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

AUG 2021

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.

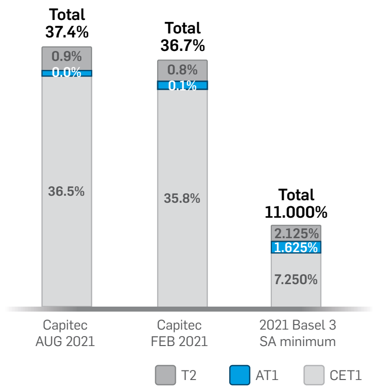
2. Period of reporting

This report covers the 6 months ended 31 August 2021. Comparative information is presented for the previous 6-month period ended 28 February 2021.

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 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 in issue during the reporting period.*

- *Globally, the Basel 3 minimum capital adequacy percentage is 8%.*
- *The Basel 3 SA minimum includes the current Pillar 2A South African country-specific buffer of 0%. The level of this buffer is at the discretion of the Prudential Authority (PA) and it is subject to periodic review. The PA issued Directive 2 on 6 April 2020 and temporarily relaxed the Pillar 2A South African country-specific buffer of 1%, to provide temporary capital relief to banks during this time of financial stress following the outbreak of the COVID-19 pandemic, in a manner that ensures South Africa's continued compliance with the relevant internationally agreed capital framework. It is currently anticipated that the 1% Pillar 2A requirement will be reinstated on 1 January 2022.*
- *The PA issued Directive 4 of 2020 on 27 August 2020. Directive 4 of 2020 has replaced Directive 6 of 2016 and 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 Individual Capital Requirement (ICR). In terms of the Banks Act regulations, banks may not disclose their ICR requirement.*
  - *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 2021	28 Feb 2021
Composition of qualifying regulatory capital		
Ordinary share capital[1]	**5 649 020**	5 649 020
Foreign currency translation reserve	**31 199**	50 291
Other reserves	**(53 151)**	(64 893)
Accumulated profit	**26 276 667**	24 225 346
Total ordinary shareholder equity	**31 903 735**	**29 859 764**
Regulatory adjustments		
– Intangible assets, deferred tax assets excluding temporary differences and goodwill in terms of IFRS[8]	**(1 445 323)**	(1 458 975)
– Cash flow hedge reserve and other regulatory adjustments	**20 669**	187 890
– Unappropriated profit	**(931 539)**	(716 053)
Common Equity Tier 1 capital (CET1)	**29 547 542**	**27 872 626**
Issued preference share capital[1]	**52 214**	55 641
Phase out – non-loss absorbent[2] [7]	**(26 317)**	(29 744)
Additional Tier 1 capital (AT1)	**25 897**	25 897
Tier 1 capital (T1)	**29 573 439**	**27 898 523**
Unidentified impairments	**675 502**	647 835
Tier 2 capital (T2)	**675 502**	647 835
Qualifying regulatory capital	**30 248 941**	**28 546 358**
CET1%	**36.5**	35.8
AT1%	**0.0**	0.1
T1%	**36.5**	35.9
T2%	**0.9**	0.8
Total capital adequacy %[3]	**37.4**	**36.7**
Composition of required regulatory capital		
On balance sheet	**5 900 183**	5 654 894
Off balance sheet	**46 152**	39 383
Credit risk	**5 946 335**	5 694 277
Operational risk	**1 068 147**	1 026 976
Market risk	**3 709**	5 007
Equity risk	**506 875**	577 464
Other assets	**1 376 157**	1 254 413
Total regulatory capital requirement[4]	**8 901 223**	**8 558 137**
Composition of risk-weighted assets[5]		
On balance sheet	**53 638 033**	51 408 127
Off balance sheet	**419 566**	358 031
Credit risk	**54 057 599**	51 766 158
Operational risk	**9 710 427**	9 336 148
Market risk	**33 720**	45 513
Equity risk	**4 607 958**	5 249 671
Other assets	**12 510 521**	11 403 742
Total risk-weighted assets	**80 920 225**	**77 801 232**
Total assets based on IFRS	**166 747 369**	156 506 986
Total risk-weighted assets – adjustments [6]	**(85 827 144)**	(78 705 754)
Total risk-weighted assets – regulatory	**80 920 225**	**77 801 232**

