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

1. Basis of compilation

The following information is compiled in terms of Regulation 43 of the Banks' Act 1990 (as amended) ("the Regulations") which incorporates the Basel, Pillar Three requirements on market discipline. All disclosures presented below are consistent with those disclosed in terms of International Financial Reporting Standards ("IFRS") unless otherwise stated. In the main, differences between IFRS and information disclosed in terms of the Regulations relate to the definition of capital and the calculation and measurement thereof.

2. Period of reporting

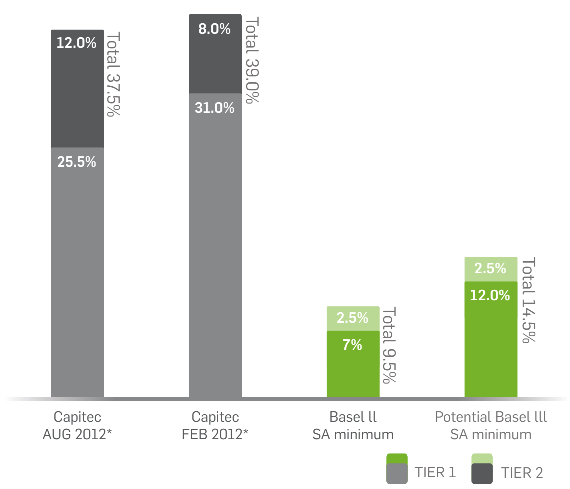
This report covers the six months ended 31 August 2012. Comparative information is presented for the previous six month period ended 29 February 2012.

3. Scope of reporting

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

All subsidiaries are consolidated, in the same manner, for both accounting and supervisory reporting purposes. All companies are incorporated in the Republic of South Africa. The registered banking subsidiary of the group, Capitec Bank Limited has no subsidiaries.

CAPITAL ADEQUACY BY TIER



- *The SA minimums exclude bank-specific (pillar 2b) buffers.*
- *Globally, the Basel III minimum capital adequacy percentage is 8%. Added to this is a 2.5% "capital conservation buffer" that banks must maintain to avoid regulatory restrictions on the payment of dividends and bonuses. In addition to the capital conservation buffer there is a "countercyclical buffer" that can range between 0% and 2.5% at the discretion of the regulator. The countercyclical buffer will be built up during times when growth in credit extention exceeds that of the real economy and is available for use when the general economy performs poorly. The capital conservation and countercyclical buffers must be met with ordinary shareholders' capital and reserves (common equity).*
- *The Basel II and Basel III minimums include the South African country risk buffer of 1.5%. The level of this buffer is set at the discretion of the SARB and it is subject to periodic review. The relevance of this buffer, in the context of the new Basel III buffers, is the subject of current debate. Particularly, if Basel III also requires additonal buffers for Domestically Systemically Important Banks (DSIBs). The DSIB is excluded in the above analysis as these would be calibrated for individual banks.*
- *The Basel III changes phase in over a 10 year period.*

* *The Banks Act rules in force as at 31 August 2012.*

4. Detailed disclosures

4.1 Regulatory capital adequacy

	31 Aug 2012 R'000	29 Feb 2012 R'000
Primary (Tier 1) capital		
Ordinary share capital	**3 164 676**	2 926 435
Accumulated profit	**2 229 920**	2 001 866
Preference share capital	**258 969**	258 969
Intangible assets in terms of IFRS	**(122 179)**	(69 258)
Specified advances	**(3 310)**	(28 063)
Unappropriated profit	**(90 290)**	(275 094)
Total regulatory adjustments	**(215 779)**	(372 415)
	5 437 786	4 814 855
Secondary (Tier 2) capital		
Capital allowance for unidentified impairments	**240 860**	175 987
Subordinated debt	**2 319 000**	1 069 000
	2 559 860	1 244 987
Total qualifying regulatory capital	**7 997 646**	6 059 842
Total capital adequacy % (1)	**37.5**	39.0
Primary %	**25.5**	31.0
Secondary %	**12.0**	8.0
Composition of required regulatory capital		
On balance sheet	**1 827 717**	1 334 286
Off balance sheet	**–**	–
Credit risk	**1 827 717**	1 334 286
Operational risk	**119 418**	80 615
Equity risk in the banking book	**–**	–
Other assets	**76 777**	61 906
Total regulatory capital requirement (2)	**2 023 912**	1 476 807
Composition of risk weighted assets (3)		
On balance sheet	**19 239 127**	14 045 118
Off balance sheet	**–**	–
Credit risk	**19 239 127**	14 045 118
Operational risk	**1 257 034**	848 574
Equity risk in the banking book	**–**	–
Other assets	**808 174**	651 640
Total risk-weighted assets	**21 304 335**	15 545 332
Total assets based on IFRS	**32 040 889**	23 621 844
Total risk-weighted assets – adjustments (4)	**(10 736 554)**	(8 076 512)
Total risk-weighted assets – regulatory	**21 304 335**	15 545 332

