Annual financial statements

2024

better never rests

ENTER

CAPITEC

Capitec Bank Limited
(Capitec Bank or the group)

Contents

Capitec Bank Limited (Capitec or Capitec Bank or the company or the group) is a leading South African bank which focuses on essential banking services and provides innovative savings, transacting and lending products to individuals and small- and medium-sized entities (SMEs).

For any further detailed information about Capitec, please refer to the Capitec Bank Holdings Limited Integrated Annual Report 2024 available on our website at **www.capitecbank.co.za**.

better never rests

At Capitec, we've always believed in pushing boundaries, challenging norms and constantly evolving to meet the ever-changing needs of our clients. Better never rests is a promise that underscores our unwavering commitment to excellence, constant improvement and forward momentum. Our future endeavours will be marked by even greater digital integration, fostering financial inclusivity and championing our clients' dreams.

Highlights

Profit for the year

+18%

to **R7.5 billion**

Retail bank	**+18%**
Business bank	**+25%**

Credit loss ratio

8.7%

(2023: 7.0%)

Retail bank	**10.1%**
Business bank	**1.9%**

Operating profit before tax

+12%

to **R10.3 billion**

Transaction and commission income

+29%

to **R14.8 billion**

Return on ordinary shareholders' equity

20%

(2023: 19%)

Net non-interest income to income from operations after credit impairments

68%

(2023: 62%)

Live Better cash back

R375 million

(2023: R256 million)

App clients

+19%

to **11.2 million**

Performance at a glance

		2024	2023	% change[1] 2024/2023
Profitability				
Interest income	R'm	**25 779**	21 192	22
Interest income on lending	R'm	**18 189**	15 799	15
Interest income on investments and other financial instruments	R'm	**7 590**	5 393	41
Interest expense	R'm	**(9 343)**	(6 994)	34
Net interest income	R'm	**16 436**	14 198	16
Credit impairments	R'm	**(8 725)**	(6 329)	38
Net interest income after credit impairments	R'm	**7 711**	7 869	(2)
Net loan fee income	R'm	**1 208**	1 079	12
Net transaction and commission income	R'm	**14 787**	11 461	29
Net foreign currency income	R'm	**161**	162	(1)
Other income	R'm	**280**	52	>100
Net non-interest income	R'm	**16 436**	12 754	29
Income from operations after credit impairments	R'm	**24 147**	20 623	17
Operating expenses	R'm	**(13 823)**	(11 782)	17
Share of net profit of equity accounted investment	R'm	**5**	7	(29)
Operating profit before tax	R'm	**10 329**	8 848	12
Income tax expense	R'm	**(2 818)**	(2 497)	13
Profit for the year	R'm	**7 511**	6 351	18
Net non-interest income to income from operations after credit impairments	%	**68**	62	
Cost-to-income ratio	%	**42**	44	
Assets				
Total assets	R'm	**203 808**	188 316	8
Net loans and advances	R'm	**80 551**	78 168	3
Cash and financial investments[2]	R'm	**105 179**	95 967	10
Other[3]	R'm	**18 078**	14 181	27
Liabilities				
Total liabilities	R'm	**164 959**	153 546	7
Deposits and wholesale funding	R'm	**156 321**	146 996	6
Other	R'm	**8 638**	6 550	32
Equity				
Shareholders' funds (total equity)	R'm	**164 959**	153 546	12
Return on ordinary shareholders' equity	%	**20**	19	
Capital adequacy ratio	%	**34**	33	
Operations				
Branches		**866**	860	1
Employees		**15 668**	15 401	2
Active clients (including POS merchants)[4]	'000	**22 173**	20 105	10
ATMs, DNRs and CNRs[5]		**8 382**	7 898	6
Capital expenditure	R'm	**1 133**	1 144	(1)

[1] *The percentage changes quoted in the commentary are based on figures denominated in R'million.*
[2] *Cash, cash equivalents, money market funds, government bonds, term deposits and other financial investments.*
[3] *Other receivables, derivative assets, interest in associates and joint ventures, property, plant and equipment, right-of-use assets, intangible assets including goodwill and deferred income tax asset.*
[4] *Point-of-sale merchants.*
[5] *Automated teller machines, dual note recyclers and coin and note recyclers.*

Performance at a glance continued

		2024	2023	% change[1] 2024/2023
Transact				
Transaction volumes by channel	'm	9 891	8 199	21
Digital	'm	1 994	1 641	22
POS transactions	'm	2 537	1 949	30
Cash	'm	580	562	3
Branches	'm	33	47	(30)
System generated	'm	4 747	4 000	19
Net transaction and commission and net foreign currency income to income from operations after credit impairments	%	45	43	
Net transaction and commission and net foreign currency income to operating expenses	%	108	99	
Credit				
Value of total loans advanced	R'm	124 313	118 412	5
Retail bank	R'm	48 459	52 928	(8)
Business bank	R'm	75 854	65 484	16
Loans and advances book				
Gross loans and advances	R'm	102 991	97 815	5
Retail bank	R'm	83 847	82 297	2
Business bank	R'm	19 144	15 518	23
Provision for credit impairments (expected credit losses (ECL))	R'm	(22 439)	(19 647)	14
Retail bank	R'm	(21 359)	(18 806)	14
Business bank	R'm	(1 080)	(841)	28
Net loans and advances	R'm	80 552	78 168	3
Retail bank	R'm	62 488	63 491	(2)
Business bank	R'm	18 064	14 677	23
Net credit impairment charge on loans and advances[2]	R'm	8 740	6 334	38
Retail bank	R'm	8 418	6 126	37
Business bank	R'm	322	208	55
Gross credit impairment charge on loans and advances	R'm	9 341	7 041	33
Retail bank		9 015	6 828	32
Business bank		326	213	53

[1] The percentage changes quoted in the commentary are based on figures denominated in R'million.

[2] This charge is for loans and advances only. The income statement charge for the reporting period includes a release of R14.7 million (2023: release of R4.3 million) related to other financial assets.

		2024	2023	% change[1] 2024/2023
Loans and advances book continued				
Bad debts recovered	R'm	(601)	(707)	(15)
Retail bank		(598)	(702)	(15)
Business bank		(3)	(5)	(40)
Net credit impairment charge on loans and advances to average gross loans and advances (credit loss ratio)	%	8.7	7.0	
Retail bank	%	10.1	8.0	
Business bank	%	1.9	1.5	
Total lending income[2]	R'm	19 397	16 878	15
Retail bank	R'm	18 189	15 799	15
Business bank	R'm	1 208	1 079	12
Net credit impairment charge on loans and advances to total lending income[2]	%	45.1	37.5	
Retail bank	%	46.3	38.8	
Business bank	%	26.7	19.3	
Retail deposits and wholesale funding				
Retail deposits and wholesale funding	R'm	156 321	146 996	6
Wholesale funding	R'm	3 021	2 439	24
Retail call savings	R'm	102 575	96 750	6
Retail fixed savings	R'm	49 530	46 533	6
Foreign currency deposits	R'm	1 195	1 274	(6)

[1] The percentage changes quoted in the commentary are based on figures denominated in R'million.

[2] Interest received on loans, initiation fees, monthly service fees.

Our leadership

Non-executive directors

Michiel Scholtz du Pré le Roux (74)

BCom LLB, DCom (hc)

Michiel was chairman of Capitec and Capitec Bank from 2007 until 31 May 2016 when he stepped down. He continues to serve on the boards as a non-executive director. He was the bank's chief executive officer (CEO) until 2004.

Michiel was appointed to Capitec's board on 1 March 2001 and to Capitec Bank's board on 6 April 2000.

Petrus Johannes Mouton (47) (Piet)

BCom (Mathematics)

Piet serves as a non-executive director on the boards of various companies, including Curro Holdings, PSG Group, PSG Financial Services and Zeder Investments. Piet was previously the CEO of PSG Group.

Piet was appointed to the boards of Capitec and Capitec Bank on 5 October 2007.

Chris Adriaan Otto (74)

BCom LLB

Chris was a founding director of PSG Group, Capitec and Zeder Investments. He still serves on the boards of the latter 2 companies.

Chris was appointed to the boards of Capitec and Capitec Bank on 6 April 2000.

Jean Pierre Verster (43)

BCompt (Hons), CA(SA), CFA, CAIA

Chairman of the audit committee

Jean Pierre is the founder and CEO of Protea Capital Management. He partnered with Fairtree Asset Management in 2016 to launch the Protea range of hedge funds. Previous portfolio manager positions include 36ONE Asset Management from 2010 to 2016 and Melville Douglas Investment Management. Prior to that, he was credit and corporate research analyst at Standard Bank's Global Markets Research division. In 2006, he gained experience as an internal auditor in the retail banking environment after he had started his career in 2005 as a financial manager in the insurance services environment.

Jean Pierre was appointed to the boards of Capitec and Capitec Bank on 23 March 2015. He was appointed to the board of Capitec Life on 26 October 2022. He will retire from the board on 31 May 2024.

Independent non-executive directors

Nadya Fatima Bhettay (50)

BBusSc (Finance), PGDip (Accounting), CA(SA)

Member of the audit committee

Nadya has extensive experience in mergers and acquisitions, strategic implementation and business operations management in the telecommunications and technology industries. She has served as financial director for Vodafone Ireland, chief strategy and business development officer for the Vodacom Group and chief operations officer for Vodacom Business Ventures and Strategic Partnerships. She currently serves on the board of Endeavour South Africa.

Nadya was appointed to the boards of Capitec and Capitec Bank on 7 September 2023.

Susan Louise Botha (59) (Santie)

BEcon (Hons)

Chairman of the boards and the directors' affairs committee

Santie has vast business experience having started her career at Unilever (worked in both South Africa and the United Kingdom) and then served as executive director at both Absa Bank and MTN Group. She was Chancellor of Nelson Mandela University from 2011 until 2017. Santie will retire as chairman of the boards of both Curro Holdings and Famous Brands in June 2024 and July 2024, respectively. Santie has received a number of awards, including Business Woman of the Year (2010).

Santie was appointed to the boards of Capitec and Capitec Bank as well as chairman of the boards on 1 June 2019. She was appointed as the chairman of Capitec Life on 26 October 2022.

Stanislaus Alexander du Plessis (51) (Stan)

BCom (Mathematics), BCom Hons (Economics), MPhil (Economics), PhD (Economics), AMP

Chairman of the risk and capital management committee (RCMC)

Member of the audit committee

Stan is chief operating officer and professor of economics at Stellenbosch University. He is a specialist in macroeconomics and monetary policy and has been an advisor to the South African Reserve Bank (SARB) and National Treasury on macroeconomic policy. He serves on various boards and committees of the university. Previous positions include economist at Prescient Securities and Old Mutual Asset Managers (UK). He is the chairman of the BER governance committee and a past president of the Economic Society of South Africa.

Stan was appointed to the boards of Capitec and Capitec Bank on 25 September 2020.

Naidene Ford-Hoon (56)

BCom, BCompt (Hons), CA(SA)

Chairman elect of the audit committee (1 June 2024)

Member of the audit committee

Naidene has over 25 years' experience, mainly in finance divisions as head of finance functions, ensuring sound governance and accountability. She has extensive experience in the financial services sector. She has served as the group chief financial officer (CFO) of the SARB and Alexander Forbes Group Holdings, the financial director of AFGRI Financial Services and has served on the board of Telkom SOC. She currently serves on the boards of SA Corporate Real Estate and the Independent Regulatory Board for Auditors.

Naidene was appointed to the boards of Capitec and Capitec Bank on 7 September 2023.

Vusumuzi Mahlangu (53) (Vusi)

BSc (Chemical Engineering), MBA

Lead independent director and chairman of the human resources and remuneration committee (REMCO)

Vusi is the co-founder and director of Tamela. He has extensive experience in finance and investment banking. He serves on the boards of Emira Property Fund, Cure Day Hospitals and Aon South Africa. Previous positions include CEO (and co-founder) of Makalani Holdings, investment banker at Investec Bank and production manager at Afrox.

Vusi was appointed to the boards of Capitec and Capitec Bank on 25 September 2020.

Thetele Emmarancia Mashilwane (48) (Emma)

BCom (Hons), CA(SA), RA, MBA

Emma stepped down from the boards of Capitec and Capitec Bank on 30 September 2023.

Daniel Petrus Meintjes (67) (Danie)

BPI (Hons) (Industrial Psychology), AMP

Chairman of the REMCO

Danie stepped down from the boards of Capitec and Capitec Bank on 26 May 2023.

Executive directors

Gerhardus Metselaar Fourie (60) (Gerrie)

BCom (Hons), MBA

CEO

Gerrie was head: operations at Capitec Bank from 2000 until his appointment as CEO of Capitec and Capitec Bank effective 1 January 2014. He started his career at Stellenbosch Farmers' Winery in 1987 in the financial planning department and was later appointed as the area general manager of KwaZulu-Natal and later Gauteng. He serves on the Mastercard MEA advisory board as well as on the board of Avafin. Gerrie was named the 2019 Business Leader of the Year at the Sunday Times Top 100 Companies Awards.

Gerrie was appointed to the boards of Capitec and Capitec Bank on 20 September 2013.

Grant Robert Hardy (42)

BCom (Hons), CA(SA)

CFO

Grant joined Capitec Bank in 2015. He is a chartered accountant who completed his articles with Deloitte in their financial services team following which he spent 8 years working in the banking sector in the United Kingdom. He has fulfilled various roles in the financial management division at Capitec Bank and was serving as group services financial head when he was appointed as CFO with effect from 1 July 2022.

Grant was appointed to the boards of Capitec and Capitec Bank on 1 July 2022.

Nkosana Samuel Mashiya (48)

MCom (Economics)

Executive: risk management

Nkosana stepped down from the boards of Capitec and Capitec Bank on 31 March 2023.

Group company secretary

Yolande Mariana Mouton (57)

BSc (Hons), MSc

Yolande joined the Capitec group in 2000 and served as assistant company secretary from 2001 until November 2015, when she was appointed as company secretary of the Capitec group.

01

annual financial statements

The preparation of the Capitec Bank Limited audited consolidated and separate annual financial statements was supervised by the CFO, Grant Hardy CA(SA).

Directors' responsibility statement

Capitec Bank Limited and its subsidiaries (Capitec Bank or the group)

The directors are responsible for the preparation, integrity and fair presentation of the consolidated and separate annual financial statements of Capitec Bank, comprising the statements of financial position as at 29 February 2024, the income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and the notes to the financial statements which include material accounting policy information and other explanatory notes.

The financial statements have been prepared in accordance with IFRS® Accounting Standards, including IFRIC® interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the Johannesburg Stock Exchange Limited (JSE) Listings Requirements, the Banks Act, Act 94 of 1990 (Banks Act) and the requirements of the Companies Act, Act 71 of 2008 (Companies Act).

The directors consider that the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements and that all IFRS Accounting Standards that are considered applicable have been applied. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the group and company at year-end.

The directors' responsibility includes maintaining adequate accounting records. The accounting records should disclose, with reasonable accuracy, the financial position of the companies to enable the directors to ensure that the financial statements comply with relevant legislation.

Capitec Bank operates in a well-established control environment, which is documented and regularly reviewed. The control environment incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are controlled. The executive directors and management of Capitec Bank are responsible for the control over and security of the website and, specifically, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders.

The consolidated financial statements were prepared on a going concern basis. Based on their assessment, the directors have no reason to believe that the group or any company in the group will not continue as a going concern in the foreseeable future. The directors reviewed the group budget and cash flow forecasts for the next 3 years and considered current and anticipated economic conditions. The impact of the macroeconomic environment on the group's capital, funding and liquidity requirements was considered and remained within internal targets and above regulatory requirements.

The directors also prepared the directors' report and the other information included in the integrated annual report and are responsible for both their accuracy and consistency with the annual financial statements.

The group adhered to the Code of Corporate Practices and Conduct.

The group's external auditors, PricewaterhouseCoopers Inc. (PwC) and Deloitte & Touche (Deloitte), audited the financial statements and their report is presented on **pages 15** to **21**.

The financial statements set out on **pages 22** to **196** were approved by the board of directors and signed on its behalf on 22 April 2024 by:

Santie Botha
Chairman

Gerrie Fourie
Chief executive officer

We have removed all signatures from this document to protect the security and privacy of all our signatories.

Audit committee's report

Capitec Bank Limited and its subsidiaries (Capitec Bank or the group)

The Capitec Bank audit committee (the committee) is an independent statutory committee appointed by the board of directors in terms of section 64 of the Banks Act and section 94 of the Companies Act, to the extent applicable.

The committee comprises 3 independent non-executive directors and 1 non-executive director (JP Verster is deemed on a technical basis as non-independent for the 2 months until 31 May 2024 when he steps down from the board). The members possess the necessary experience and expertise to direct the committee in the execution of its duties. The committee met 3 times during the year with 92% attendance by members at the meetings.

The committee's responsibilities include statutory duties in terms of the Companies Act, as well as responsibilities assigned to it by the group's board of directors. The committee's terms of reference are set out in a board-approved charter and are detailed in the corporate governance review.

The committee conducted its affairs in compliance with and discharged its responsibilities in terms of its charter for the year ended 29 February 2024.

The committee performed the following statutory duties during the year under review:

- Satisfied itself that the external audit firms and designated audit partners are independent of the group or any company in the group, as set out in section 94(8) of the Companies Act, and are suitable for reappointment by considering, *inter alia*, the latest Independent Regulatory Board for Auditors inspection findings report and information stated in paragraph 7.3(e)(iii) of the JSE Debt Listings Requirements
- Satisfied itself that the appointment of the auditors complied with the Companies Act and any other legislation relating to the appointment of auditors
- In consultation with executive management, agreed to the auditors' engagement letter, terms, audit plan and budgeted fees for the 2024 financial year
- Approved the nature and extent of non-audit services that the external auditors may provide and confirmed that the non-audit services did not compromise the external auditors' independence
- Nominated, for election at the annual general meeting (AGM), PwC and Deloitte as the external audit firms
- Resolved that it be recommended to shareholders at the 2024 AGM that KPMG Inc. be appointed as joint auditor in respect of the 2025 financial year. The appointment is subject to the approval of the Prudential Authority (PA). PwC is required to step down as joint auditor after the conclusion of the 2024 financial year audit
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the independent external auditors and internal auditors, that the system of internal financial controls of all the companies included in the consolidated financial statements is effective and forms a basis for the preparation of reliable financial statements
- Reviewed the accounting policies and the consolidated and separate financial statements for the year ended 29 February 2024 and, based on the information provided to the committee, considers that the group complies, in all material respects, with the requirements of the Companies Act, the Code of Corporate Practices and Conduct and IFRS Accounting Standards
- Undertook the prescribed functions in terms of section 94(7) of the Companies Act on behalf of the subsidiary companies of the group
- Approved the key audit matters
- Satisfied itself as to the performance and quality of the external audit after due consideration and with reference to the audit quality indicators.

The committee performed the following duties assigned by the board during the year under review:

- Considered the information disclosed in the integrated annual report and satisfied itself that the information is reliable and consistent with the financial results. The committee, at its meeting held on 19 April 2024, recommended the integrated annual report for approval by the board of directors
- Satisfied itself that the group's internal audit function is independent and had the necessary resources and authority to enable it to discharge its duties
- Approved the internal audit charter and the annual internal audit plan
- Considered the internal audit reports submitted to the committee and noted the annual conclusion on the adequacy and effectiveness of the system of internal controls, risk management and governance
- Reviewed the reports from the external auditors and reported on the findings at board meetings
- Satisfied itself that appropriate financial reporting procedures exist and are working, as contemplated in paragraph 7.3(e)(ii) of the JSE Debt Listings Requirements, which includes consideration of all the entities included in the consolidated financial statements
- Met with the external auditors and with the heads of the internal audit function and compliance function without management being present
- Satisfied itself in terms of paragraph 7.3(e)(i) of the JSE Debt Listings Requirements that the group financial director has appropriate expertise and experience.

Jean Pierre Verster
Chairman of the audit committee

22 April 2024

Directors' report

To the shareholders of Capitec Bank Limited (Capitec Bank or the group)

The directors present their report to shareholders for the year ended 29 February 2024.

Nature of the business

Capitec Bank is a leading South African bank which focuses on essential banking services and provides innovative savings, transacting and lending products to individuals and SMEs.

Review of operations

The operating results and the state of affairs of the company and the group are fully disclosed in the annual financial statements.

Share capital

No ordinary shares were issued or repurchased during the current and prior years. The number of shares in issue amounted to 1 300 000 (2023: 1 300 000).

No preference shares were issued during the current and prior years. A total of 62 758 (2023: 49 555) preference shares were repurchased during the year.

Dividends to shareholders

The following dividends were declared for the current and previous years:

	2024	2023
Interim ordinary dividend	876 328	813 398
Final ordinary dividend	3 883 540	1 800 796
Ordinary dividend	550 000	200 000
Interim preference dividend	2 423	1 922
Final preference dividend	2 340	2 263

The final ordinary dividend for 2024 was approved by the directors on 22 April 2024.

The directors performed the solvency and liquidity tests required by the Companies Act.

Subsidiaries and associates

Information relating to the company's financial interest in its subsidiaries and joint venture is presented in the notes to the annual financial statements.

Notice in terms of section 45(5) of the Companies Act

Capitec Bank is required, as an essential part of conducting the business of the group, to provide financial assistance to group companies as part of its day-to-day operations in the form of loan funding, guarantees or general financial assistance as contemplated in section 45 of the Companies Act. In accordance with section 45(5) of the Companies Act, shareholders were given notice in the notice of annual general meeting dated 26 April 2024 that the board, in line with existing practice, approved that the company may, in accordance with and subject to the provisions of section 45 of the Companies Act and in terms of the special resolution passed, provide such direct or indirect financial assistance to related and interrelated companies as described in section 45 of the Companies Act.

Auditors' remuneration

The audit fee per audit firm is illustrated below.

	GROUP	
R'000	2024	2023
PwC		
Audit fees – current year	22 374	19 417
Audit fees – prior year	1 279	1 345
Other services	—	3 238
	23 653	24 000
Deloitte		
Audit fees – current year	16 000	17 645
Audit fees – prior year	1 876	1 473
Other services	413	3 454
	18 289	22 572

	COMPANY	
R'000	2024	2023
PwC		
Audit fees – current year	22 351	19 417
Audit fees – prior year	1 279	1 345
Other services	—	3 238
	23 630	24 000
Deloitte		
Audit fees – current year	15 353	17 045
Audit fees – prior year	1 876	1 473
Other services	413	3 454
	17 642	21 972

Segment information

Refer to note 31 in the notes to the financial statements for the segmental information.

Events after the reporting period

There have been no material changes in the group's affairs or financial position since the statement of financial position date with the exception of the matter detailed below.

Capitec Bank Limited v Commissioner for the South African Revenue Service

On 12 April 2024, the Constitutional Court of South Africa decided on the matter between Capitec Bank Limited and the Commissioner for the South African Revenue Service which was heard on 5 September 2023. The orders of the Tax Court and Supreme Court of Appeal were set aside and the assessment for Capitec Bank Limited's November 2017 value-added tax period was remitted to SARS for examination and assessment in accordance with the principles set out in the judgement.

Based on the judgement, Capitec Bank and SARS are required to re-engage to determine the apportionment of input tax deducted by Capitec Bank Limited. Based on the fact that Capitec Bank and SARS have yet to engage, there is no additional certainty to quantify the impact of the decision and the judgement is therefore a non-adjusting event.

Directors and group company secretary

Information relating to the directors and group company secretary is included from **page 6** and **7** of the annual financial statements.

The directors' interest in share capital and agreements and directors' remuneration are disclosed in the notes to the annual financial statements.

Board changes

The following directors stepped down from the board during the year: Nkosana Mashiya on 31 March 2023, Zunaid Bulbulia on 24 April 2023, Danie Meintjes on 26 May 2023 and Emma Mashilwane on 30 September 2023. Naidene Ford-Hoon and Nadya Bhettay were appointed to the board effective 7 September 2023.

Jean Pierre Verster will retire from the board on 31 May 2024 and relinquish his position as chairman of the audit committee. He will be succeeded by Naidene Ford-Hoon who will serve as chairman of the audit committee effective 1 June 2024.

Certificate by the company secretary

I hereby confirm, in my capacity as group company secretary of Capitec Bank, that for the year ended 29 February 2024, the company has filed all required returns and notices in terms of the Companies Act, and that all such returns and notices are to the best of my knowledge and belief true, correct and up-to-date.

Yolande Mouton
Group company secretary

22 April 2024

Corporate governance disclosures in accordance with the JSE Debt Listings Requirements

As contemplated in paragraph 7.3(c)(iii) of the JSE Debt Listings Requirements, independence of directors is determined holistically, in accordance with the indicators provided in section 94(4)(a) and (b) of the Companies Act, Directive 4 of 2018 issued by the PA on 5 October 2018 and the King IV Report on Corporate Governance for South Africa, 2016™ (King IV™).

The company confirms that the audit committee has executed the responsibilities as set out in paragraph 7.3(e) of the JSE Debt Listings Requirements.

In accordance with paragraph 7.3(f) of the JSE Debt Listings Requirements, the company follows an existing policy on the evaluation of the performance of its board of directors and that of its committees, its chair and its individual directors pursuant to the provisions of the King IV™.

The company's debt officer, as contemplated in paragraph 7.3(g) of the JSE Debt Listings Requirements, is Anton Friend (treasurer). The board of Capitec duly considered and satisfied itself with the competence, qualifications and experience of Anton before he was appointed as the debt officer of the company.

The company's board appointment and conflict of interest policies are accessible at:
https://www.capitecbank.co.za/investor-relations/

The King IV™ principles disclosure is accessible at:
https://www.capitecbank.co.za/investor-relations/

The policies deal, *inter alia*, with i) the process for the nomination and appointment of directors of the company; and ii) the conflicts of interest of the directors and the executive management of Capitec and how such conflicting interests can be identified and managed or avoided.

There have been no amendments to the board appointment policy since its publication.

Capitec confirms that, as at 22 April 2024, there are no recorded conflicts of interest and/or personal financial interests of the directors and/or the executive management of Capitec, as contemplated in the policy and paragraphs 7.5 and 7.6 of the JSE Debt Listings Requirements (as read with section 75 of the Companies Act) other than the fact that all the directors of Capitec Bank serve on the board of Capitec Bank Holdings Limited. The CEO and the CFO who are directors of the said companies are also directors of wholly-owned subsidiaries in the group.

Independent auditors' report

To the shareholders of Capitec Bank Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Capitec Bank Limited (the Company) and its subsidiaries (together the Group) as at 29 February 2024, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Capitec Bank Limited's consolidated and separate financial statements set out on **pages 22** to **196** comprise:

- the consolidated and separate statements of financial position as at 29 February 2024;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, including material accounting policy information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated and separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Our audit approach

Overview

Overall group materiality

- R516 million, which represents 5% of consolidated operating profit before tax.

Group audit scope

- Full scope audits were performed in respect of Capitec Bank Limited based on its financial significance to the Group.
- Analytical review procedures were performed on the remaining components, which was considered to be financially insignificant to the Group.

Key audit matters

- Expected credit losses (ECL) on loans and advances:
  - Retail bank segment; and
  - Business bank segment.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Independent auditors' report continued

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R516 million
How we determined it	Represents 5% of consolidated operating profit before tax.
Rationale for the materiality benchmark applied	We chose consolidated operating profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Capitec Bank Limited (which comprises the Retail and Business bank segments of the Group) was scoped in for a full scope audit based on the significance of its contribution to the Group's consolidated operating profit before tax and consolidated total assets of the Group. We performed analytical review procedures on the remaining components which were considered to be financially insignificant.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group joint engagement team. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained in order to issue our audit opinion on the consolidated financial statements of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses (ECL) on loans and advances Refer to note 7 to the consolidated and separate financial statements (Net loans and advances) for the related disclosures. We determined the ECL assessment for loans and advances pertaining to the Retail bank segment and Business bank segment to be a matter of most significance to the current year audit due to: • the degree of subjective judgement and estimation applied by management in determining the ECL; and • the magnitude of the ECL recognised in relation to gross loans and advances. ***Retail bank segment**** As at 29 February 2024, gross loans and advances for the Retail bank segment amounted to R83.8 billion, against which an ECL of R21.4 billion was recognised. The ECL for the Retail bank segment is calculated in terms of IFRS 9 – *Financial Instruments* (IFRS 9). The key areas of significant management judgement and estimation included: ***Evaluation of SICR*** • Determining whether evidence exists that there has been a significant increase in credit risk (SICR) since initial recognition of the financial instrument, by considering if clients have reached certain behaviour risk thresholds or where specific events have occurred that indicate a SICR. ***Determination of the write-off point*** • Considering the point at which there is no reasonable expectation of further recovery to be made, when the expected present value of projected future recoveries approximates 5% of the gross balance before write-off. This point is estimated based on recovery estimates that are driven by account status, handover score and consecutive missed payments.	We obtained an understanding and assessed the operating effectiveness of the relevant controls (using a combination of techniques such as enquiry, inspection, observation and reperformance) relating to the origination and approval of credit facilities. ***Retail bank segment**** Making use of our actuarial and economics expertise, our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on loans and advances, as follows: We assessed the associated impairment methodologies and practices applied by management against the requirements of IFRS 9. ***Evaluation of SICR*** • We recalculated the application of management's SICR thresholds and triggers including the corresponding impact on the ECL by applying the assumptions and data included in management's model. • We assessed the appropriateness of the SICR methodology and tested the resultant transfer rate of SICR accounts into stage 2. This included benchmarking the transfer rate against the volume of up-to-date accounts that went into arrears based on historical trends as well as increases in risk determined by management's forward-looking macroeconomic model. • We performed a sensitivity analysis of SICR to assess the impact of change in SICR thresholds on the ECL recognised. • We evaluated management's validation of the performance of behavioural scores, scores at initial recognition and the correlation of these to default rates. • We obtained an understanding of management's process for identifying employer groups under stress and observed that these identified employer groups have been considered in management's calculation of the granting scores. ***Determination of the write-off point*** • We considered historical post write-off recoveries to evaluate the reasonableness of management's assessment which indicates that the current write-off point is still the point at which there was no reasonable expectation of further recovery. • Through a sample recalculation, we tested the application of the IFRS 9 write-off policy. • Through recalculation, we evaluated whether post write-off recoveries have been excluded from the LGD calculation and therefore do not impact on ECL.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Inclusion of the impact of forward-looking information and macroeconomic variables in the ECL calculation • Utilising a 5-year macroeconomic outlook of 3 scenarios (baseline, positive and negative scenario) and associated probability weightings to project future changes in the selected macroeconomic variables. These scenarios are provided by the Bureau for Economic Research (BER) and approved by the asset and liability committee (ALCO). The scenarios are then linked to probability of default (PD) to derive a forward-looking ECL. • Selection of macroeconomic variables per 14 client risk segments and correlation of changes and lags in these variables, along with their associated weighting, to forecast default rates to derive a forward-looking ECL. The correlation considers that certain variables and lags are more appropriate than others, depending on the clients' risk segment. ***Calibrating of ECL statistical model components (PD, EAD, LGD)*** • Calibrating of the ECL statistical model components PD, exposure at default (EAD) and loss given default (LGD) used to estimate the timing and amount of the forecast cash flows based on historical default data, roll rates and recoveries. The Group stratifies aspects such as client risk segments, time on book, product term, payment frequency, default statuses, employment, industry and rescheduling status and the behaviour score of the client. Management judgement is required to consider how historical data is used to project ECL. ** This applies to term loans, access facility and credit card.*	***Inclusion of the impact of forward-looking information and macroeconomic variables in the ECL calculation*** • We inspected ALCO approval of the use of the BER variables and weightings. • We considered the assumptions used in the forward-looking macroeconomic model, specifically around the forward-looking scenarios used, the macroeconomic variables and outlook considered for each scenario as well as the probability weighting of each scenario for reasonableness. We discussed these with management and compared these to our own and benchmarked economic forecasts and independent market data. • We assessed the reasonability of the selection of the macroeconomic variables for each of the 14 client risk segments. This included independent reperformance of the statistical model for each segment, assessment of the reasonability of the variables and lags selected for each segment and consistency between segments. The forecast default rates were also considered in the context of recent and historical actual default rates of each segment to ensure that forecasts were aligned to the macroeconomic outlook in the scenarios. ***Calibrating of ECL statistical model components (PD, EAD, LGD)*** • Through discussion with management and inspection of documentation, we obtained an understanding of the methodologies and assumptions used by management in the various ECL model components and how these were calibrated to use historical information to estimate future cash flows. • Through our independent reperformance and backtesting of the ECL model, we assessed the model components and how these were calibrated to use historical information to estimate future cash flows. • On a sample basis, we compared input data into the impairment models to source systems for critical input data fields.

Key audit matter	How our audit addressed the key audit matter
Business bank segment** As at 29 February 2024, gross loans and advances for the Business bank segment amounted to R19.1 billion, against which an ECL of R1.1 billion was recognised. The ECL for the Business bank segment is calculated in terms of IFRS 9. The key areas of significant management judgement and estimation included: ***Evaluation of SICR*** • Determining whether evidence exists that there has been a SICR since initial recognition of the financial instrument, by considering adverse changes in the performance or business of borrowers. ***Inclusion of the impact of forward-looking information and macroeconomic variables in the ECL calculation*** • Utilising a 5-year macroeconomic outlook of 3 scenarios (baseline, positive and negative scenario) and associated probability weightings to project future changes in the selected macroeconomic variables. These are provided by the BER and approved by the ALCO. The scenarios are then linked to PD to derive a forward-looking ECL. • Selection of macroeconomic variables and correlation of changes in these variables, along with their associated weighting, to forecast default rates to derive a forward-looking ECL. • In respect of the LGD parameter, LGDs are stressed using historically observed losses to apply specific collateral haircuts. ***Determination of management overlays in the ECL*** • Management adjusts the results produced by the modelled output for events that influence the ECL, which are not yet captured by the model after significant expert consultation which is subject to a governance process. ***Calibrating of ECL statistical model components (PD, EAD, LGD)*** • Calibrating of the ECL statistical model components PD, EAD, and LGD used to estimate the timing and amount of the forecast cash flows based on historical default data roll rates and recoveries. The Group stratifies aspects such as client risk segments, product type and the behaviour score of the client. Management judgement is required to consider how historical data is used to project ECL. *** This applies to business loans and mortgage loans.*	***Business bank segment***** Making use of our actuarial and economics expertise, our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on loans and advances, as follows: ***Evaluation of SICR*** • We recalculated the impact of SICR, applying the assumptions and data included in management's model by considering adverse changes in the performance or business of borrowers. • We tested the SICR triggers applied and the resultant transfer into stage 2 for SICR. This included benchmarking of the volume of up-to-date accounts transferred to stage 2 based on history. • Through discussion with management, we obtained an understanding of management's process for identifying adverse changes in the performance or business of borrowers and how these drive additional ECL overlays and/or stage migrations. ***Inclusion of the impact of forward-looking information and macroeconomic variables in the ECL*** • We considered the assumptions used in the forward-looking macroeconomic model, specifically around the forward-looking scenarios used, the macroeconomic variables and outlook considered for each scenario as well as the probability weighting of each scenario for reasonableness. We discussed these with management and compared these to our own and benchmarked economic forecasts and independent market data. • We tested the performance and sensitivity of the forward-looking macroeconomic model in order to evaluate whether the chosen macroeconomic factors and model structure provides a reasonable representation of the impact of macroeconomic changes on the ECL and baseline information built into the forward-looking macroeconomic model. • We assessed the reasonableness of the increase in ECL for specific expected deterioration in collateral recovery rates and performed haircut stresses on the collateral. ***Determination of management overlays in the ECL*** • We assessed the reasonableness of the management overlays and we evaluated whether this was subject to an appropriate governance process. ***Calibrating of ECL statistical model components (PD, EAD, LGD)*** • Through discussion with management and inspection of documentation, we obtained an understanding of the methodologies and assumptions used by management in the various ECL model components and how these were calibrated to use historical information to estimate future cash flows. • Through our independent reperformance and backtesting of the ECL model, we assessed the accuracy of model components and how these were calibrated using historical information to estimate expected credit losses. • On a sample basis, we compared input data into the impairment models to source systems for critical input data fields.

Independent auditors' report continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Annual financial statements 2024 Capitec Bank Limited"*, which includes the Directors' report, the Audit committee's report and the Certificate by the group company secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. and Deloitte & Touche have been the joint auditors of Capitec Bank Limited for 4 years. Prior to the commencement of the joint audit relationship PricewaterhouseCoopers Inc. was the sole auditor of Capitec Bank Limited for 19 years.

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PricewaterhouseCoopers Inc.	**Deloitte & Touche**
Director: Dale Stonebridge	*Per Partner: Lito Nunes*
Registered Auditor	*Registered Auditor*
Johannesburg	Johannesburg
4 Lisbon Lane	5 Magwa Crescent
Waterfall City	Waterfall City
South Africa	South Africa

22 April 2024

Statements of financial position

As at 29 February 2024

R'000	Note	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Assets					
Cash and cash equivalents	3	**29 009 243**	31 003 228	**29 009 243**	31 003 228
Financial assets at fair value through profit or loss (FVTPL)	4	**268 055**	301 657	**268 055**	301 657
Financial investments at amortised cost	5	**68 110 551**	61 034 237	**68 110 551**	61 034 237
Term deposit investments	6	**7 791 467**	3 628 162	**7 791 467**	3 628 162
Net loans and advances	7	**80 550 938**	78 167 803	**78 977 115**	76 663 576
Other receivables	8	**8 345 354**	4 806 149	**8 322 196**	4 783 947
Derivative assets	41	**24 398**	33 555	**24 398**	33 555
Financial assets – equity instruments at fair value through other comprehensive income (FVOCI)	9	**82 415**	73 880	**82 415**	73 880
Current income tax asset	35	**—**	40 701	**—**	39 530
Group loans receivable	10	**96 414**	82 705	**1 512 821**	1 438 296
Interest in equity accounted investments	11	**255 846**	218 853	**226 202**	194 302
Interest in subsidiaries	11	**—**	—	**103 030**	103 030
Property and equipment	12	**3 466 643**	3 243 536	**3 472 991**	3 247 982
Right-of-use assets	13	**1 868 378**	1 832 293	**1 867 371**	1 830 779
Intangible assets including goodwill	14	**1 337 505**	1 393 189	**1 337 505**	1 393 189
Deferred income tax asset	15	**2 601 025**	2 455 944	**2 603 839**	2 458 894
Total assets		**203 808 232**	188 315 892	**203 709 199**	188 228 244
Liabilities					
Derivative liabilities	41	**20 602**	23 683	**20 602**	23 683
Current income tax liability	35	**249 497**	—	**251 166**	—
Deposits	16	**153 300 207**	144 557 312	**153 304 465**	144 559 015
Wholesale funding	16	**3 020 834**	2 438 794	**3 020 834**	2 438 794
Other liabilities	17	**5 951 260**	4 190 288	**5 921 042**	4 166 940
Lease liabilities	18	**2 401 267**	2 321 675	**2 402 963**	2 322 506
Employee benefit liabilities	19	**12 370**	14 707	**12 370**	14 706
Group loans payable	20	**2 586**	—	**2 586**	—
Total liabilities		**164 958 623**	153 546 459	**164 936 028**	153 525 644
Equity					
Capital and reserves					
Ordinary share capital and premium	21	**6 105 981**	6 105 981	**6 105 981**	6 105 981
Cash flow hedge reserve	22	**524**	1 544	**524**	1 544
Other reserves	22	**(17 661)**	(25 371)	**(18 069)**	(25 779)
Share option reserve	22	**23 831**	23 831	**23 831**	23 831
Retained earnings		**32 693 674**	28 614 524	**32 617 644**	28 548 099
Share capital and reserves attributable to ordinary shareholders		**38 806 349**	34 720 509	**38 729 911**	34 653 676
Preference share capital and premium	21	**43 260**	48 924	**43 260**	48 924
Total equity		**38 849 609**	34 769 433	**38 773 171**	34 702 600
Total equity and liabilities		**203 808 232**	188 315 892	**203 709 199**	188 228 244

Income statements

Year ended 29 February 2024

R'000	Note	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Interest and similar income[(1)]	23				
Interest income		**25 779 379**	21 191 469	**25 662 322**	21 097 665
Interest income calculated using the effective interest rate	23.1	**25 110 679**	20 782 602	**24 993 622**	20 688 798
Interest income on financial assets at FVTPL	23.2	**668 700**	408 867	**668 700**	408 867
Interest expense	23.3	**(9 343 426)**	(6 994 114)	**(9 343 352)**	(6 993 646)
Net interest income		**16 435 953**	14 197 355	**16 318 970**	14 104 019
Credit impairments[(2)]	27	**(8 725 334)**	(6 329 385)	**(8 615 511)**	(6 254 510)
Net interest income after credit impairments		**7 710 619**	7 867 970	**7 703 459**	7 849 509
Non-interest income[(1)]					
Loan fee income		**1 219 308**	1 087 787	**1 219 308**	1 087 787
Loan fee expense		**(11 140)**	(9 094)	**(11 140)**	(9 094)
Net loan fee income	24	**1 208 168**	1 078 693	**1 208 168**	1 078 693
Transaction fee and commission income		**20 855 906**	16 561 749	**20 852 707**	16 557 715
Transaction fee and commission expense		**(6 068 779)**	(5 100 638)	**(6 068 779)**	(5 100 638)
Net transaction and commission income	25	**14 787 127**	11 461 111	**14 783 928**	11 457 077
Foreign currency income		**514 554**	494 778	**514 554**	494 778
Foreign currency expense		**(354 041)**	(332 348)	**(354 041)**	(332 348)
Net foreign currency income	26	**160 513**	162 430	**160 513**	162 430
Other income		**280 648**	52 260	**239 732**	16 525
Net non-interest income		**16 436 456**	12 754 494	**16 392 341**	12 714 725
Income from operations after credit impairments		**24 147 075**	20 622 464	**24 095 800**	20 564 234
Operating expenses	28	**(13 823 500)**	(11 782 166)	**(13 776 103)**	(11 744 631)
Share of net profit of equity accounted investment	11	**5 093**	7 459	**—**	—
Operating profit before tax		**10 328 668**	8 847 757	**10 319 697**	8 819 603
Income tax expense	29	**(2 817 632)**	(2 496 581)	**(2 818 266)**	(2 496 765)
Total profit for the year		**7 511 036**	6 351 176	**7 501 431**	6 322 838

(1) The group reviewed its presentation of the consolidated income statement and considers it more appropriate to disclose income and expenses as either interest and similar income/expenses or non-interest income/expenses on the face of the consolidated income statement. Comparatives have been updated to reflect this change in presentation.

(2) Credit impairments were previously presented after other income but following the change in presentation mentioned in (1), management considers it more appropriate to present credit impairments after net interest income. Comparatives have been updated to reflect this change in presentation.

Statements of other comprehensive income

Year ended 29 February 2024

		GROUP		COMPANY	
R'000	**Note**	**2024**	**2023**	**2024**	**2023**
Profit for the year		**7 511 036**	6 351 176	**7 501 431**	6 322 838
Other comprehensive income that may subsequently be reclassified to profit or loss		**(1 020)**	13 949	**(1 020)**	13 949
Cash flow hedge reserve recognised	22	**1 781**	9 129	**1 781**	9 129
Cash flow hedge reclassified to profit or loss	22	**(3 178)**	10 215	**(3 178)**	10 215
Income tax relating to cash flow hedge	22	**377**	(5 395)	**377**	(5 395)
Other comprehensive income that will not subsequently be reclassified to profit or loss		**7 710**	3 254	**7 710**	3 254
Remeasurement of defined benefit obligation	19	**(824)**	3 226	**(824)**	3 226
Profit on remeasurement to FVOCI	22	**8 535**	1 201	**8 535**	1 201
Income tax thereon	22	**(1)**	(1 173)	**(1)**	(1 173)
Total comprehensive income for the year		**7 517 726**	6 368 379	**7 508 121**	6 340 041

Statements of changes in equity

Year ended 29 February 2024

GROUP

R'000	Note	Ordinary share capital and premium	Preference share capital and premium	Cash flow hedge reserve	Other reserves	Share option reserve	Retained earnings	Total
Balance as at 28 February 2022		6 105 981	51 167	(12 405)	(28 625)	23 831	26 185 031	32 324 980
Total comprehensive income for the year		–	–	13 949	3 254	–	6 351 176	6 368 379
Transactions with shareholders and directly recorded in equity		–	(2 243)	–	–	–	(3 921 683)	(3 923 926)
Ordinary dividend	35.6	–	–	–	–	–	(3 917 498)	(3 917 498)
Preference dividend	35.6	–	–	–	–	–	(4 185)	(4 185)
Preference shares repurchased	21	–	(2 243)	–	–	–	–	(2 243)
Balance as at 28 February 2023		**6 105 981**	**48 924**	**1 544**	**(25 371)**	**23 831**	**28 614 524**	**34 769 433**
Total comprehensive income for the year		**–**	**–**	**(1 020)**	**7 710**	**–**	**7 511 036**	**7 517 726**
Transactions with shareholders and directly recorded in equity		**–**	**(5 664)**	**–**	**–**	**–**	**(3 431 886)**	**(3 437 550)**
Ordinary dividend	35.6	**–**	**–**	**–**	**–**	**–**	**(3 427 123)**	**(3 427 123)**
Preference dividend	35.6	**–**	**–**	**–**	**–**	**–**	**(4 763)**	**(4 763)**
Preference shares repurchased	21	**–**	**(5 664)**	**–**	**–**	**–**	**–**	**(5 664)**
Balance as at 29 February 2024		**6 105 981**	**43 260**	**524**	**(17 661)**	**23 831**	**32 693 674**	**38 849 609**
Note		21	21	22	22	22	22	

COMPANY

R'000	Note	Ordinary share capital and premium	Preference share capital and premium	Cash flow hedge reserve	Other reserves	Share option reserve	Retained earnings	Total
Balance as at 28 February 2022		6 105 981	51 167	(12 405)	(29 033)	23 831	26 146 944	32 286 485
Total comprehensive income for the year		–	–	13 949	3 254	–	6 322 838	6 340 041
Transactions with shareholders and directly recorded in equity		–	(2 243)	–	–	–	(3 921 683)	(3 923 926)
Ordinary dividend	35.6	–	–	–	–	–	(3 917 498)	(3 917 498)
Preference dividend	35.6	–	–	–	–	–	(4 185)	(4 185)
Preference shares repurchased	21	–	(2 243)	–	–	–	–	(2 243)
Balance as at 28 February 2023		6 105 981	48 924	1 544	(25 779)	23 831	28 548 099	34 702 600
Total comprehensive income for the year		–	–	(1 020)	7 710	–	7 501 431	7 508 121
Transactions with shareholders and directly recorded in equity		–	(5 664)	–	–	–	(3 431 886)	(3 437 550)
Ordinary dividend	35.6	–	–	–	–	–	(3 427 123)	(3 427 123)
Preference dividend	35.6	–	–	–	–	–	(4 763)	(4 763)
Preference shares repurchased	21	–	(5 664)	–	–	–	–	(5 664)
Balance as at 29 February 2024		6 105 981	43 260	524	(18 069)	23 831	32 617 644	38 773 171
Note		21	21	22	22	22	22	

Statements of cash flows

Year ended 29 February 2024

		GROUP		COMPANY	
R'000	Note	2024	2023	2024	2023
Cash flow from operating activities					
Cash flow from operations	35.1	**(627 219)**	(9 150 021)	**(370 202)**	(8 966 699)
Income tax paid	35.3	**(2 672 139)**	(2 536 493)	**(2 672 139)**	(2 536 498)
Interest received	35.9	**24 930 110**	20 431 462	**24 672 156**	20 245 711
Interest paid	35.10	**(9 302 966)**	(6 959 563)	**(9 302 890)**	(6 959 033)
		12 327 786	1 785 385	**12 326 925**	1 783 481
Cash flow from investing activities					
Acquisition of property and equipment	12	**(1 038 113)**	(934 422)	**(1 038 114)**	(933 292)
Disposal of property and equipment	12	**29 817**	16 826	**29 815**	16 755
Acquisition of intangible assets	14	**(94 647)**	(209 372)	**(94 647)**	(209 372)
Loans to group companies – granted		**(35 135)**	(35 975)	**(35 135)**	(35 975)
Loans to group companies – repaid		**21 022**	21 945	**21 022**	21 945
Investment in term deposit investments	6	**(7 864 000)**	(3 650 000)	**(7 864 000)**	(3 650 000)
Redemption of term deposit investments	6	**3 650 000**	900 000	**3 650 000**	900 000
Acquisition of financial investments at amortised cost	5	**(65 156 207)**	(47 216 977)	**(65 156 207)**	(47 216 977)
Redemption of financial investments at amortised cost	5	**58 959 433**	49 652 992	**58 959 433**	49 652 992
Interest acquired in equity accounted investments	11	**(31 900)**	(61 800)	**(31 900)**	(61 800)
		(11 559 730)	(1 516 783)	**(11 559 733)**	(1 515 724)
Cash flow from financing activities					
Dividends paid	35.6	**(3 179 319)**	(3 921 114)	**(3 179 319)**	(3 921 114)
Preference shares repurchased	21	**(5 664)**	(2 243)	**(5 664)**	(2 243)
Issue of institutional bonds and other funding	16	**750 000**	750 000	**750 000**	750 000
Payment of lease liabilities	35.8	**(404 966)**	(368 841)	**(404 102)**	(367 996)
		(2 839 949)	(3 542 198)	**(2 839 085)**	(3 541 353)
Effect of exchange rate changes on cash and cash equivalents		**81 507**	52 198	**81 507**	52 198
Net decrease in cash and cash equivalents		**(1 990 386)**	(3 221 398)	**(1 990 386)**	(3 221 398)
Cash and cash equivalents at the beginning of the year	3	**31 003 976**	34 225 374	**31 003 976**	34 225 374
Cash and cash equivalents at the end of the year	3	**29 013 590**	31 003 976	**29 013 590**	31 003 976

Notes to the financial statements

Year ended 29 February 2024

1. General information

1.1 Nature of the business

The company's main business is retail and business banking.

1.2 Review of operations

The operating results and the state of affairs of the company and the group are fully set out in the statements of financial position, income statements, statements of other comprehensive income, statements of changes in equity, statements of cash flows and the notes thereto.

The group's earnings attributable to ordinary and preference shareholders amounted to R7 511.0 million (2023: R6 351.2 million).

1.3 Overall application of the going concern principle

The directors reviewed the group budget and cash flow forecasts for the next 3 years and considered the group's ability to continue as a going concern in light of current and anticipated economic conditions. These budgets and cash flow forecasts took the impact of the current global macroeconomic environment into consideration, including projections of the impact on the group's capital, funding and liquidity requirements, all of which have remained within internal targets and above regulatory requirements.

Forecast earnings growth and risk-weighted assets are based on the group's macroeconomic outlook and are evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies.

The expected outcomes and constraints are then stress tested and the group sets targets through different business cycles and scenarios. On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the group has adequate resources to continue in business for the foreseeable future. The going concern basis therefore continues to apply and has been adopted in the preparation of the financial statements.

1.4 Directors and group company secretary

Information relating to the directors and group company secretary is presented in the directors' report and statutory information.

1.5 Group details

The group's place of domicile and country of incorporation is the Republic of South Africa. The bank's securities are listed on the interest rate market of the JSE.

Registered office: 5 Neutron Road, Techno Park, Stellenbosch, 7600.

2. Accounting policies

The structure of the financial statements has been amended to include the material accounting policies that relate to each note to the financial statements in the applicable note with the exception of the policies that are included in sections 2.1 to 2.5 below. These policies were applied consistently to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Compliance with IFRS Accounting Standards

The group's consolidated and company's separate financial statements were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards) and IFRIC Interpretations as issued by the Committee, and comply with the Financial Pronouncements as issued by the Financial Reporting Standards Council and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Banks Act, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

Notes to the financial statements continued

Year ended 29 February 2024

2. Accounting policies continued

2.1 Basis of preparation continued

2.1.1 Compliance with IFRS Accounting Standards continued

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the notes to the financial statements.

The accounting policies applied are consistent with the prior year financial statements.

Refer to note 2.6 for standards, interpretations and amendments to published standards applied for the first time during the current year and to note 2.7 for detail on the group's implementation of standards, interpretations and amendments to published standards not yet effective.

In the notes to the financial statements, amounts denoted as current are expected to be recovered/settled no more than 12 months after the reporting period. Amounts denoted as non-current are expected to be recovered more than 12 months after the reporting period.

2.1.2 Historical cost convention

The consolidated and separate financial statements have been prepared on a historical cost basis, except for the revaluation of financial instruments held at FVTPL and instruments carried at FVOCI.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company, its subsidiaries, associates and joint ventures.

2.2.1 Subsidiaries

Subsidiaries are entities (including structured entities) that are controlled by the company. Control is achieved when the company:

- has power over the entity
- is exposed, or has rights, to variable returns from its involvement with the entity
- has the ability to use its power to affect returns.

Consolidation begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

The company accounts for investments in subsidiaries at cost less allowance for impairment. The carrying amounts of these investments are reviewed annually and written down for impairment where considered necessary.

Currently, the group does not have non-controlling interests as all subsidiaries are wholly-owned by the company.

2.2.2 Associates and joint arrangements

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies. Significant influence is generally accompanied by a shareholding that entitles the group to between 20% and 50% of the voting rights of the associate. Where the group's shareholding is less than 20%, other indicators, such as the right to representation on decision-making boards or committees, are considered.

The group's investment in associates includes the difference in initial cost versus its share of net assets acquired and any accumulated impairment loss.

A joint arrangement is an arrangement in terms of which the group and the other contracting parties have joint control as defined in IFRS 11 *Joint Arrangements*. Joint ventures are those joint arrangements where the group has rights to the net assets of the arrangement.

An investment in an associate or joint venture is recognised at cost by the company and is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, an investment is initially recognised at cost and the carrying amount is subsequently adjusted to recognise the group's share of post-acquisition profits or losses and other comprehensive income. Distributions received from the associate or joint venture reduce the carrying amount of the investment.

In applying the equity method, the group uses the financial statements of the associate as of the same date as the financial statements of the group unless it is impracticable to do so. If this is impracticable, the most recent available financial statements of the associate are used. Adjustments are made for significant transactions and events that occur between these periods. The difference between the reporting date of the associate and the group should be no longer than 3 months.

When the group's share of losses of an associate or joint venture equals or exceeds its interest, including any other unsecured long-term receivables in the associate or joint venture, the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group incurs legal or constructive obligations or makes payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment.

The group determines at each reporting date whether there is objective evidence that any investment in the associates or joint ventures is impaired. If this is the case, the difference between the recoverable amount of the associate or joint venture and its carrying value is recognised in the income statement. Impairments that have been recognised are reversed if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised. The increased carrying amount of the associate or joint venture shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

When significant influence ceases or the investments are held with the intention that they will be disposed of within 12 months, the investments are accounted for and classified as non-current assets held for sale in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

2.3 Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination comprises the fair values of the assets transferred, the liabilities assumed, the equity interests issued by the group and the fair value of any contingent consideration arrangements. If the contingent consideration is classified as equity, it is not subsequently remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

Acquisition costs, other than those associated with the issue of debt or equity securities, are recognised in profit or loss as incurred.

Notes to the financial statements continued

Year ended 29 February 2024

2. Accounting policies continued

2.3 Business combinations continued

The identifiable assets acquired and the liabilities and contingent liabilities assumed that meet the conditions for recognition in accordance with IFRS 3 *Business Combinations* are recognised at their fair value at the date of acquisition, except for:

- deferred tax assets or liabilities, which are recognised and measured in accordance with IAS 12 *Income Taxes* and liabilities or assets related to employee benefit arrangements, which are recognised and measured in accordance with IAS 19 *Employee Benefits*
- liabilities or equity instruments that relate to the replacement, by the group, of an acquiree's share-based payment awards, which are measured in accordance with IFRS 2 *Share-based Payment*.

2.3.1 Goodwill

Goodwill in a business combination is recognised at the acquisition date when the consideration transferred and the recognised amount of non-controlling interests exceed the fair value of the net identifiable assets of the entity acquired. If the consideration transferred is lower than the fair value of the identifiable net assets of the acquiree (a bargain purchase), the difference is recognised in the income statement. The gain or loss arising on the disposal of an entity is calculated after consideration of attributable goodwill.

2.3.2 Business combinations under common control

Transactions in which the assets and liabilities are transferred from a subsidiary to its parent are referred to as a hive-up. Such transactions are generally scoped out of IFRS 3 *Business Combinations*. Capitec developed its own accounting policy in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The substance of the hive-up is a common control transaction because the group is in the same position before and after the transaction and, on that basis, predecessor accounting is applied.

The prospective presentation method is applied and, as such, the acquired entity's results and statement of financial position are incorporated prospectively from the date on which the business combination between entities under common control occurred.

The assets and liabilities of the acquired entity are stated at predecessor carrying values in the acquirer's financial statements. As Capitec elects to carry the assets and liabilities at predecessor values, there is no need to do fair value measurements. Predecessor carrying values are the carrying values related to the acquired entity. They are selected as the carrying amounts of assets and liabilities of the acquired entity from the consolidated annual financial statements.

These amounts include any goodwill (as recognised in the consolidated annual financial statements at the date of transfer), and other fair value adjustments, recorded at the consolidated level in respect of the acquired entity.

No new goodwill arises in predecessor accounting.

Any increase/decrease in the net assets in the consolidated annual financial statements of the acquired entity (i.e. the difference between the carrying amount of net assets of the acquired entity in the consolidated annual financial statements at the date of transfer and the fair value of net assets acquired at the date of original external acquisition) would be recorded in equity in retained earnings.

The investment in the acquired entity is derecognised.

2.4 Financial instruments

2.4.1 Financial assets

The group recognises financial assets in the statement of financial position when it becomes a party to the contractual terms of the financial instrument.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs on financial assets carried at FVTPL are recognised immediately in profit or loss.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or where the group has transferred substantially all risks and rewards of ownership of the asset to another entity.

The group classifies its financial assets on the basis of its business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The group assesses its business model by portfolio of financial assets that are managed together and evaluates the following factors:

- How the performance of the portfolio is evaluated and reported to group management
- How the portfolio managers (if applicable) are compensated, including whether management is compensated based on the fair value of the assets or the contractual cash flow collected
- The risks that affect the performance of the business model and how those risks are managed
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectation of future sale activities.

The contractual cash flow characteristics are evaluated based on whether the contractual cash flows consist of solely payments of principal and interest (SPPI). This assessment includes assessing whether the financial asset has a contractual term that would change the timing or amount of contractual cash flows. The group considers whether the contractual cash flows are subject to any contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and features that would modify the consideration of the time value of money.

The group classifies its financial assets into the following categories:

- Measured at amortised cost
- Fair value through other comprehensive income
- Fair value through profit or loss.

Subsequent to initial measurement, financial assets are classified into categories and measured at either amortised cost or fair value.

2.4.2 Financial liabilities

The group recognises a financial liability once it becomes a party to the contractual terms of the financial instrument. Financial liabilities, other than those held at FVTPL, are recognised initially at fair value, generally being their issue proceeds net of transaction costs incurred and subsequently stated at amortised cost using the effective interest rate method.

A financial liability, or part of a financial liability, is derecognised once the obligation specified in the agreement relating to the financial liability is discharged, cancelled or has expired.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rand, which is the group's presentation currency. The financial statements of all the subsidiaries are also presented in South African rand, which is their functional and presentation currency. The investment in associate is translated to South African rand at the exchange rate prevailing at the reporting date. The equity accounted earnings are translated to South African rand at the average exchange rate for the period. Gains or losses on translation are recognised in other comprehensive income and presented within equity in the foreign currency translation reserve.

Notes to the financial statements continued

Year ended 29 February 2024

2. Accounting policies continued

2.5 Foreign currency translation continued

2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transaction. Foreign currency balances are translated into rand at the exchange rate prevailing at the reporting date. Exchange gains and losses on such balances are taken to profit or loss.

Exchange gains and losses on translation of a foreign operation are taken to other comprehensive income.

2.6 Effective standards, interpretations and amendments to published standards applied for the first time during the current financial year

Title	Effective date	Impact
IFRS 17 *Insurance Contracts*	Annual periods beginning on or after 1 January 2023 (published May 2017 with amendments in June 2020 and December 2021)	This standard replaced IFRS 4 *Insurance Contracts*. These amendments do not impact the group.
Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice Statement 2	Annual periods beginning on or after 1 January 2023 (published February 2021)	Entities are required to disclose their material accounting policies rather than their significant accounting policies. No material impact on the financial statements was identified resulting from the adoption of these amendments to IFRS Accounting Standards.
Definition of accounting estimates – amendments to IAS 8	Annual periods beginning on or after 1 January 2023 (published February 2021)	The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. No material impact on the financial statements was identified resulting from the adoption of this amendment to IFRS Accounting Standards.
International tax reform – pillar 2 model rules – amendments to IAS 12	Annual periods beginning on or after 1 January 2023 with the exception of the disclosure of the deferred tax exemption and the fact that the exception has been applied which is effective immediately (published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's international tax reform. The amendments also introduce targeted disclosure requirements for the affected companies. These amendments do not impact the group.
Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12	Annual periods beginning on or after 1 January 2023 (published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. No material impact on the financial statements was identified resulting from the adoption of these amendments to IFRS Accounting Standards.

2.7 Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 March 2023, or later periods, but which the group has not early adopted.

