending and public sector entities)	Both	-	72 917	(21 818)	51 099
Stage 3		12 056 961	4 955 148	(10 654 546)	6 357 563
Retail term loans	Month-end	8 884 372	4 367 566	(8 315 692)	4 936 246
Retail revolving credit	Monthly Ave	2 241 242	587 582	(2 042 593)	786 231
Sovereigns and their central banks	Monthly Ave	-	-	-	-
Banks	Monthly Ave	-	-	-	-
Corporate exposures	Both	126 477	-	(44 488)	81 989
Residential mortgage advances	Month-end	400 364	-	(52 923)	347 441
SME Secured lending	Month-end	288 132	-	(117 317)	170 815
Other exposures (SME unsecured lending and public sector entities)	Both	116 374	-	(81 533)	34 841
Debt securities		-	-	-	-
Off balance sheet items [(1)]		222	17 425 034	-	17 425 256
Total		12 057 183	173 767 515	(19 170 746)	166 653 952

(1) *For agreements that contain both a drawn and undrawn component, the combined expected credit loss (ECL) provision is recognised against the on balance sheet component.*

Stage 1

Retail bank

These are loans and advances which are up-to-date with no indication of significant increase in credit risk (SICR) as well as loans that have been rescheduled from up-to-date or arrears and have been rehabilitated. Clients who applied for debt review more than 12 months ago and remained up-to-date are classified as stage 1 subject to the SICR assessment.

Business bank

These are loans and advances which are up-to-date or up to 1 month in arrears with no indication of SICR. This includes distressed restructured loans that have rehabilitated.

Stage 2

Retail bank

- *Up-to-date loans with SICR*
- *Loans where the forward-looking information indicates SICR*
- *Loans up to 1 month in arrears*
- *Loans that applied for debt review between 6 and 12 months ago which are currently performing*

Business bank
- *Loans that have experienced a SICR since initial recognition*
- *Loans where the forward-looking information indicates SICR*
- *Loans that are between 2 and 3 months in arrears*
- *Up-to-date loans that restructured from up-to-date (not yet rehabilitated)*
- *Up-to-date loans that restructured from arrears (not yet rehabilitated)*

Stage 3
Retail bank
- *The client is placed under debt review*
- *The client is handed over for collection or has another legal status*
- *The client is in default. The group defines default as the point at which the client is past due on 2 contractual payments*
- *The client applied for debt review less than 6 months ago and the loans are currently performing*
- *The loan was rescheduled from up-to-date and is up-to-date (not yet rehabilitated)*
- *The loan is currently up to 1 month in arrears and was previously rescheduled but has not rehabilitated*
- *The loan was rescheduled from arrears and is up-to-date (not yet rehabilitated)*

Business bank
- *The borrower is more than 3 months past due on contractual payments*
- *the borrower is in long-term forbearance*
- *the borrower is deceased or insolvent*
- *the borrower is in breach of financial covenant(s)*
- *an active market for the financial assets has disappeared because of financial difficulty/inability to meet contractual obligations and the borrower is in arrears*
- *it is becoming probable that the borrower may enter bankruptcy*

