Capitec Bank Holdings Limited

November 2019 (3rd quarter)

Annexure A

LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure

Line #	R'000	30 Nov 2019	Attributable to Mercantile	31 Aug 2019
1	Total consolidated assets as per published financial statements	135 641 403	14 384 215	113 594 749
	Adjustments for:			
2	Investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-	-
3	Fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	-
4	Derivative financial instruments	17 810	9 248	11 562
5	Securities financing transactions (i.e. repos and similar secured lending)	830 761	-	621 475
6	Off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	891 345	748 895	118 846
7	Other adjustments	(1 004 097)	(904 972)	(120 359)
8	**Leverage ratio exposure**	**136 377 222**	**14 237 386**	114 226 273

CAPITEC BANK HOLDINGS LIMITED

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November 2019 (3rd quarter)

LR2 - Leverage ratio

Line #	Group leverage ratio framework R'000	30 Nov 2019	Attributable to Mercantile	31 Aug 2019
	On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and Security Financing Transactions 'SFT's' but including collateral)	114 460 951	14 465 832	92 100 046
2	Asset amounts deducted in determining Basel 3 Tier 1 capital	(1 118 487)	(1 019 362)	(120 359)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	113 342 464	13 446 470	91 979 687
	Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	14 277	14 277	4 543
5	Add-on amounts for Potential Future Exposure 'PFE' associated with all derivatives transactions	17 810	9 248	11 562
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-	-
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	-	-	-
8	Exempted Central Counterparty 'CCP' leg of client-cleared trade exposures	-	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-	-
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	-	-	-
11	**Deductions of receivables assets for cash variation margin provided in derivatives transactions (sum of lines 4 to 10)**	32 087	23 525	16 105
	Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	21 262 068	-	21 490 160
13	Netted amounts of cash payables and cash receivables of gross SFT assets	-	-	-
14	Counterparty Credit Risk 'CCR' exposure for SFT assets	830 761	-	621 475
15	Agent transaction exposures	-	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	22 092 829	-	22 111 635
	Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	3 462 353	2 037 857	1 188 457
18	Adjustments for conversion to credit equivalent amounts	(2 552 511)	(1 270 466)	(1 069 611)
19	**Off-balance sheet items (sum of lines 17 and 18)**	909 842	767 391	118 846
	Capital and total exposures			
20	Tier 1 capital [(1)]	22 645 089	(942 377)	22 638 126
21	Total exposures (sum of lines 3, 11, 16 and 19) [(2)]	136 377 222	14 237 386	114 226 273
	Leverage ratio			
22	**Basel 3 group leverage ratio%**	16.6%		19.8%
	Summary leverage ratio framework - bank level			
	Capital and total exposures			
20	Tier 1 capital [(3)]	21 323 385		22 058 353
21	Total exposures (sum of lines 3, 11, 16 and 19)	120 123 334		113 885 293
22	**Basel 3 bank leverage ratio%**	17.8%		19.4%

[(1)] The acquisition of Mercantile Bank Limited ("Mercantile") has a significant impact on Capitec's Tier 1 capital. In terms of the Regulations relating to banks, goodwill and intangible assets, net of related deferred tax liability, are treated as specified adjustments and are deducted from Common Equity Tier 1 ("CET1") capital and reserve funds. The goodwill originating on the acquisition of Mercantile and Mercantile's intangible assets at acquisition therefore also reduce the qualifying CET1 capital of Capitec on consolidation. Mercantile Bank Holdings Limited's net asset value acquired amounted to R2.761 billion and the final purchase price amounted to R3.558 billion, which resulted in goodwill of R794.5 million. Intangible assets attributable to Mercantile of R155.5 million (which includes core deposit and client relationship intangibles) have been consolidated into Capitec, further reducing the group's CET1 (and Tier 1) capital.

[(2)] Mercantile is consolidated in the disclosures relating to 30 November 2019. Of the total Basel III Leverage ratio exposure measure of R136.4 billion, R14.2 billion is attributable to consolidation of Mercantile.

[(3)] On a Capitec Bank Limited solo entity basis, the threshold deduction method in terms of regulation 38(5)(b) relating to Banks is applied to Capitec Bank Limited's investment in Mercantile. This method will apply until the date of transfer of all the assets and liabilities of Mercantile Bank Limited, to Capitec.