Title	Effective date	Impact
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* – sale or contribution of assets between an investor and its associates or joint ventures	The effective date for these amendments was deferred indefinitely	The IASB has made limited scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 *Business Combinations*). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. The impact on the group would be minimal.
Leases on sale and leaseback –amendments to IFRS 16	Annual periods beginning on or after 1 January 2024 (published September 2022)	These amendments include the IFRS 16 requirements for accounting for a sale and leaseback transaction after the date of the transaction. Sale and leaseback transactions where some or all of the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The impact on the group will not be material.
Non-current liabilities with covenants – amendments to IAS 1	Annual periods beginning on or after 1 January 2024 (published January 2020 and November 2022)	The amendments clarify how the classification of a liability is affected by conditions that the entity must comply with within 12 months after the reporting period. This will not impact the group.
Supplier finance – amendments to IAS 7 and IFRS 7	Annual periods beginning on or after 1 January 2024 with transitional relief in the first year (published May 2023)	The amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The impact on the group will not be material.
Presentation and disclosure in financial statements – IFRS 18	Annual periods beginning on or after 1 January 2027 (published April 2024)	IFRS 18 replaces IAS 1 and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes. Many of the other existing principles in IAS 1 are retained. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. Retrospective application is required. The group is yet to assess the impact of IFRS 18.
Lack of exchangeability – amendments to IAS 21	Annual periods beginning on or after 1 January 2025 (early adoption is available) (published August 2023)	The amendments impact entities that have transactions or operations in a foreign currency that are not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The group is not operating nor conducting business in jurisdictions that currently have lack of exchangeability. Accordingly, it has been assessed that these amendments do not have an impact on the group.

Notes to the financial statements continued

Year ended 29 February 2024

3. Cash and cash equivalents

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Coins and banknotes	**3 830 474**	3 345 159	**3 830 474**	3 345 159
Rand-denominated bank balances	**113 961**	13 135 901	**113 961**	13 135 901
Foreign currency-denominated bank balances	**1 501 063**	1 472 530	**1 501 063**	1 472 530
Resale agreements: Banks[1]	**20 014 434**	9 853 732	**20 014 434**	9 853 732
Mandatory reserve deposits with the central bank	**3 553 658**	3 196 654	**3 553 658**	3 196 654
Cash and cash equivalents	**29 013 590**	31 003 976	**29 013 590**	31 003 976
Non-cash adjustment: Provision for ECL	**(4 347)**	(748)	**(4 347)**	(748)
Total cash and cash equivalents	**29 009 243**	31 003 228	**29 009 243**	31 003 228
Maximum exposure to credit risk[2]	**25 183 116**	27 658 817	**25 183 116**	27 658 817
Current portion	**29 009 243**	31 003 228	**29 009 243**	31 003 228

[1] Resale agreements are classified as cash and cash equivalents as they are actively used to manage the liquidity and operating commitments of the group. These agreements are readily convertible to known amounts of cash given their short-dated maturities and are not subject to significant changes in value as these are held with other reputable financial institutions.

[2] Maximum exposure to credit risk has been amended to exclude coins and banknotes as they are not subject to credit risk. Comparatives have been corrected for this change.

Accounting policies

Cash and cash equivalents comprise balances with less than 3 months' maturity from the date of acquisition. Cash and cash equivalents are stated at amortised cost which approximates fair value due to the short-term nature of these instruments.

They can include: coins and banknotes, amounts due from local and foreign banks, resale agreements, fixed and notice deposits with original maturities of less than 3 months, balances with central banks, treasury bills, debentures and other eligible bills, and government securities that are highly liquid investments, readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments purchased from external banks for cash under short-term agreements to resell, at either a fixed price or the purchase price plus a lender's rate of return, with an original maturity date of less than 3 months, including government bonds, are included under cash and cash equivalents when they are subject to insignificant changes in value. The difference between the purchase and sales price is treated as interest and amortised over the life of the resale agreement using the effective interest rate method.

Impairment recognition and measurement

Cash and cash equivalents comprise stage 1 balances with no movement between the stages during the current and prior financial years. The balances are subject to the impairment requirements of IFRS 9, therefore the group recognised a loss allowance measured as a 12-month ECL because the credit risk has not increased significantly since initial recognition and no balances are credit-impaired at the statement of financial position date. The ECL statistical model components (EAD, LGD and PD) were determined using an appropriate model. The PD was determined with reference to the favourable credit ratings of the banking institutions and the LGD was determined based on whether the financial instruments are secured by recognised collateral. The resale agreements with banks are secured by recognised collateral. The group did not apply the low credit risk exception in determining whether credit risk has increased significantly since initial recognition. The SICR thresholds applied are the same as those applied within the Business bank portfolio to ensure consistency in the way that a SICR is identified for a particular counterparty and for similar exposures.

Mandatory reserve deposits with the central bank — the South African Reserve Bank

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank, which is available for use by the group subject to certain restrictions and limitations imposed by the central bank. These deposits bear no interest and may be used to manage significant intraday and inter-day cash outflows but are not considered as available for normal cash planning purposes. A total of 70% of the balance is available without requiring prior regulatory approval. The restrictions and limitations imposed by the central bank do not preclude the group from requesting access to the remaining 30% of the mandatory reserve deposit. Although the availability of the remaining 30% is subject to regulatory approval should the group request it the funds would be available on demand.

Credit risk

The group only invests centrally managed cash surpluses and liquidity buffers in cash and liquid assets with the SARB, National Treasury and South African registered banking entities of high credit standing. Potential exposure to concentration credit risk exists principally in cash and cash equivalents and interest-bearing instruments. Concentrations are controlled using ALCO recommended limits which are monitored and enforced by the Retail bank credit committee (RCC) and the Business bank credit committee (BCC), and monitored and approved by the RCMC. This ensures that the financial assets that the group may place with any one counterparty are limited, by reference to the long-term and short-term credit ratings assigned for that counterparty by Moody's Ratings (Moody's).

Credit quality of cash and cash equivalents

At the statement of financial position date, the international long-term credit ratings, using Moody's ratings, were as follows:

R'000	GROUP AND COMPANY Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	ECL	Total carrying amount[2]
2024						
Bank balances – local and foreign[1]	**1 151 591**	**359 172**	**960**	**103 301**	**(4 044)**	**1 610 980**
Resale agreements	**—**	**—**	**—**	**20 014 434**	**(303)**	**20 014 131**
Central bank balances	**—**	**—**	**—**	**3 553 658**	**—**	**3 553 658**
	1 151 591	**359 172**	**960**	**23 671 393**	**(4 347)**	**25 178 769**
2023						
Bank balances – local and foreign[1]	1 130 229	2 094 057	803	11 383 342	(84)	14 608 347
Resale agreements	—	—	—	9 853 732	(664)	9 853 068
Central bank balances	—	—	—	3 196 654	—	3 196 654
	1 130 229	2 094 057	803	24 433 728	(748)	27 658 069

[1] A national credit rating was used to rate the PSG call accounts included in bank balances.

[2] The credit quality of cash and cash equivalents has been amended to exclude coins and banknotes as they are not subject to credit risk. Comparatives have been amended to reflect this change.

The bank balances and resale agreements are with 15 institutions (2023: 27), with the maximum exposure to a single institution being R13.6 billion (2023: R9.8 billion). Balances are rand and foreign currency-denominated.

The credit ratings determine the ECL.

Notes to the financial statements continued

Year ended 29 February 2024

4. Financial assets at FVTPL

R'000	GROUP AND COMPANY Investments in money market funds	Listed equities	Total
2024			
Balance at the beginning of the year	**178 401**	**123 256**	**301 657**
Additions – capital[(1)]	**249 530 001**	**36 854**	**249 566 855**
Accrued interest	**668 700**	**—**	**668 700**
Maturities – interest received	**(657 772)**	**—**	**(657 772)**
Disposal – capital[(1)]	**(249 560 000)**	**(76 440)**	**(249 636 440)**
Fair value adjustment	**—**	**25 055**	**25 055**
Total financial assets at FVTPL	**159 330**	**108 725**	**268 055**
2023			
Balance at the beginning of the year	—	—	—
Additions – capital[(1)]	130 000	139 130	269 130
Accrued interest	408 867	—	408 867
Maturities – interest received	(360 466)	—	(360 466)
Disposal – capital[(1)]	—	—	—
Fair value adjustment	—	(15 874)	(15 874)
Total financial assets at FVTPL	178 401	123 256	301 657
Maximum exposure to credit risk	178 401	123 256	301 657
Current portion	178 401	123 256	301 657

[(1)] Additions and disposals have been separately disclosed in the current year given the materiality of the balances. Comparatives have been amended for this change in presentation.

Accounting policies

Financial assets at FVTPL consist of interest-bearing investments in money market funds and shares in Capitec Bank Holdings Limited which are classified and measured at FVTPL. The investments are initially recognised at fair value excluding transaction costs that are directly attributable to the acquisition of the investment and are subsequently remeasured at fair value.

The interest income received on the investments in money market funds is accounted for in the income statement line item 'Interest income on financial assets at FVTPL'. The fair value adjustments for investments in listed equities are accounted for in the income statement line item 'Other income'.

Cash flows generated from the investments in money market funds and listed equities are classified as operating cash flows as these cash flows are used to fund the entity's short-term operating commitments.

Measurement

The fair value of financial assets that are not listed or quoted in an active market is determined using valuation techniques. The money market funds with underlying debt securities are valued using discounted cash flow (DCF) external valuations and published price quotations on the JSE equity and debt interest rate market, or external valuations that are based on published market inputs with the main assumption being market input, uplifted with inflation. These instruments are classified as level 2 on the fair value hierarchy as the markets that they are quoted on are not considered to be active. The listed equities are valued using the listed Capitec Bank Holdings Limited share price which is actively traded on the JSE. Listed equities are classified as level 1 on the fair value hierarchy as the market from which the listed price is derived is considered to be an active market.

Credit quality of financial assets at FVTPL

At the statement of financial position date, the international long-term credit ratings, using Moody's ratings, were as follows:

R'000	GROUP AND COMPANY Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	Not rated	Total carrying amount
2024						
Investments in money market funds	**—**	**—**	**—**	**—**	**159 330**	**159 330**
2023						
Investments in money market funds	—	—	—	—	178 401	178 401

5. Financial investments at amortised cost

R'000	GROUP AND COMPANY Treasury bills	Government bonds	Total
2024			
Balance at the beginning of the year	**48 364 819**	**12 669 418**	**61 034 237**
Additions	**65 156 207**	**—**	**65 156 207**
Interest accrued	**4 794 292**	**1 201 148**	**5 995 440**
Movement in ECL	**10 598**	**11 627**	**22 225**
Maturities – capital	**(58 959 433)**	**—**	**(58 959 433)**
Maturities – interest received	**(4 104 097)**	**(1 034 028)**	**(5 138 125)**
Total financial investments at amortised cost[(1)]	**55 262 386**	**12 848 165**	**68 110 551**
Maximum exposure to credit risk	**55 315 586**	**12 876 523**	**68 192 109**
Current portion	**55 262 386**	**—**	**55 262 386**
Non-current portion	**—**	**12 848 165**	**12 848 165**
2023			
Balance at the beginning of the year	50 930 253	12 009 471	62 939 724
Additions	46 656 453	560 524	47 216 977
Interest accrued	2 928 358	1 110 339	4 038 697
Movement in ECL	6 975	(2 036)	4 939
Maturities – capital	(49 652 992)	—	(49 652 992)
Maturities – interest received	(2 504 228)	(1 008 880)	(3 513 108)
Total financial investments at amortised cost[(1)]	48 364 819	12 669 418	61 034 237
Maximum exposure to credit risk	48 428 617	12 709 403	61 138 020
Current portion	48 364 819	—	48 364 819
Non-current portion	—	12 669 418	12 669 418

[(1)] Financial investments have been disaggregated to reflect the nature of the investments. Comparatives have been updated to reflect this disaggregated presentation.

5. Financial investments at amortised cost continued

Accounting policies

These financial investments consist of government bonds and treasury bills with a maturity greater than 3 months from the date of acquisition and carry a lower credit risk.

They are held for the collection of their contractual cash flows which represent SPPI. Interest income from these financial assets is included in interest income calculated using the effective interest rate on the face of the consolidated income statement. Impairment losses are presented as part of the credit impairment charge in profit or loss.

For cash flow purposes, these investments are classified as investing activities as they are held to maturity and minimal amounts are held to meet the liquid asset requirement.

Impairment recognition and measurement

Financial investments at amortised cost comprise stage 1 balances with no movement between the stages during the current and prior financial years. The balances are subject to the impairment requirements of IFRS 9, therefore the group recognised a loss allowance of R81.6 million (2023: R103.8 million) measured as a 12-month ECL because a SICR has not taken place since initial recognition and no balances are credit-impaired at the statement of financial position date.

In assessing whether the credit risk of investments in government interest-bearing debt instruments has increased significantly since initial recognition, the group considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields
- The rating agencies' assessment of creditworthiness
- The country's ability to access the capital markets for a new debt issuance
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to the country as well as the intention, communicated in public statements, of governments and agencies to access those mechanisms, including an assessment of the depth of mechanisms and the capacity to fulfil the required criteria.

The ECL statistical model components (EAD, LGD and PD) were determined using an appropriate model. The PD was determined with reference to the favourable credit rating of the issuer and the LGD was determined based on the fact that the financial instruments are not secured by recognised collateral. The group did not apply the low credit risk exception in determining whether credit risk has increased significantly since initial recognition.

Credit quality of investments at amortised cost

At the statement of financial position date, the international long-term credit ratings, using Moody's ratings, were as follows:

GROUP AND COMPANY

R'000	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	Not rated	ECL	Total carrying amount
2024							
Government bonds	**–**	**–**	**–**	**12 876 523**	**–**	**(28 358)**	**12 848 165**
Treasury bills	**–**	**–**	**–**	**55 315 586**	**–**	**(53 200)**	**55 262 386**
	–	**–**	**–**	**68 192 109**	**–**	**(81 558)**	**68 110 551**
2023							
Government bonds	–	–	–	12 709 404	–	(39 986)	12 669 418
Treasury bills	–	–	–	48 428 616	–	(63 797)	48 364 819
	–	–	–	61 138 020	–	(103 783)	61 034 237

6. Term deposit investments

R'000	GROUP AND COMPANY 2024	2023
Balance at the beginning of the year	**3 628 162**	722 190
Additions	**7 864 000**	3 650 000
Interest accrued	**176 987**	191 998
Movement in ECL	**(3 834)**	(902)
Maturities – capital	**(3 650 000)**	(900 000)
Maturities – interest received	**(223 848)**	(35 124)
Total term deposit investments	**7 791 467**	3 628 162
Maximum exposure to credit risk	**7 796 246**	3 629 108
Current portion	**7 791 467**	3 628 162

Accounting policies

Term deposit investments comprise certain notice deposits and fixed-term non-derivative financial assets with fixed or determinable payments. They arise when the group invests cash with other banking institutions. They are fixed deposits with original maturity dates of more than 3 months but less than 1 year, deposit investments and deposits that have effective contractual notice periods greater than 3 months.

Cash flows derived from term deposits are classified as investing activities on the statement of cash flows.

Impairment recognition and measurement

Term deposit investments comprise stage 1 balances with no movement between the stages during the current and prior financial years. The balances are subject to the impairment requirements of IFRS 9, therefore the group recognised a loss allowance of R4.8 million (2023: less than R1 million) measured as a 12-month ECL because the credit risk has not increased significantly since initial recognition and no balances are credit-impaired at the statement of financial position date.

The ECL statistical model components (EAD, LGD and PD) were determined using an appropriate model. The PD was determined with reference to the favourable credit rating of the issuers and the LGD is determined based on the fact that the financial instruments are not secured by recognised collateral. The group did not apply the low credit risk exception in determining whether credit risk has increased significantly since initial recognition. The SICR thresholds applied are the same as those applied within the Business bank portfolio to ensure consistency in the way that a SICR is identified for a particular counterparty and for similar exposures.

Credit quality of term deposit investments

At the statement of financial position date, the international long-term credit ratings, using Moody's ratings, were as follows:

GROUP AND COMPANY

R'000	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	Not rated	ECL	Total carrying amount
2024							
Term deposit investments	**–**	**3 860 514**	**–**	**3 935 732**	**–**	**(4 779)**	**7 791 467**
2023							
Term deposit investments	–	1 785 184	–	1 843 924	–	(946)	3 628 162

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Loans and advances to clients				
Gross loans and advances	**102 989 694**	97 814 471	**101 221 545**	96 179 232
Retail bank[1]	**83 845 651**	82 296 744	**83 845 651**	82 296 744
Term loans	**48 399 792**	50 107 832	**48 399 792**	50 107 832
Access facility	**25 816 027**	24 458 375	**25 816 027**	24 458 375
Credit card	**9 629 832**	7 730 537	**9 629 832**	7 730 537
Business bank	**19 144 043**	15 517 727	**17 375 894**	13 882 488
Business loans	**9 530 125**	7 462 885	**7 761 976**	5 827 646
Mortgage loans	**9 613 918**	8 054 842	**9 613 918**	8 054 842
Provision for credit impairments (ECL)	**(22 438 756)**	(19 646 668)	**(22 244 430)**	(19 515 656)
Retail bank[1]	**(21 358 427)**	(18 805 698)	**(21 358 427)**	(18 805 698)
Term loans	**(12 891 719)**	(12 230 352)	**(12 891 719)**	(12 230 352)
Access facility	**(6 857 065)**	(5 146 528)	**(6 857 065)**	(5 146 528)
Credit card	**(1 609 643)**	(1 428 818)	**(1 609 643)**	(1 428 818)
Business bank	**(1 080 329)**	(840 970)	**(886 003)**	(709 958)
Business loans	**(793 353)**	(633 413)	**(599 027)**	(502 401)
Mortgage loans	**(286 976)**	(207 557)	**(286 976)**	(207 557)
Net loans and advances	**80 550 938**	78 167 803	**78 977 115**	76 663 576
Maturity analysis				
Current portion	**26 744 084**	25 763 453	**26 744 084**	25 294 872
Gross loans and advances	**30 954 856**	29 453 739	**30 401 885**	28 955 152
Demand to 1 month	**6 643 280**	5 455 335	**6 581 625**	5 405 353
1 to 3 months	**5 196 194**	4 942 542	**5 103 138**	4 858 627
3 months to 1 year	**19 115 382**	19 055 862	**18 717 122**	18 691 172
Provision for credit impairment	**(4 210 772)**	(3 690 286)	**(3 657 801)**	(3 660 280)
Non-current portion	**53 806 854**	52 404 350	**52 233 031**	51 368 704
Gross loans and advances	**72 319 127**	68 636 718	**71 103 949**	67 500 066
1 to 2 years	**19 373 948**	19 856 423	**18 908 376**	19 433 191
2 to 5 years	**30 108 384**	30 332 145	**29 483 228**	29 690 759
More than 5 years	**6 223 196**	5 097 016	**6 219 062**	5 095 185
Non-contractual[2]	**16 613 599**	13 351 134	**16 493 283**	13 280 931
Provision for credit impairments	**(18 512 273)**	(16 232 368)	**(18 870 918)**	(16 131 362)
Total gross loans and advances	**103 273 983**	98 090 457	**101 505 834**	96 455 218
Loan origination fees – deferred	**(284 289)**	(275 986)	**(284 289)**	(275 986)
Gross loans and advances	**102 989 694**	97 814 471	**101 221 545**	96 179 232

[1] In the comparative year, gross loans and advances and the provision for impairment for the Retail bank segment were presented as 1 line item based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes. Comparatives have been amended to be consistent with the presentation for the current year.

[2] Non-contractual gross loans and advances consist of stage 3 loans more than 3 months in arrears and stage 3 loans with legal statuses.

Accounting policies

Recognition and measurement of loans and advances to clients

Loans and advances to clients are debt instruments that are recognised when the group becomes a party to the contractual terms of the debt instrument/credit agreement and funds are advanced to borrowers.

The Retail bank grants unsecured term loans and revolving access and credit card facilities to individuals. The Business bank grants business and mortgage loans to small and medium enterprises. Business loans comprise term loans, rental finance, structured loans, overdrafts and credit card advances. Mortgage loans consist of loans where Capitec is the credit provider. These do not include loans provided in association with SA Home Loans as Capitec is the originator and not the credit provider and does not service these loans.

Loans and advances are initially recognised at fair value plus directly attributable transaction costs. Loans and advances to clients are held for the collection of their contractual cash flows which represent SPPI and are measured at amortised cost after initial recognition. Interest income from these financial assets is recognised in interest income through profit or loss using the effective interest rate method. Impairment charges are presented as part of the impairment charge in profit or loss.

Derecognition

Loans and advances are derecognised when:

- the contractual rights or obligations expire or are extinguished, discharged or cancelled, for example, an outright sale or settlement
- the group has transferred substantially all risk and rewards of ownership of the asset to another entity and the derecognition criteria of IFRS 9 are met
- they are transferred and the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

If the contractual cash flows of a financial asset measured at amortised cost are modified (renegotiated or rescheduled), the group considers whether this is a substantial modification to the original terms, or if the modification is merely an attempt to recover the original contractual amounts outstanding as part of a distressed modification.

If the changes are considered to be a substantial modification, the group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates the effective interest rate for the asset. Differences in the carrying amount are recognised in profit or loss as a gain or loss on derecognition.

Loan consolidations are treated as a derecognition of the original loans as the contractual cash flows from the financial assets expire.

Modifications

If the contractual cash flows of a financial asset measured at amortised cost are modified (renegotiated or rescheduled) to recover the original contractual amounts outstanding as part of a distressed modification, the group does not derecognise the original financial asset.

The group recalculates the gross carrying amount of the financial asset as the present value of the modified contractual cash flows discounted at the loan's original effective interest rate. The difference between the recalculated gross carrying amount and the gross carrying amount before the modification is recognised as a modification gain or loss.

In instances where the group reschedules a credit agreement, the cash flows are renegotiated with the client. If the internal rate of return is affected by the modification of the agreement, a modification gain or loss is recognised. If the internal rate of return remains the same, there are no gains or losses.

When a client goes into debt review, cash flows are renegotiated. If the internal rate of return is affected by the modification of the agreement, a modification gain or loss is recognised.

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances continued

Accounting policies continued

Modifications continued

R'000	2024 Amortised cost before modification[3]	2024 Modification losses	2024 Gross carrying amount at year-end of loans that cured to stage 1[1]	2023 Amortised cost before modification[3]	2023 Modification losses	2023 Gross carrying amount at year-end of loans that cured to stage 1
Modifications on loans and advances[2]						
Term loans						
Debt review	**1 769 934**	**586 177**	**—**	1 674 554	530 369	31
Interest rate change	**3 001**	**(36)**	**1 835**	19 073	170	9 729
Total modified loans	**1 772 935**	**586 141**	**1 835**	1 693 627	530 539	9 760
Access facility						
Debt review	**1 021 817**	**317 874**	**—**	501 976	136 101	—
Interest rate change	**—**	**—**	**—**	—	—	—
Total modified loans	**1 021 817**	**317 874**	**—**	501 976	136 101	—
Credit card						
Debt review	**247 551**	**47 990**	**101**	154 062	21 108	13
Interest rate change	**—**	**—**	**—**	—	—	—
Total modified loans	**247 551**	**47 990**	**101**	154 062	21 108	13

[1] The gross carrying amount at year-end of loans on which a modification loss occurred during the year that cured to stage 1.

[2] In the prior year, 1 modification table based on a single client view was presented. For the current year, a product view has been presented with the single view of the client as a secondary consideration. Comparatives have been amended to be consistent with the presentation for the current year.

[3] Includes only loans and advances on which a modification gain or loss has been recognised in the current year.

Loan write-offs

Write-off is a derecognition event. Loans and advances are written off when it has been determined that no reasonable expectation of recovery exists.

The Retail bank considers the point at which there is no reasonable expectation of further recovery to be when the loan has a present value of projected future recoveries that approximates 5% of the gross balance before write-off. This is currently estimated based on recovery estimates that are driven by account status, handover score and consecutive missed payments.

This point is currently estimated as:

- loans terminated from debt review:
  - 4 consecutive missed payments (after allowing 3 months for administration)
- loans that have been handed over/other legal status:
  - handover score less than the predetermined threshold
  - handover score more than the predetermined threshold with 4 consecutive missed payments (after allowing 3 months for administration).

Cash inflows after write-off are disclosed as bad debts recovered.

The Business bank writes loans and advances off when the group has no reasonable expectation of recovering the financial asset. This is the case when the group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A judgemental approach to write-off is followed, based on a case-by-case assessment by a credit committee. Each credit portfolio has a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account.

The group may apply enforcement activities to written off financial assets. Recoveries resulting from the group's enforcement activities are disclosed as bad debts recovered. Refer to note 27.

Balances written off during the current year that are still subject to enforcement activities are:

- Term loans: R6.6 billion (2023: R4.8 billion)
- Access facility: R1.9 billion (2023: R0.5 billion)
- Credit cards: R0.6 billion (2023: R0.4 billion)
- Business loans: R86.0 million (2023: R95.1 million)
- Mortgages: R19.5 million (2023: R19.6 million).

As the access facility product has matured further and the macroeconomic environment has affected our access facility clients, the balances subject to enforcement have increased.

Recognition and measurement of ECL

IFRS 9's ECL model requires the classification and measurement of ECL using the general model for loans and advances measured at amortised cost. In essence, the general model is a 3-stage model. Loans and advances within stage 1 are measured based on a 12-month ECL and a lifetime ECL is determined for loans and advances within stage 2 and stage 3. The group applied the ECL model to loans and advances to clients as well as to undrawn commitments.

The ECL is calculated as an unbiased, probability-weighted amount which is determined by evaluating the range of reasonably possible outcomes, the time value of money and considering all reasonable and supportable information including forward-looking information. The period over which the ECL is calculated is limited to the maximum contractual period.

The ECL calculation is estimated as the excess of the carrying amount above the present value of expected cash flows, discounted using the effective interest rate on the financial instrument as calculated at initial recognition (initiation fee plus interest).

The key inputs used for measuring ECL are:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD).

PD is an estimate of the likelihood of default over a given time horizon. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact the PD.

The calculation is based on a statistical model that predicts the future repayment performance of clients based on their arrears status, model segment and tenure. Future cash flows and arrears status probabilities are generated from which an ECL provision is calculated. The prediction of future repayment is based on observed roll rates over the last 12 months. Roll rates refer to the rates at which clients transition or roll from a repayment status in a given month to a repayment status in the following month.

LGD is an estimate of the loss arising on default. LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a DCF basis. LGD models for secured business banking products are based on the difference between the contractual cash flows due and those that the group expects to receive, taking into account cash flows from any collateral.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest and expected drawdowns on committed facilities. The EAD is calculated by creating an amortisation structure for each account. This structure includes the expected monthly repayment as well as the projected monthly cumulative repayment status probabilities and the cash flows associated with every repayment status.

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances continued

Accounting policies continued

Recognition and measurement of ECL continued

The group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The group uses EAD models that reflect the characteristics of the portfolios.

The development of the group's processes for measuring ECL, including the monitoring of SICR, the incorporation of economic forward-looking information and the methods used to calculate ECL, and ensuring that policies and procedures are in place to appropriately maintain and validate models used to measure ECL, are overseen by the group's credit committees. The internal audit function performs regular audits to ensure that established controls and procedures are both adequately designed and implemented.

Credit risk exposure

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Maximum exposure to credit risk[1]				
Loans and advances	103 273 983	98 090 457	101 505 834	96 455 218
Retail bank – on-balance sheet	84 129 940	82 572 730	84 129 940	82 572 730
Term loans	48 684 081	50 383 818	48 684 081	50 107 832
Access facility	25 816 027	24 458 375	25 816 027	24 734 361
Credit card	9 629 832	7 730 537	9 629 832	7 730 537
Business bank – on-balance sheet	19 144 043	15 517 727	17 375 894	13 882 488
Business loans	9 530 125	7 462 885	7 761 976	5 827 646
Mortgage loans	9 613 918	8 054 842	9 613 918	8 054 842
Retail loan commitments – off-balance sheet	13 759 275	15 799 468	13 759 275	15 799 468
Access facility	11 074 493	13 710 124	11 074 493	13 710 124
Credit card	2 684 782	2 089 344	2 684 782	2 089 344
Business bank loan commitments – off-balance sheet	400 706	303 706	400 706	303 706
Bonds	315 153	219 907	315 153	219 907
Credit card	85 553	83 799	85 553	83 799
Guarantees	558 626	771 397	558 626	771 397
Letters of credit	54 928	32 229	54 928	32 229
Maximum exposure to credit risk	118 047 518	114 997 257	116 279 369	113 362 018

(1) In the comparative year, the exposure to credit risk for the Retail bank and Business bank was presented as 1 line item based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration. Comparatives have been amended to be consistent with the presentation for the current year.

The gross carrying amount of on-balance sheet loans and advances represents the group's maximum exposure to credit risk on these assets.

Loan commitments are irrevocable commitments and guarantees that may be drawn down without any credit intervention and can be revoked within a period of less than a month.

Accounting policies

Terminology used to discuss the credit quality of loans and advances

Credit risk	The possibility of a loss happening due to a borrower's failure to repay a loan or satisfy contractual obligations.
Up-to-date loans and advances, rehabilitated rescheduled loans	Clients who are fully up-to-date with their original contractual obligations, or clients with amended contractual obligations and who have rehabilitated post rescheduling, are classified as up-to-date. SICR is identified for loans and advances that are up-to-date but have reached certain behaviour risk thresholds, or specific events have occurred that indicate a SICR.
Retail bank loan consolidations	Loan consolidations occur when a client with an existing Retail bank unsecured loan applies for further credit. A consolidation loan is always the result of the full credit assessment process that all clients (both new and existing) go through when applying for new credit. The outcome of the full credit assessment process is either a consolidation loan, a new separate loan or no new loan granted. These loans are not seen as modifications.
Rescheduling (Retail bank)	Rescheduling refers to an amendment of the original terms of a loan agreement, as formally agreed between the group and the client. Rescheduling is used as a rehabilitation mechanism for clients in arrears who are contacted successfully by centralised collections. It is also used as a proactive mechanism to assist up-to-date clients who contact the bank when wanting to reschedule their loans due to changes in their circumstances. No initiation fee is charged on a rescheduled loan as no new credit is granted. Rescheduled loans do not form part of loan sales.
Rescheduling (Business bank)	Rescheduling refers to an amendment of the original terms of a loan agreement. This can be done in the normal course of business (defined as a restructure). Rescheduling can also be used as a rehabilitation mechanism for clients who would otherwise not be able to meet their commitments (defined as distressed restructure). A reschedule is classified as stage 1 when there is no indication of SICR, as stage 2 when there is an indication of SICR and as stage 3 where the borrower is in arrears.
Rehabilitated	Clients with rescheduled loans are deemed to be rehabilitated once they have made contractual payments for 6 consecutive months post rescheduling and are up-to-date with their amended contractual obligations. This is supported by statistical analysis.
Rescheduled from up-to-date not rehabilitated (Retail bank)	These are loans and advances relating to clients who were fully up-to-date with their original contractual obligations, have contacted the group to reschedule the original terms of their loan due to a change in their circumstances and have made payments under the rescheduled terms. These clients are up-to-date with their amended contractual obligations post rescheduling but have not yet made payments for 6 consecutive months under the amended agreement. Loans rescheduled from up-to-date are considered to be stage 1 once these loans have rehabilitated, unless their behaviour score indicates a SICR, in which case the loan will be in stage 2. The loans are seen as stage 3 until they have rehabilitated.
Rescheduled from arrears not rehabilitated (Retail bank)	These are loans and advances relating to clients who were in arrears and were subsequently rescheduled and have made payments under the rescheduled terms. These clients are up-to-date with their amended contractual obligations but have not yet made payments for 6 consecutive months under the amended agreement. Loans rescheduled from arrears are considered to be stage 1 once these loans have rehabilitated, unless their behaviour scores indicate a SICR, where the loan will be in stage 2. The loans are seen as stage 3 until they have rehabilitated.

7. Net loans and advances continued

Accounting policies continued

Terminology used to discuss the credit quality of loans and advances continued

Rescheduled from up-to-date not rehabilitated (Business bank)	These are loans and advances relating to clients who were fully up-to-date with their original contractual obligations, have contacted the group to reschedule the original terms of their loan due to a change in their circumstances and have made payments under the rescheduled terms. These loans are up-to-date with their amended contractual obligations post rescheduling but have not yet made payments for 6 consecutive months under the amended agreement. Loans rescheduled from up-to-date are considered to be stage 1 once these loans have rehabilitated, unless there is an indication of SICR, in which case the loan will be in stage 2. The loans are seen as stage 2 until they have rehabilitated.
Rescheduled from arrears not rehabilitated (Business bank)	These are loans and advances relating to clients who were in arrears and were subsequently rescheduled and have made payments under the rescheduled terms. These clients are up-to-date with their amended contractual obligations but have not yet made payments for 6 consecutive months under the amended agreement. Loans rescheduled from arrears are considered to be stage 1 once these loans have rehabilitated, unless there is an indication of SICR, in which case the loan will be in stage 2. The loans are seen as stage 2 until they have rehabilitated.
Application for debt review	Clients that apply for debt review are identified as credit-impaired, and the related loans are classified as stage 3 for the first 6 months following application. Clients who applied for debt review more than 6 months ago who are up-to-date are identified as SICR and the related loan is classified as stage 2 between 6 and 12 months following application. If clients applied for debt review more than 12 months ago and remained up-to-date, the related loan is classified as stage 1 subject to the SICR assessment.
Arrears	Arrears comprise the outstanding balances, where 1 or more instalments (or part of an instalment) on any of the client's loans and advances remain unpaid past the contractual payment date. The arrears balance therefore includes rescheduled loans when the amended instalment was not paid in full.
Forward-looking macroeconomic assumptions	IFRS 9 requires that forward-looking macroeconomic assumptions be applied to both 12-month and lifetime ECL calculations.

Retail bank

Credit risk exposure

The Retail bank grants unsecured loans and the clients' loan balances as per the statement of financial position are exposed to credit risk. Exposure to systemic credit risk is regarded as being potentially higher due to the credit characteristics of the client base. Exposure to single-name concentration credit risk is, however, low, due to the nature (smaller average loan sizes) and distribution (numerous individuals across the spectrum of economic sectors and provinces) of the loan book.

Gross loans and advances exposures by economic sector are as follows:

	GROUP AND COMPANY	
R'000	**2024**	**2023**
Retail		
Government and municipalities	**35 196 225**	34 202 839
Retail and wholesale	**7 705 970**	7 723 394
Mining	**7 989 999**	8 085 545
Manufacturing and logistics	**12 837 158**	14 253 303
Services	**13 071 792**	11 708 076
Other	**7 044 507**	6 323 587
Gross loans and advances	**83 845 651**	82 296 744

Credit risk management

Credit risk is managed through every stage of the credit life cycle by following a combination of governance, decision support and business support. Governance includes regulators, industry associations, the group's financial governance and committees which support and influence credit strategy. Decision support is a specialist credit risk statistical analysis team that develops credit models and scorecards that are aligned with business strategies and credit risk appetite for unsecured retail lending. Credit risk management is provided by other areas of the business to ensure optimisation of the granting, collection and recovery models and systems.

Measures taken by the group to limit credit risk for unsecured retail lending to acceptable levels include, *inter alia*, the application of standard credit acceptance procedures to assess potential clients, daily monitoring of collectible balances at both branch and head office level and monitoring by the RCMC. The key consideration regarding credit risk management is to maintain the Retail bank lending book within the group's credit risk appetite through customised acquisition, retention and rehabilitation strategies.

The reason why clients approach credit providers for credit is that they have specific requirements. These requirements include the need for home improvements, education, second-hand vehicles and medical expenses.

We encourage clients to match the term of the loan to the requirement for funds. Thus, short-term loans and facilities (similar to overdrafts) are used for cash flow reasons, while medium-term loans are matched against appliances and education. The predominant use of long-term loans is for housing. By continuously refining our credit offering, we are able to provide clients with unsecured credit solutions that best suit their personal needs and at competitive interest rates compared to the secured credit market.

In order to execute this solution, we incorporate a comprehensive assessment of the client's behaviour, affordability and source of income. For the assessment, we use information from credit bureaus, bank statements and payslips. We apply 3 parallel disposable income calculations, i.e. the National Credit Act, Act 34 of 2005 (NCA) affordability calculation, a Capitec client disposable income calculation that maintains buffers for conservatism and the client's own calculation. We then apply the most stringent of the 3. Branch employees have no credit granting discretion and all exceptions are managed and monitored by a centralised specialist team.

During the loan application process, we present the maximum loan amount, maximum term and maximum instalment to the client. Within these constraints, the client may select any combination that best suits them. We encourage clients to take up credit for shorter periods of time and for smaller amounts. This is done through a pricing model that discounts the interest rate in instances where clients select a term that is shorter than the maximum for which they qualify. This is due to the manner in which the pricing for risk model reacts to the lower default rates for such clients.

When existing clients apply for further credit we conduct a full credit assessment. If a client qualifies for further credit, it can be extended as a further agreement in addition to the current credit, or the client can have the existing credit consolidated into a new credit agreement. This is only available for clients if instalments are up-to-date on all Capitec loans and to clients who have a satisfactory credit risk.

Our scoring models react to instances where a client repeatedly takes up credit, and when their debt-to-income ratio becomes too high. In such instances, we limit the term and amount of credit offered to clients or we decline the application for credit.

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances continued

Retail bank continued

Credit risk management continued

Acquisition and retention strategies are built on the principles of the client's credit behaviour (willingness to pay), affordability and source of income. Rehabilitation strategies are need-driven to assist clients based on their unique circumstances.

Unforeseen circumstances may lead to reduced income or increased expenditure for the client. The circumstances may include:

- employers who reduce overtime and bonuses or place employees on short pay due to difficult economic conditions
- strikes
- clients who may be forced to change employment at reduced salaries due to poor performance or health problems
- financial problems faced by employers.

These instances may result in a client missing an instalment on a loan and being in arrears.

If the client is in arrears due to challenges regarding the client's inability to repay the debt, we either negotiate with the client to immediately bring the arrears instalments up-to-date, or we attempt to help and manage the situation through agreeing a course of action with the client by amending the loan agreement (loan reschedule).

The first solution is preferable as it:

- reduces arrears if the client pays on the same date
- improves our cash flow
- helps restore the client to a creditworthy position
- limits the overall cost of credit for clients.

Practically, there is a risk that placing too much pressure on clients (such as expecting clients in financial distress to repay 2 instalments in a single month when they cannot afford to do so) can be counterproductive. In such a case, clients could refuse to cooperate, stop communicating with us and stop paying instalments.

We have extensive history that measures the yields we can receive by handing clients over to external debt collectors. We monitor the cash flow yields that we receive from this process against internal collection processes, including rescheduling. We optimise the strategy for different client groups and use handover samples for each strategy to monitor the relative performance and validate the strategy for each client group.

Factors that we consider in delivering the optimal strategy for a client include:

- the risk profile and payment history of the client
- the arrears status of the client
- whether the client's loans were rescheduled previously
- the credit exposure amount
- free cash flow estimates derived from clients' bank accounts or credit bureau records (salary less debit orders)
- any information we have about the client's employer.

Depending on a combination of factors, the optimal strategy is to encourage clients with some free cash flow or limited credit exposure to bring arrears instalments up-to-date, or assist clients who have cash flow difficulty but have good behaviour history to reduce their instalments and extend the term of the credit agreement (i.e. reschedule). When there is a clear temporary interruption of income such as a strike or a client is on maternity leave, we may allow a reduced instalment for a short period (typically 3 months) with subsequent increased instalments, in order to assist the client through this period (i.e. variable reschedule). We write the loan off when the problem appears to relate to the client's unwillingness or inability to pay.

We use system-based rules to limit instances where we allow rescheduling. The rules engine determines whether clients are eligible for rescheduling as well as the maximum term for which the loan can be extended. We do not reschedule all loans that meet our criteria, as this depends on the individual circumstances of each client applying to reschedule. We treat, monitor and separately disclose the performance of clients who are in arrears when applying for rescheduling.

We monitor the performance and cure rate of rescheduled loans using a segmented approach to ensure that these remain within the bank's risk appetite.

This process allows us to optimise collections and reduce clients' debt levels. Our aim is always to partner with our clients through both good and tough times and act in their best interests.

Credit risk mitigation

Interest rate limits and fees for credit agreements were changed on 6 May 2016 by the National Credit Regulator. Prior to this date, we charged our Retail bank clients an all-inclusive rate and Capitec insured the loan book against death and retrenchment. From May 2016, all loans granted with terms that are greater than 6 months require our Retail bank clients to take out credit life insurance. This protects them against the unfortunate event of retrenchment, temporary or permanent disability and loss of income, and in the case of death, there is no claim against their deceased estate for any amount outstanding. Prior to May 2023 we provided our clients with the option to take out the appropriate credit life insurance through a third-party cell captive. From May 2023, our clients have had the option to take out appropriate credit life insurance through Capitec Life.

Analysis of net loans and advances by stage – Retail bank (group and company)

The following tables contain an analysis of the credit risk exposure of loans and advances for which an ECL allowance is recognised.

Term loans

	Stage 1 12-month ECL	Stage 2 Lifetime ECL		Stage 3 Lifetime ECL				
R'000	Up-to-date	Up-to-date loans with SICR and applied for debt review >6 months[2]	Up to 1 month in arrears	2 and 3 months in arrears	Rescheduled from up-to-date (not yet rehabili-tated)	Rescheduled from arrears (not yet rehabili-tated)	More than 3 months in arrears, legal statuses and applied for debt review <6 months	Total
2024								
Gross loans and advances	**25 830 275**	**6 643 767**	**875 569**	**1 573 232**	**1 631 568**	**1 800 092**	**10 045 289**	**48 399 792**
Provision for credit impairments (ECL)	**(1 647 998)**	**(1 260 685)**	**(434 291)**	**(1 123 934)**	**(482 699)**	**(490 200)**	**(7 451 912)**	**(12 891 719)**
Net loans and advances[1]	**24 182 277**	**5 383 082**	**441 278**	**449 298**	**1 148 869**	**1 309 892**	**2 593 377**	**35 508 073**
ECL coverage by category (%)	**6.4**	**19.0**	**49.6**	**71.4**	**29.6**	**27.2**	**74.2**	**26.6**
ECL coverage by stage (%)								
Stage 1	**6.4**							
Stage 2	**22.5**							
Stage 3	**63.4**							
2023								
Gross loans and advances	27 835 934	7 269 363	1 032 445	1 588 496	1 515 550	1 652 844	9 213 200	50 107 832
Provision for credit impairments (ECL)	(1 854 723)	(1 231 322)	(498 255)	(1 102 794)	(451 474)	(441 433)	(6 650 351)	(12 230 352)
Net loans and advances[1]	25 981 211	6 038 041	534 190	485 702	1 064 076	1 211 411	2 562 849	37 877 480
ECL coverage by category (%)	6.7	16.9	48.3	69.4	29.8	26.7	72.2	24.4
ECL coverage by stage (%)								
Stage 1	6.7							
Stage 2	20.8							
Stage 3	61.9							

(1) *In the comparative year, gross loans and advances and the provision for impairment for the Retail bank were presented as 1 line item based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes. Comparatives have been amended to be consistent with the presentation for the current year.*

(2) *The forward-looking SICR amounts that were reflected as a separate column in the prior year financial statements have been included in the up-to-date loans with SICR and applied for debt review >6 months column due to the change in economic conditions. The forward-looking SICR column provided additional granularity that was required to explain the SICR figures during the COVID-19 pandemic and subsequent periods. In the current year, forward-looking SICR balances are no longer a significant component per product to warrant separate disclosure in this note (the impact of the change in forward-looking information on the ECL can still be noted in the Analysis of provision for ECL). The comparatives have been amended for the updated presentation.*

7. Net loans and advances continued

Retail bank continued

Analysis of net loans and advances by stage – Retail bank (group and company) continued

Term loans continued

Analysis of up-to-date loans and advances in stage 1[(1)]

R'000	2024	2023
Stage 1 – Up-to-date		
Up-to-date not previously rescheduled	**23 656 377**	25 593 748
Rescheduled from up-to-date and rehabilitated	**1 337 998**	1 294 047
Rescheduled from arrears and rehabilitated	**835 900**	948 139
Gross loans and advances – Stage 1	**25 830 275**	27 835 934

[(1)] In the comparative year, the analysis of up-to-date loans and advances for all products was presented together based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration. Comparatives have been amended to be consistent with the presentation for the current year.

Access facility

	Stage 1 12-month ECL	Stage 2 Lifetime ECL		Stage 3 Lifetime ECL				
R'000	Up-to-date	Up-to-date loans with SICR and applied for debt review >6 months[(2)]	Up to 1 month in arrears	2 and 3 months in arrears	Rescheduled from up-to-date (not yet rehabili-tated)	Rescheduled from arrears (not yet rehabili-tated)	More than 3 months in arrears, legal statuses and applied for debt review <6 months	Total
2024								
Gross loans and advances	**15 506 557**	**3 987 878**	**451 456**	**686 279**	**616 958**	**499 933**	**4 066 966**	**25 816 027**
Provision for credit impairments (ECL)	**(1 544 977)**	**(1 247 056)**	**(272 427)**	**(419 261)**	**(176 118)**	**(175 011)**	**(3 022 215)**	**(6 857 065)**
Net loans and advances[(1)]	**13 961 580**	**2 740 822**	**179 029**	**267 018**	**440 840**	**324 922**	**1 044 751**	**18 958 962**
ECL coverage by category (%)	**10.0**	**31.3**	**60.3**	**61.1**	**28.5**	**35.0**	**74.3**	**26.6**
ECL coverage by stage (%)								
Stage 1	**10.0**							
Stage 2	**34.2**							
Stage 3	**64.6**							
2023								
Gross loans and advances	16 598 589	3 866 339	553 867	484 618	401 926	261 840	2 291 196	24 458 375
Provision for credit impairments (ECL)	(1 385 293)	(1 275 778)	(275 581)	(317 292)	(132 210)	(85 773)	(1 674 601)	(5 146 528)
Net loans and advances[(1)]	15 213 296	2 590 561	278 286	167 326	269 716	176 067	616 595	19 311 847
ECL coverage by category (%)	8.3	33.0	49.8	65.5	32.9	32.8	73.1	21.0
ECL coverage by stage (%)								
Stage 1	8.3							
Stage 2	35.1							
Stage 3	64.2							

[(1)] In the comparative year, gross loans and advances and the provision for impairment for the Retail bank were presented as 1 line item based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes. Comparatives have been amended to be consistent with the presentation for the current year.

[(2)] The forward-looking SICR amounts that were reflected as a separate column in the prior year financial statements have been included in the up-to-date loans with SICR and applied for debt review >6 months column due to the change in economic conditions. The forward-looking SICR column provided additional granularity that was required to explain the SICR figures during the COVID-19 pandemic and subsequent periods. In the current year, forward-looking SICR balances are no longer a significant component per product to warrant separate disclosure in this note (the impact of the change in forward-looking information on the ECL can still be noted in the Analysis of provision for ECL). The comparatives have been amended for the updated presentation.

Analysis of up-to-date loans and advances in stage 1[(1)]

R'000	2024	2023
Stage 1 – Up-to-date		
Up-to-date not previously rescheduled	**14 813 831**	16 554 800
Rescheduled from up-to-date and rehabilitated	**491 607**	14 124
Rescheduled from arrears and rehabilitated	**201 119**	29 665
Gross loans and advances – Stage 1	**15 506 557**	16 598 589

[(1)] In the comparative year, the analysis of up-to-date loans and advances for all products was presented together based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration. Comparatives have been amended to be consistent with the presentation for the current year.

Credit card

	Stage 1 12-month ECL	Stage 2 Lifetime ECL		Stage 3 Lifetime ECL		
R'000	Up-to-date	Up-to-date loans with SICR and applied for debt review >6 months[(2)]	Up to 1 month in arrears	2 and 3 months in arrears	More than 3 months in arrears, legal statuses and applied for debt review <6 months	Total
2024						
Gross loans and advances	**7 245 718**	**738 466**	**247 465**	**165 265**	**1 232 918**	**9 629 832**
Provision for credit impairments (ECL)	**(412 213)**	**(197 082)**	**(97 792)**	**(80 506)**	**(822 050)**	**(1 609 643)**
Net loans and advances[(1)]	**6 833 505**	**541 384**	**149 673**	**84 759**	**410 868**	**8 020 189**
ECL coverage by category (%)	**5.7**	**26.7**	**39.5**	**48.7**	**66.7**	**16.7**
ECL coverage by stage (%)						
Stage 1	**5.7**					
Stage 2	**29.9**					
Stage 3	**64.6**					
2023						
Gross loans and advances	5 884 980	618 892	177 579	128 487	920 599	7 730 537
Provision for credit impairments (ECL)	(393 602)	(179 867)	(76 948)	(72 810)	(705 591)	(1 428 818)
Net loans and advances[(1)]	5 491 378	439 025	100 631	55 677	215 008	6 301 719
ECL coverage by category (%)	6.7	29.1	43.3	56.7	76.6	18.5
ECL coverage by stage (%)						
Stage 1	6.7					
Stage 2	32.2					
Stage 3	74.2					

[(1)] In the comparative year, gross loans and advances and the provision for impairment for the Retail bank were presented as 1 line item based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes. Comparatives have been amended to be consistent with the presentation for the current year.

[(2)] The forward-looking SICR amounts that were reflected as a separate column in the prior year financial statements have been included in the up-to-date loans with SICR and applied for debt review >6 months column due to the change in economic conditions. The forward-looking SICR column provided additional granularity that was required to explain the SICR figures during the COVID-19 pandemic and subsequent periods. In the current year, forward-looking SICR balances are no longer a significant component per product to warrant separate disclosure in this note (the impact of the change in forward-looking information on the ECL can still be noted in the Analysis of provision for ECL). The comparatives have been amended for the updated presentation.

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances continued

Retail bank continued

Analysis of net loans and advances by stage – Retail bank (group and company) continued

Credit card continued

Analysis of up-to-date loans and advances in stage 1 [(1)]

R'000	2024	2023
Stage 1 – Up-to-date		
Up-to-date not previously rescheduled	**7 245 718**	5 884 980
Gross loans and advances – Stage 1	**7 245 718**	5 884 980

[(1)] *In the comparative year, the analysis of up-to-date loans and advances for all products was presented together based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration. Comparatives have been amended to be consistent with the presentation for the current year.*

Definition of stages

Stage 1

These are loans and advances which are up-to-date with no indication of SICR as well as loans that have been rescheduled from either up-to-date or arrears and have rehabilitated. Clients who applied for debt review more than 12 months ago and remained up-to-date are classified as stage 1 subject to the SICR assessment.

An ECL representing the lifetime cash shortfall arising from possible default events up to 12 months into the future from the reporting date is recognised at the time of initial recognition of the financial debt instruments.

An ECL continues to be determined on this basis until there is a SICR or the financial debt instrument becomes credit-impaired.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the financial debt instrument and the cash flows that the group expects to receive over the contractual life of the financial debt instrument.

Stage 2

The group monitors financial debt instruments subject to the impairment requirements at each reporting date to determine whether evidence exists that there has been a SICR since initial recognition of the financial instrument. The 12-month ECL is extended to a lifetime ECL for these clients.

The following loans and advances are included in stage 2:
- Up-to-date loans with SICR
- Loans where the forward-looking information indicates SICR
- Loans up to 1 month in arrears
- Loans where clients applied for debt review between 6 and 12 months ago and which are up-to-date.

The group identifies SICR for clients who are up-to-date on their loans, but who have reached certain behaviour risk thresholds or where specific events have occurred that indicate a SICR.

The Retail bank considers the following to be a SICR for all loans and advances extended to the client:
- Where a client has been reported as being retrenched or unemployed
- Where a client has a product that is in arrears or has been rescheduled, all products held by the client are identified as subject to a SICR
- Where a client has a behaviour score that has decreased below the internal SICR threshold set by the bank
- Where a client's employer has been deemed as high risk.

Stage 3 (credit-impaired assets)

The group defines loans and advances as being credit-impaired when 1 or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Interest on loans and advances categorised as stage 3 is recognised in the income statement net of ECL impairments. A lifetime ECL is applied to stage 3 (credit-impaired) loans.

Loans and advances are considered to be credit-impaired upon the occurrence of any of the following events:
- The client is 2 or 3 months past due on contractual payments
- The client is placed under debt review
- The client is handed over for collection or has another legal status
- The client is in default. Default is defined as the point at which a client is more than 3 months past due on contractual payments
- The client applied for debt review less than 6 months ago and the loans are currently performing
- The loan was rescheduled from up-to-date and is up-to-date (not yet rehabilitated)
- The loan is currently up to 1 month in arrears and was previously rescheduled but has not rehabilitated
- The loan was rescheduled from arrears and is up-to-date (not yet rehabilitated).

Implementation of ECL measurement

Loans and advances comprise a large number of small, homogeneous assets.

An ECL provisioning model based on historical roll rates using the Markov chain method is used.

The Markov roll rate results are stratified into similar groups to ensure results are stable and appropriate to predict future cash flows for clients with similar characteristics.

Aspects such as client risk groups, time on book, product term, payment frequency (monthly, fortnightly or weekly), default statuses, employment, industry and rescheduling status and the behaviour score of the client are stratified.

The model combines the roll rate matrices with a loan amortisation model on a loan-by-loan basis. The specific features of each loan such as balance, interest rate, fees, remaining term, instalments and arrears status, combined with the roll rates applicable to loans with the same characteristics, enable the group to estimate the expected cash flow and balance amortisation of the loan. The rolled-up results enable the Retail bank to analyse portfolio and segmented views.

To determine the ECLs on the access facility and credit card portfolio, the group models the probability of an account entering default, the average exposure when an account enters default and the LGD based on historical trends. Clients are grouped together according to similar risk characteristics, and historical default performance is projected into the future on the current non-default portfolio. The expected future incremental loss is discounted to a present value and is used as the impairment on the portfolio.

For loan commitments that contain both a drawn and undrawn component where the group cannot separately identify the ECL on the undrawn component, the ECL on the undrawn component is recognised with the ECL on the loan component. To the extent that the ECLs exceed the gross carrying amount of the loans at a client level, the excess is recognised as a provision in the statement of financial position. The loss allowance on the undrawn loan commitments of clients that have no outstanding balances is also recognised as a provision in other liabilities. Refer to note 17.

Credit quality (group and company)

The group adapted its internal credit rating policy to the Basel PD master scale as required by Basel III during the 2024 financial year. The Basel PD master scale is a list of prescribed risk grades which classify a borrower based on their PD. The mapping process is comprehensive and allows the group to rate all borrowers on a uniform scale regardless of the product. Since all borrowers are represented on a uniform scale, it enables the group to compare various portfolios consistently and accurately.

The Capitec PD master scale ranges from Capitec Bank (CB) bands 1 – 25 depending on the product and reporting segment. Borrower PDs (which are based on a combination of factors) are determined at each reporting date and mapped to the Capitec PD master scale.

Notes to the financial statements continued
Year ended 29 February 2024

7. Net loans and advances continued

Retail bank continued

Credit quality (group and company) continued

The lower the CB band, the lower the PD and the higher the probability of the borrower meeting their financial obligations. Conversely, the higher the CB band, the higher the probability that the borrower will default and not be able to meet their financial obligations.

The CB bands per product and risk-based scorecards used in the Capitec PD master scale are by reporting segment and presented based on reporting date CB bands.

