FEB 2022

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

CAPITEC BANK HOLDINGS LIMITED

1. Basis of compilation

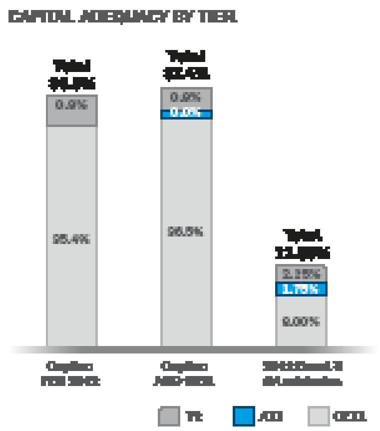
The following information is compiled in terms of Regulation 43 of the Regulations relating to banks which incorporates the Basel Pillar 3 requirements on market discipline. All disclosures presented below are consistent with those disclosed in terms of International Financial Reporting Standards (IFRS) 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 2022. Comparative information is presented for the previous 6-month period ended 31 August 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.



- *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, but by 1 January 2022 have fully phased out, not qualifying as AT1 capital.*
- *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. 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 1%. The level of this buffer is at the discretion of the Prudential Authority (PA) and it is subject to periodic review. Per Directive 5 of 2021, the 1% Pillar 2A South African country-specific buffer was reinstated on 1 January 2022. This buffer was temporarily relaxed from 6 April 2020 until 31 December 2021, to provide temporary capital relief to banks during the outbreak of the Covid-19 pandemic.*
- *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	28 Feb 2022	31 Aug 2021
Composition of qualifying regulatory capital		
Ordinary share capital[1]	5 649 020	5 649 020
Foreign currency translation reserve	31 438	31 199
Other reserves	474 779	(53 151)
Accumulated profit	29 559 311	26 276 667
Total ordinary shareholder equity	**35 714 548**	**31 903 735**
Regulatory adjustments		
– Intangible assets, deferred tax assets excluding temporary differences and goodwill in terms of IFRS[8]	(1 329 617)	(1 445 323)
– Cash flow hedge reserve and other regulatory adjustments	(3 403)	20 669
– Unappropriated profit	(3 191 782)	(931 539)
Common Equity Tier 1 capital (CET1)	**31 189 746**	**29 547 542**
Issued preference share capital[1]	51 167	52 214
Phase out – non-loss absorbent[2] [7]	(51 167)	(26 317)
Additional Tier 1 capital (AT1)	-	**25 897**
Tier 1 capital (T1)	**31 189 746**	**29 573 439**
Unidentified impairments	749 377	675 502
Tier 2 capital (T2)	749 377	675 502
Qualifying regulatory capital	**31 939 123**	**30 248 941**
CET1%	35.4	36.5
AT1%	-	0.0
T1%	35.4	36.5
T2%	0.9	0.9
Total capital adequacy %[3]	**36.3**	**37.4**
Composition of required regulatory capital		
On balance sheet	7 102 134	5 900 183
Off balance sheet	48 570	46 152
Credit risk	7 150 704	5 946 335
Operational risk	1 267 979	1 068 147
Market risk	1 196	3 709
Equity risk	477 381	506 875
Other assets	1 669 230	1 376 157
Total regulatory capital requirement[4]	**10 566 490**	**8 901 223**
Composition of risk-weighted assets[5]		
On balance sheet	59 184 454	53 638 033
Off balance sheet	404 753	419 566
Credit risk	59 589 207	54 057 599
Operational risk	10 566 491	9 710 427
Market risk	9 965	33 720
Equity risk	3 978 176	4 607 958
Other assets	13 910 253	12 510 521
Total risk-weighted assets	**88 054 092**	**80 920 225**
Total assets based on IFRS	177 942 781	166 747 369
Total risk-weighted assets – adjustments [6]	(89 888 689)	(85 827 144)
Total risk-weighted assets – regulatory	**88 054 092**	**80 920 225**

(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 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.*
The Prudential Authority 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 following the outbreak of the Covid-19 pandemic. Per Directive 5 of 2021 issued on 20 May 2021, the 1% Pillar 2A requirement was reinstated on 1 January 2022.

(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 28 February 2022, 80.24% (Aug 2021: 78.84%) 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 17.5% (Aug 2021: 17.7%).