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

(2) This value is reported in terms of Banks' Act circular 5/2011. It excludes the required regulatory capital amount relating to the bank specific buffer (Basel pillar 2b add-on). The value disclosed is 9.5% of risk-weighted assets, being the Basel global minimum requirement of 8% and a South African country specific buffer of 1.5%.

(3) Risk-weighted assets are calculated by using regulatory percentages applied to the group's balance sheet, in order to establish the base for calculating the required regulatory capital.

(4) The adjustments reflect, in the main, the impact of the regulatory percentages and the addition of a risk-weighted equivalent for operational risk.

4.2 Credit Risk

4.2.1 Gross credit risk exposures by sector

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

ANALYSIS OF REGULATORY CREDIT EXPOSURE

	Average gross exposure[1]		Aggregate gross period-end exposure[2] [4]		Exposure post risk mitigation[2] [3] [4]		Risk weights[5]
	31 Aug 2012	29 Feb 2012	31 Aug 2012	29 Feb 2012	31 Aug 2012	29 Feb 2012	
Basel exposure categories	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**%**
On balance sheet							
Corporate [6]	**199 548**	275 728	**644 891**	243 078	**644 891**	243 078	100
Sovereign [7]	**2 527 136**	1 559 247	**2 985 454**	1 646 386	**2 985 454**	1 646 386	0
Banks (claims < 3 months original maturity) [8]	**2 489 257**	1 273 358	**1 784 205**	2 162 873	**1 716 504**	1 601 743	20
Banks (claims > 3 months original maturity)	**4 693**	4 229	**6 450**	2 554	**2 250**	2 554	50
Retail personal loans							
– performing	**20 218 444**	16 108 461	**23 607 918**	17 438 315	**23 607 918**	17 438 315	75
– impaired	**980 925**	723 723	**1 075 465**	931 742	**1 075 465**	931 742	100
	26 420 003	19 944 746	**30 104 383**	22 424 948	**30 032 482**	21 863 818	
Off balance sheet							
Retail personal loans							
– conditionally revocable commitments [9]	**668 973**	618 631	**781 017**	603 816	**781 017**	603 816	0
Total exposure	**27 088 976**	20 563 377	**30 885 400**	23 028 764	**30 813 499**	22 467 634	

As required by the Banks Act and regulations (which incorporate the Basel rules):

(1) Average gross exposure is calculated using daily balances for the last six months.

(2) Items represent exposure before the deduction of qualifying impairments on advances.

(3) Represents exposure after taking into account qualifying collateral. Amounts are shown gross of impairments, which are deducted to calculate risk-weighted assets.

(4) 'Corporate' and 'Bank' exposures were calculated based on an average using daily balances for month six of the respective period-ends. All other items are the balances at period-end.

(5) The risk weightings reflected are the standard risk weightings applied to exposures as required by the Banks Act. Risk weights for exposures (other than retail) are determined by mapping the exposure's Fitch International grade rating to a risk-weight percentage using the mapping table below. The risk weightings for retail exposures are specified directly in the banking regulations.

(6) 83% (Feb 2012: 84%) of corporate aggregate gross period-end exposure relates to investments in money market unit trusts.

(7) Sovereign comprises investments in RSA National Treasury bills, SARB debentures and SA Revenue Service tax assets. These exposures are zero risk weighted.