Material product groups	Capitec PD master rating scale	Scorecard
Term loans	CB14 – 25	Term loan behaviour score
Access facility	CB14 – 25	Access facility behaviour score
Credit card	CB14 – 25	Credit card behaviour score

Term loans[(1)]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
CB1 – 14	595 349	21 303	209	616 861
CB15	772 633	41 470	675	814 778
CB16	1 985 846	160 016	5 517	2 151 379
CB17	2 854 478	305 210	13 885	3 173 573
CB18	4 974 559	758 542	61 606	5 794 707
CB19	5 959 138	1 323 068	162 466	7 444 672
CB20	4 804 201	1 654 663	335 561	6 794 425
CB21	2 636 479	1 151 121	525 009	4 312 609
CB22	991 298	937 699	861 837	2 790 834
CB23	188 750	329 250	613 431	1 131 431
CB24	60 165	328 143	701 930	1 090 238
CB25	7 379	508 851	1 822 075	2 338 305
Default	—	—	9 945 980	9 945 980
On-balance sheet	25 830 275	7 519 336	15 050 181	48 399 792
2023				
CB1 – 14	583 144	16 631	233	600 008
CB15	796 396	33 329	823	830 548
CB16	2 122 702	130 459	4 331	2 257 492
CB17	3 036 800	284 736	11 134	3 332 670
CB18	5 160 656	744 048	52 879	5 957 583
CB19	6 373 870	1 248 593	133 717	7 756 180
CB20	4 937 654	1 566 782	270 015	6 774 451
CB21	3 379 902	1 508 642	424 517	5 313 061
CB22	1 158 898	1 259 941	770 219	3 189 058
CB23	211 797	475 629	620 933	1 308 359
CB24	67 263	424 674	730 749	1 222 686
CB25	6 852	608 344	1 857 717	2 472 913
Default	—	—	9 092 823	9 092 823
On-balance sheet	27 835 934	8 301 808	13 970 090	50 107 832

[(1)] *In the prior year, within the Credit quality – Retail bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In addition, in the prior year, the disclosure was presented on a combined level for all Retail bank products. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale and are presented by reporting segment. In the prior year, stage 1 on-balance sheet exposures presented amounted to R1.2 billion for high risk, R10.7 billion for medium risk and R38.5 billion for low risk and off-balance sheet exposure presented amounted to R0.1 billion for high risk, R1.9 billion for medium risk and R13.4 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R3.0 billion for high risk, R4.4 billion for medium risk and R6.1 billion for low risk and off-balance sheet exposure presented amounted to R0.01 billion for high risk, R0.2 billion for medium risk and R0.3 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R16.0 billion for high risk, R1.8 billion for medium risk and R0.7 billion for low risk and no off-balance sheet exposures were presented.*

Access facility[(1)]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
CB1 – 14	357 137	8 956	3 005	369 098
CB15	552 419	24 393	6 580	583 392
CB16	1 168 130	81 549	16 926	1 266 605
CB17	1 473 720	159 230	38 679	1 671 629
CB18	1 881 749	270 470	55 169	2 207 388
CB19	2 285 731	451 542	94 989	2 832 262
CB20	2 327 501	553 638	134 140	3 015 279
CB21	2 228 622	705 915	189 877	3 124 414
CB22	1 685 375	709 337	212 658	2 607 370
CB23	1 140 499	695 201	240 567	2 076 267
CB24	400 066	431 889	208 520	1 040 475
CB25	5 608	347 214	654 173	1 006 995
Default	—	—	4 014 853	4 014 853
On-balance sheet	15 506 557	4 439 334	5 870 136	25 816 027
CB1 – 14	1 975 795	43 870	427	2 020 092
CB15	1 340 024	50 050	509	1 390 583
CB16	1 855 578	84 800	891	1 941 269
CB17	1 644 378	80 444	2 766	1 727 588
CB18	1 404 036	84 134	2 944	1 491 114
CB19	1 291 385	94 772	2 633	1 388 790
CB20	560 759	53 793	4 060	618 612
CB21	280 027	36 351	4 013	320 391
CB22	100 862	20 331	3 989	125 182
CB23	30 357	10 398	2 245	43 000
CB24	4 137	2 403	1 200	7 740
CB25	88	13	31	132
Default	—	—	—	—
Off-balance sheet	10 487 426	561 359	25 708	11 074 493

[(1)] *In the prior year, within the Credit quality – Retail bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In addition, in the prior year, the disclosure was presented on a combined level for all Retail bank products. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale and are presented by reporting segment. In the prior year, stage 1 on-balance sheet exposures presented amounted to R1.2 billion for high risk, R10.7 billion for medium risk and R38.5 billion for low risk and off-balance sheet exposure presented amounted to R0.1 billion for high risk, R1.9 billion for medium risk and R13.4 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R3.0 billion for high risk, R4.4 billion for medium risk and R6.1 billion for low risk and off-balance sheet exposure presented amounted to R0.01 billion for high risk, R0.2 billion for medium risk and R0.3 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R16.0 billion for high risk, R1.8 billion for medium risk and R0.7 billion for low risk and no off-balance sheet exposures were presented.*

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances continued

Retail bank continued

Credit quality (group and company) continued

Access facility[1] continued

R'000	Stage 1	Stage 2	Stage 3	Total
2023				
CB1 – 14	270 426	3 453	535	274 414
CB15	517 804	10 399	818	529 021
CB16	1 230 359	43 667	5 966	1 279 992
CB17	1 454 237	88 169	10 861	1 553 267
CB18	2 069 452	172 184	19 937	2 261 573
CB19	2 766 811	325 910	42 348	3 135 069
CB20	2 564 634	501 766	68 837	3 135 237
CB21	2 322 374	696 328	99 229	3 117 931
CB22	1 693 035	784 565	131 967	2 609 567
CB23	1 210 218	786 966	175 237	2 172 421
CB24	490 211	537 598	161 235	1 189 044
CB25	9 028	469 201	500 225	978 454
Default	—	—	2 222 385	2 222 385
On-balance sheet	16 598 589	4 420 206	3 439 580	24 458 375
CB1 – 14	1 447 458	3 445	—	1 450 903
CB15	1 245 278	7 338	412	1 253 028
CB16	2 046 250	21 936	686	2 068 872
CB17	1 855 845	26 796	944	1 883 585
CB18	2 078 552	32 639	1 797	2 112 988
CB19	2 290 539	44 226	2 481	2 337 246
CB20	1 400 986	38 684	2 482	1 442 152
CB21	765 912	26 798	2 285	794 995
CB22	252 062	18 649	1 592	272 303
CB23	69 320	9 674	815	79 809
CB24	11 147	2 731	254	14 132
CB25	67	43	1	111
Default	—	—	—	—
Off-balance sheet	13 463 416	232 959	13 749	13 710 124

[1] *In the prior year, within the Credit quality – Retail bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In addition, in the prior year, the disclosure was presented on a combined level for all Retail bank products. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale and are presented by reporting segment. In the prior year, stage 1 on-balance sheet exposures presented amounted to R1.2 billion for high risk, R10.7 billion for medium risk and R38.5 billion for low risk and off-balance sheet exposure presented amounted to R0.1 billion for high risk, R1.9 billion for medium risk and R13.4 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R3.0 billion for high risk, R4.4 billion for medium risk and R6.1 billion for low risk and off-balance sheet exposure presented amounted to R0.01 billion for high risk, R0.2 billion for medium risk and R0.3 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R16.0 billion for high risk, R1.8 billion for medium risk and R0.7 billion for low risk and no off-balance sheet exposures were presented.*

Credit card[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
CB1 – 14	134 828	2 314	—	137 142
CB15	291 292	4 183	152	295 627
CB16	436 872	11 356	132	448 360
CB17	909 725	28 428	654	938 807
CB18	1 379 497	75 188	1 654	1 456 339
CB19	1 467 838	113 999	2 467	1 584 304
CB20	1 202 049	144 908	2 212	1 349 169
CB21	883 481	183 090	1 704	1 068 275
CB22	348 572	133 374	2 759	484 705
CB23	129 210	109 412	7 254	245 876
CB24	39 700	75 380	14 234	129 314
CB25	22 654	104 299	144 063	271 016
Default	—	—	1 220 898	1 220 898
On-balance sheet	7 245 718	985 931	1 398 183	9 629 832
CB1 – 14	404 220	10 240	—	414 460
CB15	179 835	4 030	20	183 885
CB16	390 105	18 621	8	408 734
CB17	377 062	25 755	67	402 884
CB18	469 764	53 802	56	523 622
CB19	339 315	48 256	109	387 680
CB20	156 141	26 496	49	182 686
CB21	104 461	26 135	56	130 652
CB22	21 268	9 979	34	31 281
CB23	5 003	4 194	14	9 211
CB24	1 761	1 806	13	3 580
CB25	1 851	4 244	12	6 107
Default	—	—	—	—
Off-balance sheet	2 450 786	233 558	438	2 684 782

[1] *In the prior year, within the Credit quality – Retail bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In addition, in the prior year, the disclosure was presented on a combined level for all Retail bank products. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale and are presented by reporting segment. In the prior year, stage 1 on-balance sheet exposures presented amounted to R1.2 billion for high risk, R10.7 billion for medium risk and R38.5 billion for low risk and off-balance sheet exposure presented amounted to R0.1 billion for high risk, R1.9 billion for medium risk and R13.4 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R3.0 billion for high risk, R4.4 billion for medium risk and R6.1 billion for low risk and off-balance sheet exposure presented amounted to R0.01 billion for high risk, R0.2 billion for medium risk and R0.3 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R16.0 billion for high risk, R1.8 billion for medium risk and R0.7 billion for low risk and no off-balance sheet exposures were presented.*

7. Net loans and advances continued

Retail bank continued

Credit quality (group and company) continued

Credit card[1] continued

R'000	Stage 1	Stage 2	Stage 3	Total
2023				
CB1 – 14	98 350	890	34	99 274
CB15	213 934	1 191	78	215 203
CB16	351 608	9 901	169	361 678
CB17	734 261	13 465	579	748 305
CB18	1 129 970	57 530	1 460	1 188 960
CB19	1 229 660	95 707	1 777	1 327 144
CB20	1 048 389	126 967	2 624	1 177 980
CB21	699 105	164 294	1 966	865 365
CB22	250 956	110 580	3 141	364 677
CB23	87 138	84 569	5 769	177 476
CB24	27 104	56 463	12 477	96 044
CB25	14 505	74 914	111 245	200 664
Default	—	—	907 767	907 767
On-balance sheet	5 884 980	796 471	1 049 086	7 730 537
CB1 – 14	286 586	3 814	—	290 400
CB15	138 594	2 575	—	141 169
CB16	332 488	13 891	—	346 379
CB17	306 552	16 099	—	322 651
CB18	364 685	41 854	—	406 539
CB19	258 186	42 510	—	300 696
CB20	117 839	25 196	—	143 035
CB21	65 497	27 344	—	92 841
CB22	16 057	12 070	—	28 127
CB23	3 510	4 502	—	8 012
CB24	1 276	1 581	—	2 857
CB25	1 314	5 324	—	6 638
Default	—	—	—	—
Off-balance sheet	1 892 584	196 760	—	2 089 344

[1] *In the prior year, within the Credit quality – Retail bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In addition, in the prior year, the disclosure was presented on a combined level for all Retail bank products. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale and are presented by reporting segment. In the prior year, stage 1 on-balance sheet exposures presented amounted to R1.2 billion for high risk, R10.7 billion for medium risk and R38.5 billion for low risk and off-balance sheet exposure presented amounted to R0.1 billion for high risk, R1.9 billion for medium risk and R13.4 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R3.0 billion for high risk, R4.4 billion for medium risk and R6.1 billion for low risk and off-balance sheet exposure presented amounted to R0.01 billion for high risk, R0.2 billion for medium risk and R0.3 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R16.0 billion for high risk, R1.8 billion for medium risk and R0.7 billion for low risk and no off-balance sheet exposures were presented.*

Analysis of gross loans and advances

Term loans[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	**27 835 934**	**8 301 808**	**13 970 090**	**50 107 832**
Net loan sales	**19 616 838**	**(774 324)**	**(250 688)**	**18 591 826**
New loan sales	**24 464 992**	**—**	**—**	**24 464 992**
Loans derecognised (other than write-off)	**(4 848 154)**	**(774 324)**	**(250 688)**	**(5 873 166)**
Income accrued for the year	**9 184 622**	**1 713 738**	**3 609 245**	**14 507 605**
Transfers				
Stage 1 to stage 2	**(5 285 176)**	**5 285 176**	**—**	**—**
Stage 1 to stage 3	**(7 632 741)**	**—**	**7 632 741**	**—**
Stage 2 to stage 3	**—**	**(1 876 011)**	**1 876 011**	**—**
Stage 3 to stage 2	**—**	**544 481**	**(544 481)**	**—**
Stage 3 to stage 1	**883 869**	**—**	**(883 869)**	**—**
Stage 2 to stage 1	**1 962 398**	**(1 962 398)**	**—**	**—**
Repayments	**(20 735 469)**	**(3 713 134)**	**(3 958 071)**	**(28 406 674)**
Modifications	**—**	**—**	**214 170**	**214 170**
Write-offs	**—**	**—**	**(6 614 967)**	**(6 614 967)**
Balance as at 29 February 2024	**25 830 275**	**7 519 336**	**15 050 181**	**48 399 792**
2023				
Balance as at 1 March 2022	28 969 197	9 332 455	12 147 560	50 449 212
Net loan sales	21 114 046	(1 159 470)	(340 936)	19 613 640
New loan sales	28 936 771	—	—	28 936 771
Loans derecognised (other than write-off)	(7 822 725)	(1 159 470)	(340 936)	(9 323 131)
Income accrued for the year	9 685 237	1 510 360	2 890 067	14 085 664
Transfers				
Stage 1 to stage 2	(5 412 255)	5 412 255	—	—
Stage 1 to stage 3	(7 991 447)	—	7 991 447	—
Stage 2 to stage 3	—	(1 638 941)	1 638 941	—
Stage 3 to stage 2	—	447 927	(447 927)	—
Stage 3 to stage 1	929 202	—	(929 202)	—
Stage 2 to stage 1	2 247 953	(2 247 953)	—	—
Repayments	(21 705 999)	(3 354 825)	(3 674 290)	(28 735 114)
Modifications	—	—	(530 540)	(530 540)
Write-offs	—	—	(4 775 030)	(4 775 030)
Balance as at 28 February 2023	27 835 934	8 301 808	13 970 090	50 107 832

[1] *In the prior year, gross loans and advances and the provision for ECL for the Retail bank segment were presented as a combined view based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes as presentation by product provides more insight into the risk profiles of the products. Comparatives have been amended to be consistent with the presentation for the current year.*

New loan sales

New loan sales are originated in stage 1 with a subsequent change in staging to year-end reflected under transfers. New loan sales include new loans issued on consolidating pre-existing loans. The loans settled on consolidation are disclosed separately as loans derecognised (other than write-offs).

Income accrued

Income accrued for the year comprises interest received on loans, initiation fees, monthly service fees and credit life premiums.

Notes to the financial statements continued
Year ended 29 February 2024

7. Net loans and advances continued

Retail bank continued

Analysis of gross loans and advances continued

Access facility[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	16 598 589	4 420 206	3 439 580	24 458 375
Net loans	11 316 556	1 189 099	55 847	12 561 502
New loan sales and further drawdowns	12 352 589	1 189 099	55 847	13 597 535
Loans derecognised (other than write-off)	(1 036 033)	—	—	(1 036 033)
Income accrued for the year	4 958 239	883 068	1 139 729	6 981 036
Transfers				
Stage 1 to stage 2	(2 823 024)	2 823 024	—	—
Stage 1 to stage 3	(3 556 169)	—	3 556 169	—
Stage 2 to stage 3	—	(1 615 432)	1 615 432	—
Stage 3 to stage 2	—	98 737	(98 737)	—
Stage 3 to stage 1	276 768	—	(276 768)	—
Stage 2 to stage 1	1 323 514	(1 323 514)	—	—
Repayments	(12 587 916)	(2 035 854)	(1 372 970)	(15 996 740)
Modifications	—	—	(235 250)	(235 250)
Write-offs	—	—	(1 952 896)	(1 952 896)
Balance as at 29 February 2024	15 506 557	4 439 334	5 870 136	25 816 027
2023				
Balance as at 1 March 2022	10 743 748	2 446 746	902 115	14 092 609
Net loans[2]	18 591 420	1 181 237	47 852	19 820 509
New loan sales and further drawdowns	20 082 565	1 181 237	47 852	21 311 654
Loans derecognised (other than write-off)	(1 491 145)	—	—	(1 491 145)
Income accrued for the year	3 941 120	579 414	409 155	4 929 689
Transfers				
Stage 1 to stage 2	(3 155 450)	3 155 450	—	—
Stage 1 to stage 3	(2 575 293)	—	2 575 293	—
Stage 2 to stage 3	—	(657 916)	657 916	—
Stage 3 to stage 2	—	29 796	(29 796)	—
Stage 3 to stage 1	35 507	—	(35 507)	—
Stage 2 to stage 1	668 923	(668 923)	—	—
Repayments	(11 651 386)	(1 645 598)	(419 998)	(13 716 982)
Modifications	—	—	(136 101)	(136 101)
Write-offs	—	—	(531 349)	(531 349)
Balance as at 28 February 2023	16 598 589	4 420 206	3 439 580	24 458 375

[1] In the prior year, gross loans and advances and the provision for ECL for the Retail bank segment were presented as a combined view based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes as presentation by product provides more insight into the risk profiles of the products. Comparatives have been amended to be consistent with the presentation for the current year.

[2] In the prior year, net loan sales were presented in stage 1. This was reassessed due to the presentation of gross loans and advances by product. As a result, drawdowns on facilities in stages 2 and 3 are now presented in the comparatives.

New loan sales and further drawdowns

Access facility disbursements are included in new loan sales. Amounts are transferred immediately to the staging of the existing balances for drawdowns.

Income accrued

Income accrued for the year comprises interest received, initiation fees and credit life premiums.

Credit card[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	5 884 980	796 471	1 049 086	7 730 537
Net loans	16 071 059	1 038 826	195 624	17 305 509
New loan sales and further drawdowns	16 071 059	1 038 826	195 624	17 305 509
Loans derecognised (other than write-off)	—	—	—	—
Income accrued for the year	1 826 058	187 599	260 213	2 273 870
Transfers				
Stage 1 to stage 2	(551 471)	551 471	—	—
Stage 1 to stage 3	(773 481)	—	773 481	—
Stage 2 to stage 3	—	(126 802)	126 802	—
Stage 3 to stage 2	—	13 402	(13 402)	—
Stage 3 to stage 1	23 286	—	(23 286)	—
Stage 2 to stage 1	309 769	(309 769)	—	—
Repayments	(15 544 482)	(1 165 267)	(386 229)	(17 095 978)
Modifications	—	—	(24 604)	(24 604)
Write-offs	—	—	(559 502)	(559 502)
Balance as at 29 February 2024	7 245 718	985 931	1 398 183	9 629 832
2023				
Balance as at 1 March 2022	4 874 961	979 858	813 962	6 668 781
Net loans[2]	12 843 142	523 670	124 087	13 490 899
New loan sales and further drawdowns	12 843 142	523 670	124 087	13 490 899
Loans derecognised (other than write-off)	—	—	—	—
Income accrued for the year	1 463 543	112 634	172 774	1 748 951
Transfers				
Stage 1 to stage 2	(120 242)	120 242	—	—
Stage 1 to stage 3	(600 250)	—	600 250	—
Stage 2 to stage 3	—	(155 791)	155 791	—
Stage 3 to stage 2	—	12 140	(12 140)	—
Stage 3 to stage 1	21 093	—	(21 093)	—
Stage 2 to stage 1	161 576	(161 576)	—	—
Repayments	(12 758 843)	(634 706)	(321 627)	(13 715 176)
Modifications	—	—	(21 108)	(21 108)
Write-offs	—	—	(441 810)	(441 810)
Balance as at 28 February 2023	5 884 980	796 471	1 049 086	7 730 537

[1] In the prior year, gross loans and advances and the provision for ECL for the Retail bank segment were presented as a combined view based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes as presentation by product provides more insight into the risk profiles of the products. Comparatives have been amended to be consistent with the presentation for the current year.

[2] In the prior year, net loan sales were presented in stage 1. This was reassessed due to the presentation of gross loans and advances by product. As a result, drawdowns on credit cards in stages 2 and 3 are now presented in the comparatives.

New loan sales and further drawdowns

Credit card disbursements are included in new loan sales. Amounts are transferred immediately to the staging of the existing balances for drawdowns.

Income accrued

Income accrued for the year comprises interest received, initiation fees and credit life premiums.

7. Net loans and advances continued

Retail bank continued

Analysis of provision for ECL

Term loans[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	**1 854 723**	**1 729 577**	**8 646 052**	**12 230 352**
Movement in the income statement				
New loan sales	**1 008 854**	**950 889**	**1 817 109**	**3 776 852**
Stage 1 to stage 2	**(165 806)**	**436 126**	**—**	**270 320**
Stage 1 to stage 3	**(359 344)**	**—**	**2 326 533**	**1 967 189**
Stage 2 to stage 3	**—**	**(432 555)**	**970 232**	**537 677**
Stage 2 to stage 1	**65 838**	**(349 184)**	**—**	**(283 346)**
Stage 3 to stage 1	**52 329**	**—**	**(261 495)**	**(209 166)**
Stage 3 to stage 2	**—**	**105 460**	**(204 668)**	**(99 208)**
Remain in same stage	**(425 125)**	**(62 543)**	**450 975**	**(36 693)**
Loans and advances settled in the current year	**(354 193)**	**(213 173)**	**(2 006 808)**	**(2 574 174)**
Modifications	**—**	**—**	**214 170**	**214 170**
Write-offs	**(59 448)**	**(193 519)**	**(2 387 601)**	**(2 640 568)**
Change in forward-looking information[2]	**30 170**	**(276 102)**	**(15 754)**	**(261 686)**
Balance as at 29 February 2024	**1 647 998**	**1 694 976**	**9 548 745**	**12 891 719**
2023				
Balance as at 1 March 2022	2 744 750	1 916 374	7 606 981	12 268 105
Movement in the income statement				
New loan sales	1 244 996	937 523	2 321 593	4 504 112
Stage 1 to stage 2	(115 309)	345 748	—	230 439
Stage 1 to stage 3	(263 717)	—	2 079 362	1 815 645
Stage 2 to stage 3	—	(335 169)	807 490	472 321
Stage 2 to stage 1	65 347	(333 131)	—	(267 784)
Stage 3 to stage 1	45 391	—	(220 550)	(175 159)
Stage 3 to stage 2	—	72 024	(154 627)	(82 603)
Remain in same stage	122 530	57 301	(599)	179 232
Loans and advances settled in the current year	(424 307)	(249 325)	(926 854)	(1 600 486)
Modifications	—	—	(390 421)	(390 421)
Write-offs	(40 705)	(131 282)	(2 308 105)	(2 480 092)
Change in forward-looking information[2]	(1 524 253)	(550 486)	(168 218)	(2 242 957)
Balance as at 28 February 2023	1 854 723	1 729 577	8 646 052	12 230 352

(1) *In the prior year, gross loans and advances and the provision for ECL for the Retail bank segment were presented as a combined view based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes as presentation by product provides more insight into the risk profiles of the products. Comparatives have been amended to be consistent with the presentation for the current year.*

(2) *Changes in forward-looking SICR are detailed in the 'Critical accounting estimates and judgements in applying accounting policies' section in this note.*

Movement in the income statement

Movement in the income statement is based on the loan stage at the beginning and end of the year. Where loans were settled or written off during the year, the individual lines in the table have not been grossed up to reflect the movement in the ECL provision during the year up to that point.

Access facility[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	**1 385 293**	**1 551 359**	**2 209 876**	**5 146 528**
Movement in the income statement				
New loan sales and further drawdowns	**236 296**	**82 312**	**156 076**	**474 684**
Stage 1 to stage 2	**(161 815)**	**936 539**	**—**	**774 724**
Stage 1 to stage 3	**(155 871)**	**—**	**1 958 893**	**1 803 022**
Stage 2 to stage 3	**—**	**(357 294)**	**719 385**	**362 091**
Stage 2 to stage 1	**121 591**	**(427 658)**	**—**	**(306 067)**
Stage 3 to stage 1	**22 710**	**—**	**(103 345)**	**(80 635)**
Stage 3 to stage 2	**—**	**29 428**	**(39 956)**	**(10 528)**
Remain in same stage	**61 916**	**59 046**	**345 010**	**465 972**
Loans and advances settled in the current year	**(132 638)**	**(65 698)**	**(396 162)**	**(594 498)**
Modifications	**—**	**—**	**(235 250)**	**(235 250)**
Write-offs	**(7 979)**	**(75 914)**	**(848 839)**	**(932 732)**
Change in forward-looking information[2]	**175 474**	**(212 637)**	**26 917**	**(10 246)**
Balance as at 29 February 2024	**1 544 977**	**1 519 483**	**3 792 605**	**6 857 065**
2023				
Balance as at 1 March 2022	1 600 623	927 055	638 083	3 165 761
Movement in the income statement				
New loan sales and further drawdowns	514 808	338 798	420 398	1 274 004
Stage 1 to stage 2	(124 027)	709 933	—	585 906
Stage 1 to stage 3	(107 752)	—	1 143 382	1 035 630
Stage 2 to stage 3	—	(159 437)	381 846	222 409
Stage 2 to stage 1	38 095	(194 722)	—	(156 627)
Stage 3 to stage 1	2 948	—	(21 819)	(18 871)
Stage 3 to stage 2	—	9 354	(18 606)	(9 252)
Remain in same stage	(379 741)	(96 598)	(87 111)	(563 450)
Loans and advances settled in the current year	(135 691)	(54 549)	(13 158)	(203 398)
Modifications	—	—	(74 642)	(74 642)
Write-offs	(7 291)	(16 963)	(158 497)	(182 751)
Change in forward-looking information[2]	(16 679)	88 488	—	71 809
Balance as at 28 February 2023	1 385 293	1 551 359	2 209 876	5 146 528

(1) *In the prior year, gross loans and advances and the provision for ECL for the Retail bank segment were presented as a combined view based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes as presentation by product provides more insight into the risk profiles of the products. Comparatives have been amended to be consistent with the presentation for the current year.*

(2) *Changes in forward-looking SICR are detailed in the 'Critical accounting estimates and judgements in applying accounting policies' section in this note.*

Movement in the income statement

Movement in the income statement is based on the loan stage at the beginning and end of the year. Where loans were settled or written off during the year, the individual lines in the table have not been grossed up to reflect the movement in the ECL provision during the year up to that point.

7. Net loans and advances continued

Retail bank continued

Analysis of provision for ECL continued

Credit card[1]

R'000	Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	393 602	256 815	778 401	1 428 818
Movement in the income statement				
New loan sales and further drawdowns	122 738	98 948	60 606	282 292
Stage 1 to stage 2	(30 643)	122 964	—	92 321
Stage 1 to stage 3	(43 595)	—	437 120	393 525
Stage 2 to stage 3	—	(60 308)	141 855	81 547
Stage 2 to stage 1	26 589	(89 134)	—	(62 545)
Stage 3 to stage 1	3 760	—	(17 847)	(14 087)
Stage 3 to stage 2	—	13 591	(13 982)	(391)
Remain in same stage	26 190	10 951	89 893	127 034
Loans and advances settled in the current year	(17 934)	(13 580)	(66 721)	(98 235)
Modifications	—	—	(24 604)	(24 604)
Write-offs	(1 464)	(12 592)	(480 359)	(494 415)
Change in forward-looking information[2]	(67 030)	(32 781)	(1 806)	(101 617)
Balance as at 29 February 2024	412 213	294 874	902 556	1 609 643
2023				
Balance as at 1 March 2022	480 419	248 475	613 650	1 342 544
Movement in the income statement				
New loan sales and further drawdowns	64 098	39 672	38 017	141 787
Stage 1 to stage 2	(29 297)	141 825	—	112 528
Stage 1 to stage 3	(29 402)	—	389 681	360 279
Stage 2 to stage 3	—	(34 916)	88 930	54 014
Stage 2 to stage 1	17 169	(44 144)	—	(26 975)
Stage 3 to stage 1	3 302	—	(13 974)	(10 672)
Stage 3 to stage 2	—	11 094	(12 115)	(1 021)
Remain in same stage	(106 644)	(37 808)	(180 681)	(325 133)
Loans and advances settled in the current year	(17 561)	(7 973)	(30 401)	(55 935)
Modifications	—	—	(31 929)	(31 929)
Write-offs	(2 768)	(12 316)	(82 777)	(97 861)
Change in forward-looking information[2]	14 286	(47 094)	—	(32 808)
Balance as at 28 February 2023	393 602	256 815	778 401	1 428 818

(1) In the prior year, gross loans and advances and the provision for ECL for the Retail bank segment were presented as a combined view based on a single view of the client. For the current year, a product view has been presented with the single view of the client as a secondary consideration for ECL purposes as presentation by product provides more insight into the risk profiles of the products. Comparatives have been amended to be consistent with the presentation for the current year.

(2) Changes in forward-looking SICR are detailed in the 'Critical accounting estimates and judgements in applying accounting policies' section in this note.

Movement in the income statement

Movement in the income statement is based on the loan stage at the beginning and end of the year. Where loans were settled or written off during the year, the individual lines in the table have not been grossed up to reflect the movement in the ECL provision during the year up to that point.

Factors impacting and contributing to significant changes in the ECL during the year

The net credit impairment charge on gross loans and advances increased by 37% to R8.4 billion (2023: R6.1 billion). The credit loss ratio was 10.1% compared to 8.0% for 2023.

For the past 2 years, we have been building a higher-quality loan book that we expect will perform better than the older tranches of business that have migrated through stages 2 and 3 and into default during the 2023 and 2024 financial years.

In November 2021, we relaxed credit granting criteria for certain pockets of clients that had begun showing a recovery after the COVID-19 pandemic. This led to book growth, particularly in the access facility book. Due to the impact of the negative economic conditions after February 2022, when the war in Ukraine began, we started tightening credit granting criteria in June 2022 and continued to do so for the remainder of the 2023 financial year. We adjusted access facility limits down by R3.5 billion during 2023. By the end of February 2023, there had been an increase in clients going into debt review and rolling into arrears and default.

The credit granting criteria for all retail products were tightened further during the 2024 financial year. Income to instalment criteria were made stricter and the average term offered decreased. A number of unique granting changes were made in 2024. Net loan sales and disbursements for 2024 were R48.5 billion, a decrease of 8% compared to 2023 net loan sales of R52.9 billion.

Loan sales by product are detailed in the table below.

R'm	February 2024	February 2023
Term loans	18 592	19 616
Access facilities	12 561	19 821
Credit cards	17 306	13 491
Total	**48 459**	**52 928**

Access facility disbursements decreased by 37% compared to 2023. Total new limits granted decreased to R5.6 billion from R18.7 billion in 2023. During 2024, the short-term access facilities were discontinued, and the limits of existing facility holders were adjusted downwards by more than R3.0 billion. Cutbacks were also implemented based on stricter affordability criteria. Limits granted for 2024 amounted to R5.6 billion.

Credit card disbursements increased by 28% to R17.3 billion (2023: R13.5 billion) as the lower-risk clients that qualify for credit card limits were not impacted as severely by the stricter credit granting criteria as other clients.

The credit impairment charge for 2024 reflected the continued migration of the pre-June 2022 loan book to stages 2 and 3. The total migration of balances into default for the 2024 financial year amounted to R12.8 billion, with R4.1 billion relating to clients that went into debt review (2023: R3.5 billion). The remaining roll into default of R8.7 billion comprises balances that are subject to collection activities and do not meet the write-off requirements (2023: R7.0 billion).

Our monitoring data indicates that the tranches of loan sales after June 2022 are performing better than the pre-June 2022 tranches.

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances continued

Retail bank continued

Factors impacting and contributing to significant changes in the ECL during the year continued

The forward-looking macroeconomic information provision decreased by R373 million because of a higher backward-looking provision and a more positive outlook on the economy going forward. To capture the effects of changes to the economic environment in the future, the forward-looking model for Retail bank considers economic variables specific to South Africa that directly impact the group's clients. 3 forward-looking scenarios supplied by the BER are incorporated into the range of reasonably possible outcomes (negative, positive and baseline scenarios). Based on these scenarios, the forward-looking macroeconomic provision requirement decreased from R753 million in 2023 to R380 million in 2024.

The Retail bank's gross loans and advances increased by 2% to R83.8 billion (2023: R82.3 billion) and the provision for ECL grew from R18.8 billion to R21.4 billion.

The trend in the composition of the loan book in the table that follows illustrates the incremental impact of the macroeconomy and the decrease in loan disbursements on the gross loan book.

%	As at the end of February 2024	February 2023
Stage 1	**58**	62
Stage 2	**15**	15
Stage 3	**27**	23

The stage 3 loan book grew by R3.9 billion to R22.3 billion at the end of February 2024 (2023: R18.5 billion). Arrears contributed R223 million to the growth, up-to-date reschedules that have not rehabilitated contributed R717 million and the default book contributed R2.7 billion. The default book at the end of February 2024 comprised R6.0 billion in debt review balances and R10.5 billion in balances more than 3 months in arrears or with other legal statuses which do not qualify for write-off. A total of R2.1 billion was collected on these balances in default during the financial year (2023: R1.7 billion).

The stage 2 loan book decreased from R13.5 billion at the end of the 2023 financial year to R12.9 billion primarily because balances migrated to stage 3 but also because the migration from stage 1 to stage 2 slowed during H2 2024.

The coverage ratios by stage are analysed in the table below.

%	As at the end of February 2024	February 2023
Stage 1	**7.4**	7.2
Stage 2	**27.1**	26.2
Stage 3	**63.8**	63.0
Total	**25.5**	22.9

The total coverage ratio increased from 22.9% at the end of February 2023 to 25.5% at the end of February 2024.

The change in book distribution and provision percentages by loan book category increased the coverage ratio by 3.5%. The provision percentages applied to the loan book categories also increased in 2024 because the probabilities of default used in the calculations are at their highest level in the cycle. Model refinements to backward-looking models decreased the coverage ratio by 0.5%. The recovery given default model was updated and now utilises historical data for a longer period. Changes to the access facility model were implemented because the product has matured, and more data is now available. The credit card model was amended to use only credit card data now that sufficient data is available. The more positive forward-looking macroeconomic information decreased the ratio by 0.4%.

The overall coverage of the term loan book increased from 24.4% for 2023 to 26.6% for 2024. The coverage of up-to-date loans with SICR since initial recognition increased from 16.9% to 19.0% due to the deterioration of the loan book. The more than 3 months in arrears, legal statuses and applied for debt review less than 6 months ago loan category coverage increased from 72.2% to 74.2%. The increase was attributable to deterioration in the default book quality, specifically driven by a higher distribution towards the book held back and not handed over which has a lower yield than the debt review book but a higher yield than the book handed over to external debt collectors. Refinement of the backward-looking model resulted in an additional provision of R129 million.

The overall coverage of the access facility book increased from 21.0% to 26.6%. This increase was mainly due to book deterioration. As the access facility matures more data becomes available for use in the ECL model and in 2024 this enabled us to refine the model.

The overall credit card coverage ratio decreased from 18.5% to 16.7%. In 2024, we had enough credit card data available to create a credit card-specific recoveries model. Credit card recoveries show better performance and therefore this resulted in a decrease in the coverage ratios for all credit card product loan book categories. The decreases were partially offset by increases in the coverage ratios due to deterioration in the quality of the book.

The forward-looking SICR balances that form part of the stage 2 up-to-date loans with SICR were negative for all products by a total amount of R505 million. This is because the balances included in backward-looking SICR are expected to decrease during the coming 12 months based on the macroeconomic forecast used to calculate the forward-looking macroeconomic information provision.

Critical accounting estimates and judgements in applying accounting policies

The preparation of the group's annual financial statements requires management to make estimates that affect the amounts reported in the annual financial statements and accompanying notes. Management applies their judgement based on historical evidence, current events and actions that may be undertaken in future. Actual results may ultimately differ from estimates.

The measurement of the loss allowance for ECL on loans and advances is one of the most material assumptions, estimates and judgements applied in preparing the consolidated annual financial statements.

Judgements

Significant increase in credit risk

In terms of IFRS 9, all loans and advances exposures that are up-to-date are assessed at each reporting date to determine whether there has been a SICR since initial recognition of the instrument, in which case an impairment equal to the lifetime ECL is recognised. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the group recognises a 12-month ECL.

The group identifies SICR for clients who are up-to-date on their credit product but who have reached certain behaviour risk thresholds or where specific events have occurred that automatically trigger a SICR.

The group considers reasonable and supportable information based on the group's historical experience, credit risk assessment and forward-looking information (including macroeconomic factors) when determining whether the credit risk (i.e. the risk of default) of loans and advances has increased significantly since initial recognition. The assessment of SICR is key in determining when to move from measuring an impairment provision based on a 12-month ECL to one that is based on a lifetime ECL (the move from stage 1 to stage 2).

The group uses behaviour score thresholds to identify a SICR. If a client's behaviour score reduced to such an extent that it breaches the predetermined threshold, the client will be placed in SICR. The SICR thresholds are reviewed monthly to ensure that they are able to identify SICR throughout the lifetime of the credit product.

7. Net loans and advances continued

Retail bank continued

Critical accounting estimates and judgements in applying accounting policies continued

Judgements continued

Significant increase in credit risk continued

The purpose of the behaviour score in the ECL model is to determine homogenous risk segments used to estimate a client's default risk. Separate scorecards are used for the different products, each utilising Capitec product-specific behaviour and savings account information as well as the credit exposure and repayment behaviour at external credit providers. The behaviour score is updated monthly on all existing credit clients to ensure that Capitec has a consistently updated view of the client.

The volume of up-to-date accounts that rolled into stage 3 based on historical trends is considered in determining the empirical SICR requirement. This is then adjusted by considering future default rates based on forward-looking information (including macroeconomic factors).

Sensitivity analysis

The analysis below reflects the stage 2 ECL on up-to-date loans with SICR and applied for debt review more than 6 months' if the deterioration or improvement in the factor used as a behavioural or granting score threshold is stressed by 5%.

For categories of SICR, other than forward-looking SICR, the sensitivity analysis is as follows:

Impact of SICR on ECL	Positive	Base	Negative
2024			
Shifting of the SICR threshold by 5% (R'm)	**2 526**	**2 779**	**3 099**
Percentage on total SICR ECL (%)	**(7.6)**	**—**	**13.2**
2023			
Shifting of the SICR threshold by 5% (R'm)	2 065	2 219	2 437
Percentage on total SICR ECL (%)	(6.9)	—	9.9

Estimates

Forward-looking information incorporated in the impairment of loans and advances

It is a fundamental principle of IFRS 9 that the group's loss allowance for ECL against potential future losses should take into account changes in the economic environment in the future. Forward-looking information has been incorporated in measuring the loss allowance for ECL through the application of quantitative modelling and expert judgement-based adjustments.

To capture the effects of changes to the economic environment in the future, the forward-looking model for Retail bank considers economic variables specific to South Africa that directly impact the group's clients. 3 forward-looking scenarios are incorporated into the range of reasonably possible outcomes (negative, positive and baseline scenarios).

The methodology for incorporating the forward-looking information has not changed from the prior year except for changes to the inputs and the probabilities assigned to the economic scenarios used, as well as increased granularity in the modelling, by separately correlating forward-looking macroeconomic information across 14 segments.

The BER provided management with a set of forward-looking macroeconomic scenarios (baseline, positive and negative) and associated probabilities covering a planning horizon of 5 years in January 2024. The ALCO reviewed and approved the BER's forward-looking macroeconomic outlook. The scenarios are linked to PDs to derive a forward-looking ECL per segment.

The BER's main considerations in setting the scenarios are outlined below. These then impact the forecast macroeconomic variables.

- The economic growth outlook of South Africa's major trading partners and the impact it has on the demand for South Africa's exports of goods and services to these markets
- Looming domestic risks resulting in a slowdown of gross domestic product (GDP) growth, including increased and prolonged levels of load shedding and persistent bottlenecks in the logistics sector.

The probability weightings for the 12-month forecast period, which drives the majority of the forward-looking information impact, for each of the scenarios, as set out in the following table, were accepted by management.

Scenario probability	2024	2023
Baseline (%)	**54**	53
Negative (%)	**21**	24
Positive (%)	**25**	23

The relevance of the outlook to Capitec's loan book is proven by a historical linear relationship to a change in a basket of macroeconomic variables. These variables, which were increased in the current year following the expansion of the segmentation of the forward-looking macroeconomic model, are:

	2023			2024			2025		
Macroeconomic variable	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**
2024									
Unemployment rate (%)	**32.26**	**32.25**	**32.25**	**31.97**	**31.62**	**31.03**	**31.64**	**31.30**	**30.10**
Headline inflation Consumer Price Index (CPI)[1]	**5.94**	**5.92**	**5.91**	**6.61**	**4.99**	**4.76**	**4.69**	**4.56**	**4.22**
Petrol price cents per litre[1]	**2.08**	**1.88**	**1.86**	**16.21**	**(0.21)**	**(1.14)**	**(5.61)**	**(1.03)**	**(1.19)**
CPI: Electricity[1]	**11.62**	**11.62**	**11.62**	**14.32**	**14.32**	**14.32**	**12.93**	**12.93**	**10.65**
CPI: Petrol[1]	**1.31**	**1.11**	**1.09**	**18.51**	**2.03**	**1.11**	**(5.62)**	**(1.03)**	**(1.19)**
Real private sector credit extension[1]	**0.05**	**0.09**	**0.09**	**(1.49)**	**(0.02)**	**0.65**	**0.72**	**1.87**	**3.56**
Real private sector credit extension to households[1]	**0.02**	**0.05**	**0.05**	**(1.37)**	**(1.14)**	**(0.75)**	**(0.63)**	**0.91**	**2.25**
Real GDP[1]	**0.51**	**0.56**	**0.57**	**0.63**	**1.54**	**2.74**	**2.52**	**2.16**	**3.97**
Total employment[1]	**6.12**	**6.14**	**6.14**	**1.96**	**2.49**	**3.01**	**1.69**	**1.67**	**2.47**
Real disposable income[1]	**(0.35)**	**(0.31)**	**(0.31)**	**0.31**	**1.25**	**1.91**	**2.20**	**2.05**	**3.08**
Real wage rate[1]	**(7.34)**	**(7.31)**	**(7.31)**	**(0.92)**	**(0.52)**	**0.13**	**1.55**	**1.28**	**2.41**
Repo rate (%)	**7.93**	**7.91**	**7.91**	**8.73**	**8.00**	**7.83**	**7.67**	**7.02**	**6.96**

[1] *Year-on-year percentage change, unless otherwise stated.*

	2022			2023			2024		
Macroeconomic variable	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**
2023									
Unemployment rate (%)	33.55	33.52	33.49	32.98	32.31	31.76	33.08	31.57	30.31
Real GDP[1]	2.32	2.33	2.33	(0.55)	0.46	1.24	(0.46)	1.44	2.50
Repo rate (%)	5.09	5.09	5.09	7.43	7.43	7.43	7.50	7.15	7.15
Real wage rate[1]	(5.07)	(5.06)	(5.08)	1.35	0.07	(0.02)	0.86	0.67	0.62
Real disposable income[1]	2.34	2.34	2.35	0.89	1.95	2.74	0.68	2.01	2.98
Real private sector credit extension[1]	1.87	1.87	1.87	0.58	0.99	1.33	(1.34)	0.39	1.13
Petrol[1]	31.58	31.57	31.53	(0.43)	(0.26)	(1.53)	(2.06)	(1.69)	(2.29)
Unemployment[1]	(2.03)	(2.13)	(2.21)	(1.67)	(3.56)	(5.15)	0.30	(2.29)	(4.55)

[1] *Year-on-year percentage change, unless otherwise stated.*

Notes to the financial statements continued
Year ended 29 February 2024

7. Net loans and advances continued

Retail bank continued

Critical accounting estimates and judgements in applying accounting policies continued

Estimates continued

Impact of forward-looking information on ECL – 2024

The risk segmentation of the forward-looking macroeconomic model was expanded to use the most appropriate macroeconomic variables. The variables are correlated to determine the impact of forward-looking macroeconomic information on the ECL for loans, access facilities and credit cards grouped into 14 internally developed client behaviour score segments. Macroeconomic variables are correlated with historical client default data per risk segment. This relationship is used to determine the impact of forward-looking macroeconomic information on expected default rates and the ECL is adjusted accordingly.

The correlation included the selection of the most appropriate macroeconomic variables per segment including the related delay (lags). Based on the segmentation, management determined a range of PD values for each of the 14 risk segments that would be impacted by a change in specific macroeconomic variables under each of the 3 scenarios (baseline, negative, positive).

Macroeconomic variables relating to changes in CPI, the petrol price, unemployment, and the absolute repo rate were seen to be important variables across most segments.

The macroeconomic variables used in the current year are based on the BER economic outlook for all 3 scenarios, baseline, negative and positive, and no management overrides were performed.

Impact of forward-looking information on ECL – 2023

The impact of the geopolitical tension that arose during the 2022 financial year continued during the current year. The risk segmentation of the forward-looking macroeconomic model was expanded to use the most appropriate macroeconomic variables. These are correlated to determine the impact of forward-looking macroeconomic information on the ECL for loans grouped into 12 internally developed client behaviour score segments.

The correlation included the selection of the most appropriate macroeconomic variables per segment as well as the related delay (lags) per segment per economic variable between changes in the economic variables and the forecast changes in defaults.

Macroeconomic variables relating to changes in the petrol price, unemployment, the real wage rate and the absolute repo rate were seen to be more appropriate for clients in higher risk segments.

This ensures that the relationships between the movements in the macroeconomic variables utilised by behaviour score band and default rates hold true under reigning and historical macroeconomic conditions. Based on the refined segmentation, management determined a range of PD values per the 12 particular risk segments that would be impacted by a change in specific macroeconomic variables.

Management was not required to apply stress to any of the macroeconomic variables in the prior year as the BER was able to provide an updated economic outlook to management that was applicable as at 28 February 2023.

The impact of forward-looking information on the ECL based on the 3 scenarios is reflected below.

Impact of forward-looking information on ECL	R'm	Percentage (%) change
2024		
Probability-weighted impact on all 3 scenarios	**380**	
100% negative	**670**	**76.4**
100% baseline	**321**	**(15.5)**
100% positive	**261**	**(31.3)**

Impact of forward-looking information on ECL	R'm	Percentage (%) change
2023		
Probability-weighted impact on all 3 scenarios	753	
100% negative	886	17.7
100% baseline	758	0.7
100% positive	603	(19.9)

The decrease in the total forward-looking component of ECL, as set out in the table above, is reflective of the relative stabilisation of the macroeconomic variables compared to the prior year. In the prior year, macroeconomic variables were forecast to weaken. This materialised in the current year in increased credit losses as well as increased balances with SICR since initial recognition.

Event-driven management credit estimates

Certain events/risks that may not be incorporated into the statistical forward-looking model arise from time to time. In such instances, the additional inclusions in the ECL over and above the adjustment to ECL arising from forward-looking information are reviewed and approved by the credit committee monthly.

In the current and comparative years, an amount was added to the ECL to consider the impact on ECL of a change in the retrenchment cover. The retrenchment insurance changed from covering the full outstanding balance to covering 24 instalments for new loans originated from 10 May 2020.

Modelling assumptions

Historical data may not always be reflective of the future. The way in which it is used by the statistical models (PD, EAD and LGD) to estimate the timing and amount of the forecast cash flows, based on historical default data, roll rates and recoveries, requires consideration of subsegments.

These include aspects such as client risk groups, time on book, product term, payment frequency, default statuses, employment, industry and rescheduling status as well as the behaviour score of the client.

Business Bank

Credit risk exposure

The Business bank also offers a spread of business banking products common to the banking industry. The core market focus is established small- to medium-sized businesses across a wide variety of industries as well as personal banking to the respective entrepreneurs. A subsidiary, Capitec Rental Finance, provides rental finance solutions with its core focus being the office automation, telecommunications and information technology (IT) sectors.

Gross loans and advances exposures by economic sector are as follows:

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Business				
Real estate	**4 141 150**	3 640 364	**4 107 026**	3 607 464
Manufacturing and logistics	**1 256 179**	1 196 848	**1 185 241**	1 128 125
Retail and wholesale	**5 042 357**	3 558 159	**4 274 615**	2 876 526
Financial and business	**3 561 529**	2 581 497	**3 360 629**	2 408 637
Construction and transport	**1 741 120**	1 504 054	**1 588 228**	1 351 182
Mining and agricultural	**388 795**	462 297	**351 734**	429 878
Education and community	**2 789 242**	2 429 933	**2 342 374**	1 985 229
Other	**223 671**	144 575	**166 047**	95 447
Gross loans and advances	**19 144 043**	15 517 727	**17 375 894**	13 882 488

7. Net loans and advances continued

Business bank continued

Credit risk management

Credit risk is managed through every stage of the credit life cycle by following a combination of governance, decision support and business support. Dependent on the risk profile of the client across all portfolios of the Business bank, the risk inherent in the product offering and the track record and payment history of the client, varying types and levels of security are taken to mitigate credit-related risks.

The group adopts a measured approach to credit granting for its Business bank clients, within a specifically defined and structured approval process. The granting of credit is managed via a mandated approval process automated on the bank's workflow system. Levels of credit approval mandates are determined by the experience of the mandated individual, with dual or multiple sign-off on all material values. Mandates have also been accorded to frontline management within predetermined rules and parameters as approved by the RCMC, which approvals are evaluated and monitored by the BCC on an ongoing basis.

An ongoing weekly review is undertaken by the BCC of all new and renewal proposals for lending in excess of R2 million (in aggregate per client). This meeting covers a wide variety of topics, including reporting on excess and arrears positions, security-related matters, possible changes in risk grades, the bank's advances portfolio composition and performance and any other relevant credit-related matters requiring specific mention or discussion. Adverse behavioural patterns, such as continual excesses above approved limits and arrears on loan facilities, are monitored closely by the credit department and are discussed at the weekly BCC meeting with appropriate actions being taken.

Identified accounts with continued behavioural concerns and/or financial underperformance are monitored by way of monthly 'watch list' meetings and reporting. To protect the group, prompt action is taken by senior internal stakeholders, including the executive: Business bank, on large defaults. This action has seen a good measure of historical success given our flat structure that drives agility.

Collateral and other credit enhancements

The group employs a range of policies and practices to mitigate credit risk for its Business bank clients. The most common of these is accepting collateral for funds advanced. The group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Business bank prepares a valuation of the collateral obtained as part of the loan origination process and this assessment is reviewed periodically. The principal collateral types for loans and advances are:

- mortgages over residential and commercial properties
- pledge and cession over business assets, such as stock and accounts receivable
- pledge and cession over financial instruments, such as pledge of call and savings accounts, fixed and notice deposits.

Longer-term finance and lending to small- to medium-sized businesses and commercial entities are generally secured, while credit card facilities are generally unsecured. The Business bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Business bank since the acquisition date.

A portion of the Business bank's financial assets originated by the mortgage business has sufficiently low loan-to-value ratios. The loss allowance would be reduced as a result of holding collateral.

The Business bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral are held to mitigate potential losses.

The fair value of collateral and other credit enhancements is determined by referencing the realisable value of security held before adjusting for expected recoveries.

All of the Business bank clients are accorded a risk grading. The risk grading is dependent on the client's creditworthiness and standing with the group, and is subject to ongoing assessment of the client's financial standing and the acceptability of their dealings with the group, including adherence to repayment terms and compliance with other set conditions.

Analysis of net loans and advances by stage

The tables that follow contain an analysis of the credit risk exposure of loans and advances for which an ECL allowance is recognised. The gross carrying amount of the financial assets below also represents the group's maximum exposure to credit risk on these assets.

Business loans (group)

	Stage 1 12-month ECL		Stage 2 Lifetime ECL				Stage 3 Lifetime ECL	
R'000	Up-to-date	Up to 1 month in arrears	Up-to-date loans SICR(1)	2 and 3 months in arrears	Rescheduled from up-to-date (not yet rehabilitated)	Rescheduled from arrears (not yet rehabilitated)	More than 3 months in arrears, legal statuses and applied for business rescue liquidations	Total
2024								
Gross loans and advances	**8 060 991**	**79 123**	**395 543**	**66 746**	**236 653**	**8 521**	**682 548**	**9 530 125**
Provision for credit impairments (ECL)	**(215 805)**	**(2 458)**	**(106 495)**	**(14 827)**	**(13 296)**	**(2 069)**	**(438 403)**	**(793 353)**
Net loans and advances	**7 845 186**	**76 665**	**289 048**	**51 919**	**223 357**	**6 452**	**244 145**	**8 736 772**
ECL coverage by category (%)	**2.7**	**3.1**	**26.9**	**22.2**	**5.6**	**24.3**	**64.2**	**8.3**
ECL coverage by stage (%)								
Stage 1	**2.7**							
Stage 2	**19.3**							
Stage 3	**64.2**							
2023								
Gross loans and advances	6 142 780	82 181	362 060	39 448	312 788	27 298	496 330	7 462 885
Provision for credit impairments (ECL)	(196 332)	(2 493)	(105 160)	(17 404)	(14 511)	(6 454)	(291 059)	(633 413)
Net loans and advances	5 946 448	79 688	256 900	22 044	298 277	20 844	205 271	6 829 472
ECL coverage by category (%)	3.2	3.0	29.0	44.1	4.6	23.6	58.6	8.5
ECL coverage by stage (%)								
Stage 1	3.2							
Stage 2	19.4							
Stage 3	58.6							

(1) *The forward-looking SICR amounts that were reflected as a separate column in the prior year financial statements have been included in the up-to-date loans with SICR column due to the change in economic conditions. The forward-looking SICR column provided additional granularity that was required to explain the SICR figures during the COVID-19 pandemic and subsequent periods. In the current year, forward-looking SICR balances are no longer a significant component per product to warrant separate disclosure in this note (the impact of the change in forward-looking information on the ECL can still be noted in the 'Analysis of provision for ECL'). The comparatives have been amended for the updated presentation.*

Analysis of up-to-date loans and advances in stage 1

R'000	2024	2023
Stage 1 – Up-to-date		
Up-to-date not previously rescheduled	**8 049 916**	6 142 780
Rescheduled from up-to-date and rehabilitated	**593**	–
Rescheduled from arrears and rehabilitated	**10 482**	–
Gross loans and advances – Stage 1	**8 060 991**	6 142 780

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances continued

Business bank continued

Analysis of net loans and advances by stage continued

Business loans (company)

R'000	Stage 1 12-month ECL		Stage 2 Lifetime ECL				Stage 3 Lifetime ECL	
	Up-to-date	Up to 1 month in arrears	Up-to-date loans SICR[1]	2 and 3 months in arrears	Rescheduled from up-to-date (not yet rehabilitated)	Rescheduled from arrears (not yet rehabilitated)	More than 3 months in arrears, legal statuses and applied for business rescue liquidations	Total
2024								
Gross loans and advances	**6 513 077**	**48 802**	**345 095**	**55 998**	**236 653**	**8 521**	**553 830**	**7 761 976**
Provision for credit impairments (ECL)	**(156 611)**	**(1 552)**	**(96 575)**	**(6 227)**	**(13 296)**	**(2 069)**	**(322 697)**	**(599 027)**
Net loans and advances	**6 356 466**	**47 250**	**248 520**	**49 771**	**223 357**	**6 452**	**231 133**	**7 162 949**
ECL coverage by category (%)	**2.4**	**3.2**	**28.0**	**11.1**	**5.6**	**24.3**	**58.3**	**7.7**
ECL coverage by stage (%)								
Stage 1	**2.4**							
Stage 2	**18.3**							
Stage 3	**58.3**							
2023								
Gross loans and advances	4 666 768	26 461	350 085	21 483	312 788	27 298	422 762	5 827 646
Provision for credit impairments (ECL)	(150 306)	(1 002)	(99 698)	(3 229)	(14 511)	(6 454)	(227 201)	(502 401)
Net loans and advances	4 516 462	25 459	250 387	18 254	298 277	20 844	195 561	5 325 245
ECL coverage by category (%)	3.2	3.8	28.5	15.0	4.6	23.6	53.7	8.6
ECL coverage by stage (%)								
Stage 1	3.2							
Stage 2	17.4							
Stage 3	53.7							

[1] *The forward-looking SICR amounts that were reflected as a separate column in the prior year financial statements have been included in the up-to-date loans with SICR column due to the change in economic conditions. The forward-looking SICR column provided additional granularity that was required to explain the SICR figures during the COVID-19 pandemic and subsequent periods. In the current year, forward-looking SICR balances are no longer a significant component per product to warrant separate disclosure in this note (the impact of the change in forward-looking information on the ECL can still be noted in the 'Analysis of provision for ECL'). The comparatives have been amended for the updated presentation.*

Analysis of up-to-date loans and advances in stage 1

R'000	2024	2023
Stage 1 – Up-to-date		
Up-to-date not previously rescheduled	**6 502 002**	4 666 768
Rescheduled from up-to-date and have rehabilitated	**593**	—
Rescheduled from arrears and have rehabilitated	**10 482**	—
Gross loans and advances – Stage 1	**6 513 077**	4 666 768

Mortgage loans (group)

R'000	Stage 1 12-month ECL		Stage 2 Lifetime ECL				Stage 3 Lifetime ECL	
	Up-to-date	Up to 1 month in arrears	Up-to-date loans SICR[1]	2 and 3 months in arrears	Rescheduled from up-to-date (not yet rehabilitated)	Rescheduled from arrears (not yet rehabilitated)	More than 3 months in arrears, legal statuses and applied for business rescue liquidations	Total
2024								
Gross loans and advances	**8 091 955**	**104 239**	**439 498**	**107 179**	**53 689**	**68 038**	**749 320**	**9 613 918**
Provision for credit impairments (ECL)	**(43 986)**	**(1 897)**	**(31 545)**	**(8 799)**	**(3 613)**	**(4 640)**	**(192 496)**	**(286 976)**
Net loans and advances	**8 047 969**	**102 342**	**407 953**	**98 380**	**50 076**	**63 398**	**556 824**	**9 326 942**
ECL coverage by category (%)	**0.5**	**1.8**	**7.2**	**8.2**	**6.7**	**6.8**	**25.7**	**3.0**
ECL coverage by stage (%)								
Stage 1	**0.6**							
Stage 2	**7.3**							
Stage 3	**25.7**							
2023								
Gross loans and advances	6 900 551	51 579	315 688	50 063	33 681	71 451	631 829	8 054 842
Provision for credit impairments (ECL)	(29 132)	(302)	(22 161)	(3 734)	(2 668)	(5 055)	(144 505)	(207 557)
Net loans and advances	6 871 419	51 277	293 527	46 329	31 013	66 396	487 324	7 847 285
ECL coverage by category (%)	0.4	0.6	7.0	7.5	7.9	7.1	22.9	2.6
ECL coverage by stage (%)								
Stage 1	0.4							
Stage 2	7.1							
Stage 3	22.9							

[1] *The forward-looking SICR amounts that were reflected as a separate column in the prior year financial statements have been included in the up-to-date loans with SICR column due to the change in economic conditions. The forward-looking SICR column provided additional granularity that was required to explain the SICR figures during the COVID-19 pandemic and subsequent periods. In the current year, forward-looking SICR balances are no longer a significant component per product to warrant separate disclosure in this note (the impact of the change in forward-looking information on the ECL can still be noted in the 'Analysis of provision for ECL'). The comparatives have been amended for the updated presentation.*

Analysis of up-to-date loans and advances in stage 1

R'000	2024	2023
Stage 1 – Up-to-date		
Up-to-date not previously rescheduled	**8 072 930**	6 715 818
Rescheduled from up-to-date and rehabilitated	**10 564**	—
Rescheduled from arrears and rehabilitated	**2 321**	43 493
Rehabilitated COVID-19 reschedules	**6 140**	141 240
Gross loans and advances – Stage 1	**8 091 955**	6 900 551

7. Net loans and advances continued

Business bank continued

Analysis of net loans and advances by stage continued

Mortgage loans (company)

R'000	Stage 1 12-month ECL		Stage 2 Lifetime ECL				Stage 3 Lifetime ECL	
	Up-to-date	Up to 1 month in arrears	Up-to-date loans SICR[1]	2 and 3 months in arrears	Rescheduled from up-to-date (not yet rehabilitated)	Rescheduled from arrears (not yet rehabilitated)	More than 3 months in arrears, legal statuses and applied for business rescue liquidations	Total
2024								
Gross loans and advances	**8 091 955**	**104 239**	**439 498**	**107 179**	**53 689**	**68 038**	**749 320**	**9 613 918**
Provision for credit impairments (ECL)	**(43 986)**	**(1 897)**	**(31 545)**	**(8 799)**	**(3 613)**	**(4 640)**	**(192 496)**	**(286 976)**
Net loans and advances	**8 047 969**	**102 342**	**407 953**	**98 380**	**50 076**	**63 398**	**556 824**	**9 326 942**
ECL coverage by category (%)	**0.5**	**1.8**	**7.2**	**8.2**	**6.7**	**6.8**	**25.7**	**3.0**
ECL coverage by stage (%)								
Stage 1	**0.6**							
Stage 2	**17.0**							
Stage 3	**3.0**							
2023								
Gross loans and advances	6 900 551	51 579	315 688	50 063	33 681	71 451	631 829	8 054 842
Provision for credit impairments (ECL)	(29 132)	(302)	(22 161)	(3 734)	(2 668)	(5 055)	(144 505)	(207 557)
Net loans and advances	6 871 419	51 277	293 527	46 329	31 013	66 396	487 324	7 847 285
ECL coverage by category (%)	0.4	0.6	7.0	7.5	7.9	7.1	22.9	2.6
ECL coverage by stage (%)								
Stage 1	0.4							
Stage 2	16.2							
Stage 3	22.9							

[1] *The forward-looking SICR amounts that were reflected as a separate column in the prior year financial statements have been included in the up-to-date loans with SICR column due to the change in economic conditions. The forward-looking SICR column provided additional granularity that was required to explain the SICR figures during the COVID-19 pandemic and subsequent periods. In the current year, forward-looking SICR balances are no longer a significant component per product to warrant separate disclosure in this note (the impact of the change in forward-looking information on the ECL can still be noted in the 'Analysis of provision for ECL'). The comparatives have been amended for the updated presentation.*

Analysis of up-to-date loans and advances in stage 1

R'000	2024	2023
Stage 1 – Up-to-date		
Up-to-date not previously rescheduled	**8 072 930**	6 715 818
Rescheduled from up-to-date and have rehabilitated	**10 564**	–
Rescheduled from arrears and have rehabilitated	**2 321**	43 493
Rehabilitated COVID-19 reschedules	**6 140**	141 240
Gross loans and advances – Stage 1	**8 091 955**	6 900 551

Definition of stages

Stage 1

These are loans and advances which are up-to-date or up to 1 month in arrears with no indication of SICR. This includes distressed restructured loans that have rehabilitated.

An ECL representing the lifetime cash shortfall arising from possible default events up to 12 months into the future from the reporting date is recognised at the time of initial recognition of the financial debt instruments.

An ECL continues to be determined on this basis until there is a SICR or the financial debt instrument becomes credit-impaired.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the financial debt instrument and the cash flows that the group expects to receive over the contractual life of the financial debt instrument.

Stage 2

The group monitors financial debt instruments subject to the impairment requirements at each reporting date to determine whether evidence exists that there has been a SICR since initial recognition of the financial instrument. The 12-month ECL is extended to a lifetime ECL for these clients.

The following loans and advances are included in stage 2:

- Loans that have experienced a SICR since initial recognition
- Loans where the forward-looking information indicates SICR
- Loans that are between 2 and 3 months in arrears
- Up-to-date loans that restructured from up-to-date (not yet rehabilitated)
- Up-to-date loans that restructured from arrears (not yet rehabilitated).

The Business bank segment considers a loan to have experienced a SICR if the borrower is on the watch list or meets 1 or more of the following criteria:

- Significant adverse changes in the business, financial or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- An actual or expected significant adverse change in the operating results of the borrower
- Early signs of cash flow/liquidity problems such as a delay in the servicing of trade creditors/loans.

Irrespective of the outcome of the assessment according to the previous criteria, the Business bank considers a loan to have experienced a SICR if the borrower is more than 1 month past due on their contractual payments.

Stage 3 (credit-impaired assets)

The group defines loans and advances as being credit-impaired when 1 or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Interest on loans and advances categorised as stage 3 is recognised in the income statement net of ECL impairments. A lifetime ECL is applied to stage 3 (credit-impaired) loans.

A financial instrument is defined as being in default, which is fully aligned with the definition of credit-impaired, when it meets 1 or more of the following criteria:

Quantitative criteria

The borrower is more than 3 months past due on contractual payments.

The borrower meets 'unlikeliness to pay' criteria, which indicate that the borrower is in significant financial difficulty. These are instances where, *inter alia*:

- the borrower is in long-term forbearance
- the borrower is deceased
- the borrower is insolvent
- the borrower is in breach of financial covenant(s)
- an active market for the financial assets has disappeared because of financial difficulty/inability to meet contractual obligations and the borrower is in arrears
- it is becoming probable that the borrower may enter bankruptcy.

Notes to the financial statements continued
Year ended 29 February 2024

7. Net loans and advances continued

Business bank continued

Implementation of the ECL measurement

The extent of the ECL allowance for financial assets measured at amortised cost is calculated using complex models and significant assumptions about future economic conditions and credit behaviour.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These 3 components are multiplied and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

This effectively calculates an ECL for each future month, which is then discounted to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The portfolios are based on product type. The product types include mortgage loans, current accounts, credit cards, instalment sales and leases, structured loans and medium-term loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis
- For revolving products, the EAD is predicted by adding a 'credit conversion factor' to the current drawn balance, which allows for the expected drawdown of the remaining limit by the time of default.

The 12-month and lifetime LGDs are determined based on the factors that impact the recoveries made post default:

- For secured products, this is primarily based on collateral type, projected collateral values and time to recovery
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs change, are monitored and reviewed periodically.

The current risk assessment framework for the Business bank includes stringent credit risk assessments that are performed during the lifetime of the exposures and it is believed that these will incorporate enough forward-looking assessment. Additional ECLs are recognised by way of a management overlay after significant expert consultation with executive management and seasoned credit professionals.

Credit quality

The group adapted its internal credit rating policy to the Basel PD master scale as required by Basel III. The Basel PD master scale is a list of prescribed risk grades which classify a borrower based on their PD. The mapping process is comprehensive and allows the group to rate all borrowers on a uniform scale regardless of the product. Since all borrowers are represented on a uniform scale, it enables the group to compare various portfolios consistently and accurately.

The Capitec PD master scale ranges from CB bands 1 – 25 depending on the product and reporting segment. Borrower PDs are determined at each reporting date and mapped to the Capitec PD master scale.

The lower the CB band, the lower the PD and the higher the probability of the borrower meeting their financial obligations. Conversely, the higher the CB band, the higher the probability that the borrower will default and not be able to meet their financial obligations.

The CB bands per product and risk-based scorecards used in the Capitec PD master scale are by reporting segment and presented based on reporting date CB bands.

