innovative thinking in retail banking

affordable, simplicity, service, accessible, tailor-made, flexibility, convenience, location, progressive

CAPITEC Bank

annual report 2003

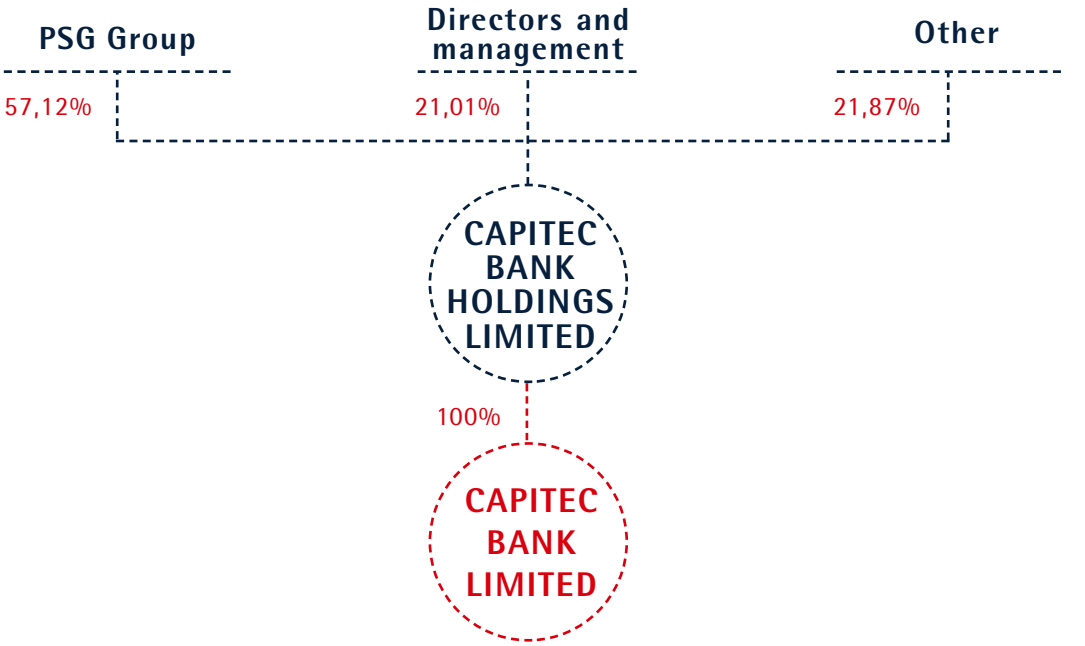
CONTENTS

CAPITEC Bank

How we measure ourselves

KEY PERFORMANCE INDICATORS	2002 Rm	2003 Rm	Change %
• Earnings	48	30	(38)
• Headline earnings per share (cents)	80,2	46,0	(43)
• Dividend per share (cents)	28,5	19,0	(33)
• Shareholders' funds	391	386	(1)
• Net asset value per share (cents)	587,0	610,8	4
• Net tangible asset value per share (cents)	458,6	502,4	10
• Share price at 28 February (cents)	117,0	260,0	122
• Market capitalisation	78	164	110
• Net loans and advances at year-end	92	116	26
• Total loans advanced during the year	1 072	1 510	41
• Bad debts percentage (actual) (%)	3,5	2,6	(26)
• Return on average ordinary shareholders' funds (%)	15,3	8,0	(48)
• Number of branches	315	266	(16)
• Number of personnel	1 267	1 180	(7)

OWNERSHIP



GEOGRAPHICAL REPRESENTATION

Branches per region	Total branches
Western Cape	47
Northern Cape	11
Eastern Cape	32
Free State	17
Gauteng	62
North West	15
Limpopo	16
Mpumalanga	20
KwaZulu-Natal	46
TOTAL	266

DIRECTORATE AND EXECUTIVE

CAPITEC BANK HOLDINGS AND CAPITEC BANK BOARDS

Non-executive

Johannes Fredericus Mouton (56) BComm (Hons), CA(SA), AEP
Chairman of Capitec Bank Holdings and Capitec Bank
Chairman of PSG Group Limited.
Non-executive director of Remgro Limited and Steinhoff International.

Chris Adriaan Otto (53) BComm LLB
Managing director of PSG Capital Limited. Director of m Cubed Holdings Limited.

Independent non-executive

Merlyn Claude Mehl (Prof) (60) PhD (Physics)
Serves on the boards of various companies. Previously chancellor of Peninsula Technikon and chief executive of the Independent Development Trust.

Jan Georg Solms (48) BAcc, CTA, CA(SA)
Member of the JSE Securities Exchange South Africa since 1981, stockbroker and executive director of stockbrokers Independent Securities (Proprietary) Limited. Chairman of Capitec Bank Holdings nomination committee.

Jacobus van Zyl Smit (Dr) (61) BComm LLB, CTA, CA(SA), DComm
Director of BAT Holdings SA (Proprietary) Limited. Previously a partner of Coopers & Lybrand Chartered Accountants. Chairman of Capitec Bank Holdings audit committee.

Executive

Cornelius Johannes Borstlap (43) BA, BTh
Executive director
Mr Borstlap has been involved in the microlending business since 1995 and was a founding member of the original microlending business from which Capitec Bank has evolved.

André Pierre du Plessis (41) BComm (Hons), CA(SA)
Financial director
Mr du Plessis has over 17 years' business advisory, financial consulting and strategic and financial management experience. He was a partner at Arthur Andersen (1986 – 1996) and was the chief executive – financial management of Boland PKS (1996 – 2000).

Michiel Scholtz du Pré le Roux (53) BComm LLB
Chief executive
Mr le Roux has 29 years' experience in commerce and banking. He was managing director of Distillers Corporation (SA) Limited ("Distillers") from 1979 to 1993, and from 1995 to 1998 managing director of Boland Bank Limited, NBS Boland Limited and BoE Bank Limited. Mr le Roux was one of the founding members of the Capitec Bank group.

Riaan Stassen (49) BComm (Hons), CA(SA)
Managing director
Mr Stassen was managing director of Boland PKS (1997 – 2000), a division of BoE Bank Limited. Previous positions include head of operations of Boland PKS (1995 – 1997), operations director of Distillers (1992 – 1995) and group financial manager of Distillers (1989 – 1992).