5.1 Summary of leverage ratio

Line #	leverage ratio framework R'000	Capitec Bank Holdings Limited 28 Feb 2022	Capitec Bank Holdings Limited 31 Aug 2021	Capitec Bank Limited 28 Feb 2022	Capitec Bank Limited 31 Aug 2021
	Capital and total exposures				
20	Tier 1 capital	**31 189 746**	29 573 439	**28 646 137**	28 067 598
21	Total exposures	**178 617 863**	167 100 306	**177 138 489**	165 996 327
	Leverage ratio				
22	**Basel 3 leverage ratio%**	**17.5%**	17.7%	**16.2%**	16.9%

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 28 February 2022 and 31 August 2021 respectively for Capitec Bank Holdings Limited.

Asset Class R'000	Average gross credit exposure 28 Feb 2022	Average gross credit exposure 31 Aug 2021
Liquid assets	**23 498 415**	**29 332 249**
Cash and cash equivalents - Banks	**12 659 808**	14 268 284
Cash and cash equivalents - Sovereign	**2 818 728**	2 298 189
Resale agreements with banks	**6 409 305**	11 021 325
Resale agreements with corporates	**988 786**	916 643
Other balances with central banks	**621 788**	827 808
Negotiable securities	**-**	-
Gross loans and advances	**80 815 455**	**76 651 108**
Retail personal term loans	**54 058 732**	55 147 027
Retail revolving credit	**18 457 146**	13 912 562
Mortgage loans	**6 218 539**	5 668 318
Instalment sales and leases	**2 066 906**	1 902 298
Other advances	**14 132**	20 903
Gross other assets	**67 787 601**	**52 328 716**
Term deposit investments - Banks	**1 061 359**	470 041
Financial investments - Sovereign	**66 701 895**	51 819 756
Derivative financial assets	**24 347**	38 919
On-balance sheet exposure	**172 101 471**	**158 312 073**
Guarantees	**661 766**	613 687
Letters of credit	**17 420**	21 559
Committed undrawn facilities	**188 962**	188 864
Conditionally revocable commitments	**11 276 393**	7 825 484
Off-balance sheet exposure	**12 144 541**	**8 649 594**
Total credit exposure	**184 246 012**	**166 961 667**

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.

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 [(1)]		-	13 660 403	-	13 660 403
Total		10 212 149	165 811 615	(17 669 718)	158 354 046

(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 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*

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	248 150	(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

6.3 Analysis of loans in default

The table below reconciles the movement in loans classified as being in default from 1 September 2021 to 28 February 2022:

R'000	28 Feb 2022	31 Aug 2021
Defaulted loans and debt securities at end of previous reporting period[1]	**10 109 337**	9 385 132
Loans and debt securities that have defaulted since the last reporting period	**2 430 045**	2 973 925
Returned to non-defaulted status	**(221 604)**	(114 732)
Amounts written off	**(2 093 423)**	(2 104 490)
Other changes	**(12 206)**	(30 498)
Defaulted loans and debt securities at end of reporting period[1]	**10 212 149**	**10 109 337**

(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.