Material product groups	Capitec PD master rating scale	Scorecard
Business bank portfolio	CB1 – 25	Business bank client level behaviour score

Business loans[(1)]

R'000	GROUP Stage 1	Stage 2	Stage 3	Total
2024				
CB1 – 11	467 597	–	–	467 597
CB12	349 904	–	–	349 904
CB13	491 302	–	–	491 302
CB14	550 521	–	–	550 521
CB15	1 380 677	–	–	1 380 677
CB16	900 473	–	–	900 473
CB17	759 126	–	–	759 126
CB18	2 187 491	–	–	2 187 491
CB19	360 062	–	–	360 062
CB20	233 148	–	–	233 148
CB21	204 916	–	–	204 916
CB22	160 824	–	–	160 824
CB23	42 320	666 930	–	709 250
CB24	21 636	–	–	21 636
CB25	30 117	40 533	–	70 650
Default	–	–	682 548	682 548
On-balance sheet	8 140 114	707 463	682 548	9 530 125
CB1 – 11	602 961	–	–	602 961
CB12	1 234	–	–	1 234
CB13	17 760	–	–	17 760
CB14	157 062	–	–	157 062
CB15	75 411	–	–	75 411
CB16	26 559	–	–	26 559
CB17	5 328	–	–	5 328
CB18	1 911	–	–	1 911
CB19	768	–	–	768
CB20	588	–	–	588
CB21	4	–	–	4
CB22	897	–	–	897
CB23	4 142	1 238	–	5 380
CB24	–	–	–	–
CB25	–	–	–	–
Default	–	–	9 032	9 032
Off-balance sheet	894 625	1 238	9 032	904 895

(1) *In the prior year, within the Credit quality – Business bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale. In the prior year, stage 1 on-balance sheet exposures presented amounted to Rnil for high risk, R0.4 billion for medium risk and R5.9 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, R0.02 billion for medium risk and R0.8 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R0.4 billion for high risk, R0.1 billion for medium risk and R0.2 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, R0.01 billion for medium risk and R0.04 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R0.5 billion for high risk, Rnil for medium risk and Rnil for low risk and off-balance sheet exposures presented amounted to R0.01 billion for high risk, Rnil for medium risk and Rnil for low risk.*

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances continued

Business bank continued

Credit quality continued

Business loans[1] continued

R'000	GROUP Stage 1	Stage 2	Stage 3	Total
2023				
CB1 – 11	—	—	—	—
CB12	300 465	—	—	300 465
CB13	593 807	—	—	593 807
CB14	—	—	—	—
CB15	—	—	—	—
CB16	2 167 557	—	—	2 167 557
CB17	—	—	—	—
CB18	2 147 218	—	—	2 147 218
CB19	—	—	—	—
CB20	778 720	—	—	778 720
CB21	152 788	—	—	152 788
CB22	—	288 338	—	288 338
CB23	84 406	416 593	—	500 999
CB24	—	—	—	—
CB25	—	36 663	—	36 663
Default	—	—	496 330	496 330
On-balance sheet	6 224 961	741 594	496 330	7 462 885
CB1 – 11	535 080	7 193	—	542 273
CB12	1 111	—	—	1 111
CB13	26 471	—	—	26 471
CB14	156 565	—	—	156 565
CB15	55 421	40 000	—	95 421
CB16	12 455	—	—	12 455
CB17	4 380	—	—	4 380
CB18	1 964	—	—	1 964
CB19	768	—	—	768
CB20	503	—	—	503
CB21	4	—	—	4
CB22	897	—	—	897
CB23	2 942	1 251	—	4 193
CB24	—	—	—	—
CB25	—	—	—	—
Default	—	—	10 277	10 277
Off-balance sheet	798 561	48 444	10 277	857 282

[1] *In the prior year, within the Credit quality – Business bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale. In the prior year, stage 1 on-balance sheet exposures presented amounted to Rnil for high risk, R0.4 billion for medium risk and R5.9 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, R0.02 billion for medium risk and R0.8 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R0.4 billion for high risk, R0.1 billion for medium risk and R0.2 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, R0.01 billion for medium risk and R0.04 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R0.5 billion for high risk, Rnil for medium risk and Rnil for low risk and off-balance sheet exposures presented amounted to R0.01 billion for high risk, Rnil for medium risk and Rnil for low risk.*

R'000	COMPANY Stage 1	Stage 2	Stage 3	Total
2024				
CB1 – 11	468 028	—	—	468 028
CB12	350 187	—	—	350 187
CB13	491 699	—	—	491 699
CB14	550 966	—	—	550 966
CB15	1 381 793	—	—	1 381 793
CB16	901 201	—	—	901 201
CB17	759 739	—	—	759 739
CB18	604 393	—	—	604 393
CB19	360 353	—	—	360 353
CB20	233 336	—	—	233 336
CB21	205 081	—	—	205 081
CB22	160 954	—	—	160 954
CB23	42 354	622 453	—	664 807
CB24	21 653	—	—	21 653
CB25	30 142	23 813	—	53 955
Default	—	—	553 830	553 830
On-balance sheet	6 561 879	646 266	553 830	7 761 975
CB1 – 11	602 961	—	—	602 961
CB12	1 234	—	—	1 234
CB13	17 760	—	—	17 760
CB14	157 062	—	—	157 062
CB15	75 411	—	—	75 411
CB16	26 559	—	—	26 559
CB17	5 326	—	—	5 326
CB18	1 911	—	—	1 911
CB19	768	—	—	768
CB20	588	—	—	588
CB21	4	—	—	4
CB22	897	—	—	897
CB23	4 142	1 238	—	5 380
CB24	—	—	—	—
CB25	—	—	—	—
Default	—	—	9 032	9 032
Off-balance sheet	894 623	1 238	9 032	904 893

[1] *In the prior year, within the Credit quality – Business bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale. In the prior year, stage 1 on-balance sheet exposures presented amounted to Rnil for high risk, R0.4 billion for medium risk and R5.9 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, R0.02 billion for medium risk and R0.8 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R0.4 billion for high risk, R0.1 billion for medium risk and R0.2 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, R0.01 billion for medium risk and R0.04 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R0.5 billion for high risk, Rnil for medium risk and Rnil for low risk and off-balance sheet exposures presented amounted to R0.01 billion for high risk, Rnil for medium risk and Rnil for low risk.*

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances continued

Business bank continued

Credit quality continued

Business loans[1] continued

R'000	Stage 1	Stage 2	Stage 3	Total
	COMPANY			
2023				
CB1 – 11	—	—	—	—
CB12	298 389	—	—	298 389
CB13	589 703	—	—	589 703
CB14	—	—	—	—
CB15	—	—	—	—
CB16	2 152 576	—	—	2 152 576
CB17	—	—	—	—
CB18	643 668	—	—	643 668
CB19	—	—	—	—
CB20	773 338	—	—	773 338
CB21	151 732	—	—	151 732
CB22	—	285 293	—	285 293
CB23	83 823	412 196	—	496 019
CB24	—	—	—	—
CB25	—	14 166	—	14 166
Default	—	—	422 762	422 762
On-balance sheet	4 693 229	711 655	422 762	5 827 646
CB1 – 11	535 080	7 193	—	542 273
CB12	1 111	—	—	1 111
CB13	26 471	—	—	26 471
CB14	156 565	—	—	156 565
CB15	55 421	40 000	—	95 421
CB16	12 455	—	—	12 455
CB17	4 380	—	—	4 380
CB18	1 964	—	—	1 964
CB19	768	—	—	768
CB20	503	—	—	503
CB21	4	—	—	4
CB22	897	—	—	897
CB23	2 942	1 251	—	4 194
CB24	—	—	—	—
CB25	—	—	—	—
Default	—	—	10 277	10 277
Off-balance sheet	798 562	48 444	10 277	857 283

(1) *In the prior year, within the Credit quality – Business bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale. In the prior year, stage 1 on-balance sheet exposures presented amounted to Rnil for high risk, R0.4 billion for medium risk and R5.9 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, R0.02 billion for medium risk and R0.8 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R0.4 billion for high risk, R0.1 billion for medium risk and R0.2 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, R0.01 billion for medium risk and R0.04 billion for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R0.5 billion for high risk, Rnil for medium risk and Rnil for low risk and off-balance sheet exposures presented amounted to R0.01 billion for high risk, Rnil for medium risk and Rnil for low risk.*

Mortgage loans[1]

R'000	Stage 1	Stage 2	Stage 3	Total
	GROUP			
2024				
CB1 – 11	602 096	—	—	602 096
CB12	735 780	—	—	735 780
CB13	567 831	—	—	567 831
CB14	1 740 157	—	—	1 740 157
CB15	2 050 151	—	—	2 050 151
CB16	698 867	—	—	698 867
CB17	419 667	—	—	419 667
CB18	198 873	—	—	198 873
CB19	190 934	—	—	190 934
CB20	252 459	—	—	252 459
CB21	186 923	—	—	186 923
CB22	494 757	—	—	494 757
CB23	37 770	668 404	—	706 174
CB24	11 599	—	—	11 599
CB25	8 330	—	—	8 330
Default	—	—	749 320	749 320
On-balance sheet	8 196 194	668 404	749 320	9 613 918
CB1 – 11	93 584	—	—	93 584
CB12	—	—	—	—
CB13	731	—	—	731
CB14	8 133	—	—	8 133
CB15	323	—	—	323
CB16	641	—	—	641
CB17	3 824	—	—	3 824
CB18	123	—	—	123
CB19	—	—	—	—
CB20	—	—	—	—
CB21	—	—	—	—
CB22	—	—	—	—
CB23	—	300	—	300
CB24	—	—	—	—
CB25	—	—	—	—
Default	—	—	1 706	1 706
Off-balance sheet	107 359	300	1 706	109 365

(1) *In the prior year, within the Credit quality – Business bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale. In the prior year, stage 1 on-balance sheet exposures presented amounted to Rnil for high risk, R0.01 billion for medium risk and R6.9 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, Rnil for medium risk and R0.3 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R0.1 billion for high risk, R0.2 billion for medium risk and R0.2 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, Rnil for medium risk and Rnil for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R0.6 billion for high risk, Rnil for medium risk and Rnil for low risk and no off-balance sheet exposures were presented.*

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances continued

Business bank continued

Credit quality continued

Mortgage loans[(1)] continued

R'000	GROUP Stage 1	Stage 2	Stage 3	Total
2023				
CB1 – 11	525 860	–	–	525 860
CB12	2 874 747	–	–	2 874 747
CB13	1 629 667	–	–	1 629 667
CB14	–	–	–	–
CB15	–	–	–	–
CB16	–	–	–	–
CB17	899 503	–	–	899 503
CB18	–	–	–	–
CB19	–	–	–	–
CB20	1 022 353	–	–	1 022 353
CB21	–	–	–	–
CB22	–	–	–	–
CB23	–	470 883	–	470 883
CB24	–	–	–	–
CB25	–	–	–	–
Default	–	–	631 829	631 829
On-balance sheet	6 952 130	470 883	631 829	8 054 842
CB1 – 11	183 331	–	–	183 331
CB12	–	–	–	–
CB13	3 388	–	–	3 388
CB14	56 439	–	–	56 439
CB15	1 482	–	–	1 482
CB16	–	–	–	–
CB17	3 404	–	–	3 404
CB18	–	–	–	–
CB19	–	–	–	–
CB20	–	–	–	–
CB21	–	–	–	–
CB22	–	–	–	–
CB23	–	300	–	300
CB24	–	–	–	–
CB25	–	–	–	–
Default	–	–	1 706	1 706
Off-balance sheet	248 044	300	1 706	250 050

[(1)] In the prior year, within the Credit quality – Business bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale. In the prior year, stage 1 on-balance sheet exposures presented amounted to Rnil for high risk, R0.01 billion for medium risk and R6.9 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, Rnil for medium risk and R0.3 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R0.1 billion for high risk, R0.2 billion for medium risk and R0.2 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, Rnil for medium risk and Rnil for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R0.6 billion for high risk, Rnil for medium risk and Rnil for low risk and no off-balance sheet exposures were presented.

R'000	COMPANY Stage 1	Stage 2	Stage 3	Total
2024				
CB1 – 11	602 096	–	–	602 096
CB12	735 780	–	–	735 780
CB13	567 831	–	–	567 831
CB14	1 740 157	–	–	1 740 157
CB15	2 050 151	–	–	2 050 151
CB16	698 867	–	–	698 867
CB17	419 667	–	–	419 667
CB18	198 873	–	–	198 873
CB19	190 934	–	–	190 934
CB20	252 459	–	–	252 459
CB21	186 923	–	–	186 923
CB22	494 757	–	–	494 757
CB23	37 770	668 404	–	706 174
CB24	11 599	–	–	11 599
CB25	8 330	–	–	8 330
Default	–	–	749 320	749 320
On-balance sheet	8 196 194	668 404	749 320	9 613 918
CB1 – 11	93 584	–	–	93 584
CB12	–	–	–	–
CB13	731	–	–	731
CB14	8 133	–	–	8 133
CB15	323	–	–	323
CB16	641	–	–	641
CB17	3 824	–	–	3 824
CB18	123	–	–	123
CB19	–	–	–	–
CB20	–	–	–	–
CB21	–	–	–	–
CB22	–	–	–	–
CB23	–	300	–	300
CB24	–	–	–	–
CB25	–	–	–	–
Default	–	–	1 706	1 706
Off-balance sheet	107 359	300	1 706	109 365

[(1)] In the prior year, within the Credit quality – Business bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale. In the prior year, stage 1 on-balance sheet exposures presented amounted to Rnil for high risk, R0.01 billion for medium risk and R6.9 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, Rnil for medium risk and R0.3 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R0.1 billion for high risk, R0.2 billion for medium risk and R0.2 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, Rnil for medium risk and Rnil for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R0.6 billion for high risk, Rnil for medium risk and Rnil for low risk and no off-balance sheet exposures were presented.

7. Net loans and advances continued

Business bank continued

Credit quality continued

Mortgage loans[1] continued

R'000	COMPANY Stage 1	Stage 2	Stage 3	Total
2023				
CB1 – 11	525 860	–	–	525 860
CB12	2 874 747	–	–	2 874 747
CB13	1 629 667	–	–	1 629 667
CB14	–	–	–	–
CB15	–	–	–	–
CB16	–	–	–	–
CB17	899 503	–	–	899 503
CB18	–	–	–	–
CB19	–	–	–	–
CB20	1 022 353	–	–	1 022 353
CB21	–	–	–	–
CB22	–	–	–	–
CB23	–	470 883	–	470 883
CB24	–	–	–	–
CB25	–	–	–	–
Default	–	–	631 829	631 829
On-balance sheet	6 952 130	470 883	631 829	8 054 842
CB1 – 11	183 331	–	–	183 331
CB12	–	–	–	–
CB13	3 388	–	–	3 388
CB14	56 439	–	–	56 439
CB15	1 482	–	–	1 482
CB16	–	–	–	–
CB17	3 404	–	–	3 404
CB18	–	–	–	–
CB19	–	–	–	–
CB20	–	–	–	–
CB21	–	–	–	–
CB22	–	–	–	–
CB23	–	300	–	300
CB24	–	–	–	–
CB25	–	–	–	–
Default	–	–	1 706	1 706
Off-balance sheet	248 044	300	1 706	250 050

[1] *In the prior year, within the Credit quality – Business bank disclosures, Capitec bucketed gross loans and advances based on high risk, medium risk and low risk which were subjectively determined by bucketing accounts by behavioural scores at the reporting date. In the current year, gross loans and advances have been bucketed using the Capitec PD master scale. In the prior year, stage 1 on-balance sheet exposures presented amounted to Rnil for high risk, R0.01 billion for medium risk and R6.9 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, Rnil for medium risk and R0.3 billion for low risk. In the prior year, stage 2 on-balance sheet exposures presented amounted to R0.1 billion for high risk, R0.2 billion for medium risk and R0.2 billion for low risk and off-balance sheet exposure presented amounted to Rnil for high risk, Rnil for medium risk and Rnil for low risk. In the prior year, stage 3 on-balance sheet exposures presented amounted to R0.6 billion for high risk, Rnil for medium risk and Rnil for low risk and no off-balance sheet exposures were presented.*

Analysis of gross loans and advances

Business loans

R'000	GROUP Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	**6 224 961**	**741 594**	**496 330**	**7 462 885**
New loan sales and further drawdowns[1]	**72 137 578**	**747 018**	**27 831**	**72 912 427**
Income accrued for the year	**942 382**	**70 471**	**81 901**	**1 094 754**
Transfers				
Stage 1 to stage 2	**(198 378)**	**198 378**	**–**	**–**
Stage 1 to stage 3	**(266 537)**	**–**	**266 537**	**–**
Stage 2 to stage 3	**–**	**(76 122)**	**76 122**	**–**
Stage 3 to stage 2	**–**	**715**	**(715)**	**–**
Stage 3 to stage 1	**3 304**	**–**	**(3 304)**	**–**
Stage 2 to stage 1	**36 876**	**(36 876)**	**–**	**–**
Repayments	**(70 740 072)**	**(937 715)**	**(125 789)**	**(71 803 576)**
Write-offs	**–**	**–**	**(136 365)**	**(136 365)**
Balance as at 29 February 2024	**8 140 114**	**707 463**	**682 548**	**9 530 125**
2023				
Balance as at 1 March 2022	5 033 948	713 367	427 756	6 175 071
New loan sales and further drawdowns[1]	62 230 519	644 426	24 009	62 898 954
Income accrued for the year	608 156	67 669	46 801	722 626
Transfers				
Stage 1 to stage 2	(320 374)	320 374	–	–
Stage 1 to stage 3	(170 906)	–	170 906	–
Stage 2 to stage 3	–	(119 021)	119 021	–
Stage 3 to stage 2	–	843	(843)	–
Stage 3 to stage 1	1 712	–	(1 712)	–
Stage 2 to stage 1	118 876	(118 876)	–	–
Repayments	(61 276 970)	(767 188)	(123 503)	(62 167 661)
Write-offs	–	–	(166 105)	(166 105)
Balance as at 28 February 2023	6 224 961	741 594	496 330	7 462 885

[1] *In the prior year, net loan sales and further drawdowns were presented as stage 1. The comparatives have been amended to present net loan sales and further drawdowns in the applicable stages.*

New loan sales and further drawdowns

Monthly credit card and overdraft disbursements are included in new loan sales. Amounts are transferred immediately to the staging of the existing balances for drawdowns.

Income accrued for the year

The income accrued for the year comprises interest received on loans, initiation fees and monthly service fees.

Notes to the financial statements continued
Year ended 29 February 2024

7. Net loans and advances continued
Business bank continued
Analysis of gross loans and advances continued
Business loans continued

	COMPANY			
R'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2024				
Balance as at 1 March 2023	**4 693 229**	**711 655**	**422 762**	**5 827 646**
New loan sales and further drawdowns[1]	**71 405 090**	**747 018**	**27 831**	**72 179 939**
Income accrued for the year	**684 428**	**70 471**	**81 901**	**836 800**
Transfers				
Stage 1 to stage 2	**(149 038)**	**149 038**	**—**	**—**
Stage 1 to stage 3	**(184 574)**	**—**	**184 574**	**—**
Stage 2 to stage 3	**—**	**(59 302)**	**59 302**	**—**
Stage 3 to stage 2	**—**	**715**	**(715)**	**—**
Stage 3 to stage 1	**1 415**	**—**	**(1 415)**	**—**
Stage 2 to stage 1	**36 782**	**(36 782)**	**—**	**—**
Repayments	**(69 925 453)**	**(936 546)**	**(130 578)**	**(70 992 577)**
Write-offs	**—**	**—**	**(89 832)**	**(89 832)**
Balance as at 29 February 2024	**6 561 879**	**646 267**	**553 830**	**7 761 976**
2023				
Balance as at 1 March 2022	3 780 625	700 379	367 195	4 848 199
New loan sales and further drawdowns[1]	61 407 474	642 426	23 934	62 073 834
Income accrued for the year	422 405	67 669	46 801	536 875
Transfers				
Stage 1 to stage 2	(294 062)	294 062	—	—
Stage 1 to stage 3	(122 057)	—	122 057	—
Stage 2 to stage 3	—	(116 091)	116 091	—
Stage 3 to stage 2	—	363	(363)	—
Stage 3 to stage 1	99	—	(99)	—
Stage 2 to stage 1	118 625	(118 625)	—	—
Repayments	(60 619 880)	(758 528)	(130 316)	(61 508 724)
Write-offs	—	—	(122 538)	(122 538)
Balance as at 28 February 2023	4 693 229	711 655	422 762	5 827 646

[1] *In the prior year, net loan sales and further drawdowns were presented as stage 1. The comparatives have been amended to present net loan sales and further drawdowns in the applicable stages.*

New loan sales

Monthly credit card and overdraft disbursements are included in new loan sales. Amounts are transferred immediately to the staging of the existing balances for drawdowns.

Income accrued for the year

The income accrued for the year comprises interest received on loans, initiation fees and monthly service fees.

Mortgage loans

	GROUP			
R'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2024				
Balance as at 1 March 2023	**6 952 130**	**470 883**	**631 829**	**8 054 842**
New loan sales and further drawdowns	**2 941 868**	**—**	**—**	**2 941 868**
Income accrued for the year	**894 970**	**40 845**	**87 039**	**1 022 854**
Transfers				
Stage 1 to stage 2	**(403 350)**	**403 350**	**—**	**—**
Stage 1 to stage 3	**(98 627)**	**—**	**98 627**	**—**
Stage 2 to stage 3	**—**	**(48 662)**	**48 662**	**—**
Stage 3 to stage 2	**—**	**—**	**—**	**—**
Stage 3 to stage 1	**5 309**	**—**	**(5 309)**	**—**
Stage 2 to stage 1	**149 545**	**(149 545)**	**—**	**—**
Repayments	**(2 245 651)**	**(48 467)**	**(91 209)**	**(2 385 327)**
Write-offs	**—**	**—**	**(20 319)**	**(20 319)**
Balance as at 29 February 2024	**8 196 194**	**668 404**	**749 320**	**9 613 918**
2023				
Balance as at 1 March 2022	5 672 134	573 335	473 379	6 718 848
New loan sales and further drawdowns	2 584 946	—	—	2 584 946
Income accrued for the year	591 528	45 758	57 069	694 355
Transfers				
Stage 1 to stage 2	(300 389)	300 389	—	—
Stage 1 to stage 3	(75 134)	—	75 134	—
Stage 2 to stage 3	—	(141 196)	141 196	—
Stage 3 to stage 2	—	8 582	(8 582)	—
Stage 3 to stage 1	2 927	—	(2 927)	—
Stage 2 to stage 1	228 637	(228 637)	—	—
Repayments	(1 752 519)	(87 348)	(77 990)	(1 917 857)
Write-offs	—	—	(25 450)	(25 450)
Balance as at 28 February 2023	6 952 130	470 883	631 829	8 054 842

Income accrued for the year

The income accrued for the year comprises interest received on loans, initiation fees and monthly service fees.

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances continued

Business bank continued

Analysis of gross loans and advances continued

Mortgage loans continued

R'000	COMPANY Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	6 952 130	470 883	631 829	8 054 842
New loan sales and further drawdowns	2 941 868	—	—	2 941 868
Income accrued for the year	894 970	40 845	87 039	1 022 854
Transfers				
Stage 1 to stage 2	(403 350)	403 350	—	—
Stage 1 to stage 3	(98 627)	—	98 627	—
Stage 2 to stage 3	—	(48 662)	48 662	—
Stage 3 to stage 2	—	—	—	—
Stage 3 to stage 1	5 309	—	(5 309)	—
Stage 2 to stage 1	149 545	(149 545)	—	—
Repayments	(2 245 651)	(48 466)	(91 209)	(2 385 327)
Write-offs	—	—	(20 319)	(20 319)
Balance as at 29 February 2024	8 196 194	668 404	749 320	9 613 918
2023				
Balance as at 1 March 2022	5 672 134	573 335	473 379	6 718 848
New loan sales and further drawdowns	2 584 946	—	—	2 584 946
Income accrued for the year	591 528	45 758	57 069	694 355
Transfers				
Stage 1 to stage 2	(300 389)	300 389	—	—
Stage 1 to stage 3	(75 134)	—	75 134	—
Stage 2 to stage 3	—	(141 196)	141 196	—
Stage 3 to stage 2	—	8 582	(8 582)	—
Stage 3 to stage 1	2 927	—	(2 927)	—
Stage 2 to stage 1	228 637	(228 637)	—	—
Repayments	(1 752 519)	(87 348)	(77 990)	(1 917 857)
Write-offs	—	—	(25 450)	(25 450)
Balance as at 28 February 2023	6 952 130	470 883	631 829	8 054 842

Income accrued for the year

The income accrued for the year comprises interest received on loans, initiation fees and monthly service fees.

Analysis of provision for ECL

Business loans

R'000	GROUP Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	198 825	143 529	291 059	633 413
Movement in the income statement				
New loan sales and further drawdowns	78 028	8 446	22 763	109 237
Stage 1 to stage 2	(2 071)	15 535	—	13 464
Stage 1 to stage 3	(6 206)	—	141 560	135 354
Stage 2 to stage 3	—	(19 589)	48 760	29 171
Stage 2 to stage 1	707	(7 518)	—	(6 811)
Stage 3 to stage 1	47	—	(2 454)	(2 407)
Stage 3 to stage 2	—	20	(460)	(440)
Remain in same stage	(3)	5 971	31 783	37 751
Loans and advances settled in the current year	(26 012)	(7 585)	(6 868)	(40 465)
Write-offs	(359)	(4 797)	(86 126)	(91 282)
Change in forward-looking information[1]	(24 693)	2 675	(1 614)	(23 632)
Balance as at 29 February 2024	218 263	136 687	438 403	793 353
2023				
Balance as at 1 March 2022	170 519	161 422	278 188	610 129
Movement in the income statement				
New loan sales and further drawdowns	77 073	22 226	29 211	128 510
Stage 1 to stage 2	(2 513)	41 244	—	38 731
Stage 1 to stage 3	(3 052)	—	63 861	60 809
Stage 2 to stage 3	—	(19 755)	44 961	25 206
Stage 2 to stage 1	2 604	(21 817)	—	(19 213)
Stage 3 to stage 1	24	—	(1 437)	(1 413)
Stage 3 to stage 2	—	332	(495)	(163)
Remain in same stage	(43 099)	2 760	85 786	45 447
Loans and advances settled in the current year	(14 085)	(20 742)	(53 329)	(88 156)
Write-offs	—	—	(158 651)	(158 651)
Change in forward-looking information[1]	11 354	(22 141)	2 964	(7 823)
Balance as at 28 February 2023	198 825	143 529	291 059	633 413

[1] *Changes in forward-looking SICR are detailed in the Critical accounting estimates and judgements in applying accounting policies section in this note.*

Movement in the income statement

Movement in the income statement is based on the stage of loans at the beginning and end of the year. Where loans were settled or written off during the year, the individual lines in the table have not been grossed up to reflect the movement in the ECL provision during the year up to that point.

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances continued

Business bank continued

Analysis of provision for ECL continued

Business loans continued

	COMPANY			
R'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2024				
Balance as at 1 March 2023	**151 308**	**123 892**	**227 201**	**502 401**
Movement in the income statement				**—**
New loan sales and further drawdowns	**57 847**	**6 467**	**13 360**	**77 674**
Stage 1 to stage 2	**(1 933)**	**12 162**	**—**	**10 229**
Stage 1 to stage 3	**(4 535)**	**—**	**85 501**	**80 966**
Stage 2 to stage 3	**—**	**(11 037)**	**39 215**	**28 178**
Stage 2 to stage 1	**706**	**(7 444)**	**—**	**(6 738)**
Stage 3 to stage 1	**11**	**—**	**(814)**	**(803)**
Stage 3 to stage 2	**—**	**20**	**(460)**	**(440)**
Remain in same stage	**1 136**	**3 296**	**31 690**	**36 122**
Loans and advances settled in the current year	**(23 148)**	**(4 732)**	**(5 943)**	**(33 823)**
Write-offs	**(1)**	**(45)**	**(65 439)**	**(65 485)**
Change in forward-looking information[(1)]	**(23 228)**	**(4 412)**	**(1 614)**	**(29 254)**
Balance as at 29 February 2024	**158 163**	**118 167**	**322 697**	**599 027**
2023				
Balance as at 1 March 2022	134 660	151 408	226 340	512 408
Movement in the income statement				
New loan sales and further drawdowns	55 541	14 384	21 250	91 175
Stage 1 to stage 2	(2 096)	33 167	—	31 071
Stage 1 to stage 3	(2 036)	—	30 446	28 410
Stage 2 to stage 3	—	(17 492)	42 235	24 743
Stage 2 to stage 1	2 604	(21 624)	—	(19 020)
Stage 3 to stage 1	2	—	(56)	(54)
Stage 3 to stage 2	—	2	(84)	(82)
Remain in same stage	(36 831)	1 738	71 406	36 313
Loans and advances settled in the current year	(11 251)	(15 550)	(46 236)	(73 037)
Write-offs	—	—	(121 064)	(121 064)
Change in forward-looking information[(1)]	10 715	(22 141)	2 964	(8 462)
Balance as at 28 February 2023	151 308	123 892	227 201	502 401

[(1)] Changes in forward-looking SICR are detailed in the Critical accounting estimates and judgements in applying accounting policies section in this note.

Movement in the income statement

Movement in the income statement is calculated based on the loan stage of loans at the beginning and end of the year. Where loans were settled or written off during the year, the individual lines in the table have not been grossed up to reflect the movement in the ECL provision during the year up to that point.

Mortgage loans

	GROUP			
R'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2024				
Balance as at 1 March 2023	**29 434**	**33 618**	**144 505**	**207 557**
Movement in the income statement				
New loan sales and further drawdowns	**21 940**	**4 297**	**—**	**26 237**
Stage 1 to stage 2	**(792)**	**7 917**	**—**	**7 125**
Stage 1 to stage 3	**(334)**	**—**	**8 888**	**8 554**
Stage 2 to stage 3	**—**	**(2 426)**	**6 669**	**4 243**
Stage 2 to stage 1	**1 983**	**(8 811)**	**—**	**(6 828)**
Stage 3 to stage 1	**6**	**—**	**(372)**	**(366)**
Stage 3 to stage 2	**—**	**—**	**—**	**—**
Remain in same stage	**(5 875)**	**(314)**	**39 600**	**33 411**
Loans and advances settled in the current year	**(2 129)**	**(435)**	**(2 549)**	**(5 113)**
Write-offs	**—**	**—**	**(13 312)**	**(13 312)**
Change in forward-looking information[(1)]	**1 650**	**14 751**	**9 067**	**25 468**
Balance as at 29 February 2024	**45 883**	**48 597**	**192 496**	**286 976**
2023				
Balance as at 1 March 2022	25 828	60 405	86 051	172 284
Movement in the income statement				—
New loan sales and further drawdowns	14 127	5 719	992	20 838
Stage 1 to stage 2	(263)	11 470	—	11 207
Stage 1 to stage 3	(146)	—	9 267	9 121
Stage 2 to stage 3	—	(9 505)	24 494	14 989
Stage 2 to stage 1	2 985	(10 055)	—	(7 070)
Stage 3 to stage 1	—	—	(146)	(146)
Stage 3 to stage 2	—	250	(429)	(179)
Remain in same stage	(10 677)	(11 585)	42 098	19 836
Loans and advances settled in the current year	(1 497)	(1 080)	(10 320)	(12 897)
Write-offs	—	—	(24 802)	(24 802)
Change in forward-looking information[(1)]	(923)	(12 001)	17 300	4 376
Balance as at 28 February 2023	29 434	33 618	144 505	207 557

[(1)] Changes in forward-looking SICR are detailed in the Critical accounting estimates and judgements in applying accounting policies section in this note.

Movement in the income statement

Movement in the income statement is based on the stage of loans at the beginning and end of the year. Where loans were settled or written off during the year, the individual lines in the table have not been grossed up to reflect the movement in the ECL provision during the year up to that point.

Notes to the financial statements continued
Year ended 29 February 2024

7 Net loans and advances continued
Business bank continued
Analysis of provision for ECL continued
Mortgage loans continued

R'000	COMPANY Stage 1	Stage 2	Stage 3	Total
2024				
Balance as at 1 March 2023	29 434	33 618	144 505	207 557
Movement in the income statement				
New loan sales and further drawdowns	21 940	4 297	—	26 237
Stage 1 to stage 2	(792)	7 917	—	7 125
Stage 1 to stage 3	(334)	—	8 888	8 554
Stage 2 to stage 3	—	(2 426)	6 669	4 243
Stage 2 to stage 1	1 983	(8 811)	—	(6 828)
Stage 3 to stage 1	6	—	(372)	(366)
Stage 3 to stage 2	—	—	—	—
Remain in same stage	(5 875)	(314)	39 600	33 411
Loans and advances settled in the current year	(2 129)	(435)	(2 549)	(5 113)
Write-offs	—	—	(13 312)	(13 312)
Change in forward-looking information[1]	1 650	14 751	9 067	25 468
Balance as at 29 February 2024	45 883	48 597	192 496	286 976
2023				
Balance as at 1 March 2022	25 828	60 405	86 051	172 284
Movement in the income statement				
New loan sales and further drawdowns	14 127	5 719	992	20 838
Stage 1 to stage 2	(263)	11 470	—	11 207
Stage 1 to stage 3	(146)	—	9 267	9 121
Stage 2 to stage 3	—	(9 505)	24 494	14 989
Stage 2 to stage 1	2 985	(10 055)	—	(7 070)
Stage 3 to stage 1	—	—	(146)	(146)
Stage 3 to stage 2	—	250	(429)	(179)
Remain in same stage	(10 677)	(11 585)	42 098	19 836
Loans and advances settled in the current year	(1 497)	(1 080)	(10 320)	(12 897)
Write-offs	—	—	(24 802)	(24 802)
Change in forward-looking information[1]	(923)	(12 001)	17 300	4 376
Balance as at 28 February 2023	29 434	33 618	144 505	207 557

[1] *Changes in forward-looking SICR are detailed in the Critical accounting estimates and judgements in applying accounting policies section in this note.*

Movement in the income statement

Movement in the income statement is calculated based on the stage of loans at the beginning and end of the year. Where loans were settled or written off during the year, the individual lines in the table have not been grossed up to reflect the movement in the ECL provision during the year up to that point.

Factors impacting and contributing to significant changes in the ECL during the period

Business bank loans comprise business loans (including rental finance) and mortgage loans. The net credit impairment charge on Business bank loans and advances increased by 55% to R322 million (2023: R208 million). Gross loan balances increased by 23% from R15.5 billion to R19.1 billion. The coverage ratio increased from 5.4% to 5.6% resulting in an ECL provision balance of R1.1 billion (2023: R0.8 billion) as the gross loan book shifted to stages 2 and 3.

The rental finance (instalment sales agreements) credit impairment charge amounted to R107 million (2023: R74 million). We saw continued strain in the rental finance loan book from the second half of the 2023 financial year due to the increases in the repo rate. This led to a pullback in granting during the reporting period resulting in a decrease in sales. Sales for the year amounted to R732 million (2023: R825 million). Business banking's credit impairment charge on mortgage and business loans (excluding rental finance) grew from R134 million to R215 million due to growth in the loan book and changes in the composition of the loan book.

New loan sales for the year increased by 16%. Business loans excluding overdrafts but including rental finance grew by 26% to R3.8 billion. Overdraft disbursements grew by 15% while mortgage loan sales grew by 14%. The growth in unsecured business loans and overdrafts was primarily the result of business clients utilising these products to finance working capital requirements.

The table below details the trend in the coverage ratios.

%	February 2024	August 2023	February 2023	August 2022
Stage 1	1.6	1.9	1.7	1.9
Stage 2	13.4	13.0	14.6	17.8
Stage 3	44.1	43.7	38.7	32.7
Total	5.6	6.0	5.4	5.3

The stage 1 book grew by 24% and the coverage ratio decreased to 1.6% (2023: 1.7%). The business loans coverage ratio decreased from 3.2% to 2.7%. Business loans are carrying lower provisions for ECL than a year ago because our forward-looking macroeconomic information model is predicting an improved future default experience on these loans.

The stage 2 book grew by 13% primarily driven by mortgages categorised as showing forward-looking SICR. Higher interest rates continue to put pressure on property owners and their collateral. The decrease in the coverage ratio resulted from business loans rolling from stage 2 to stage 3.

The stage 3 gross loan book grew by 27% and the coverage ratio increased by 5% illustrating the continued economic pressure on small- and medium-sized enterprises (SMEs). The increase in the coverage ratio was due to business loans comprising a greater proportion of the stage 3 loan book. Mortgage loans are secured against property and therefore carry a lower coverage ratio.

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances continued

Business bank continued

Critical accounting estimates and judgements in applying accounting policies

The preparation of the group's annual financial statements requires management to make estimates that affect the amounts reported in the annual financial statements and accompanying notes. Management apply their judgement based on historical evidence, current events and actions that may be undertaken in future. Actual results may ultimately differ from estimates.

The measurement of the loss allowance for ECL on loans and advances represents the most material assumptions, estimates and judgements applied in preparing the consolidated annual financial statements.

Judgements

Significant increase in credit risk

In terms of IFRS 9, all loans and advances exposures that are up-to-date are assessed at each reporting date to determine whether there has been a SICR since initial recognition of the instrument, in which case an impairment equal to the lifetime ECL is recognised. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the group recognises a 12-month ECL.

The group identifies SICR for clients who are up-to-date on their credit product but who have reached certain behaviour risk thresholds or where specific events have occurred that automatically trigger a SICR.

The group considers reasonable and supportable information based on the group's historical experience, credit risk assessment and forward-looking information (including macroeconomic factors) when determining whether the credit risk (i.e. the risk of default) of loans and advances has increased significantly since initial recognition. The assessment of SICR is key in determining when to move from measuring an impairment provision based on a 12-month ECL to one that is based on a lifetime ECL (the move from stage 1 to stage 2). The group's ECL framework aligns with the group's credit granting strategy.

The group considers a loan for its Business bank clients to have experienced a SICR if the borrower is on the watch list or meets at least 1 of the following criteria:
- Significant adverse changes in business, financial or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in the operating results of the borrower
- Early signs of cash flow or liquidity problems such as a delay in servicing of trade creditors and loans.

Irrespective of the outcome of the assessment according to the above criteria, the Business bank considers a loan to have experienced a SICR if the borrower is more than 1 month past due on their contractual payments.

Sensitivity analysis

The ECL would increase by R61 million (2023: R43 million) if a lifetime ECL was applied to 5% of the current stage 1 portfolio. If we applied a lifetime provision to accounts that are between 1 and 30 days in arrears at the reporting date, the ECL would increase by R2 million (2023: R1 million).

Estimates

Forward-looking information incorporated in the impairment of loans and advances

It is a fundamental principle of IFRS 9 that the ECL against potential future credit losses should consider changes to the economic environment in the future.

Forward-looking information is incorporated into measuring ECLs through the application of quantitative modelling and expert judgement-based adjustments.

The impact of forward-looking macroeconomic information on ECL is determined based on historical relationships between movements in the macroeconomic variables and default rates. The quantitative models and post-model adjustments consider a range of forecast macroeconomic scenarios from the BER as inputs.

The BER provided management with a set of forward-looking macroeconomic scenarios and associated probabilities covering a planning horizon of 5 years in February 2024. The ALCO reviewed and approved the BER's forward-looking macroeconomic outlook.

The scenarios provided by the BER comprised a baseline scenario, a positive scenario and a negative scenario. In designing the narrative of the scenarios, their severity and the assignment of the probabilities attached to the scenarios, the BER applied expert judgement. The severity of the scenarios impacted the weightings for 2024. The scenarios are linked to PDs to derive a forward-looking ECL.

The BER's main considerations in setting the scenarios are outlined below. These then impact the forecast macroeconomic variables.
- The economic growth outlook of South Africa's major trading partners and the impact it has on the demand for South Africa's exports of goods and services to these markets
- Global inflationary pressures, the global interest rate response and the potential duration of the current cycle
- Looming domestic risks, including increased and prolonged levels of load shedding and the greylisting by the Financial Action Task Force in February 2023
- Specifically, in the negative scenario, a reduction in the oil demand introduces a lower oil price, among other assumptions.

The probability weightings for the 12-month forecast period for each of the scenarios, as set out in the following table, were accepted by management.

Scenario probability	2024	2023
Baseline (%)	**54**	53
Negative (%)	**21**	24
Positive (%)	**25**	23

7. Net loans and advances continued

Business bank continued

Critical accounting estimates and judgements in applying accounting policies continued

Estimates continued

Forward-looking information incorporated in the impairment of loans and advances continued

The relevance of the outlook to Capitec's Business bank loan book is proven by a historical linear relationship to a change in a basket of macroeconomic variables. These variables, which were increased in the current year following the expansion of the segmentation of the forward-looking macroeconomic model, are:

	2023			2024			2025		
Macroeconomic variable[1]	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**
2024									
Unemployment rate (%)	32.26	32.25	32.25	31.97	31.62	31.03	31.64	31.30	30.10
Headline inflation (CPI) (%)	5.94	5.92	5.91	6.61	4.99	4.76	4.69	4.56	4.22
Petrol price cents per litre	2.08	1.88	1.86	16.21	(0.21)	(1.14)	(5.61)	(1.03)	(1.19)
London gold price USD/oz	1 953.58	1 943.18	1 943.18	2 107.96	2 025.73	2 025.73	2 046.25	2 017.48	2 017.48
Debt cost as a % of disposable net household income	8.71	8.71	8.71	9.30	8.99	8.78	8.58	8.31	8.22
Effective firm lending rate (%)	9.31	9.30	9.30	10.70	10.14	9.94	9.67	8.96	8.84
Real private sector credit extension to firms	(1.58)	(1.52)	(1.51)	(0.59)	1.72	2.56	2.84	4.10	5.61
House price index	1.77	1.88	1.89	2.03	4.14	5.29	3.28	4.94	7.45
Producer Price Index	6.90	6.88	6.88	6.21	4.48	4.36	3.78	4.00	4.13

[1] *Year-on-year percentage change, unless otherwise stated.*

	2022			2023			2024		
Macroeconomic variable[1]	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**	**Bad**	**Baseline**	**Good**
2023									
Unemployment rate (%)	33.55	33.52	33.49	32.98	32.31	31.76	33.08	31.57	30.31
Headline inflation (CPI) (%)	6.86	6.85	6.85	5.64	5.40	5.24	4.78	4.59	4.51
Spot oil price: USD/barrel	99.10	99.10	99.10	82.75	87.25	87.25	77.75	84.88	84.88
Producer Price Index	14.33	14.33	14.33	6.04	6.10	5.91	3.44	3.90	3.97
Debt cost as a % of disposable net household income	7.48	7.48	7.48	9.29	9.00	8.85	9.37	8.82	8.65
Private sector credit extension to households	0.78	0.78	0.78	0.97	1.19	1.38	(0.44)	0.33	0.85
Private sector credit extension to firms	(0.45)	(0.45)	(0.44)	(2.14)	(1.63)	(0.93)	(2.53)	(0.29)	0.46
Effective firm lending rate (%)	6.43	6.43	6.42	9.62	9.29	9.26	9.50	8.82	8.63
House price index	3.62	3.62	3.62	2.14	3.12	3.50	3.69	5.64	6.67

[1] *Year-on-year percentage change, unless otherwise stated.*

Impact of forward-looking information on ECL – 2024

The impact of forward-looking information on the ECL, based on the 3 scenarios, is reflected below.

Impact of forward-looking information on ECL	**R'm**	**Percentage (%) change in ECL**
2024		
Probability-weighted impact of all 3 scenarios	93	
100% negative scenario	103	11.7
100% baseline scenario	91	(1.6)
100% positive scenario	87	(6.5)

Impact of forward-looking information on ECL – 2023

The forward-looking macroeconomic information in the previous table has been incorporated into ECL estimates through the application of quantitative modelling and expert judgement-based post-model adjustments. The group stratifies aspects such as client risk segments, product type and the behaviour score of the client. The risk segmentation of the forward-looking macroeconomic model was expanded to use the most appropriate macroeconomic variables. These are correlated to determine the impact of forward-looking macroeconomic information on the ECL for loans grouped into 6 internally developed client behaviour score segments.

A new methodology for incorporating forward-looking information was developed for the Business bank during the current year to align the methodology with that of the Retail bank. The impact of forward-looking macroeconomic information on ECL is determined based on historical relationships between movements in the macroeconomic variables and default rates.

The impact of forward-looking information on the ECL, based on the 3 scenarios, is reflected below.

Impact of forward-looking information on ECL	**R'm**	**Percentage (%) change in ECL**
2023		
Probability-weighted impact of all 3 scenarios	97	
100% negative scenario	106	9.3
100% baseline scenario	96	(1.0)
100% positive scenario	90	(7.2)

Event-driven management credit estimates

Additional ECLs are recognised by way of a management overlay after significant expert consultation with executive management and seasoned credit professionals.

Modelling assumptions

Management judgement is required to consider how historical data is used to project ECL. In response to this, all components of the ECL statistical model (PD, EAD and LGD) used to estimate the timing and amount of forecast cash flows based on historical default data and recoveries have been recalibrated.

Notes to the financial statements continued

Year ended 29 February 2024

7. Net loans and advances continued

Business bank continued

Detailed analysis of leases (rental assets) included in business loans

R'000	GROUP 2024	2023
Gross investment in lease receivables		
Less than 1 year	**783 345**	695 856
1 to 2 years	**612 022**	560 427
2 to 3 years	**464 714**	423 420
3 to 4 years	**279 009**	281 768
4 to 5 years	**82 570**	110 126
More than 5 years	**10 370**	4 142
Gross investment in lease receivables	**2 232 030**	2 075 739
Unearned finance income	**(463 823)**	(440 495)
Net investment in lease receivables	**1 768 207**	1 635 244
Net lease receivables		
Less than 1 year	**564 506**	496 661
1 to 5 years	**1 189 232**	1 130 819
More than 5 years	**14 469**	7 764
Net investment in lease receivables	**1 768 207**	1 635 244
Less: ECL	**(194 326)**	(131 011)
Net lease receivable	**1 573 881**	1 504 233

These agreements consist of rental finance agreements. The rental finance agreements are typically granted to our Business bank clients to lease security equipment, copiers and telecommunication equipment. The instalment sale agreements are granted to finance motor vehicles and equipment of our Business bank clients. The accumulated allowance for uncollectible minimum lease payments receivable included in the allowance for impairments at the reporting date is R194.3 million (2023: R131.0 million).

Analysis of the amounts recognised in the income statement for rental finance

R'000	GROUP 2024	2023
Selling profit or loss	**4 959**	5 105
Finance income on the net investment in leases	**257 954**	185 750
Income relating to variable lease payments not included in the measurement of the net investment in leases	**31 902**	25 734

Significant changes in the carrying amount of the net investment in finance leases for the year

New rental agreements amounted to R688.0 million (2023: R850.8 million), while the cost of early-settled deals was R60.0 million (2023: R70.0 million). The capital portion of bad debts written off was R28.9 million (2023: R26.2 million).

Collateral held as security and other credit enhancements relating to credit-impaired financial assets in stage 3

R'000	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
2024				
Business loans	**682 548**	**(438 403)**	**244 145**	**244 145**
Mortgage loans	**749 320**	**(192 496)**	**556 824**	**556 824**
	1 431 868	**(630 899)**	**800 969**	**800 969**
2023				
Business loans	496 330	(291 059)	205 271	205 271
Mortgage loans	631 829	(144 505)	487 324	487 324
	1 128 159	(435 564)	692 595	692 595

Where the fair value of the collateral is greater than the carrying amount, the fair value of the collateral has been limited to the carrying amount. The total fair value of collateral held on stage 3 loans is R1.1 billion (2023: R0.9 billion).

Description of collateral held as security and other credit enhancements	Method of valuation
Cession of debtors	15% – 75% of debtors due and payable under 90 days and depending on debtor credit quality
Pledge of shares	50% of listed shares value, nil for unlisted shares
Pledge and cession of assets (specific and general)	Variable depending on asset type and value
Cession of life and endowment policies	100% of surrender value
Pledge of call and savings accounts, fixed and notice deposits	100% of asset value
Vacant land	50% of professional valuation
Residential properties	60% – 80% of professional valuation
Commercial and industrial properties	55% – 70% of professional valuation
Catering, industrial and office equipment	Variable depending on asset type and depreciated value
Trucks	Variable depending on asset type and depreciated value
Earthmoving equipment	Variable depending on asset type and depreciated value
Motor vehicles	Variable depending on asset type and depreciated value
General notarial bond	Variable depending on asset type and depreciated value
Special notarial bond	Variable depending on asset type and depreciated value

All collateral held by the bank in respect of a loan and advance can be realised in accordance with the terms of the agreement or the facility conditions applicable thereto. Cash collateral and pledged assets that can be realised in accordance with the terms of the pledge and cession or suretyship are applied in reduction of related exposures. Pledged assets, other than cash or cash equivalent collateral and tangible security articles, are appropriated and disposed of, where necessary, after legal action and in compliance with the applicable Court rules and directives.

A client in default will be advised of the default and afforded an opportunity to regularise the arrears. Failing normalisation of the account, legal action and repossession procedures will be followed and all attached assets will be disposed of in accordance with the applicable legislation. In the case of insolvent and deceased estates, the duly appointed liquidator or trustee will dispose of all assets.

At the end of the financial year ended 29 February 2024, the EAD for loans in all stages where the collateral held exceeded the carrying amount of the advance amounted to R8.5 billion (2023: R7.1 billion).

Notes to the financial statements continued

Year ended 29 February 2024

8. Other receivables

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Financial receivables	**8 000 087**	4 561 246	**7 985 552**	4 547 191
Deposits	**1 829**	1 883	**1 778**	1 801
SARB settlement balance	**5 835 163**	3 004 738	**5 835 163**	3 004 738
Other receivables[1]	**2 163 095**	1 554 625	**2 148 611**	1 540 652
Accrued income	**312 377**	186 498	**312 377**	186 517
Clearing accounts	**696 239**	634 330	**696 184**	634 329
Sundry receivables	**1 154 479**	733 797	**1 140 050**	719 806
Non-financial receivable	**345 267**	244 903	**336 644**	236 756
Prepayments	**345 267**	244 903	**336 644**	236 756
Total other receivables	**8 345 354**	4 806 149	**8 322 196**	4 783 947
Current portion	**8 318 518**	4 782 945	**8 295 360**	4 760 743
Non-current portion	**26 836**	23 204	**26 836**	23 204
Maximum exposure to credit risk	**8 345 354**	4 806 149	**8 322 196**	4 783 947

[1] *Other receivables has been disaggregated to reflect its composition. To provide comparability, the prior year balances have been disaggregated on the same basis.*

Accounting policies

Other receivables comprise settlement balances with the regulator (SARB), prepayments which comprise IT and business development expenses, deposits that meet the definition of financial assets and other receivables.

These classes of debt instruments are held for the collection of their contractual cash flows and their cash flows represent SPPI and are therefore measured at amortised cost. Interest income from these financial assets is included in interest income on the group's income statement using the effective interest rate method.

Impairment recognition

Other receivables are subject to the impairment requirements of IFRS 9. Impairment losses are presented as part of the credit impairment charge on the group's income statement. The SARB settlement balance comprises stage 1 balances with no movements between the stages during the current and prior financial years. The balances are subject to the impairment requirements of IFRS 9. The impairment loss calculated on the SARB settlement balance was not material given the short-dated maturity of the balances. The impairment loss calculated was measured as a 12-month ECL because the credit risk has not increased significantly since initial recognition and no balances are credit-impaired at the statement of financial position date. ECL on the other financial receivables is calculated using the simplified approach. This results in a lifetime ECL being recognised.

Credit quality of other receivables

At the statement of financial position date, the international long-term credit ratings, using Moody's ratings, were as follows:

GROUP

R'000	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	Not rated	ECL	Total carrying amount
2024							
Financial receivables[1]	**—**	**—**	**—**	**5 835 163**	**2 164 924**	**—**	**8 000 087**
2023							
Financial receivables[1]	—	—	—	3 004 738	1 556 508	—	4 561 246

[1] *Credit quality of other receivables has been amended to include deposits. Comparatives have been updated for this amendment.*

COMPANY

R'000	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	Not rated	ECL	Total carrying amount
2024							
Financial receivables	**—**	**—**	**—**	**5 835 163**	**2 150 389**	**—**	**7 985 552**
2023							
Financial receivables	—	—	—	3 004 738	1 542 453	—	4 547 191

9. Financial assets – equity instruments at FVOCI

GROUP AND COMPANY

R'000	African Bank Holdings Limited	SWIFT	Total
2024			
Balance at the beginning of the year	**69 340**	**4 540**	**73 880**
Fair value adjustment	**—**	**8 535**	**8 535**
Total financial assets – equity instruments at FVOCI[1]	**69 340**	**13 075**	**82 415**
2023			
Balance at the beginning of the year	69 340	3 340	72 680
Fair value adjustment	—	1 200	1 200
Total financial assets – equity instruments at FVOCI[1]	69 340	4 540	73 880

[1] *Financial assets– equity instruments at FVOCI have been disaggregated to reflect the nature of the investments. Comparatives have been updated to reflect this disaggregation.*

Accounting policies

Financial assets at FVOCI comprise unlisted equity securities which are not held for trading and which the group has irrevocably elected at initial recognition to recognise in this category because they are strategic investments. The group holds an equity instrument in African Bank Holdings Limited. The group is a participant in a consortium that recapitalised African Bank Holdings Limited. The other members of the consortium comprise the Public Investment Corporation and 5 other South African banks.

The group also holds an equity investment in the Society for Worldwide Interbank Financial Telecommunication (SWIFT), the global cooperative that facilitates international banking transactions of which almost all banks worldwide are members.

The group's election results in fair value gains and losses being recognised in other comprehensive income and not subsequently being reclassified to profit or loss, including on disposal. Impairment losses and reversals of impairment losses are not reported separately from other changes in fair value.

Dividends, when representing a return on these investments, continue to be recognised through profit or loss when the group's right to receive such payments is established.

The cash flows are classified as investing activities.

Measurement

The fair value of financial assets that are not listed or quoted in an active market is determined using valuation techniques.

Notes to the financial statements continued

Year ended 29 February 2024

10. Group loans receivable

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Loans to fellow subsidiaries	**58 623**	57 892	**58 623**	57 892
Loans to subsidiaries	**—**	—	**1 423 352**	1 365 247
Loan to group trust	**—**	408	**—**	408
ECL: Loans to subsidiaries	**—**	—	**(6 945)**	(9 656)
Loan to holding company	**37 791**	24 405	**37 791**	24 405
Total group loan receivable	**96 414**	82 705	**1 512 821**	1 438 296
Current	**—**	—	**—**	—
Non-current	**96 414**	82 705	**1 512 821**	1 438 296

Capitec Bank agreed not to request payment of these loans within the next 12 months.

Included in loans to subsidiaries is an interest-bearing loan to Capitec Rental Finance Proprietary Limited, a wholly-owned group subsidiary. An IFRS 9 ECL has been raised based on underlying rental finance exposures by applying the Business bank's IFRS 9 impairment model. The subsidiary has share capital of R76 million (2023: R76 million).

Accounting policies

All loans to group companies bear interest as agreed by the parties from time to time and have no fixed repayment terms, unless otherwise stated, in which case they are viewed to be repayable on demand.

11. Interest in subsidiaries and equity accounted investment

Interest in subsidiaries

R'000	COMPANY 2024	COMPANY 2023
Interest in subsidiaries		
Investment in unlisted subsidiaries at cost – Capitec Rental Finance Proprietary Limited	**103 029**	103 029
Investment in unlisted subsidiaries at cost – Capitec Foundation Trust	**1**	1
Total interest in subsidiaries	**103 030**	103 030

Investments in subsidiaries

Subsidiaries	Domicile	Holding	Nature of business
Capitec Rental Finance Proprietary Limited	South Africa	100% (2023: 100%)	Rental finance
Capitec Foundation Trust	South Africa	Nil – 100% effective interest (2023: Nil – 100% effective interest)	Corporate social investment

All material subsidiaries were reviewed in the current year for indicators of impairment. Indicators of impairment would be, for example, loss-making and/or negative net asset value. No indicators were noted, which is aligned to the prior year.

Interest in equity accounted investment

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Interest in equity accounted investment				
Investment in equity accounted investment	**255 846**	218 853	**226 202**	194 302
Imvelo Ventures Proprietary Limited				
Opening balance	**218 853**	149 594	**194 302**	132 502
Interest acquired[1]	**31 900**	61 800	**31 900**	61 800
Share of profit	**5 093**	7 459	**—**	—
Total interest in Imvelo Ventures Proprietary Limited	**255 846**	218 853	**226 202**	194 302
Share of net profit of equity accounted investment	**5 093**	7 459	**—**	—

[1] *Class B ordinary shares were acquired during the year at a cost of R31.9 million (2023: R61.8 million).*

Analysis of investment in equity accounted investment

Equity accounted investment	Domicile	Holding	Nature of business
Imvelo Ventures Proprietary Limited	South Africa	17.5% (2023: 17.5%)	Broad-based black economic empowerment investment

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Imvelo Ventures Proprietary Limited				
Income statement				
Revenue	**23 106**	17 579	**23 106**	17 579
Interest income[1]	**799**	1 133	**799**	1 133
Interest expense[1]	**1 800**	83	**1 800**	83
Depreciation and amortisation[1]	**142**	55	**142**	55
Income tax expense	**(9 217)**	5 138	**(9 217)**	5 138
Profit/(Loss) from continuing operations after tax	**30 517**	(5 371)	**30 517**	(5 371)
Total comprehensive income	**30 517**	(5 371)	**30 517**	(5 371)
Reconciliation to carrying amounts				
Non-current assets	**403 843**	320 140	**403 843**	320 140
Current assets	**257**	814	**257**	814
Cash and cash equivalents	**12**	442	**12**	442
Non-current liabilities	**(18 000)**	(25 328)	**(18 000)**	(25 328)
Current liabilities	**(40 682)**	(1 853)	**(40 682)**	(1 853)
Net assets at 100%	**345 451**	293 773	**345 451**	293 773
The group's share of net assets at acquisition	**29 312**	29 312	**29 312**	29 312
Difference in initial cost versus share of net assets acquired	**196 890**	164 990	**196 890**	164 990
Cost of investment in Imvelo Ventures Proprietary Limited	**226 202**	194 302	**226 202**	194 302
Cumulative share of profit	**29 644**	24 551	**—**	—
Carrying amount of investment in Imvelo Ventures Proprietary Limited	**255 846**	218 853	**226 202**	194 302

[1] *Interest income, interest expense and depreciation and amortisation have been included to enhance disclosures. Comparatives have been amended.*

Notes to the financial statements continued

Year ended 29 February 2024

12. Property and equipment

R'000	GROUP Land and buildings	Computer equipment	Office equipment and vehicles	Total
2024				
Opening net book value	**875 043**	**1 441 107**	**927 386**	**3 243 536**
Additions	**387**	**605 546**	**432 180**	**1 038 113**
Disposals	**—**	**(37 450)**	**(14 653)**	**(52 103)**
Depreciation charge	**(19 738)**	**(434 218)**	**(308 947)**	**(762 903)**
Net book value at the end of the year	**855 692**	**1 574 985**	**1 035 966**	**3 466 643**
Cost	**942 110**	**3 650 441**	**2 728 538**	**7 321 089**
Accumulated depreciation	**(86 418)**	**(2 075 456)**	**(1 692 572)**	**(3 854 446)**
Net book value at the end of the year	**855 692**	**1 574 985**	**1 035 966**	**3 466 643**
Non-current portion	**855 692**	**1 574 985**	**1 035 966**	**3 466 643**
2023				
Opening net book value	895 631	1 378 672	698 085	2 972 388
Additions	—	428 638	505 784	934 422
Transfers	(111)	111	—	—
Disposals	—	(24 193)	(3 736)	(27 929)
Depreciation charge	(20 477)	(342 121)	(272 747)	(635 345)
Net book value at the end of the year	875 043	1 441 107	927 386	3 243 536
Cost	941 724	3 322 342	2 674 867	6 938 933
Accumulated depreciation	(66 681)	(1 881 235)	(1 747 481)	(3 695 397)
Net book value at the end of the year	875 043	1 441 107	927 386	3 243 536
Non-current portion	875 043	1 441 107	927 386	3 243 536

R'000	COMPANY Land and buildings	Computer equipment	Office equipment and vehicles	Total
2024				
Opening net book value	**880 513**	**1 441 067**	**926 402**	**3 247 982**
Additions	**387**	**605 545**	**432 182**	**1 038 114**
Transfers	**—**	**—**	**—**	**—**
Disposals	**—**	**(37 450)**	**(14 653)**	**(52 103)**
Depreciation charge	**(18 104)**	**(434 178)**	**(308 720)**	**(761 002)**
Net book value at the end of the year	**862 796**	**1 574 984**	**1 035 211**	**3 472 991**
Cost	**942 110**	**3 649 995**	**2 727 364**	**7 319 469**
Accumulated depreciation	**(79 314)**	**(2 075 011)**	**(1 692 153)**	**(3 846 478)**
Net book value at the end of the year	**862 796**	**1 574 984**	**1 035 211**	**3 472 991**
Non-current portion	**862 796**	**1 574 984**	**1 035 211**	**3 472 991**
2023				
Opening net book value	899 465	1 378 449	698 032	2 975 946
Additions	—	428 637	504 655	933 292
Transfers	(111)	111	—	—
Disposals	—	(24 181)	(3 730)	(27 911)
Depreciation charge	(18 841)	(341 949)	(272 555)	(633 345)
Net book value at the end of the year	880 513	1 441 067	926 402	3 247 982
Cost	941 724	3 321 897	2 673 693	6 937 314
Accumulated depreciation	(61 211)	(1 880 830)	(1 747 291)	(3 689 332)
Net book value at the end of the year	880 513	1 441 067	926 402	3 247 982
Non-current portion	880 513	1 441 067	926 402	3 247 982

Accounting policies

Land and buildings comprise owner-occupied properties and completed buildings. All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate costs to their residual values over their estimated useful lives, which currently are as follows:

• ATMs	10 years
• Banking application hardware	3 – 5 years
• Buildings	50 years
• Computer equipment	3 – 7 years
• Motor vehicles	5 years
• Office equipment	5 – 10 years
• Leasehold improvements	5 – 10 years

The assets' residual values and useful lives are annually reviewed and adjusted, if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Notes to the financial statements continued

Year ended 29 February 2024

12. Property and equipment continued

Accounting policies continued

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement. Assets destroyed in insured events are derecognised when it is not probable that future economic benefits from the destroyed asset will flow to the group. Compensation from insurance companies is included in the income statement when it becomes receivable.