CAPITEC BANK HOLDINGS AND CAPITEC BANK MANAGEMENT COMMITTEE

Riaan Stassen (49) BComm (Hons), CA(SA)
Managing director

André Pierre du Plessis (41) BComm (Hons), CA(SA)
Financial director

Carl Gustav Fischer (46) BComm (Hons), MBA
Chief executive – Capitec services
Mr Fischer was chief executive for marketing and support services of Boland PKS (1999 – 2000). Previous positions include group marketing and sales director (1996 – 1998) and group production/operations director of Stellenbosch Farmers' Winery Limited (1993 – 1996).

Gerhardus (Gerrie) Metselaar Fourie (39) BComm (Hons), MBA
Chief executive – Sales
Mr Fourie was area general manager of Stellenbosch Farmers' Winery (1997 – 2000), focusing on distribution and sales.

André Olivier (35) BComm (Hons), CA(SA)
Chief executive – Business development
Mr Olivier was a financial risk manager at Boland PKS (1997 – 2000) after which he was head of operations of PEP Bank, the microlending division of BoE Bank Limited. He gained extensive audit and business advisory experience with Arthur Andersen (1990 – 1997).

Christiaan (Chris) Oosthuizen (48)
Chief executive – Information technology
Mr Oosthuizen held the position of chief executive – information technology at Boland PKS, where he was employed from 1976 to 2000.

Christian George van Schalkwyk (48) BComm LLB, CA(SA)
Chief executive – Risk management
Mr van Schalkwyk was chief executive – credit risk and legal services at Boland PKS (1997 – 2000). Previous positions include being a partner at attorneys Jan S de Villiers (1987 – 1996) and tax consultant at Arthur Andersen (1985).

Leonardus (Leon) Venter (41) BA (Hons), MA (Industrial Psychology)
Chief executive – Human resources
Mr Venter was a human resources manager at Iridium Africa (1998 – 1999). Previous positions include manager – human resources and support at Telkom SA (1993 – 1997) and area personnel manager at Iscor Limited (1986 – 1992).

the lowest transaction fees in the industry

the highest guaranteed rates on daily savings products

no admin fees or hidden extras

affordable

competitive pricing

The highest guaranteed rates on daily savings products in the industry encourages client investment and planning.

No admin fees and hidden extras ensure that clients understand the implications of loan and transacting decisions.

The lowest transaction fees in the industry support the transacting needs of the mass market.

Competitive pricing provides some of the most attractive net loan costs in the market.

We are immodestly pleased with the modest R30 million profit we made in the past year.

Capitec Bank was listed on the JSE on 18 February last year. Nine days before that, on a Saturday morning, Saambou went belly up and a crisis for small banks began. The impact on us was profound: we eliminated long-term loans from our ambitions, the funding markets closed their doors to us and in consequence every plan for the financial year then starting (and on which we are now reporting) had to be scrapped.

At the same time it was unthinkable to issue a profit warning as we listed: it would have destroyed our chance to earn credibility.

All our profits for the year are derived from loans: mostly small, short-term loans. During the year we granted 2,4 million loans[1] of an average size of R618. On 1 March 2002 we reduced the rates charged to borrowers significantly, to an average of 22% per month compared to an industry norm of 30%. As a result of this price reduction we made a loss for the first four months of the year, but by July volumes had increased sufficiently to put us back in the black. The value of all loans granted during the year increased by 45% compared to last year to R1,48 billion. The average book per branch increased from R291 000 in February 2002 to R486 000 this February. It may seem easy for a tiny newcomer like us to grow, but our sales growth is quite good in a year when industry volumes came under pressure from the fall-out of the Saambou disaster.

We earned a net margin of only 2% on our loans. All the same, price aggression remains a fundamental part of our short-term strategy. We will continue to reduce rates as we improve our efficiency and increase our throughput per branch. Of course, rates of 22% per month still sound excessive, but our loans are mostly between R50 and R1 500 in size and the rate charged covers the administrative cost – on average R53 per loan – as well as interest. In a brief[2] on microfinance, the Consultative Group to assist the Poorest, a World Bank organisation, says: "Why are microcredit interest rates higher than bank interest rates? Because the costs of making a small loan are higher in percentage terms than the costs of making a larger loan. If the actual cost per loan is $25, the percentage cost is 0,25 percent for a $10,000 loan, but 25 percent for a $100 loan."

Any discounter will recognise our formula: reduce prices, help the customer and beat the competition.

The three most important aspects of managing bad debts are: administration, administration and administration. The more we improve our systems and staff quality (not necessarily our client quality), the lower our bad debt. If we do not receive a payment on the due date the client must be contacted by phone or SMS on the day that the problem arises (we do not believe in letters which arrive two weeks later).

As we make each loan, we make a provision against the loan for bad debts we can expect. Currently the provision is set at 3,1%, although our actual bad debts are less than that. At the end of a month our arrears for that month normally amounts to eight to nine percent, mainly due to administrative hitches. Within two weeks most administrative problems have been resolved and what remains threatens to become actual bad debts. We chip away at that number for another few months, before starting legal recovery processes. We are fully provided for all arrears older than two months. Here is the story of a pretty normal month:

	R'000	% of book	Provision	Shortfall
Loans in August 2002	116 624	100,0	3 615	–
Arrears at 31 August 2002	9 741	8,4	3 615	(6 126)
Arrears at 30 September 2002	4 605	3,9	3 615	(990)
Arrears at 31 October 2002	3 506	3,0	3 506	–
Arrears at 28 February 2003	3 028	2,6	3 028	–

