

Unaudited financial results  
for the 6 months ended 31 August 2021



Digitalisation – enhancing the  
banking experience for all



(Capitec Bank or the company)

# Condensed statement of financial position

As at 31 August 2021

R'000	Unaudited August 2021	Unaudited August 2020	August 2021/2020 %	Audited February 2021
<b>Assets</b>				
Cash, cash equivalents and money market funds	31 768 126	48 926 871	(35)	49 304 448
Financial assets at fair value through profit or loss (FVTPL)	–	2 048 777		2 969 740
Assets held for sale	–	–		1 511 848
Financial investments at amortised cost	60 175 079	20 979 046	>100	34 993 528
Term deposit investments	1 208 428	950 351	27	312 859
Net loans and advances	58 299 983	45 628 158	28	56 055 119
Other receivables	2 808 846	1 870 552	50	1 035 986
Net insurance receivable	–	796 438		–
Derivative assets	68 779	5 882	>100	28 011
Financial assets – equity instruments at fair value through other comprehensive income (FVOCI)	72 696	69 340	5	69 340
Group loans receivable	2 202 383	795 456	>100	1 100 001
Interest in joint ventures	132 502	107 202	24	132 502
Interest in subsidiaries	103 029	3 555 772	(97)	244 774
Property and equipment	2 883 583	2 757 708	5	2 899 587
Right-of-use assets	2 013 885	2 239 311	(10)	2 070 719
Intangible assets including goodwill	1 445 134	480 379	>100	1 480 988
Deferred income tax asset	2 429 558	1 994 716	22	2 202 457
<b>Total assets</b>	<b>165 612 011</b>	<b>133 205 959</b>	<b>24</b>	<b>156 411 907</b>
<b>Liabilities</b>				
Derivative liabilities	77 152	71 988	7	65 589
Current income tax liability	163 638	18 376	>100	159 214
Deposits	127 857 840	97 565 809	31	118 673 362
Wholesale funding	1 339 517	2 366 589	(43)	2 376 046
Other liabilities	2 929 916	2 126 637	38	2 935 885
Lease liabilities	2 505 260	2 622 595	(4)	2 521 688
Employee benefit liabilities	116 240	78 229	49	137 586
Group loans payable	–	2 559 536		4 230
<b>Total liabilities</b>	<b>134 989 563</b>	<b>107 409 759</b>	<b>26</b>	<b>126 873 600</b>
<b>Equity</b>				
<b>Capital and reserves</b>				
Ordinary share capital and premium	6 105 981	6 105 981	–	6 105 981
Cash flow hedge reserve	(24 049)	(48 735)	(51)	(29 244)
Other reserves	(29 510)	–		(30 687)
Retained earnings	24 517 812	19 673 675	25	23 436 616
<b>Share capital and reserves attributable to ordinary shareholders</b>	<b>30 570 234</b>	<b>25 730 921</b>	<b>19</b>	<b>29 482 666</b>
Non-redeemable, non-cumulative, non-participating preference share capital and premium	52 214	65 279	(20)	55 641
<b>Total equity</b>	<b>30 622 448</b>	<b>25 796 200</b>	<b>19</b>	<b>29 538 307</b>
<b>Total equity and liabilities</b>	<b>165 612 011</b>	<b>133 205 959</b>	<b>24</b>	<b>156 411 907</b>