(8) Qualifying collateral in the form of highly liquid securities, arising from resale transactions, is deducted to arrive at post risk mitigation values. All resale agreements are in respect of RSA National Treasury bills and are transacted via STRATE.

(9) These commitments are a result of undrawn loan amounts. The loans are approved with a contractual repayment period of one month or less. The bank's contractual commitment is revocable should a client not meet their contractual obligations or where the bank has determined that the client's credit risk profile has changed. 15.3% is expected to be drawn down within one month. As these commitments are revocable, there is no capital charge in terms of the Standardised approach for credit risk. These commitments are disclosed on the Banks' Act Return 900, line 293 - other contingent liabilities.

MAPPING RATING GRADES TO RELATED RISK WEIGHTS

Long-term credit assessment	**AAA to AA- %**	**A+ to A- %**	**BBB+ to BBB- %**	**BB+ to B- %**	**Below B- %**	**Unrated %**
Sovereigns	0	20	50	100	150	100
Public sector entities	20	50	50	100	150	50
Banks	20	50	50	100	150	50
Security firms	20	50	50	100	150	50
Banks: short-term claims	20	20	20	50	150	20
Security firms: short-term claims	20	20	20	50	150	20
Long-term credit assessment	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**Below BB-**		
Corporate entities	20	50	100	150		100
Short-term credit assessment	**A-1/P-1**	**A-2/P-2**	**A-3/P-3**	**Other**		
Banks and corporate entities	20	50	100	150		

Ratings are not applied to retail exposures. A standard risk weight of 75% is applied to performing retail exposures while impaired exposures attract a standard 100% risk weight, net of allowed impairments.

4.2.2 Age analysis of impaired advances

	31 Aug 2012	29 Feb 2012
	R'000	R'000
Ageing		
< 60 days	**930 879**	828 008
60 – 90 days	**144 586**	103 734
Total impaired advances	**1 075 465**	931 742

4.2.3 Write-offs and recoveries reflected in the income statement

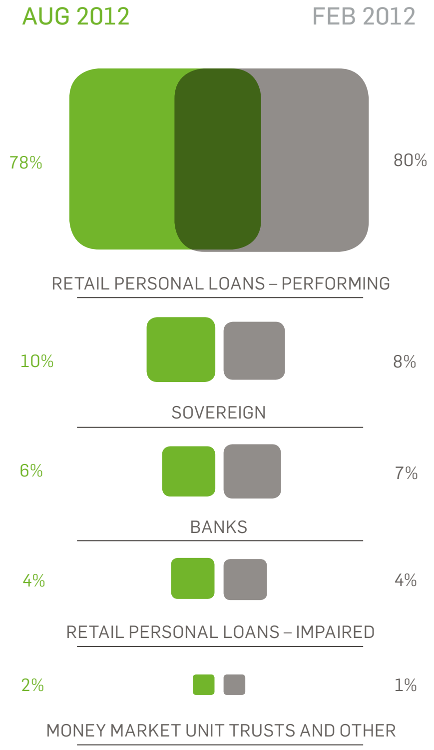
	SIX MONTHS 31 Aug 2012	SIX MONTHS 29 Feb 2012
	R'000	R'000
Net impairment charge on loans and advances:		
Bad debts (write-offs)	**813 017**	581 879
Movement in impairment allowance	**328 012**	443 071
Bad debts recovered	**(122 416)**	(99 627)
Net impairment charge	**1 018 613**	925 323

4.2.4 Analysis of credit impairments

All impairments presented below relate to retail personal loans.

	SIX MONTHS 31 Aug 2012	SIX MONTHS 29 Feb 2012
	R'000	R'000
Movement in impairments:		
Balance at beginning of period	**1 545 246**	1 102 175
Unidentified Losses	**1 015 181**	753 501
Identified Losses	**530 065**	348 674
Movement	**328 012**	443 071
Unidentified Losses	**327 324**	261 680
Identified Losses	**688**	181 391
Balance at end of period	**1 873 258**	1 545 246
Unidentified Losses	**1 342 505**	1 015 181
Identified Losses	**530 753**	530 065

CREDIT EXPOSURE BY TYPE
(NET OF RISK MITIGATION)