28 Feb 2022 R'000	Month Average / Month-end exposure	Credit Exposure Value			
		Defaulted exposures	Non-defaulted exposures	Impairments	Net
Stage 1		-	133 520 878	(5 137 682)	128 383 196
Retail term loans	Month-end	-	29 268 389	(2 751 101)	26 517 288
Retail revolving credit	Monthly Ave	-	15 677 534	(2 081 237)	13 596 297
Sovereigns and their central banks	Monthly Ave	-	63 048 447	(108 723)	62 939 724
Banks	Monthly Ave	-	13 736 024	(1 022)	13 735 002
Corporate exposures	Both	-	4 614 647	(96 879)	4 517 768
Residential mortgage advances	Month-end	-	3 020 977	(11 018)	3 009 959
SME Secured lending	Month-end	-	3 207 146	(42 834)	3 164 312
Other exposures (SME unsecured lending and public sector entities)	Both	-	947 714	(44 868)	902 846
Stage 2		-	14 057 991	(3 309 894)	10 748 097
Retail term loans	Month-end	-	9 349 654	(1 921 515)	7 428 139
Retail revolving credit	Monthly Ave	-	3 412 125	(1 175 605)	2 236 520
Sovereigns and their central banks	Monthly Ave	-	-	-	-
Banks	Monthly Ave	-	-	-	-
Corporate exposures	Both	-	870 701	(153 431)	717 270
Residential mortgage advances	Month-end	-	200 394	(12 481)	187 913
SME Secured lending	Month-end	-	141 578	(21 832)	119 746
Other exposures (SME unsecured lending and public sector entities)	Both	-	83 539	(25 030)	58 509
Stage 3		10 212 149	4 572 343	(9 222 142)	5 562 350
Retail term loans	Month-end	7 955 677	4 207 870	(7 617 134)	4 546 413
Retail revolving credit	Monthly Ave	1 376 746	364 473	(1 252 918)	488 301
Sovereigns and their central banks	Monthly Ave	-	-	-	-
Banks	Monthly Ave	-	-	-	-
Corporate exposures	Both	126 735	-	(93 531)	33 204
Residential mortgage advances	Month-end	346 209	-	(51 340)	294 869
SME Secured lending	Month-end	267 485	-	(116 836)	150 649
Other exposures (SME unsecured lending and public sector entities)	Both	139 297	-	(90 383)	48 914
Debt securities		-	-	-	-
Off balance sheet items		-	13 660 403	-	13 660 403
Total		10 212 149	165 811 615	(17 669 718)	158 354 046

6.3 Analysis of loans in default

The table below reconciles the movement in loans classified as being in default from 1 March 2022 to 31 August 2022:

R'000	31 Aug 2022	28 Feb 2022
Defaulted loans and debt securities at end of previous reporting period[1]	**10 212 149**	10 109 337
Loans and debt securities that have defaulted since the last reporting period	**3 928 369**	2 430 045
Returned to non-defaulted status	**(121 523)**	(221 604)
Amounts written off	**(1 939 668)**	(2 093 423)
Other changes	**(22 144)**	(12 206)
Defaulted loans and debt securities at end of reporting period[1]	**12 057 183**	**10 212 149**

(1) *Default on retail loans include the following:*

- *loans on which clients are past due on more than 3 contractual payments;*
- *loans which clients have applied for debt review less than 6 months ago which are currently performing;*
- *up-to-date loans that rescheduled from up-to-date (not yet rehabilitated);*
- *loans that are currently up to 1 month in arrears that were previously rescheduled but have not rehabilitated or*
- *up-to-date loans that rescheduled from arrears (not yet rehabilitated).*

Default on business loans occurs when one or more of the following criteria is met:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments (rebuttable presumption).

Qualitative criteria
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where, inter alia:

- *The borrower is in long-term forbearance;*
- *The borrower is deceased;*
- *The borrower is insolvent;*
- *The borrower is in breach of financial covenant(s);*
- *An active market for the financial assets have disappeared because of financial difficulties;*
- *Concessions have been made by the group relating to the borrower's financial difficulty / inability to meet contractual obligations; or*
- *It is becoming probable that the borrower may enter bankruptcy.*

A rebuttable assumption is applied and the financial instrument is considered impaired if the borrower is more than 90 days past due on its contractual payments.

6.4 Standardised approach - credit risk exposure and credit risk mitigation effects

The following table summarises the group's Credit risk exposures, both pre and post Credit Risk Mitigation (CRM) and Credit Conversion Factor (CCF), together with the resulting Credit Risk Weighted Assets and Risk Weighted Asset density. Resale agreements with Banks and Corporate entities are included in the Banks and Corporate disclosure lines respectively in the table below. Past-due loans include retail loans which are in arrears by 1 day or longer, and business past-due loans include loans which are in arrears by more than 90 days.