# Condensed income statement

6 months ended 31 August 2021

R'000	Unaudited August 2021	Unaudited August 2020	August 2021/2020 %	Audited February 2021
Lending and investment income	8 922 447	8 406 201	6	16 774 770
Interest income	8 441 440	7 910 491	7	15 806 868
Loan fee income	481 007	495 710	(3)	967 902
Lending and investment expenses	(2 331 389)	(2 498 882)	(7)	(4 791 524)
Interest expense	(2 317 580)	(2 470 746)	(6)	(4 720 119)
Loan fee expense	(13 809)	(28 136)	(51)	(71 405)
<b>Net lending and investment income</b>	<b>6 591 058</b>	<b>5 907 319</b>	<b>12</b>	<b>11 983 246</b>
Transaction fee income <sup>(1)</sup>	6 908 210	5 151 634	34	11 635 413
Transaction fee expense	(1 759 969)	(1 359 552)	29	(3 106 058)
<b>Net transaction income</b>	<b>5 148 241</b>	<b>3 792 082</b>	<b>36</b>	<b>8 529 355</b>
Foreign currency income	257 580	–		128 623
Foreign currency expense	(184 096)	–		(94 936)
<b>Net foreign currency income</b>	<b>73 484</b>	<b>–</b>	<b></b>	<b>33 687</b>
Dividend income	141 816	–		–
Other income	37 752	5 094	>100	105 895
Credit impairments	(2 060 478)	(5 824 055)	(65)	(7 566 192)
<b>Net income</b>	<b>9 931 873</b>	<b>3 880 440</b>	<b>&gt;100</b>	<b>13 085 991</b>
Operating expenses <sup>(2)</sup>	(5 784 659)	(3 917 899)	48	(9 003 613)
Impairment of investments <sup>(2)</sup>	(141 745)	–		–
<b>Operating profit before tax</b>	<b>4 005 469</b>	<b>(37 459)</b>	<b></b>	<b>4 082 378</b>
Income tax expense	(1 150 366)	31 039		(1 107 824)
<b>Profit after tax for the period – continued operations</b>	<b>2 855 103</b>	<b>(6 420)</b>	<b></b>	<b>2 974 554</b>
<b>Profit after tax for the period – discontinued operations<sup>(3)</sup></b>	<b>185 686</b>	<b>847 556</b>	<b>(78)</b>	<b>1 615 483</b>
<b>Profit after tax for the period<sup>(3)</sup></b>	<b>3 040 789</b>	<b>841 136</b>	<b>262</b>	<b>4 590 037</b>

<sup>(1)</sup> Transaction fee income consists of: card commission income of R1.4 billion (August 2020: R1.1 billion; February 2021: R2.6 billion), account transaction fees of R4.2 billion (August 2020: R3.2 billion; February 2021: R6.8 billion) and other banking fees of R1.3 billion (August 2020: R0.9 billion; February 2021: R2.2 billion).

<sup>(2)</sup> Operating expenses for August 2020 have been restated by splitting the impairment of investments into a separate line.

<sup>(3)</sup> The August 2020 income statement was restated as required by IFRS 5 to reflect discontinued operations. Discontinued operations comprise Net insurance income and Funeral plan income. Please refer to note 6 regarding the transfer of the cell captives.

## Condensed statement of other comprehensive income

6 months ended 31 August 2021

R'000	Unaudited August 2021	Unaudited August 2020	August 2021/2020 %	Audited February 2021
<b>Profit after tax for the period – continued operations</b>	<b>2 855 103</b>	(6 420)		2 974 554
Other comprehensive income that may subsequently be reclassified to profit or loss	<b>5 195</b>	(27 390)		(7 899)
Cash flow hedge reserve recognised	<b>(6 308)</b>	(59 244)	(89)	(57 488)
Cash flow hedge reclassified to profit or loss	<b>13 524</b>	21 203	(36)	46 517
Income tax relating to cash flow hedge	<b>(2 021)</b>	10 651		3 072
Other comprehensive income that will not subsequently be reclassified to profit or loss	<b>756</b>	–		(30 687)
Remeasurement of defined benefit obligation	<b>–</b>	–		547
Profit/(Loss) on remeasurement to fair value of financial assets	<b>1 050</b>	–		(31 234)
Income tax thereon	<b>(294)</b>	–		–
<b>Total comprehensive income for the period – continued operations</b>	<b>2 861 054</b>	(33 810)		2 935 968
<b>Total comprehensive income for the period – discontinued operations</b>	<b>185 686</b>	847 556	(78)	1 615 483
<b>Total comprehensive income for the period</b>	<b>3 046 740</b>	813 746	274	4 551 451

## Condensed statement of changes in equity

6 months ended 31 August 2021

R'000	Ordinary share capital and premium	Preference share capital and premium	Cash flow hedge reserve	Other reserves	Retained earnings	Total
<b>Balance as at 29 February 2020</b>	6 105 981	73 098	(21 345)	–	18 835 001	24 992 735
Total comprehensive income for the year	–	–	(7 899)	(30 687)	4 590 037	4 551 451
<b>Transactions with shareholders and directly recorded in equity</b>	–	(17 457)	–	–	11 578	(5 879)
Ordinary dividend	–	–	–	–	–	–
Preference dividend	–	–	–	–	(4 290)	(4 290)
Acquisition through business reorganisation	–	–	–	–	15 868	15 868
Preference shares repurchased	–	(17 457)	–	–	–	(17 457)
<b>Balance as at 28 February 2021</b>	<b>6 105 981</b>	<b>55 641</b>	<b>(29 244)</b>	<b>(30 687)</b>	<b>23 436 616</b>	<b>29 538 307</b>
Total comprehensive income for the period	–	–	5 195	756	3 040 789	3 046 740
<b>Transactions with shareholders and directly recorded in equity</b>	–	(3 427)	–	421	(1 959 593)	(1 962 599)
Ordinary dividend	–	–	–	–	(1 958 031)	(1 958 031)
Preference dividend	–	–	–	–	(1 562)	(1 562)
Reclassified to profit or loss	–	–	–	421	–	421
Preference shares repurchased	–	(3 427)	–	–	–	(3 427)
<b>Balance as at 31 August 2021</b>	<b>6 105 981</b>	<b>52 214</b>	<b>(24 049)</b>	<b>(29 510)</b>	<b>24 517 812</b>	<b>30 622 448</b>