4.3 Liquidity maturity analysis

The table below 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 the derivative financial instruments are included on a gross basis.
- Contractual cash flows with respect to off-balance sheet items which have not yet been recorded on the balance sheet, are excluded (Refer to pages 7 and 8 for details of off-balance sheet items).
- Adjustments to loans and advances to clients relate to initiation 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 financial liabilities (discounted cash flows)	Demand to one month	One to three months	Three months to one year	More than one year	Adjustment	Total
	R'000	R'000	R'000	R'000	R'000	R'000
AUG 2012						
Undiscounted assets						
Cash and cash equivalents - sovereigns	3 748 993	–	–	–	–	3 748 993
Cash and cash equivalents - banks	3 204 122	145 330	–	–	–	3 349 452
Cash and cash equivalents - corporate money markets unit trusts	2 858	–	–	–	–	2 858
Investments designated at fair value - sovereigns	15 000	110 230	815 900	–	–	941 130
Loans and advances to clients - retail personal	1 503 847	2 338 943	9 340 678	28 944 203	(467 523)	41 660 148
Loans and advances to clients - retail other	448	–	–	–	–	448
Loans and advances to clients - corporate other	13 346	–	–	–	–	13 346
Other receivables	46 989	–	–	2 107	–	49 096
Current income tax assets	–	–	61 841	–	–	61 841
Undiscounted assets	8 535 603	2 594 503	10 218 419	28 946 310	(467 523)	49 827 312
Adjustments for undiscounted assets	(522 283)	(1 183 675)	(4 615 862)	(10 677 143)	–	(16 998 963)
Discounted assets						
Loan impairment provision	(146 058)	(77 435)	(267 795)	(1 381 970)	–	(1 873 258)
Total discounted assets	7 867 262	1 333 393	5 334 762	16 887 197	(467 523)	30 955 091
Undiscounted liabilities						
Loans and deposits at amortised cost	9 714 542	2 130 618	4 138 682	14 040 890	–	30 024 732
Trade and other payables	347 378	24 398	197 564	122 396	96 539	788 275
Current income tax liabilities	–	–	161	–	–	161
Provisions	–	–	–	16 877	–	16 877
Undiscounted liabilities	10 061 920	2 155 016	4 336 407	14 180 163	96 539	30 830 045
Adjustments for undiscounted liabilities to depositors	(4 653)	(138 109)	(667 530)	(3 608 527)	–	(4 418 819)
Total discounted liabilities	10 057 267	2 016 907	3 668 877	10 571 636	96 539	26 411 226
Net liquidity (shortfall)/excess	(2 190 005)	(683 514)	1 665 885	6 315 561	(564 062)	4 543 865
Cumulative liquidity (shortfall)/excess	(2 190 005)	(2 873 519)	(1 207 634)	5 107 927	4 543 865	4 543 865

The investments designated at fair value – sovereigns, can be sold at short notice, with no or minimal loss in value, to meet any unexpected demand for cash. If these investments with maturities greater than three months were reflected in less than three months, the short-term gap would narrow.

The definitions of sovereign, corporate and retail are aligned with the Banks Act Regulations.

