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

2014

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. The main differences between IFRS and the information disclosed in terms of the Regulations relate to the definition of capital and the calculation and measurement thereof.

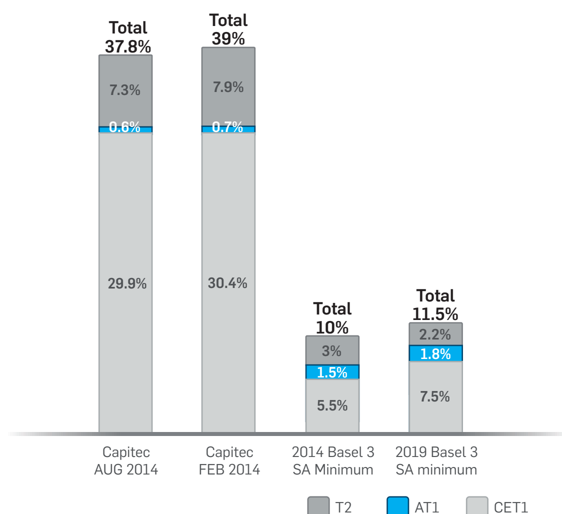
2. Period of reporting

This report covers the 6 months ended 31 August 2014. Comparative information is presented for the previous 6-month period ended 28 February 2014.

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.



- *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 the bank subsidiary as the interest cost is offset against relative revenue. Subordinated debt is regarded as third-party capital, subject to additional phasing-out rules, at a consolidated level. No subordinated debt instruments were issued by Capitec during the reporting period.*
- *Globally, the Basel 3 minimum capital adequacy percentage is 8%.*
- *The 2014 Basel 3 SA minimum includes the SA country buffer of 2% (2019: 1%). The level of this buffer is at the discretion of the SARB and it is subject to periodic review.*
- *The 2019 Basel 3 SA minimum includes the capital conservation buffer of 2.5% which phases in from 2016. All banks must maintain this buffer to avoid regulatory restrictions on the payment of dividends and bonuses.*
- *Excluded from the SA minima are the Basel 3:*
  - *Bank-specific buffers. Bank-specific buffers include the Individual Capital Requirement (ICR) and the Domestic Systemically Important Bank (D-SIB) buffer. In terms of the Banks Act regulations, banks may not disclose their ICR requirement and D-SIB status. The D-SIB requirement will be phased in over 4 years commencing January 2016. Current regulations state that the South African country risk buffer and the D-SIB buffers on a combined basis will not be more than 3.5%.*
  - *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 commences in January 2016.*
  - *Haircuts to be applied against minority and third-party capital issued by subsidiaries, which began phasing-in from 2013 at 20% per year.*

4. Detailed disclosures

4.1 Regulatory capital adequacy

R'000	31 Aug 2014	28 Feb 2014
Composition of qualifying regulatory capital		
Ordinary share capital[1]	5 512 570	5 512 570
Accumulated profit	4 677 634	4 129 707
	10 190 204	9 642 277
Regulatory adjustments		
– Intangible assets in terms of IFRS	(208 061)	(201 318)
– Specified advances	(119)	-
– Unappropriated profit	(112 711)	(398 291)
Common Equity Tier 1 capital (CET1)	9 869 313	9 042 668
Issued preference share capital[1]	207 175	258 969
Phase out – non-loss absorbent[2]	-	(51 794)
Additional Tier 1 capital (AT1)	207 175	207 175
Tier 1 capital (T1)	10 076 488	9 249 843
Issued subordinated debt[1]	2 891 000	2 891 000
Phase out – non-loss absorbent[2]	(578 200)	(578 200)
Deduction for third-party capital issued by bank subsidiary[3]	(275 904)	(293 200)
Total subordinated debt	2 036 896	2 019 600
Unidentified impairments	362 810	328 328
Tier 2 capital (T2)	2 399 706	2 347 928
Qualifying regulatory capital	12 476 194	11 597 771
CET1%	29.9	30.4
AT1%	0.6	0.7
T1%	30.5	31.1
T2%	7.3	7.9
Total capital adequacy %[4]	37.8	39.0
Composition of required regulatory capital		
On balance sheet	2 899 299	2 623 523
Off balance sheet	188	263
Credit risk	2 899 487	2 623 786
Operational risk	245 660	197 119
Equity risk in the banking book	196	185
Other assets	153 780	155 526
Total regulatory capital requirement[5]	3 299 123	2 976 616
Composition of risk-weighted assets[6]		
On balance sheet	28 992 994	26 235 232
Off balance sheet	1 875	2 625
Credit risk	28 994 869	26 237 857
Operational risk	2 456 603	1 971 194
Equity risk in the banking book	1 962	1 850
Other assets	1 537 797	1 555 263
Total risk-weighted assets	32 991 231	29 766 164
Total assets based on IFRS	49 574 398	46 190 966
Total risk-weighted assets – adjustments[7]	(16 583 167)	(16 424 802)
Total risk-weighted assets – regulatory	32 991 231	29 766 164