31 Aug 2022	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
Asset Classes R'000	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA[(2)]**	**RWA density**
Sovereigns and their central banks[(3)]	64 253 006	-	64 253 006	-	-	0%
Banks[(1)]	11 980 111	2 401	8 326 405	80	3 573 255	43%
Corporates[(1)]	2 863 622	839 114	2 761 971	118 071	2 653 087	92%
Regulatory retail portfolios	66 121 306	16 216 483	66 110 693	190 739	50 603 986	76%
Secured by residential property	3 317 107	128 033	3 309 689	101 963	1 280 650	38%
Secured by commercial real estate	3 602 494	239 002	3 602 494	179 489	3 776 826	100%
Past-due loans	5 607 251	222	5 607 250	37	4 167 329	74%
Total	**157 744 897**	**17 425 255**	**153 971 508**	**590 379**	**66 055 133**	**43%**

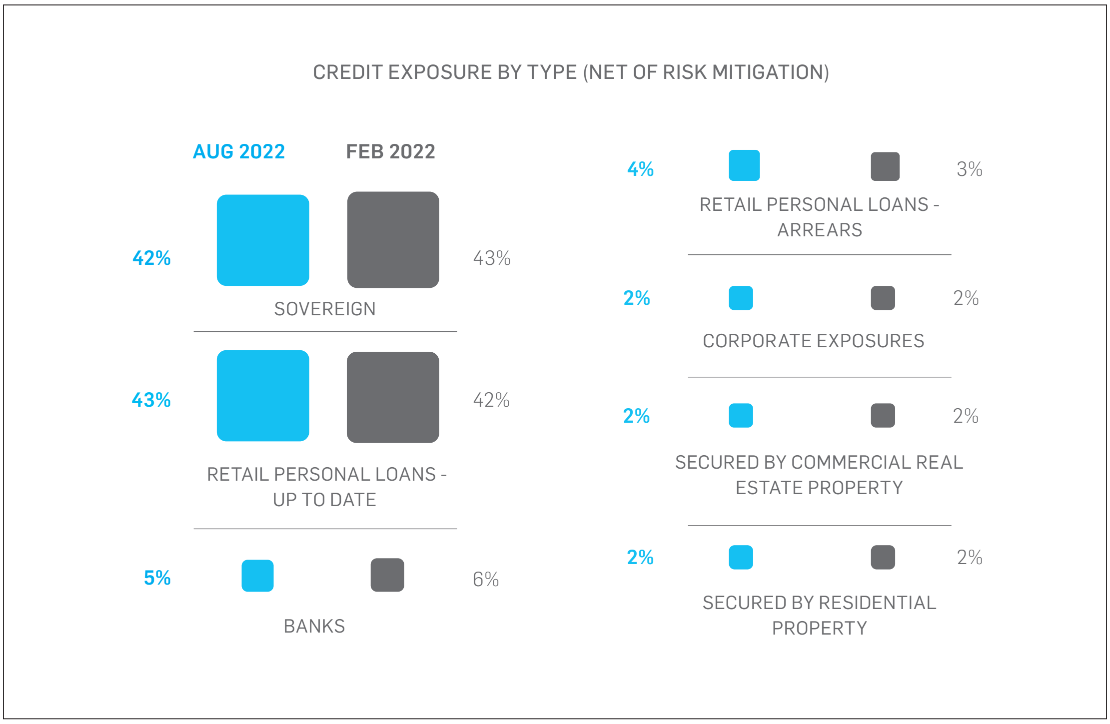
As required by the regulations (which incorporate Basel requirements):

(1) *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.*

(2) *The risk weightings reflected are the standard risk weightings applied to exposures, as required by the regulations. Risk weightings for exposures (other than retail) are determined by mapping the exposures to the Moody's International grade rating mapping table.*
The risk weightings for retail exposures are specified directly in the banking regulations. A standard risk weighting of 75% is applied to performing (Stage 1 and Stage 2) exposures while non-performing (Stage 3) exposures attract a standard 50% risk weighting in the case where more than 50% of the outstanding balance has already been provided for, or a 100% risk weighting in the case where less than 50% of the outstanding balance has been provided for, net of allowed impairments. A standard risk weighting of 150% is applied to non-performing exposures in the case where less than 20% of the outstanding balance has been provided for.