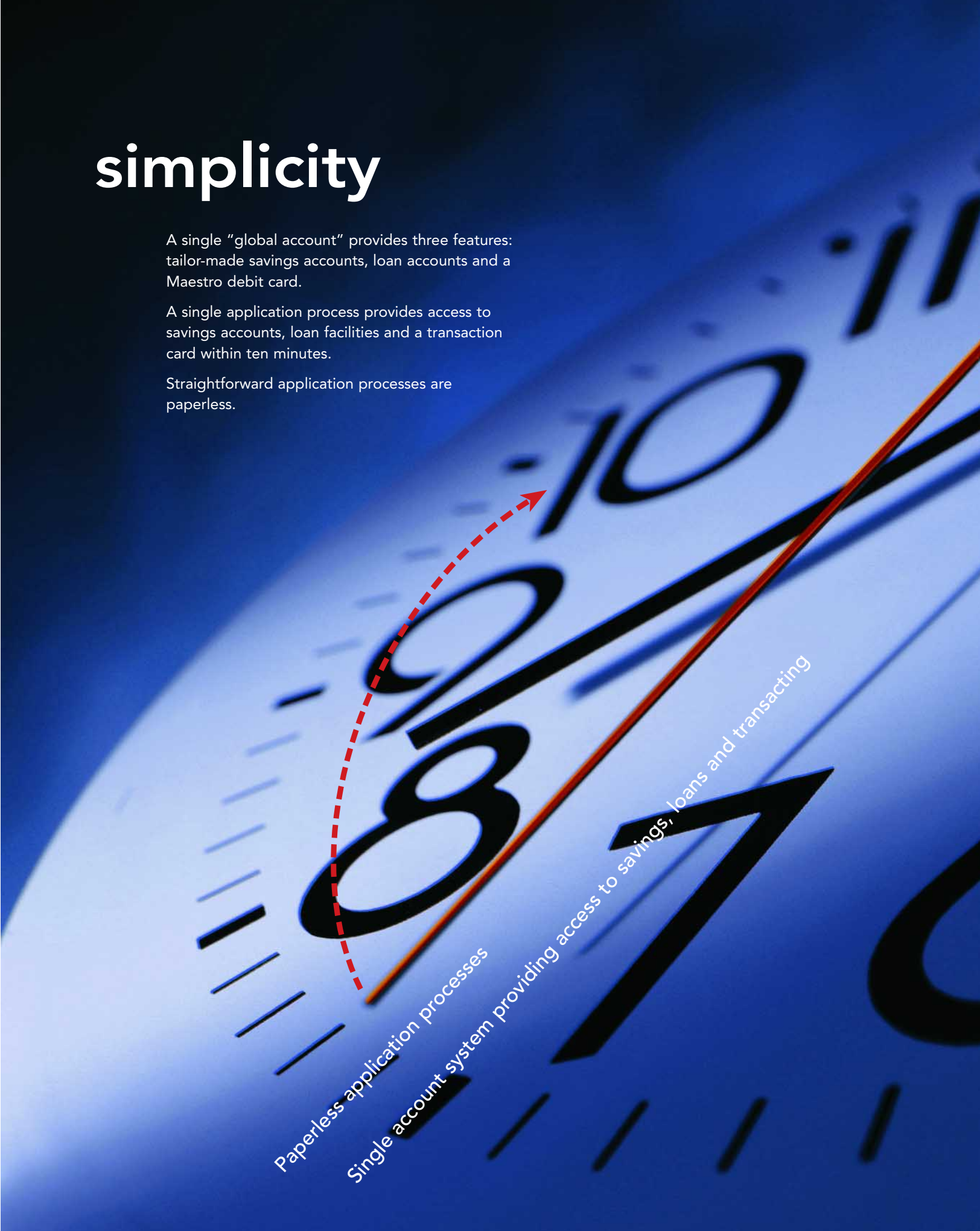
[1] *Statistics in this letter exclude business done in companies we sold during the year.*
[2] *Donor Brief No 6, September 2002.*

simplicity

A single "global account" provides three features: tailor-made savings accounts, loan accounts and a Maestro debit card.

A single application process provides access to savings accounts, loan facilities and a transaction card within ten minutes.

Straightforward application processes are paperless.



We think that what our people achieved was remarkable: while our book was growing rapidly, we reduced our bad debt ratio from 3,5% a year ago to 2,6% now.

We have continued our transformation programme to turn Capitec Bank into a mass-market retail bank. We moved 54 branches to new sites, merged 40 branches and opened 6 new branches. We sold our operations in Botswana and Namibia. (Legally speaking, banking is the least global of businesses: the reach of our banking licence stops at the borders of the country.) As a result our total number of branches declined from 315 to 266. Seventy-seven branches currently operate as Capitec Bank, 189 as Finaid.

We are building a competent and loyal workforce. We are creating an action-oriented, customer-focused culture. We want to be more like a retailer than a bank. During the year we appointed 404 new employees and lost 435 people (apart from 56 people working in the companies we sold). The drop in numbers is due to the reduction in the number of branches as well as to vacancies. Numbers at the campus (a nicer word than "head office") increased by 24. Our people attended an average of 1,4 training courses per individual during the year. At least 50% of the work done at the campus relates to turning Capitec Bank into a bank. We regard our senior management team as a major resource and at this level probably 70% of our time is spent on shaping the future.

Paying people the right salaries is crucial. Pay too much and a company has to skimp on something else like marketing or investments. Pay too little and mediocrity looms large. In a bank, matters are complicated by the prevalence of risk (don't reward somebody for chasing sales, but expect her to be a prudent judge of potential bad debt). More importantly, management greed is part of the reason for many bank failures. (The final run on Saambou was triggered when the share purchase scheme went underwater.)

Fundamental strategy is not a bad place to start if you want to consider executive pay. At Capitec Bank we are building a specialist, national retail bank. This is a huge undertaking, requiring massive investments relative to our size and representing real risk.

What sort of leaders do we need?
Innovative: We are building a unique bank. We will be a world leader in providing banking services to our entire population.
Skilled: We have converted a network of loan shops into a profitable corporate entity – something that was unsuccessfully tried by at least three other listed companies. Our retail bank IT system is up and running. What we want to do is tough. We need skilled bankers.
Risk-averse: Our business model contains plenty of risk. Our management approach must be to contain and reduce risk, not to accept or even enhance risk.
Courageous: To start a new organisation requires courage, particularly when all those around you are failing.
Loyal: If you want to achieve your goal in less than five years, don't come to Capitec Bank. What we're doing, can't be done overnight.

For the skills we require, we must pay upfront. For the hoped-for spectacular results of a fine balance between creativity and caution, we should pay on delivery. Such payment for results will have to be substantial if the results equal our ambitions. Our choice is for share options as the preferred mechanism. Options are granted to people with the ability to have an impact on the success of the company as a whole. Thirty-two employees hold a total of eight million options.

We believe in a flat reporting structure (there are only three reporting levels between the managing director and a service consultant in a branch) and the ability to pay for performance at all levels. Our highest paid branch manager earns five times more than the lowest paid one (although the total difference isn't due to performance – branch size and whether the branch is urban or rural are also important).

The cost of running Capitec Bank skyrocketed during the past financial year. Operating expenses increased by 40% to R239 million. Little of this was unexpected, as it is expensive to do what we're doing. Strategically, we are supporting the cost of building a retail bank on the back of the small loans business. Certain items stand out: banking charges (fees we pay to other banks) tripled to R16 million; we have started amortising our bank IT system and it will cost a lot more in the new year (total depreciation doubled to R21 million); fraud and theft cost us nearly R3 million (a disheartening figure); telecommunication costs doubled to R18 million; salaries came in at R95 million; and the cost of premises amounted to R30 million.