Property and equipment are assessed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and/or if there is any indication that the asset may be impaired.

If there is an indication of impairment, the group estimates the recoverable amount of the asset. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units (CGUs)). Previously impaired assets are reviewed for possible reversal of impairment at each reporting date. Impairment reversals may not result in the asset's carrying value being higher than the carrying value had the asset not been impaired in previous years.

13. Right-of-use assets

R'000	GROUP Premises	COMPANY Premises
2024		
Opening balance	**1 832 293**	1 830 779
Additions	**580 369**	580 370
Terminations	**(93 123)**	(93 123)
Depreciation charge	**(451 161)**	(450 655)
Net book value at the end of the year	**1 868 378**	1 867 371
Cost	**3 943 038**	3 941 003
Accumulated depreciation	**(2 074 660)**	(2 073 632)
Net book value at the end of the year	**1 868 378**	1 867 371
Current portion	**314 509**	313 414
Non-current portion	**1 553 869**	1 553 957
Future cash outflows to which the group is potentially exposed that are not reflected in the measurement of lease liabilities:		
Leases not yet commenced to which the group is committed	**172 507**	172 507
2023		
Opening balance	1 925 117	1 930 887
Additions	428 310	418 209
Terminations	(144 122)	(141 452)
Depreciation charge	(377 012)	(376 865)
Net book value at the end of the year	1 832 293	1 830 779
Cost	3 492 308	3 490 274
Accumulated depreciation	(1 660 015)	(1 659 495)
Net book value at the end of the year	1 832 293	1 830 779
Current portion	321 836	320 738
Non-current portion	1 510 457	1 510 041
Future cash outflows to which the group is potentially exposed that are not reflected in the measurement of lease liabilities:		
Leases not yet commenced to which the group is committed	118 476	118 476

Accounting policies

At inception of an agreement, the group assesses whether an agreement is, or contains, a lease. If the agreement conveys the right to control the use of an identified asset for a period of time in exchange for consideration it is, or contains, a lease. An agreement conveys the right to control the use of an identified asset if:

- the agreement involves the use of an identified asset – this may be specified explicitly or implicitly, and should be a physically distinct asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified
- the group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use
- the group has the right to direct the use of the asset. The group has the right to direct use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and for what purpose the asset is used is predetermined, the group has the right to direct the use of the asset if either (i) the group has the right to operate the asset; or (ii) the group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception, or on reassessment of an agreement that contains a lease component, the group allocates the consideration in the agreement to each lease component on the basis of its relative stand-alone prices.

Where the group is the lessee

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost (which is equal to the lease liability adjusted for upfront deposits) and increased with initial direct costs incurred and the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

The group applies the cost model subsequent to the initial measurement of the right-of-use asset.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The group enters into leases for branches, off-site ATM locations, office space and storage facilities.

Where the group is the lessor

Subletting is incidental to the group's occupation of certain properties. Rental from the subletting of leased premises is recognised on a straight-line basis over the lease term.

Leases consisting of rental finance and instalment sale agreements are regarded as financing transactions with rentals and instalments receivable, less unearned finance charges being included in loans and advances. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Rental finance agreements are typically granted to Business bank clients to lease security equipment, copiers and telecommunication equipment. Instalment sale agreements finance motor vehicles and equipment for Business bank clients.

13. Right-of-use assets continued

Accounting policies continued

Where the group is the lessor continued

The ECL is measured as either a 12-month or lifetime ECL depending on whether a SICR has occurred since initial recognition or an asset is considered to be credit-impaired. Measurement considers forward-looking information. ECL is the discounted result of PD, EAD and LGD without factoring in any collateral or residual values in the LGD.

Rights are accorded to suppliers and business partners to buy back the assets on termination of the lease agreement once the last rental has been paid. These are normally nominal values as invariably the life of the asset equates to the period of the lease or close thereto. Evergreen arrangements can be made where the client continues to utilise the asset after the term of the agreement is concluded and continues to pay rental. This could run for as long as 24 months but often, after 1 year, the agreement is cancelled and the ownership of the asset passes to the client for 3 months' rental. If the rental agreement does not proceed to term due to arrears rentals on the account, the asset is repossessed and disposed of at market-related prices. In many instances, the supplier may make an offer on the asset, refurbish it and put it back into the market or, if not, possibly buy it for spares. A condition embedded within the rental agreement is that the client is accountable for insuring the asset over the term of the rental agreement should the asset be lost, stolen or destroyed.

14. Intangible assets

	GROUP					
R'000	Computer software[1]	Internally generated intangible assets[2]	Core deposit intangible	Client relationships	Goodwill	Total
2024						
Opening net book value	**271 910**	**220 187**	**42 321**	**9 284**	**849 487**	**1 393 189**
Additions	**66 231**	**28 416**	**—**	**—**	**—**	**94 647**
Disposals	**—**	**—**	**—**	**—**	**—**	**—**
Amortisation	**(103 571)**	**(32 692)**	**(11 537)**	**(2 531)**	**—**	**(150 331)**
Net book value at the end of the year	**234 570**	**215 911**	**30 784**	**6 753**	**849 487**	**1 337 505**
Cost	**957 206**	**273 963**	**80 780**	**17 721**	**849 487**	**2 179 157**
Accumulated amortisation	**(722 636)**	**(58 052)**	**(49 996)**	**(10 968)**	**—**	**(841 652)**
Net book value at the end of the year	**234 570**	**215 911**	**30 784**	**6 753**	**849 487**	**1 337 505**
2023						
Opening net book value	334 512	75 300	53 857	11 815	849 487	1 324 971
Additions	55 330	154 042	—	—	—	209 372
Disposals	(243)	—	—	—	—	(243)
Amortisation	(117 689)	(9 155)	(11 536)	(2 531)	—	(140 911)
Net book value at the end of the year	271 910	220 187	42 321	9 284	849 487	1 393 189
Cost	964 545	245 591	80 780	17 721	849 487	2 158 124
Accumulated amortisation	(692 635)	(25 404)	(38 459)	(8 437)	—	(764 935)
Net book value at the end of the year	271 910	220 187	42 321	9 284	849 487	1 393 189

[1] *The remaining estimated useful life of banking application software included in computer software as at 29 February 2024 is 5 years.*
[2] *The remaining estimated useful life of the SAP software included in internally generated assets as at 29 February 2024 is 2 years.*

	COMPANY					
R'000	Computer software[1]	Internally generated intangible assets[2]	Core deposit intangible	Client relationships	Goodwill	Total
2024						
Opening net book value	**271 910**	**220 187**	**42 321**	**9 284**	**849 487**	**1 393 189**
Additions	**66 231**	**28 416**	**—**	**—**	**—**	**94 647**
Disposals	**—**	**—**	**—**	**—**	**—**	**—**
Amortisation	**(103 571)**	**(32 692)**	**(11 537)**	**(2 531)**	**—**	**(150 331)**
Net book value at the end of the year	**234 570**	**215 911**	**30 784**	**6 753**	**849 487**	**1 337 505**
Cost	**957 206**	**273 963**	**80 780**	**17 721**	**849 487**	**2 179 157**
Accumulated amortisation	**(722 636)**	**(58 052)**	**(49 996)**	**(10 968)**	**—**	**(841 652)**
Net book value at the end of the year	**234 570**	**215 911**	**30 784**	**6 753**	**849 487**	**1 337 505**
2023						
Opening net book value	334 430	75 299	53 857	11 815	849 487	1 324 888
Additions	55 330	154 042	—	—	—	209 372
Disposals	(243)	—	—	—	—	(243)
Amortisation	(117 607)	(9 154)	(11 536)	(2 531)	—	(140 828)
Net book value at the end of the year	271 910	220 187	42 321	9 284	849 487	1 393 189
Cost	964 545	245 591	80 780	17 721	849 487	2 158 124
Accumulated amortisation	(692 635)	(25 404)	(38 459)	(8 437)	—	(764 935)
Net book value at the end of the year	271 910	220 187	42 321	9 284	849 487	1 393 189

[1] *The remaining estimated useful life of banking application software included in computer software as at 29 February 2024 is 5 years.*
[2] *The remaining estimated useful life of the SAP software included in internally generated assets as at 29 February 2024 is 6 years.*

Computer software primarily comprises the main banking infrastructure applications, which are purchased from our respective vendors.

Internally generated intangible assets comprise SAP software and assets under construction relating to software. Refer to note 36 for capital commitments.

Accounting policies

Computer software

Computer software comprises the main banking infrastructure applications, which are purchased from vendors, and software licences which are acquired and are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is carried at cost less accumulated amortisation and impairment losses.

Costs associated with developing and maintaining computer software programs are recognised as an expense when incurred with the exception of development costs that meet the criteria for internally generated intangible assets.

Amortisation is calculated using the straight-line method to allocate costs to the residual values over the estimated useful lives, which currently are as follows:

- Banking application software — 8 – 10 years
- Desktop application software — 2 – 4 years
- Server software — 3 – 5 years

The assets' useful lives are annually reviewed and adjusted where appropriate.

14. Intangible assets continued

Accounting policies continued

Computer software continued

The group recognises monthly subscription fees for the use of software that is stored in the cloud (software as a service) as an expense if the software:

- is not specifically customised for the group's purpose
- is an off-the-shelf software package that is available on a subscription basis, or for purchase by any other user
- at the end of the agreement period, the right to access and use the service terminates.

As the supplier or its licensors retain all ownership and intellectual property rights to the services, including the programs and ancillary software, as well as anything developed or delivered in terms of the agreement, the group does not consider having a right to access the supplier's application software as sufficient to indicate that at agreement inception the group controls a resource that meets the definition of an intangible asset.

The group recognises the monthly subscription fee paid upfront as a prepaid asset until the point that the group has received the related services.

Internally generated intangible assets

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use
- Management intends to complete the software product and use or sell it
- There is an ability to use or sell the software product
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available
- The expenditure attributable to the software product during its development can be reliably measured.

Development expenditures that do not meet these criteria are recognised as an expense when incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation is calculated using the straight-line method to allocate costs to the residual values over the estimated useful lives, which are currently as follows:

- Internally generated intangible assets 3 – 10 years

The assets' useful lives are annually reviewed and adjusted where appropriate.

Core deposit intangibles

The core deposit intangible asset represents the benefit of having acquired a readily available source of lower-cost funding rather than having to source funding from the open market. The lower-cost funds provide a substantial economic benefit that is recognised as an intangible asset.

Core deposits are valued using the income approach (cost savings method), where savings in funding costs are considered as notional income and are capitalised over the useful life of deposits.

Amortisation of core deposit intangibles is calculated using the straight-line method to allocate the cost over the estimated useful life, which is currently 7 years.

The assets' useful lives are annually reviewed and adjusted where appropriate.

Client relationships

The client relationship intangible asset is measured as the benefits of future business with a client beyond the amount secured by any current contractual arrangements.

Client relationships are valued using the multi-period excess earnings method.

Amortisation of client relationships is calculated using the straight-line method to allocate cost over the estimated useful life, which is currently 7 years.

The assets' useful lives are annually reviewed and adjusted where appropriate.

Impairment of intangible assets with finite useful lives

Computer software, internally generated intangible assets, core deposits and client relationships are assessed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or if there is any indication that the asset may be impaired.

If there is an indication of impairment the group estimates the recoverable amount of the asset. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Previously impaired assets are reviewed for possible reversal of impairment at each reporting date. Impairment reversal may not result in the asset's carrying value being higher than the carrying value had the asset not been impaired in previous years.

Goodwill

Goodwill is measured as the excess of the consideration transferred and the acquisition date fair value of any previously held equity interest over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or joint venture at the date of the acquisition.

Goodwill arising on the acquisition of subsidiaries is reported in the statement of financial position as part of 'intangible assets including goodwill'. Goodwill arising on the acquisition of associates and joint ventures is reported in the statement of financial position as part of 'interest in equity accounted investments'.

Goodwill is tested annually for impairment unless there is an impairment indicator, in which case the test is performed more than once a year. Should an impairment of goodwill be required, it will be recognised in profit or loss. Where goodwill is separately identified and reported, the impairment may not be reversed.

Critical accounting estimates and judgements in applying accounting policies

Judgements

Intangible assets: Goodwill impairment determination

Goodwill is tested annually for impairment unless there is an indicator of impairment, in which case the test is performed more than once a year. Mercantile was acquired in the 2020 financial year as a business bank and its operations and goodwill are monitored by Capitec management as a separate CGU from Capitec's retail operations.

The goodwill allocated to the Business bank CGU as at 29 February 2024 is R849 million (2023: R849 million). As at 29 February 2024, management reviewed the assumptions and estimates used in the impairment calculation and determined that the recoverable amount exceeds the carrying amount.

The fair value less cost to sell is calculated using a free cash flow to equity model taking into account cash flows for a 7-year forecast period. A forecast period of greater than 5 years was used to take into account the impact of rebranding the Business bank to Capitec Business as well as the initial effect of reduced pricing that was implemented on 1 March 2024. A terminal value is determined using the Gordon Growth Model calculation.

The calculation used cash flow projections based on financial budgets approved by management and other management assumptions as per the following table. These projections consider actual growth over the past year in transactional volumes and in clients for certain business lines. The risks associated with the impact of the ongoing global geopolitical tension and current macroeconomic conditions were taken into account by stressing the variables as per the table. The various growth rates applied to the variables are consistent with forecasts included in industry reports specific to the industry in which the CGU operates, historical performance, management's expectation of market developments and management's forecast of new client revenues, which management believes will result from leveraging the Capitec Bank brand and the business banking process. The terminal growth rate does not exceed the historical long-term average growth rate for the country.

14. Intangible assets continued

Critical accounting estimates and judgements in applying accounting policies continued

Judgements continued

Intangible assets: Goodwill impairment determination continued

Stressing any one of the key assumptions as per the following table will not result in an impairment as the recoverable amount is sufficiently in excess of the carrying amount.

The table below sets out the key assumptions and the related stress.

Key assumptions	Value	Stressed value
2024		
Compound growth rate – credit business (%)	**23.3**	**20.5**
Compound growth rate – other business (%)	**14.9**	**12.4**
Terminal growth rate (%)	**4.5**	**3.5**
CAPM discount rate (%)	**15.5**	**16.4**
2023		
Compound growth rate – credit business (%)	14.2	11.8
Compound growth rate – other business (%)	15.7	12.9
Terminal growth rate (%)	4.5	3.5
Capital asset pricing model (CAPM) discount rate (%)	15.4	16.3

The compound growth rate projected for the credit business increased in the current year as a result of the Capitec Business bank rebranding at the start of the 2025 financial year. The rebrand will allow Capitec Business bank to capture a greater share of the business banking market with its simple and affordable offering.

In the fair value hierarchy, these unobservable inputs would be described as level 3.

The future cash flows, which reflect specific risks relating to the CGU, were discounted using the expected rate of return while maximising the use of market observable data. The expected rate of return was calculated using the CAPM.

For purposes of the calculation of the CAPM discount rate, the following assumptions were used:

Key assumptions	Approach to determining value	Value
2024		
Risk-free rate (%)	10-year South African government bond rate	**11.7**
Equity risk premium (%)	Available studies from Ibbotson, the Stocks, Bonds, Bills and Inflation® (SBBI®) Yearbook, Damordaran studies, equity risk premium implied by stock markets and others	**4.3**
Beta coefficient	Listed South African banks based on 5 years of monthly returns regressed against local index returns	**0.89**
Cost of equity (%)		**15.5**
2023		
Risk-free rate (%)	10-year South African government bond rate	10.7
Equity risk premium (%)	Available studies from Ibbotson, the SBBI® Yearbook, Damordaran studies, equity risk premium implied by stock markets and others	5.4
Beta coefficient	Listed South African banks based on 5 years of monthly returns regressed against local index returns	0.87
Cost of equity (%)		15.4

A post-tax discount rate was used to discount post-tax cash flows in the determination of the fair value less cost to sell.

15. Deferred income tax asset

	GROUP							
R'000	Impairments, provisions and accruals	Other reserves	Cash flow hedge	Capital allowances	Lease liability[1]	Intangible assets	Prepayments	Total
2024								
Balance at the beginning of the year	**2 349 895**	**(1 964)**	**(670)**	**(547 457)**	**627 281**	**(14 449)**	**43 308**	**2 455 944**
Income statement charge	**153 901**		**—**	**(11 421)**	**21 861**	**3 939**	**(23 575)**	**144 705**
Credited directly to equity	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Debited to equity through other comprehensive income	**—**	**(1)**	**377**	**—**	**—**	**—**	**—**	**376**
Balance at the end of the year	**2 503 796**	**(1 965)**	**(293)**	**(558 878)**	**649 142**	**(10 510)**	**19 733**	**2 601 025**
Estimated to be recovered within 1 year								**882 632**
Estimated to be recovered after 1 year								**1 718 393**
Balance at the end of the year								**2 601 025**
2023								
Balance at the beginning of the year	2 719 113	(791)	4 725	(593 050)	678 409	(18 388)	(24 749)	2 765 269
Income statement charge	(369 218)		—	45 593	(51 128)	3 939	68 057	(302 757)
Credited directly to equity	—	—	—	—	—	—	—	—
Debited to equity through other comprehensive income	—	(1 173)	(5 395)	—	—	—	—	(6 568)
Balance at the end of the year	2 349 895	(1 964)	(670)	(547 457)	627 281	(14 449)	43 308	2 455 944
Estimated to be recovered within 1 year								1 345 455
Estimated to be recovered after 1 year								1 110 489
Balance at the end of the year								2 455 944

(1) The deferred tax of R494.4 million in relation to the right-of-use assets was previously presented within lease liabilities. As a result of the IAS 12 amendment deferred tax related to assets and liabilities arising from a single transaction, the deferred tax has been moved to capital allowances. The prior year was updated accordingly and only impacts the note disclosure.

Notes to the financial statements continued

Year ended 29 February 2024

15. Deferred income tax asset continued

	COMPANY							
R'000	Impairments, provisions and accruals	Other reserves	Cash flow hedge	Capital allowances	Lease liability[1]	Intangible assets	Prepayments	Total
2024								
Balance at the beginning of the year	2 352 613	(1 806)	(670)	(547 902)	627 800	(14 449)	43 308	2 458 894
Income statement charge	153 429	—	—	(10 655)	21 431	3 939	(23 575)	144 569
Credited directly to equity	—	—	—	—	—	—	—	—
Debited to equity through other comprehensive income	—	(1)	377	—	—	—	—	376
Balance at the end of the year	2 506 042	(1 807)	(293)	(558 557)	649 231	(10 510)	19 733	2 603 839
Estimated to be recovered within 1 year								885 446
Estimated to be recovered after 1 year								1 718 393
Balance at the end of the year								2 603 839
2023								
Balance at the beginning of the year	2 722 316	(633)	4 725	(593 050)	678 409	(18 388)	(24 749)	2 768 630
Income statement charge	(369 703)	—	—	45 148	(50 609)	3 939	68 057	(303 168)
Debited to equity through other comprehensive income	—	(1 173)	(5 395)	—	—	—	—	(6 568)
Balance at the end of the year	2 352 613	(1 806)	(670)	(547 902)	627 800	(14 449)	43 308	2 458 894
Estimated to be recovered within 1 year								1 348 405
Estimated to be recovered after 1 year								1 110 489
Balance at the end of the year								2 458 894

[1] The deferred tax of R494.4 million in relation to the right-of-use assets was previously presented within lease liabilities. As a result of the IAS 12 amendment deferred tax related to assets and liabilities arising from a single transaction, the deferred tax has been moved to capital allowances. The prior year was updated accordingly and only impacts the note disclosure.

Accounting policies

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax laws and rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment, ECLs, revaluation of certain financial assets and liabilities, prepaid expenses and tax losses carried forward. Deferred tax assets are raised only to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are only offset when the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

16. Deposits and wholesale funding

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Deposits				
By maturity				
Within 1 month	107 407 747	100 417 145	107 412 004	100 418 848
1 to 3 months	6 139 686	5 855 664	6 139 686	5 855 664
3 months to 1 year	19 552 429	17 650 720	19 552 430	17 650 720
1 to 2 years	8 357 774	8 482 488	8 357 774	8 482 488
2 to 5 years	11 842 571	12 151 295	11 842 571	12 151 295
Total deposits	153 300 207	144 557 312	153 304 465	144 559 015
Wholesale funding				
By maturity				
Within 1 month	3 927	4 595	3 927	4 595
1 to 3 months	526 520	63 698	526 520	63 698
3 months to 1 year	841 117	52 804	841 117	52 804
1 to 2 years	808 193	1 372 553	808 193	1 372 553
2 to 5 years	841 077	945 144	841 077	945 144
More than 5 years	—	—	—	—
Total wholesale funding	3 020 834	2 438 794	3 020 834	2 438 794
By nature				
Deposits				
Call accounts	92 298 718	86 407 689	91 902 976	86 409 392
Current accounts	10 276 556	10 342 712	10 676 556	10 342 712
Term and notice deposits	3 250 663	3 020 155	3 250 663	3 020 155
Foreign currency deposits	1 195 332	1 274 152	1 195 332	1 274 152
Fixed deposits	46 278 938	43 512 604	46 278 938	43 512 604
Total deposits	153 300 207	144 557 312	153 304 465	144 559 015
Wholesale funding				
Listed senior bonds[1]	2 766 277	2 008 902	2 766 277	2 008 902
Unlisted negotiable instruments	—	42 488	—	42 488
Other wholesale funding	254 557	387 404	254 557	387 404
Total wholesale funding	3 020 834	2 438 794	3 020 834	2 438 794
Total deposits and wholesale funding	156 321 041	146 996 106	156 325 299	146 997 809

[1] Comprises notes listed in terms of Capitec Bank's domestic medium-term note (DMTN) programme registered on the JSE's Debt Board.

16. Deposits and wholesale funding continued

Description	Nominal amount	Issue date	Term	Rate
2024				
Listed senior bonds				
Senior debt – listed bonds – floating rate[1]	**R500 million[2]**	**30 April 2019**	**5 years**	**3-month JIBAR plus 1.50%**
Senior debt – listed bonds – floating rate[1]	**R750 million**	**2 November 2021**	**3 years**	**3-month JIBAR plus 1.20%**
Senior debt – listed bonds – floating rate[1]	**R750 million**	**21 November 2022**	**3 years**	**3-month JIBAR plus 1.30%**
Senior debt – listed bonds – floating rate[1]	**R750 million**	**31 October 2023**	**3 years**	**3-month JIBAR plus 1.08%**
Unlisted negotiable instruments				
None	**—**	**—**	**—**	**—**
Other wholesale funding				
Bilateral loan – fixed rate	**R90 million**	**1 December 2004**	**20 years**	**Fixed rate of 11% nominal annual compounded monthly**
Call deposit – floating rate	**R28 million**	**26 January 2018**	**Call**	**Repo rate**
COVID-19 SME Loan Guarantee Scheme	**R620 million[3]**	**Various between 2020 – 2021**	**5 years**	**Repo rate**
2023				
Listed senior bonds				
Senior debt – listed bonds – floating rate[1]	R500 million[2]	30 April 2019	5 years	3-month JIBAR plus 1.50%
Senior debt – listed bonds – floating rate[1]	R750 million	2 November 2021	3 years	3-month JIBAR plus 1.20%
Senior debt – listed bonds – floating rate[1]	R750 million	21 November 2022	3 years	3-month JIBAR plus 1.30%
Unlisted negotiable instruments				
Negotiable certificate of deposit – fixed rate	R41 million	10 April 2018	5 years	5-year mid-swap plus 2.00%
Other wholesale funding				
Bilateral loan – fixed rate	R90 million	1 December 2004	20 years	Fixed rate of 11% nominal annual compounded monthly
Call deposit – floating rate	R28 million	26 January 2018	Call	Repo rate
COVID-19 SME Loan Guarantee Scheme	R620 million[3]	Various between 2020 – 2021	5 years	Repo rate

[1] Comprises notes listed in terms of Capitec Bank's DMTN programme registered on the JSE's Debt Board.
[2] Wholesale funding issued at variable rates is hedged through interest rate swap agreements as set out in note 41. The nominal value of hedged funding totalled R0.5 billion (2023: R0.5 billion) and consists of: Listed senior bonds: R0.5 billion (2023: R0.5 billion).
[3] Nominal amount at the grant date which will amortise over a period of 5 years.

	GROUP AND COMPANY	
R'000	Senior listed bonds	Total
2024		
Reconciliation of movements in cash flows arising from financing activities		
Opening balance as at 1 March 2023	**2 008 902**	**2 008 902**
Initiation fees	**(48)**	**(48)**
Issue of institutional bonds and other funding	**750 000**	**750 000**
Redemption of institutional bonds and other funding	**—**	**—**
Interest expense accrued	**209 658**	**209 658**
Swap interest accrued	**3 178**	**3 178**
Interest paid	**(205 412)**	**(205 412)**
Balance as at 29 February 2024	**2 766 278**	**2 766 278**
COVID-19 SME Loan Guarantee Scheme		**202 871**
Other funding (operating activities: unlisted negotiable instruments and other wholesale funding)		**51 685**
Total wholesale funding		**3 020 834**
2023		
Reconciliation of movements in cash flows arising from financing activities		
Opening balance as at 1 March 2022	1 254 438	1 254 438
Initiation fees	(266)	(266)
Issue of institutional bonds and other funding	750 000	750 000
Redemption of institutional bonds and other funding	—	—
Interest expense accrued	111 252	111 252
Swap interest accrued	(10 215)	(10 215)
Interest paid	(96 307)	(96 307)
Balance as at 28 February 2023	2 008 902	2 008 902
COVID-19 SME Loan Guarantee Scheme		332 760
Other funding (operating activities: unlisted negotiable instruments and other wholesale funding)		97 132
Total wholesale funding		2 438 794

Treatment of the COVID-19 SME Loan Guarantee Scheme

In terms of an arrangement facilitated by the Banking Association South Africa, between the SARB and participating banks in South Africa, the SARB committed to provide dedicated funding at the repo rate to the banks who elected to participate in the SME Loan Guarantee Scheme (the scheme). The group is a participant in the scheme.

In terms of the scheme, the group will utilise the dedicated funding obtained from the SARB to lend to qualifying SME clients at the prime interest rate (ring-fenced portfolio). The loans are repayable over 5 years. Banks are not permitted to profit from these loans and any surpluses generated will accrue to National Treasury. As part of the scheme, commercial banks are sharing in 6% of the risk of non-repayment if the advances in the portfolio were to default.

The loans granted under the scheme are recognised in loans and advances (note 7). The limited guarantee arrangement entered into with the SARB is viewed as a credit enhancement integral to the loans advanced, and the cost of the limited guarantee is adjusted to the effective interest rate of the loans advanced under the scheme.

Notes to the financial statements continued

Year ended 29 February 2024

17. Other liabilities

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Financial liabilities				
Trade payables	3 455 261	2 305 775	3 449 125	2 302 424
Dividends payable	254 830	2 263	254 830	2 263
Accruals	1 439 557	1 071 189	1 415 950	1 051 244
ECL for undrawn loan commitments[1]	81 463	120 878	81 463	120 878
Non-financial liabilities				
Bonus accruals	43 259	38 555	42 971	38 503
Share option liability (per note 39)	256 488	230 023	256 488	230 023
Share appreciation rights (SARs) (per note 40)	262 492	238 609	262 492	238 609
Restricted share plan (RSP) (per note 38.4)	128 869	169 636	128 682	169 636
Co-investment plan share option scheme (note 38.3)	29 041	13 360	29 041	13 360
Total other liabilities	5 951 260	4 190 288	5 921 042	4 166 940
Current portion	5 374 647	3 597 569	5 344 429	3 574 221
Non-current portion	576 613	592 719	576 613	592 719

[1] *For loan commitments, detailed in note 7, the loss allowance is recognised as a provision to the extent that the ECLs exceed the gross carrying amount of the loans at a client level.*

Other liabilities are measured at amortised cost.

18. Lease liabilities

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Lease liabilities	2 401 267	2 321 675	2 402 963	2 322 506
Total lease liabilities	2 401 267	2 321 675	2 402 963	2 322 506
Reconciliation of lease liabilities				
Balance at the beginning of the year	2 321 675	2 444 582	2 322 506	2 451 114
Additions	579 181	422 586	579 180	415 944
Terminations and lease modifications	(97 128)	(175 412)	(97 128)	(175 377)
Interest	214 735	202 320	214 327	201 933
Lease payments	(617 196)	(572 401)	(615 922)	(571 108)
Balance at the end of the year	2 401 267	2 321 675	2 402 963	2 322 506
Maturity analysis – contractual undiscounted cash flows				
Less than 1 year	608 330	575 473	613 166	580 402
1 to 5 years	1 954 801	1 844 763	1 950 972	1 839 815
More than 5 years	825 705	857 985	825 705	857 752
Total undiscounted lease liabilities at year-end	3 388 836	3 278 221	3 389 843	3 277 969
Lease liabilities included in the statement of financial position at year-end				
Current portion	291 308	293 949	290 269	293 067
Non-current portion	2 109 959	2 027 726	2 112 694	2 029 439
Amounts recognised in profit or loss				
Interest on lease liability	214 735	202 320	214 327	201 933
Expense relating to short-term leases	394	933	394	933
Sublease rental income	2 272	1 623	2 272	1 623
Rental refunds	390	—	390	—
Amounts recognised in the statement of cash flows				
Total cash flow for leases	617 196	572 401	615 922	571 108
Portion included in operating activities	212 230	203 560	211 820	203 112
Portion included in financing activities	404 966	368 841	404 102	367 996

Accounting policies

The group enters into leases for branches, off-site ATM locations, office space and storage facilities. Other leases are short-term or leases of low-value items.

A lease liability is initially measured at the present value of the remaining lease payments on the commencement date, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be determined, the lessee uses the lessee's incremental borrowing rate.

The incremental borrowing rate on a portfolio is used as a specific rate for a single lease asset does not materially differ from the rate obtained on a portfolio basis. The rate is based on the 3-month swap curve and the basis for this curve is the 3-month Johannesburg Interbank Average Rate (JIBAR). The term structures of base rates and spreads are solved to a single rate for each lease maturity, to take into account the fixed-rate nature of the incremental borrowing rates in IFRS 16. Inputs considered include a Capitec-specific margin, aligning the maturities of our bonds in issue to the cash flows of the lease portfolio, adjusting the curve to reflect a secured lending rate and updating the convention of the curve to a monthly convention.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

Lease payments included in the measurement of the lease liability comprise the following: fixed payments; variable lease payments that depend on an index or a rate; amounts payable under a residual value guarantee; and the exercise price under a purchase option that the group is certain to exercise.

Rental agreements are typically for fixed periods of 5 years but may include extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The majority of the premises leases include an option to renew the lease for an additional period of the same duration after the end of the agreement term. The group includes extension options when determining the lease term as branches are a strategic part of the business.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases – extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of branches, the following factors are the most relevant:

- Where there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The assessment is reviewed if a significant event or a significant change in circumstances that is within the control of the group occurs.

Short-term and low-value leases

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term shorter than 12 months and leases of low-value assets.

Low-value assets comprise IT equipment.

The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

19. Employee benefit liabilities

R'000	GROUP Performance incentive scheme	Post-retirement medical benefits	Total
2024			
Balance at the beginning of the year	**3 472**	**11 235**	**14 707**
Additions	**—**	**1 068**	**1 068**
Used during the year	**(2 691)**	**(714)**	**(3 405)**
Balance at the end of the year	**781**	**11 589**	**12 370**
2023			
Balance at the beginning of the year	197 236	14 908	212 144
Additions	4 394	1 373	5 767
Used during the year	(198 158)	(5 046)	(203 204)
Balance at the end of the year	3 472	11 235	14 707

R'000	2024	2023
Non-current portion	**12 370**	14 707

R'000	COMPANY Performance incentive scheme	Post-retirement medical benefits	Total
2024			
Balance at the beginning of the year	3 471	11 235	14 706
Additions	—	1 068	1 068
Used during the year	(2 690)	(714)	(3 404)
Balance at the end of the year	781	11 589	12 370
2023			
Balance at the beginning of the year	197 236	14 908	212 144
Additions	4 394	1 373	5 767
Used during the year	(198 159)	(5 046)	(203 205)
Balance at the end of the year	3 471	11 235	14 706

R'000	2024	2023
Non-current portion	12 370	14 706

Accounting policies

Performance incentive scheme

The group operates a performance incentive scheme for senior and other employees who are seen to be in leadership roles critical to the current and future success of the group's business.

Senior management qualifies for a cash-settled performance bonus scheme. The scheme rewards senior managers based on the growth in headline earnings and, in order to foster a long-term approach by management, the bonus vests over a 3-year period. Senior management have the election to receive their bonus in the form of shares (disclosure of this option is included in note 38.4) or cash.

The performance incentive scheme included in employee benefit liabilities represents the cash election. The current portion of the performance bonuses to be paid in the 2025 financial year are included in accruals. Refer to note 17. The balance above represents the non-current portion.

The amount recognised as a liability is the present value of the obligation at the end of the reporting period.

The rate used to discount the obligation is determined by reference to market yields on government bonds at the end of the reporting period. The currency and term of the bonds are consistent with the currency and term of the obligation.

The employee service cost is recognised in the income statement as the obligation arises. The cash flows relating to the performance incentive schemes are included in cash flows from operations.

Post-retirement medical benefits

The group provides for post-retirement medical benefits to certain retired employees. These benefits are only applicable to employees who were members of the Mercantile Bank Limited medical aid scheme prior to May 2000, who elected to retain benefits in 2005, and are based on these employees remaining in service up to retirement age.

The costs of the defined benefit plan are assessed using the projected unit credit method. Under this method, the current service costs of providing post-retirement medical benefits are recognised in profit or loss.

The effect of settlements on the liability is recognised in profit or loss and any remeasurement of the defined benefit liability (which includes actuarial gains and losses) is recognised in other comprehensive income. The net post-retirement liability recognised in the consolidated statement of financial position reflects the full value of the plan deficit. The liability is non-current. The cash flows relating to settlement of the liability are included in cash flows from operations.

The scheme is valued annually and was last valued by an independent actuary on 29 February 2024. It is the actuary's opinion that the plan is in a sound financial position.

A reconciliation of the opening to closing balance of the post-retirement medical benefits, cash flow, income statement and other comprehensive income impacts, as well as the principal actuarial assumptions used in determining the defined benefit value, is detailed below.

R'000	GROUP AND COMPANY 2024	2023
Present value of total service liabilities	**11 589**	11 235
Liability in the statement of financial position	**11 589**	11 235
The amounts recognised in the statements of other comprehensive income are as follows:		
Net interest cost	**1 062**	1 366
Employee cost	**(1 532)**	(1 813)
Current service cost	**6**	7
Employer benefits payments	**(1 538)**	(1 820)
Total included in other comprehensive income	**(470)**	(447)
The amounts recognised in the statements of other comprehensive income are as follows:		
Remeasurement of defined benefit obligation	**824**	(3 226)
Total included in other comprehensive income	**824**	(3 226)
Reconciliation of the movement in the present value of total service liabilities:		
Balance at the beginning of the year	**11 235**	14 908
Current service cost	**6**	7
Interest costs	**1 062**	1 366
Remeasurement of defined benefit obligation	**824**	(3 226)
Employer benefits payments	**(1 538)**	(1 820)
Balance at the end of the year	**11 589**	11 235
The principal actuarial assumptions used were as follows:		
Discount rate (%)	**10.2**	10.2
Rate of medical inflation (%)	**6.5**	6.6
Salary inflation (%)	**6.0**	6.1

19. Employee benefit liabilities continued

Accounting policies continued

Post-retirement medical benefits continued

The effect of a 1% increase/decrease on the assumed rate of medical inflation would be an increase in the liability in the amount of R0.7 million (2023: R0.7 million) or a decrease of R0.6 million (2023: R0.6 million).

20. Group loans payable

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Loan owing to fellow group subsidiary	2 586	—	2 586	—
Total group loan payable	**2 586**	—	**2 586**	—
Current	**2 586**	—	**2 586**	—

Accounting policies

All loans to group companies bear interest as agreed by the parties from time to time and have no fixed repayment terms, unless otherwise stated, in which case they are viewed to be repayable on demand.

21. Share capital and premium

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Number of authorised shares				
Ordinary shares[(1)]				
500 000 000 shares of R0.01 each	5 000	5 000	5 000	5 000
Non-redeemable, non-cumulative and non-participating preference shares				
100 000 000 shares of R0.01 each	1 000	1 000	1 000	1 000
Loss-absorbent preference shares (conversion)				
100 000 000 shares of R0.01 each	1 000	1 000	1 000	1 000
Loss-absorbent preference shares (write-off)				
100 000 000 shares of R0.01 each	1 000	1 000	1 000	1 000
Issued share capital – R'000[(2)]				
1 300 000 (2023: 1 300 000) shares of R0.01 each at par	13	13	13	13
Share premium	6 105 968	6 105 968	6 105 968	6 105 968
Ordinary share capital and premium	**6 105 981**	6 105 981	**6 105 981**	6 105 981
479 255 (2023: 542 013) shares of R0.01 each at par	5	5	5	5
Share premium	43 255	48 919	43 255	48 919
Preference share capital and premium – non-redeemable, non-cumulative, non-participating[(3)]	**43 260**	48 924	**43 260**	48 924
Total issued share capital and premium[(3)]	**6 149 241**	6 154 905	**6 149 241**	6 154 905

(1) At the AGM held on 26 May 2023, the shareholder authorised that all unissued shares in the authorised share capital of the company be placed under the control of the directors until the next AGM.

(2) All issued ordinary and preference shares are fully paid up. No ordinary shares were cancelled in the current or prior year. 62 758 (2023: 24 851) preference shares with an original value of R5.7 million (par and premium) (2023: R2.2 million) were repurchased and cancelled during the year. The preference shares have been repurchased over a number of years due to the Basel III phase-out of qualifying preference share capital. From 1 January 2022, none of the preference share capital qualifies for regulatory purposes in accordance with the Basel III phase-out timeline. The average price paid was R101.36 (2023: R102.31) per share.

(3) The preference shares carry a coupon rate of 83.33% (2023: 83.33%) of the prime rate on a face value of R100 per share. At year-end, 83.3% (2023: 81.11%) of these shares had been repurchased. The cost price paid for the repurchase of the preference shares amounted to R6.4 million (2023: R2.5 million).

Accounting policies

Categories of share capital

Authorised share capital consists of:

- ordinary shares
- non-redeemable, non-cumulative and non-participating preference shares
- convertible or written off, loss-absorbent preference shares.

Share issue cost

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Preference shares

As the preference shares are non-redeemable, non-cumulative and non-participating, they are included in equity.

22. Reserves

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Cash flow hedge reserve				
Balance at the beginning of the year	1 544	(12 405)	1 544	(12 405)
Amount recognised in other comprehensive income during the year	1 781	9 129	1 781	9 129
Amount reclassified from other comprehensive income to profit or loss for the year (other reserves)	(3 178)	10 215	(3 178)	10 215
	147	6 939	147	6 939
Deferred tax recognised in other comprehensive income during the year	377	(5 395)	377	(5 395)
Balance at the end of the year[(1)]	**524**	1 544	**524**	1 544
Other reserves[(2)]				
Balance at the beginning of the year	(25 371)	(28 625)	(25 779)	(29 033)
Amount recognised in other comprehensive income during the year	7 711	4 427	7 711	4 427
Employee benefits reserve	(824)	3 226	(824)	3 226
Other reserves	8 535	1 201	8 535	1 201
Amount reclassified from other comprehensive income to profit or loss for the year (other reserves)	—	—	—	—
	(17 660)	(24 198)	(18 068)	(24 606)
Deferred tax recognised in other comprehensive income during the year	(1)	(1 173)	(1)	(1 173)
Balance at the end of the year	**(17 661)**	(25 371)	**(18 069)**	(25 779)
Share option reserve[(3)]				
Balance at the beginning of the year	23 831	23 831	23 831	23 831
Amount recognised directly in equity	—	—	—	—
Balance at the end of the year	**23 831**	23 831	**23 831**	23 831

(1) The cash flow hedge reserve is released to the income statement on realisation of the interest expense on the hedged items. The hedged items are detailed in note 16 and comprise variable-rate bonds. Refer to note 41 for additional disclosure relating to the hedging instruments.

(2) The other reserves include the employee benefit reserve and a reserve relating to an equity investment.

(3) The details of the Izindaba Ezinhle Employee Share Scheme and co-investment plan SARs scheme are set out in notes 38.2 and 38.3 to the financial statements.

Notes to the financial statements continued
Year ended 29 February 2024

23. Interest and similar income

23.1 Interest income calculated using the effective interest rate

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Interest income				
Loans and advances	**17 695 807**	15 320 073	**17 437 853**	15 134 323
Loan origination fees	**493 153**	478 982	**493 154**	478 982
Term deposit investments[1]	**176 987**	191 998	**176 987**	191 998
Bank balances[1]	**315 730**	272 499	**315 730**	272 499
Resale agreements	**261 196**	328 846	**261 196**	328 846
SARB settlement balances[2]	**168 526**	86 736	**168 526**	86 736
Government bonds[2]	**1 201 149**	1 110 339	**1 201 149**	1 110 339
Treasury bills[2]	**4 794 292**	2 928 358	**4 794 292**	2 928 358
Other[2]	**3 839**	64 771	**144 735**	156 717
Total interest income calculated using the effective interest rate	**25 110 679**	20 782 602	**24 993 622**	20 688 798

[1] *In the prior year, interest income on money market investments and term deposits was disclosed as a single line item amounting to R464 million. The portion relating to money market investments (included in cash and cash equivalents) amounting to R272 million has been reallocated to interest income earned on bank balances as they have a maturity of less than 3 months, are highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.*

[2] *Previously, interest income derived from interest-bearing instruments, included in total interest income calculated using the effective rate, was disclosed as a single line item within the note. It has since been further disaggregated given its materiality to separately disclose interest from SARB settlement balances, government bonds, treasury bills and other financial instruments. Prior year figures have been updated for comparability.*

Accounting policies

Interest income on instruments measured at amortised cost

Interest income is recognised in the income statement for all instruments measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The original effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the original effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options). The calculation includes all fees paid or received between parties to the agreement that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss, which is the effective interest rate calculated at origination of the financial asset measured at amortised cost.

Loan origination fees that relate to the creation of a financial asset are amortised over the expected term of the loan on an effective interest rate basis and included in interest income.

23.2 Interest income from financial assets at FVTPL

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Financial assets at FVTPL	**668 700**	408 867	**668 700**	408 867

Accounting policies

Interest income on instruments measured at FVTPL

Interest income on investments at FVTPL is determined based on the movement in the fair value of the investment for the accounting period.

23.3 Interest expense

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Interest expense				
Call and current accounts	**(4 808 087)**	(3 591 894)	**(4 808 087)**	(3 591 894)
Notice, term, foreign and fixed deposits	**(4 018 935)**	(3 046 488)	**(4 018 935)**	(3 046 488)
Listed senior bonds	**(210 258)**	(111 614)	**(210 258)**	(111 614)
Unlisted negotiable instruments	**(430)**	(7 788)	**(430)**	(7 788)
Interest (IFRS 16 *Leases*)	**(214 735)**	(202 320)	**(214 327)**	(201 933)
Other	**(90 981)**	(34 010)	**(91 315)**	(33 929)
Total interest expense	**(9 343 426)**	(6 994 114)	**(9 343 352)**	(6 993 646)

Accounting policies

Interest expense on instruments measured at amortised cost

Interest expense is recognised in the income statement for all instruments measured at amortised cost using the effective interest rate method. Interest expense is recognised separately from other fair value movements.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The original effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial liability. When calculating the original effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options). The calculation includes all fees paid or received between parties to the agreement that are an integral part of the effective interest rate.

24. Net loan fee income

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Loan fee income[1]				
Monthly service fee	**1 219 308**	1 087 787	**1 219 308**	1 087 787
Loan fee expense[1]				
Credit life insurance claims paid for loans issued prior to May 2016	**(11 140)**	(9 094)	**(11 140)**	(9 094)
Total net loan fee income	**1 208 168**	1 078 693	**1 208 168**	1 078 693

[1] *Loan fee income and expense were previously disclosed as part of net lending and investment income. Management considers it more appropriate to separately disclose loan fee income and loan fee expense following the changes in presentation of the face of the consolidated income statement. Comparatives have been updated for this change in presentation only. Comparatives previously reported have not changed.*

Accounting policies

Service-related loan fee income is recognised when the services are provided.
Loan fee expenses comprise credit life insurance claims paid and are recognised when the claims are paid.

Notes to the financial statements continued
Year ended 29 February 2024

25. Net transaction and commission income

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Transaction fee and commission income[1]				
Branch, cash and self-service transactions	**7 506 528**	6 734 198	**7 506 530**	6 734 198
Digital transactions	**3 591 256**	2 250 642	**3 591 232**	2 250 578
Monthly fees, debit orders and other transactions	**4 621 117**	3 809 489	**4 617 257**	3 804 873
POS transactions	**2 629 640**	2 098 952	**2 630 323**	2 099 598
Commission income	**2 507 365**	1 668 468	**2 507 365**	1 668 468
Total transaction fee and commission income	**20 855 906**	16 561 749	**20 852 707**	16 557 715
Transaction fee and commission expense[1]				
Branch, cash and self-service transactions	**(3 156 231)**	(2 859 518)	**(3 262 493)**	(2 859 518)
Digital transactions	**(551 298)**	(315 073)	**(445 036)**	(315 073)
Monthly fees, debit orders and other transactions	**(1 361 151)**	(1 201 469)	**(1 361 151)**	(1 201 469)
POS transactions	**(930 248)**	(673 824)	**(930 248)**	(673 824)
Commission expense	**(69 851)**	(50 754)	**(69 851)**	(50 754)
Total transaction fee and commission expense	**(6 068 779)**	(5 100 638)	**(6 068 779)**	(5 100 638)
Net transaction and commission income	**14 787 127**	11 461 111	**14 783 928**	11 457 077

[1] *Transaction fee and commission income and expense were previously disclosed as part of net lending, investment, transaction fee and commission income. Management considers it more appropriate to separately disclose transaction fee and commission income and expense following the changes in presentation on the face of the consolidated income statement. No changes have been made to comparatives.*

Accounting policies

Transaction income and expenses are recognised when the performance obligations are met at a point in time. Card commission income and expenses and POS transactions are from the group's ATM and card machine networks. Branch, cash and self-service transaction income, digital transaction income and related expenses arise due to the group's branch network and various electronic banking channels that the group has, namely the banking app, USSD and internet banking platform. Transaction income also includes monthly fees and fees on debit orders and other transactions.

Transaction fee income and commission income are based on a single performance obligation per transaction and therefore no significant judgements are made when allocating the transaction price to performance obligations.

Transaction fee and commission expenses are incremental and directly attributable to the generation of transaction fee and commission income.

Commission income

The group is entitled to commission income for providing the service of arranging for other parties to transfer services to its clients. The group is an agent as its performance obligation is to arrange for the provision of the specified service by another party. The group does not control the specified service provided by another party before that service is transferred to the client. When (or as) the group as an agent satisfies a performance obligation, revenue is recognised in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified services to be provided by the other party. The group's commission might be the net amount of consideration that is retained after paying the other party the consideration received in exchange for the services to be provided by that party. The revenue is recognised at a point in time and includes commission income from the sale of prepaid mobile network services, electricity, national lottery tickets, vouchers and enabling clients to pay bills on the banking application.

Commission expenses

Commission expenses are incremental and directly attributable to the generation of commission income. Commission expenses include service fees which are recognised as an expense when the services are received.

Live Better rewards programme

Expenses related to the Capitec Live Better rewards programme are included within monthly fees, debit orders and other transactions. The details of these are as follows:

Bank Better rewards

The cash back payable to clients as Bank Better rewards on the 10th of every month represents a contractual obligation to deliver cash to clients and is therefore defined as a financial liability in terms of IAS 32 *Financial Instruments: Presentation.* An accrued liability is raised for the obligation with the contra entry being a transaction fee expense in the income statement which is recognised when the cash back is granted to clients.

The financial liability is subsequently measured at amortised cost in terms of IFRS 9 *Financial Instruments*, but as the cash back already represents the future value as it is immediately due, no adjustments in terms of the effective interest method are deemed necessary. Paragraph 47 of IFRS 13 *Fair Value Measurement* states that the fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Spend Better partners

The agreement that the group has with the benefits partners for the partner-funded cash back stipulates that the benefits partners will reimburse the group for the funded payment of the cash back into clients' Live Better accounts. Therefore, the cash back payable to clients by the benefits partners represents a contractual right for the group to receive cash from the benefits partners as a reimbursement and is therefore defined as a financial asset in terms of IAS 32 *Financial Instruments: Presentation*. The contractual obligation of the group to deliver cash to clients' Live Better savings accounts is defined as a financial liability in terms of IAS 32 *Financial Instruments: Presentation* as mentioned above.

Save Better tools

Round-up

The Round-up amounts from qualifying transactions are transferred to clients' Live Better savings accounts when each transaction clears.

Interest Sweep

The monthly interest clients earn on their main transactional savings account balance is transferred to their Live Better savings account at the end of each month.

The Round-up and Interest Sweep amounts from qualifying transactions that are transferred to clients' Live Better savings accounts when each transaction clears merely represent transfers between clients' main transactional accounts into their Live Better savings accounts. Transactional account balances and Live Better savings account balances of clients are accounted for as deposits (financial liabilities) in terms of IAS 32 *Financial Instruments: Presentation* in the statement of financial position.

Capitec Connect

Capitec is a mobile virtual network operator using the mobile network infrastructure of Cell C. The Capitec Connect client offering enables clients to subscribe for mobile network services, namely prepaid airtime, minutes, data and SMSes on the Capitec banking application. In terms of the client offering, clients with a Capitec GlobalOne transaction account are able to become a Capitec Connect subscriber by connecting to the mobile virtual network through purchasing a SIM card from Capitec that has been provisioned and activated on the mobile network.

Capitec is acting as the principal as Capitec is primarily responsible for fulfilling the promise to provide the mobile network services. There is no contractual relationship between Cell C as the mobile network operator and the subscribers, therefore Cell C is providing the mobile network services on Capitec's behalf. Capitec has discretion in establishing the price for the SIM cards and mobile network services.

Notes to the financial statements continued

Year ended 29 February 2024

25. Net transaction and commission income continued

Capitec Connect continued

When (or as) Capitec as a principal satisfies a performance obligation, the revenue is recognised in the gross amount of consideration to which it expects to be entitled in exchange for the SIM cards and mobile network services.

SIM cards

A SIM card fee, determined by Capitec, is deducted from the client's main transactional savings account when the client becomes a Capitec Connect subscriber. The SIM cards are distinct goods and represent a single performance obligation in terms of IFRS 15 *Revenue from Contracts with Customers*.

The group satisfies the performance obligation at a point in time and recognises revenue when it satisfies the performance obligation by transferring the promised SIM card to a subscriber.

The cost of SIM cards is recognised in the statement of financial position until the cards are issued to clients. The costs of the purchase of SIM cards comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the group from the South African Revenue Service (SARS) and transport, handling and other costs directly attributable to the acquisition of the SIM cards, materials and services. Trade discounts, rebates and other similar items will be deducted in determining the costs of purchase.

Initial fees payable to Cell C per subscriber are recognised as an expense as incurred as the fee is not explicitly chargeable to the subscriber.

When the SIM cards are sold, the cost of those SIM cards is recognised as an expense in the period in which the related revenue is recognised.

Mobile network services

The Capitec Connect mobile network services (prepaid airtime, minutes, data and SMSes) are considered separate performance obligations.

Management considers the terms of the agreement and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which Capitec expects to be entitled to in exchange for transferring the mobile network services to a subscriber, excluding amounts collected on behalf of third parties (for example, value-added tax).

A contract liability is recognised as the group's obligation to transfer the network services to a subscriber for which the group has received consideration (or an amount of consideration is due) from the client. The contract liability is recognised as a trade payable and presented as part of other liabilities.

The group transfers control of the mobile network services over time and therefore satisfies a performance obligation and recognises revenue over time, as clients simultaneously receive and consume the benefits provided by the group's performance as the group performs.

The group therefore recognises revenue from the services as they are provided. Revenue is recognised based on actual units of mobile network services provided during the reporting period as a proportion of the total units of network services to be provided and is accounted for in transaction fee and commission income in profit or loss.

Usage fees are payable by Capitec to Cell C for the usage or consumption of the bearers on the Cell C network by Capitec's clients. Usage fees are recognised as a financial liability in terms of IAS 32 *Financial Instruments: Presentation* as subscribers use or consume the bearers on the Cell C network with the contra entry being recognised in transaction fee and commission expense.

Monthly general and administrative costs payable to Cell C for subscribers are recognised as expenses when incurred in terms of paragraph 98 of IFRS 15 *Revenue from Contracts with Customers*. Management cannot distinguish whether the administration fees relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations) and will therefore recognise these fees as an transaction fee and commission expense when incurred.

26. Net foreign currency income

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Foreign currency income	**514 554**	494 778	**514 554**	494 778
Foreign currency expense	**(354 041)**	(332 348)	**(354 041)**	(332 348)
Net foreign currency income	**160 513**	162 430	**160 513**	162 430

Accounting policies

Foreign currency income arises from exchange gains and losses, or remeasurement to fair value at each reporting date, of foreign exchange contracts and foreign currency swaps.

Foreign currency expense comprises commission paid to intermediaries on foreign currency exchange gains.

27. Credit impairments

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Bad debts written off	**9 329 727**	6 627 491	**9 284 464**	6 583 923
Movement in provision for credit impairments	**(3 445)**	409 348	**(69 471)**	375 487
Gross credit impairment charge	**9 326 282**	7 036 839	**9 214 993**	6 959 410
Bad debts recovered	**(600 948)**	(707 454)	**(599 482)**	(704 900)
Net credit impairment charge	**8 725 334**	6 329 385	**8 615 511**	6 254 510

Accounting policies

Credit impairments are recognised in the income statement as per IFRS 9's requirements for recognising ECL.

The gross credit impairment charge is split between the gross value of loans written during the year (including the gross reduction in balance owed as a result of loan modifications) and the movement in the provision for credit impairments (ECL). For detail on the write-off point and loan modifications, refer to note 7.

The movement in provision for credit impairments comprises all elements in the movement in provision for ECL as disclosed in note 7 other than the ECL raised directly against the interest received for loans in stage 3. It also includes the ECL raised directly in other liabilities for undrawn loan commitments where the ECL exceeds the gross carrying amount of the loans at a client level. As such, it includes the new ECL raised as well as the ECL released on loans settled and written off during the year.

The table below shows the interest accrued on stage 3 loans and advances as well as the ECL raised directly to other liabilities.

	GROUP AND COMPANY	
R'000	2024	2023
Stage 3 interest write-off	**(2 741 386)**	(1 795 087)
Movement in excess ECL on undrawn commitments	**(39 415)**	120 878

Included in bad debts recovered are recoveries of R274 million (2023: R305 million) on loans and advances written off after 1 March 2018 under the IFRS 9 write-off policy.

Notes to the financial statements continued

Year ended 29 February 2024

28. Operating expenses

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
The following items are included in operating profit before tax:				
Loss on disposal of property and equipment	**22 286**	6 828	**22 288**	6 881
Loss on disposal of intangible assets	**—**	243	**—**	243
Depreciation on property and equipment	**762 903**	635 345	**761 002**	633 345
Depreciation charge on right-of-use assets – premises	**451 161**	377 012	**450 655**	376 865
Amortisation of intangible assets	**150 331**	140 911	**150 331**	140 828
Advertising and marketing expenses	**320 207**	267 755	**278 693**	240 559
Bank charges and cash handling fees	**283 191**	345 050	**279 837**	345 001
Consumables	**401 938**	358 038	**401 783**	357 940
Communication expenses	**181 854**	181 193	**181 801**	180 885
Security and cash-in-transit fees	**614 887**	557 193	**614 909**	557 191
IT expenses[1]	**1 859 936**	1 476 354	**1 859 631**	1 475 741
Auditors' remuneration				
Audit fees – current year[2]	**38 374**	37 062	**37 704**	36 462
Audit fees – prior year[2]	**3 155**	2 818	**3 155**	2 818
Other services	**413**	6 692	**413**	6 692
Total auditors' remuneration	**41 942**	46 572	**41 272**	45 972
Employee costs				
Salaries and bonus costs	**6 761 474**	5 881 219	**6 728 621**	5 850 188
Cash-settled share-based payment				
Cash-settled share-based payment	**208 188**	192 707	**208 002**	194 315
Cash-settled SARs (per note 38.1)	**118 450**	25 791	**118 450**	27 399
Training cost	**74 545**	75 765	**74 611**	75 775
Training refund	**(27 219)**	(22 675)	**(27 219)**	(22 675)
Total employee costs	**7 135 438**	6 152 807	**7 102 465**	6 125 002

[1] *Prior year IT expenses have been amended to include outsourced resources which were previously included in other operating expenses.*
[2] *Included in the current year audit fee are disbursements and work required by regulations.*

Accounting policies

Operating expenses are classified by nature and measured using the accrual principle.

29. Income tax expense

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Current tax	**2 962 337**	2 193 824	**2 962 835**	2 193 597
Current year	**2 944 902**	2 087 068	**2 945 400**	2 086 841
Adjustment for prior years	**17 435**	106 756	**17 435**	106 756
Deferred tax	**(144 705)**	302 757	**(144 569)**	303 168
Current year	**(147 924)**	407 557	**(147 788)**	407 968
Adjustment for prior years	**3 219**	(104 800)	**3 219**	(104 800)
Tax rate change	**—**	—	**—**	—
Income tax expense	**2 817 632**	2 496 581	**2 818 266**	2 496 765
Effective tax rate (%)	**27**	28	**27**	28
The tax on the profit before tax differs from the theoretical amount that would arise using the basic normal company tax rate as follows:				
Operating profit before tax	**10 328 668**	8 847 757	**10 319 697**	8 819 603
Tax calculated at a tax rate of 27% (2023: 28%)	**2 788 740**	2 477 372	**2 786 318**	2 469 489
Adjustments for prior years	**20 654**	1 956	**20 654**	1 956
Income not subject to tax	**(14 673)**	(8 504)	**(253)**	(551)
Expenses not deductible for tax purposes	**43 516**	4 150	**32 151**	4 150
Allowances not in income statement	**(20 605)**	(25 710)	**(20 604)**	(25 711)
Tax rate change in future value on deferred tax asset	**—**	47 317	**—**	47 432
Income tax expense	**2 817 632**	2 496 581	**2 818 266**	2 496 765

The adjustment regarding allowances not in the income statement relates to learnership agreements as per section 12H of the Income Tax Act, Act 58 of 1962 (Income Tax Act).

Accounting policies

Income tax payable on profits, based on the applicable tax law, is recognised as an expense in the period in which profits arise. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Current and deferred tax are recognised in profit or loss, except to the extent that they relate to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The group recognises liabilities for uncertain tax positions in accordance with the criteria defined within IAS 12 *Income Taxes* and IFRIC 23 *Uncertainty over Income Tax Treatments*, based on objective estimates of the amount of tax that may be due, which is calculated, where relevant, with reference to expert advice received. Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability. The group recognises probable liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax in the period in which such determination is made.

30. Dividends declared

The company declared the following dividends for the current and previous financial years:

R'000	Rand	Declared	Last day of trade	Date paid
2024				
Interim ordinary dividend	**876 328**	**28 Sep 2023**	**17 Oct 2023**	**23 Oct 2023**
Final ordinary dividend	**3 883 540**	**22 Apr 2024**	**14 May 2024**	**20 May 2024**
Ordinary dividend[(1)]	**550 000**	**27 Sep 2023**	**—**	**See footnote 1**
Interim preference dividend	**2 423**	**31 Aug 2023**	**19 Sep 2023**	**26 Sep 2023**
Final preference dividend	**2 340**	**29 Feb 2024**	**18 Mar 2024**	**25 Mar 2024**
2023				
Interim ordinary dividend	813 398	28 Sep 2022	18 Oct 2022	24 Oct 2022
Final ordinary dividend	1 800 796	18 Apr 2023	9 May 2023	15 May 2023
Ordinary dividend	200 000	18 Apr 2023	—	26 Apr 2023
Interim preference dividend	1 922	31 Aug 2022	20 Sep 2022	26 Sep 2022
Final preference dividend	2 263	28 Feb 2023	14 Mar 2023	15 Mar 2023

(1) The current year ordinary dividend comprises the dividend declared to purchase Avafin, payment has been effected in tranches and will be concluded in the next financial year. Tranche 1 totalling R198 million was paid on the 20 October 2023. Tranche 2 totalling R98 million was paid on the 27 November 2023. The prior year comprises the dividend declared to capitalise Capitec Life, a fellow subsidiary of the group.

Accounting policies

Dividends on ordinary shares and preference shares that are classified as equity are recognised in equity in the period in which they have been approved by the group's directors. Dividends for the year that are declared after the statement of financial position date are dealt with in the directors' report.

31. Segment information

Operating segments are identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision-maker (CODM) in order to allocate resources to the segments and to assess their performance. The group executive committee (EXCO), headed by the CEO, has been identified as the CODM, which is responsible for assessing the performance of and allocating resources to the segments.

The CODM identified 2 operating segments within the South African economic environment for 2024 – Retail bank and Business bank. The business is widely distributed with no reliance on any major clients. In addition, no client accounts for more than 10% of revenue. Operating segments are aggregated based on quantitative or qualitative significance.