(3) *Sovereign comprises of investments in RSA treasury bills, government bonds and SARB debentures. These exposures are zero risk weighted.*

28 Feb 2022	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
Asset Classes R'000	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA[(2)]**	**RWA density**
Sovereigns and their central banks[(3)]	63 048 447	-	63 048 447	-	-	0%
Banks[(1)]	13 736 024	216	8 574 932	43	1 945 115	23%
Corporates[(1)]	3 438 547	1 178 138	2 821 324	251 891	2 816 072	92%
Regulatory retail portfolios	61 307 208	12 231 373	61 307 208	35 091	46 767 319	76%
Secured by residential property	3 221 333	109 762	3 213 436	93 984	1 295 261	39%
Secured by commercial real estate	3 049 019	140 839	3 049 019	109 481	3 158 500	100%
Past-due loans	4 868 177	74	4 868 177	5	3 598 820	74%
Total	**152 668 755**	**13 660 402**	**146 882 543**	**490 495**	**59 581 087**	**40%**



6.5 Credit Risk mitigation techniques

The following table summarises the total exposures which are unsecured and the total exposures which are secured.

31 Aug 2022 R'000	Exposures unsecured: carrying amount	Exposures secured by collateral
Total Net Loans and Advances	**171 612 502**	**14 212 196**
Retail term loans	51 211 100	86 000
Retail revolving credit	41 649 390	-
Sovereigns and their central banks	64 253 006	-
Banks	8 182 146	3 800 365
Corporate exposures	1 906 967	3 804 458
Residential mortgage advances	337 376	3 508 129
SME secured lending	1 699 143	3 013 244
Other exposures (SME unsecured lending)	2 373 374	-
Debt Securities	-	-
Total	**171 612 502**	**14 212 196**
Of which defaulted (Net of credit impairment)	2 913 393	-

6.5 Credit Risk mitigation techniques (Continued)

28 Feb 2022 R'000	Exposures unsecured: carrying amount	Exposures secured by collateral
Total Net Loans and Advances	160 310 923	15 240 374
Retail term loans	50 735 768	94 919
Retail revolving credit	32 212 043	-
Sovereigns and their central banks	63 048 447	-
Banks	8 939 938	4 796 302
Corporate exposures	2 045 370	4 308 632
Residential mortgage advances	263 321	3 413 852
SME secured lending	1 380 071	2 626 669
Other exposures (SME unsecured lending)	1 685 965	-
Debt Securities	-	-
Total	160 310 923	15 240 374
Of which defaulted (Net of credit impairment)	2 721 872	637 152

6.6 Standardised approach - exposure by asset classes and risk weights

The following table summarises the credit risk exposures by risk weighting percentage:

31 Aug 2022 Risk weight/ Asset Classes R'000	0%	20%	35%	50%	75%	100%	150%	Total credit exposure amount post CRM and CCF
Sovereigns and their central banks	64 253 006	-	-	-	-	-	-	64 253 006
Banks	-	4 993 978	-	1 531 025	-	1 801 482	-	8 326 485
Corporates	-	-	-	453 911	-	2 426 131	-	2 880 042
Regulatory retail portfolios	-	-	-	25 609	64 045 719	1 576 525	653 579	66 301 432
Secured by residential property	-	-	3 208 268	-	182 511	20 873	-	3 411 652
Secured by commercial real estate	-	-	-	-	20 629	3 761 354	-	3 781 983
Past-due loans	-	-	-	2 371 636	1 505 401	1 485 831	244 419	5 607 287
Total	64 253 006	4 993 978	3 208 268	4 382 181	65 754 260	11 072 196	897 998	154 561 887

6.6 Standardised approach - exposure by asset classes and risk weights (Continued)

28 Feb 2022 Risk weight/ Asset Classes R'000	0%	20%	35%	50%	75%	100%	150%	Total credit exposure amount post CRM and CCF
Sovereigns and their central banks	63 048 447	-	-	-	-	-	-	63 048 447
Banks	-	7 850 635	-	721 831	-	2 509	-	8 574 975
Corporates	-	-	-	510 243	8 918	2 554 054	-	3 073 215
Regulatory retail portfolios	-	-	-	24 726	59 271 037	1 419 674	626 862	61 342 299
Secured by residential property	-	-	3 120 216	-	168 402	18 802	-	3 307 420
Secured by commercial real estate	-	-	-	-	-	3 158 500	-	3 158 500
Past-due loans	-	-	-	2 012 889	1 373 650	1 320 652	160 991	4 868 182
Total	63 048 447	7 850 635	3 120 216	3 269 689	60 822 007	8 474 191	787 853	147 373 038

6.7 Write-offs and recoveries reflected in the income statement

The table below summarises the net credit impairment charge as recognised in the Income Statement for the six month period ending 31 August 2022 and the six month period which ended on 28 February 2022.