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

(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 11% (Feb 2021: 11%) of risk-weighted assets, being the Basel global minimum requirement of 8%, the Capital Conservation Buffer of 2.5% and the D-SIB capital add-on of 0.5%, disclosable in terms of Directive 4 of 2020 issued by the PA on 27 August 2020. Directive 4 of 2020 has replaced Directive 6 of 2016 and requires banks to publicly disclose their D-SIB capital add-on as part of their composition of regulatory capital disclosure. In terms of the regulations relating to banks the Individual Capital Requirement (ICR) is excluded. The PA issued Directive 2 on 6 April 2020 and temporarily relaxed the Pillar 2A South African country-specific buffer of 1% to provide temporary capital relief to banks during this time of financial stress following the outbreak of the COVID-19 pandemic, in a manner that ensures South Africa's continued compliance with the relevant internationally agreed capital framework.*

(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 phasing out in terms of Basel 3 is R258 969 000. At 31 August 2021, 79.84% (Feb 2021: 78.51%) 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 17.7% (Feb 2021: 17.6%).

5.1 Summary of leverage ratio

Line #	leverage ratio framework R'000	Capitec Bank Holdings Limited 31 Aug 2021	Capitec Bank Holdings Limited 28 Feb 2021	Capitec Bank Limited 31 Aug 2021	Capitec Bank Limited 28 Feb 2021
	Capital and total exposures				
20	Tier 1 capital	**29 573 439**	27 898 523	**28 067 598**	27 458 805
21	Total exposures	**167 100 306**	158 134 375	**165 996 327**	158 074 607
	Leverage ratio				
22	**Basel 3 leverage ratio%**	**17.7%**	17.6%	**16.9%**	17.4%

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 2021 and 28 February 2021 respectively for Capitec Bank Holdings Limited.

Asset Class R'000	Average Gross credit exposure 31 Aug 2021	Average Gross credit exposure 28 Feb 2021
Liquid assets	**29 332 249**	**48 004 375**
Cash and cash equivalents - Banks	**14 268 284**	22 290 499
Cash and cash equivalents - Sovereign	**2 298 189**	1 870 132
Resale agreements with banks	**11 021 325**	20 130 481
Resale agreements with corporates	**916 643**	3 174 955
Other balances with central banks	**827 808**	-
Negotiable securities	**-**	538 308
Gross loans and advances	**79 270 373**	**75 607 450**
Retail personal term loans	**55 147 027**	57 075 224
Retail Revolving Credit	**13 912 562**	9 654 573
Mortgage loans	**5 668 318**	5 445 023
Instalment sales and leases	**1 902 298**	1 502 579
Other advances	**2 640 168**	1 930 051
Gross other assets	**52 328 716**	**28 266 479**
Term deposit investments - Banks	**470 041**	309 905
Financial investments - Sovereign	**51 819 756**	27 912 212
Derivative financial assets	**38 919**	44 362
On-balance sheet exposure	**160 931 338**	**151 878 304**
Guarantees	**613 687**	563 165
Letters of credit	**21 559**	3 202
Committed undrawn facilities	**188 864**	251 612
Conditionally revocable commitments	**7 825 484**	4 276 286
Off Balance sheet exposure	**8 649 594**	**5 094 265**
Total credit exposure	**169 580 932**	**156 972 569**