The CODM regularly reviews the operating results of the Retail bank and Business bank for which discrete financial information is made available on a monthly basis and against which performance is measured and resources are allocated across the segments.

Within the segments are a number of products and services from which the group derives its revenue. These include:

Retail bank

- Transactional banking services
- Loan products that are granted to Retail bank clients. There are 3 different loan products granted, namely term loans, credit cards and access facilities
- Flexible, fixed and tax-free savings
- Value-added services including enabling clients to purchase prepaid mobile network services, electricity, national lottery tickets and vouchers and the ability to pay bills on the banking application
- Capitec Connect, a mobile virtual network operator using the mobile network infrastructure of Cell C, offering its own products and services.

Business bank

- Loan products that are granted to Business bank clients. There are 5 different loan products granted, namely term loans, mortgage loans, overdrafts, instalment sales and leases and credit cards
- Call and notice deposits
- Treasury products that comprise foreign exchange spot trades and foreign exchange forward contracts.

The revenue from external parties and all other items of income, expenses, profits and losses reported in the segment report are measured in a manner consistent with that in the income statement. The fees from external clients for each major group of products and services are disclosed in notes 23 to 26.

	GROUP					
	2024			2023		
R'000	Retail bank	Business bank	Total	Retail bank	Business bank	Total
Interest and similar income						
Interest income	**23 693 368**	**2 653 724**	**25 779 379**	19 821 210	1 818 945	21 191 469
Interest income on lending calculated using the effective interest rate	**16 071 354**	**2 117 607**	**18 188 961**	13 973 209	1 416 980	15 390 189
Interest income on investments calculated using the effective interest rate[(1)]	**6 953 314**	**536 117**	**6 921 718**	5 439 134	401 965	5 392 413
Interest income on financial assets	**668 700**	**—**	**668 700**	408 867	—	408 867
Interest expense[(1)(2)]	**(8 752 820)**	**(1 158 319)**	**(9 343 426)**	(6 622 095)	(820 705)	(6 994 114)
Net interest income	**14 940 548**	**1 495 405**	**16 435 953**	13 199 115	998 240	14 197 355
Credit impairments	**(8 402 977)**	**(322 357)**	**(8 725 334)**	(6 121 716)	(207 669)	(6 329 385)
Net interest income after credit impairments	**6 537 571**	**1 173 048**	**7 710 619**	7 077 399	790 571	7 867 970
Non-interest income						
Loan fee income	**1 218 637**	**671**	**1 219 308**	1 083 119	4 668	1 087 787
Loan fee expense	**(11 120)**	**(20)**	**(11 140)**	(9 484)	390	(9 094)
Net loan fee income	**1 207 517**	**651**	**1 208 168**	1 073 635	5 058	1 078 693

*Refer to the footnotes on **page 137**.*

Notes to the financial statements continued

Year ended 29 February 2024

31. Segment information continued

R'000	GROUP 2024 Retail bank	Business bank	Total	2023 Retail bank	Business bank	Total
Transaction fee and commission income	**19 356 790**	**1 573 479**	**20 855 906**	15 235 116	1 442 150	16 561 749
Branch, cash and self-service transactions	**7 490 331**	**16 197**	**7 506 528**	6 722 812	11 386	6 734 198
Digital transactions	**3 504 842**	**86 414**	**3 591 256**	2 183 933	66 709	2 250 642
Monthly fees, debit orders and other transactions[1]	**4 056 780**	**578 713**	**4 621 117**	3 388 093	481 498	3 809 489
POS transactions[1]	**2 541 986**	**147 641**	**2 629 640**	2 005 275	149 092	2 098 952
Commission income	**1 762 851**	**744 514**	**2 507 365**	935 003	733 465	1 668 468
Transaction fee and commission expense	**(5 410 615)**	**(718 151)**	**(6 068 779)**	(4 508 724)	(647 329)	(5 100 638)
Branch, cash and self-service transactions	**(3 155 560)**	**(671)**	**(3 156 231)**	(2 859 030)	(488)	(2 859 518)
Digital transactions	**(521 593)**	**(29 705)**	**(551 298)**	(286 284)	(28 789)	(315 073)
Monthly fees, debit orders and other transactions	**(1 059 457)**	**(301 694)**	**(1 361 151)**	(936 109)	(265 360)	(1 201 469)
POS transactions[1]	**(604 154)**	**(386 081)**	**(930 248)**	(376 547)	(352 692)	(673 824)
Commission expense	**(69 851)**	**—**	**(69 851)**	(50 754)	—	(50 754)
Net transaction and commission income	**13 946 175**	**855 328**	**14 787 127**	10 726 392	794 821	11 461 111
Foreign currency income	**—**	**514 554**	**514 554**	—	494 778	494 778
Foreign currency expense	**—**	**(354 041)**	**(354 041)**	—	(332 348)	(332 348)
Net foreign currency income	**—**	**160 513**	**160 513**	—	162 430	162 430
Other income	**236 108**	**44 540**	**280 648**	23 132	29 128	52 260
Net non-interest income	**15 389 800**	**1 061 032**	**16 436 456**	11 823 159	991 437	12 754 494
Income from operations after credit impairments	**21 927 371**	**2 234 080**	**24 147 075**	18 900 558	1 782 008	20 622 464
Operating expenses[1]	**(3 250 165)**	**(227 942)**	**(3 463 731)**	(2 853 023)	(206 816)	(2 999 737)
IT expenses[3]	**(1 724 852)**	**(135 084)**	**(1 859 936)**	(1 366 448)	(109 906)	(1 476 354)
Employee costs	**(6 086 248)**	**(1 049 190)**	**(7 135 438)**	(5 303 739)	(849 068)	(6 152 807)
Depreciation	**(1 089 525)**	**(124 539)**	**(1 214 064)**	(941 209)	(71 148)	(1 012 357)
Amortisation	**(106 200)**	**(30 064)**	**(136 264)**	(113 716)	(13 128)	(126 844)
Amortisation of intangible assets – core deposits and client relationships[1]	**—**	**—**	**(14 067)**	—	—	(14 067)
Share of net profit of equity accounted investments	**5 093**	**—**	**5 093**	7 459	—	7 459
Operating profit before tax[1]	**9 675 474**	**667 261**	**10 328 668**	8 329 882	531 942	8 847 757
Income tax expense	**(2 643 636)**	**(177 794)**	**(2 821 430)**	(2 359 017)	(141 362)	(2 500 379)
Tax on amortisation of intangible assets[1]	**—**	**—**	**3 798**	—	—	3 798
Profit for the year[1]	**7 031 838**	**489 467**	**7 511 036**	5 970 865	390 580	6 351 176

*Refer to the footnotes on **page 137**.*

R'000	GROUP 2024 Retail bank	Business bank	Total	2023 Retail bank	Business bank	Total
Assets						
Net loans and advances	**62 487 224**	**18 063 714**	**80 550 938**	63 491 048	14 676 755	78 167 803
Other[2]	**121 025 768**	**12 866 431**	**122 370 270**	107 783 056	7 938 450	109 246 997
Acquisition of Mercantile	**—**	**—**	**887 024**	—	—	901 092
Goodwill[1]	**—**	**—**	**849 487**	—	—	849 487
Intangible asset – core deposit intangible[1]	**—**	**—**	**30 784**	—	—	42 321
Intangible asset – client relationships[1]	**—**	**—**	**6 753**	—	—	9 284
Total assets[1][2]	**183 512 992**	**30 930 145**	**203 808 232**	171 274 104	22 615 205	188 315 892

[1] *Consolidation entries not included in segments.*

[2] *The Business bank assets include an amount of R10.5 billion (2023: R5.6 billion) in investments that are placed with Retail bank and are eliminated against liabilities on consolidation. Interest on the investments amounted to R469 million (2023: R382 million) and is disclosed as interest income on investments calculated using the effective interest rate in Business bank and as interest expense in Retail bank and which is eliminated on consolidation.*

[3] *Prior year IT expenses excludes outsourced services.*

32. Financial risk management

An extensive, multilayered structure governs risk, however, the board is ultimately responsible for risk management and views it as an integral part of providing a responsible return on shareholders' equity. This includes ensuring that risks are adequately identified, measured, managed and monitored and that good governance is maintained. The board monitors the implementation of the risk strategy, approves the risk appetite and ensures that risks are managed within tolerance levels.

The enterprise risk management policy provides the governance structure, risk appetite and approach for the board's risk management discipline and ingrains a prudent risk culture. It defines the risk management universe, structure, policies and processes. An integrated approach in all business areas enables effective risk management processes from identification through to mitigation.

A 5-step iterative process consisting of risk identification, risk evaluation, risk treatment, risk monitoring and risk reporting is used to manage risk. A system of internal control functions throughout the entities in the group and the risk universe is managed by the EXCO, the RCMC, the risk committee (RISCO), the RCC, the BCC, the ALCO and the data steering committee (Data Steerco). These committees report to the RCMC, which is mandated by the board to oversee risk management. The RCMC, which comprises 3 independent non-executive directors, 3 non-executive directors and 1 executive director, oversees risk management according to a board-approved charter.

The specific risks dealt with by the RCMC's subcommittees, which comprise executive and senior management, are as follows:

- RISCO – legal, compliance, operational and reputational risk
- RCC and BCC – credit and counterparty risk
- ALCO – interest rate, market, currency, liquidity, counterparty and capital adequacy risk
- Data Steerco – technology and information risk.

32.1 Interest rate risk

The exposure to interest rate risk is managed within board-approved tolerances. These tolerances are monitored by the RCMC and ALCO and escalated according to tolerance bands. The current group interest rate profile is monitored by the ALCO, which meets monthly and considers the results of management's analysis of the impact of interest rates on the group, including, *inter alia*, the results of various models. The risk arising from volatility in interest rates is lower on a relative basis when compared to other risks in the business due to the higher net interest income margin earned on the retail unsecured lending portfolio.

Notes to the financial statements continued

Year ended 29 February 2024

32. Financial risk management continued

32.1 Interest rate risk continued

Cash flow interest rate risk – hedging

The only derivative designated as a cash flow hedge is the R500 million interest rate swap used to hedge the listed floating-rate bonds. Refer to note 16.

The group applies cash flow hedge accounting to mitigate changes in future cash flows on certain variable-rate financial instruments with the objective of mitigating variability in future cash flows resulting from changes in market rates. The following are the identified hedged items subject to cash flow hedge accounting:

- Floating-rate bonds (cash flow interest rate risk).

Cash flow hedges of interest rate risk relate to exposures to the variability in future interest cash flows due to the movement of benchmark interest rates on recognised financial assets and financial liabilities. The change in the interest cash flows attributable to the change in benchmark rate is designated as the hedged risk for hedge accounting purposes. The variability in cash flows is hedged by cash collateralised vanilla interest rate swaps.

To manage the cash flow risk, the group enters into interest rate swaps that have similar critical terms as the hedged items, such as reference rates, reset dates, payment dates, maturities and notional amounts. Variable-rate assets are hedged with float-for-fixed interest rate swaps, and variable-rate liabilities are hedged with fixed-for-float interest rate swaps. The changes in the cash flows on the hedging instruments are therefore expected to offset the changes in the cash flows on hedged items, resulting in an economic relationship.

A 1:1 hedge ratio is applied as the nominal amount of the hedging instruments and the designated hedged item is the same. The nominal amounts and the payment dates of the hedging instrument match the hedged item exactly from the date of the hedge and, as a consequence, there is 100% hedge effectiveness.

In the cash flow hedge of interest rate risk, the main source of ineffectiveness is the fee that is paid upfront, however, as the fee is immaterial, it does not have a material impact on the hedge effectiveness.

Monitoring of interest rate risk

To measure interest rate risk, the group aggregates interest rate-sensitive assets and liabilities into defined time bands, in accordance with the respective interest repricing dates.

Various reports are prepared taking alternative strategies and interest rate forecasts into consideration. These reports are presented to the ALCO and RCMC on a regular basis.

The Financial Stability Board initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace the existing Interbank Offered Rates (IBORs) with alternative risk-free rates to improve market efficiency and mitigate systemic risk across financial markets. The SARB has published the South African Rand Overnight Index Average (ZARONIA) as the preferred successor rate that will most likely replace JIBAR.

The SARB ended the observation period for ZARONIA in November 2023 and companies may use it as a benchmark rate for contracts going forward. The date for the formal initiation of the transition from JIBAR to ZARONIA has not been specified. Once the transition process becomes clear, the bank will ensure compliance to the relevant transition framework.

The bank has limited exposure to JIBAR, with only 4 listed bonds that reference this rate. 2 of these bonds mature within the 2025 financial year and the remaining 2 mature by November 2026. Refer to note 16 for detail regarding the bonds linked to JIBAR.

Cash flow interest rate risk

The group actively manages interest rate risk with the objective to match certain fixed-rate assets with fixed-rate liabilities and floating-rate assets with floating-rate liabilities. The group reduced its exposure to fixed-rate financial assets by, in part, cash flow hedging elements of its variable-rate funding book to a fixed rate. An amount of R0.5 billion (2023: R0.5 billion) is designated for hedge accounting. Interest rate swaps have the economic effect of converting floating-rate debt to fixed-rate debt. The net unmatched position, resulting from the group's exposure to variable-rate funding from its retail deposits, exposes the group to cash flow interest rate risk.

Sensitivity analysis

The ALCO meets monthly and considers the results of management's analysis of the impact of interest rates on the bank which includes, *inter alia*, the results of various models and the impact of interest rate strategy on the gross margin. The following sensitivity analysis is a run-off analysis and reflects the interest rate repricing impact in the static balances of the statement of financial position of a 400 basis point interest rate shock over 12 months. Variable-rate-sensitive items would be impacted immediately by the interest rate shock. The net variable-rate exposure amounts to a R47.7 billion liability position (2023: R42.7 billion liability position). Fixed-rate items would not be impacted and funds received from maturing items are assumed to be reinvested at variable market interest rates. Net fixed-rate exposures maturing within 12 months amount to an asset position of R70.8 billion (2023: R52.9 billion asset position) and net fixed-rate exposures maturing after 12 months amount to an asset position of R17.5 billion (2023: R19.6 billion asset position).

Currently, our profit before tax is expected to decrease by R30.5 million (2023: R83.6 million) in the case of a 400 basis point upward shock and increase by R30.5 million (2023: R83.6 million) in the case of a 400 basis point downward shock.

400 basis points R'000	**Impact on income statement 2024 Pre-tax**	**2023 Pre-tax**
Increase	**(30 525)**	(83 612)
Decrease	**30 525**	83 612

Compliance with the prescribed maximum interest rates

The NCA prescribes the ceilings for the maximum interest rates that may be charged for retail lending. The group operates within the ambit of the NCA ceilings when pricing its retail loans and advances to clients.

32.2 Other market risk

Market prices and rates typically include equity, bond and commodity prices, currency exchange and interest rates.

The board determines market risk limits, which are reviewed at least annually or depending on prevailing market conditions.

The majority of the group's market risk relates to its investment in the ordinary equity instruments of Capitec Bank Holdings. The group is exposed to market risk due to changes in the market values of its investment in the ordinary equity of Capitec Bank Holdings. The group deems this exposure to be immaterial as a 20% increase/decrease in the market price of the shares will only result in a R21.68 million increase and R21.68 million decrease in net profit before tax, respectively.

The group does not currently take proprietary trading positions and, therefore, has minimal exposure to market risk. Should the group consider entering into a proprietary trading position, the trading committee and RCMC would have to evaluate and approve such action. The trading committee will ensure that the group is sensibly positioned, taking into account agreed limits, policies, prevailing market conditions, available liquidity and the risk-reward trade-off, mainly in respect of changes in foreign currency exchange rates and interest rates.

Market risk reports are produced on a daily basis, which allows for monitoring against prescribed prudential and regulatory limits. In the event of a limit violation, the asset and liability management (ALM) forum records this and it is immediately corrected and reported to the ALCO. Controls are in place to monitor foreign exchange exposures on a realtime basis through the bank's treasury system. Various conservative prudential risk limits are in place and associated exposures relating thereto are reported to the ALCO, RCMC and the board on a regular basis.

32. Financial risk management continued

32.3 Currency risk

Business bank

The Business bank, in terms of approved limits, manages short-term foreign currency exposures relating to trade imports, exports and interest flows on foreign liabilities.

The group has conservative net open foreign currency position limits that are well below the limits allowed by the SARB. For the year under review, the highest net open position recorded, for any single day, was R149.5 million (2023: R116.0 million).

Sensitivity analysis on pre-tax profit with all other variables held constant:

R'000	US dollar	Euro	Pound sterling	Other	Total
2024					
Rand weakens by 10%	**(520)**	**(312)**	**289**	**(87)**	**(630)**
Rand strengthens by 10%	**520**	**312**	**(289)**	**87**	**630**
2023					
Rand weakens by 10%	(1 461)	(501)	294	(464)	(2 132)
Rand strengthens by 10%	1 461	501	(294)	464	2 132

The transaction exposures and foreign exchange contracts at the reporting date are summarised as follows:

R'000	US dollar	Euro	Pound sterling	Other	Total
2024					
Total foreign exchange assets	**914 418**	**304 998**	**108 857**	**84 289**	**1 412 562**
Total foreign exchange liabilities	**(847 179)**	**(194 411)**	**(84 728)**	**(74 916)**	**(1 201 234)**
Commitments to purchase foreign currency	**1 014 240**	**923 167**	**22 234**	**22 404**	**1 982 045**
Commitments to sell foreign currency	**(1 074 255)**	**(1 029 424)**	**(50 380)**	**(30 565)**	**(2 184 624)**
Year-end effective net open foreign currency positions	**7 224**	**4 330**	**(4 017)**	**1 212**	**8 749**
2023					
Total foreign exchange assets	960 786	272 421	94 389	78 510	1 406 106
Total foreign exchange liabilities	(884 432)	(225 111)	(103 877)	(61 317)	(1 274 737)
Commitments to purchase foreign currency	525 337	270 084	63 353	45 151	903 925
Commitments to sell foreign currency	(581 396)	(310 433)	(57 951)	(55 903)	(1 005 683)
Year-end effective net open foreign currency positions	20 295	6 961	(4 086)	6 441	29 611

32.4 Liquidity risk

The group manages liquidity cautiously with a low appetite for liquidity risk and operates a conservative maturity profile which is monitored by the ALCO in terms of an approved ALM policy. The maturity profile reflects the deliberate strategy of funding longer-term assets with a significant portion of long-term funding with limited use of core call deposit funding. Our conservative approach at times results in the holding of cash in excess of immediate operational requirements. Funding that is surplus to operational requirements is managed in terms of the liquidity philosophy to ensure that obligations can be met as they become due without incurring unacceptable losses.

The following table analyses the group's assets and liabilities into maturity groupings based on the remaining period, at the statement of financial position 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 the statement of financial position date
- The cash flows of the derivative financial instruments are included on a gross basis
- Contractual cash flows with respect to items which have not yet been recorded in the statement of financial position are excluded. Refer to note 36
- Adjustments to loans and advances to clients relate to initiation fee income
- Non-cash liabilities representing leave pay are disclosed as adjustments to trade and other payables
- Non-contractual loans comprise discounted stage 3 loans and advances that are more than 3 months in arrears and have legal statuses (including debt review), but exclude loans where debt review was applied for less than 6 months ago. They are shown as non-contractual because they are subject to legal collection processes.

Maturities of assets and liabilities[6]

		GROUP						
R'000	Note	Demand to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Non-contractual	Adjustment[4]	Total
2024								
Undiscounted assets								
Cash and cash equivalents – Sovereigns[2]	3	3 553 658	–	–	–	–	–	3 553 658
Cash and cash equivalents – banks[2]	3	25 459 932	–	–	–	–	(4 347)	25 455 585
Financial assets at FVTPL	4	159 330	–	–	–	108 725	–	268 055
Financial investments at amortised cost	5	7 877 870	11 544 150	39 039 310	20 790 050	–	(81 558)	79 169 822
Term deposit investments	6	–	–	8 333 308	–	–	(4 780)	8 328 528
Financial assets – equity instruments at FVOCI	9	–	–	–	82 415	–	–	82 415
Loans and advances – Retail	7	4 804 847	7 196 597	26 778 878	69 546 723	15 181 731	(284 289)	123 224 487
Loans and advances – Business loans	7	3 525 054	416 037	1 699 639	4 707 586	682 548	–	11 030 864
Loans and advances – Mortgage loans	7	157 603	312 833	1 241 043	14 847 133	749 320	–	17 307 932
Other receivables	8	7 246 496	106	23 331	26 836	703 318	–	8 000 087
Derivative assets	41	5 810	6 729	8 806	3 068	–	–	24 413
Group loan receivable	10	–	–	–	96 414	–	–	96 414
Undiscounted assets		52 790 600	19 476 452	77 124 315	110 100 225	17 425 642	(374 974)	276 542 260
Adjustments for undiscounted assets[3]		(1 870 363)	(2 875 218)	(14 094 383)	(41 329 974)	–	–	(60 169 938)
Discounted assets								
Loan impairment provision		(684 678)	(637 140)	(2 378 895)	(6 885 779)	(11 852 264)	–	(22 438 756)
Total discounted assets		50 235 559	15 964 094	60 651 037	61 884 472	5 573 378	(374 974)	193 933 566

*Refer to the footnotes on **page 148**.*

Notes to the financial statements continued

Year ended 29 February 2024

32. Financial risk management continued

32.4 Liquidity risk continued

Maturities of assets and liabilities[6] continued

R'000	Note	GROUP Demand to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Non-contractual	Adjust-ment[4]	Total
2024								
Undiscounted liabilities								
Deposits	16	109 068 166	9 406 704	20 460 689	19 680 169	—	—	158 615 728
Wholesale funding	16	5 372	578 239	997 850	1 838 780	—	—	3 420 241
Lease liability	18	47 557	105 270	455 503	2 780 506	—	—	3 388 836
Current income tax liabilities		—	249 497	—	—	—	—	249 497
Other liabilities	17	4 211 926	1 027 975	134 747	423 342	153 270	—	5 951 260
Derivative liabilities	41	7 245	4 489	6 726	2 142	—	—	20 602
Group loans payable	20	2 586	—	—	—	—		2 586
Employee benefit liabilities	19	—	—	—	12 370	—	—	12 370
Undiscounted liabilities		113 342 852	11 372 174	22 055 515	24 737 309	153 270	—	171 661 120
Adjustments for undiscounted liabilities		(2 061 866)	(3 320 624)	(693 056)	(626 952)	—	—	(6 702 498)
Total discounted liabilities		111 280 986	8 051 550	21 362 459	24 110 357	153 270	—	164 958 622
Net liquidity excess/(shortfall)[4][5]		(61 236 930)	7 467 138	52 689 905	78 477 137	5 420 108	(374 974)	82 442 384
Cumulative liquidity excess/ (shortfall)[1][5]		(61 236 930)	(53 769 792)	(1 079 887)	77 397 250	82 817 358	82 442 384	82 442 384
2023								
Undiscounted assets								
Cash and cash equivalents – Sovereigns[2]	3	3 196 654	—	—	—	—	—	3 196 654
Cash and cash equivalents – banks[2]	3	27 074 834	752 450	—	—	—	(748)	27 826 536
Financial assets at FVTPL	4	178 401	—	—	—	123 256	—	301 657
Financial investments at amortised cost	5	11 556 889	6 527 350	32 933 409	21 827 199	—	(103 783)	72 741 064
Term deposit investments	6	—	3 669 199	—	—	—	(946)	3 668 253
Financial assets – equity instruments at FVOCI	9	—	—	—	73 880	—	—	73 880
Loans and advances – Retail	7	4 645 852	7 034 922	27 054 470	70 911 015	12 222 975	(275 986)	121 593 248
Loans and advances – Business loans	7	2 590 441	313 281	1 327 721	3 895 738	496 330	—	8 623 511
Loans and advances – Mortgage loans	7	136 048	239 742	1 011 629	11 908 609	631 829	—	13 927 857
Other receivables	8	4 231 222	—	238 520	23 204	68 300	—	4 561 246
Derivative assets	41	10 270	6 413	15 105	1 913	—	—	33 701
Group loan receivable	10	—	—	—	82 705	—	—	82 705
Current income tax asset		—	—	40 701	—	—	—	40 701
Undiscounted assets		53 620 611	18 543 357	62 621 555	108 724 263	13 542 690	(381 463)	256 671 013
Adjustments for undiscounted assets[3]		(1 963 510)	(2 755 867)	(12 810 466)	(40 567 327)	—	—	(58 097 170)
Discounted assets								
Loan impairment provision		(784 488)	(582 500)	(2 323 298)	(6 589 866)	(9 366 516)	—	(19 646 668)
Total discounted assets		50 872 613	15 204 990	47 487 791	61 567 070	4 176 174	(381 463)	178 927 175

*Refer to the footnotes on **page 148**.*

R'000	Note	GROUP Demand to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Non-contractual	Adjust-ment[4]	Total
2023								
Undiscounted liabilities								
Deposits	16	100 459 975	6 088 866	19 011 089	24 827 386	—	—	150 387 316
Wholesale funding	16	7 117	79 463	207 451	2 538 381	—	—	2 832 412
Lease liability	18	43 334	97 922	434 217	2 702 748	—	—	3 278 221
Other liabilities	17	2 801 629	435 558	360 382	397 206	195 513	—	4 190 288
Derivative liability	41	8 086	5 859	9 720	18	—	—	23 683
Group loans payable	20	—	—	—	—	—	—	—
Employee benefit liabilities	19	—	—	—	15 919	—	—	15 919
Undiscounted liabilities		103 320 141	6 707 668	20 022 859	30 481 658	195 513	—	160 727 839
Adjustments for undiscounted liabilities		(45 349)	(250 597)	(1 539 663)	(5 345 771)	—	—	(7 181 380)
Total discounted liabilities		103 274 792	6 457 071	18 483 196	25 135 887	195 513	—	153 546 459
Net liquidity excess/(shortfall)[4][5]		(50 484 018)	11 253 189	40 275 398	71 652 739	3 980 661	(381 463)	76 296 506
Cumulative liquidity excess/ (shortfall)[1][5]		(50 484 018)	(39 230 829)	1 044 569	72 697 308	76 677 969	76 296 506	76 296 506

*Refer to the footnotes on **page 148**.*

R'000	Note	COMPANY Demand to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Non-contractual	Adjust-ment[4]	Total
2024								
Cash and cash equivalents – Sovereigns[2]	3	3 553 658	—	—	—	—	—	3 553 658
Cash and cash equivalents – banks[2]	3	25 459 932	—	—	—	—	(4 348)	25 455 584
Financial assets at FVTPL	4	159 330	—	—	—	108 725	—	268 055
Financial investments at amortised cost	5	7 877 870	11 544 150	39 039 310	20 790 050	—	(81 558)	79 169 822
Term deposit investments	6	—	—	8 333 308	—	—	(4 780)	8 328 528
Financial assets – equity instruments at FVOCI	9	—	—	—	82 415	—	—	82 415
Loans and advances – Retail	7	4 804 847	7 196 597	26 778 878	69 546 723	15 181 731	(284 289)	123 224 487
Loans and advances – Business loans	7	3 451 017	281 942	1 152 036	3 373 010	562 232	—	8 820 238
Loans and advances – Mortgage loans	7	157 603	312 833	1 241 043	14 847 133	749 320	—	17 307 932
Other receivables	8	7 231 961	106	23 331	26 836	703 318	—	7 985 552
Derivative assets	41	5 810	6 729	8 806	3 068	—	—	24 413
Group loan receivable	10	—	—	—	1 512 821	—	—	1 512 821
Undiscounted assets		52 702 030	19 342 357	76 576 712	110 182 056	17 305 326	(374 975)	275 733 506
Adjustments for undiscounted assets[3]		(1 858 741)	(2 834 178)	(13 945 040)	(41 089 501)	—	—	(59 727 460)
Discounted assets								
Loan impairment provision		(666 230)	(628 798)	(2 362 773)	(6 844 176)	(11 742 453)	—	(22 244 430)
Total discounted assets		50 177 059	15 879 381	60 268 899	62 248 379	5 562 873	(374 975)	193 761 616

*Refer to the footnotes on **page 148**.*

Notes to the financial statements continued

Year ended 29 February 2024

32. Financial risk management continued

32.4 Liquidity risk continued

Maturities of assets and liabilities[6] continued

R'000	Note	COMPANY Demand to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Non-contractual	Adjustment[4]	Total
2024								
Undiscounted liabilities								
Deposits	16	109 072 424	9 406 704	20 460 689	19 680 169	—	—	158 619 986
Wholesale funding	16	5 372	578 239	997 850	1 838 780	—	—	3 420 241
Lease liability	18	53 638	105 049	454 479	2 776 676	—	—	3 389 842
Current income tax liabilities		—	251 166	—	—	—	—	251 166
Other liabilities	17	4 181 995	984 716	177 719	423 342	153 270	—	5 921 042
Derivative liability	41	7 245	4 489	6 726	2 142	—	—	20 602
Group loans payable	20	2 586	—	—	—	—	—	2 586
Employee benefit liabilities	19	—	—	—	12 370	—	—	12 370
Undiscounted liabilities		113 323 260	11 330 363	22 097 463	24 733 479	153 270	—	171 637 835
Adjustments for undiscounted liabilities		(2 061 866)	(3 320 620)	(692 996)	(626 325)	—	—	(6 701 807)
Total discounted liabilities		111 261 394	8 009 743	21 404 467	24 107 154	153 270	—	164 936 028
Net liquidity excess/(shortfall)[4][5]		(61 287 460)	7 383 196	52 116 476	78 604 401	5 409 603	(374 975)	81 851 241
Cumulative liquidity excess/ (shortfall)[1][5]		(61 287 460)	(53 904 264)	(1 787 788)	76 816 613	82 226 216	81 851 241	81 851 241
2023								
Undiscounted assets								
Cash and cash equivalents – Sovereigns[2]	3	3 196 654	—	—	—	—	—	3 196 654
Cash and cash equivalents – banks[2]	3	27 074 834	752 450	—	—	—	(748)	27 826 536
Financial assets at FVTPL	4	178 401	—	—	—	123 256	—	301 657
Financial investments at amortised cost	5	11 556 889	6 527 350	32 933 409	21 827 199	—	(103 783)	72 741 064
Term deposit investments	6	—	3 669 199	—	—	—	(946)	3 668 253
Financial assets – equity instruments at FVOCI	9	—	—	—	73 880	—	—	73 880
Loans and advances – Retail	7	4 645 852	7 034 922	27 054 470	70 911 015	12 222 975	(275 986)	121 593 248
Loans and advances – Business loans	7	2 528 264	192 605	829 268	2 593 068	422 762	—	6 565 967
Loans and advances – Mortgage loans	7	136 048	239 742	1 011 629	11 908 609	631 829	—	13 927 857
Other receivables	8	4 217 167	—	238 520	23 204	68 300	—	4 547 191
Derivative assets	41	10 270	6 413	15 105	1 913	—	—	33 701
Group loan receivable	10	—	—	—	1 438 296	—	—	1 438 296
Current income tax asset		—	—	39 530	—	—	—	39 530
Undiscounted assets		53 544 379	18 422 681	62 121 931	108 777 184	13 469 122	(381 463)	255 953 834
Adjustments for undiscounted assets[3]		(1 947 950)	(2 719 106)	(12 676 704)	(40 331 105)	—	—	(57 674 865)
Discounted assets								
Loan impairment provision		(779 811)	(576 185)	(2 307 650)	(6 549 352)	(9 302 658)	—	(19 515 656)
Total discounted assets		50 816 618	15 127 390	47 137 577	61 896 727	4 166 464	(381 463)	178 763 313

*Refer to the footnotes on **page 148**.*

R'000	Note	COMPANY Demand to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Non-contractual	Adjustment[4]	Total
2023								
Undiscounted liabilities								
Deposits	16	100 461 677	6 088 866	19 011 089	24 827 386	—	—	150 389 018
Wholesale funding	16	7 117	79 463	207 451	2 538 381	—	—	2 832 412
Lease liability	18	49 436	97 714	433 252	2 697 567	—	—	3 277 969
Other liabilities	17	2 778 333	435 558	360 330	397 206	195 513	—	4 166 940
Derivative liability	41	8 086	5 859	9 720	18	—	—	23 683
Employee benefit liabilities	19	—	—	—	15 921	—	—	15 921
Undiscounted liabilities		103 304 649	6 707 460	20 021 842	30 476 479	195 513	—	160 705 943
Adjustments for undiscounted liabilities		(45 350)	(250 593)	(1 539 609)	(5 344 747)	—	—	(7 180 299)
Total discounted liabilities		103 259 299	6 456 867	18 482 233	25 131 732	195 513	—	153 525 644
Net liquidity excess/(shortfall)[4][5]		(50 540 081)	11 139 036	39 792 439	71 751 353	3 970 951	(381 463)	75 732 235
Cumulative liquidity excess/ (shortfall)[1][5]		(50 540 081)	(39 401 045)	391 394	72 142 747	76 113 698	75 732 235	75 732 235

*Refer to the footnotes on **page 148**.*

R'000	Note	GROUP 1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	More than 10 years	Total
2024								
Undiscounted assets								
Financial investments at amortised cost	5	561 705	1 034 030	1 506 355	1 034 030	16 653 930	—	20 790 050
Financial assets – equity instruments at FVOCI	9	—	—	—	82 415	—	—	82 415
Loans and advances – Retail	7	26 402 723	18 766 523	12 564 597	8 899 212	2 913 668	—	69 546 723
Loans and advances – Business loans	7	1 896 824	1 410 879	865 914	341 220	168 236	24 513	4 707 586
Loans and advances – Mortgage loans	7	1 601 285	1 555 594	1 478 412	1 331 785	5 163 260	3 716 797	14 847 133
Other receivables	8	17 427	9 409	—	—	—	—	26 836
Derivative assets	41	2 993	75	—	—	—	—	3 068
Group loan receivable	10	96 414	—	—	—	—	—	96 414
Undiscounted assets		30 579 371	22 776 510	16 415 278	11 688 662	24 899 094	3 741 310	110 100 225
Adjustments for undiscounted assets[3]		(11 088 591)	(8 443 776)	(6 643 763)	(5 593 382)	(8 357 198)	(1 203 264)	(41 329 974)
Discounted assets								
Loan impairment provision		(2 491 284)	(1 918 704)	(1 382 200)	(848 464)	(229 323)	(15 804)	(6 885 779)
Total discounted assets		16 999 496	12 414 030	8 389 315	5 246 816	16 312 573	2 522 242	61 884 472
Undiscounted liabilities								
Deposits	16	9 996 891	4 074 602	3 204 005	2 404 671	—	—	19 680 169
Wholesale funding	16	940 442	869 863	28 475	—	—	—	1 838 780
Lease liability	18	575 696	510 827	463 163	405 115	816 752	8 953	2 780 506
Other liabilities	17	166 110	113 668	43 783	19 817	79 964	—	423 342
Derivative liabilities	41	2 142	—	—	—	—	—	2 142
Employee benefit liabilities	19	4 584	3 923	3 863	—	—	—	12 370
Undiscounted liabilities		11 685 865	5 572 883	3 743 289	2 829 603	896 716	8 953	24 737 309
Adjustments for undiscounted liabilities		(1 836 500)	561 377	614 794	571 559	(531 749)	(6 433)	(626 952)
Total discounted liabilities		9 849 365	6 134 260	4 358 083	3 401 162	364 967	2 520	24 110 357
Net liquidity excess/(shortfall)[4][5]		16 402 222	15 284 923	11 289 789	8 010 595	23 773 055	3 716 553	78 477 137
Cumulative liquidity excess/ (shortfall)[1][5]		15 322 335	30 607 258	41 897 047	49 907 642	73 680 697	77 397 250	77 397 250

*Refer to the footnotes on **page 148**.*

Notes to the financial statements continued

Year ended 29 February 2024

32. Financial risk management continued

32.4 Liquidity risk continued

Maturities of assets and liabilities[6] continued

R'000	Note	GROUP 1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	More than 10 years	Total
2023								
Undiscounted assets								
Financial investments at amortised cost	5	1 034 276	568 502	1 031 278	1 504 897	17 688 246	—	21 827 199
Financial assets – equity instruments at FVOCI	9	—	—	—	73 880	—	—	73 880
Loans and advances – Retail	7	27 229 407	19 278 509	13 049 427	8 402 171	2 951 501	—	70 911 015
Loans and advances – Business loans	7	1 525 836	1 170 324	766 977	308 125	109 914	14 562	3 895 738
Loans and advances – Mortgage loans	7	1 287 371	1 242 520	1 197 894	1 054 585	4 036 165	3 090 074	11 908 609
Other receivables	8	23 204	—	—	—	—	—	23 204
Derivative assets	41	1 913	—	—	—	—	—	1 913
Group loan receivable	10	82 705	—	—	—	—	—	82 705
Undiscounted assets		31 184 712	22 259 855	16 045 576	11 343 658	24 785 826	3 104 636	108 724 263
Adjustments for undiscounted assets[3]		(11 220 523)	(7 606 335)	(6 075 111)	(5 561 618)	(9 130 276)	(973 464)	(40 567 327)
Discounted assets								
Loan impairment provision		(2 488 893)	(1 835 584)	(1 300 730)	(782 411)	(168 374)	(13 874)	(6 589 866)
Total discounted assets		17 475 296	12 817 936	8 669 735	4 999 629	15 487 176	2 117 298	61 567 070
Undiscounted liabilities								
Deposits	16	9 880 055	5 325 357	4 891 587	4 730 387	—	—	24 827 386
Wholesale funding	16	1 523 556	889 772	88 273	36 780	—	—	2 538 381
Lease liability	18	532 176	481 354	428 357	402 876	848 279	9 706	2 702 748
Other liabilities	17	140 011	87 142	60 699	19 818	89 536	—	397 206
Derivative liabilities	41	18	—	—	—	—	—	18
Employee benefit liabilities	19	7 828	4 346	3 745	—	—	—	15 919
Undiscounted liabilities		12 083 644	6 787 971	5 472 661	5 189 861	937 815	9 706	30 481 658
Adjustments for undiscounted liabilities		(1 605 616)	(1 108 094)	(973 669)	(1 101 613)	(550 136)	(6 643)	(5 345 771)
Total discounted liabilities		10 478 028	5 679 877	4 498 992	4 088 248	387 679	3 063	25 135 887
Net liquidity excess/(shortfall)[4][5]		16 612 175	13 636 300	9 272 185	5 371 386	23 679 637	3 081 056	71 652 739
Cumulative liquidity excess/(shortfall)[1][5]		17 656 744	31 293 044	40 565 229	45 936 615	69 616 252	72 697 308	72 697 308

*Refer to the footnotes on **page 148**.*

R'000	Note	COMPANY 1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	More than 10 years	Total
2024								
Undiscounted assets								
Financial investments at amortised cost	5	561 705	1 034 030	1 506 355	1 034 030	16 653 930	—	20 790 050
Financial assets – equity instruments at FVOCI	9	—	—	—	82 415	—	—	82 415
Loans and advances – Retail	7	26 402 723	18 766 523	12 564 597	8 899 212	2 913 668	—	69 546 723
Loans and advances – Business loans	7	1 292 871	983 949	628 058	279 881	163 738	24 513	3 373 010
Loans and advances – Mortgage loans	7	1 601 285	1 555 594	1 478 412	1 331 785	5 163 260	3 716 797	14 847 133
Other receivables	8	17 427	9 409	—	—	—	—	26 836
Derivative assets	41	3 068	—	—	—	—	—	3 068
Group loan receivable	10	1 512 821	—	—	—	—	—	1 512 821
Undiscounted assets		31 391 900	22 349 505	16 177 422	11 627 323	24 894 596	3 741 310	110 182 056
Adjustments for undiscounted assets[3]		(10 950 208)	(8 371 878)	(6 617 895)	(5 589 420)	(8 356 835)	(1 203 265)	(41 089 501)
Discounted assets								
Loan impairment provision		(2 471 733)	(1 906 329)	(1 374 704)	(846 422)	(229 184)	(15 804)	(6 844 176)
Total discounted assets		17 969 959	12 071 298	8 184 823	5 191 481	16 308 577	2 522 241	62 248 379
Undiscounted liabilities								
Deposits	16	9 996 891	4 074 602	3 204 005	2 404 671	—	—	19 680 169
Wholesale funding	16	940 442	869 863	28 475	—	—	—	1 838 780
Lease liability	18	574 260	509 303	462 526	404 882	816 752	8 953	2 776 676
Other liabilities	17	166 110	113 668	43 783	19 817	79 964	—	423 342
Derivative liabilities	41	2 142	—	—	—	—	—	2 142
Employee benefit liabilities	19	4 584	3 923	3 863	—	—	—	12 370
Undiscounted liabilities		11 684 429	5 571 359	3 742 652	2 829 370	896 716	8 953	24 733 479
Adjustments for undiscounted liabilities		(1 836 350)	561 644	614 941	571 622	(531 749)	(6 433)	(626 325)
Total discounted liabilities		9 848 079	6 133 003	4 357 593	3 400 992	364 967	2 520	24 107 154
Net liquidity excess/(shortfall)[4][5]		17 235 738	14 871 817	11 060 066	7 951 531	23 768 696	3 716 553	78 604 401
Cumulative liquidity excess/(shortfall)[1][5]		15 447 950	30 319 767	41 379 833	49 331 364	73 100 060	76 816 613	76 816 613

*Refer to the footnotes on **page 148**.*

Notes to the financial statements continued

Year ended 29 February 2024

32. Financial risk management continued

32.4 Liquidity risk continued

Maturities of assets and liabilities[6] continued

R'000	Note	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	More than 10 years	Total
		COMPANY						
2023								
Undiscounted assets								
Financial investments at amortised cost	5	1 034 276	568 502	1 031 278	1 504 897	17 688 246	–	21 827 199
Financial assets – equity instruments at FVOCI	9	–	–	–	73 880	–	–	73 880
Loans and advances – Retail	7	27 229 407	19 278 509	13 049 427	8 402 171	2 951 501	–	70 911 015
Loans and advances – Business loans	7	974 346	770 203	513 840	212 194	107 923	14 562	2 593 068
Loans and advances – Mortgage loans	7	1 287 371	1 242 520	1 197 894	1 054 585	4 036 165	3 090 074	11 908 609
Other receivables	8	23 204	–	–	–	–	–	23 204
Derivative assets	41	1 913	–	–	–	–	–	1 913
Group loan receivable	10	1 438 296	–	–	–	–	–	1 438 296
Undiscounted assets		31 988 813	21 859 734	15 792 439	11 247 727	24 783 835	3 104 636	108 777 184
Adjustments for undiscounted assets[3]		(11 092 266)	(7 534 380)	(6 044 738)	(5 556 143)	(9 130 114)	(973 464)	(40 331 105)
Discounted assets								
Loan impairment provision		(2 471 162)	(1 824 133)	(1 292 666)	(779 197)	(168 320)	(13 874)	(6 549 352)
Total discounted assets		18 425 385	12 501 221	8 455 035	4 912 387	15 485 401	2 117 298	61 896 727
Undiscounted liabilities								
Deposits	16	9 880 055	5 325 357	4 891 587	4 730 387	–	–	24 827 386
Wholesale funding	16	1 523 556	889 772	88 273	36 780	–	–	2 538 381
Lease liability	18	530 823	479 919	426 834	402 239	848 046	9 706	2 697 567
Other liabilities	17	140 011	87 142	60 699	19 818	89 536	–	397 206
Derivative liabilities	41	18	–	–	–	–	–	18
Employee benefit liabilities	19	7 830	4 346	3 745	–	–	–	15 921
Undiscounted liabilities		12 082 293	6 786 536	5 471 138	5 189 224	937 582	9 706	30 476 479
Adjustments for undiscounted liabilities		(1 605 480)	(1 107 849)	(973 310)	(1 101 455)	(550 010)	(6 643)	(5 344 747)
Total discounted liabilities		10 476 813	5 678 687	4 497 828	4 087 769	387 572	3 063	25 131 732
Net liquidity excess/(shortfall)[4][5]		17 435 358	13 249 065	9 028 635	5 279 306	23 677 933	3 081 056	71 751 353
Cumulative liquidity excess/(shortfall)[1][5]		17 826 752	31 075 817	40 104 452	45 383 758	69 061 691	72 142 747	72 142 747

(1) *Much of the liquidity shortfall in the demand to 3-month categories results from the investment of excess cash in treasury bills and government bonds with maturities in excess of 3 months. These instruments are highly liquid and can be converted to cash should the need arise, adjusted for fair value movements since purchase. Refer to note 32.7.*

(2) *The definitions of Sovereign banks, corporate and retail are aligned with the Banks Act Regulations.*

(3) *The adjustment includes adjustments to loan origination fees, deferred income and ECL.*

(4) *Calculated as undiscounted assets net of loan impairment provision ECL less undiscounted liabilities.*

(5) *Off-balance sheet guarantees and letters of credit for the Business bank to the value of R559 million (2023: R771 million) and R55 million (2023: R32 million), respectively, and irrevocable loan commitments to the value of R14 160 million (2023: R16 103 million) that have a maturity of demand to 1 month have not been included.*

(6) *Assets and liabilities other than financial assets and liabilities are included in the analysis to provide a holistic view of liquidity management.*

32.5 Capital adequacy risk

The ALCO oversees the activities of treasury, which operates in terms of an approved ALM policy. The ALCO assesses capital adequacy monthly and manages it daily as necessary. This includes a historical and future capital positioning review and a quarterly report to the RCMC. Capital adequacy is reported to the PA monthly in line with the requirements of the regulations.

Risk management and capital management are interdependent. We hold risk capital as a reserve in line with regulatory requirements. This allows for all residual risks that remain after cost-effective risk management techniques, impairment provisioning and risk mitigation have been applied. Residual risk exists as there is potential for unexpected losses and volatility in expected future losses that are not captured in terms of IFRS Accounting Standards.

32.6 Gains and losses per category of financial assets and financial liabilities

R'000	Note	Held for trading	Financial assets	Designated as hedges	Financial assets	Financial liabilities	Total
		GROUP					
		At FVTPL		At FVOCI	At amortised cost		
2024							
Interest income calculated using the effective interest rate method	**23.1**	**–**	**–**	**–**	**25 110 679**	**–**	**25 110 679**
Interest income on financial assets at FVTPL	**23.2**	**–**	**668 700**	**–**	**–**	**–**	**668 700**
Interest expense	**23.3**	**–**	**–**	**–**	**–**	**(9 343 426)**	**(9 343 426)**
Loan fee income	**24**	**–**	**–**	**–**	**1 219 308**	**–**	**1 219 308**
Loan fee expense	**24**	**–**	**–**	**–**	**(11 140)**	**–**	**(11 140)**
Transaction fee and commission income	**25**	**–**	**–**	**–**	**–**	**20 855 906**	**20 855 906**
Transaction fee and commission expense	**25**	**–**	**–**	**–**	**–**	**(6 068 779)**	**(6 068 779)**
Fair value gains on derivatives designated as hedges	**22**	**–**	**–**	**(3 178)**	**–**	**–**	**(3 178)**
Foreign currency income	**26**	**514 554**	**–**	**–**	**–**	**–**	**514 554**
Foreign currency expense	**26**	**(354 041)**	**–**	**–**	**–**	**–**	**(354 041)**
Credit impairment losses	**27**	**–**	**–**	**–**	**(8 725 334)**	**–**	**(8 725 334)**
2023							
Interest income calculated using the effective interest rate method	23.1	–	–	–	20 782 602	–	20 782 602
Interest income on financial assets at FVTPL	23.2	–	408 867	–	–	–	408 867
Interest expense	23.3	–	–	–	–	(6 994 114)	(6 994 114)
Loan fee income	24	–	–	–	1 087 787	–	1 087 787
Loan fee expense	24	–	–	–	(9 094)	–	(9 094)
Transaction fee and commission income	25	–	–	–	–	16 561 749	16 561 749
Transaction fee and commission expense	25	–	–	–	–	(5 100 638)	(5 100 638)
Fair value gains on derivatives designated as hedges	22	–	–	10 215	–	–	10 215
Foreign currency income	26	494 778	–	–	–	–	494 778
Foreign currency expense	26	(332 348)	–	–	–	–	(332 348)
Credit impairment losses	27	–	–	–	(6 329 385)	–	(6 329 385)

Notes to the financial statements continued

Year ended 29 February 2024

32. Financial risk management continued

32.6 Gains and losses per category of financial assets and financial liabilities continued

		COMPANY					
		At FVTPL		At FVOCI	At amortised cost		
R'000	Note	Held for trading	Financial assets	Designated as hedges	Financial assets	Financial liabilities	Total
2024							
Interest income calculated using the effective interest rate method	23.1	–	–	–	24 993 622	–	24 993 622
Interest income on financial assets at FVTPL	23.2	–	668 700	–	–	–	668 700
Interest expense	23.3	–	–	–	–	(9 343 352)	(9 343 352)
Loan fee income	24	–	–	–	1 219 308	–	1 219 308
Loan fee expense	24	–	–	–	(11 140)	–	(11 140)
Transaction fee and commission income	25	–	–	–	–	20 852 707	20 852 707
Transaction fee and commission expense	25	–	–	–	–	(6 068 779)	(6 068 779)
Fair value gains on derivatives designated as hedges	22	–	–	(3 178)	–	–	(3 178)
Foreign currency income	26	514 554	–	–	–	–	514 554
Foreign currency expense	26	(354 041)	–	–	–	–	(354 041)
Credit impairment losses	27	–	–	–	(8 615 511)	–	(8 615 511)
2023							
Interest income calculated using the effective interest rate method	23.1	–	–	–	20 688 798	–	20 688 798
Interest income on financial assets at FVTPL	23.2	–	408 867	–	–	–	408 867
Interest expense	23.3	–	–	–	–	(6 993 646)	(6 993 646)
Loan fee income	24	–	–	–	1 087 787	–	1 087 787
Loan fee expense	24	–	–	–	(9 094)	–	(9 094)
Transaction fee and commission income	25	–	–	–	–	16 557 715	16 557 715
Transaction fee and commission expense	25	–	–	–	–	(5 100 638)	(5 100 638)
Fair value gains on derivatives designated as hedges	22	–	–	10 215	–	–	10 215
Foreign currency income	26	494 778	–	–	–	–	494 778
Foreign currency expense	26	(332 348)	–	–	–	–	(332 348)
Credit impairment losses	27	–	–	–	(6 254 510)	–	(6 254 510)

32.7 Fair value hierarchy and classification of financial assets and financial liabilities

Valuation processes

Determination of fair values and valuation processes

Fair values are market-based, calculated first with reference to observable inputs available in the market, then less observable inputs and finally unobservable inputs only where observable inputs or less observable inputs are unavailable.

Fair values are calculated consistently with the unit of account used for the measurement of the asset or liability in the statement of financial position and income statement and assume an orderly market on a going concern basis.

The group's finance department performs the valuations of financial assets and liabilities required for financial reporting purposes. Selecting the most appropriate valuation methods and techniques is an outcome of internal discussion and deliberation between members of the finance team who have modelling and valuation experience. The valuations are reported to the CFO and audit committee. Changes in fair values are analysed at each reporting date.

Hierarchy of fair value of financial instruments

The hierarchy is based on the extent to which the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the group's assessment of what inputs would likely be from the perspective of the market. The group first considers relevant and observable market inputs where these are available. Unobservable inputs are used in the absence of observable inputs. The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1, 2 and 3 during the year.

The fair value hierarchy is applied to both those assets and liabilities measured at FVTPL and those measured using amortised cost. The table that follows summarises the classification of financial assets and financial liabilities and their fair values.

Notes to the financial statements continued

Year ended 29 February 2024

32. Financial risk management continued

32.7 Fair value hierarchy and classification of financial assets and financial liabilities continued

Valuation processes continued

Hierarchy of fair value of financial instruments continued

GROUP		At FVTPL			At FVOCI	At amortised cost				
R'000	Note	Financial assets	Held for trading	As hedging instruments	Financial assets	Financial assets	Financial liabilities	Total	Fair value	Hierarchy of valuation technique
2024										
Financial assets										
Cash and cash equivalents	3	–	–	–	–	29 009 243	–	29 009 243	29 009 243	Level 2[2]
Financial assets at FVTPL	4	268 055	–	–	–	–	–	268 055	268 055	Level 1/ Level 2[3]
Term deposit investments	6	–	–	–	–	7 791 467	–	7 791 467	7 791 467	Level 2
Financial investments at amortised cost	5	–	–	–	–	68 110 551	–	68 110 551	67 459 059	Level 1/ Level 2
Financial assets – Equity instruments at FVOCI	9	–	–	–	82 415	–	–	82 415	82 415	Level 3
Net loans and advances – Term loans	7	–	–	–	–	35 508 073	–	35 508 073	36 325 000	Level 3
Net loans and advances – Access facility	7	–	–	–	–	18 958 962	–	18 958 962	20 695 000	Level 3
Net loans and advances – Credit card	7	–	–	–	–	8 020 189	–	8 020 189	8 417 415	Level 3
Net loans and advances – Business	7	–	–	–	–	8 736 772	–	8 736 772	8 950 947	Level 3
Net loans and advances – Mortgage	7	–	–	–	–	9 326 942	–	9 326 942	9 372 825	Level 3
Other receivables	8	–	–	–	–	8 000 087	–	8 000 087	8 000 087	Level 2[2]
Derivative assets[1]	41	–	23 301	1 097	–	–	–	24 398	24 398	Level 2
Group loans receivable	10	–	–	–	–	96 414	–	96 414	96 414	
Financial liabilities										
Deposits and bonds		–	–	–	–	–	156 321 041	156 321 041	156 320 518	
Listed bonds	16	–	–	–	–	–	2 766 277	2 766 277	2 774 800	Level 2
Unlisted fixed-term institutional deposits	16	–	–	–	–	–	254 557	254 557	254 921	Level 2
Deposits	16	–	–	–	–	–	153 300 207	153 300 207	153 290 797	Level 2
Derivative liabilities[1]	41	–	20 602	–	–	–	–	20 602	20 602	Level 2
Group loans payable	20	–	–	–	–	–	2 586	2 586	2 586	
Other liabilities	17	–	–	–	–	–	3 949 464	3 949 464	3 949 464	Level 2[2]

[1] *Cash flow hedges.*

[2] *The fair values of these assets and liabilities closely approximate their carrying amounts due to their short-term or on-demand repayment terms.*

[3] *Consists of listed equities amounting to R109 million which are level 1 and money market unit trusts amounting to R159 million which are level 2 on the fair value hierarchy.*

GROUP		At FVTPL			At FVOCI	At amortised cost				
R'000	Note	Financial assets	Held for trading	As hedging instruments	Financial assets	Financial assets	Financial liabilities	Total	Fair value	Hierarchy of valuation technique
2023										
Financial assets										
Cash and cash equivalents	3	–	–	–	–	31 003 228	–	31 003 228	31 003 228	Level 2[2]
Financial assets at FVTPL	4	301 657	–	–	–	–	–	301 657	301 657	Level 1/ Level 2[3]
Term deposit investments	6	–	–	–	–	3 628 162	–	3 628 162	3 628 162	Level 2
Financial investments at amortised cost	5	–	–	–	–	61 034 237	–	61 034 237	60 389 592	Level 2
Financial assets – Equity instruments at FVOCI	9	–	–	–	73 880	–	–	73 880	73 880	Level 3
Net loans and advances – Term loans	7	–	–	–	–	37 877 478	–	37 877 478	38 109 000	Level 3
Net loans and advances – Access facility	7	–	–	–	–	19 311 848	–	19 311 848	20 756 330	Level 3
Net loans and advances – Credit card	7	–	–	–	–	6 301 720	–	6 301 720	6 684 358	Level 3
Net loans and advances – Business	7	–	–	–	–	6 829 472	–	6 829 472	7 026 615	Level 3
Net loans and advances – Mortgage	7	–	–	–	–	7 847 285	–	7 847 285	7 876 719	Level 3
Other receivables	8	–	–	–	–	4 561 246	–	4 561 246	4 561 246	Level 2[2]
Derivative assets[1]	41	–	31 468	2 087	–	–	–	33 555	33 555	Level 2
Group loans receivable	10	–	–	–	–	82 705	–	82 705	82 705	
Financial liabilities										
Deposits and bonds		–	–	–	–	–	146 996 106	146 996 106	146 693 323	
Listed bonds	16	–	–	–	–	–	2 008 902	2 008 902	2 012 513	Level 2
Unlisted fixed-term institutional deposits	16	–	–	–	–	–	429 892	429 892	431 953	Level 2
Deposits	16	–	–	–	–	–	144 557 312	144 557 312	144 248 857	Level 2
Derivative liabilities[1]	41	–	23 683	–	–	–	–	23 683	23 683	Level 2
Group loans payable	20	–	–	–	–	–	–	–	–	
Other liabilities	17	–	–	–	–	–	2 442 276	2 442 276	2 442 276	Level 2[2]

[1] *Cash flow hedges.*

[2] *The fair values of these assets and liabilities closely approximate their carrying amounts due to their short-term or on-demand repayment terms.*

[3] *Consists of listed equities amounting to R123 million which are level 1 and money market unit trusts amounting to R178 million which are level 2 on the fair value hierarchy.*

32. Financial risk management continued

32.7 Fair value hierarchy and classification of financial assets and financial liabilities continued

Valuation processes continued

Hierarchy of fair value of financial instruments continued

		COMPANY								
		At FVTPL			At FVOCI	At amortised cost				
R'000	Note	Financial assets	Held for trading	As hedging instruments	Financial assets	Financial assets	Financial liabilities	Total	Fair value	Hierarchy of valuation technique
2024										
Financial assets										
Cash and cash equivalents	3	–	–	–	–	29 009 243	–	29 009 243	29 009 243	Level 2[2]
Financial assets at FVTPL	4	268 055	–	–	–	–	–	268 055	268 055	Level 1/ Level 2[3]
Term deposit investments	6	–	–	–	–	7 791 467	–	7 791 467	7 791 467	Level 2
Financial investments at amortised cost	5	–	–	–	–	68 110 551	–	68 110 551	67 459 059	Level 2
Financial assets – Equity instruments at FVOCI	9	–	–	–	82 415	–	–	82 415	82 415	Level 3
Net loans and advances – Term loans	7	–	–	–	–	35 508 073	–	35 508 073	36 325 000	Level 3
Net loans and advances – Access facility	7	–	–	–	–	18 958 962	–	18 958 962	20 695 000	Level 3
Net loans and advances – Credit card	7	–	–	–	–	8 020 189	–	8 020 189	8 417 415	Level 3
Net loans and advances – Business	7	–	–	–	–	7 162 949	–	7 162 949	7 316 968	Level 3
Net loans and advances – Mortgage	7	–	–	–	–	9 326 942	–	9 326 942	9 372 825	Level 3
Other receivables	8	–	–	–	–	7 985 552	–	7 985 552	7 985 552	Level 2[2]
Derivative assets[1]	41	–	23 301	1 097	–	–	–	24 398	24 398	Level 2
Group loan receivable	10	–	–	–	–	1 512 821	–	1 512 821	1 512 821	
Financial liabilities										
Deposits and bonds		–	–	–	–	–	156 325 299	156 325 299	156 324 776	
Listed bonds	16	–	–	–	–	–	2 766 277	2 766 277	2 774 800	Level 2
Unlisted fixed-term institutional deposits	16	–	–	–	–	–	254 557	254 557	254 921	Level 2
Deposits	16	–	–	–	–	–	153 304 465	153 304 465	153 295 055	Level 2
Derivative liabilities[1]	41	–	20 602	–	–	–	–	20 602	20 602	Level 2
Group loan payable	20	–	–	–	–	–	2 586	2 586	2 586	
Other liabilities	17	–	–	–	–	–	3 986 112	3 986 112	3 986 112	Level 2[2]

[1] *Cash flow hedges.*
[2] *The fair values of these assets and liabilities closely approximate their carrying amounts due to their short-term or on-demand repayment terms.*
[3] *Consists of listed equities amounting to R109 million which are level 1 and money market unit trusts amounting to R159 million which are level 2 on the fair value hierarchy.*

		COMPANY								
		At FVTPL			At FVOCI	At amortised cost				
R'000	Note	Financial assets	Held for trading	As hedging instruments	Financial assets	Financial assets	Financial liabilities	Total	Fair value	Hierarchy of valuation technique
2023										
Cash and cash equivalents	3	–	–	–	–	31 003 228	–	31 003 228	31 003 228	Level 2[2]
Financial assets at FVTPL	4	301 657	–	–	–	–	–	301 657	301 657	Level 1/ Level 2[3]
Term deposit investments	6	–	–	–	–	3 628 162	–	3 628 162	3 628 162	Level 2
Financial investments at amortised cost	5	–	–	–	–	61 034 237	–	61 034 237	60 389 592	Level 2
Financial assets – Equity instruments at FVOCI	9	–	–	–	73 880	–	–	73 880	73 880	Level 3
Net loans and advances – Term loans	7	–	–	–	–	37 877 480	–	37 877 480	38 109 000	Level 3
Net loans and advances – Access facility	7	–	–	–	–	19 311 847	–	19 311 847	20 756 330	Level 3
Net loans and advances – Credit card	7	–	–	–	–	6 301 719	–	6 301 719	6 684 358	Level 3
Net loans and advances – Business	7	–	–	–	–	5 325 245	–	5 325 245	5 472 590	Level 3
Net loans and advances – Mortgage	7	–	–	–	–	7 847 285	–	7 847 285	7 876 719	Level 3
Other receivables	8	–	–	–	–	4 547 191	–	4 547 191	4 547 191	Level 2[2]
Derivative assets[1]	41	–	31 468	2 087	–	–	–	33 555	33 555	Level 2
Group loan receivable	10	–	–	–	–	1 438 296	–	1 438 296	1 438 296	
Financial liabilities										
Deposits and bonds		–	–	–	–	–	146 997 809	146 997 809	146 695 026	
Listed bonds	16	–	–	–	–	–	2 008 902	2 008 902	2 012 513	Level 2
Unlisted fixed-term institutional deposits	16	–	–	–	–	–	429 892	429 892	431 953	Level 2
Deposits	16	–	–	–	–	–	144 559 015	144 559 015	144 250 560	Level 2
Derivative liabilities[1]	41	–	23 683	–	–	–	–	23 683	23 683	Level 2
Group loan payable	20	–	–	–	–	–	–	–	–	
Other liabilities	17	–	–	–	–	–	2 438 924	2 438 924	2 438 924	Level 2[2]

[1] *Cash flow hedges.*
[2] *The fair values of these assets and liabilities closely approximate their carrying amounts due to their short-term or on-demand repayment terms.*
[3] *Consists of listed equities amounting to R123 million which are level 1 and money market unit trusts amounting to R178 million which are level 2 on the fair value hierarchy.*

32. Financial risk management continued

32.8 Fair value calculation methods, inputs and techniques

Fair values of assets and liabilities reported in this note were market-based to reflect the perspective of a market participant.

