

In addition we would be much obliged if Capitec could answer the questions below.

1. In November 2018 Capitec proposed to Regiments/Coral Lagoon Investments 194 that it sell its Capitec shares to CB Employee Holdings at a 50% discount. In this regard could you clarify:
 - a. Who CB Employee Holdings (CBEH) and its beneficial owners are considering that Capitec already has an employee empowerment trust?
 - b. What considerations underpinned the Capitec offer, on behalf of CBEH, to buy Coral's shares at roughly 50% of their value? What justified this enormous discount if CB Employee Holdings is, presumably, a black-owned entity?

CB Employee Holdings is the investment company of the employee empowerment trust.

It is a concern to see that our "confidential and without prejudice" documents are included in the court documents. Please note that the court documents contain selective information resulting in a skewed perspective being created. The court documents show that our offer was not declined outright as Coral made a counter-offer at the time. The "50% discount" is factually incorrect; in fact, the offer was based on similar transactions in the market. We will address this issue in our court documents.

2. If Capitec was willing to purchase shares from Regiments at that point, or facilitate such a transaction for CBEH, does it not contradict Capitec's argument, in correspondence now included in the court record, that buying these shares would reward agents of state capture (Regiments)? Surely the same was true in November 2018? The difference is that in the current situation (the TSDBF settlement with Regiments) Capitec will lose its direct black ownership credentials linked to these shares, the sole purpose of the 2007 issue to Coral and the basis on which our board requested shareholder approval for the issue of Capitec shares to Coral. If CB Employee Holdings were successful in purchasing the shares from Regiments/Coral in November 2018, the relevant shares would continue to be held directly by a BEE party.

According to the Transnet Second Defined Benefit Fund and Coral/Regiments, Capitec is set to benefit by blocking the settlement because it would allow it to instead direct a sale of the shares as was the case with the November 2018 proposal. Does this not constitute Capitec becoming a beneficiary of state capture by way of acquiring or getting control of the dealing with shares meant to be traded as recompense for state capture? Discounted shares are a benefit to Capitec and Capitec can only get this benefit by blocking the TSDBF settlement.

Prior to the conclusion of the settlement agreement, Capitec informed the Fund that the Capitec shares held by Coral can only be disposed to black parties and that Capitec's consent is required for same. Capitec was not a party to the settlement agreement and

when it was informed by Coral that its consent was required, it considered Coral's request and rightly refused it. Should Capitec support the disposal by Coral of its Capitec shares to the Fund, Capitec would be waiving its contractual rights under its agreement with Coral, effectively resulting in Capitec agreeing to a forfeiture of the direct black ownership attributable to these Capitec shares. This would be contrary to the rationale for the issue of Capitec shares to Coral in 2007 and the basis on which the Capitec board sought shareholder approval for the transaction at the time. The effect of the Fund and Coral's court actions is that persons and entities involved in State Capture will improperly benefit, since the settlement amounts to a significant discount to the value earned by Regiments, and related parties implicated in State Capture – at the cost of Capitec's contractual rights

4. Capitec has argued that the settlement would result in it losing part of its black ownership. This is however necessary if black shareholders are to derive a benefit from their shares and is standard practice in the industry. Since empowerment is not meant to be costless, what justifies Capitec's stance that it cannot lose empowerment credits if this comes at a cost to it? The purpose of black economic empowerment is to enable black ownership of companies in South Africa and that such ownership is distributed broadly amongst black parties. The shareholders in the Coral structure have benefitted hugely over the years through Capitec dividends and the growth in the share from the base price of R30 at which they have subscribed for the shares. Please remember, the parties in the Coral structure at the time were experienced business people, well versed in financial transactions. They understood fully the terms under which Capitec were willing to issue Capitec shares to them and they freely accepted these terms.

5. Capitec has previously permitted black shareholders, including Coral, to sell shares. What is different this time? The shares issued to Coral continued to be held directly by black parties. The result of the TSDBF settlement will be that Capitec's direct black ownership will reduce, in breach of the basis on which the issue of the shares to Coral was agreed and approved by Capitec shareholders.

6. Capitec has threatened to enforce a "mandatory purchase option" from its 2006 BEE deal with Coral to acquire the company's Capitec shares at R30 if Coral shareholders enact the settlement. Is this not an egregious threat? How can Capitec holding a party to the terms of its agreement be an "egregious threat?"

7. Does Capitec have any other comment it would like to make on the matter? Please see the following document.

There has been extensive reporting in the media regarding the involvement of Regiments and its shareholders, Litha Nyhonyha, Niven Pillay and Eric Wood in State Capture. It transpires from the court documents that the Transnet Second Defined Benefit Fund (“Transnet”), during the period that State Capture was rampant, decided to conclude agreements with Regiments, the outcome of which resulted in significant losses to Transnet. Transnet instituted court proceedings against Regiments to recoup these State Capture losses and have concluded a settlement agreement with the very parties implicated in State Capture, at the expense of Capitec. In fact, the beneficiaries of this settlement is the very parties who according to Transnet have been implicated in State Capture. According to the court documents, the proposed settlement amounts to a significant discount to Transnet’s claims against Regiments, (and related parties implicated in the State Capture). Transnet now wants Capitec to pay the price for Transnet’s mistakes.

Regiments is a significant shareholder in Coral to which company Capitec issued shares in 2007 with the sole purpose to give effect to an enduring broad-based black economic empowerment transaction. The consortium members behind Coral at the time were business leaders and they were led by experienced businessmen. The agreement was freely concluded on the basis that the shares held by Coral may only be sold to black persons to establish a lasting black-owner relationship with Capitec.

Prior to Transnet, Regiments and Coral concluding the settlement agreement, Capitec informed Transnet that the Capitec shares held by Coral can only be disposed to black persons and that Capitec’s consent is required for same. Capitec was not a party to the settlement agreement between Transnet, Regiments and Coral. When Coral approached Capitec for its consent, Capitec considered Coral’s request and rightly refused it. Should Capitec support the disposal by Coral of its Capitec shares to Transnet, Capitec would be waiving its contractual rights under its agreement with Coral, effectively resulting in Capitec agreeing to a forfeiture of the direct black ownership of these Capitec shares. This would be contrary to the rationale for the issue of the Capitec shares to Coral in 2007 and the basis on which the Capitec board sought shareholder approval for the transaction at the time.

The effect of Transnet and Coral’s court actions is that persons and entities involved in State Capture will improperly benefit, since the settlement amounts to a significant discount to Transnet’s claims against Regiments, and related parties implicated in State Capture – at the cost of Capitec’s contractual rights.

The shares held by Coral in Capitec are further subject to restraint orders obtained by Transnet which remain in place and have not been set aside. Capitec has at all times indicated to Transnet and Regiments that it will not participate in any transaction which will be in contravention of the restraint orders.

There are other solutions to enable Regiments, an undesirable shareholder, to dispose of its Capitec shares without Coral breaching the terms of its agreement with Capitec. The continuous infighting amongst the Regiments shareholders further frustrates the resolution of the subject matter of the court cases.

In conclusion, as this matter is currently under judicial consideration, the remainder of the allegations against Capitec by Transnet and Coral will be dealt with in the course of those proceedings.