R'000	6 months 31 Aug 2022	6 months 28 Feb 2022
Net impairment charge on loans and advances:		
Bad debts (write-offs)	**2 656 288**	3 174 979
Net Movement in impairment allowance	**651 434**	(1 419 165)
Bad debts recovered	**(368 392)**	(315 961)
Net impairment charge	**2 939 330**	**1 439 853**

6.8 Analysis of counterparty credit risk by approach (CCR)

Counterparty Credit Risk (CCR) is calculated on the new Standardised Approach (SA-CCR) which was implemented on 1 January 2021, based on the asset values as well as any potential future add-ons as prescribed by the Regulations.

31 Aug 2022 R'000	Replacement cost	Potential future exposure	EAD Post - CRM	RWA
SA-CCR for derivatives	11 532	1 331	18 008	5 390
Simple approach for credit risk mitigation (for SFTs)[1]	3 619 694	3 474 370	145 324	29 065
Total	**3 631 226**	**3 475 701**	**163 332**	**34 455**

28 Feb 2022 R'000	Replacement cost	Potential future exposure	EAD Post - CRM	RWA
SA-CCR for derivatives	3 561	9 682	16 837	21 956
Simple approach for credit risk mitigation (for SFTs)[1]	5 394 718	5 166 233	228 484	45 697
Total	**5 398 279**	**5 175 915**	**245 321**	**67 653**

(1) *Secured Finance Transactions (SFTs) include investments in resale agreements.*

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

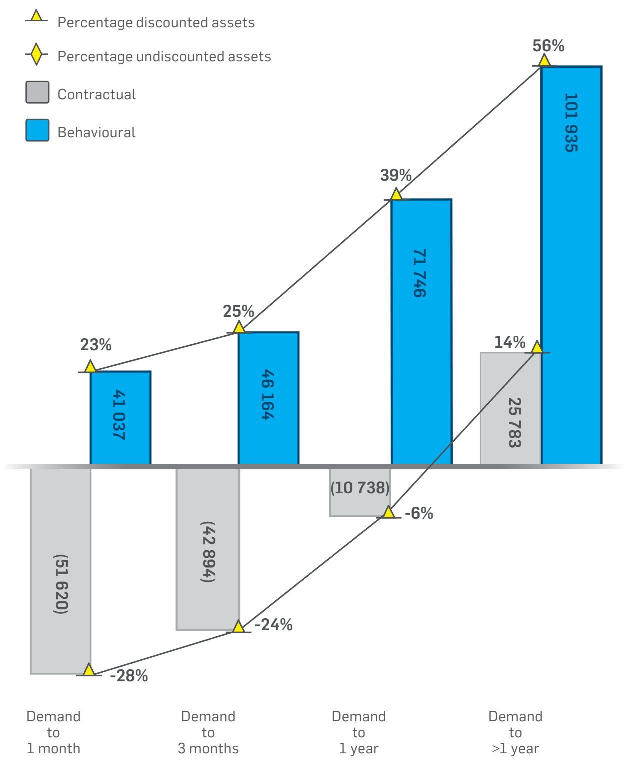
Both the contractual and behavioural mismatches benefit positively from the high component of equity funding. This creates a greater surplus of asset cash flows over liability cash flows compared to banks with lower capital ratios.

The main difference between the behavioural and contractual mismatches relates to the treatment of retail call deposits. 91.41% (Feb 2022: 90.10%) 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.