# Condensed statement of cash flows

6 months ended 31 August 2021

R'000	Unaudited August 2021	Unaudited August 2020	August 2021/2020 %	Audited February 2021
<b>Cash flow from operating activities</b>				
Cash flow from operations <sup>(1)</sup>	11 389 058	16 761 336	(32)	30 085 166
Income taxes paid	(1 375 358)	(119 907)	>100	(1 305 362)
	10 013 700	16 641 429	(40)	28 779 804
<b>Cash flow from investing activities</b>				
Acquisition of property and equipment	(389 673)	(310 727)	25	(732 598)
Disposal of property and equipment	6 633	1 527	>100	10 174
Acquisition of intangible assets	(78 876)	(175 818)	(55)	(277 719)
Loans from group companies – repaid	393 846	–		63 414
Loans from group companies – granted	(1 511 417)	(580 199)		(694 843)
Investment in term deposit investments	(1 200 000)	(942 735)	27	(3 275 617)
Redemption of term deposit investments	300 000	–		2 975 617
Acquisition of financial investments at amortised cost	(36 798 538)	(14 560 068)	>100	(38 849 758)
Redemption of financial investments at amortised cost	11 918 340	9 866 091	21	21 026 817
Acquisition of financial assets at FVTPL	–	(541 000)		(1 461 000)
Redemption of financial assets at FVTPL	2 960 220	57 474	>100	–
(Increase)/Decrease in short-term money market investments	(6 391)	1 457		13 863
Interest acquired in associates and joint ventures	–	–		(25 300)
Acquisition of subsidiary net of cash acquired	–	–		2 122 024
Acquisition of financial investments at FVOCI	(1 725)	–		–
	(24 407 581)	(7 183 998)	>100	(19 104 926)
<b>Cash flow from financing activities</b>				
Dividends paid	(1 959 815)	(3 345)	>100	(5 705)
Loans from group companies	–	376 672		1 227 551
Preference shares repurchased	(3 427)	(7 819)	(56)	(17 457)
Redemption of institutional bonds and other funding	(1 000 000)	(950 000)	5	(1 450 000)
Payment of lease liabilities	(153 045)	(91 931)	66	(238 613)
	(3 116 287)	(676 423)	>100	(484 224)
Effect of exchange rate changes on cash and cash equivalents	(34 233)	–		(19 095)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(17 544 401)</b>	<b>8 781 008</b>	<b>&gt;100</b>	<b>9 171 559</b>
Cash and cash equivalents at the beginning of the period	49 295 375	40 123 816	23	40 123 816
<b>Cash and cash equivalents at the end of the period<sup>(2)</sup></b>	<b>31 750 974</b>	<b>48 904 824</b>	<b>(35)</b>	<b>49 295 375</b>

<sup>(1)</sup> Includes cash inflow from interest received of R8.1 billion (August 2020: R7.8 billion; February 2021: R16 billion) and cash outflow from interest paid of R2.3 billion (August 2020: R2.5 billion; February 2021: R4.7 billion).

<sup>(2)</sup> Cash and cash equivalents before deduction of provision for impairments (ECL) and excluding money market funds in the amount of R18 million (August 2020: R24 million; February 2021: R12 million).

# Notes to the condensed interim financial statements

6 months ended 31 August 2021

## 1. Basis of preparation

The condensed interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the JSE Limited Debt Listings Requirements for interim reports, and the requirements of the Companies Act of South Africa, Act 71 of 2008, as amended. The accounting policies applied in the preparation of these interim financial statements are in terms of IFRS and are consistent with those applied in the previous annual financial statements.

The JSE Limited Debt Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS, and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the condensed financial statements, did not change compared to the prior financial year.

In calculating the ECL for the 6 months ended 31 August 2021, key areas of significant management estimation and judgement included determining SICR thresholds, write-off being when there is no reasonable expectation of further recovery (5% of balance before write-off), assumptions used in the forward-looking economic model, event overlays and how historical data is used to project ECL. Information available up to 31 August 2021 was considered in determining the negative economic scenarios applied to estimate the impact of COVID-19.