We manage our money cautiously. As a new business with limited access to funds, we had to limit our capital expenditure. At the same time we had to improve our branch network and train our people. Whilst we continued investing in our banking dreams, our first priority was obviously to fund the growth in our loan book. At the end of the year our net cash balance was R78 million and we had loans of R116 million due to us after provisions, which means we expect to recover all of this money, most of it within a month.

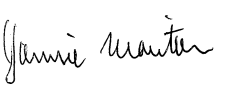
Our cash position is helped by the fact that we have a tax loss and do not pay company tax, even though tax is charged against income. Of course, cash is simply one measure by which to judge a going concern, but it is a barometer of how cautious we are. Be careful, though, as looking at month-end figures is misleading. We are cash hungry in the middle of the month (our lowest net cash position during February 2003 was R28 million on the 8th).

Liquidity rules have changed permanently for all but the big banks. We know that even if we manage our affairs prudently, bad news at another bank or in another country could cause a cash flow crisis for us. We plan our expenditure and liabilities carefully so that we are never left vulnerable to a sudden loss of confidence. We have access to loan funds far greater than our current needs due to the support of our shareholders, particularly the PSG Group.

We will reduce our dividend payout as a percentage of profits next year. We will, however, pay a 40% dividend (19c per share) in respect of the past year, as promised at the beginning of the year. The dividend payment will cost us less than that in cash because, with our shareholders' blessing, we will offer a scrip dividend as an alternative. The scrip ratio will be 9,25 shares for each 100 shares held. Again, our major shareholders have indicated that they will support us by choosing non-cash dividends (which we happen to think is clever of them in any event).

We remain on track to build something unique: a low-cost, full-service mass market bank. What makes us different?
Accessibility: We are at the railway station and taxi rank. Our hours are as long as the working day of our clients: from 08:00 in the morning to 17:00 in the afternoon. We offer 67 more banking hours per month than a traditional bank. We stay open even longer where it suits our clients.
Affordability: We have the lowest ATM fee in the country (a flat fee of R2); our accounts will have the lowest minimum balances (R10); our savings products will offer the highest interest rates (10%).
Simplicity: We have paperless branches: nobody fills in slips of paper to do transactions. Everything is card-based. Our aim is that everything not done directly on a PC will be scanned into our IT system. We will have a single account with three features: a Maestro debit card, tailor-made savings and personal loans. No cheque accounts (although we accept cheques deposited with us), no credit cards, no car finance, nothing complicated.
Face-to-face service: Every client has easy access to a consultant. We endeavour always to speak our client's language.

The new year will again be tough. We are budgeting for a further significant rise in costs. Due to a planned increase in volumes and the introduction of new products, we expect a substantial rise in profits in the year to 29 February 2004.



Jannie Mouton
Chairman

Michiel du P le Roux
Chief executive

Riaan Stassen
Managing director

1. BOARD AND DIRECTORS

1.1 Role and function of the board

The board of Capitec Bank acts as the chief custodian on behalf of all stakeholders in the company. In this regard the following important principles apply:

- The board comprises a majority of non-executive directors with a strong contingent of independent non-executives. Three of the full complement of nine directors are independent non-executives.
- The board members represent a mixture of skills and diverse backgrounds.
- The board is provided with timeous, comprehensive and quality information, ranging from standardised monthly board packs to occasional visits to branches by board members.
- Great emphasis is placed on proper and correct declaration of interest by directors in compliance with relevant legislation. The register of directors' interests is circulated at every board meeting and completed by all members present.
- The board meets at least six times per annum. A record of attendance by each board member is published in Annexure A.
- The board has formulated a definition of what it regards as a material malfunction relative to the extent of the operation of the company. In addition it has delegated certain powers to management with due regard for potential conflict between fiduciary responsibility on the one hand and operational efficiency on the other.
- The board annually approves a detailed budget supported by a business plan and a written exposition of the strategy of the company.
- Information assessed by the board comprises financial as well as non-financial information and enables the board to assess the adequacy and efficiency of internal controls in operation from time to time.

1.2 Role and function of the chairman

The chairman of the board of Capitec Bank is a non-executive director with proven business acumen and is of good standing in the South African business community. Principles of good corporate governance are complied with in that:

- the roles of chairman and chief executive officer are separated;
- the chairman actively participates in the selection of board members;
- the chairman ensures that all directors are given opportunity to add value to the formulation of strategy of the company; and
- informal linking between board and management is easily facilitated through the chairman.

1.3 Role and function of the chief executive officer

The chief executive officer of Capitec Bank has a role separate from that of the chairman and deals with the following:

- He takes the initiative in managing relationships with shareholders and the investment public in general.
- He provides input in the development of company strategy.
- He acts as the chief spokesperson on behalf of the company.

1.4 Role of the executive and non-executive directors

The board of Capitec Bank is constituted in a manner which ensures:

- a proper balance between executive and non-executive directors;
- non-executive directors are selected on the basis of skill and experience;
- the company has a remuneration committee headed by an independent individual who is not a member of the board;
- non-executive directors have not been granted share options;
- executive directors do not have fixed term service contracts; and
- the company has a formal policy on closed periods for dealing in shares which is strictly enforced.

accessible

Banking hours, which are comparable with retail shopping hours, ensure a level of accessibility which is important to the market.

Branch location at key commuter points such as railway stations, bus terminuses and taxi ranks brings the bank to the client.

Dip card ATMs address risk and are easy to operate when transacting.

Debit cards provide convenient, cashless purchases and the removal of risk for clients.

1.5 Director selection and development

The company has a nomination committee led by an independent non-executive director. This committee has performed an appraisal of individual directors' performances over the past year and has further identified additional potential appointees, recommended to the full board. The company enables directors to acquaint themselves with the business over which they preside, inter alia in the following manner:

- Non-executive directors are given the opportunity to inspect the operations of the business at branch level in townships.
- Directors are notified on an ongoing basis of relevant legislation affecting their position within the specific business.
- Board members are afforded the opportunity to attend informative presentations on the King code of corporate governance at the expense of the company.

1.6 Board and director appraisal

Through the nomination committee, the board from time to time performs evaluation and assessment of itself as a functioning body as well as of the contribution of each director.

1.7 Disqualification of directors

Any new appointees to the board are scrutinised by the nomination committee and, if deemed appropriate, recommended for appointment to the full board. Only once the full board has resolved to approach a new appointee and such individual accepts, the regulatory process commences. If successfully complied with, the appointment becomes effective; otherwise the appointment is not proceeded with.