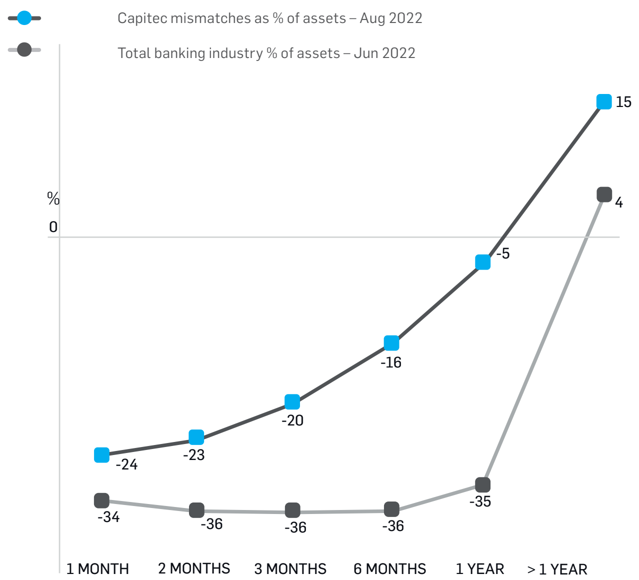
Industry comparison
The industry comparison shows that Capitec's contractual mismatch as a percentage of assets is prudent relative to the total industry mismatch. The source data is as reported on the SARB BA 300 returns, which exclude the impact of loan impairments.

CONTRACTUAL AND BEHAVIOURAL LIQUIDITY MISMATCHES R'm

The contractual mismatch is reported on a discounted basis whereas the behavioural mismatch is reported on an undiscounted basis.



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
- 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) R'000	Demand to one month	One to three months	Three months to one year	More than one year	Non - contractual	Adjustment	Total
AUG 2022							
Undiscounted assets							
Cash and cash equivalents – sovereigns	3 074 017	-	-	-	-	-	3 074 017
Cash and cash equivalents – banks	21 035 162	2 512 253	-	-	-	(837)	23 546 578
Financial investments at amortised cost	6 264 960	14 574 870	33 305 162	21 907 411	-	(111 465)	75 940 938
Term deposit investments	-	-	3 465 364	-	-	(3 114)	3 462 250
Financial assets – equity instruments at FVOCI	-	-	-	73 317	-	-	73 317
Loans and advances – Retail	4 584 954	6 513 212	25 337 829	67 827 730	10 916 150	(287 341)	114 892 534
Loans and advances – Business loans	2 152 692	255 571	1 084 242	3 542 568	415 890	-	7 450 963
Loans and advances – Mortgage loans	129 075	253 312	887 439	9 915 690	563 391	-	11 748 907
Other receivables	3 692 593	-	109 071	585 235	-	-	4 386 899
Funeral plan income receivable	-	-	866 187	-	-	-	866 187
Net insurance receivable	-	-	550 726	-	-	-	550 726
Derivative assets	17 836	3 740	4 704	-	-	-	26 280
Current income tax asset	-	-	48 271	-	-	-	48 271
Undiscounted assets	40 951 289	24 112 958	65 658 995	103 851 951	11 895 431	(402 757)	246 067 867
Adjustments for undiscounted assets	(1 972 414)	(2 521 767)	(11 665 490)	(37 991 051)	-	-	(54 150 722)
Discounted assets							
Loan impairment provision	(1 067 875)	(598 778)	(2 358 755)	(6 627 250)	(8 395 417)	-	(19 048 075)
Total discounted assets	37 911 000	20 992 413	51 634 750	59 233 650	3 500 014	(402 757)	172 869 070
Undiscounted liabilities							
Deposits	95 824 178	5 897 569	19 463 149	22 879 600	-	-	144 064 496
Wholesale funding	47 459	40 665	226 457	1 777 711	-	-	2 092 292
Lease liability	23 082	94 387	420 228	2 658 321	-	-	3 196 018
Trade and other payables	2 578 452	92 926	666 602	264 362	83 369	-	3 685 711
Derivative liabilities	18 648	4 534	3 731	(2 153)	-	-	24 760
Employee benefit liabilities	-	-	-	152 388	-	-	152 388
Undiscounted Liabilities	98 491 819	6 130 081	20 780 167	27 730 229	83 369	-	153 215 665
Adjustments for undiscounted liabilities	(312 850)	(218 190)	(1 218 711)	(4 520 402)	-	-	(6 270 153)
Total discounted liabilities	98 178 969	5 911 891	19 561 456	23 209 827	83 369	-	146 945 512
Undiscounted Net liquidity excess /(shortfall)	(58 608 405)	17 384 099	42 520 073	69 494 472	3 416 645	(402 757)	73 804 127
Undiscounted Cumulative liquidity excess/(shortfall)	(58 608 405)	(41 224 306)	1 295 767	70 790 239	74 206 884	73 804 127	73 804 127