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 2021 R'000	Month Average / Month-end exposure	Credit Exposure Value			
		Defaulted exposures	Non-defaulted exposures	Impairments	Net
Stage 1		-	128 176 881	(5 063 646)	123 113 235
Retail term loans	Month-end	-	27 540 653	(2 930 815)	24 609 838
Retail revolving credit	Monthly Ave	-	12 650 311	(1 815 881)	10 834 430
Sovereigns and their central banks	Monthly Ave	-	60 283 209	(108 129)	60 175 080
Banks	Monthly Ave	-	17 249 157	(909)	17 248 248
Corporate exposures	Both	-	4 030 949	(81 370)	3 949 579
Residential mortgage advances	Month-end	-	2 728 833	(18 960)	2 709 873
SME Secured lending	Month-end	-	2 889 104	(63 942)	2 825 162
Other Exposures (SME Unsecured lending and Public sector Entities)	Both	-	804 665	(43 640)	761 025
Stage 2		-	13 214 412	(3 205 467)	10 008 945
Retail term loans	Month-end	-	10 155 836	(2 336 990)	7 818 846
Retail revolving credit	Monthly Ave	-	1 649 884	(687 865)	962 019
Sovereigns and their central banks	Monthly Ave	-	-	-	-
Banks	Monthly Ave	-	-	-	-
Corporate exposures	Both	-	858 821	(125 937)	732 884
Residential mortgage advances	Month-end	-	273 751	(13 942)	259 809
SME Secured lending	Month-end	-	162 986	(14 957)	148 029
Other Exposures (SME Unsecured lending and Public sector Entities)	Both	-	113 134	(25 776)	87 358
Stage 3		10 109 337	4 862 833	(10 053 399)	4 918 771
Retail term loans	Month-end	8 255 929	4 614 683	(8 654 798)	4 215 814
Retail revolving credit	Monthly Ave	1 089 730	2 48 150	(1 077 356)	260 524
Sovereigns and their central banks	Monthly Ave	-	-	-	-
Banks	Monthly Ave	-	-	-	-
Corporate exposures	Both	130 235	-	(91 256)	38 979
Residential mortgage advances	Month-end	292 061	-	(49 518)	242 543
SME Secured lending	Month-end	232 041	-	(102 492)	129 549
Other Exposures (SME Unsecured lending and Public sector Entities)	Both	109 341	-	(77 979)	31 362
Debt securities		-	-	-	-
Off balance sheet items		-	10 141 834	-	10 141 834
Total		10 109 337	156 395 960	(18 322 512)	148 182 785

Stage 1: Includes up-to-date loans and advances, loans rescheduled from arrears and rehabilitated and loans rescheduled from up-to-date and rehabilitated.

Stage 2: Includes up-to-date loans with Significant Increase in Credit Risk (SICR), loans up to 1 month in arrears, clients having applied for debt review longer than 6 months ago and COVID-19 related rescheduled loans as per Directive 3 of 2020.

Stage 3: Includes loans more than 1 month in arrears, up-to date loans rescheduled from arrears (in financial distress) and not rehabilitated, up-to-date loans which are rescheduled from up-to-date (financial distress) and not rehabilitated, application for debt review within the last 6 months, under debt review clients, clients handed over or with a legal status and loans that are currently one month in arrears that were previously rescheduled but have not rehabilitated.

Per SARB Directive D5 of 2017, provisions on Stage 1 and Stage 2 exposures are classified as general/portfolio impairment provisions, whereas provisions on Stage 3 exposures are classified as specific impairment provisions.

IFRS 9 requires a minimum 12 month expected credit loss (ECL) for loans and advances for which there has not been a SICR (i.e. Stage 1 exposures). A lifetime ECL applies to exposures with a SICR (Stage 2 exposures) and credit impaired exposures (Stage 3 exposures).

6.2 Credit Quality of assets (Continued)

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.

28 Feb 2021 R'000	Month Average / Month-end exposure	Credit Exposure Value			
		Defaulted exposures	Non-defaulted exposures	Impairments	Net
Stage 1		-	115 630 079	(3 910 408)	111 719 671
Retail term loans	Month-end	-	29 022 411	(2 456 841)	26 565 570
Retail revolving credit	Monthly Ave	-	9 818 959	(1 187 469)	8 631 490
Sovereigns and their central banks	Monthly Ave	-	35 061 268	(67 740)	34 993 528
Banks	Monthly Ave	-	29 554 410	(2 438)	29 551 972
Corporate exposures	Both	-	6 315 955	(83 666)	6 232 289
Residential mortgage advances	Month-end	-	2 390 737	(30 178)	2 360 559
SME Secured lending	Month-end	-	2 771 933	(49 768)	2 722 165
Other Exposures (SME Unsecured lending and Public sector Entities)	Both	-	694 406	(32 308)	662 098
Stage 2		-	11 482 310	(3 273 444)	8 208 866
Retail term loans	Month-end	-	9 152 792	(2 636 453)	6 516 339
Retail revolving credit	Monthly Ave	-	665 304	(365 553)	299 751
COVID-19 retail reschedules	Month-end	-	391 882	(135 805)	256 077
Sovereigns and their central banks	Monthly Ave	-	-	-	-
Banks	Monthly Ave	-	-	-	-
Corporate exposures	Both	-	708 742	(87 289)	621 453
Residential mortgage advances	Month-end	-	304 281	(13 271)	291 010
SME Secured lending	Month-end	-	166 491	(16 181)	150 310
Other Exposures (SME Unsecured lending and Public sector Entities)	Both	-	92 818	(18 892)	73 926
Stage 3		9 385 132	6 476 437	(10 721 365)	5 140 204
Retail term loans	Month-end	7 888 779	6 312 337	(9 675 666)	4 525 450
Retail revolving credit	Monthly Ave	754 699	164 100	(745 491)	173 308
Sovereigns and their central banks	Monthly Ave	-	-	-	-
Banks	Monthly Ave	-	-	-	-
Corporate exposures	Both	137 927	-	(79 908)	58 019
Residential mortgage advances	Month-end	261 285	-	(45 828)	215 457
SME Secured lending	Month-end	246 380	-	(110 692)	135 688
Other Exposures (SME Unsecured lending and Public sector Entities)	Both	96 062	-	(63 780)	32 282
Debt securities		-	-	-	-
Off balance sheet items		-	7 063 759	-	7 063 759
Total		9 385 132	140 652 585	(17 905 217)	132 132 500