All standards, interpretations and amendments to published standards applied for the first time during the current financial period did not have any significant impact on the financial statements.

The condensed interim financial statements were not reviewed or audited by the company's auditors.

The preparation of the unaudited condensed interim financial statements was supervised by the chief financial officer (CFO), André du Plessis CA(SA).

## 2. Net loans and advances

## Retail bank

R'000	Stage 1	Stage 2				Stage 3					Total
	Up-to-date	Up-to-date loans with SICR and applied for debt review >6 months	Forward-looking SICR <sup>(1)</sup>	Up to 1 month in arrears	COVID-19 reschedules <sup>(2)</sup>	COVID-19 reschedules <sup>(2)</sup>	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 debt review <6 months	
<b>Balance as at 31 August 2021</b>											
Gross loans and advances	40 079 114	6 103 105	4 566 371	1 142 323	–	–	1 535 608	1 502 570	1 827 331	9 328 109	66 084 531
Provision for credit impairments (ECL) <sup>(3)</sup>	(4 739 372)	(1 493 074)	(918 405)	(610 085)	–	–	(1 123 568)	(552 776)	(531 386)	(7 515 128)	(17 483 794)
<b>Net loans and advances</b>	<b>35 339 742</b>	<b>4 610 031</b>	<b>3 647 966</b>	<b>532 238</b>	<b>–</b>	<b>–</b>	<b>412 040</b>	<b>949 794</b>	<b>1 295 945</b>	<b>1 812 981</b>	<b>48 600 737</b>
ECL coverage (%)	11.8	24.5	20.1	53.4			73.2	36.8	29.1	80.6	26.5
<b>Balance as at 28 February 2021</b>											
Gross loans and advances	38 708 068	4 219 586	4 563 628	1 008 057	391 882	24 226	1 903 584	2 105 266	2 402 866	8 655 038	63 982 201
Provision for credit impairments (ECL) <sup>(3)</sup>	(3 637 858)	(1 262 221)	(1 036 611)	(700 514)	(135 805)	(6 968)	(1 578 098)	(894 042)	(836 737)	(7 095 349)	(17 184 203)
<b>Net loans and advances</b>	<b>35 070 210</b>	<b>2 957 365</b>	<b>3 527 017</b>	<b>307 543</b>	<b>256 077</b>	<b>17 258</b>	<b>325 486</b>	<b>1 211 224</b>	<b>1 566 129</b>	<b>1 559 689</b>	<b>46 797 998</b>
ECL coverage (%)	9.4	29.9	22.7	69.5	34.7	28.8	82.9	42.5	34.8	82.0	26.9
<b>Balance as at 31 August 2020</b>											
Gross loans and advances	37 255 211	1 923 803	2 662 295	685 988	4 997 050	468 661	2 056 850	2 879 941	2 359 161	8 105 595	63 394 555
Provision for credit impairments (ECL) <sup>(3)</sup>	(3 303 349)	(479 290)	(624 001)	(382 112)	(1 625 550)	(136 094)	(1 603 462)	(1 192 021)	(1 213 557)	(7 206 961)	(17 766 397)
<b>Net loans and advances</b>	<b>33 951 862</b>	<b>1 444 513</b>	<b>2 038 294</b>	<b>303 876</b>	<b>3 371 500</b>	<b>332 567</b>	<b>453 388</b>	<b>1 687 920</b>	<b>1 145 604</b>	<b>898 634</b>	<b>45 628 158</b>
ECL coverage (%)	8.9	24.9	23.4	55.7	32.5	29.0	77.9	41.4	51.5	88.9	28.0

<sup>(1)</sup> Comprises loans where the forward-looking information indicates a SICR trigger. The comparatives have been updated to align to this more granular disclosure of SICR from one into two categories.

<sup>(2)</sup> COVID-19-related reschedules prior to the Prudential Authority Directive 3 of 2020 were treated as stage 3 in terms of the existing policy. From 6 April 2020 to 19 July 2020, up-to-date loans that were rescheduled and met SICR criteria were classified as stage 2 COVID-19-related reschedules.

<sup>(3)</sup> For agreements that contain both a drawn and an undrawn component the group cannot separately identify the undrawn component of the ECL and therefore the combined ECL is recognised against the loan component. To the extent that the combined ECL exceeds the gross carrying amount of the loan, the excess is recognised as an additional provision.