1.8 Board committees

The board has appointed a number of committees to assist it in the performance of its duties. These include:

- Executive management and management committee
- Non-executive forum
- Nomination committee
- Audit committee
- Remuneration committee
- Asset and liability committee ("ALCO")
- Risk committee
- Credit committee
- Information technology steering committee

Principles enshrined in the functioning of these committees include:

- The drafting and acceptance of terms of reference
- Full disclosure of committee activities to the board
- Use of non-executive and independent appointees to serve on committees

Further particulars on each of the committees are set out in Annexure B.

1.9 The business judgement rule

The board is presented with timeous and sufficiently detailed information to enable them to exercise fair judgement in deliberation on company matters. Should the "business judgement rule" therefore be upheld in South Africa, directors should not fall foul.

service

Multilingual client service personnel ensure a clear understanding of all banking products and services.

Consulting in a relaxed, secure environment provides a forum for informative and supportive client service.

Floor consultants direct and advise clients to speedily process their needs and complete ATM transactions.

Employer-directed sales service provides convenient advice and support for clients at their place of employment.

1.10 Role and function of the company secretary

The company secretary:

- strives to inform the board of relevant legislation;
- makes available information on the company to board members;
- ensures compliance with statutory and regulatory matters; and
- acts as primary point of contact for shareholders.

2. HOW THE BOARD MANAGES CAPITEC BANK'S AFFAIRS

2.1 Our purpose

We are building a full-service, low-cost mass bank. We operate throughout South Africa, but we dream of the day we will export our business model to other countries. As we move towards the banking model, our main business is the provision of short-term, small loans.

2.2 The board's responsibility

The board determines the purpose of the company and is responsible for the performance of the company.

2.3 Board composition

The board consists of two non-executive directors, three independent non-executive directors and four executive directors. This is a good size for the board as a wide range of skills are represented, without the board becoming unwieldy.

The board approves the appointment of new board members upon recommendation by a nomination committee.

All new board appointments must be approved at the following annual general meeting of the company. A third of the non-executive directors rotate annually and may offer themselves for re-election at the annual general meeting.

The composition of the board of the company's main operating subsidiary, Capitec Bank Limited, is identical to that of the company.

2.4 The chairman

The chairman, Jannie Mouton, is a non-executive director of the company. He is also chairman of PSG Group, the majority shareholder of Capitec Bank Holdings Limited. The chairman is elected for a period of three years.

2.5 Operations of the board

- The board appoints executives to run the company. Riaan Stassen is managing director of the company and Michiel le Roux is chief executive officer.
- The board monitors the performance of management and determines their remuneration, acting on the advice of the remuneration committee.
- The board decided that during the start-up phase of the company it should meet ten times annually. It is likely that in due course six meetings per year will be enough.
- The board has full and unrestricted access to all the activities, records, staff and property of the company.
- Board members have a right to outside legal or other independent professional advice.
- The board has appointed a number of committees to assist it. The nomination committee and the audit committee are chaired by independent directors, and the chairman of the remuneration committee is an independent outside professional.

3. RISK MANAGEMENT

3.1 Definition

Capitec Bank views risk management as a measure of ensuring a responsible return on shareholders' equity.

3.2 Responsibility

Ultimately the board remains responsible for risk management. To assist it in performing this duty, the company is managed through a system of internal controls functioning throughout the entire entity.

With specific committees such as the risk committee (responsible for managing credit, legal, compliance, technology, operational and reputational risks) and the asset and liability committee (looking after interest rate, market, liquidity, counterparty and currency risk as well as capital adequacy) appointed to deal with defined areas of risk management, it is ensured that the company approaches risk management in a structured manner. An awareness of risk thus pervades every aspect of our business and is seen as the responsibility of each and every employee of Capitec Bank.

3.3 Assimilating risk to the control environment

The company operates in a structured manner with defined processes and procedures. This enables risk assessment within a controlled environment. Accordingly an annual assessment of key risks are performed with weightings on impact and probability assigned. Existing controls are assessed and, if necessary, adjusted. Thereafter reports are generated at regular intervals to enable monitoring of risk levels.

3.4 Application of risk management

At the current stage in the lifecycle of Capitec Bank, the greater risks reside in information technology, human skills levels and the ever-present threat of credit extension gone wrong. Thus the emphasis tends to fall on these areas, but mitigation of all risks to an acceptable level relative to the return produced by the activity concerned remains a central theme of the manner in which Capitec Bank conducts business.

4. INTERNAL AUDIT

4.1 Status of internal audit

The company has an independent internal audit department with direct access to both the chief executive officer and the chairman. Apart from own staff it functions on a co-sourced basis with external consultants Deloitte & Touche and in accordance with a charter approved by the audit committee, to which a report is submitted at every meeting of the committee.

4.2 Role and function of internal audit

The internal audit function focuses on adding value to the operations of Capitec Bank. To this end it emphasises:

- compliance with company policies and procedures;
- regulatory compliance;
- prevention of theft and fraud; and
- production of quality management information.

4.3 Scope of internal audit

The department annually submits a work plan to the audit committee for approval. The scope of this plan encompasses the entire business of Capitec Bank and is drafted with the strategic aim of the bank kept in mind. In our developing environment great emphasis is placed on implementation and efficiency of systems. In addition the operational environment is closely monitored and assurance derived that controls are functioning adequately. In this process, any deficiency detected in governance is escalated to management for action.

5. INTEGRATED SUSTAINABILITY REPORTING

5.1 Scope of review

Aware of the potentially endless scope of reporting on integrated sustainability of the business of Capitec Bank within the universe in which it exists, the company has positioned itself as socially and environmentally conscious and strives to take its place as a responsible corporate citizen. This attitude is reflected in and substantiated by what is reported below and should encompass ever-widening reaches as the company grows and prospers in years to come, to the betterment of all stakeholders.

5.2 Stakeholder relations

Relationships with stakeholders are governed by, inter alia, the following:

- Shareholders – they are respected as the providers of capital and the company strives to provide them with a competitive return as well as sufficient information on which investment decisions can be based.
- Regulators – our relationships with regulators are maintained in a businesslike manner, frank, open and with mutual respect. We acknowledge the task and responsibility of regulators. As a result we have had valued support from these bodies in building a business which contributes to the improvement of society.
- Suppliers – we strive to manage these relationships in an atmosphere of certainty and fairness. Service level agreements are general practice.
- Communities – Capitec Bank has begun to return something to the communities in which we function. For this purpose we have a small budget for meritorious cases in charity and social upliftment.

5.3 Ethical practices and organisational integrity

Capitec Bank intends to become an institution in the communities we serve. For this reason the board and management ruthlessly enforce the highest standards of ethical behaviour, from internal compliance with policies and procedures to external criminal prosecution of offenders.