6.3 Analysis of loans in default

The table below reconciles the movement in loans classified as being in default from 1 March 2021 to 31 August 2021:

R'000	31 Aug 2021	28 Feb 2021
Defaulted loans and debt securities at end of previous reporting period[1]	**9 385 132**	8 716 201
Loans and debt securities that have defaulted since the last reporting period	**2 973 925**	3 109 803
Returned to non-defaulted status	**(114 732)**	(146 759)
Amounts written off	**(2 104 490)**	(2 079 864)
Other changes	**(30 498)**	(214 249)
Defaulted loans and debt securities at end of reporting period[1]	**10 109 337**	**9 385 132**

(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 2021	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]	60 283 209	-	60 283 209	-	-	0%
Banks[1]	17 249 157	230	9 611 565	46	2 297 513	24%
Corporates[1]	3 081 769	940 501	2 653 076	161 837	2 667 041	95%
Regulatory retail portfolios	55 742 544	8 925 693	55 724 227	105 984	42 390 589	76%
Secured by residential property	2 992 704	94 556	2 976 447	94 556	1 155 097	38%
Secured by commercial real estate	2 468 794	180 713	2 468 794	144 025	2 612 819	100%
Past-due loans	3 757 610	140	3 757 610	5	2 917 118	78%
Total	145 575 787	10 141 833	137 474 928	506 453	54 040 177	39%

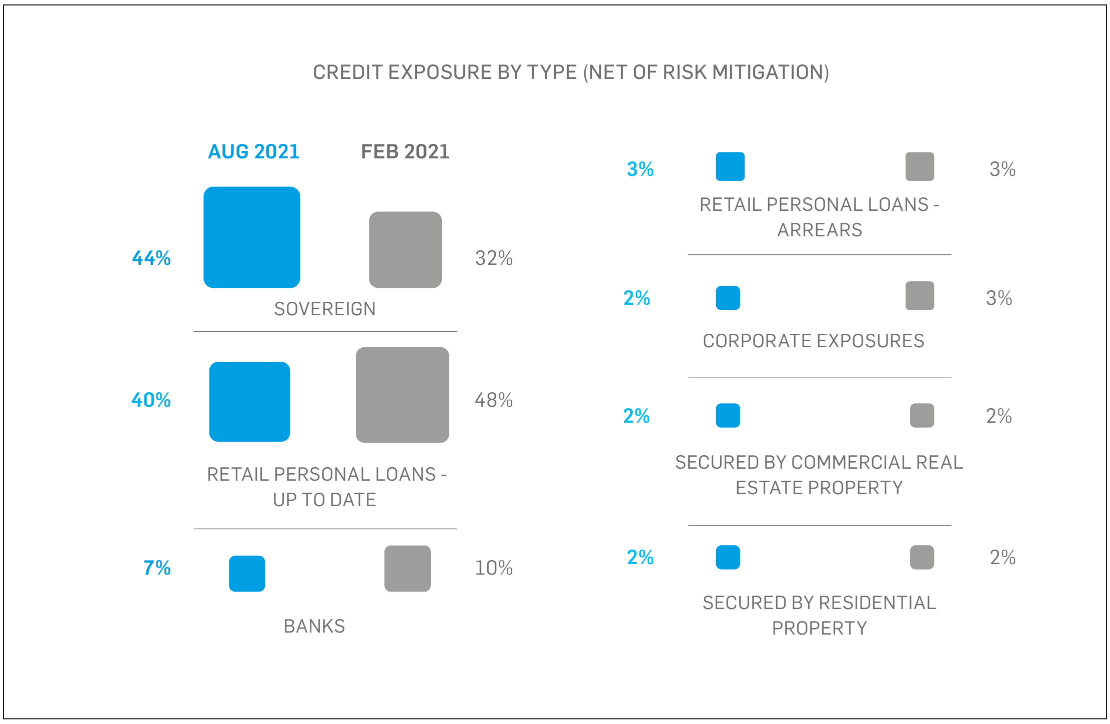
As required by the regulations (which incorporate Basel requirements):