Maturities of financial assets and liabilities (tables reflect discounted cash flows) R'000	Demand to one month	One to three months	Three months to one year	More than one year	Non - contractual	Adjustment	Total
FEB 2022							
Undiscounted assets							
Cash and cash equivalents – sovereigns	3 043 900	-	-	-	-	-	3 043 900
Cash and cash equivalents – banks	29 805 962	1 406 547	-	-	-	(1 000)	31 211 509
Financial investments at amortised cost	6 615 500	10 836 930	35 687 420	21 737 744	-	(108 723)	74 768 871
Term deposit investments	-	311 456	420 200	-	-	(44)	731 612
Financial assets – equity instruments at FVOCI	-	-	-	72 680	-	-	72 680
Loans and advances – Retail	4 467 109	6 067 675	23 712 769	62 701 621	9 170 366	(292 808)	105 826 732
Loans and advances – Business loans	2 011 694	247 313	1 028 746	3 283 772	428 131	-	6 999 656
Loans and advances – Mortgages	128 991	252 889	750 136	8 374 807	473 379	-	9 980 202
Other receivables	2 552 869	36 098	39 211	19 993	-	-	2 648 171
Funeral income receivable	-	-	477 823	-	-	-	477 823
Net insurance receivable	-	-	677 935	-	-	-	677 935
Derivative assets	6 408	2 032	6 146	-	-	-	14 586
Undiscounted assets	48 632 433	19 160 940	62 800 386	96 190 617	10 071 876	(402 575)	236 453 677
Adjustments for undiscounted assets	(1 889 411)	(2 277 406)	(10 553 105)	(35 833 894)	-	-	(50 553 816)
Discounted assets							
Loan impairment provision	(1 219 691)	(588 132)	(2 300 416)	(6 317 249)	(7 133 333)	-	(17 558 821)
Total discounted assets	45 523 331	16 295 402	49 946 865	54 039 474	2 938 543	(402 575)	168 341 040
Undiscounted liabilities							
Deposits	93 122 833	5 460 246	17 034 926	21 210 709	-	-	136 828 714
Wholesale funding	66 465	39 834	238 358	2 007 385	-	-	2 352 042
Lease liability	19 532	92 708	414 554	2 816 469	-	-	3 343 263
Current income tax liabilities	-	301 951	-	-	-	-	301 951
Trade and other payables	2 795 540	1 418 279	142 022	321 575	68 443	-	4 745 859
Derivative liabilities	6 489	8 762	12 820	6 617	-	-	34 688
Employee benefit liabilities	-	-	-	234 029	-	-	234 029
Undiscounted Liabilities	96 010 859	7 321 780	17 842 680	26 596 784	68 443	-	147 840 546
Adjustments for undiscounted liabilities	(36 126)	(196 630)	(1 078 052)	(4 352 672)	-	-	(5 663 480)
Total discounted liabilities	95 974 733	7 125 150	16 764 628	22 244 112	68 443	-	142 177 066
Undiscounted Net liquidity excess /(shortfall)	(48 598 117)	11 251 028	42 657 290	63 276 584	2 870 100	(402 575)	71 054 310
Undiscounted Cumulative liquidity excess/(shortfall)	(48 598 117)	(37 347 089)	5 310 201	68 586 785	71 456 885	71 054 310	71 054 310

7.4 Liquidity coverage ratio (LCR)

The LCR is a 30-day stress test, using 92 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 31 Aug 2022	Total Adjusted Value 28 Feb 2022
21	Total high-quality liquid assets (HQLA)	**73 672 864**	81 574 866
22	Total Net Cash Outflows[1]	**2 830 266**	2 831 646
23	**Liquidity Coverage Ratio (%)**	**2 603%**	**2 881%**

(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.