Maturities of financial assets and financial liabilities (discounted cash flows)	Demand to one month R'000	One to three months R'000	Three months to one year R'000	More than one year R'000	Adjustment R'000	Total R'000
FEB 2012						
Undiscounted assets						
Cash and cash equivalents - sovereigns	–	–	–	–	–	–
Cash and cash equivalents - banks	4 538 222	15 274	–	–	–	4 553 496
Cash and cash equivalents - corporate money markets unit trusts	909	–	–	–	–	909
Investments designated at fair value - sovereigns	48 290	75 000	1 127 060	–	–	1 250 350
Loans and advances to clients - retail personal	1 504 581	2 052 357	7 650 217	17 724 937	(492 071)	28 440 021
Loans and advances to clients - retail other	802	–	–	–	–	802
Loans and advances to clients - corporate other	14 438	–	–	23 781	–	38 219
Other receivables	28 733	–	–	2 156	–	30 889
Current income tax assets	–	–	62 331	–	–	62 331
Undiscounted assets	6 135 975	2 142 631	8 839 608	17 750 874	(492 071)	34 377 017
Adjustments for undiscounted assets	(417 208)	(869 345)	(3 236 192)	(5 602 742)	–	(10 125 487)
Discounted assets						
Loan impairment provision	(130 479)	(237 420)	(493 418)	(683 929)	–	(1 545 246)
Total discounted assets	5 588 288	1 035 866	5 109 998	11 464 203	(492 071)	22 706 284
Undiscounted liabilities						
Loans and deposits at amortised cost	6 916 087	1 015 697	4 350 825	8 264 777	–	20 547 386
Trade and other payables	277 809	116 671	99 259	145 849	78 997	718 585
Current income tax liabilities	–	885	–	–	–	885
Provisions	–	–	–	24 998	–	24 998
Undiscounted liabilities	7 193 896	1 133 253	4 450 084	8 435 624	78 997	21 291 854
Adjustments for undiscounted liabilities to depositors	(4 697)	(82 745)	(418 893)	(2 349 025)	–	(2 855 360)
Total discounted liabilities	7 189 199	1 050 508	4 031 191	6 086 599	78 997	18 436 494
Net liquidity (shortfall)/excess	(1 600 911)	(14 642)	1 078 807	5 377 604	(571 068)	4 269 790
Cumulative liquidity (shortfall)/excess	(1 600 911)	(1 615 553)	(536 746)	4 840 858	4 269 790	4 269 790

Off-balance sheet items

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

(a) Operating lease commitments

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

	31 Aug 2012 R'000	29 Feb 2012 R'000
Property operating lease commitments		
The future aggregate minimum lease payments under non-cancellable leases are as follows:		
Within one year	**190 483**	167 995
From one to five years	**540 211**	470 288
After five years	**124 184**	99 694
Total future cash flows	**854 878**	737 977
Straight lining accrued	**(41 461)**	(35 749)
Future expenses	**813 417**	702 228

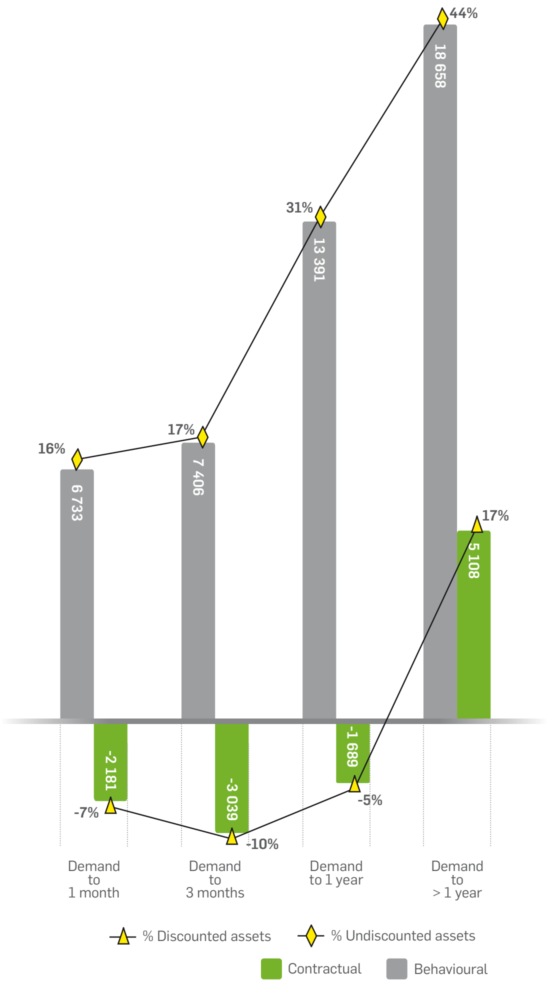
	31 Aug 2012 R'000	29 Feb 2012 R'000
Other operating lease commitments		
Within one year	**2 298**	2 253
From one to five years	**4 573**	5 083
	6 871	7 336

(b) Capital commitments

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

	31 Aug 2012 R'000	29 Feb 2012 R'000
Capital commitments – approved by the board		
Contracted for:		
Property and equipment	**91 437**	85 195
Intangible assets	**9 322**	6 744
Not contracted for:		
Property and equipment	**176 660**	458 247
Intangible assets	**41 325**	122 329
	318 744	672 515