## 2. Net loans and advances continued

## Business bank

R'000	Stage 1		Stage 2				Stage 3			Total
	Up-to-date	Up to 1 month in arrears	Up-to-date loans SICR	2 and 3 months in arrears	Rescheduled from up-to-date (not yet rehabilitated)	Rescheduled from arrears (not yet rehabilitated)	COVID-19 reschedules <sup>(1)</sup>	COVID-19 reschedules <sup>(1)</sup>	More than 3 months in arrears, legal statuses and applied for business rescue liquidations	
<b>Balance as at 31 August 2021</b>										
Gross loans and advances	8 134 624	49 733	322 729	60 838	147 929	83 396	798 092	35 408	685 019	10 317 768
Provision for credit impairments (ECL) <sup>(2)</sup>	(158 987)	(580)	(43 633)	(6 366)	(10 172)	(7 779)	(112 831)	(5 039)	(273 135)	(618 522)
<b>Net loans and advances</b>	<b>7 975 637</b>	<b>49 153</b>	<b>279 096</b>	<b>54 472</b>	<b>137 757</b>	<b>75 617</b>	<b>685 261</b>	<b>30 369</b>	<b>411 884</b>	<b>9 699 246</b>
ECL coverage (%) <sup>(1)</sup>	2.0	1.2	13.5	10.5	6.9	9.3	14.1	14.2	39.9	6.0
<b>Balance as at 28 February 2021</b>										
Gross loans and advances	7 761 187	66 186	128 913	20 455	172 317	91 839	875 845	35 907	663 058	9 815 707
Provision for credit impairments (ECL) <sup>(2)</sup>	(166 128)	(778)	(13 466)	(646)	(11 206)	(9 965)	(98 679)	(4 777)	(252 941)	(558 586)
<b>Net loans and advances</b>	<b>7 595 059</b>	<b>65 408</b>	<b>115 447</b>	<b>19 809</b>	<b>161 111</b>	<b>81 874</b>	<b>777 166</b>	<b>31 130</b>	<b>410 117</b>	<b>9 257 121</b>
ECL coverage (%) <sup>(1)</sup>	2.1	1.2	10.4	3.2	6.5	10.9	11.3	13.3	38.1	5.7

<sup>(1)</sup> COVID-19-related reschedules prior to the Prudential Authority Directive 3 of 2020 were treated as stage 3 in terms of the existing policy. From 6 April 2020 to 19 July 2020, up-to-date loans that were rescheduled and met SICR criteria were classified as stage 2 COVID-19-related reschedules.

<sup>(2)</sup> For agreements that contain both a drawn and an undrawn component the group cannot separately identify the undrawn component of the ECL and therefore the combined ECL is recognised against the loan component. To the extent that the combined ECL exceeds the gross carrying amount of the loan, the excess is recognised as an additional provision.

<sup>(3)</sup> Business bank accepts collateral for funds advanced and this decreases the provision for credit impairments (ECL).

**3. Commitments and contingent liabilities**

R'000	Unaudited August 2021	Unaudited August 2020	August 2021/2020 %	Audited February 2021
<b>Capital commitments – approved by the board</b>				
<b>Contracted for:</b>				
Property and equipment	207 339	8 733	>100	263 780
Intangible assets	47 266	145 169	(67)	133 897
<b>Not contracted for:</b>				
Property and equipment	330 787	287 053	15	676 314
Intangible assets	296 972	73 592	>100	254 865
	<b>882 364</b>	514 547	71	1 328 856
<b>Loan commitments</b>				
	<b>8 206 751</b>	2 123 103	>100	5 139 006
Retail bank	7 987 550	2 123 103	>100	4 924 124
Business bank	219 201	–		214 882
<b>Guarantees – Business bank (property bonds)</b>				
	<b>656 075</b>	–		581 651
	<b>8 862 826</b>	2 123 103	>100	5 720 657
<b>Contingent liabilities</b>				
VAT	26 992	26 992	–	26 992

**4. Fair value hierarchy and classification of financial assets and liabilities****Determination of fair values and valuation process**

Fair values are market-based, calculated first with reference to observable inputs available in the market, then less observable 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 company's finance department performs the valuations of financial assets and financial 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 the 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 company's assessment of what inputs would likely be from the perspective of the market. The company first considers relevant and observable market inputs where these are available. Unobservable inputs are used in the absence of observable inputs. The company'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 period.

**4. Fair value hierarchy and classification of financial assets and liabilities** continued**Hierarchy of fair value of financial instruments** continued

The fair value hierarchy is applied to both assets and liabilities measured at FVTPL and those measured using amortised cost. The table below summarises the classification of financial assets and financial liabilities and their fair values.