Item and description	Valuation technique
Retail loans and advances	The expected present value technique was applied, discounting probability-weighted cash flows at a discount rate that ensures that no day-1 fair value gain or loss arises on new loans. This considers that loans are granted at market-related rates at the time of initiation. The level 3 fair value disclosed for loans and advances required the use of significant judgement by management in determining what a market-based valuation would be. An income approach was used, which calculated an expected present value in terms of a discount rate for a hypothetical market participant applied to the valuation cash flows. In summary, this approach calculates a discount rate which reflects the cost to the market participant plus that participant's required rate of return on investment. The cash flows used were probability-weighted and were generated by the same model that was used to generate the impairments on loans and advances. The key aspects involving the application of estimation of these cash flows are set out in note 7.
Business loans	The fair value of loans and advances that are carried at amortised cost approximates the fair value reported as they bear variable rates of interest. The fair value is adjusted for deterioration of the credit quality of the book.
Financial assets at FVTPL	Financial assets (listed equities) are valued using published price quotations on the JSE equity market. These instruments are classified as level 1 as the markets that they are quoted on are considered active. Financial assets (income funds) with underlying debt securities are valued using DCF, external valuations and published price quotations on the JSE equity and debt interest rate market, or external valuations that are based on published market inputs with the main assumptions being market input, uplifted with inflation. These instruments are classified as level 2 as the markets that they are quoted on are not considered to be active.
Term deposit investments	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs over the contractual period.
Financial investments at amortised cost – treasury bills	The fair value of treasury bills is determined with reference to quoted prices in an active market.
Financial investments at amortised cost – government bonds	The JSE debt market bond pricing model uses the JSE debt market mark-to-market bond yield.
Derivative assets and liabilities	Derivatives, both assets and liabilities, were valued using the income approach. Derivatives comprise interest rate swaps and forward foreign exchange contracts. Interest rate swaps were fair valued on a discounted basis using forward interest rates and foreign currency rates extracted from observable yield and foreign currency market curves. Foreign exchange contracts were valued using applicable forward rates. The fair value of publicly traded derivatives and securities is based on quoted market values at the reporting date.
Deposits and bonds with call features	Specified terms for future repayment as well as retail deposits with a call feature which allows them to be withdrawn on demand. The fair values of the retail call deposits closely approximate their carrying amounts due to their demand nature. The fair values for instruments with specified future repayment terms were calculated as described as follows.
Listed senior bonds	A market approach was used. Calculations used the all-in closing bond prices provided by the JSE's Interest Rate and Currency (JSE IRC) debt market. The pricing method used by the JSE links the bond at issue to a liquid government bond (a companion bond). The companion is chosen so as to best fit the characteristics of the Capitec issue, with the time to maturity being the most important factor. Spread information is obtained from market participants and is used to adjust the price subsequent to issue. Very small and very large trades are excluded due to the inherent discounts associated with large trades as well as the premium often charged for odd-lot trades.
Unlisted fixed-term institutional deposits	These comprise unlisted bonds, unlisted fixed-term negotiable instruments and other unlisted fixed-term wholesale instruments. The income approach was used. Fair values were calculated by discounting the contractual cash flows using publicly quoted closing swap curve rates from a large bank market-maker with a risk premium adjustment to account for non-performance risk. The market rate on the curve was determined with reference to the remaining maturity of the liability.
Retail fixed-term deposits	An income approach was used. Fair values were calculated by discounting the contractual cash flows using publicly quoted, closing Capitec fixed-term deposit rates. The relevant rate used was that which matched the remaining maturity of the fixed deposit.
Secured funding	Is carried at amortised cost which approximates the fair value reported as they bear variable rates of interest.

33. Retirement benefits

	GROUP		COMPANY	
R'000	**2024**	**2023**	**2024**	**2023**
The group contributed on behalf of all employees who elected to be members of the provident fund. The provident fund, a defined contribution fund, is administered independently of the group and is subject to the Pension Funds Act, Act 24 of 1956. The amount contributed is included in salaries and bonus costs as per note 28.	**690 520**	596 105	**687 317**	593 359

It is compulsory for all new employees to be members of the provident fund. The group will continue to contribute to the fund on behalf of all members. The group has no exposure in respect of any post-retirement benefits payable other than those set out in note 19.

Accounting policies

The group contributes to provident and retirement funds classified as a defined contribution fund.

For defined contribution plans, the group pays fixed contributions to privately administered provident or retirement fund plans on a contractual basis. The group has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes to the financial statements continued

Year ended 29 February 2024

34. Related party transactions

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Subsidiaries				
Dividends				
Preference dividend paid (Capitec Bank Holdings Limited)	4 763	4 185	4 763	4 185
Ordinary dividend paid (Capitec Bank Holdings Limited)	3 427 123	3 917 498	3 427 123	3 917 498
Management fees paid – Capitec Bank Holdings Limited (holding company)	6 113	4 096	6 113	4 096
(Interests in subsidiaries are disclosed in note 12)				
Management fees received – Capitec Properties Proprietary Limited	4 845	4 677	4 845	4 677
Associate				
Grants paid	18 959	15 950	18 959	15 950
Service fees	2 106	3 041	2 106	3 041
Imvelo Ventures Proprietary Limited	21 065	18 991	21 065	18 991
Bank accounts held by group companies				
Capitec Bank Holdings Limited (holding company)	301 219	696	301 219	696
Capitec Ins Proprietary Limited (fellow subsidiary)	1 446	480 010	1 446	480 010
Capitec Life Limited (fellow subsidiary)	2 378	16 857	2 378	16 857
Capitec Properties Proprietary Limited (fellow subsidiary)	1 044	337	1 044	337
Capitec Bank Holdings Share Trust	4	4	4	4
Capitec Foundation Trust	3 891	1 337	3 891	1 337
Loans due (to)/from:				
Capitec Bank Holdings Limited (holding company)	37 791	24 405	37 791	24 405
Capitec Bank Holdings Share Trust	(2 586)	408	(2 586)	408
Capitec Properties Proprietary Limited (fellow subsidiary)	58 619	57 893	58 619	57 893
Capitec Life (fellow subsidiary)	3	–	3	–
Capitec Rental Finance Proprietary Limited (subsidiary)	–	–	1 423 293	1 365 247
Premium receivable				
Capitec Life (fellow subsidiary)	66 238	–	66 238	–
Interest received				
Capitec Rental Finance Proprietary Limited (subsidiary)	–	–	140 897	91 947
Interest paid				
Capitec Life (fellow subsidiary)	770	–	770	–
Bank charges				
Capitec Life (fellow subsidiary)	5	2	5	2
Intermediary services				
Capitec Rental Finance Proprietary Limited (subsidiary)	1 366	–	1 366	–
Capitec Life (fellow subsidiary)	882	–	882	–
Outsourced services				
Capitec Life (fellow subsidiary)	11 206	–	11 206	–
Rent paid				
Capitec Bank Properties Proprietary Limited (fellow subsidiary)	4 303	3 074	4 303	3 074
Capitec Rental Finance Proprietary Limited (subsidiary)	–	–	792	715

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Rent received				
Capitec Rental Finance Proprietary Limited (subsidiary)	–	–	352	444
Service received				
Praelexis Proprietary Limited	17 935	18 537	17 935	18 537
Key management				
Key management employees' remuneration				
Salaries and other short-term benefits	74 591	92 651	74 591	92 651
Post-employment benefits	27 072	3 499	27 072	3 499
Share-based payments	137 413	(21 104)	137 413	(21 104)
Key management compensation paid by the company	239 076	75 046	239 076	75 046

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Loans and advances to directors and other key management employees advanced by fellow subsidiaries and included in loans and advances to clients in respect of the share option scheme and retail loans				
Loans outstanding at the beginning of the year	4 793	2 970	4 793	2 970
Loans advanced during the year	13 149	25 899	13 149	25 899
Interest and fees charged on loans during the year	305	381	305	381
Loan repayments during the year	(17 125)	(24 457)	(17 125)	(24 457)
Loans outstanding at the end of the year	1 122	4 793	1 122	4 793

Loans to other key management employees by subsidiaries have fixed repayment terms and bear interest at the official rate for individuals as determined by SARS. Savings and deposits are unsecured, carry variable interest rates and are repayable on demand.

Key management is considered to be the members of the group EXCO, excluding development members. Key management compensation excludes directors' remuneration. The members of the group EXCO are the prescribed officers of the company.

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Retail deposits from directors and other key management employees				
Deposits at the beginning of the year	17 063	37 521	17 063	37 521
Interest earned during the year	1 332	1 700	1 332	1 700
Deposits/(Withdrawals) made during the year	6 360	(22 158)	6 360	(22 158)
Deposits at the end of the year	24 755	17 063	24 755	17 063

Savings and deposits are unsecured, carry variable interest rates and are repayable on demand.

Loans to companies where directors are shareholders

Included in loans and advances to clients is a loan in the amount of R22.8 million (2023: R15.2 million) to Sureship Investments Proprietary Limited in which Mr GM Fourie is a shareholder.

34. Related party transactions continued

Directors' interest in agreements

All directors of Capitec Bank Limited have given notice that they did not have a material interest in any significant agreement with the company or any of its subsidiaries which could have given rise to a conflict of interest during the year.

Directors' interest in share capital

At year-end, the directors did not hold, directly or indirectly, beneficially or non-beneficially, any interests in Capitec Bank Limited ordinary or non-redeemable, non-cumulative and non-participating preference shares.

Directors' interest in share incentive scheme – options

					(Share options exercised/cancelled)/ Share options granted			
Director	Maturity date[1]	Issue date	Strike price R	Opening balance number of share options	Number of share options	Market price R	Exercise date	Closing balance number of share options
2024								
GM Fourie	28 March 2023	28 March 2018	881.76	5 739	(5 739)	1 810.02	12 October 2023	–
(direct beneficial)	29 March 2023	1 April 2017	705.93	6 376	(6 376)	1 810.02	12 October 2023	–
	29 March 2023	29 March 2019	1 175.01	5 107	(5 107)	1 810.02	12 October 2023	–
	8 April 2023	8 April 2020	973.05	6 676	(6 676)	1 810.02	12 October 2023	–
	28 March 2024	28 March 2018	881.76	5 739	–	–	–	5 739
	29 March 2024	29 March 2019	1 175.01	5 107	–	–	–	5 107
	8 April 2024	8 April 2020	973.05	6 676	–	–	–	6 676
	12 April 2024	11 February 2021	1 392.19	5 421	–	–	–	5 421
	29 March 2025	29 March 2019	1 175.01	5 107	–	–	–	5 107
	8 April 2025	8 April 2020	973.05	6 676	–	–	–	6 676
	12 April 2025	11 February 2021	1 392.19	5 420	–	–	–	5 420
	23 April 2025	22 February 2022	2 067.19	4 629	–	–	–	4 629
	8 April 2026	8 April 2020	973.05	6 675	–	–	–	6 675
	12 April 2026	11 February 2021	1 392.19	5 420	–	–	–	5 420
	21 April 2026	21 February 2023	1 828.19	–	5 921	–	–	5 921
	23 April 2026	22 February 2022	2 067.19	4 628	–	–	–	4 628
	12 April 2027	11 February 2021	1 392.19	5 420	–	–	–	5 420
	21 April 2027	21 February 2023	1 828.19	–	5 920	–	–	5 920
	23 April 2027	22 February 2022	2 067.19	4 628	–	–	–	4 628
	21 April 2028	21 February 2023	1 828.19	–	5 920	–	–	5 920
	23 April 2028	22 February 2022	2 067.19	4 628	–	–	–	4 628
	21 April 2029	21 February 2023	1 828.19	–	5 920	–	–	5 920
Total options				100 072	(217)			99 855
GR Hardy	28 September 2023	28 September 2020	911.63	412	–	–	–	412
(direct beneficial)	28 September 2024	28 September 2020	911.63	412	–	–	–	412
	23 April 2025	22 February 2022	2 067.19	1 134	–	–	–	1 134
	1 July 2025	1 July 2022	2 106.13	413	–	–	–	413
	28 September 2025	28 September 2020	911.63	411	–	–	–	411
	21 April 2026	21 February 2023	1 828.19	–	2 764	–	–	2 764
	23 April 2026	22 February 2022	2 067.19	1 134	–	–	–	1 134
	1 July 2026	1 July 2022	2 106.13	412	–	–	–	412
	28 September 2026	28 September 2020	911.63	411	–	–	–	411
	21 April 2027	21 February 2023	1 828.19	–	2 763	–	–	2 763
	23 April 2027	22 February 2022	2 067.19	1 134	–	–	–	1 134
	1 July 2027	1 July 2022	2 106.13	412	–	–	–	412
	21 April 2028	21 February 2023	1 828.19	–	2 763	–	–	2 763
	23 April 2028	22 February 2022	2 067.19	1 133	–	–	–	1 133
	1 July 2028	1 July 2022	2 106.13	412	–	–	–	412
	21 April 2029	21 February 2023	1 828.19	–	2 763	–	–	2 763
Total options				7 830	11 053	–	–	18 883
Total options held by directors				107 902	10 836			118 738

[1] *The director has 9 months after maturity to exercise the share options.*

Directors' interest in share incentive scheme – SARs

					(SARs exercised/cancelled)/ SARs granted			
Director	Maturity date[1]	Issue date	SAR exercise price R	Opening balance number of SARs	Number of SARs	Market price R	Exercise date	Closing balance number of SARs
2024								
GM Fourie	28 March 2023	28 March 2018	881.76	5 739	(5 739)	1 789.98	31 July 2023	–
(direct beneficial)	29 March 2023	1 April 2017	705.93	6 376	(6 376)	1 789.98	31 July 2023	–
	29 March 2023	29 March 2019	1 175.01	5 107	(5 107)	1 789.98	31 July 2023	–
	8 April 2023	8 April 2020	973.05	6 676	(6 676)	1 789.98	31 July 2023	–
	28 March 2024	28 March 2018	881.76	5 739	–	–	–	5 739
	29 March 2024	29 March 2019	1 175.01	5 107	–	–	–	5 107
	8 April 2024	8 April 2020	973.05	6 676	–	–	–	6 676
	12 April 2024	11 February 2021	1 392.19	5 421	–	–	–	5 421
	29 March 2025	29 March 2019	1 175.01	5 107	–	–	–	5 107
	8 April 2025	8 April 2020	973.05	6 676	–	–	–	6 676
	12 April 2025	11 February 2021	1 392.19	5 420	–	–	–	5 420
	23 April 2025	22 February 2022	2 067.19	4 629	–	–	–	4 629
	8 April 2026	8 April 2020	973.05	6 675	–	–	–	6 675
	12 April 2026	11 February 2021	1 392.19	5 420	–	–	–	5 420
	21 April 2026	21 February 2023	1 828.19	–	5 921	–	–	5 921
	23 April 2026	22 February 2022	2 067.19	4 628	–	–	–	4 628
	12 April 2027	11 February 2021	1 392.19	5 420	–	–	–	5 420
	21 April 2027	21 February 2023	1 828.19	–	5 920	–	–	5 920
	23 April 2027	22 February 2022	2 067.19	4 628	–	–	–	4 628
	21 April 2028	21 February 2023	1 828.19	–	5 920	–	–	5 920
	23 April 2028	22 February 2022	2 067.19	4 628	–	–	–	4 628
	21 April 2029	21 February 2023	1 828.19	–	5 920	–	–	5 920
Total SARs				100 072	(217)			99 855
GR Hardy	28 September 2023	28 September 2020	911.63	412	(412)	–	24 January 2024	–
(direct beneficial)	28 September 2024	28 September 2020	911.63	412	–	–	–	412
	23 April 2025	22 February 2022	2 067.19	1 134	–	–	–	1 134
	1 July 2025	1 July 2022	2 106.13	413	–	–	–	413
	28 September 2025	28 September 2020	911.63	411	–	–	–	411
	21 April 2026	21 February 2023	1 828.19	–	2 764	–	–	2 764
	23 April 2026	22 February 2022	2 067.19	1 134	–	–	–	1 134
	1 July 2026	1 July 2022	2 106.13	412	–	–	–	412
	28 September 2026	28 September 2020	911.63	411	–	–	–	411
	21 April 2027	21 February 2023	1 828.19	–	2 763	–	–	2 763
	23 April 2027	22 February 2022	2 067.19	1 134	–	–	–	1 134
	1 July 2027	1 July 2022	2 106.13	412	–	–	–	412
	21 April 2028	21 February 2023	1 828.19	–	2 763	–	–	2 763
	23 April 2028	22 February 2022	2 067.19	1 133	–	–	–	1 133
	1 July 2028	1 July 2022	2 106.13	412	–	–	–	412
	21 April 2029	21 February 2023	1 828.19	–	2 763	–	–	2 763
Total SARs				7 830	10 641			18 471
Total SARs held by directors				107 902	10 424			118 326

[1] *The director has 9 months after maturity to exercise the share options.*

Notes to the financial statements continued

Year ended 29 February 2024

34. Related party transactions continued

Directors' remuneration

The total share option expense relating to directors amounted to expense of R26 414 042 (2023: Income of R29 043 586) and the SAR expense amounted to R27 254 373 (2023: Income of R24 640 380) due to the increase in the Capitec share price during the current year.

R'000	Salaries	Fringe benefits	Bonuses	Fees	Total	Fair value of options and rights granted during the year at the reporting date
2024						
Executive[1]						
GM Fourie	17 280	133	5 832	—	23 245	6 740
GR Hardy	7 689	109	2 917	—	10 715	3 146
NS Mashiya[2]	1 072	8	—	—	1 080	—
Non-executive						
NF Bhettay[3]	—	—	—	413	413	—
SL Botha *(chairman)*	—	—	—	5 300	5 300	—
SA du Plessis	—	—	—	1 725	1 725	—
CH Fernandez	—	—	—	1 418	1 418	—
N Ford-Hoon[4]	—	—	—	413	413	—
MSdP le Roux	—	—	—	616	616	—
V Mahlangu	—	—	—	1 482	1 482	—
TE Mashilwane[5]	—	—	—	712	712	—
DP Meintjes[6]	—	—	—	275	275	—
PJ Mouton	—	—	—	1 093	1 093	—
CA Otto	—	—	—	897	897	—
JP Verster	—	—	—	2 166	2 166	—
Total directors' remuneration	26 041	250	8 749	16 510	51 550	9 886

[1] *The executive directors are prescribed officers of the company.*
[2] *Mr NS Mashiya resigned on 31 March 2023.*
[3] *Ms NF Bhettay was appointed on 7 September 2023.*
[4] *Ms N Ford-Hoon was appointed on 7 September 2023.*
[5] *Ms TE Mashilwane resigned on 30 September 2023.*
[6] *Mr DP Meintjes retired on 26 May 2023.*

R'000	Salaries	Fringe benefits	Bonuses	Fees	Total	Fair value of options and rights granted during the year at the reporting date
2023						
Executive[1]						
AP du Plessis[2]	5 408	640	—	—	6 048	—
GM Fourie	16 000	920	5 427	—	22 347	3 993
GR Hardy[3]	4 667	46	1 563	—	6 276	1 222
NS Mashiya[4]	6 664	88	—	—	6 752	—
Non-executive						
SL Botha *(chairman)*	—	—	—	4 393	4 393	—
MSdP le Roux	—	—	—	580	580	—
SA du Plessis	—	—	—	1 417	1 417	—
CH Fernandez[5]	—	—	—	941	941	—
V Mahlangu	—	—	—	1 268	1 268	—
TE Mashilwane	—	—	—	1 136	1 136	—
DP Meintjes	—	—	—	1 029	1 029	—
PJ Mouton	—	—	—	920	920	—
CA Otto	—	—	—	951	951	—
JP Verster	—	—	—	1 665	1 665	—
Total directors' remuneration	32 739	1 694	6 990	14 300	55 723	5 215

[1] *The executive directors are prescribed officers of the company.*
[2] *Mr AP du Plessis retired on 30 June 2022.*
[3] *Mr GR Hardy was appointed on 1 July 2022.*
[4] *Mr NS Mashiya resigned on 31 March 2023.*
[5] *Ms CH Fernandez resigned on 29 November 2022.*

34. Related party transactions continued

Prescribed officers' remuneration[1]

R'000	Salaries	Fringe benefits	Bonuses	Total	Fair value of options and rights granted during the year at the reporting date
2024					
R Butler	**5 405**	**83**	**4 032**	**9 520**	**1 553**
W de Bruyn	**8 288**	**96**	**2 929**	**11 313**	**2 821**
KR Kumbier	**6 875**	**79**	**2 475**	**9 429**	**2 384**
G Lee	**6 437**	**204**	**2 300**	**8 941**	**2 215**
HAJ Lourens	**9 314**	**114**	**3 297**	**12 725**	**2 540**
I Moola[2]	**2 083**	**19**	**5 694**	**7 796**	**815**
F Viviers	**5 249**	**255**	**1 943**	**7 447**	**1 498**
Total prescribed officers' remuneration	**43 651**	**850**	**22 670**	**67 171**	**13 826**
2023					
R Butler	7 083	179	3 618	10 880	939
W de Bruyn	8 156	99	2 764	11 019	1 793
KR Kumbier	6 644	381	2 261	9 286	1 291
G Lee	4 000	60	1 340	5 400	734
HAJ Lourens	8 875	522	3 082	12 479	2 000
F Viviers	5 183	341	1 776	7 300	922
Total prescribed officers' remuneration	39 941	1 582	14 841	56 364	7 679

[1] *The members of the group EXCO are prescribed officers of the company.*
[2] *Mr I Moola was appointed on the 1 October 2023.*

The total share option expense relating to the prescribed officers above amounted to R41 805 817 (2023: R15 684 376) and the SARs expense amounted to R41 938 631 (2023: R16 895 927). The expense includes the movement on all tranches.

Financial assistance amounting to R750 000 (2023: Rnil) was granted to prescribed officers for the subscription of options. Loans to prescribed officers outstanding at the reporting date amounted to R5 046 625.58 (2023: R5 022 918).

35. Notes to the cash flow statements

35.1 Cash flow from operations

		GROUP		COMPANY	
R'000	**Note**	**2024**	**2023**	**2024**	**2023**
Net profit before tax and equity accounted earnings		**10 323 575**	8 840 298	**10 319 697**	8 819 603
Deduct interest income calculated using the effective interest rate		**(25 110 679)**	(20 782 602)	**(24 993 622)**	(20 688 798)
Deduct interest on investments at FVTPL		**(668 700)**	(408 867)	**(668 700)**	(408 867)
Add back interest expenses		**9 343 426**	6 994 114	**9 343 352**	6 993 646
Deduct dividend income		**—**	—	**—**	—
Adjusted for non-cash items					
Movement in provision for credit impairment[1]		**2 777 356**	2 083 558	**2 711 331**	2 049 696
Bad debts written off		**9 329 727**	6 627 491	**9 284 464**	6 583 923
Lease liability remeasurement		**(5 228)**	(34 667)	**(5 228)**	(34 632)
Depreciation		**762 903**	635 345	**761 002**	633 345
Unrealised foreign exchange (gain)/loss		**4 734**	(9 505)	**4 677**	(8 837)
Depreciation – right-of-use assets – premises		**451 161**	377 012	**450 655**	376 865
Amortisation of intangible assets		**150 331**	140 911	**150 331**	140 828
Loss on disposal of assets		**22 286**	7 071	**22 288**	7 124
Fair value adjustment		**(32 763)**	15 874	**(32 763)**	15 874
Fair value gains reclassified to profit or loss		**(3 178)**	10 215	**(3 178)**	10 215
Movements in assets and liabilities					
Loans and advances	35.2	**(14 477 063)**	(20 308 297)	**(14 298 890)**	(19 956 362)
Financial investments at FVTPL		**(6 855)**	(237 382)	**(6 855)**	(237 382)
Other receivables	35.2	**(3 539 205)**	(2 021 806)	**(3 538 249)**	(2 062 215)
Facility provided to fellow subsidiary[2]		**—**	—	**82 851**	(173 066)
Derivatives		**7 857**	(20 005)	**7 857**	(20 005)
Deposits and other wholesale funding	35.2	**8 537 029**	10 095 905	**8 539 584**	10 097 122
Trade and other payables	35.2	**1 483 142**	(810 456)	**1 476 456**	(763 882)
Movements in employee benefit liabilities		**(2 337)**	(266 987)	**(2 337)**	(266 868)
Share-based employee costs – SARs[3]		**23 883**	(122 618)	**23 883**	(121 010)
Share-based employee costs – RSP[3]		**(40 767)**	169 636	**(40 954)**	169 636
Share-based employee costs – Share options[3]		**26 465**	(130 042)	**26 465**	(128 435)
Share-based employee costs – Co-investment[3]		**15 681**	5 783	**15 681**	5 783
Cash flow from operations		**(627 219)**	(9 150 021)	**(370 202)**	(8 966 699)

[1] *ECL – non-loan book is included in the movement in provision for credit impairment.*
[2] *Overdraft facility provided to Capitec Rental Finance included in group loan receivables.*
[3] *The following line items have been separately disclosed in the current year following the JSE's report on the proactive monitoring of financial statements recommendations.*

35. Notes to the cash flow statements continued

35.2 Movement in operating assets and liabilities

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Movement in loans and advances to clients	**(14 477 063)**	(20 308 297)	**(14 298 890)**	(19 956 362)
Gross loans and advances opening balance	**97 814 471**	84 104 522	**96 179 232**	82 777 650
Gross loans and advances closing balance	**(102 989 694)**	(97 814 471)	**(101 221 545)**	(96 179 232)
Movement in accrued interest	**27 887**	29 143	**27 887**	29 143
Bad debts written off	**(9 329 727)**	(6 627 491)	**(9 284 464)**	(6 583 923)
Other receivables	**(3 539 205)**	(2 021 806)	**(3 538 249)**	(2 062 215)
Opening balance	**4 806 149**	2 784 343	**4 783 947**	2 721 732
Closing balance	**(8 345 354)**	(4 806 149)	**(8 322 196)**	(4 783 947)
Deposits and wholesale funding[1]	**8 537 029**	10 095 905	**8 539 584**	10 097 122
Movement in deposits	**8 712 364**	10 471 768	**8 714 919**	10 472 985
Movement in other wholesale funding	**(175 335)**	(375 863)	**(175 335)**	(375 863)
Trade and other payables	**1 483 142**	(810 456)	**1 476 456**	(763 882)
Movement in trade and other payables	**1 483 142**	(810 456)	**1 476 456**	(763 882)

[1] Relates to deposits and unlisted negotiable instruments and other wholesale funding. Refer to note 16.

35.3 Income tax paid

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Balance at the beginning of the year	**(40 701)**	301 968	**(39 530)**	303 371
Income statement charge	**2 817 632**	2 496 581	**2 818 266**	2 496 765
Movement in deferred tax	**144 705**	(302 757)	**144 569**	(303 168)
Balance at the end of the year	**(249 497)**	40 701	**(251 166)**	39 530
Income tax paid	**2 672 139**	2 536 493	**2 672 139**	2 536 498

35.4 Proceeds from the disposal of property and equipment

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Disposal of property and equipment at net book value	**52 103**	27 929	**52 103**	27 911
Loss on the sale of property, plant and equipment	**(22 286)**	(6 828)	**(22 288)**	(6 881)
Non-cash items	**–**	(4 275)	**–**	(4 275)
Disposal of property and equipment per the statement of cash flows	**29 817**	16 826	**29 815**	16 755

Proceeds from the disposal of property and equipment are classified as investing cash flows.

35.5 Proceeds on the disposal of intangible assets

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Disposal of intangible assets at net book value	**–**	243	**–**	243
Loss on the sale of intangible assets	**–**	(243)	**–**	(243)
Non-cash items				
Disposal of intangible assets per the statement of cash flows	**–**	–	**–**	–

Proceeds from the disposal of intangible assets are classified as investing cash flows.

35.6 Dividends paid

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Balance at the beginning of the year	**2 263**	1 694	**2 263**	1 694
Ordinary dividend	**3 427 123**	3 917 498	**3 427 123**	3 917 498
Preference dividend	**4 763**	4 185	**4 763**	4 185
Balance at the end of the year	**(254 830)**	(2 263)	**(254 830)**	(2 263)
Dividends paid	**3 179 319**	3 921 114	**3 179 319**	3 921 114

Dividends paid are classified as financing cash flows.

35.7 Net debt reconciliation – group loans

	GROUP		COMPANY	
R'000	2024	2023	2024	2023
Group loans payable at the beginning of the year	**–**	2 891	**–**	2 891
Loans from group companies – granted	**–**	–	**–**	–
Loans from group companies – repaid	**–**	–	**–**	–
Other cash flows	**–**	–	**–**	–
Non-cash flow movements	**2 586**	(2 891)	**2 586**	(2 891)
Group loans payable at the end of the year	**2 586**	–	**2 586**	–

Notes to the financial statements continued
Year ended 29 February 2024

35. Notes to the cash flow statements continued

35.8 Lease liability cash flow

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Lease liability cash flow	**617 196**	572 401	**615 922**	571 108
Lease liability 1 March 2021	**2 321 675**	2 444 582	**2 322 506**	2 451 114
New leases	**579 181**	422 586	**579 180**	415 944
Terminations	**(97 128)**	(175 412)	**(97 128)**	(175 377)
IFRS 16 interest	**214 735**	202 320	**214 327**	201 933
Lease liability closing balance	**(2 401 267)**	(2 321 675)	**(2 402 963)**	(2 322 506)
Total cash flow lease liability	**617 196**	572 401	**615 922**	571 108
Portion included in operating activities	**212 230**	203 560	**211 820**	203 112
Portion included in financing activities	**404 966**	368 841	**404 102**	367 996

The portion included in operating activities comprises interest paid. The portion included in financing activities comprises lease rentals paid.

35.9 Interest received

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Interest income per the income statement	**25 779 379**	21 191 469	**25 662 322**	21 097 665
Adjusted for accrued interest income (non-cash items)				
Investments at amortised cost	**(857 315)**	(525 589)	**(857 315)**	(525 589)
Term deposits	**46 861**	(156 874)	**46 861**	(156 874)
Loans and advances	**(27 887)**	(29 143)	**(27 887)**	(29 143)
Financial assets at FVTPL	**(10 928)**	(48 401)	**(10 928)**	(48 401)
Interest – intercompany loans	**–**	–	**(140 897)**	(91 947)
Interest received per the statement of cash flows	**24 930 110**	20 431 462	**24 672 156**	20 245 711

Interest received is classified as cash flows from operating activities.

35.10 Interest paid

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Interest expense per the income statement	**(9 343 426)**	(6 994 114)	**(9 343 352)**	(6 993 646)
Adjusted for accrued interest expense (non-cash items)				
Deposits	**30 531**	31 061	**30 531**	31 061
Senior listed bonds	**7 424**	4 730	**7 424**	4 730
Lease liabilities	**2 505**	(1 240)	**2 507**	(1 178)
Interest paid per the statement of cash flows	**(9 302 966)**	(6 959 563)	**(9 302 890)**	(6 959 033)

Interest paid is classified as cash flows from operating activities.

36. Commitments and contingent liabilities

R'000	GROUP 2024	GROUP 2023	COMPANY 2024	COMPANY 2023
Capital commitments – approved by the board				
Contracted for:				
Property and equipment	**745 225**	672 328	**745 225**	672 328
Intangible assets	**10 938**	2 451	**10 938**	2 451
Not contracted for:				
Property and equipment	**728 651**	1 034 140	**728 652**	1 034 140
Intangible assets	**200 335**	150 669	**200 335**	150 669
Total capital commitments	**1 685 149**	1 859 588	**1 685 150**	1 859 588
Loan commitments – gross of loss allowances				
Retail bank loan commitments – off-balance sheet	**13 759 275**	15 799 468	**13 759 275**	15 799 468
Access facility	**11 074 493**	13 710 124	**11 074 493**	13 710 124
Credit card	**2 684 782**	2 089 344	**2 684 782**	2 089 344
Business bank loan commitments – off-balance sheet	**400 706**	303 706	**400 706**	303 706
Bonds	**315 153**	219 907	**315 153**	219 907
Credit card	**85 553**	83 799	**85 553**	83 799
Guarantees – Business bank	**558 626**	771 397	**558 626**	771 397
Letters of credit – Business bank	**54 928**	32 229	**54 928**	32 229
Total loan commitments and guarantees	**14 773 535**	16 906 800	**14 773 535**	16 906 800

Contracted capital commitments for property and equipment include property amounting to R400 million (2023: R400 million).

For agreements that contain both a drawn and undrawn component where the group cannot separately identify the ECL on the undrawn component, the ECL on the undrawn component is recognised with the ECL on the loan component. To the extent that the ECLs exceed the gross carrying amount of the loans at a client level, the excess is recognised as a provision in other liabilities in the statement of financial position. The loss allowance on the undrawn loan commitments of clients that have no outstanding balances are also recognised as a provision in other liabilities. Refer to note 17.

37. Borrowing powers

In terms of the memorandum of incorporation of Capitec Bank Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation.

These borrowing powers are subject to the limitations of the Banks Act and section 45(3)(a)(ii) of the Companies Act. A special resolution was passed at the AGM on 26 May 2023 authorising the board to approve that the company provides any financial assistance that it deems fit to any related or interrelated company to the company, on the terms and conditions and for the amounts that the board may determine.

38. Share incentive scheme

38.1 Share options, share appreciation rights and the share incentive trust

Accounting policies

Share options and share appreciation rights

The group operates cash-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The fair value of the liability incurred for employee services received is recognised as an expense over the vesting period. Until the liability is settled, the group remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in value recognised in profit or loss for the period.

The fair value of options is measured using an appropriate valuation model, which takes into account the market price on valuation date, the cost of funding, as well as an assumption on the actual percentage of shares that will be delivered. Non-market vesting conditions (for example, profitability and sales growth targets) are excluded.

Notes to the financial statements continued

Year ended 29 February 2024

38. Share incentive scheme continued

38.1 Share options, share appreciation rights and the share incentive trust continued

Accounting policies continued

Share incentive trust

The share incentive scheme is authorised and adopted by the shareholders of Capitec Bank Holdings Limited. The trustees act in terms of the powers bestowed on them by the trust deed and receive instructions from time to time from the boards of Capitec Bank Holdings Limited and the bank. The bank provides the finance required from time to time by the trustees to perform their duties. Service costs of options issued to employees of subsidiaries of Capitec Bank Holdings Limited are financed by the relevant subsidiary.

The group allows its employees to purchase shares in Capitec Bank Holdings Limited up to a value not exceeding 20% (2023: 20%) of their monthly salary.

The purchase price includes a subsidy of 20% (2023: 20%) and the transaction costs are borne by the company.

The shares are held by the trustees on behalf of the participants for as long as required to save the holding expenses of a broker account for participants.

The group offers share options to members of management who are able to make significant contributions to the achievement of the bank's objectives. Options are conditional on the employee completing the vesting period applicable to each group of options issued to that employee.

The share incentive scheme prescribes that options, with durations ranging from 2 to 6 years, should be allocated at the market value, determined as the weighted average price per share over a period of 30 trading days on the JSE prior to the date of allocation.

	GROUP			
	2024		2023	
	Weighted average strike price R	Number	Weighted average strike price R	Number
Options issued to employees				
Balance at the beginning of the year	1 192.88	522 791	1 007.37	557 498
Options granted	1 806.83	139 356	2 071.89	99 376
Options cancelled and/or lapsed	986.86	(6 689)	1 155.00	(30 321)
Options exercised	930.66	(113 278)	821.56	(102 285)
Options transferred to fellow subsidiary	—	—	2 106.13	(1 477)
Balance at the end of the year	1 352.89	542 180	1 192.88	522 791
SARs issued to employees				
Balance at the beginning of the year	1 173.68	522 791	987.60	557 498
SARs granted	1 806.83	139 356	2 071.86	99 376
SARs cancelled and/or lapsed	986.86	(6 689)	1 155.05	(30 321)
SARs exercised	929.96	(114 262)	821.56	(102 285)
SARs transferred to fellow subsidiary	—	—	2 106.13	(1 477)
Balance at the end of the year	1 335.55	541 196	1 173.68	522 791

	GROUP			
	2024		2023	
Analysis of outstanding share options by year of maturity	Weighted average strike price R	Number	Weighted average strike price R	Number
Financial year				
2023/2024	958.83	5 033	934.64	114 695
2024/2025	1 034.44	115 370	1 031.12	118 598
2025/2026	1 229.58	115 704	1 215.78	118 922
2026/2027	1 326.63	130 678	1 218.28	98 952
2027/2028	1 785.53	82 826	1 765.44	48 649
2028/2029	1 939.44	57 730	2 072.06	22 975
2029/2030	1 806.83	34 839	—	—
Total outstanding share options	1 352.89	542 180	1 192.88	522 791

	GROUP	
Number	2024	2023
Shares available from the previous year	7 341	—
Shares purchased/issued during the year	43 000	82 717
Shares utilised for settlement of options	(47 569)	(75 376)
Shares available for settlement of options	2 772	7 341
Settled in shares	(47 569)	(75 376)
Options exercised	(47 569)	(75 376)

	GROUP			
	2024		2023	
Analysis of outstanding SARs by year of maturity	Weighted average strike price R	Number	Weighted average strike price R	Number
Financial year				
2023/2024	852.63	4 049	919.41	114 695
2024/2025	1 011.27	115 370	1 009.35	118 598
2025/2026	1 208.44	115 704	1 195.81	118 922
2026/2027	1 307.07	130 677	1 196.34	98 952
2027/2028	1 770.71	82 825	1 743.04	48 649
2028/2029	1 939.44	57 731	2 072.06	22 975
2029/2030	1 806.83	34 840	—	—
Total outstanding SARs	1 335.55	541 196	1 173.68	522 791

Notes to the financial statements continued
Year ended 29 February 2024

38. Share incentive scheme continued
38.1 Share options, share appreciation rights and the share incentive trust continued
Accounting policies continued
Share incentive trust continued

	COMPANY			
	2024		2023	
Number	**Weighted average strike price R**	**Number**	**Weighted average strike price R**	**Number**
Options issued to employees				
Balance at the beginning of the year	1 192.88	522 791	1 005.55	552 983
Options granted	1 806.83	139 356	2 073.25	97 389
Options cancelled and/or lapsed	986.86	(6 689)	1 155.00	(30 321)
Options exercised	930.66	(113 278)	821.56	(102 285)
Options transferred from fellow subsidiary	—	—	1 448.07	6 502
Options transferred to fellow subsidiary	—	—	2 106.13	(1 477)
Balance at the end of the year	1 352.89	542 180	1 192.88	522 791
SARs issued to employees				
Balance at the beginning of the year	1 173.68	522 791	985.51	552 983
SARs granted	1 806.83	139 356	2 073.25	97 389
SARs cancelled and/or lapsed	986.86	(6 689)	1 155.00	(30 321)
SARs exercised	929.96	(114 262)	821.56	(102 285)
SARs transferred from fellow subsidiary	—	—	1 448.07	6 502
SARs transferred to fellow subsidiary	—	—	2 106.13	(1 477)
Balance at the end of the year	1 335.55	541 196	1 173.68	522 791

	COMPANY			
	2024		2023	
Analysis of outstanding share options by year of maturity	**Weighted average strike price R**	**Number**	**Weighted average strike price R**	**Number**
Financial year				
2023/2024	958.83	5 033	934.64	114 695
2024/2025	1 034.44	115 370	1 031.12	118 598
2025/2026	1 229.58	115 704	1 215.78	118 922
2026/2027	1 326.63	130 678	1 218.28	98 952
2027/2028	1 785.53	82 826	1 765.44	48 649
2028/2029	1 939.44	57 730	2 072.06	22 975
2030/2031	1 806.83	34 839	—	—
Total outstanding share options	1 352.89	542 180	1 192.88	522 791

	COMPANY	
Number	**2024**	**2023**
Shares available from the previous year	7 341	—
Shares purchased/issued during the year	43 000	82 717
Shares utilised for settlement of options	(47 569)	(75 376)
Shares available for settlement of options	2 772	7 341
Settled in shares	(47 569)	(75 376)
Options exercised	(47 569)	(75 376)

	COMPANY			
	2024		2023	
Analysis of outstanding SARs by year of maturity	**Weighted average share price R**	**Analysis of outstanding SARs by year of maturity**	**Weighted average share price R**	**Number**
Financial year				
2023/2024	852.63	4 049	919.41	114 695
2024/2025	1 011.27	115 370	1 009.35	118 598
2025/2026	1 208.44	115 704	1 195.81	118 922
2026/2027	1 307.07	130 677	1 196.34	98 952
2027/2028	1 770.71	82 825	1 743.04	48 649
2028/2029	1 939.44	57 731	2 072.06	22 975
2030/2031	1 806.83	34 840	—	—
Total outstanding SARs	1 335.55	541 196	1 173.68	522 791

38.2 Izindaba Ezinhle Employee Share Scheme (prior year)
Accounting policies

The Izindaba Ezinhle Employee Share Scheme is accounted for in terms of IFRS 2 *Share-based Payment.*

The scheme involves the issuing of shares to participating employees with a view to benefitting those employees. The scheme was accounted for in terms of IFRS 2 *Share-based Payment* as a cash-settled share-based payment transaction, on the basis that Capitec Bank Limited had an obligation to pay 50% of the subscription price, on behalf of the employees, to Capitec Bank Holdings Limited, with the remaining balance being funded through loans provided to the participating employees. Capitec Bank Holdings Limited had an obligation to issue the shares to the employees against the payment received from Capitec Bank Limited. A 5-year trade restriction is imposed in respect of the issued shares. Capitec Bank Limited will retain 50% of the dividends for the purpose of settling the accrued interest payable on the loans, and the remaining 50% of the dividends will be paid to the participating employees. Employees do not need to be in the employment of the group on any predetermined dates in future for vesting to occur.

The employees will be required to repay the loans and interest thereon at the end of the 5-year period. Capitec Bank Holdings Limited's recourse is limited to the number of shares that were issued to the employees in terms of the pledge and cession agreement with the employees. The loans to the employees will not be recognised in terms of IFRS 9 *Financial Instruments* as Capitec Bank Limited may not pursue full recourse to the employees in respect of the loans.

The cash-settled share-based liability of R491.978 million was settled on day 1 of the transaction as the cash was paid by Capitec Bank Limited to Capitec Bank Holdings Limited as settlement of the employees' obligation. The cash paid by Capitec Bank Limited was previously disclosed in the statement of cash flows as a cash flow from operating activities. The fair value on the grant date was previously recognised in the income statement with a corresponding cash-settled share-based liability. The part of the scheme funded through the loans to the employees from Capitec Bank Holdings Limited is accounted for as equity-settled in both the Capitec Bank Limited and Capitec Bank Holdings Limited separate financial statements. The fair value of the equity instruments granted is measured using a Monte Carlo simulation as further detailed below and amounted to R23.831 million. The fair value on the grant date was previously recognised in the income statement with a corresponding share option reserve raised in equity.

The Monte Carlo option pricing model is an option pricing model which takes into account the market price on grant date, the cost of funding as well as an assumption on the actual shares that will be delivered.

Notes to the financial statements continued

Year ended 29 February 2024

38. Share incentive scheme continued

38.2 Izindaba Ezinhle Employee Share Scheme (prior year) continued

Accounting policies continued

The following assumptions were used to measure the fair value of the part of the scheme funded through the loans at the grant date:

Grant date	22 February 2022
Risk-free rate (%)	4.50
Growth rate (%)	4.50
Expected volatility (%)	30
Dividend forecast[(2)]	Capitec Bank Holdings Limited 5-year dividend forecast
Dividend yield (%)	1.74
Prime lending rate (%)	7.5
Official rate of interest (%)	5
Capitec Bank Holdings Limited share price at the grant date (rand)	2 081
Loan value per share (rand)	1 041
Estimated future loan value/strike price (rand)	1 214
Total loan value (rand)	491 978 863

The growth rate and expected volatility were determined using the historical share prices of Capitec Bank Holdings Limited. The growth rate is deemed appropriate based on consumer price inflation and the expected volatility excludes the impact of extreme events.

The dividends were determined using the dividend forecast up to the 2027 financial year in conjunction with projected future share prices as at each dividend payment date.

As defined in section 1(1) of the Income Tax Act.

	Date awarded	Exercise date	Number of shares
2022			
Shares awarded	22 February 2022	22 February 2027	236 426

38.3 Co-investment plan share option scheme

Accounting policies

Capitec Bank Holdings Limited granted share options directly to the employees of the group as consideration for services rendered as part of a bonus arrangement and in an effort to retain the services of specific employees.

The fair value of the share options granted is remeasured at the reporting date using an appropriate valuation model, which takes into account the market price on grant date, the fact that employees will not be entitled to dividends until the shares vest, as well as an assumption on the actual percentage of shares that will be delivered.

The fair value on the reporting date is recognised in the income statement on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in the liability.

The strike price of the share options reduces by 5% per annum over the vesting period.

The share options vest in equal tranches of 25% and the end of each employment period as follows:

Tranche	Percentage	Vesting period
1	25	4 years
2	25	6 years
3	25	8 years
4	25	10 years

The share-based payment expense was calculated using the Monte Carlo option pricing model, which is reflective of the underlying characteristics of the co-investment plan share option scheme. The fair value on the grant date was recognised in the income statement with a corresponding increase in the liability.

The following assumptions were used to measure the fair value at the grant date:

Grant date	18 April 2023
2024	
Risk-free rate (%)	**7.87**
Growth rate (%)	**5.18**
Expected volatility (%)	**29**
Dividend forecast	Capitec Bank Holdings Limited 5-year dividend forecast
Dividend yield (%)	**2.69**
Volume-weighted average price (VWAP)/strike price (rand)	**1 681**
Capitec Bank Holdings Limited share price at the grant date (rand)	**1 670**
Fair value of share options on grant date (rand)	**1 007**

	Date awarded	Exercise date	Grant price R	Number of share options
2024				
Share options awarded	18 April 2023	18 April 2033	**1 007**	**24 839**

Grant date	20 April 2022
2023	
Risk-free rate (%)	5.77
Growth rate (%)	4.50
Expected volatility (%)	30
Dividend forecast	Capitec Bank Holdings Limited 5-year dividend forecast
Dividend yield (%)	1.61
VWAP/strike price (rand)	2 067
Capitec Bank Holdings Limited share price at the grant date (rand)	2 069
Fair value of share options on grant date (rand)	1 420

	Date awarded	Exercise date	Grant price R	Number of share options
2023				
Share options awarded	20 April 2022	20 April 2032	1 420	37 681

38. Share incentive scheme continued

38.3 Co-investment plan share option scheme continued

Accounting policies continued

Grant date	8 April 2021
2022	
Risk-free rate (%)	4.50
Growth rate (%)	4.50
Expected volatility (%)	30
Dividend forecast	Capitec Bank Holdings Limited 5-year dividend forecast
Dividend yield (%)	1.74
VWAP/strike price (rand)	1 359
Capitec Bank Holdings Limited share price at the grant date (rand)	1 363
Fair value of share options on grant date (rand)	1 829

	Date awarded	Exercise date	Grant price R	Number of share options
2022				
Share options awarded	8 April 2021	8 April 2031	1 829	22 769

The growth rate and expected volatility were determined using the historical share prices of Capitec Bank Holdings Limited. The growth rate is deemed appropriate based on consumer price inflation and the expected volatility excludes the impact of extreme events.

The dividend forecast in conjunction with projected future share prices as at each dividend payment date was used to determine the dividend yield.

The following table provides detail regarding the data used in the valuation of the share options to which IFRS 2 has been applied. The Longstaff and Schwartz valuation method was used to value the options.

Year granted	Year maturing	Strike price R	Share price on issue date R	Volatility used in valuation %	Dividend yield %	Risk-free rate %	Number of options outstanding	Fair value ignoring vesting conditions R'000	Expected vesting proportion[(1)] %	Portion of the term expired %	Value taking into account expected vesting proportion R'000
2024											
2021/2022	2025/2026	1 106.93	1 362.68	30	2.76	8.13	4 692	6 771	100	72	4 899
	2027/2028	999.00	1 362.68	30	2.76	8.13	4 689	6 767	100	48	3 264
	2029/2030	901.60	1 362.68	30	2.76	8.13	4 689	6 767	100	36	2 448
	2031/2032	813.70	1 362.68	30	2.76	8.13	4 685	6 761	100	29	1 957
2022/2023	2026/2027	1 683.74	2 069.00	30	1.61	5.77	8 159	9 915	100	47	4 615
	2028/2029	1 519.57	2 069.00	30	1.61	5.77	8 157	9 913	100	31	3 075
	2030/2031	1 371.42	2 069.00	30	1.61	5.77	8 155	9 910	100	23	2 306
	2032/2033	1 237.70	2 069.00	30	1.61	5.77	8 151	9 905	100	19	1 844
2023/2024	2027/2028	1 369.14	1 670.00	29	2.69	7.87	6 215	8 402	100	21	1 803
	2029/2030	1 235.65	1 670.00	29	2.69	7.87	6 210	8 396	100	14	1 205
	2031/2032	1 115.18	1 670.00	29	2.69	7.87	6 209	8 394	100	11	903
	2033/2034	1 006.45	1 670.00	29	2.69	7.87	6 205	8 389	100	9	722
Total							76 216	100 290	100	29	29 041

[(1)] *Executive employee turnover of 0% per annum (2023: 0%) was used to estimate the likelihood of vesting conditions realising. This is re-estimated in terms of IFRS 2 on an annual basis.*

Year granted	Year maturing	Strike price R	Share price on issue date R	Volatility used in valuation %	Dividend yield %	Risk-free rate %	Number of options outstanding	Fair value ignoring vesting conditions R'000	Expected vesting proportion[(1)] %	Portion of the term expired %	Value taking into account expected vesting proportion R'000
2023											
2021/2022	2025/2026	1 106.93	1 362.68	30	2.76	8.13	4 689	4 969	100	50	2 485
	2027/2028	999.00	1 362.68	30	2.76	8.13	4 689	4 969	100	33	1 656
	2029/2030	901.60	1 362.68	30	2.76	8.13	4 689	4 969	100	25	1 242
	2031/2032	813.70	1 362.68	30	2.76	8.13	4 688	4 969	100	20	994
2022/2023	2026/2027	1 683.74	2 069.00	30	1.61	5.77	8 155	10 884	100	25	2 721
	2028/2029	1 519.57	2 069.00	30	1.61	5.77	8 155	10 884	100	17	1 814
	2030/2031	1 371.42	2 069.00	30	1.61	5.77	8 155	10 884	100	13	1 360
	2032/2033	1 237.70	2 069.00	30	1.61	5.77	8 157	10 884	100	10	1 088
Total							51 377	63 412		21	13 360

[(1)] *Executive employee turnover of 0% per annum (2023: 0%) was used to estimate the likelihood of vesting conditions realising. This is re-estimated in terms of IFRS 2 on an annual basis.*

38.4 Restricted share plan

Accounting policies

Senior and other employees who are seen to be in leadership roles critical to the current and future success of the group's business are awarded the opportunity to participate in Capitec Bank's RSP during October of each financial year. The members' bonuses, as calculated in terms of the RSP, are split into 3 tranches, the first of which is paid in cash on the bonus payment date for the relevant financial year. Participants are given the opportunity to choose whether the remaining two-thirds of their bonus should be settled in cash or Capitec Bank Holdings Limited ordinary shares.

The third of the bonus that is settled in cash is accounted for as a short-term employee benefit in terms of IAS 19 *Employee Benefits*. The two-thirds of the bonus for which participants have the right to choose whether the bonus should be settled in cash or equity instruments is accounted for in terms of IFRS 2 *Share-based Payment*.

In terms of the principles of IFRS 2, the group has granted the participants the right to choose whether the share-based payment transaction should be settled in cash or by receipt of equity instruments, therefore, the group has granted a compound financial instrument, which includes a debt component (the right to payment in cash) and an equity component (the right to settlement in equity instruments rather than in cash). The fair value of the compound financial instrument is the sum of the fair values of the 2 components. The equity component is accounted for as a cash-settled share-based payment transaction by the group.

The fair value of the debt and equity component of the RSP is remeasured at the reporting date to reflect the fair value of the consideration that will be transferred upon settlement of the liability.

The fair value at the reporting date is recognised in the income statement on a straight-line basis over the vesting period of the debt and equity component, adjusted to reflect actual levels of vesting, with a corresponding increase/(decrease) in other liabilities.

Both components will vest in equal tranches at the end of each reporting period.

The following table provides detail regarding the results of the valuation of the debt and equity component of the RSP to which IFRS 2 has been applied.

38. Share incentive scheme continued

38.4 Restricted share plan continued

Accounting policies continued

Debt component[1]

GROUP					
Year granted	Year maturing	Fair value on issue date ignoring vesting conditions R'000	Expected vesting proportion %	Portion of the term expired %	Value taking into account expected vesting proportion R'000
2024					
2021/2022	2024/2025	82 859	93.9	93.8	72 953
2022/2023	2024/2025	31 804	93.9	89.6	26 763
	2025/2026	31 804	93.9	53.8	16 076
2023/2024	2025/2026	37 611	93.9	23.1	8 170
	2026/2027	37 611	93.9	13.9	4 907
Total		221 689	93.9	58.1	128 869
2023					
2020/2021	2023/2024	16 331	100.0	94.0	15 329
2021/2022	2023/2024	99 229	100.0	90.0	89 089
	2024/2025	99 229	100.0	54.0	53 415
2022/2023	2024/2025	31 876	100.0	23.0	7 374
	2025/2026	31 876	100.0	14.0	4 429
Total		278 541	100.0	61.0	169 636

[1] *The presentation of the RSP has been enhanced to include additional information regarding the vesting and valuation of the debt component of the RSP. Comparatives have been included for consistency.*

Executive employee turnover of 6.1% per annum (2023: 0%) was used to estimate the likelihood of vesting conditions realising. This is re-estimated in terms of IFRS Accounting Standards on an annual basis.

COMPANY					
Year granted	Year maturing	Fair value on issue date ignoring vesting conditions R'000	Expected vesting proportion %	Portion of the term expired %	Value taking into account expected vesting proportion R'000
2024					
2021/2022	2024/2025	82 859	93.9	93.8	72 953
2022/2023	2024/2025	31 741	93.9	89.6	26 710
	2025/2026	31 741	93.9	53.8	16 044
2023/2024	2025/2026	36 950	93.9	23.1	8 106
	2026/2027	36 950	93.9	13.9	4 869
Total		220 241	93.9	58.4	128 682
2023					
2020/2021	2023/2024	16 331	100.0	94.0	15 329
2021/2022	2023/2024	99 229	100.0	90.0	89 089
	2024/2025	99 229	100.0	54.0	53 415
2022/2023	2024/2025	31 876	100.0	23.0	7 374
	2025/2026	31 876	100.0	14.0	4 429
Total		278 541	100.0	61.0	169 636

[1] *The presentation of the RSP has been enhanced to include additional information regarding the vesting and valuation of the debt component of the RSP. Comparatives have been included for consistency.*

Executive employee turnover of 6.1% per annum (2023: 0%) was used to estimate the likelihood of vesting conditions realising. This is re-estimated in terms of IFRS Accounting Standards on an annual basis.

39. Share option liability

Data utilised in the valuation of options granted

The table below provides detail regarding the data used in the valuation of the share options to which IFRS 2 has been applied. The Black-Scholes option pricing model was used to value the options.