[(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 absorbant AT1 and T2 capital is subject to a 10% per annum phase-out in terms of Basel 3. Non loss absorbent preference shares, no longer qualifying as capital due to the phase out rules, were redeemed in the period ended 31 August 2014.*

[(3)] *Starting 2013, a deemed surplus attributable to T2 capital of subsidiaries issued to outside third parties, is excluded from group qualifying capital in terms of the accelerated adoption of Basel 3. This deduction phases in at 20% per annum.*

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

[(5)] *This value is 10% of risk-weighted assets, being the Basel global minimum requirement of 8% and a South African country-specific buffer of 2%. In terms of the regulations the Individual Capital Requirement (ICR) is excluded.*

[(6)] *Risk-weighted assets are calculated by using regulatory percentages (regulatory risk adjustments) applied to the balance sheet, in order to establish the base for calculating the required regulatory capital.*

[(7)] *The adjustments reflect mainly 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.

	Average gross exposure[(1)]		Aggregate gross year-end exposure[(2) (4)]		Exposure post risk mitigation[(2) (3) (4)]		Risk weights[(5)]
Basel 3 exposure categories R'000	31 Aug 2014	28 Feb 2014	31 Aug 2014	28 Feb 2014	31 Aug 2014	28 Feb 2014	%
On balance sheet							
Corporate[(6)]	**1 015 979**	865 198	**544 920**	577 009	**450 432**	577 009	100
Sovereign[(7)]	**4 363 145**	4 790 835	**3 572 410**	5 342 807	**3 572 410**	5 342 807	0
Banks (claims < 3 mths original maturity)	**4 756 428**	4 265 805	**4 579 637**	3 677 372	**4 579 637**	3 677 372	20
Banks (claims > 3 mths original maturity)	**1 828 959**	306 222	**4 173 368**	777 079	**4 173 368**	777 079	50
Banks (Derivatives > 3 mths Aaa to Aa3)	**–**	–	**–**	–	**–**	–	20
Banks (Derivatives > 3 mths A1 to Baa3)	**176 276**	177 802	**163 078**	223 746	**163 078**	223 746	50
Retail personal loans							
– performing	**31 732 243**	31 267 030	**32 392 656**	30 754 437	**32 392 656**	30 754 437	75
– impaired[(8)]	**2 807 490**	2 417 236	**2 679 503**	2 921 125	**2 679 503**	2 921 125	100
Subtotal	**46 680 520**	44 090 128	**48 105 572**	44 273 575	**48 011 084**	44 273 575	
Off balance sheet							
Retail personal loans							
– retail guarantees	**–**	–	**–**	–	**–**	–	75
– committed undrawn facilities	**4 143**	5 398	**3 750**	5 250	**3 750**	5 250	75
– conditionally revocable commitments[(9)]	**357 159**	398 689	**404 890**	440 423	**404 890**	440 423	0
Total exposure	**47 041 822**	44 494 215	**48 514 212**	44 719 248	**48 419 724**	44 719 248	

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

[(1)] *Average gross exposure is calculated using daily balances for the last 6 months.*

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

[(3)] *Represents exposure after taking into account any 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 6 of the respective reporting periods. All other items are the balances at the respective month-ends.*

[(5)] *The risk weightings reflected are the standard risk weightings applied to exposures, as required by the regulations. Risk weights for exposures (other than retail) are determined by mapping the exposure's Moody's International grade rating to a risk-weight percentage using the mapping table (shown on page 4). The risk weightings for retail exposures are specified directly in the banking regulations. 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.*