R'000	Unaudited August 2021	Unaudited August 2020	Audited February 2021	Hierarchy of valuation technique
<b>Financial assets</b>				
Cash, cash equivalents and money market funds	31 768 126	48 926 871	49 304 448	Level 2
Financial assets at FVTPL	–	2 048 777	2 969 740	Level 2
Term deposit investments	1 208 428	–	312 859	Level 2
Financial investments at amortised cost	60 175 079	20 979 046	34 814 623	Level 2
Financial assets – equity instruments at FVOCI	72 696	69 340	69 340	Level 3
Net loans and advances – Retail	49 661 773	45 366 260	47 555 300	Level 3
Net loans and advances – Business	4 405 405	–	4 214 284	Level 3
Net loans and advances – Mortgage	5 711 940	–	5 415 140	Level 3
Net insurance receivable	–	796 438	–	Level 2
Other receivables	2 610 662	1 394 986	923 184	Level 2
Funeral plan income receivable	–	475 566	–	Level 3
Derivative assets	68 779	5 882	28 011	Level 2
Group loan receivable	2 202 383	795 456	1 100 001	
<b>Financial liabilities</b>				
Deposits and bonds	129 276 968	113 084 121	120 833 056	Level 2
Derivative liabilities	77 152	71 988	65 589	Level 2
Trade and other payables	1 230 197	866 873	1 669 021	Level 2
Group loan payable	–	2 559 536	4 230	

**5. Segmental analysis**

Operating segments are identified on the basis of internal reports about components of the company 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 executive management committee, headed by the CEO, has been identified by the company as the CODM, who is responsible for assessing the performance of and allocating resources to the segments.

The CODM identified 3 operating segments within the South African economic environment - Retail bank, Business bank and Insurance. The business is widely distributed with no reliance on any major clients. In addition, no client accounts for more than 10% of revenue.

The CODM regularly reviews the operating results of the Retail bank, Business bank and Insurance 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 that the company derives its revenue from. 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, access facilities and credit card
- Flexible, fixed and tax-free savings accounts.

Notes to the condensed interim financial statements continued

6 months ended 31 August 2021

5. Segmental analysis continued

**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 include foreign exchange spot trades and foreign exchange forward contracts.

**Insurance**

- Insurance income from the sale of credit life policies
- Profit-sharing arrangement with regard to the funeral plan insurance policy sold by the group.

The revenue from external parties and all other items of income, expenses, profits and losses reported in the segment report is measured in a manner consistent with that in the income statement.

R'000	Unaudited August 2021			Total
	Retail	Business	Insurance	
Lending and investment income	8 533 241	519 658	–	8 922 447
Interest income <sup>(1)</sup>	8 057 357	514 535	–	8 441 440
Loan fee income	475 884	5 123	–	481 007
Lending and investment expenses	(2 252 741)	(209 100)	–	(2 331 389)
Interest expense <sup>(1)</sup>	(2 238 932)	(209 100)	–	(2 317 580)
Loan fee expense	(13 809)	–	–	(13 809)
<b>Net lending and investment income</b>	<b>6 280 500</b>	<b>310 558</b>	<b>–</b>	<b>6 591 058</b>
Transaction fee income	6 261 396	646 814	–	6 908 210
Transaction fee expense	(1 463 675)	(296 294)	–	(1 759 969)
<b>Net transaction income</b>	<b>4 797 721</b>	<b>350 520</b>	<b>–</b>	<b>5 148 241</b>
Foreign currency income	–	257 580	–	257 580
Foreign currency expense	–	(184 096)	–	(184 096)
<b>Net foreign currency income</b>	<b>–</b>	<b>73 484</b>	<b>–</b>	<b>73 484</b>
Dividend income	141 816	–	–	141 816
Other income/(expense)	39 889	(2 137)	–	37 752
Credit impairments	(1 990 753)	(69 725)	–	(2 060 478)
<b>Net income</b>	<b>9 269 174</b>	<b>662 699</b>	<b>–</b>	<b>9 931 873</b>
Operating expenses	(5 276 860)	(500 708)	–	(5 777 568)
Amortisation of intangible assets – core deposits and client relationships	–	–	–	(7 091)
Impairment of investments	(141 745)	–	–	(141 745)
<b>Operating profit before tax</b>	<b>3 850 569</b>	<b>161 991</b>	<b>–</b>	<b>4 005 469</b>
Income tax expense	(1 110 302)	(42 049)	–	(1 152 351)
Tax on amortisation of intangible assets	–	–	–	1 985
<b>Profit after tax for the period – continued operations</b>	<b>2 740 267</b>	<b>119 942</b>	<b>–</b>	<b>2 855 103</b>
<b>Profit after tax for the period – discontinued operations</b>	<b>–</b>	<b>–</b>	<b>185 686</b>	<b>185 686</b>
<b>Profit after tax for the period</b>	<b>2 740 267</b>	<b>119 942</b>	<b>185 686</b>	<b>3 040 789</b>
<b>Assets</b>				
Net loans and advances	48 600 737	9 699 246	–	58 299 983
Other <sup>(1)</sup>	103 742 995	8 846 878	–	106 389 894
Divisionalisation of Mercantile	–	–	–	922 134
Goodwill	–	–	–	849 487
Intangible asset – core deposit intangible	–	–	–	59 578
Intangible asset – client relationships	–	–	–	13 069
<b>Total assets</b>	<b>152 343 732</b>	<b>18 546 124</b>	<b>–</b>	<b>165 612 011</b>