We subscribe to the Code of Good Banking Practice and expect our employees to bind themselves to support and maintain the ethical principles and standards prescribed by the board and management.

5.4 Safety, health and the environment (SHE)

Capitec Bank cherishes the safety of its employees. For this reason security of our staff remains an ongoing concern and considerable time and resources are spent on combating armed robbery – the unacceptable face of our society. We remain committed to stamping out this evil and work within the banking industry to achieve this aim.

It is very important to Capitec Bank that its employees work in a healthy and safe environment and the exposure of branch personnel to robberies, due to their working in a traditionally cash-rich environment, is of great concern. For this reason the company has implemented and continues to implement strategies to enhance security at branches. One of the core business strategies of Capitec Bank is to create a cashless environment in the branches. This is effected by installing ATMs for cash dispensing and secure drop safes to deposit cash leaving consultants with only a minor daily float for small transactions. ATMs are excessively expensive and it is financially not viable to install ATMs in all branches in a single year. Capitec Bank, however, continues to implement ATMs in branches, focusing on those branches in high-risk areas first. The drop safes are emptied by an appointed security firm and cash is counted and banked off premises. In addition to standard security measurements, security guards are employed at high-risk and cash-rich branches.

HIV/Aids has become a hotly debated topic in our society. Capitec Bank has chosen not to enter into this debate. Rather, we are painfully aware of the potentially devastating effect which the pandemic may have on

our workforce as well as our client base. We have therefore commenced a process which may lead to the implementation of an awareness and prevention campaign amongst our employees. In protecting our business, suitable policies will need to be implemented to combat exposure through our client base.

In terms of the Occupational Health and Safety Act, a policy has been set in place in accordance with which health and safety representatives, first-aid workers and emergency wardens have been appointed at head and regional offices. These employees have been trained to cope with workplace accidents and other emergency situations. Details of emergency officials are made available to all employees.

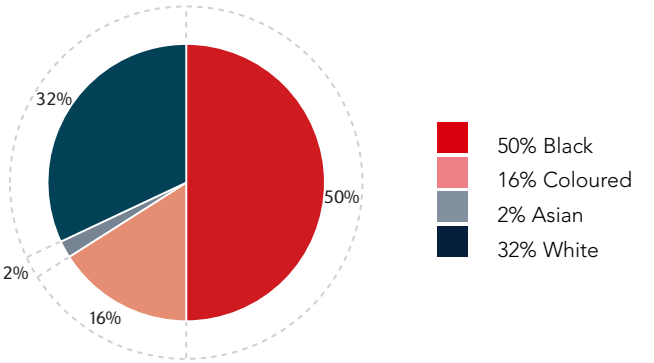
As a retail financial services supplier, our business has little or no direct impact on the environment. However, by extending credit in a manner which may contribute to the relief of poverty, we hope to contribute in the long term to relieving pressure on the environment and creating sustainability.

5.5 Social and transformation issues

In line with our above stated attitude towards regulation, we are able to report that we have submitted our information manual for publication in terms of the Promotion and Access to Information Act.

We have an official employment equity plan with annually specified goals, and results are submitted annually. The present status of our workforce is as follows:

EMPLOYEE PROFILE



5.6 Human resources

Capitec Bank regards its people as one of the most important elements of its business. It is therefore important to make the best use of the human capital we have available.

All employees are encouraged and motivated to better themselves through training and study. Training programmes initiated by the company are regarded as an essential element of the group's investment in human capital, and the programme content is based on needs identified in terms of industry trends, best practice and research. A total of 209 workshops have been presented in which employees participated in total 1 653 times. Workshop development aims at training staff in soft skills, i.e. client service, working together in a culturally diverse environment, labour relations, etc. Performance coaching and management development are considered important for refining of skills and development of the individual. Technical training is aimed at enabling implementation of new policies and developments in business strategy. To coach them for future responsibilities, special technical training sessions are provided to trainee branch managers. Personnel

development is an ongoing process in Capitec Bank, and in the past financial year the company has spent in excess of R4 million to train its employees.

The age groups within which employees of Capitec Bank fall as at year-end are set out in the following table:

Age group	Percentage of staff
< 20	0,4
20 – 29	52,4
30 – 39	34,8
40 – 49	9,4
50 – 59	2,7
> 60	0,3

In terms of age group, it is of interest to comment on development tendencies. Staff within the younger age groups adapt fast and without qualms in the fast-changing technical environment of the company, whereas it is the older age groups who tend to adhere more strictly to the rules and regulations set out in company policies.

Senior staff is encouraged to attend seminars on subjects relevant to specific functions fulfilled by them in the company.

In terms of the Skills Development Levies Act, the company is required to contribute 1% of its payroll, of which 20% is paid directly to the National Skills Authority, while the balance is paid to the appropriate Sector Education and Training Authority ("SETA"). The SETA reimburses companies depending on workplace qualifications and standards and in terms hereof, Capitec Bank has been refunded 65% of the levy paid.

6. ACCOUNTING AND AUDITING

6.1 Auditing

We are privileged to have as our external auditors a prestigious international firm. Audit fees are annually set in advance by the audit committee in a manner which should not impact on the scope of the audit.

In compliance with the Banks Act, the board annually reports on the going concern status of our business and documents reasons for its conclusion.

Regular consultation takes place between internal and external auditors and the latter develop their programmes in consultation with the former to enable them to rely on work done internally.

Our audit committee:

- comprises a majority of non-executive directors;
- is chaired by an independent non-executive;
- has a charter approved by the board and has complied with its responsibilities in terms thereof during the year under review;
- submits the minutes of its meetings to the board;
- reviews the company's internal controls through the work of the internal audit department; and
- reviews the scope and results of the external audit.

6.2 Non-audit services

Non-audit services rendered by our external auditors are limited to ad hoc tax advice, the consideration for which is disclosed in our annual financial statements.

contents of the annual financial statements

CAPITEC Bank

The directors are responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the financial statements and related information of Capitec Bank Holdings Limited and its subsidiaries. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa, 1973.