[(6)] *97% (Feb: 94%) of corporate aggregate gross period-end exposure relates to investments in money market unit trusts.*

[(7)] *Sovereign comprises investments in RSA treasury bills and SARB debentures. These exposures are zero risk weighted.*

[(8)] *An ageing of impaired advances is shown in 4.2.2.*

[(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. 22.4% (Feb 2014: 21.3%) 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.*

MAPPING MOODY'S INTERNATIONAL RATING GRADES TO RELATED RISK WEIGHTS

Long-term credit assessment	**Aaa to Aa3 %**	**A1 to A3 %**	**Baa1 to Baa3 %**	**Ba1 to B3 %**	**Below B3 %**	**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 Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Below B3**		
Corporate entities	20	50	100	150		100
Short-term credit assessment	**P-1**	**P-2**	**P-3**	**Other**		
Banks and corporate entities	20	50	100	150		

4.2.2 Age analysis of arrears

	31 Aug 2014 R'000	28 Feb 2014 R'000
Ageing		
< 60 days	**1 578 697**	1 791 273
60 – 90 days	**356 131**	382 590
Total arrears	**1 934 828**	2 173 863

4.2.3 Write-offs and recoveries reflected in the income statement

	6 MONTHS 31 Aug 2014 R'000	6 MONTHS 28 Feb 2014 R'000
Net impairment charge on loans and advances:		
Bad debts (write-offs)	**2 129 254**	1 837 766
Movement in impairment allowance	**125 672**	452 873
Bad debts recovered	**(258 909)**	(269 848)
Net impairment charge	**1 996 017**	2 020 791

4.2.4 Analysis of credit impairments

All impairments presented below relate to retail personal loans.

	6 MONTHS 31 Aug 2014 R'000	6 MONTHS 28 Feb 2014 R'000
Movement in impairments:		
Balance at beginning of period	**3 637 176**	3 184 303
Unidentified impairments	**2 319 506**	2 155 980
Identified impairments	**1 317 670**	1 028 323
Movement	**125 672**	452 873
Unidentified impairments	**(391 009)**	163 526
Identified impairments	**516 681**	289 347
Balance at end of period	**3 762 848**	3 637 176
Unidentified impairments	**1 928 497**	2 319 506
Identified impairments	**1 834 351**	1 317 670

During the current period management reclassified certain provisions from the Unidentified to the Identified category, based on criteria other than arrears status.

4.3 Liquidity measurements

4.3.1 Liquidity maturity analysis (mismatch)

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 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 page 7 for details of off-balance sheet items)
- 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 (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
AUG 2014						
Undiscounted assets						
Cash and cash equivalents – sovereigns	716 299	–	–	–	–	716 299
Cash and cash equivalents – banks	7 060 567	1 756 229	–	–	–	8 816 796
Cash and cash equivalents – corporate money markets unit trusts	2 231	–	–	–	–	2 231
Fixed deposit investments	1 592	2 357 597	1 944 516	–	–	4 303 705
Investments designated at fair value – sovereigns	201 588	801 820	1 936 932	–	–	2 940 340
Loans and advances to clients – retail personal	2 252 584	3 301 804	13 688 162	42 954 495	(343 447)	61 853 598
Loans and advances to clients – retail other	8 273	–	–	–	–	8 273
Loans and advances to clients – corporate other	13 661	–	–	–	–	13 661
Other receivables	89 995	597	7 158	3 226	–	100 976
Derivative assets	–	(1 254)	5 043	137 417	–	141 206
Current income tax assets	(9 159)	39 273	40 157	–	–	70 271
Undiscounted assets	10 337 631	8 256 066	17 621 968	43 095 138	(343 447)	78 967 356
Discounting adjustment	(874 149)	(1 755 335)	(6 903 383)	(17 430 297)	–	(26 963 164)
Loan impairment provision	(333 092)	(148 695)	(617 764)	(2 663 297)	–	(3 762 848)
Total discounted assets	9 130 390	6 352 036	10 100 821	23 001 544	(343 447)	48 241 344
Undiscounted liabilities						
Deposits and bonds at amortised cost	17 401 128	2 111 474	6 563 021	16 666 793	–	42 742 416
Trade and other payables	372 385	14 497	193 387	66 226	137 526	784 021
Provisions	–	–	–	21 615	–	21 615
Undiscounted liabilities	17 773 513	2 125 971	6 756 408	16 754 634	137 526	43 548 052
Discounting adjustment	(27 084)	(190 635)	(905 924)	(3 284 939)	–	(4 408 582)
Total discounted liabilities	17 746 429	1 935 336	5 850 484	13 469 695	137 526	39 139 470
Discounted net liquidity (shortfall)/excess	(8 616 039)	4 416 700	4 250 337	9 531 849	(480 973)	9 101 874
Discounted cumulative liquidity (shortfall)/excess	(8 616 039)	(4 199 339)	50 998	9 582 847	9 101 874	9 101 874