(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 2021	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]	35 061 268	-	35 061 268	-	-	0%
Banks[1]	29 554 410	247	11 025 997	49	2 312 904	21%
Corporates[1]	5 830 723	869 083	3 124 773	114 721	3 217 576	99%
Regulatory retail portfolios	53 298 542	5 881 364	53 268 714	101 252	40 386 236	76%
Secured by residential property	2 695 018	127 577	2 682 959	127 577	1 047 350	37%
Secured by commercial real estate	2 512 611	185 363	2 512 611	123 721	2 636 332	100%
Past-due loans	3 300 024	124	3 307 133	3	2 154 301	65%
Total	132 252 596	7 063 758	110 983 455	467 323	51 754 699	46%



6.5 Credit Risk mitigation techniques

31 Aug 2021 R'000	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which secured amount
Total Net Loans and Advances	148 450 559	17 320 463	9 019 711
Retail term loans	50 534 039	84 691	64 934
Retail revolving credit	23 858 087	-	-
Sovereigns and their central banks	60 283 209	-	-
Banks	9 216 938	8 032 449	8 125 097
Corporate exposures	1 671 431	3 607 167	658 633
Residential mortgage advances	165 864	3 223 336	15 097
SME Secured lending	1 324 075	2 372 820	155 950
Other Exposures (SME Unsecured lending)	1 396 916	-	-
Debt Securities	-	-	-
Total	148 450 559	17 320 463	9 019 711
Of which defaulted (Net of credit impairment)	2 033 062	561 286	360

6.5 Credit Risk mitigation techniques (Continued)

28 Feb 2021 **R'000**	**Exposures unsecured: carrying amount**	**Exposures secured by collateral**	**Exposures secured by collateral, of which secured amount**
Total Net Loans and Advances	**118 327 064**	**31 642 914**	**23 705 496**
Retail term loans	52 724 141	101 663	71 936
Retail revolving credit	16 601 166	-	-
Sovereigns and their central banks	34 993 528	-	-
Banks	10 027 727	19 526 929	19 690 720
Corporate exposures	1 301 303	6 795 603	3 748 260
Residential mortgage advances	258 389	2 825 491	15 850
SME Secured lending	1 192 106	2 393 228	178 730
Other Exposures (SME Unsecured lending)	1 228 704	-	-
Debt Securities	-	-	-
Total	**118 327 064**	**31 642 914**	**23 705 496**
Of which defaulted (Net of credit impairment)	1 747 998	566 359	360

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 2021 **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	60 283 209	-	-	-	-	-	-	60 283 209
Banks	-	9 608 395	-	200	-	2 971	45	9 611 611
Corporates	-	-	-	297 917	-	2 516 996		2 814 913
Regulatory retail portfolios	-	-	-	35 402	54 399 470	1 039 444	355 895	55 830 211
Secured by residential property	-	-	3 037 922	-	21 898	11 183	-	3 071 003
Secured by commercial real estate	-	-	-	-	-	2 612 819	-	2 612 819
Past-due loans	-	-	-	1 314 750	1 140 283	1 098 462	204 120	3 757 615
Total	60 283 209	9 608 395	3 037 922	1 648 269	55 561 651	7 281 875	560 060	137 981 381

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

28 Feb 2021 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	35 061 268	-	-	-	-	-	-	35 061 268
Banks	-	11 020 366	-	2 537	-	3 098	45	11 026 046
Corporates	-	-	-	43 769	-	3 195 725	-	3 239 494
Regulatory retail portfolios	-	-	-	507 442	51 304 705	1 304 353	253 466	53 369 966
Secured by residential property	-	-	2 810 536	-	-	-	-	2 810 536
Secured by commercial real estate	-	-	-	-	-	2 636 332	-	2 636 332
Past-due loans	-	-	-	1 889 524	1 007 364	310 160	100 088	3 307 136
Total	**35 061 268**	**11 020 366**	**2 810 536**	**2 443 272**	**52 312 069**	**7 449 668**	**353 599**	**111 450 778**

6.7 Write-offs and recoveries reflected in the income statement

The table below compares the net credit impairment charge in the Income Statement for the six month period ending 31 August 2021, with the six month period which ended on 28 February 2021.