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%**

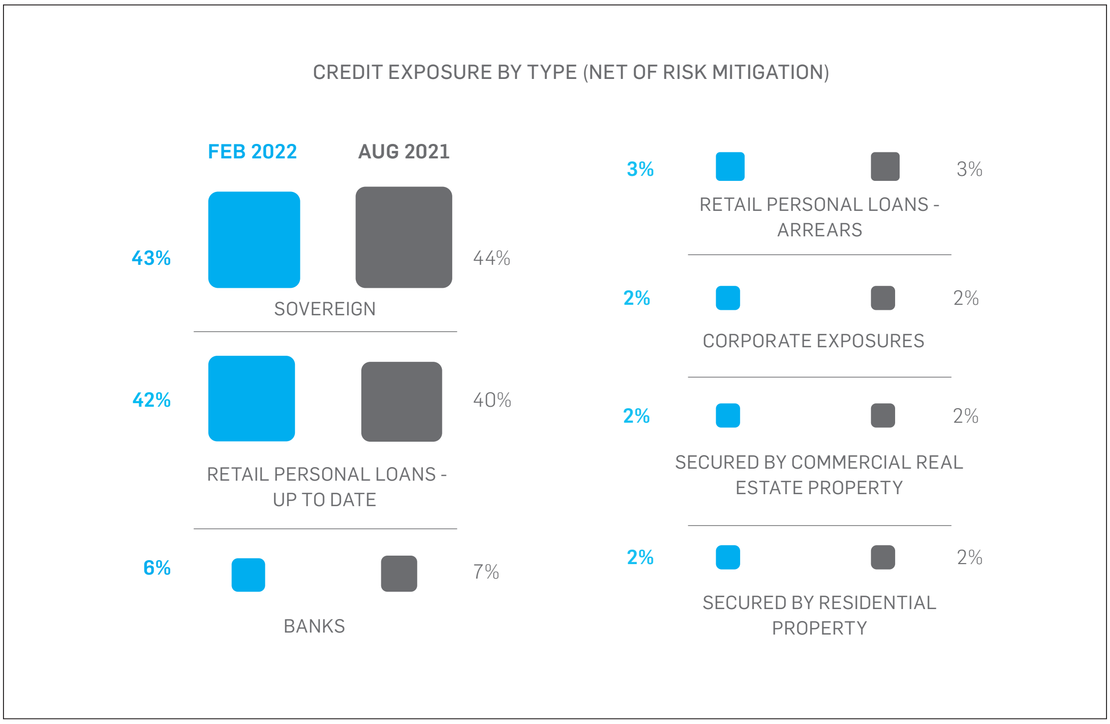
As required by the regulations (which incorporate Basel requirements):

(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.*

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%**



6.5 Credit Risk mitigation techniques

28 Feb 2022 R'000	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which secured amount
Total Net Loans and Advances	**160 310 923**	**15 240 374**	**5 920 199**
Retail term loans	**50 735 768**	**94 919**	**66 603**
Retail revolving credit	**32 212 043**	**-**	**-**
Sovereigns and their central banks	**63 048 447**	**-**	**-**
Banks	**8 939 938**	**4 796 302**	**4 839 581**
Corporate exposures	**2 045 370**	**4 308 632**	**856 988**
Residential mortgage advances	**263 321**	**3 413 852**	**14 797**
SME secured lending	**1 380 071**	**2 626 669**	**142 230**
Other exposures (SME unsecured lending)	**1 685 965**	**-**	**-**
Debt Securities	**-**	**-**	**-**
Total	**160 310 923**	**15 240 374**	**5 920 199**
Of which defaulted (Net of credit impairment)	2 721 872	637 152	3 858

6.5 Credit Risk mitigation techniques (Continued)

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

6.6 Standardised approach - exposure by asset classes and risk weights

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

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

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

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

6.7 Write-offs and recoveries reflected in the income statement

The table below summarises the net credit impairment charge in the Income Statement for the six month period ending 28 February 2022 and the six month period which ended on 31 August 2021.

R'000	6 months 28 Feb 2022	6 months 31 Aug 2021
Net impairment charge on loans and advances:		
Bad debts (write-offs)	**3 174 979**	3 010 524
Net Movement in impairment allowance	**(1 419 165)**	(440 361)
Bad debts recovered	**(315 961)**	(502 262)
Net impairment charge	**1 439 853**	**2 067 901**

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.

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)	5 394 718	5 166 233	228 484	45 697
Total	**5 398 279**	**5 175 915**	**245 321**	**67 653**

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**

(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

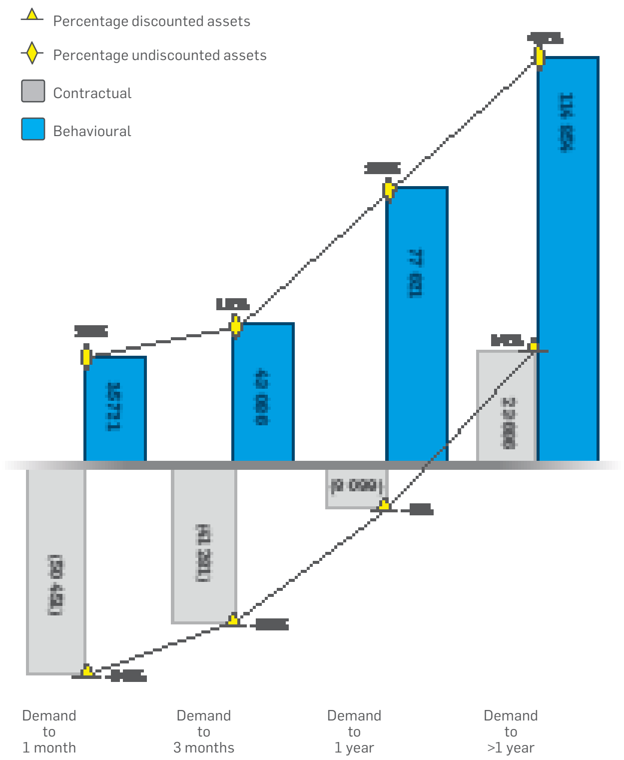
Both the contractual and behavioural mismatches benefit positively from the high component of equity funding. This creates a greater surplus of asset cash flows over liability cash flows than at banks with lower capital ratios.