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 3 months were reflected in less than 3 months, the cumulative 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	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 2014						
Undiscounted assets						
Cash and cash equivalents – sovereigns	715 825	–	–	–	–	715 825
Cash and cash equivalents – banks	7 714 844	1 246 239	–	–	–	8 961 083
Cash and cash equivalents – corporate money markets unit trusts	2 278	–	–	–	–	2 278
Investments designated at fair value – sovereigns	695 330	285 000	3 791 580	–	–	4 771 910
Loans and advances to clients – retail personal	2 201 252	3 059 347	12 798 287	39 901 710	(368 304)	57 592 292
Loans and advances to clients – retail other	5 307	–	–	–	–	5 307
Loans and advances to clients – corporate other	14 466	–	–	–	–	14 466
Other receivables	118 464	51	–	2 197	–	120 712
Derivative Assets	–	(3 251)	17 932	230 057	–	244 738
Current income tax assets	–	–	22 529	–	–	22 529
Undiscounted assets	11 467 766	4 587 386	16 630 328	40 133 964	(368 304)	72 451 140
Discounting adjustment	(839 285)	(1 466 995)	(6 591 606)	(15 095 506)	–	(23 993 392)
Loan impairment provision	(317 583)	(134 230)	(568 546)	(2 616 817)	–	(3 637 176)
Total discounted assets	10 310 898	2 986 161	9 470 176	22 421 641	(368 304)	44 820 572
Undiscounted liabilities						
Deposits and bonds at amortised cost	15 315 786	1 739 300	5 137 338	18 217 404	-	40 409 828
Trade and other payables	385 846	118 914	32 762	92 348	118 863	748 733
Provisions	–	–	–	11 451	–	11 451
Undiscounted liabilities	15 701 632	1 858 214	5 170 100	18 321 203	118 863	41 170 012
Discounting adjustment	(24 714)	(191 151)	(920 600)	(3 824 685)	–	(4 961 150)
Total discounted liabilities	15 676 918	1 667 063	4 249 500	14 496 518	118 863	36 208 862
Discounted net liquidity (shortfall)/excess	(5 366 020)	1 319 098	5 220 676	7 925 123	(487 167)	8 611 710
Discounted cumulative liquidity (shortfall)/excess	(5 366 020)	(4 046 922)	1 173 754	9 098 877	8 611 710	8 611 710

Off-balance sheet items

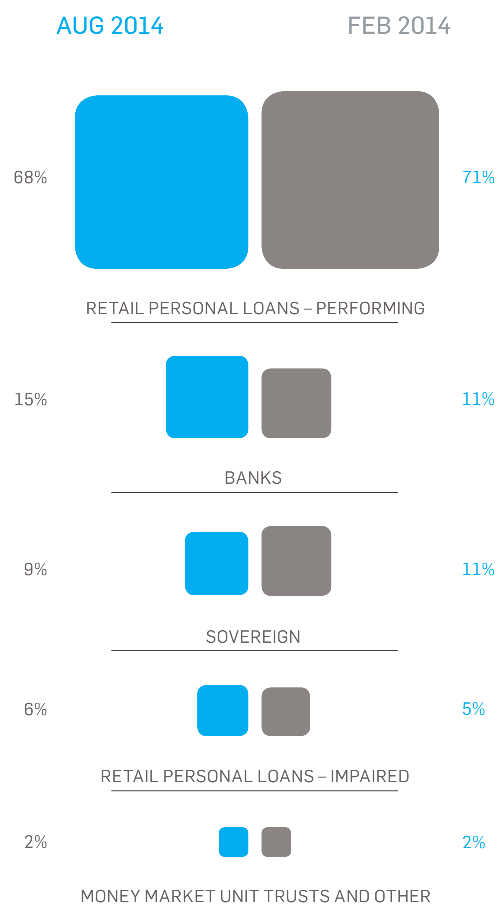
The following off balance sheet items will result in a future outflow of cash subsequent to reporting date. These cash flows are regarded as transactions relating to future reporting periods and are therefore excluded from the static maturity analysis above. As a going concern, these outflows will be 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 measured on a straight-lined basis are as follows:

	31 Aug 2014 R'000	28 Feb 2014 R'000
Property operating lease commitments		
The future aggregate minimum lease payments under non-cancellable leases are as follows:		
Within one year	**287 271**	255 012
From one to 5 years	**791 398**	738 757
After 5 years	**204 825**	215 552
Total future cash flows	**1 283 494**	1 209 321
Straight lining accrued	**(64 245)**	(57 201)
Future expenses	**1 219 249**	1 152 120

	31 Aug 2014 R'000	28 Feb 2014 R'000
Other operating lease commitments		
Within one year	**1 682**	2 023
From one to 5 years	**754**	1 472
	2 436	3 495



(b) Capital commitments

Capital commitments for the acquisition of information technology hardware, improvements to leased premises and support services, that are expected to result in cash outflows by the end of the 2015 financial year, are as follows:

	31 Aug 2014 R'000	28 Feb 2014 R'000
Capital commitments – approved by the board		
Contracted for:	**88 243**	35 078
Property and equipment	**78 810**	26 622
Intangible assets	**9 433**	8 456
Non-contracted for:	**302 687**	536 419
Property and equipment	**225 264**	397 505
Intangible assets	**77 423**	138 914
	390 930	571 497

(c) Conditionally revocable retail loan commitments

Conditionally revocable retail loan commitments totalled R405 million (Feb 2014: R440 million). These commitments are as a result of undrawn loan amounts. These 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. 22.4% (Feb 2014: 21.3%) 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.

4.3.2 Liquidity mismatches

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.

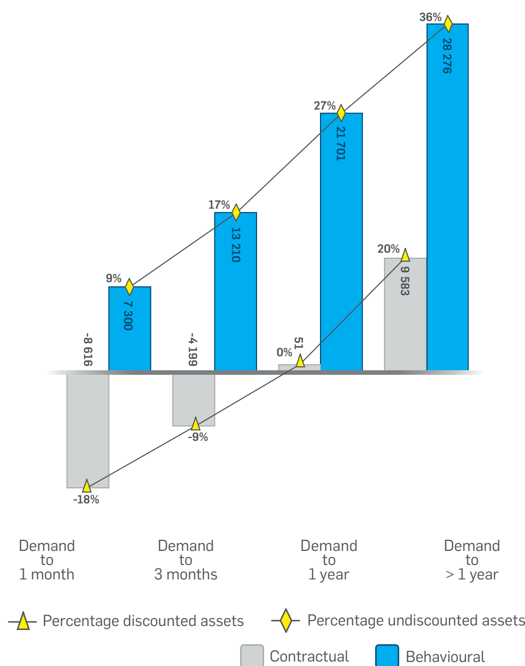
The main difference between the behavioural and contractual mismatches relates to the treatment of retail call deposits. 92% (Feb 2014: 92%) of retail demand deposits are reflected as stable, based on a one standard deviation measure of volatility, which is considered reasonable for business-as-usual conditions.