R'000	6 months 31 Aug 2021	6 months 28 Feb 2021
Net impairment charge on loans and advances:		
Bad debts (write-offs)	**3 010 524**	3 514 861
Net Movement in impairment allowance	**(440 361)**	(1 319 508)
Bad debts recovered	**(502 262)**	(456 754)
Net impairment charge	**2 067 901**	**1 738 599**

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 2021 R'000	Replacement cost	Potential future exposure	EAD Post - CRM	RWA
SA-CCR for derivatives	**2 998**	**22 319**	**35 431**	**48 533**
Simple Approach for credit risk mitigation (for SFTs)	**8 448 505**	**8 053 647**	**394 858**	**78 972**
Total	**8 451 503**	**8 075 966**	**430 289**	**127 505**

28 Feb 2021 R'000	Replacement cost	Potential future exposure	EAD Post - CRM	RWA
SA-CCR for derivatives	5 560	8 907	14 499	18 744
Simple Approach for credit risk mitigation (for SFTs)	23 052 519	21 231 396	1 821 123	1 022 309
Total	**23 058 079**	**21 240 303**	**1 835 622**	**1 041 053**

(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

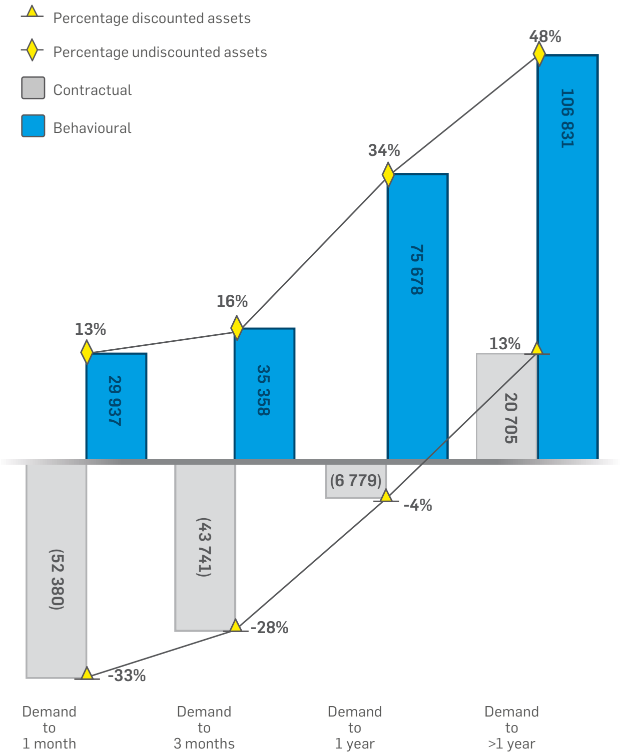
Both the contractual and behavioural mismatches benefit positively from the high component of equity funding. This creates a greater surplus of asset cash flows over liability cash flows than at banks with lower capital ratios.

The main difference between the behavioural and contractual mismatches relates to the treatment of retail call deposits. 90.14% (Feb 2021: 89.76%) 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.

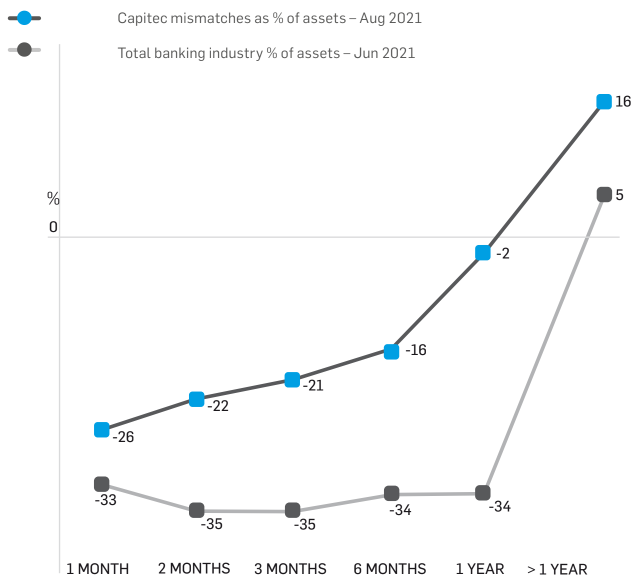
Industry comparison
The industry comparison shows that Capitec's contractual mismatch as a percentage of assets is prudent relative to the total industry mismatch. The source data is as reported on the SARB BA 300 returns, which exclude the impact of loan impairments.