The main difference between the behavioural and contractual mismatches relates to the treatment of retail call deposits. 90.10% (Aug 2021: 90.14%) 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.

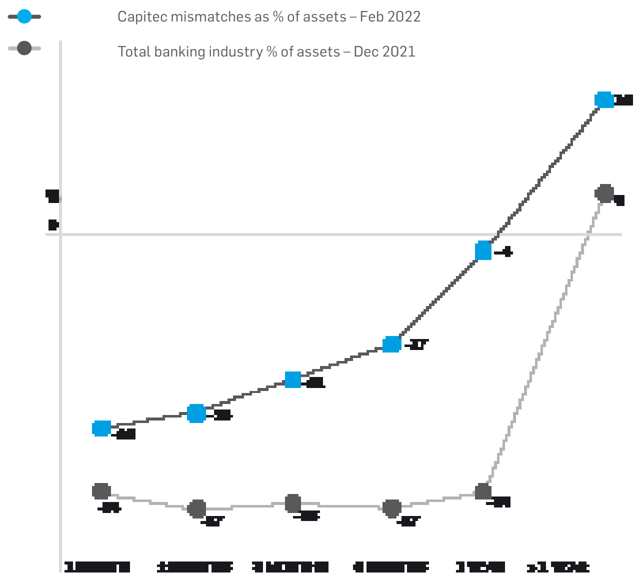
Industry comparison
The industry comparison shows that Capitec's contractual mismatch as a percentage of assets is prudent relative to the total industry mismatch. The source data is as reported on the SARB BA 300 returns, which exclude the impact of loan impairments.

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
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

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

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 2022	Total Adjusted Value 31 Aug 2021
21	Total HQLA	**81 574 866**	71 657 162
22	Total Net Cash Outflows[1]	**2 831 646**	2 464 399
23	**Liquidity Coverage Ratio (%)**	**2 881%**	**2 908%**

(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	28 Feb 2022	31 Aug 2021
Cash	**3 118 366**	3 122 945
Qualifying central bank reserves	**2 929 145**	2 447 583
Specified debt securities issued in Rand by the central government of the RSA or the Reserve Bank	**68 058 211**	58 228 528
Specified marketable securities from sovereigns, central banks, public sector entities, multilateral development banks and development banks	**7 469 144**	7 858 106
Total level one qualifying high-quality liquid assets[1]	**81 574 866**	**71 657 162**

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

7.5 Diversification of funding sources

FEB 2022	AUG 2021	
57%	59%	Call accounts
28%	29%	Fixed deposits
7%	3%	Current accounts
4%	4%	Equity – ordinary share capital and premium
2%	3%	Term and notice deposits
1%	0%	Listed senior bonds
1%	1%	Foreign currency deposits
0%	0%	Other wholesale funding

8. The net stable funding ratio (NSFR)

Group NSFR **R'000**	28 Feb 2022	31 Aug 2021
NSFR%	**225.0%**	240.7%
Available stable funding	**157 548 215**	151 029 190
Required stable funding	**70 017 939**	62 742 405

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 contracts 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	28 Feb 2022 RWA	31 Aug 2021 RWA
RWA		
Foreign exchange risk	**9 965**	33 720
Total	**9 965**	33 720

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	28 Feb 2022	31 Aug 2021
200 basis points shift		
Increase	**(2 309 988)**	(2 109 274)
Decrease	**2 535 513**	2 526 818

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**