Industry comparison

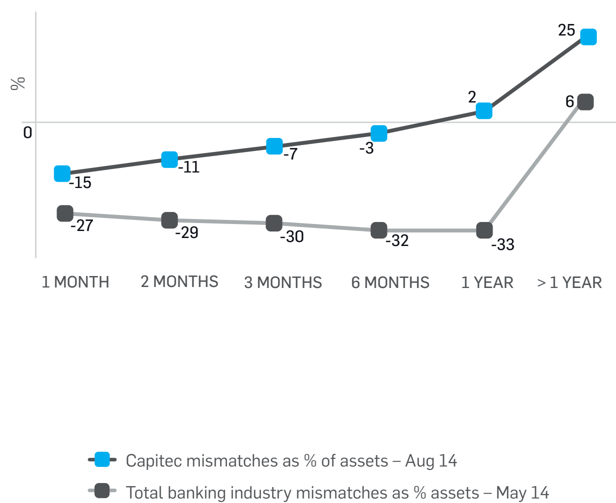
The industry comparison shows that Capitec's contractual mismatch as a percentage of assets is prudent relative to the total industry mismatch. The source data is as reported on the SARB BA 300 returns, which exclude the impact of loan impairments.

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



4.3.3 Liquidity ratios

The liquidity coverage ratio (LCR)

The LCR is a 30-day stress test that 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 decrease seen in the ratio during the 6 month period ended 31 August 2014 is due to the reduction in the level of high quality liquid assets held.

	31 Aug 2014	28 Feb 2014
LCR		
LCR%	**1 095**	1 689
High-quality liquid assets (R'm)	**4 740**	6 753
Net outflow [1] (R'm)	**433**	400

[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.*

As the ratio is well in excess of the minimum Basel 3 requirement, more funds were invested in higher yielding structured deposits at highly rated South African banks. The residual weighted average time to maturity of these instruments was 128 days at 31 August 2014.

Basel has changed the calibration of the LCR, effective January 2015. If these changes were applied as at 31 August 2014 it would have had an immaterial effect on the LCR% as disclosed.

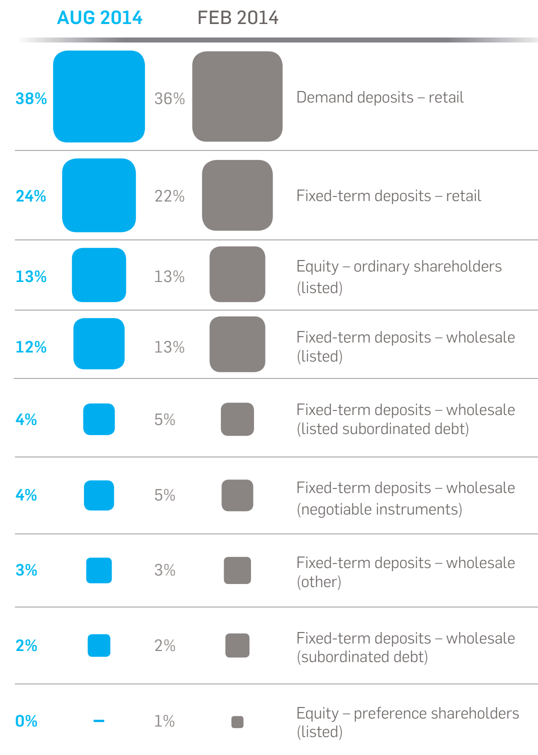
The net stable funding ratio (NSFR)

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. Compliance is required by 2018.

	31 Aug 2014	28 Feb 2014
NSFR		
NSFR%	**132**	132
Required stable funding (R'm)	**30 827**	29 272
Available stable funding (R'm)	**40 626**	38 631

Early compliance with these 2 new Basel ratios underscores Capitec's conservative approach to liquidity management. Our NSFR% is calculated as per the SARB rules in force. Basel has proposed adjustments to the calibration of the ratio. These changes make it easier to comply. If these changes were applied at 31 August 2014 the NSFR% ratio would have been 157%.

DIVERSIFICATION OF FUNDING SOURCES



- *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.*

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.

Sensitivity of equity	31 Aug 2014		28 Feb 2014	
	R'000	**%**	**R'000**	**%**
200 basis points shift				
Increase	**(363 863)**	(3.4)	(317 959)	(3.3)
Decrease	**367 758**	3.4	321 189	3.3

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 has a 28% shareholding in a non-listed entity Key Distributors (Pty) Ltd. The equity accounted value of the investment was R1.96 million as at 31 August 2014.

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 integrated report for the financial period ended 28 February 2014, 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 Integrated Annual Report, Main Features of Capital Instruments and Transitional Basel 3 Template. These disclosures can be found on the Capitec Bank website under Investor Relations, Financial results, Banks Act Public Disclosure.