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 2021							
Undiscounted assets							
Cash and cash equivalents - sovereigns	2 623 728	-	-	-	-	-	2 623 728
Cash and cash equivalents - banks	28 422 902	729 887	-	-	-	(750)	29 152 039
Financial assets at FVTPL	-	-	-	-	-	-	-
Money markets unit trusts - corporate other	17 902	-	-	-	-	-	17 902
Financial investments at amortised cost	1 066 730	10 819 650	40 133 736	18 955 402	-	(108 129)	70 867 389
Term deposit investments	-	-	1 243 183	-	-	(160)	1 243 023
Financial assets - equity instruments at FVOCI	-	-	-	72 696	-	-	72 696
Loans and advances - Retail	3 798 252	5 632 264	22 237 983	58 953 004	9 069 694	(289 814)	99 401 383
Loans and advances - Business loans	1 975 190	237 102	955 994	2 994 348	368 656	-	6 531 290
Loans and advances - Mortgages	115 062	229 483	661 809	7 070 773	416 068	-	8 493 195
Other receivables	2 537 721	-	73 774	20 476	-	-	2 631 971
Funeral income receivable	-	-	401 449	-	-	-	401 449
Net insurance receivable	-	-	1 543 263	-	-	-	1 543 263
Derivative assets	26 644	33 015	9 120	-	-	-	68 779
Undiscounted assets	40 584 131	17 681 401	67 260 311	88 066 699	9 854 418	(398 853)	223 048 107
Adjustments for undiscounted assets	(2 324 770)	(2 088 313)	(9 788 817)	(33 280 631)	-	-	(47 482 531)
Discounted assets							
Loan impairment provision	(1 635 764)	(567 422)	(2 276 294)	(6 230 368)	(7 485 397)	-	(18 195 245)
Total discounted assets	36 623 597	15 025 666	55 195 200	48 555 700	2 369 021	(398 853)	157 370 331
Undiscounted liabilities							
Deposits	87 706 590	6 207 249	17 624 721	20 319 739	-	-	131 858 299
Wholesale funding	43 689	27 883	170 199	1 272 521	(272)	-	1 514 020
Lease liability	20 611	90 275	406 691	2 927 528	-	-	3 445 105
Current income tax liabilities	-	164 139	-	-	-	-	164 139
Trade and other payables	1 254 170	57 575	957 816	392 063	96 550	-	2 758 174
Derivative liabilities	16 944	25 149	18 093	18 769	-	-	78 955
Employee benefit liabilities	-	-	3 710	112 530	-	-	116 240
Undiscounted Liabilities	89 042 004	6 572 270	19 181 230	25 043 150	96 278	-	139 934 932
Adjustments for undiscounted liabilities	(38 423)	(185 122)	(948 505)	(3 971 462)	-	-	(5 143 512)
Total discounted liabilities	89 003 581	6 387 148	18 232 725	21 071 688	96 278	-	134 791 420
Undiscounted Net liquidity excess /(shortfall)	(50 093 637)	10 541 709	45 802 787	56 793 181	2 272 743	(398 853)	64 917 930
Undiscounted Cumulative liquidity excess/(shortfall)	(50 093 637)	(39 551 928)	6 250 859	63 044 040	65 316 783	64 917 930	64 917 930

