

Annexure A: Brief explanations regarding the statements, promises or forecasts that Viceroy published

1.	<p>Statement, promise or forecast that Capitec had to write-off more than 42% of the gross collectable principal debt due to it in FY2017.</p> <p>Viceroy incorrectly applied Capitec’s entire end of year reported written-off number (which is <i>inter alia</i> applicable to the principal repayments on loans of all maturities and issuances that fell due during the year, the fees charged thereon, as well as interest raised thereon) as numerator to only the beginning of year principal loan balances as denominator, and then claimed that Capitec wrote off more than 42% of the gross collectable principal due to it during FY2017.</p> <p>▪</p>
2.	<p>Statement, promise or forecast that Capitec had a pervasive practice of rescheduling the loans of its delinquent clients through the issuance of new loans to such clients.</p> <p>The FSCA found that:</p> <ul style="list-style-type: none"> - The pleadings that Viceroy relied on did not contain allegations that the clients were delinquent when obtaining new loans from Capitec. - Viceroy had not spoken to “legal experts” to confirm that the cases represent pervasive conduct as claimed, nor about the merits of the cases. - Even if the pleadings in four cases evidenced what Viceroy stated, that number of cases during an 11-year period cannot be said to be statistically significant to draw a conclusion of widespread conduct for a lender with more than 8 million clients and which had issued 3.5 million loans during FY2017. - Viceroy did not obtain consumer datasets of “<i>Tens of thousands of Capitec borrowers</i>” from debt counsellors, and it could therefore not have reviewed those datasets as claimed. <p>There was no basis to conclude that there existed a widespread Capitec practice (amounting to R3 billion per year) of rescheduling delinquent loans through the issuance of new loans.</p>
3.	<p>Statement, promise or forecast that Capitec’s loan book was irreconcilable by approximately R3bn.</p> <p>Viceroy incorrectly stated that Capitec misrepresented the balance of its unpaid loans by consistently “rescheduling” between R2.5 billion to R3 billions of loan principal each year. (As part of an alleged widespread practice of issuing new loans to repay delinquent loans so that it could conceal defaults, and charge interest and massive fees on those defaulted loans.) This it stated, is evidenced by Capitec’s loan book being irreconcilable, as shown in two loan book reconciliations that Viceroy presented.</p> <p>Viceroy omitted two repayments and made calculation errors that were material, and which underpinned the R3 billion irreconcilable loan book narrative.</p>

4.	<p>Statement, promise or forecast that Capitec was guilty of reckless lending and would lose a court case that would trigger a class action lawsuit.</p> <p>(i) Viceroy’s interpretation of the merits of the lawsuits was not based on the opinion of “legal experts” with whom it had spoken.</p> <p>(ii) It incorrectly framed the outcome of the test case as an imminent certainty, without any meaningful discussion of at least eight limitations and assumptions applicable to that statement.</p> <p>(iii) It presented the subject of the litigation to relate to the sale of a Multi-Loan product that had it stated had been prohibited, when the product was not a prohibited product. Notwithstanding having seen Capitec’s explanations that the product was never “<i>prohibited</i>”, and that the relevant NCA Regulation was available for anyone to view, Viceroy did not publish a full and frank correction regarding its statements about the sale of a “<i>prohibited</i>” product.</p> <p>(iv) The description of “triggering” a class action implies that a class action automatically follows the test case. The statement was made without any discussion of the limitations and assumptions applicable to such statement. For example, that it is a lengthy process to certify a Class Action, that a Class Action is not a common process in South Africa, and that a decision by a court to certify a class action is subject to appeal and review.</p> <p>(v) Viceroy presented an imminent final ruling against Capitec in the (still to be certified) Class Action lawsuit as a <i>fait accompli</i>, without discussion of the limitations and assumptions applicable to that statement. For example, it did not mention that the evidence presented by all parties involved in the Class Action lawsuit would have to be considered by a Judge before making a ruling which could go either way, and that ruling would then be subject to appeals and reviews.</p>
5.	<p>Statement, promise or forecast that the Class Action Lawsuit would result in Capitec being ordered to pay R12.7bn to its former and current clients.</p> <p>The alleged R12.7 billion liability represented approximately 49% of Capitec’s Net Asset Value, and the statement played a significant role to support Viceroy’s narrative regarding Capitec’s alleged near insolvency and failure to disclose all liabilities.</p> <p>The R12.7bn refund liability was overstated</p> <ul style="list-style-type: none"> ▪ <i>Viceroy had failed to take extinctive prescription into account.</i> ▪ <i>Viceroy incorrectly included the initiation fees charged on all products sold since 2007 in the calculation.</i> ▪ <i>Viceroy used incorrect ratios from which it then extrapolated other numbers.</i>
6.	<p>Statement, promise or forecast that “Capitec’s board is largely and unsurprisingly made up of several executives from both PSG and Steinhoff”.</p> <p>Contrary to its own research documents, and the true facts, Viceroy stated that “<i>Capitec’s board is largely and unsurprisingly made up of several executives from both PSG and Steinhoff</i>”.</p>

7. Statement, promise or forecast that Capitec needed to recognise an additional R11.37bn of impairments to accurately reflect its liabilities.

Under the heading "*Capitec's impossibly low arrears*" Viceroy stated that Capitec required a further "impairment" of R5.93 billion and further write-off of R5.44 billion. (In total R11.37 billion)

The alleged existence of a R11.37 billion write-off and provision liability formed a key component of Viceroy's narrative that Capitec was a net liability bank, and it was a material statement to make about Capitec from a quantitative as well as a qualitative perspective.