The directors are also responsible for the company's system of internal financial control. This is designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been audited by the independent auditors, PricewaterhouseCoopers Incorporated, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The audit report of PricewaterhouseCoopers Inc is presented on page 21.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

The annual financial statements, set out on pages 22 to 49, have been approved by the board of directors on 27 March 2003 and are signed on their behalf by:

JF Mouton
Chairman

MS du P le Roux
Chief executive officer

CERTIFICATE BY THE COMPANY SECRETARY

I hereby certify in terms of section 268G of the Companies Act, No 61 of 1973, that to the best of my knowledge, for the year ended 28 February 2003, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

CG van Schalkwyk
Company secretary

Stellenbosch
27 March 2003

CAPITEC Bank

TO THE MEMBERS OF CAPITEC BANK HOLDINGS LIMITED

We have audited the annual financial statements and group financial statements of Capitec Bank Holdings Limited, set out on pages 22 to 49, for the year ended 28 February 2003. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion these financial statements fairly present, in all material respects, the financial position of the company and the group at 28 February 2003 and the results of its operations, changes in equity and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Chartered Accountants (SA)
Registered Accountants and Auditors

Cape Town
27 March 2003

The directors present their annual report, which forms part of the audited financial statements of the company for the year ended 28 February 2003.

1. NATURE OF BUSINESS

The main business of the company is that of a bank controlling company as envisaged by the Banks Act, 1990. The company's subsidiaries are involved in financing and banking.

2. REVIEW OF OPERATIONS AND FINANCIAL POSITION

The operating results and the state of affairs of the company and the group are fully set out in the attached balance sheets, income statements and notes thereto. The group's earnings attributable to shareholders amounted to R30,0 million (2002: R48,0 million).

During the year under review the company disposed of its 25,5% holding in Leopont 420 (Pty) Limited and the group disposed of Cash Corp (Pty) Limited (incorporated in Botswana), Rational Investments (Pty) Limited (incorporated in Namibia) and Finaid Financial Services (Pty) Limited (incorporated in Namibia).

3. FINANCIAL RESULTS AND DIVIDENDS

The financial results of the company and the group are set out in the attached financial statements.

A dividend of 28,5 cents per share amounting to a total of R19,0 million was declared on 31 May 2002 and paid on 18 June 2002.

A dividend of 19,0 cents per share is proposed and, if approved, will be paid on 17 June 2003. Shareholders will have the option to select a scrip dividend instead of a cash dividend. No liability for this dividend is raised at 28 February 2003. This is in line with recommended accounting practice.

4. SHARE CAPITAL

During the year under review the company repurchased 3 465 352 shares of 1 cent each for 471,5 cents per share from the share incentive trust. This was required by the JSE Securities Exchange South Africa ("JSE") as no enforceable agreements of sale had been concluded with employees holding options over these shares.

5. DIRECTORS AND SECRETARY

Information relating to the directors and secretary of the company is presented on pages 3 and 55 of the financial statements.

6. INTERESTS OF DIRECTORS IN SHARE CAPITAL AND CONTRACTS

6.1 At year-end, the directors, in the aggregate, were directly or indirectly, beneficially or non-beneficially, interested in 12 403 238 (2002: 7 468 759) Capitec Bank Holdings Limited shares, equivalent to 19,63% (2002: 11,20%) of Capitec Bank Holdings Limited's issued share capital. The individual interests of the directors are as follows:

2003	Number of shares held					
	Beneficial		Non-beneficial		Total	
	Direct	Indirect	Direct	Indirect	Shares	%
CJ Borstlap	–	254 831		2 680	257 511	0,41
AP du Plessis	–	232 977	–	–	232 977	0,37
MS du P le Roux	–	–	–	8 262 344	8 262 344	13,08
MC Mehl	–	–	–	–	–	–
JF Mouton	–	–	–	1 000 000	1 000 000	1,58
CA Otto	–	–	–	78 460	78 460	0,12
R Stassen	112 968	–	–	2 098 705	2 211 673	3,50
JG Solms	–	247 251	–	–	247 251	0,39
J van Z Smit	91 200	–	–	21 822	113 022	0,18
	204 168	735 059	–	11 464 011	12 403 238	19,63

2002	Number of shares held					
	Beneficial		Non-beneficial		Total	
	Direct	Indirect	Direct	Indirect	Shares	%
CJ Borstlap	–	254 831	–	2 680	257 511	0,39
MS du P le Roux	–	–	–	5 814 046	5 814 046	8,72
MC Mehl	–	–	–	–	–	–
JF Mouton	–	–	–	232 682	232 682	0,35
CA Otto	–	–	–	56 485	56 485	0,08
R Stassen	112 968	–	–	974 873	1 087 841	1,63
JG Solms	–	–	–	–	–	–
J van Z Smit	20 194	–	–	–	20 194	0,03
	133 162	254 831	–	7 080 766	7 468 759	11,20

The following directors acquired shares in the company that are financed by PSG Corporate Services (Pty) Limited. The shares remain registered in the name of PSG Corporate Services until the purchase price has been settled.

2003	Number of shares held				
	Beneficial		Non-beneficial		
	Direct	Indirect	Direct	Indirect	Total
AP du Plessis	–	–	–	202 023	202 023
R Stassen	–	–	–	121 214	121 214
	–	–	–	323 237	323 237

6.2 In terms of a restructuring agreement, effective 1 March 2001, 838 640 share options were issued to the minority shareholders of the company. The option strike price is 500 cents and the option exercise date is 28 February 2004. The directors had the following interest in these options to purchase shares in the company:

2003 and 2002	Number of options held				
	Beneficial		Non-beneficial		Total
	Direct	Indirect	Direct	Indirect	options
CJ Borstlap	–	26 402	–	277	26 679
AP du Plessis*	–	23 408	–	–	23 408
MS du P le Roux	–	–	–	503 294	503 294
MC Mehl	–	–	–	–	–
JF Mouton	–	–	–	23 409	23 409
CA Otto	–	–	–	5 852	5 852
R Stassen	11 704	–	–	73 153	84 857
JG Solms	–	–	–	–	–
J van Z Smit	–	–	–	–	–
	11 704	49 810	–	605 985	667 499

* *Mr du Plessis was appointed as a director on 6 May 2002.*

6.3 At year-end the directors were participants in the Capitec Bank Holdings Limited share incentive scheme in respect of 3 358 411 (2002: 2 869 724) Capitec Bank Holdings Limited shares as follows:

2003	Number of options held				Option strike price R	Latest option exercise date
	Beneficial		Non-beneficial			
	Direct	Indirect	Direct	Indirect		
CJ Borstlap	–	–	–	155 963	1,42	30 September 2007
AP du Plessis	–	–	–	519 880	1,42	16 July 2007
MS du P le Roux	–	–	–	1 559 632	1,42	31 August 2006
MC Mehl	–	–	–	–		
JF Mouton	–	–	–	–		
CA Otto	–	–	–	–		
JG Solms	–	–	–	–		
R Stassen	–	–	–	1 122 936	1,42	16 July 2007
J van Z Smit	–	–	–	–		
	–	–	–	3 358 411		