For further details on our LCR, please refer to the Liquidity Coverage Ratio (LCR) common disclosure (LIQ1) template on the Capitec website under investor relations.

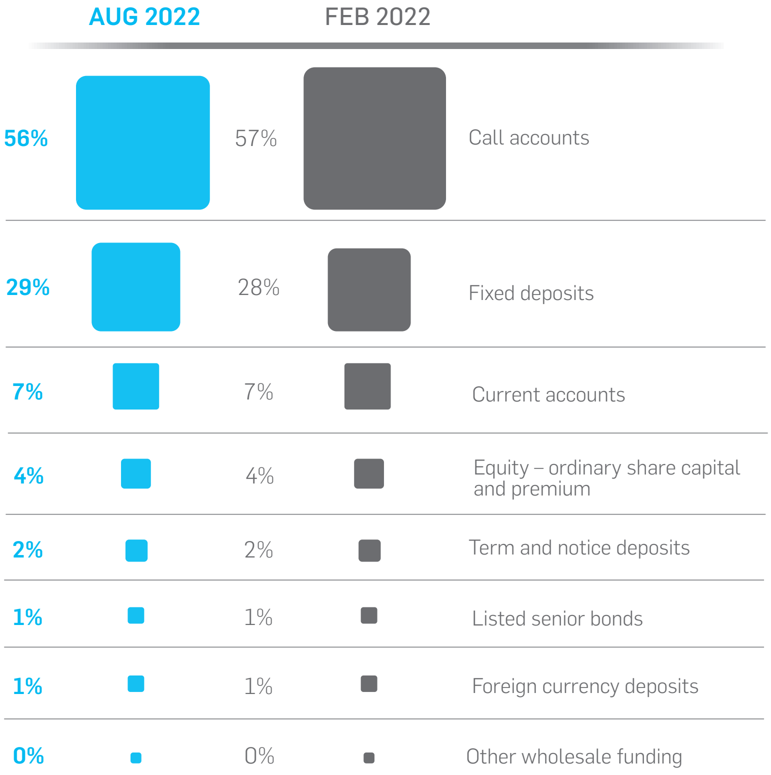
7.4.1 Composition of high-quality liquid assets

R'000	31 Aug 2022	28 Feb 2022
Cash	**3 117 319**	3 118 366
Qualifying central bank reserves	**3 062 838**	2 929 145
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	**63 252 558**	68 058 211
Specified marketable securities from sovereigns, central banks, public sector entities, multilateral development banks and development banks	**4 240 149**	7 469 144
Total level one qualifying high-quality liquid assets[1]	**73 672 864**	**81 574 866**

(1) Capitec does not have any investments in level 2 high-quality liquid assets

7.5 Diversification of funding sources

The graph below illustrates the composition of our funding sources:



8. The net stable funding ratio (NSFR)

Group NSFR R'000	31 Aug 2022	28 Feb 2022
NSFR%	**220.5%**	225.0%
Available stable funding	**165 049 369**	157 548 215
Required stable funding	**74 856 646**	70 017 939

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. The NSFR is based on the latest Basel regulations.

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

9. Market risk under standardised approach

The portfolios which are subject to market risk include foreign exchange contracts and foreign currency options for which the Bank currently holds R1.2 million in market risk capital in terms of the standardised approach for the calculation of capital.

R'000	31 Aug 2022 RWA	28 Feb 2022 RWA
RWA		
Foreign exchange risk	**10 273**	9 965
Total	**10 273**	9 965

10. 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

R'000	31 Aug 2022	28 Feb 2022
200 basis points shift		
Increase	**(2 188 733)**	(2 309 988)
Decrease	**2 382 177**	2 535 513

11. 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 2022, 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, Key Metrics (KM1) and Transitional Basel 3 Template.

These disclosures can be found on **https://www.capitecbank.co.za/investor-relations**