GROUP									
Year granted	Strike price R	Year maturing	Risk-free rate %	Number of share options outstanding	Estimated value R'000	Expected vesting proportion %	Fair value R'000	Portion of term expired %	Liability at year-end R'000
2024									
2018/2019	881.80	2024/2025	8.4	22 547	25 648	99.6	25 544	98.7	25 218
2019/2020	1 175.00	2024/2025	8.4	17 624	14 914	99.6	14 851	98.4	14 615
	1 175.00	2025/2026	8.5	17 620	16 045	94.5	15 155	82.0	12 431
	1 374.60	2024/2025	8.6	2 207	1 572	96.5	1 517	86.5	1 313
	1 374.60	2025/2026	8.3	2 207	1 801	91.5	1 649	72.1	1 189
2020/2021	973.10	2024/2025	8.4	26 820	28 097	99.4	27 939	97.3	27 193
	973.10	2025/2026	8.5	26 819	28 982	94.3	27 336	77.9	21 288
	973.10	2026/2027	8.3	26 814	29 954	89.5	26 799	64.9	17 393
	911.60	2023/2024	8.4	4 676	5 173	100.0	5 173	100.0	2 106
	911.60	2024/2025	8.6	15 467	17 322	97.0	16 798	85.5	14 361
	911.60	2025/2026	8.3	15 450	17 729	92.0	16 308	68.4	11 155
	911.60	2026/2027	8.3	15 433	18 144	87.3	15 832	57.0	9 025
	884.80	2024/2025	8.6	678	776	97.3	754	86.9	656
	884.80	2025/2026	8.3	678	792	92.3	731	69.6	508
	884.80	2026/2027	8.3	677	808	87.5	707	58.0	410
	1 006.80	2024/2025	8.6	4 566	4 715	96.7	4 558	84.0	3 828
	1 006.80	2025/2026	8.3	4 566	4 905	91.7	4 498	67.2	3 022
	1 006.80	2026/2027	8.3	4 565	5 081	87.0	4 420	56.0	2 475
	1 383.60	2023/2024	8.4	357	226	100.0	226	100.0	226
	1 383.60	2024/2025	8.6	357	260	95.5	248	78.3	194
	1 383.60	2025/2026	8.3	356	294	90.6	267	62.7	167
	1 383.60	2026/2027	8.3	356	322	85.9	276	52.2	144
	1 392.20	2024/2025	8.4	22 762	14 410	99.4	14 320	96.3	13 788
	1 392.20	2025/2026	8.5	22 758	17 061	94.3	16 083	73.2	11 769
	1 392.20	2026/2027	8.3	22 754	19 178	89.4	17 148	59.0	10 120
	1 392.20	2027/2028	8.3	22 750	20 829	84.8	17 666	49.4	8 735
2021/2022	1 375.60	2024/2025	8.4	1 386	890	100.0	890	99.9	889
	1 375.60	2025/2026	8.5	1 385	1 037	94.8	984	74.9	737
	1 375.60	2026/2027	8.3	1 385	1 168	90.0	1 051	60.0	630
	1 375.60	2027/2028	8.3	1 385	1 270	85.3	1 083	50.0	542
	1 663.60	2024/2025	8.6	552	258	97.4	251	83.1	208
	1 663.60	2025/2026	8.3	552	346	92.3	320	62.4	199
	1 663.60	2026/2027	8.3	551	406	87.6	355	49.9	177
	1 663.60	2027/2028	8.4	551	452	83.1	376	41.6	156
	1 616.70	2024/2025	8.6	404	208	96.9	202	80.4	162
	1 616.70	2025/2026	8.3	404	268	91.9	246	60.3	149
	1 616.70	2026/2027	8.3	403	309	87.2	269	48.2	130
	1 616.70	2027/2028	8.4	403	341	82.7	282	40.2	113
	2 067.20	2025/2026	8.5	21 373	8 143	94.1	7 663	63.8	4 886
	2 067.20	2026/2027	8.3	21 368	11 304	89.3	10 091	48.5	4 890
	2 067.20	2027/2028	8.3	21 363	13 665	84.7	11 571	39.1	4 522
	2 067.20	2028/2029	8.5	21 358	15 571	80.3	12 505	32.7	4 093

Notes to the financial statements continued

Year ended 29 February 2024

39. Share option liability continued

Data utilised in the valuation of options granted continued

GROUP

Year granted	Strike price R	Year maturing	Risk-free rate %	Number of share options outstanding	Estimated value R'000	Expected vesting proportion %	Fair value R'000	Portion of term expired %	Liability at year-end R'000
2024									
2022/2023	**2 067.20**	**2025/2026**	**8.5**	**645**	**228**	**94.8**	**216**	**66.6**	**144**
	2 067.20	**2026/2027**	**8.3**	**645**	**329**	**90.0**	**296**	**50.0**	**148**
	2 067.20	**2027/2028**	**8.3**	**645**	**403**	**85.3**	**344**	**40.0**	**138**
	2 067.20	**2028/2029**	**8.5**	**645**	**463**	**80.9**	**375**	**33.3**	**125**
	2 106.10	**2025/2026**	**8.4**	**891**	**355**	**93.2**	**331**	**55.5**	**183**
	2 106.10	**2026/2027**	**8.3**	**889**	**478**	**88.4**	**423**	**41.6**	**176**
	2 106.10	**2027/2028**	**8.3**	**889**	**574**	**83.8**	**481**	**33.3**	**160**
	2 106.10	**2028/2029**	**8.5**	**888**	**651**	**79.5**	**518**	**27.7**	**144**
2023/2024	**1 828.20**	**2026/2027**	**8.3**	**33 181**	**20 716**	**89.3**	**18 499**	**32.3**	**5 974**
	1 828.20	**2027/2028**	**8.3**	**33 183**	**24 064**	**84.7**	**20 383**	**24.5**	**5 002**
	1 828.20	**2028/2029**	**8.5**	**33 183**	**26 755**	**80.3**	**21 493**	**19.8**	**4 251**
	1 828.20	**2029/2030**	**8.7**	**33 183**	**29 011**	**76.2**	**22 106**	**16.6**	**3 663**
	1 698.50	**2026/2027**	**8.3**	**1 336**	**964**	**87.5**	**844**	**16.1**	**136**
	1 698.50	**2027/2028**	**8.4**	**1 336**	**1 079**	**83.0**	**896**	**12.0**	**108**
	1 698.50	**2028/2029**	**8.6**	**1 335**	**1 173**	**78.7**	**924**	**9.6**	**89**
	1 698.50	**2029/2030**	**8.9**	**1 335**	**1 253**	**74.7**	**936**	**8.0**	**75**
	1 445.20	**2026/2027**	**8.3**	**321**	**266**	**88.5**	**235**	**23.3**	**55**
	1 445.20	**2027/2028**	**8.3**	**321**	**290**	**84.0**	**243**	**17.5**	**42**
	1 445.20	**2028/2029**	**8.5**	**321**	**309**	**79.6**	**246**	**14.0**	**34**
	1 445.20	**2029/2030**	**8.8**	**321**	**325**	**75.6**	**246**	**11.6**	**29**
Total				**542 180**	**460 360**	**89.6**	**414 977**	**61.8**	**256 488**
2023									
2017/2018	705.93	2023/2024	7.3	21 758	22 852	99.8	22 804	98.7	22 502
2018/2019	881.76	2023/2024	7.3	22 641	19 818	99.8	19 778	98.5	13 161
	881.76	2024/2025	8.1	22 639	20 857	97.2	20 277	82.0	16 633
2019/2020	1 175.01	2023/2024	7.3	17 728	10 350	99.8	10 328	98.0	10 123
	1 175.01	2024/2025	8.1	17 727	12 142	97.2	11 804	78.4	9 252
	1 175.01	2025/2026	8.1	17 723	13 749	94.7	13 021	65.3	8 506
	1 374.59	2023/2024	7.9	2 207	1 075	98.3	1 056	83.2	878
	1 374.59	2024/2025	8.1	2 207	1 368	95.7	1 309	66.5	870
	1 374.59	2025/2026	8.2	2 207	1 580	93.3	1 474	55.4	817
2020/2021	973.05	2023/2024	7.3	27 628	21 708	99.7	21 647	96.4	20 876
	973.05	2024/2025	8.1	27 624	23 369	97.1	22 702	72.3	16 409
	973.05	2025/2026	8.1	27 622	25 115	94.6	23 769	57.8	13 746
	973.05	2026/2027	8.2	27 616	26 607	92.2	24 532	48.2	11 824
	911.63	2023/2024	7.9	17 132	14 864	98.5	14 641	80.6	11 806
	911.63	2024/2025	8.1	17 117	15 822	96.0	15 181	60.4	9 175
	911.63	2025/2026	8.2	17 099	16 689	93.5	15 600	48.4	7 544
	911.63	2026/2027	8.3	17 080	17 445	91.1	15 887	40.3	6 403
	884.83	2023/2024	7.9	678	604	98.6	595	82.6	492
	884.83	2024/2025	8.1	678	639	96.1	614	61.9	380
	884.83	2025/2026	8.2	678	672	93.6	629	49.5	312
	884.83	2026/2027	8.3	677	701	91.2	639	41.3	264
	1 006.83	2023/2024	7.9	4 566	3 578	98.3	3 518	78.6	2 766
	1 006.83	2024/2025	8.1	4 566	3 909	95.8	3 745	58.9	2 207
	1 006.83	2025/2026	8.2	4 566	4 191	93.3	3 912	47.2	1 844
	1 006.83	2026/2027	8.3	4 565	4 431	90.9	4 029	39.3	1 583
	1 383.62	2023/2024	8.0	357	182	97.8	178	71.1	127

GROUP

Year granted	Strike price R	Year maturing	Risk-free rate %	Number of share options outstanding	Estimated value R'000	Expected vesting proportion %	Fair value R'000	Portion of term expired %	Liability at year-end R'000
2023									
2020/2021	1 383.62	2024/2025	8.1	357	227	95.2	216	53.3	115
	1 383.62	2025/2026	8.2	356	259	92.8	241	42.6	102
	1 383.62	2026/2027	8.3	356	286	90.4	259	35.5	92
	1 392.19	2024/2025	8.1	23 341	12 636	97.1	12 272	64.6	7 930
	1 392.19	2025/2026	8.1	23 337	15 311	94.6	14 486	49.1	7 115
	1 392.19	2026/2027	8.2	23 333	17 371	92.2	16 012	39.6	6 342
	1 392.19	2027/2028	8.4	23 329	19 074	89.8	17 128	33.2	5 684
2021/2022	1 375.55	2024/2025	8.1	1 386	743	97.4	724	66.5	482
	1 375.55	2025/2026	8.1	1 385	905	94.9	859	49.9	429
	1 375.55	2026/2027	8.2	1 385	1 029	92.5	952	39.9	380
	1 375.55	2027/2028	8.4	1 385	1 132	90.1	1 019	33.3	339
	1 663.60	2024/2025	8.1	552	249	96.1	239	49.7	119
	1 663.60	2025/2026	8.2	552	315	93.7	295	37.3	110
	1 663.60	2026/2027	8.3	551	367	91.2	335	29.9	100
	1 663.60	2027/2028	8.5	551	411	88.9	365	24.9	91
	1 616.73	2024/2025	8.1	404	195	95.9	187	47.0	88
	1 616.73	2025/2026	8.2	404	242	93.5	226	35.3	80
	1 616.73	2026/2027	8.3	403	278	91.1	253	28.2	71
	1 616.73	2027/2028	8.5	403	309	88.7	274	23.5	64
	2 067.19	2025/2026	8.1	21 457	8 272	94.5	7 820	32.1	2 510
	2 067.19	2026/2027	8.2	21 452	10 700	92.1	9 855	24.4	2 404
	2 067.19	2027/2028	8.4	21 447	12 737	89.7	11 429	19.7	2 248
	2 067.19	2028/2029	8.6	21 442	14 525	87.4	12 696	16.5	2 092
2022/2023	2 067.19	2025/2026	8.1	645	237	94.9	225	33.2	75
	2 067.19	2026/2027	8.2	645	312	92.5	289	24.9	72
	2 067.19	2027/2028	8.4	645	375	90.1	338	19.9	67
	2 067.19	2028/2029	8.6	645	430	87.7	377	16.6	60
	2 106.13	2025/2026	8.1	891	354	94.1	333	22.1	73
	2 106.13	2026/2027	8.2	889	451	91.7	413	16.6	68
	2 106.13	2027/2028	8.4	889	534	89.3	477	13.3	63
	2 106.13	2028/2029	8.7	888	606	87.0	527	11.0	58
Total				522 791	405 189	100.0	384 790	59.8	230 023

Assumptions

The assumptions below refer to both the group and company.

Rights valuation

All rights were valued using the Black-Scholes model and the following variables (with expected price volatility based on annualised volatility):

	2024	2023
Dividend yield (%)	**2.51**	1.62
Volatility (%)[1]	**41.93**	41.55
Ex-dividend share price	**1 971.34**	1 754.51

[1] *The expected price volatility is based on an unadjusted 5-year annualised volatility.*

Notes to the financial statements continued

Year ended 29 February 2024

39. Share option liability continued

Assumptions continued

Executive employee turnover

Executive employee turnover of 5.1% per annum (2023: 2.6%) was used to estimate the likelihood of vesting conditions realising. This is re-estimated in terms of IFRS 2 on an annual basis.

Maturity

The REMCO approved changes to the performance conditions relating to share options granted in 2019/2020. These performance conditions are that the 3-year average headline earnings per share (HEPS) growth must exceed the 3-year average of CPI plus the percentage growth in GDP plus 4%, and the attained return on equity (ROE) must outperform the 3-year average ROE of the 4 traditional banks in South Africa. Each performance condition carries a weighting of 50% and is measured over a cumulative 3-year performance period. The ROE performance consists of 2 tiers.

- Tier 1 (50% vesting): ROE outperforms 3-year average ROE of the 4 traditional banks by 0%
- Tier 2 (full vesting): ROE outperforms 3-year average ROE of the 4 traditional banks by 2%.

The assumption that both of the above performance conditions would be met was used to estimate the realisation of these vesting conditions. The 2021 financial year was not considered when determining whether the performance measures were met.

The table below provides detail regarding the data used in the valuation of the share options to which IFRS 2 has been applied. The Black-Scholes option pricing model was used to value the options.

	COMPANY								
Year granted	Strike price R	Year maturing	Risk-free rate %	Number of share options outstanding	Estimated value R'000	Expected vesting proportion %	Fair value R'000	Portion of term expired %	Liability at year-end R'000
2024									
2018/2019	881.80	2024/2025	8.4	22 547	25 648	99.6	25 544	98.7	25 218
2019/2020	1 175.00	2024/2025	8.4	17 624	14 914	99.6	14 851	98.4	14 615
	1 175.00	2025/2026	8.5	17 620	16 045	94.5	15 155	82.0	12 431
	1 374.60	2024/2025	8.6	2 207	1 572	96.5	1 517	86.5	1 313
	1 374.60	2025/2026	8.3	2 207	1 801	91.5	1 649	72.1	1 189
2020/2021	973.10	2024/2025	8.4	26 820	28 097	99.4	27 939	97.3	27 193
	973.10	2025/2026	8.5	26 819	28 982	94.3	27 336	77.9	21 288
	973.10	2026/2027	8.3	26 814	29 954	89.5	26 799	64.9	17 393
	911.60	2023/2024	8.4	4 676	5 173	100.0	5 173	100.0	2 106
	911.60	2024/2025	8.6	15 467	17 322	97.0	16 798	85.5	14 361
	911.60	2025/2026	8.3	15 450	17 729	92.0	16 308	68.4	11 155
	911.60	2026/2027	8.3	15 433	18 144	87.3	15 832	57.0	9 025
	884.80	2024/2025	8.6	678	776	97.3	754	86.9	656
	884.80	2025/2026	8.3	678	792	92.3	731	69.6	508
	884.80	2026/2027	8.3	677	808	87.5	707	58.0	410
	1 006.80	2024/2025	8.6	4 566	4 715	96.7	4 558	84.0	3 828
	1 006.80	2025/2026	8.3	4 566	4 905	91.7	4 498	67.2	3 022
	1 006.80	2026/2027	8.3	4 565	5 081	87.0	4 420	56.0	2 475
	1 383.60	2023/2024	8.4	357	226	100.0	226	100.0	226
	1 383.60	2024/2025	8.6	357	260	95.5	248	78.3	194
	1 383.60	2025/2026	8.3	356	294	90.6	267	62.7	167
	1 383.60	2026/2027	8.3	356	322	85.9	276	52.2	144
	1 392.20	2024/2025	8.4	22 762	14 410	99.4	14 320	96.3	13 788
	1 392.20	2025/2026	8.5	22 758	17 061	94.3	16 083	73.2	11 769
	1 392.20	2026/2027	8.3	22 754	19 178	89.4	17 148	59.0	10 120
	1 392.20	2027/2028	8.3	22 750	20 829	84.8	17 666	49.4	8 735

	COMPANY								
Year granted	Strike price R	Year maturing	Risk-free rate %	Number of share options outstanding	Estimated value R'000	Expected vesting proportion %	Fair value R'000	Portion of term expired %	Liability at year-end R'000
2024									
2021/2022	1 375.60	2024/2025	8.4	1 386	890	100.0	890	99.9	889
	1 375.60	2025/2026	8.5	1 385	1 037	94.8	984	74.9	737
	1 375.60	2026/2027	8.3	1 385	1 168	90.0	1 051	60.0	630
	1 375.60	2027/2028	8.3	1 385	1 270	85.3	1 083	50.0	542
	1 663.60	2024/2025	8.6	552	258	97.4	251	83.1	208
	1 663.60	2025/2026	8.3	552	346	92.3	320	62.4	199
	1 663.60	2026/2027	8.3	551	406	87.6	355	49.9	177
	1 663.60	2027/2028	8.4	551	452	83.1	376	41.6	156
	1 616.70	2024/2025	8.6	404	208	96.9	202	80.4	162
	1 616.70	2025/2026	8.3	404	268	91.9	246	60.3	149
	1 616.70	2026/2027	8.3	403	309	87.2	269	48.2	130
	1 616.70	2027/2028	8.4	403	341	82.7	282	40.2	113
	2 067.20	2025/2026	8.5	21 373	8 143	94.1	7 663	63.8	4 886
	2 067.20	2026/2027	8.3	21 368	11 304	89.3	10 091	48.5	4 890
	2 067.20	2027/2028	8.3	21 363	13 665	84.7	11 571	39.1	4 522
	2 067.20	2028/2029	8.5	21 358	15 571	80.3	12 505	32.7	4 093
2022/2023	2 067.20	2025/2026	8.5	645	228	94.8	216	66.6	144
	2 067.20	2026/2027	8.3	645	329	90.0	296	50.0	148
	2 067.20	2027/2028	8.3	645	403	85.3	344	40.0	138
	2 067.20	2028/2029	8.5	645	463	80.9	375	33.3	125
	2 106.10	2025/2026	8.4	891	355	93.2	331	55.5	183
	2 106.10	2026/2027	8.3	889	478	88.4	423	41.6	176
	2 106.10	2027/2028	8.3	889	574	83.8	481	33.3	160
	2 106.10	2028/2029	8.5	888	651	79.5	518	27.7	144
2023/2024	1 828.20	2026/2027	8.3	33 181	20 716	89.3	18 499	32.3	5 974
	1 828.20	2027/2028	8.3	33 183	24 064	84.7	20 383	24.5	5 002
	1 828.20	2028/2029	8.5	33 183	26 755	80.3	21 493	19.8	4 251
	1 828.20	2029/2030	8.7	33 183	29 011	76.2	22 106	16.6	3 663
	1 698.50	2026/2027	8.3	1 336	964	87.5	844	16.1	136
	1 698.50	2027/2028	8.4	1 336	1 079	83.0	896	12.0	108
	1 698.50	2028/2029	8.6	1 335	1 173	78.7	924	9.6	89
	1 698.50	2029/2030	8.9	1 335	1 253	74.7	936	8.0	75
	1 445.20	2026/2027	8.3	321	266	88.5	235	23.3	55
	1 445.20	2027/2028	8.3	321	290	84.0	243	17.5	42
	1 445.20	2028/2029	8.5	321	309	79.6	246	14.0	34
	1 445.20	2029/2030	8.8	321	325	75.6	246	11.6	29
Total				542 180	460 360	89.6	414 977	61.8	256 488
2023									
2017/2018	705.93	2023/2024	7.3	21 758	22 852	99.8	22 804	98.7	22 502
2018/2019	881.76	2023/2024	7.3	22 641	19 818	99.8	19 778	98.5	13 161
	881.76	2024/2025	8.1	22 639	20 857	97.2	20 277	82.0	16 633
2019/2020	1 175.01	2023/2024	7.3	17 728	10 350	99.8	10 328	98.0	10 123
	1 175.01	2024/2025	8.1	17 727	12 142	97.2	11 804	78.4	9 252
	1 175.01	2025/2026	8.1	17 723	13 749	94.7	13 021	65.3	8 506
	1 374.59	2023/2024	7.9	2 207	1 075	98.3	1 056	83.2	878
	1 374.59	2024/2025	8.1	2 207	1 368	95.7	1 309	66.5	870
	1 374.59	2025/2026	8.2	2 207	1 580	93.3	1 474	55.4	817
2020/2021	973.05	2023/2024	7.3	27 628	21 708	99.7	21 647	96.4	20 876
	973.05	2024/2025	8.1	27 624	23 369	97.1	22 702	72.3	16 409
	973.05	2025/2026	8.1	27 622	25 115	94.6	23 769	57.8	13 746
	973.05	2026/2027	8.2	27 616	26 607	92.2	24 532	48.2	11 824
	911.63	2023/2024	7.9	17 132	14 864	98.5	14 641	80.6	11 806

Notes to the financial statements continued

Year ended 29 February 2024

39. Share option liability continued

Assumptions continued

Maturity continued

COMPANY

Year granted	Strike price R	Year maturing	Risk-free rate %	Number of share options outstanding	Estimated value R'000	Expected vesting proportion %	Fair value R'000	Portion of term expired %	Liability at year-end R'000
2023									
2020/2021	911.63	2024/2025	8.1	17 117	15 822	96.0	15 181	60.4	9 175
	911.63	2025/2026	8.2	17 099	16 689	93.5	15 600	48.4	7 544
	911.63	2026/2027	8.3	17 080	17 445	91.1	15 887	40.3	6 403
	884.83	2023/2024	7.9	678	604	98.6	595	82.6	492
	884.83	2024/2025	8.1	678	639	96.1	614	61.9	380
	884.83	2025/2026	8.2	678	672	93.6	629	49.5	312
	884.83	2026/2027	8.3	677	701	91.2	639	41.3	264
	1 006.83	2023/2024	7.9	4 566	3 578	98.3	3 518	78.6	2 766
	1 006.83	2024/2025	8.1	4 566	3 909	95.8	3 745	58.9	2 207
	1 006.83	2025/2026	8.2	4 566	4 191	93.3	3 912	47.2	1 844
	1 006.83	2026/2027	8.3	4 565	4 431	90.9	4 029	39.3	1 583
	1 383.62	2023/2024	8.0	357	182	97.8	178	71.1	127
	1 383.62	2024/2025	8.1	357	227	95.2	216	53.3	115
	1 383.62	2025/2026	8.2	356	259	92.8	241	42.6	102
	1 383.62	2026/2027	8.3	356	286	90.4	259	35.5	92
	1 392.19	2024/2025	8.1	23 341	12 636	97.1	12 272	64.6	7 930
	1 392.19	2025/2026	8.1	23 337	15 311	94.6	14 486	49.1	7 115
	1 392.19	2026/2027	8.2	23 333	17 371	92.2	16 012	39.6	6 342
	1 392.19	2027/2028	8.4	23 329	19 074	89.8	17 128	33.2	5 684
2021/2022	1 375.55	2024/2025	8.1	1 386	743	97.4	724	66.5	482
	1 375.55	2025/2026	8.1	1 385	905	94.9	859	49.9	429
	1 375.55	2026/2027	8.2	1 385	1 029	92.5	952	39.9	380
	1 375.55	2027/2028	8.4	1 385	1 132	90.1	1 019	33.3	339
	1 663.60	2024/2025	8.1	552	249	96.1	239	49.7	119
	1 663.60	2025/2026	8.2	552	315	93.7	295	37.3	110
	1 663.60	2026/2027	8.3	551	367	91.2	335	29.9	100
	1 663.60	2027/2028	8.5	551	411	88.9	365	24.9	91
	1 616.73	2024/2025	8.1	404	195	95.9	187	47.0	88
	1 616.73	2025/2026	8.2	404	242	93.5	226	35.3	80
	1 616.73	2026/2027	8.3	403	278	91.1	253	28.2	71
	1 616.73	2027/2028	8.5	403	309	88.7	274	23.5	64
	2 067.19	2025/2026	8.1	21 457	8 272	94.5	7 820	32.1	2 510
	2 067.19	2026/2027	8.2	21 452	10 700	92.1	9 855	24.4	2 404
	2 067.19	2027/2028	8.4	21 447	12 737	89.7	11 429	19.7	2 248
	2 067.19	2028/2029	8.6	21 442	14 525	87.4	12 696	16.5	2 092
2022/2023	2 067.19	2025/2026	8.1	645	237	94.9	225	33.2	75
	2 067.19	2026/2027	8.2	645	312	92.5	289	24.9	72
	2 067.19	2027/2028	8.4	645	375	90.1	338	19.9	67
	2 067.19	2028/2029	8.6	645	430	87.7	377	16.6	60
	2 106.13	2025/2026	8.1	891	354	94.1	333	22.1	73
	2 106.13	2026/2027	8.2	889	451	91.7	413	16.6	68
	2 106.13	2027/2028	8.4	889	534	89.3	477	13.3	63
	2 106.13	2028/2029	8.7	888	606	87.0	527	11.0	58
Total				522 791	405 189	93.9	384 790	59.8	230 023

40. Share appreciation rights

Data utilised in the valuation of SARs granted

The table below provides detail regarding the data used in the valuation of the SARs to which IFRS 2 has been applied. SARs are expected to vest and are re-estimated on an annual basis.

GROUP

Year granted	Strike price[(1)] R	Year maturing	Risk-free rate %	Number of SARs outstanding	Fair value R'000	Portion of term expired %	Expected vesting proportion %	Liability at year-end R'000
2024								
2018/2019	881.76	2024/2025	8.4	22 547	25 544	98.7	99.6	25 218
2019/2020	1 175.01	2024/2025	8.4	17 624	14 851	98.4	99.6	14 615
	1 175.01	2025/2026	8.5	17 620	15 156	82.0	94.5	12 431
	1 374.59	2024/2025	8.6	2 207	1 517	86.5	96.5	1 313
	1 374.59	2025/2026	8.3	2 207	1 649	72.1	91.5	1 189
2020/2021	973.05	2024/2025	8.4	26 820	27 939	97.3	99.4	27 193
	973.05	2025/2026	8.5	26 819	27 336	77.9	94.3	21 288
	973.05	2026/2027	8.3	26 814	26 799	64.9	89.5	17 393
	911.63	2023/2024	8.4	3 692	4 084	100.0	100.0	4 084
	911.63	2024/2025	8.6	15 467	16 798	85.5	97.0	14 361
	911.63	2025/2026	8.3	15 450	16 309	68.4	92.0	11 155
	911.63	2026/2027	8.3	15 433	15 832	57.0	87.3	9 025
	884.83	2024/2025	8.6	678	754	86.9	97.3	656
	884.83	2025/2026	8.3	678	731	69.6	92.3	508
	884.83	2026/2027	8.3	677	707	58.0	87.5	410
	1 006.83	2024/2025	8.6	4 566	4 558	84.0	96.7	3 828
	1 006.83	2025/2026	8.3	4 566	4 498	67.2	91.7	3 022
	1 006.83	2026/2027	8.3	4 565	4 419	56.0	87.0	2 475
	1 392.19	2024/2025	8.4	22 762	14 320	96.3	99.4	13 788
	1 392.19	2025/2026	8.5	22 758	16 083	73.2	94.3	11 769
	1 392.19	2026/2027	8.3	22 754	17 148	59.0	89.4	10 120
	1 392.19	2027/2028	8.3	22 750	17 666	49.4	84.8	8 735
	439.64	2023/2024	8.4	357	563	100.0	100.0	563
	439.64	2024/2025	8.6	357	533	78.3	95.5	418
	439.64	2025/2026	8.3	356	499	62.7	90.6	312
	439.64	2026/2027	8.3	356	467	52.2	85.9	244
2021/2022	367.71	2024/2025	8.4	1 386	2 287	99.9	100.0	2 285
	367.71	2025/2026	8.5	1 385	2 138	74.9	94.8	1 603
	367.71	2026/2027	8.3	1 385	1 998	60.0	90.0	1 198
	367.71	2027/2028	8.3	1 385	1 868	50.0	85.3	934
	1 663.60	2024/2025	8.6	552	251	83.1	97.4	208
	1 663.60	2025/2026	8.3	552	320	62.4	92.3	199
	1 663.60	2026/2027	8.3	551	355	49.9	87.6	177
	1 663.60	2027/2028	8.4	551	376	41.6	83.1	156
	1 616.73	2024/2025	8.6	404	202	80.4	96.9	162
	1 616.73	2025/2026	8.3	404	246	60.3	91.9	149

[(1)] *As from the 2016 financial year: SARs are granted at a strike price equal to the 30-day weighted average share price up to and including the day before the resolution granting the respective SARs was passed. There is a fixed ratio between the number of SARs and share options granted.*

40. Share appreciation rights continued

Data utilised in the valuation of SARs granted continued

GROUP								
Year granted	**Strike price[1] R**	**Year maturing**	**Risk-free rate %**	**Number of SARs outstanding**	**Fair value R'000**	**Portion of term expired %**	**Expected vesting proportion %**	**Liability at year-end R'000**
2024								
2021/2022	**1 616.73**	**2026/2027**	**8.3**	**403**	**269**	**48.2**	**87.2**	**130**
	1 616.73	**2027/2028**	**8.4**	**403**	**282**	**40.2**	**82.7**	**113**
	2 067.19	**2025/2026**	**8.5**	**21 373**	**7 663**	**63.8**	**94.1**	**4 886**
	2 067.19	**2026/2027**	**8.3**	**21 368**	**10 091**	**48.5**	**89.3**	**4 890**
	2 067.19	**2027/2028**	**8.3**	**21 363**	**11 571**	**39.1**	**84.7**	**4 522**
	2 067.19	**2028/2029**	**8.5**	**21 358**	**12 505**	**32.7**	**80.3**	**4 092**
2022/2023	**2 067.19**	**2025/2026**	**8.5**	**645**	**216**	**66.6**	**94.8**	**144**
	2 067.19	**2026/2027**	**8.3**	**645**	**296**	**50.0**	**90.0**	**148**
	2 067.19	**2027/2028**	**8.3**	**645**	**344**	**40.0**	**85.3**	**138**
	2 067.19	**2028/2029**	**8.5**	**645**	**375**	**33.3**	**80.9**	**125**
	2 106.13	**2025/2026**	**8.4**	**891**	**331**	**55.5**	**93.2**	**183**
	2 106.13	**2026/2027**	**8.3**	**889**	**423**	**41.6**	**88.4**	**176**
	2 106.13	**2027/2028**	**8.3**	**889**	**481**	**33.3**	**83.8**	**160**
	2 106.13	**2028/2029**	**8.5**	**888**	**518**	**27.7**	**79.5**	**144**
2023/2024	**1 828.19**	**2026/2027**	**8.3**	**33 181**	**18 499**	**32.3**	**89.3**	**5 974**
	1 828.19	**2027/2028**	**8.3**	**33 183**	**20 383**	**24.5**	**84.7**	**5 002**
	1 828.19	**2028/2029**	**8.5**	**33 183**	**21 493**	**19.8**	**80.3**	**4 251**
	1 828.19	**2029/2030**	**8.7**	**33 183**	**22 106**	**16.6**	**76.2**	**3 663**
	1 698.52	**2026/2027**	**8.3**	**1 335**	**843**	**16.1**	**87.5**	**135**
	1 698.52	**2027/2028**	**8.4**	**1 335**	**896**	**12.0**	**83.0**	**108**
	1 698.52	**2028/2029**	**8.6**	**1 336**	**924**	**9.6**	**78.7**	**89**
	1 698.52	**2029/2030**	**8.9**	**1 336**	**937**	**8.0**	**74.7**	**75**
	1 445.18	**2026/2027**	**8.3**	**321**	**235**	**23.3**	**88.5**	**55**
	1 445.18	**2027/2028**	**8.3**	**321**	**243**	**17.5**	**84.0**	**42**
	1 445.18	**2028/2029**	**8.5**	**321**	**246**	**14.0**	**79.6**	**34**
	1 445.18	**2029/2030**	**8.8**	**321**	**246**	**11.6**	**75.6**	**29**
Total				**541 196**	**419 217**	**62.6**	**90.0**	**262 492**
2023								
2017/2018	705.93	2023/2024	7.3	21 758	22 804	98.7	99.8	22 502
2018/2019	881.76	2023/2024	7.3	22 641	19 778	98.5	99.8	19 475
	881.76	2024/2025	8.1	22 639	20 277	82.0	97.2	16 633
2019/2020	1 175.01	2023/2024	7.3	17 728	10 328	98.0	99.8	10 123
	1 175.01	2024/2025	8.1	17 727	11 804	78.4	97.2	9 252
	1 175.01	2025/2026	8.1	17 723	13 021	65.3	94.7	8 506
	1 374.59	2023/2024	7.9	2 207	1 056	83.2	98.3	878
	1 374.59	2024/2025	8.1	2 207	1 309	66.5	95.7	870
	1 374.59	2025/2026	8.2	2 207	1 474	55.4	93.2	817
2020/2021	973.05	2023/2024	7.3	27 628	21 647	96.4	99.7	20 876
	973.05	2024/2025	8.1	27 624	22 702	72.3	97.1	16 409
	973.05	2025/2026	8.1	27 622	23 769	57.8	94.6	13 746
	973.05	2026/2027	8.2	27 616	24 532	48.2	92.2	11 824
	911.63	2023/2024	7.9	17 132	14 641	80.6	98.5	11 806
	911.63	2024/2025	8.1	17 117	15 181	60.4	95.9	9 175

[1] *As from the 2016 financial year: SARs are granted at a strike price equal to the 30-day weighted average share price up to and including the day before the resolution granting the respective SARs was passed. There is a fixed ratio between the number of SARs and share options granted.*

GROUP								
Year granted	**Strike price[1] R**	**Year maturing**	**Risk-free rate %**	**Number of SARs outstanding**	**Fair value R'000**	**Portion of term expired %**	**Expected vesting proportion %**	**Liability at year-end R'000**
2023								
2020/2021	911.63	2025/2026	8.2	17 099	15 600	48.4	93.5	7 544
	911.63	2026/2027	8.3	17 080	15 887	40.3	91.1	6 403
	884.83	2023/2024	7.9	678	595	82.6	98.6	492
	884.83	2024/2025	8.1	678	614	61.9	96.1	380
	884.83	2025/2026	8.2	678	629	49.5	93.6	312
	884.83	2026/2027	8.3	677	639	41.3	91.2	264
	1 006.83	2023/2024	7.9	4 566	3 518	78.6	98.3	2 766
	1 006.83	2024/2025	8.1	4 566	3 745	58.9	95.8	2 207
	1 006.83	2025/2026	8.2	4 566	3 912	47.2	93.3	1 844
	1 006.83	2026/2027	8.3	4 565	4 029	39.3	90.9	1 583
	1 392.19	2024/2025	8.1	23 341	12 272	64.6	97.1	7 930
	1 392.19	2025/2026	8.1	23 337	14 486	49.1	94.6	7 115
	1 392.19	2026/2027	8.2	23 333	16 012	39.6	92.2	6 342
	1 392.19	2027/2028	8.4	23 329	17 128	33.2	89.8	5 684
	439.64	2023/2024	8.0	357	460	71.1	97.8	327
	439.64	2024/2025	8.1	357	450	53.3	95.2	239
	439.64	2025/2026	8.2	356	438	42.6	92.8	187
	439.64	2026/2027	8.3	356	428	35.5	90.4	152
2021/2022	367.71	2024/2025	8.1	1 386	1 871	66.5	97.4	1 245
	367.71	2025/2026	8.1	1 385	1 819	49.9	94.9	908
	367.71	2026/2027	8.2	1 385	1 769	39.9	92.5	706
	367.71	2027/2028	8.4	1 385	1 721	33.3	90.1	573
	1 663.60	2024/2025	8.1	552	239	49.7	96.1	119
	1 663.60	2025/2026	8.2	552	295	37.3	93.7	110
	1 663.60	2026/2027	8.3	551	335	29.8	91.2	100
	1 663.60	2027/2028	8.5	551	365	24.9	88.9	91
	1 616.73	2024/2025	8.1	404	187	47.0	95.9	88
	1 616.73	2025/2026	8.2	404	226	35.2	93.5	80
	1 616.73	2026/2027	8.3	403	253	28.2	91.0	71
	1 616.73	2027/2028	8.5	403	274	23.5	88.7	64
	2 067.19	2025/2026	8.1	21 457	7 820	32.1	94.5	2 510
	2 067.19	2026/2027	8.2	21 452	9 855	24.4	92.1	2 404
	2 067.19	2027/2028	8.4	21 447	11 429	19.7	89.7	2 248
	2 067.19	2028/2029	8.6	21 442	12 696	16.5	87.4	2 092
2022/2023	2 067.19	2025/2026	8.1	645	225	33.2	94.9	75
	2 067.19	2026/2027	8.2	645	289	24.9	92.5	72
	2 067.19	2027/2028	8.4	645	338	19.9	90.1	67
	2 067.19	2028/2029	8.6	645	377	16.6	87.7	63
	2 106.13	2025/2026	8.1	891	333	22.1	94.1	73
	2 106.13	2026/2027	8.2	889	413	16.6	91.6	68
	2 106.13	2027/2028	8.4	889	477	13.3	89.3	63
	2 106.13	2028/2029	8.7	888	527	11.0	87.0	58
Total				522 791	389 298	61.3	93.9	238 609

[1] *As from the 2016 financial year: SARs are granted at a strike price equal to the 30-day weighted average share price up to and including the day before the resolution granting the respective SARs was passed. There is a fixed ratio between the number of SARs and share options granted.*

40. Share appreciation rights continued

Data utilised in the valuation of SARs granted continued

Assumptions

The assumptions below refer to both the group and company.

Rights valuation

All rights were valued using the Black-Scholes model and the following variables (with expected price volatility based on annualised volatility):

	2024	2023
Dividend yield (%)	2.51	1.62
Volatility (%)[1]	41.93	41.55
Ex-dividend share price	1 971.34	1 754.51

[1] *The expected price volatility is based on an unadjusted 5-year annualised volatility.*

Executive employee turnover assumptions

Executive employee turnover of 5.1% per annum (2023: 2.6%) was used to estimate the likelihood of vesting conditions realising. This is re-estimated in terms of IFRS 2 on an annual basis.

Maturity

The REMCO approved changes to the performance conditions relating to share options granted in 2019/2020. These performance conditions are that the 3-year average HEPS growth must exceed the 3-year average of CPI plus the percentage growth in GDP plus 4%, and the attained ROE must outperform the 3-year average ROE of the 4 traditional banks in South Africa. Each performance condition carries a weighting of 50% and is measured over a cumulative 3-year performance period. The ROE performance consists of 2 tiers.

- Tier 1 (50% vesting): ROE outperforms 3-year average ROE of the 4 traditional banks by 0%
- Tier 2 (full vesting): ROE outperforms 3-year average ROE of the 4 traditional banks by 2%.

The assumption that both of the above performance conditions would be met was used to estimate the realisation of these vesting conditions. The 2021 financial year was not considered when determining whether the performance measures were met.

The table below provides detail regarding the data used in the valuation of the SARs to which IFRS 2 has been applied. SARs are expected to vest and are re-estimated on an annual basis.

	COMPANY							
Year granted	Strike price[1] R	Year maturing	Risk-free rate %	Number of SARs outstanding	Fair value R'000	Portion of term expired %	Expected vesting proportion %	Liability at year-end R'000
2024								
2018/2019	881.76	2024/2025	8.4	22 547	25 544	98.7	99.6	25 218
2019/2020	1 175.01	2024/2025	8.4	17 624	14 851	98.4	99.6	14 615
	1 175.01	2025/2026	8.5	17 620	15 156	82.0	94.5	12 431
	1 374.59	2024/2025	8.6	2 207	1 517	86.5	96.5	1 313
	1 374.59	2025/2026	8.3	2 207	1 649	72.1	91.5	1 189
2020/2021	973.05	2024/2025	8.4	26 820	27 939	97.3	99.4	27 193
	973.05	2025/2026	8.5	26 819	27 336	77.9	94.3	21 288
	973.05	2026/2027	8.3	26 814	26 799	64.9	89.5	17 393

[1] *As from the 2016 financial year: SARs are granted at a strike price equal to the 30-day weighted average share price up to and including the day before the resolution granting the respective SARs was passed. There is a fixed ratio between the number of SARs and share options granted.*

	COMPANY							
Year granted	Strike price[1] R	Year maturing	Risk-free rate %	Number of SARs outstanding	Fair value R'000	Portion of term expired %	Expected vesting proportion %	Liability at year-end R'000
2024								
2020/2021	911.63	2023/2024	8.4	3 692	4 084	100.0	100.0	4 084
	911.63	2024/2025	8.6	15 467	16 798	85.5	97.0	14 361
	911.63	2025/2026	8.3	15 450	16 309	68.4	92.0	11 155
	911.63	2026/2027	8.3	15 433	15 832	57.0	87.3	9 025
	884.83	2024/2025	8.6	678	754	86.9	97.3	656
	884.83	2025/2026	8.3	678	731	69.6	92.3	508
	884.83	2026/2027	8.3	677	707	58.0	87.5	410
	1 006.83	2024/2025	8.6	4 566	4 558	84.0	96.7	3 828
	1 006.83	2025/2026	8.3	4 566	4 498	67.2	91.7	3 022
	1 006.83	2026/2027	8.3	4 565	4 419	56.0	87.0	2 475
	1 392.19	2024/2025	8.4	22 762	14 320	96.3	99.4	13 788
	1 392.19	2025/2026	8.5	22 758	16 083	73.2	94.3	11 769
	1 392.19	2026/2027	8.3	22 754	17 148	59.0	89.4	10 120
	1 392.19	2027/2028	8.3	22 750	17 666	49.4	84.8	8 735
	439.64	2023/2024	8.4	357	563	100.0	100.0	563
	439.64	2024/2025	8.6	357	533	78.3	95.5	418
	439.64	2025/2026	8.3	356	499	62.7	90.6	312
	439.64	2026/2027	8.3	356	467	52.2	85.9	244
2021/2022	367.71	2024/2025	8.4	1 386	2 287	99.9	100.0	2 285
	367.71	2025/2026	8.5	1 385	2 138	74.9	94.8	1 603
	367.71	2026/2027	8.3	1 385	1 998	60.0	90.0	1 198
	367.71	2027/2028	8.3	1 385	1 868	50.0	85.3	934
	1 663.60	2024/2025	8.6	552	251	83.1	97.4	208
	1 663.60	2025/2026	8.3	552	320	62.4	92.3	199
	1 663.60	2026/2027	8.3	551	355	49.9	87.6	177
	1 663.60	2027/2028	8.4	551	376	41.6	83.1	156
	1 616.73	2024/2025	8.6	404	202	80.4	96.9	162
	1 616.73	2025/2026	8.3	404	246	60.3	91.9	149
	1 616.73	2026/2027	8.3	403	269	48.2	87.2	130
	1 616.73	2027/2028	8.4	403	282	40.2	82.7	113
	2 067.19	2025/2026	8.5	21 373	7 663	63.8	94.1	4 886
	2 067.19	2026/2027	8.3	21 368	10 091	48.5	89.3	4 890
	2 067.19	2027/2028	8.3	21 363	11 571	39.1	84.7	4 522
	2 067.19	2028/2029	8.5	21 358	12 505	32.7	80.3	4 092
2022/2023	2 067.19	2025/2026	8.5	645	216	66.6	94.8	144
	2 067.19	2026/2027	8.3	645	296	50.0	90.0	148
	2 067.19	2027/2028	8.3	645	344	40.0	85.3	138
	2 067.19	2028/2029	8.5	645	375	33.3	80.9	125
	2 106.13	2025/2026	8.4	891	331	55.5	93.2	183
	2 106.13	2026/2027	8.3	889	423	41.6	88.4	176
	2 106.13	2027/2028	8.3	889	481	33.3	83.8	160
	2 106.13	2028/2029	8.5	888	518	27.7	79.5	144
2023/2024	1 828.19	2026/2027	8.3	33 181	18 499	32.3	89.3	5 974
	1 828.19	2027/2028	8.3	33 183	20 383	24.5	84.7	5 002
	1 828.19	2028/2029	8.5	33 183	21 493	19.8	80.3	4 251
	1 828.19	2029/2030	8.7	33 183	22 106	16.6	76.2	3 663
	1 698.52	2026/2027	8.3	1 335	843	16.1	87.5	135
	1 698.52	2027/2028	8.4	1 335	896	12.0	83.0	108
	1 698.52	2028/2029	8.6	1 336	924	9.6	78.7	89
	1 698.52	2029/2030	8.9	1 336	937	8.0	74.7	75
	1 445.18	2026/2027	8.3	321	235	23.3	88.5	55
	1 445.18	2027/2028	8.3	321	243	17.5	84.0	42
	1 445.18	2028/2029	8.5	321	246	14.0	79.6	34
	1 445.18	2029/2030	8.8	321	246	11.6	75.6	29
Total				541 196	419 217	62.6	89.5	262 492

[1] *As from the 2016 financial year: SARs are granted at a strike price equal to the 30-day weighted average share price up to and including the day before the resolution granting the respective SARs was passed. There is a fixed ratio between the number of SARs and share options granted.*

40. Share appreciation rights continued

Data utilised in the valuation of SARs granted continued

Assumptions continued

Maturity continued

COMPANY

Year granted	Strike price[(1)] R	Year maturing	Risk-free rate %	Number of SARs outstanding	Fair value R'000	Portion of term expired %	Expected vesting proportion %	Liability at year-end R'000
2023								
2017/2018	705.93	2023/2024	7.3	21 758	22 804	98.7	99.8	22 502
2018/2019	881.76	2023/2024	7.3	22 641	19 778	98.5	99.8	19 475
	881.76	2024/2025	8.1	22 639	20 277	82.0	97.2	16 633
2019/2020	1 175.01	2023/2024	7.3	17 728	10 328	98.0	99.8	10 123
	1 175.01	2024/2025	8.1	17 727	11 804	78.4	97.2	9 252
	1 175.01	2025/2026	8.1	17 723	13 021	65.3	94.7	8 506
	1 374.59	2023/2024	7.9	2 207	1 056	83.2	98.3	878
	1 374.59	2024/2025	8.1	2 207	1 309	66.5	95.7	870
	1 374.59	2025/2026	8.2	2 207	1 474	55.4	93.2	817
2020/2021	973.05	2023/2024	7.3	27 628	21 647	96.4	99.7	20 876
	973.05	2024/2025	8.1	27 624	22 702	72.3	97.1	16 409
	973.05	2025/2026	8.1	27 622	23 769	57.8	94.6	13 746
	973.05	2026/2027	8.2	27 616	24 532	48.2	92.2	11 824
	911.63	2023/2024	7.9	17 132	14 641	80.6	98.5	11 806
	911.63	2024/2025	8.1	17 117	15 181	60.4	95.9	9 175
	911.63	2025/2026	8.2	17 099	15 600	48.4	93.5	7 544
	911.63	2026/2027	8.3	17 080	15 887	40.3	91.1	6 403
	884.83	2023/2024	7.9	678	595	82.6	98.6	492
	884.83	2024/2025	8.1	678	614	61.9	96.1	380
	884.83	2025/2026	8.2	678	629	49.5	93.6	312
	884.83	2026/2027	8.3	677	639	41.3	91.2	264
	1 006.83	2023/2024	7.9	4 566	3 518	78.6	98.3	2 766
	1 006.83	2024/2025	8.1	4 566	3 745	58.9	95.8	2 207
	1 006.83	2025/2026	8.2	4 566	3 912	47.2	93.3	1 844
	1 006.83	2026/2027	8.3	4 565	4 029	39.3	90.9	1 583
	1 392.19	2024/2025	8.1	23 341	12 272	64.6	97.1	7 930
	1 392.19	2025/2026	8.1	23 337	14 486	49.1	94.6	7 115
	1 392.19	2026/2027	8.2	23 333	16 012	39.6	92.2	6 342
	1 392.19	2027/2028	8.4	23 329	17 128	33.2	89.8	5 684
	439.64	2023/2024	8.0	357	460	71.1	97.8	327
	439.64	2024/2025	8.1	357	450	53.3	95.2	239
	439.64	2025/2026	8.2	356	438	42.6	92.8	187
	439.64	2026/2027	8.3	356	428	35.5	90.4	152
2021/2022	367.71	2024/2025	8.1	1 386	1 871	66.5	97.4	1 245
	367.71	2025/2026	8.1	1 385	1 819	49.9	94.9	908
	367.71	2026/2027	8.2	1 385	1 769	39.9	92.5	706
	367.71	2027/2028	8.4	1 385	1 721	33.3	90.1	573
	1 663.60	2024/2025	8.1	552	239	49.7	96.1	119
	1 663.60	2025/2026	8.2	552	295	37.3	93.7	110
	1 663.60	2026/2027	8.3	551	335	29.8	91.2	100
	1 663.60	2027/2028	8.5	551	365	24.9	88.9	91
	1 616.73	2024/2025	8.1	404	187	47.0	95.9	88
	1 616.73	2025/2026	8.2	404	226	35.2	93.5	80

(1) As from the 2016 financial year: SARs are granted at a strike price equal to the 30-day weighted average share price up to and including the day before the resolution granting the respective SARs was passed. There is a fixed ratio between the number of SARs and share options granted.

COMPANY

Year granted	Strike price[(1)] R	Year maturing	Risk-free rate %	Number of SARs outstanding	Fair value R'000	Portion of term expired %	Expected vesting proportion %	Liability at year-end R'000
2023								
2021/2022	1 616.73	2026/2027	8.3	403	253	28.2	91.0	71
	1 616.73	2027/2028	8.5	403	274	23.5	88.7	64
	2 067.19	2025/2026	8.1	21 457	7 820	32.1	94.5	2 510
	2 067.19	2026/2027	8.2	21 452	9 855	24.4	92.1	2 404
	2 067.19	2027/2028	8.4	21 447	11 429	19.7	89.7	2 248
	2 067.19	2028/2029	8.6	21 442	12 696	16.5	87.4	2 092
2022/2023	2 067.19	2025/2026	8.1	645	225	33.2	94.9	75
	2 067.19	2026/2027	8.2	645	289	24.9	92.5	72
	2 067.19	2027/2028	8.4	645	338	19.9	90.1	67
	2 067.19	2028/2029	8.6	645	377	16.6	87.7	63
	2 106.13	2025/2026	8.1	891	333	22.1	94.1	73
	2 106.13	2026/2027	8.2	889	413	16.6	91.6	68
	2 106.13	2027/2028	8.4	889	477	13.3	89.3	63
	2 106.13	2028/2029	8.7	888	527	11.0	87.0	58
Total				522 791	389 298	61.3	93.9	238 609

(1) As from the 2016 financial year: SARs are granted at a strike price equal to the 30-day weighted average share price up to and including the day before the resolution granting the respective SARs was passed. There is a fixed ratio between the number of SARs and share options granted.

41. Derivative financial instruments

R'000	Fair values Assets	Fair values Liabilities
2024		
Interest rate swaps	**1 097**	**–**
Forward foreign exchange contracts	**4 904**	**15 221**
Forward currency swap contracts	**18 397**	**5 381**
Derivative financial instruments	**24 398**	**20 602**
2023		
Interest rate swaps	2 087	–
Forward foreign exchange contracts	12 522	23 435
Forward currency swap contracts	18 946	248
Derivative financial instruments	33 555	23 683

Interest rate swaps – designated as cash flow hedges

GROUP

R'000	Notional	Fair values Assets	Fair values Liabilities
2024			
Interest rate swaps	**500 000**	**1 097**	**–**
Total interest rate swaps	**500 000**	**1 097**	**–**
2023			
Interest rate swaps	500 000	2 087	–
Total interest rate swaps	500 000	2 087	–

Notes to the financial statements continued

Year ended 29 February 2024

41. Derivative financial instruments continued

Interest rate swaps – designated as cash flow hedges continued

R'000	Demand to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
2024					
Discounted swap cash flows	—	1 097	—	—	1 097
Total interest rate swaps	—	1 097	—	—	1 097
2023					
Discounted swap cash flows	—	(83)	1 576	594	2 087
Total interest rate swaps	—	(83)	1 576	594	2 087

Forward foreign exchange contracts and forward currency swap contracts – designated as economic hedges

	GROUP			
	Notional		Fair values	
R'000	Foreign	R	Assets	Liabilities
2024				
Forward foreign exchange contracts – US dollar	40 210	769 004	2 319	10 248
Forward foreign exchange contracts – euro	29 772	619 381	2 389	3 824
Forward foreign exchange contracts – pound sterling	1 778	41 664	126	860
Forward foreign exchange contracts – other	8 319	27 221	70	289
Total forward foreign exchange contracts		1 457 270	4 904	15 221
Forward currency swap contracts – US dollar	38 450	731 225	14 063	28
Forward currency swap contracts – euro	59 724	1 022 845	4 334	5 353
Total forward currency swap contracts		1 754 070	18 397	5 381
Derivative financial instruments		3 211 340	23 301	20 602
2023				
Forward foreign exchange contracts – US dollar	28 551	505 432	8 549	12 262
Forward foreign exchange contracts – euro	12 570	236 557	1 893	9 044
Forward foreign exchange contracts – pound sterling	2 975	63 291	1 678	1 470
Forward foreign exchange contracts – other	24 240	28 162	402	659
Total forward foreign exchange contracts		833 442	12 522	23 435
Forward currency swap contracts – US dollar	11 850	208 654	8 530	248
Forward currency swap contracts – euro	9 800	183 548	9 484	—
Forward currency swap contracts – pound sterling	500	10 198	932	—
Total forward currency swap contracts		402 400	18 946	248
Derivative financial instruments		1 235 842	31 468	23 683

	GROUP	
R'000	2024	2023
Derivative asset		
Current portion	21 330	30 205
Non-current portion	3 068	1 263
Total foreign currency exchange contracts and swap contracts	24 398	31 468
Derivative liability		
Current portion	18 460	23 665
Non-current portion	2 142	18
Total foreign currency exchange contracts and swap contracts	20 602	23 683

	COMPANY		
		Fair values	
R'000	Notional	Assets	Liabilities
2024			
Interest rate swaps	500 000	1 097	—
Total interest rate swaps	500 000	1 097	—
2023			
Interest rate swaps	500 000	2 087	—
Total interest rate swaps	500 000	2 087	—

R'000	Demand to 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
2024					
Discounted swap cash flows	—	1 097	—	—	1 097
Total interest rate swaps	—	1 097	—	—	1 097
2023					
Discounted swap cash flows	—	(83)	1 576	594	2 087
Total interest rate swaps	—	(83)	1 576	594	2 087

	COMPANY			
	Notional		Fair values	
R'000	Foreign	R	Assets	Liabilities
2024				
Forward foreign exchange contracts – US dollar	40 210	769 004	2 319	10 248
Forward foreign exchange contracts – euro	29 772	619 381	2 389	3 824
Forward foreign exchange contracts – pound sterling	1 778	41 664	126	860
Forward foreign exchange contracts – other	8 319	27 221	70	289
Total forward foreign exchange contracts		1 457 270	4 904	15 221
Foreign currency swap contracts – US dollar	38 450	731 225	14 063	28
Foreign currency swap contracts – euro	59 724	1 022 845	4 334	5 353
Total forward currency swap contracts		1 754 070	18 397	5 381
Derivative financial instruments		3 211 340	23 301	20 602

Notes to the financial statements continued

Year ended 29 February 2024

41. Derivative financial instruments continued

Forward foreign exchange contracts and forward currency swap contracts – designated as economic hedges continued

	COMPANY			
	Notional		Fair values	
R'000	**Foreign**	**R**	**Assets**	**Liabilities**
2023				
Forward foreign exchange contracts – US dollar	28 551	505 432	8 549	12 262
Forward foreign exchange contracts – euro	12 570	236 557	1 893	9 044
Forward foreign exchange contracts – pound sterling	2 975	63 291	1 678	1 470
Forward foreign exchange contracts – other	24 240	28 162	402	659
Total forward foreign exchange contracts		833 442	12 522	23 435
Foreign currency swap contracts – US dollar	11 850	208 654	8 530	248
Foreign currency swap contracts – euro	9 800	183 548	9 484	—
Forward foreign exchange contracts – pound sterling	500	10 198	932	—
Forward foreign exchange contracts – other	—	—	—	—
Total forward currency swap contracts		402 400	18 946	248
Derivative financial instruments		1 235 842	31 468	23 683

	COMPANY	
R'000	**2024**	**2023**
Derivative asset		
Current portion	**21 330**	30 205
Non-current portion	**3 068**	1 263
Total foreign currency exchange contracts and swap contracts	**24 398**	31 468
Derivative liability		
Current portion	**18 460**	23 665
Non-current portion	**2 142**	18
Total foreign currency exchange contracts and swap contracts	**20 602**	23 683

Credit quality of derivative assets

At the statement of financial position date, the international long-term credit ratings, using Moody's ratings, were as follows:

	GROUP AND COMPANY						
R'000	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Ba1 to Ba3**	**Not rated**	**ECL**	**Total carrying amount**
2024							
Derivative assets	**—**	**—**	**—**	**1 097**	**23 301**	**—**	**24 398**
2023							
Derivative assets	—	—	—	2 087	31 468	—	33 555

Accounting policies

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

The group designates certain derivatives as:

- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge)
- economic hedges if not qualifying in terms of the hedge accounting criteria classified as FVTPL.

Derivative financial instruments exclude equity instruments that are accounted for in terms of IFRS 2 *Share-based Payment*.

The use of derivatives is restricted to the hedging of forecast cash flows for specific transactions. Currently, derivatives are limited to interest rate swaps, forward foreign exchange contracts and forward currency swap contracts.

The group also facilitates the process for clients of the Business bank to enter into forward exchange contracts.

Treatment of hedges qualifying as cash flow hedges

The group applies IAS 39 to hedge accounting with the disclosures required by IFRS 7.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and deferred within equity. The gain or loss relating to the ineffective portion is recognised in the income statement immediately.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the interest payments that are hedged are recognised as an expense). The gain or loss relating to the effective portion of interest rate swaps hedging variable-rate borrowings is recognised in the income statement within interest expense.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within the movement in financial instruments held at FVTPL, disclosed under operating expenses.

At the inception of the transaction, the group designates the relationship between hedging instruments and hedged items as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Movements on the hedging reserve in shareholders' equity are shown in note 22.

41. Derivative financial instruments continued

Accounting policies continued

Treatment of economic hedges classified as FVTPL

Derivatives are only held to cover economic exposures.

Derivatives are classified as held for trading and measured at FVTPL to the extent that they are not part of a designated hedging relationship. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. Changes in the fair value of derivatives classified as FVTPL are taken to profit or loss immediately. The recognition of the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument and, if so, the nature of the item being hedged. Transaction costs are expensed.

All derivative contracts are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Fair values are obtained from quoted market prices, where available. Alternatively, valuation techniques based on observable market prices are used where possible, failing which, estimates are used.

Interest rate swaps designated as cash flow hedges

Gains and losses recognised in comprehensive income (note 32.6) on swap agreements will be continuously released to the income statement in line with the interest expense movement on the underlying hedged items.

The forecast cash flows presented show how the cash flow hedging reserve will be released to the income statement over time. The swaps have quarterly reset and settlement dates. The forecast cash flows were based on contracted interest and ruling exchange rates. The hedged items comprise variable-rate bonds and negotiable instruments detailed in note 16. To ensure hedge effectiveness, the variable-rate cash flows on the hedged items are matched with variable-rate interest rate swap cash flows (hedging instruments) by entering into swaps where amounts, interest rates and maturities of the swaps exactly match the hedged items.

As at 29 February 2024, the fixed interest rate was 7.5% (2023: 7.5%) and the floating rate was based on the forecast 3-month JIBAR as at 29 February 2024.

The fair value adjustment transferred to the income statement amounted to a debit of R3.2 million (2023: a credit of R10.2 million) and is included in interest expense. In 2024 and 2023, there were no transactions for which cash flow hedge accounting had to be discontinued due to highly probable cash flow no longer expected to occur.

Interest rate swaps are valued on a DCF basis using yield curves appropriate for the relevant swap rate.

Forward foreign exchange contracts designated as economic hedges

Forward foreign exchange contracts represent commitments to purchase foreign currency, including undelivered spot transactions, and were entered into to match corresponding expected future transactions.

42. Events after the reporting period

There have been no material changes in the group's affairs or financial position since the statement of financial position date with the exception of the matter detailed below.

Capitec Bank Limited v Commissioner for the South African Revenue Service

On 12 April 2024, the Constitutional Court of South Africa decided on the matter between Capitec Bank Limited and the Commissioner for the South African Revenue Service which was heard on 5 September 2023. The orders of the Tax Court and Supreme Court of Appeal were set aside and the assessment for Capitec Bank Limited's November 2017 value-added tax period was remitted to SARS for examination and assessment in accordance with the principles set out in the judgement.

Based on the judgement, Capitec Bank and SARS are required to re-engage to determine the apportionment of input tax deducted by Capitec Bank Limited. Based on the fact that Capitec Bank and SARS have yet to engage, there is no additional certainty to quantify the impact of the decision and the judgement is therefore a non-adjusting event.

Statutory information

Entities holding more than 5% of the company's issued debt securities

as at 29 February 2024

Holder	Instrument held	Amount held R'm	Holding %[1]
Sanlam Limited	Listed senior bond	423	15
Momentum Metropolitan Holdings Limited	Listed senior bond	398	14
Public Investment Corporation SOC Limited	Listed senior bond	289	10
Old Mutual Limited	Listed senior bond	209	8
Nedgroup Investments Funds PLC	Listed senior bond	178	6
Abax Investments Proprietary Limited	Listed senior bond	155	6
Absa Group Limited	Listed senior bond	152	6
Sanlam Developing Markets Limited	Wholesale	54	100

[1] Percentage holding is of the respective class of instruments.

Abbreviations and acronyms

AGM	Annual general meeting
ALCO	Asset and liability committee
ALM	Asset and liability management
ATM	Automated teller machine
Banks Act	Banks Act, Act 94 of 1990
BCC	Business bank credit committee
BER	Bureau for Economic Research
Capitec or Capitec Bank	Capitec Bank Limited
CAPM	Capital asset pricing model
CB	Capitec Bank
CEO	Chief executive officer
CFO	Chief financial officer
CGU	Cash-generating unit
CNR	Coin and note recyclers
CODM	Chief operating decision-maker
Companies Act	Companies Act of South Africa, Act 71 of 2008
COVID-19	Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
CPI	Consumer Price Index
Data Steerco	Data steering committee
DCF	Discounted cash flow
Deloitte	Deloitte & Touche
DMTN	Domestic medium-term note
DNR	Dual note recycler
EAD	Exposure at default
ECL	Expected credit loss
EXCO	Executive committee
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GDP	Gross domestic product
HEPS	Headline earnings per share
IAS	International Accounting Standard
IASB	International Accounting Standard Board
IBOR	Interbank offered rates
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
Income Tax Act	Income Tax Act, Act 58 of 1962
IRBA Code	Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors
ISAs	International Standards on Auditing
ISIN	International Securities Identification Numbering
IT	Information technology
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange Limited
JSE IRC	The Johannesburg Stock Exchange's Interest Rate and Currency market
King IV™	King IV Report on Corporate Governance™ for South Africa, 2016
LGD	Loss given default
Mercantile	Mercantile Bank Limited (name changed to Mer Pastcomp Limited in January 2021)
Moody's	Moody's Ratings
NCA	National Credit Act, Act 34 of 2005
oz	Ounce
PA	Prudential Authority
PD	Probability of default
POS	Point-of-sale
Primary banking client	When we refer to primary banking clients, we mean clients who make regular deposits, mainly salaries
PwC	PricewaterhouseCoopers Inc.
Quality client	Quality banking clients are those clients who have stable inflows into their account and stable product usage over a consecutive 3-month period
RCC	Retail bank credit committee
RCMC	Risk and capital management committee
REMCO	Human resources and remuneration committee
Remote banking	Remote banking refers to both banking app and USSD transactions
RISCO	Risk committee
ROE	Return on equity
RSP	Restricted share plan
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SARs	Share appreciation rights
SBBI®	Stocks, Bonds, Bills and Inflation
SICR	Significant increase in credit risk
SIM	Subscriber Identity Module
SME	Small- and medium-sized enterprise/entity
SPPI	Solely payments of principal and interest
SWIFT	Society for Worldwide Interbank Financial Telecommunications
the group	Capitec Bank Limited and subsidiaries
USD	United States dollar
USSD	Unstructured Supplementary Service Data
VWAP	Volume-weighted average price
ZARONIA	South African Rand Overnight Index Average

Shareholders' calendar

Financial year-end	29 February 2024
Notice of publication of the company's annual financial statements	23 April 2024
Annual financial statements	23 April 2024
AGM	31 May 2024
Interim report	October 2024

Contact information

Capitec Bank Limited

Registration number: 1980/003695/06
Incorporated in the Republic of South Africa
Company code: BICAP
Stock code: CBL29
ISIN code: ZAG000158874
Stock code: CBL30
ISIN code: ZAG000180977
Stock code: CBL31
ISIN code: ZAG000191933
Stock code: CBL32
ISIN code: ZAG000200288

Directors

SL Botha *(chairman)*
GM Fourie *(CEO)*[1]
NF Bhettay (appointed on 7 September 2023)
SA du Plessis
N Ford-Hoon (appointed on 7 September 2023)
GR Hardy *(CFO)*[1]
MSdP le Roux
V Mahlangu
TE Mashilwane (resigned effective 30 September 2023)
NS Mashiya *(executive: risk management)*[1]
(resigned effective 31 March 2023)
DP Meintjes (resigned effective 26 May 2023)
PJ Mouton
CA Otto
JP Verster

[1] Executive

Group company secretary and registered office

YM Mouton
5 Neutron Road, Techno Park, Stellenbosch, 7600

Postal address

PO Box 12451, Die Boord, Stellenbosch, 7613

Sponsor

PSG Capital Proprietary Limited
Registration number: 2006/015817/07
1st Floor, Ou Kollege Building
35 Kerk Street, Stellenbosch, 7600
and
Suite 1105, 11th Floor, Sandton Eye Building
126 West Street, Sandton, 2196

Website

www.capitecbank.co.za

Enquiries

enquiries@capitecbank.co.za