

## Capitec Bank Holdings Limited

### November 2019 (3rd quarter)

Capitec Bank Holdings Limited and its subsidiaries ("group"), have complied with Regulation 43 of the Regulations relating to banks, which incorporates the requirements of Basel.

In terms of Pillar 3 under Basel, the consolidated group is required to disclose quantitative information on its capital adequacy ratios on a quarterly basis.

The group's consolidated capital position at the end of the 3rd quarter of the 29 Feb 2020 financial year end is set out below:

Composition of qualifying regulatory capital	R'000	3rd Quarter 2020	R'000	2nd Quarter 2020
		(30 Nov 2019)		(31 Aug 2019)
		Capital Adequacy		Capital Adequacy
		Ratio %		Ratio %
Common Equity Tier 1 capital (CET1) <sup>(3)</sup>	22 571 738	27.4	22 563 756	32.6
Additional Tier 1 capital (AT1) <sup>(1)</sup>	73 351	0.1	74 370	0.1
<b>Tier 1 capital (T1)</b>	<b>22 645 089</b>	<b>27.5</b>	22 638 126	32.7
General allowance for credit impairment <sup>(4)</sup>	751 682		647 418	
<b>Tier 2 capital (T2)</b>	<b>751 682</b>	<b>0.9</b>	647 418	0.9
<b>Total qualifying regulatory capital <sup>(5)</sup></b>	<b>23 396 771</b>	<b>28.4</b>	23 285 544	33.6
<b>Required regulatory capital <sup>(2)</sup></b>	<b>9 476 453</b>		7 970 042	

<sup>(1)</sup> Starting 2013, the non loss absorbent AT1 and T2 capital is subject to a 10% per annum phase-out in terms of Basel 3.

<sup>(2)</sup> This value is 11.500% of risk-weighted assets, being the Basel global minimum requirement of 8.000%, the South African country-specific buffer of 1.000% and the Capital Conservation Buffer of 2.500% (disclosable in terms of SARB November 2016 directive in order to standardise reporting across banks). In terms of the regulations the Individual Capital Requirement (ICR) is excluded.

<sup>(3)</sup> Mercantile Bank Limited ("Mercantile") is consolidated in the disclosures as at 30 November 2019. 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 capital.

<sup>(4)</sup> Of the total Tier 2 capital as at 30 November 2019, R124.8 million relating to the general allowance for credit impairment is attributable to Mercantile.

<sup>(5)</sup> The impact of the inclusion of Mercantile's risk weighted assets resulted in a decrease of 5.5% in the group capital adequacy ratio. The deduction of goodwill and intangible assets relating to the acquisition of Mercantile from CET1 capital decreased the group capital adequacy ratio by a further 1.2%

By order of the Board

Stellenbosch  
12 December 2019

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#### OV1: Overview of Risk-Weighted Assets (RWA)

Line #	R'000	Total RWA	RWA attributable to Mercantile <sup>(1)</sup>	RWA	Minimum capital requirements
		3rd Quarter 2020 (30 November 2019)	3rd Quarter 2020 (30 November 2019)	2nd Quarter 2020 (31 August 2019)	2nd Quarter 2020 (31 August 2019)
1	Credit risk (excluding counterparty credit risk) (CCR)	59 199 888	9 980 218	51 036 635	6 807 987
2	Of which standardised approach (SA)	59 199 888	9 980 218	51 036 635	6 807 987
3	Of which internal rating-based (IRB) approach	-	-	-	-
4	Of which supervisory slotting approach	-	-	-	-
5	Of which advanced internal ratings-based (A-IRB) approach	-	-	-	-
6	Counterparty credit risk	200 079	27 817	133 947	23 009
7	Of which standardised approach for counterparty credit risk (SA-CCR)	200 079	27 817	133 947	23 009
8	Of which internal model method (IMM)	-	-	-	-
9	Of which other CCR	-	-	-	-
10	Credit valuation adjustment	3 086	-	6 968	355
11	Equity positions in banking book under market-based approach	554 387	-	493 984	63 755
12	Equity investments in funds – look-through approach	-	-	-	-
13	Equity investments in funds – mandate-based approach	-	-	-	-
14	Equity investments in funds – fall-back approach	-	-	-	-
15	Settlement risk	-	-	-	-
16	Securitisation exposures in banking book	-	-	-	-
17	Of which securitisation internal ratings-based approach (Sec-IRBA)	-	-	-	-
18	Of which securitisation external ratings-based approach (Sec-ERBA), including internal assessment approach (IAA)	-	-	-	-
19	Of which securitisation standardised approach (SEC-SA)	-	-	-	-
20	Market risk	14 100	14 100	-	1 622
21	Of which standardised approach (SA)	14 100	14 100	-	1 622
22	Of which internal model approaches (IMA)	-	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-	-
24	Operational risk	11 502 941	1 834 623	8 316 566	1 322 838
	Other risk	6 841 724	1 162 254	5 490 707	786 797
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	4 087 738	-	3 825 909	470 090
26	Floor adjustment	-	-	-	-
27	<b>Total</b>	<b>82 403 943</b>	<b>13 019 012</b>	<b>69 304 716</b>	<b>9 476 453</b>

<sup>(1)</sup> The acquisition of Mercantile has a significant impact on Capitec's capital adequacy ratio, as Capitec's qualifying capital is measured against the combined risk weighted assets of Mercantile and Capitec. Of the total risk weighted assets as at 30 November 2019, R13.0 billion is attributable to Mercantile.