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 2021							
Undiscounted assets							
Cash and cash equivalents - sovereigns	2 098 573	-	-	-	-	-	2 098 573
Cash and cash equivalents - banks	44 162 848	3 092 811	-	-	-	(2 438)	47 253 221
Financial assets at FVTPL	2 969 740	-	-	-	-	-	2 969 740
Money markets unit trusts - corporate other	11 511	-	-	-	-	-	11 511
Financial investments at amortised cost	1 961 960	4 700 310	24 657 186	9 049 608	-	(67 740)	40 301 324
Term deposit investments	-	315 707	-	-	-	-	315 707
Financial assets - equity instruments at FVOCI	-	-	-	69 340	-	-	69 340
Loans and advances - Retail	3 286 270	5 442 927	21 599 762	58 477 442	8 528 505	(322 618)	97 012 288
Loans and advances - Business loans	1 699 882	229 933	952 660	2 880 169	359 525	-	6 122 169
Loans and advances - Mortgages	90 071	179 173	669 122	6 733 504	399 718	-	8 071 588
Other receivables	859 566	-	73 415	38 197	20 000	-	991 178
Funeral income receivable			524 732				524 732
Net insurance receivable	-	-	987 116	-	-	-	987 116
Derivative assets	8 946	10 169	8 896	-	-	-	28 011
Current income tax asset	-	-	-	-	-	-	-
Undiscounted assets	57 149 367	13 971 030	49 472 889	77 248 260	9 307 748	(392 796)	206 756 498
Adjustments for undiscounted assets	(1 094 711)	(2 086 399)	(8 924 037)	(29 430 222)	-	-	(41 535 369)
Discounted assets							
Loan impairment provision	(1 332 164)	(541 674)	(2 229 973)	(6 236 809)	(7 496 981)	-	(17 837 601)
Total discounted assets	54 722 492	11 342 957	38 318 879	41 581 229	1 810 767	(392 796)	147 383 528
Undiscounted liabilities							
Deposits	82 059 400	5 140 685	16 883 049	18 148 115	-	-	122 231 249
Wholesale funding	46 527	1 059 877	148 695	1 327 904	-	-	2 583 003
Lease liability	42 340	89 627	395 852	3 025 124	-	-	3 552 943
Current income tax liabilities	-	159 520	-	-	-	-	159 520
Trade and other payables	1 691 834	269 779	463 585	392 443	-	-	2 817 641
Derivative liabilities	10 566	14 489	20 639	22 108	-	-	67 802
Employee benefit liabilities	-	-	38 479	100 947	-	-	139 426
Undiscounted Liabilities	83 850 667	6 733 977	17 950 299	23 016 641	-	-	131 551 584
Adjustments for undiscounted liabilities	(31 596)	(188 277)	(976 599)	(3 763 531)	-	-	(4 960 003)
Total discounted liabilities	83 819 071	6 545 700	16 973 700	19 253 110	-	-	126 591 581
Undiscounted Net liquidity excess /(shortfall)	(28 033 464)	6 695 379	29 292 617	47 994 810	1 810 767	(392 796)	57 367 313
Undiscounted Cumulative liquidity excess/(shortfall)	(28 033 464)	(21 338 085)	7 954 532	55 949 342	57 760 109	57 367 313	57 367 313

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 2021	Total Adjusted Value 28 Feb 2021
21	Total HQLA	**71 657 162**	57 601 979
22	Total Net Cash Outflows[1]	**2 464 399**	2 342 837
23	**Liquidity Coverage Ratio (%)**	**2 908%**	**2 459%**

(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 2021	28 Feb 2021
Cash	**3 122 945**	3 481 437
Qualifying central bank reserves	**2 447 583**	2 009 091
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	**58 228 528**	30 771 078
Specified marketable securities from sovereigns, central banks, public sector entities, multilateral development banks and development banks	**7 858 106**	21 340 373
Total level one qualifying high-quality liquid assets[1]	**71 657 162**	**57 601 979**

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

7.5 Diversification of funding sources

AUG 2021	FEB 2021	
59%	56%	Call accounts
29%	28%	Fixed deposits
4%	4%	Equity – ordinary share capital and premium
3%	5%	Current accounts
3%	3%	Term and notice deposits
1%	1%	Foreign currency deposits
1%	1%	Other wholesale funding
0%	1%	Listed senior bonds

8. The net stable funding ratio (NSFR)

Group NSFR R'000	31 Aug 2021	28 Feb 2021
NSFR%	**240.7%**	221.1%
Available stable funding	**151 029 190**	136 500 427
Required stable funding	**62 742 405**	61 746 242

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 that are subject to market risk are foreign exchange and interest rate contracts and for which the Bank currently holds R3.7 million in market risk capital in terms of the standardised approach for the calculation of capital.

R'000	31 Aug 2021 RWA	28 Feb 2021 RWA
RWA		
Foreign exchange risk	**33 720**	45 513
Total	**33 720**	45 513

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 2021	28 Feb 2021
200 basis points shift		
Increase	**(2 109 274)**	(1 276 293)
Decrease	**2 526 818**	1 375 474

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 2021, 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**