<sup>(1)</sup> The Retail and Business bank assets include an amount of R5.9 billion in investments that eliminates against liabilities at a group level. Interest on the investment amounted to R131 million and is disclosed in Retail bank interest expenses and Business bank interest on investments.

5. Segmental analysis continued

R'000	Unaudited August 2020			Total
	Retail	Business	Insurance	
Lending and investment income	8 406 201	–	–	8 406 201
Interest income	7 910 491	–	–	7 910 491
Loan fee income	495 710	–	–	495 710
Lending and investment expenses	(2 498 882)	–	–	(2 498 882)
Interest expense	(2 470 746)	–	–	(2 470 746)
Loan fee expense	(28 136)	–	–	(28 136)
<b>Net lending and investment income</b>	<b>5 907 319</b>	<b>–</b>	<b>–</b>	<b>5 907 319</b>
Transaction fee income	5 151 634	–	–	5 151 634
Transaction fee expense	(1 359 552)	–	–	(1 359 552)
<b>Net transaction income</b>	<b>3 792 082</b>	<b>–</b>	<b>–</b>	<b>3 792 082</b>
Foreign currency income	–	–	–	–
Foreign currency expense	–	–	–	–
<b>Net foreign currency income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Dividend income	–	–	–	–
Other income/(expense)	5 094	–	–	5 094
Credit impairments	(5 824 055)	–	–	(5 824 055)
<b>Net income</b>	<b>3 880 440</b>	<b>–</b>	<b>–</b>	<b>3 880 440</b>
Operating expenses	(3 917 899)	–	–	(3 917 899)
Amortisation of intangible assets – core deposits and client relationships	–	–	–	–
Impairment of investments	–	–	–	–
<b>Operating profit before tax</b>	<b>(37 459)</b>	<b>–</b>	<b>–</b>	<b>(37 459)</b>
Income tax expense	31 039	–	–	31 039
Tax on amortisation of intangible assets	–	–	–	–
<b>Profit after tax for the period – continued operations</b>	<b>(6 420)</b>	<b>–</b>	<b>–</b>	<b>(6 420)</b>
<b>Profit after tax for the period – discontinued operations</b>	<b>–</b>	<b>–</b>	<b>847 556</b>	<b>847 556</b>
<b>Profit after tax for the period</b>	<b>(6 420)</b>	<b>–</b>	<b>847 556</b>	<b>841 136</b>
<b>Assets</b>				
Net loans and advances	45 628 158	–	–	45 628 158
Other	87 577 801	–	–	87 577 801
Divisionalisation of Mercantile	–	–	–	–
Goodwill	–	–	–	–
Intangible asset – core deposit intangible	–	–	–	–
Intangible asset – client relationships	–	–	–	–
<b>Total assets</b>	<b>133 205 959</b>	<b>–</b>	<b>–</b>	<b>133 205 959</b>