CONTRACTUAL AND BEHAVIOURAL LIQUIDITY MISMATCHES R'm



- *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 demand deposits. 91% 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.*
- *The contractual mismatch is reported on a discounted basis whereas the behavioural mismatch is reported on an undiscounted basis.*

(c) Conditionally revocable retail loan commitments

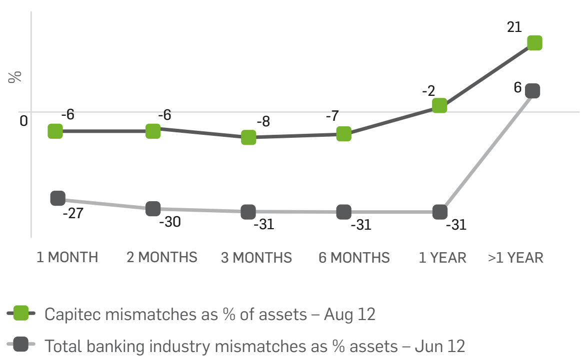
Conditionally, revocable, retail loan commitments totalled R781 million (Feb 2012: R603.8 million). These commitments are a result of undrawn loan amounts. The loans are advanced with a contractual repayment period of one month or less. The bank's contractual commitment is revocable should a client not meet their contractual obligations or where the bank has determined that the client's credit risk profile has changed. 15.3% of the value of these commitments is expected to be drawn down within one month. As these are one month loans, repayment of any future drawn downs must also occur within the month.

DIVERSIFICATION OF FUNDING SOURCES

AUG 2012	FEB 2012	
29%	27%	Demand deposits – retail
18%	18%	Fixed-term deposits – retail
17%	22%	Equity – ordinary shareholders (listed)
10%	9%	Fixed-term deposits – wholesale (negotiable instruments)
10%	3%	Fixed-term deposits – wholesale (listed subordinated debt)
8%	12%	Fixed-term deposits – wholesale (listed)
4%	6%	Fixed-term deposits – wholesale (other)
3%	2%	Fixed-term deposits – wholesale (subordinated debt)
1%	1%	Equity – preference shareholders (listed)

- *Capitec has no exposure to institutional or corporate call accounts.*
- *Wholesale (listed and subordinated debt listed)comprises domestic medium term notes listed on the JSE limited.*
  Investors in these bonds comprise: banks, insurance companies, fund managers, and pension and provident funds.
- *Wholesale (other) comprises deposits negotiated through bilateral agreements, including those with European development finance institutions (DFIs).*
- *Retail refers to individuals/natural persons.*

CUMULATIVE CONTRACTUAL LIQUIDITY MISMATCHES
– INDUSTRY COMPARISON



- *This graph 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.*

4.4 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.

	31 Aug 2012		29 Feb 2012	
	Sensitivity of equity		Sensitivity of equity	
	R'000	%	R'000	%
200 basis points shift				
Increase	**(309 376)**	(3.3)	(126 619)	(2.1)
Decrease	**300 172**	3.2	116 378	2.0

4.5 Equity risk in the banking book

Capitec Bank Holdings Limited is not an investment bank and does not maintain proprietary positions in equity investments. The group disposed of its residual unlisted equity investments during the 2012 financial year. The group did not hold any investments in listed equities during the six months to 31 August 2012. (29 February 2012: Nil)

	SIX MONTHS	SIX MONTHS
	31 Aug 2012 **R'000**	29 Feb 2012 **R'000**
Equities in the banking book at fair value through profit or loss		
Unlisted investments at fair value		
Balance at the beginning of the period	–	22 449
Amortised cost	–	16
Cumulative fair value adjustment - other market risk	–	22 433
(Disposals)/Additions at cost	–	(28 944)
Fair value adjustment	–	6 495
Interest rate risk	–	–
Credit risk	–	–
Exchange rate risk	–	3 290
Other market risk	–	3 205
Balance at the end of the period	–	–
Amortised cost	–	–
Cumulative fair value adjustment - other market risk	–	–

5. Qualitative disclosures and accounting policies

The Regulations require that certain qualitative disclosures and statements on accounting policy be made. These were made in the group annual report for the financial year ended 29 February 2012, 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 group annual report.