

**CAPITAL ADEQUACY**

**Capital Management**

The bank's objectives when managing capital, which is a broader concept than the 'equity' on statement of financial position, are to:

- Comply with the capital requirements set by the regulators of the banking markets the entity operates;
- Safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for other stakeholders; and
- Maintain a strong capital base to support the development of its business.

Other reserves and portion of general provisions relating to Instalment loans were excluded from capital adequacy ratio calculation.

Common Equity Tier I capital: instruments and reserves	
Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus.	230,000.00
Retained earnings	105,947
Accumulated other comprehensive income (and other reserves)	-
Directly issued capital subject to phase out from CET1 CAPITAL (only applicable to non-joint stock companies)	-
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 CAPITAL)	-
Common Equity Tier I capital before regulatory adjustments	335,947

Common Equity Tier I capital: regulatory adjustments	
Prudential valuation adjustments	-
Goodwill (net of related tax liability)	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	4,657
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
Cash-flow hedge reserve	-
Shortfall of provisions to expected losses	-
Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-
Defined-benefit pension fund net assets	-
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
Reciprocal cross-holdings in common equity	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
Mortgage servicing rights (amount above 10% threshold)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amount exceeding the 15% threshold	-
of which: significant investments in the common stock of financials	-
of which: mortgage servicing rights	-
of which: deferred tax assets arising from temporary differences	-
National specific regulatory adjustments	-
Regulatory adjustments applied to Common Equity Tier I due to insufficient Additional Tier I and Tier II to cover deductions	-
Total regulatory adjustments to Common equity Tier I	4,657
Common Equity Tier I capital (CET1 CAPITAL)	<b>331,290</b>

Additional Tier I capital: instruments	
Directly issued qualifying Additional Tier I instruments plus related stock surplus	-
of which: classified as equity under applicable accounting standards	-
of which: classified as liabilities under applicable accounting standards	-
Directly issued capital instruments subject to phase out from Additional Tier I	-
Additional Tier I instruments (and CET1 CAPITAL instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
of which: instruments issued by subsidiaries subject to phase out	-
Additional Tier I capital before regulatory adjustments	-

Additional Tier I capital: regulatory adjustments	
Investments in own Additional Tier I instruments	-
Reciprocal cross-holdings in Additional Tier I instruments	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
National specific regulatory adjustments	-
Regulatory adjustments applied to Additional Tier I due to insufficient Tier II to cover deductions	-
<b>Total regulatory adjustments to Additional Tier I capital</b>	-
<b>Additional Tier I capital (AT1)</b>	-
<b>Tier I capital (T1 = CET1 CAPITAL + AT1)</b>	<b>331,290</b>

Tier II capital: instruments and provisions	
Directly issued qualifying Tier II instruments plus related stock surplus	125,000
Directly issued capital instruments subject to phase out from Tier II	30,000
Tier II instruments (and CET1 CAPITAL and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)	-
of which: instruments issued by subsidiaries subject to phase out	-
Unpublished profits	13,064
Provisions	27,471
<b>Tier II capital before regulatory adjustments</b>	<b>195,535</b>

Tier II capital: regulatory adjustments	
Investments in own Tier II instruments	-
Reciprocal cross-holdings in Tier II instruments	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold).	-

Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions).	-
National specific regulatory adjustments	-
Total regulatory adjustments to Tier II capital	-
Tier II capital (T2)	195,535
Total capital (TC = T1 + T2)	526,825
Total risk-weighted assets	3,266,074

Capital ratios and buffers	
Common Equity Tier I (as a percentage of risk weighted assets)	10.1%
Tier I (as a percentage of risk-weighted assets)	10.1%
Total capital (as a percentage of risk weighted assets)	16.1%
Institution specific buffer requirement (minimum CET1 CAPITAL requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	-
of which: capital conservation buffer requirement	2.5%
of which: bank specific countercyclical buffer requirement	-
of which: G-SIB buffer requirement	-

Common Equity Tier I available to meet buffers (as a percentage of risk weighted assets)	
National Common Equity Tier I minimum ratio (if different from Basel III minimum)	10.0%
National Tier I minimum ratio (if different from Basel III minimum)	10.0%
National total capital minimum ratio (if different from Basel III minimum)	15.0%

Amounts below the thresholds for deduction (before risk-weighting)	
Non-significant investments in the capital of other financials	-
Significant investments in the common stock of financials	-
Mortgage servicing rights (net of related tax liability)	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-

Applicable caps on the inclusion of provisions in Tier II	
Provisions eligible for inclusion in Tier II in respect of exposures subject to standardised approach (prior to application of cap)	27,471
Cap on inclusion of provisions in Tier II under standardised approach	-
Provisions eligible for inclusion in Tier II in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
Cap for inclusion of provisions in Tier II under internal ratings-based approach	-

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2015 and 1 Jan 2020)	
Current cap on CET1 CAPITAL instruments subject to phase out arrangements	30,000.00
Amount excluded from CET1 CAPITAL due to cap (excess over cap after redemptions and maturities)	-
Current cap on AT1 instruments subject to phase out arrangements	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
Current cap on T2 instruments subject to phase out arrangements	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Qualitative Disclosures Capital Management

Capital Management	
The bank's objectives when managing capital, which is a broader concept than the 'equity' on statement of financial position, are to:	
<ul style="list-style-type: none"> <li>• Comply with the capital requirements set by the regulators of the banking markets the entity operates;</li> <li>• Safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for other stakeholders; and</li> <li>• Maintain a strong capital base to support the development of its business.</li> </ul>	
Other reserves and portion of general provisions relating to Instalment loans were excluded from capital adequacy ratio calculation.	

Quantitative Disclosures Capital Requirements for credit risk

Risk weighted assets	3,095,086
Capital required	464,263

Capital Requirements for market risk

Risk weighted assets	7,502
Capital required	1,125

Capital Requirements for operational risk

Risk weighted assets	163,486
Capital required	24,523

Total Capital Ratio

Tier I capital	331,290
Tier II capital	195,535
Total Capital	526,825
Total Risk weighted assets	3,266,074
Total Capital Ratio	16.1%

Tier 1 capital Ratio

Tier I capital	331,290
Total Risk weighted assets	3,266,074
Tier I Capital Ratio	10.1%



S A Coetzee  
Managing Director



PCG Collins  
Chairman