## Notes to the condensed interim financial statements continued

6 months ended 31 August 2021

### 5. Segmental analysis continued

R'000	Audited February 2021			Total
	Retail	Business	Insurance	
Lending and investment income	16 476 920	239 164	–	16 774 770
Interest income	15 512 116	236 066	–	15 806 868
Loan fee income	964 804	3 098	–	967 902
Lending and investment expenses	(4 627 220)	(105 618)	–	(4 791 524)
Interest expense	(4 555 815)	(105 618)	–	(4 720 119)
Loan fee expense	(71 405)	–	–	(71 405)
<b>Net lending and investment income</b>	<b>11 849 700</b>	<b>133 546</b>	<b>–</b>	<b>11 983 246</b>
Transaction fee income	10 891 686	743 727	–	11 635 413
Transaction fee expense	(2 798 080)	(307 978)	–	(3 106 058)
<b>Net transaction income</b>	<b>8 093 606</b>	<b>435 749</b>	<b>–</b>	<b>8 529 355</b>
Foreign currency income	–	128 623	–	128 623
Foreign currency expense	–	(94 936)	–	(94 936)
<b>Net foreign currency income</b>	<b>–</b>	<b>33 687</b>	<b>–</b>	<b>33 687</b>
Other income/(expense)	103 878	2 017	–	105 895
Credit impairments	(7 419 616)	(146 576)	–	(7 566 192)
<b>Net income</b>	<b>12 627 568</b>	<b>458 423</b>	<b>–</b>	<b>13 085 991</b>
Operating expenses	(8 575 871)	(424 225)	–	(9 000 096)
Amortisation of intangible assets – core deposits and client relationships <sup>(1)</sup>	–	–	–	(3 517)
<b>Operating profit before tax</b>	<b>4 051 697</b>	<b>34 198</b>	<b>–</b>	<b>4 082 378</b>
Income tax expense	(1 099 000)	(9 809)	–	(1 108 809)
Tax on amortisation of intangible assets <sup>(1)</sup>	–	–	–	985
<b>Profit after tax for the period – continued operations</b>	<b>2 952 697</b>	<b>24 389</b>	<b>–</b>	<b>2 974 554</b>
<b>Profit after tax for the period – discontinued operations</b>	<b>–</b>	<b>–</b>	<b>1 615 483</b>	<b>1 615 483</b>
<b>Profit after tax for the period</b>	<b>2 952 697</b>	<b>24 389</b>	<b>1 615 483</b>	<b>4 590 037</b>
<b>Assets</b>				
Net loans and advances	46 797 998	9 257 121	–	56 055 119
Other <sup>(1)</sup>	94 829 518	8 033 563	1 511 848	99 427 563
Divisionalisation of Mercantile	–	–	–	929 225
Goodwill	–	–	–	849 487
Intangible asset – core deposit intangible	–	–	–	65 393
Intangible asset – client relationships	–	–	–	14 345
<b>Total assets</b>	<b>141 627 516</b>	<b>17 290 684</b>	<b>1 511 848</b>	<b>156 411 907</b>

<sup>(1)</sup> The Retail bank and Business bank assets include an amount of R5 billion in investments that eliminates against liabilities at a group level. Interest on the investment amounted to R143 million and is disclosed in Retail bank interest expenses and Business bank interest on investment.

### 6. Transfer of insurance cell captives

On 31 March 2021, Capitec Bank disposed of the shares it held in the insurance cell captives to Capitec Ins Proprietary Limited (Capitec Ins), a wholly-owned subsidiary of Capitec Bank Holdings Limited.

As of 31 August 2021, the investments were no longer recognised in Capitec Bank's statement of financial position. Due to the business reorganisation Capitec Bank only shared in the cell profit by recognising insurance-related income and expenses for March 2021 in the amount of R185.7 million.

The disclosure below illustrates the investment in the cell captives disposed of by Capitec Bank at their carrying values at the date of disposal.

R'000	Carrying value	
Net insurance receivable	Investment in Guardrisk Life Limited	<b>1 096 252</b>
Funeral plan receivable	Investment in Cenriq Life Insurance Company Limited	<b>126 934</b>
<b>Assets disposed at carrying value as at 31 March 2021</b>		<b>1 223 186</b>

# Statutory and 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

## Directors

SL Botha (chairman), GM Fourie (CEO)\*, AP du Plessis (CFO)\*, SA du Plessis, CH Fernandez, MS du Pré le Roux, V Mahlangu, TE Mashilwane, NS Mashiya (executive: risk management)\*, JD McKenzie (retired, 28 May 2021), DP Meintjes, PJ Mouton, CA Otto, JP Verster

\* *Executive*

## Company secretary and registered office

YM Mouton  
5 Neutron Road, Techno Park, Stellenbosch, 7600; PO Box 12451, Die Boord, Stellenbosch, 7613

## Sponsor

PSG Capital Proprietary Limited (Registration number: 2006/015817/07)

## Website

[www.capitecbank.co.za](http://www.capitecbank.co.za)

## Enquiries

[enquiries@capitecbank.co.za](mailto:enquiries@capitecbank.co.za)