2002	Number of options held				Option strike price R	Latest option exercise date
	Beneficial		Non-beneficial			
	Direct	Indirect	Direct	Indirect		
CJ Borstlap	187 156	–	–	–	5,45	30 September 2007
MS du P le Roux	1 559 632	–	–	–	5,45	31 August 2006
MC Mehl	–	–	–	–		
JF Mouton	–	–	–	–		
CA Otto	–	–	–	–		
JG Solms	–	–	–	–		
R Stassen	1 122 936	–	–	–	5,45	16 July 2007
J van Z Smit	–	–	–	–		
	2 869 724	–	–	–		

6.4 The directors' remuneration in respect of the financial year ending 28 February 2003 is as follows:

	Salaries R'000	Benefits R'000	Fees R'000	Bonuses R'000	Total R'000
Executive					
CJ Borstlap	635	25	–	85	745
AP du Plessis	900	68	–	120	1 088
MS du P le Roux	568	196	–	–	764
R Stassen	1 005	131	–	135	1 271
Non-executive					
MC Mehl	–	–	44	–	44
JF Mouton	–	–	–	–	–
CA Otto	–	–	–	–	–
JG Solms	–	–	66	–	66
J van Z Smit	–	–	72	–	72
	3 108	420	182	340	4 050

7. HOLDING COMPANY

The company is a subsidiary of PSG Financial Services Limited. The ultimate holding company of the group is PSG Group Limited.

8. INVESTMENTS IN SUBSIDIARIES

Information relating to the company's financial interest in its subsidiaries is set out in note 6 to the financial statements.

9. MATERIAL EVENTS AFTER YEAR-END

No matter which is material to the financial affairs of the company has occurred between the balance sheet date and the date of approval of the financial statements.

BALANCE SHEETS

CAPITEC Bank

as at 28 February 2003

	Notes	Group 2003 R'000	Group 2002 R'000	Company 2003 R'000	Company 2002 R'000
ASSETS					
Cash and cash equivalents	2	104 076	76 393	–	–
Loans and advances	3	115 770	92 068	–	–
Other receivables	4	5 663	4 668	–	–
Group loans receivable	5	4 700	22 712	81 848	80 000
Investment in subsidiaries	6	–	–	282 610	282 610
Fixed assets	7	135 773	127 463	–	–
Intangible assets	8	–	–	–	–
Deferred tax	9	68 448	85 573	–	–
Total assets		434 430	408 877	364 458	362 610
LIABILITIES					
Deposits and current accounts	10	25 837	–	–	–
Trade and other payables	11	17 043	10 959	–	1 232
Current tax liabilities	12	484	2 794	–	–
Provisions	13	5 133	3 876	–	–
Group loans payable	14	–	–	39 603	18 161
Total liabilities		48 497	17 629	39 603	19 393
SHAREHOLDERS' FUNDS					
Share capital and premium	15	326 878	343 217	326 878	343 217
Reserves	16	–	733	–	–
Retained earnings/(Accumulated loss)		59 055	47 298	(2 023)	–
Total shareholders' funds		385 933	391 248	324 855	343 217
Total liabilities and shareholders' funds		434 430	408 877	364 458	362 610

INCOME STATEMENTS

CAPITEC Bank

for the year ended 28 February 2003

	Notes	Group 2003 R'000	Group 2002 R'000	Company 2003 R'000	Company 2002 R'000
Interest on loans and advances		323 144	266 923	–	–
Net finance (costs)/income	17	(149)	2 946	–	–
Net interest income		322 995	269 869	–	–
Net bad debts		(32 818)	(25 896)	–	–
Income from lending activities		290 177	243 973	–	–
Other operating income		54	1 000	18 999	–
Income from operations		290 231	244 973	18 999	–
Operating expenses		(243 088)	(178 333)	(2 138)	–
Operating profit	18	47 143	66 640	16 861	–
Exceptional items	19	(56)	–	115	–
Profit before tax		47 087	66 640	16 976	–
Tax	20	(17 064)	(18 573)	–	–
Profit after tax		30 023	48 067	16 976	–
Attributable to minorities		–	(79)	–	–
Net profit attributable to shareholders		30 023	47 988	16 976	–
Earnings per share (cents)					
Basic	21	45,6	80,2		
Diluted	21	44,3	78,3		
Headline earnings per share (cents)					
Basic	22	46,0	80,2		
Diluted	22	44,8	78,3		

for the year ended 28 February 2003

	Notes	Group 2003 R'000	Group 2002 R'000	Company 2003 R'000	Company 2002 R'000
Share capital and premium					
Ordinary shares					
At beginning of year		667	200	667	200
Issued		–	467	–	467
Redeemed		(35)	–	(35)	–
At end of year		632	667	632	667
Share premium					
At beginning of year		342 550	99 800	342 550	99 800
Share premium raised		–	244 933	–	244 933
Share premium for write-offs		–	(2 183)	–	(2 183)
Share buyback		(16 304)	–	(16 304)	–
At end of year		326 246	342 550	326 246	342 550
Total share capital and premium at end of year	15	326 878	343 217	326 878	343 217
Reserves					
At beginning of year		733	–	–	–
Foreign translation reserve		–	733	–	–
Minority interest		–	79	–	–
Outside shareholders' interest acquired		–	(79)	–	–
Transfer to retained earnings		(733)	–	–	–
At end of year	16	–	733	–	–
Retained earnings/(Accumulated loss)					
At beginning of year		47 298	–	–	–
Net profit for the year		30 023	48 067	16 976	–
Minority interest		–	(79)	–	–
Listing and restructuring expenses		–	(690)	–	–
Dividends paid		(18 999)	–	(18 999)	–
Transfer from reserves		733	–	–	–
At end of year		59 055	47 298	(2 023)	–

CASH FLOW STATEMENTS

CAPITEC Bank

for the year ended 28 February 2003

	Notes	Group 2003 R'000	Group 2002 R'000	Company 2003 R'000	Company 2002 R'000
Cash flow from operating activities					
Cash flow from operating activities	28	74 289	58 385	17 767	–
Other interest received		3 253	8 946	–	6 000
Interest paid		(3 402)	(6 000)	–	(6 000)
Tax paid	29	(5 101)	(15 297)	–	–
Dividends paid		(18 999)	–	(18 999)	–
		50 040	46 034	(1 232)	–
Cash flow from investing activities					
Net investment in fixed assets		(31 111)	(110 394)	–	–
Decrease/(Increase) in loans receivable from group companies		749	(5 385)	1 232	–
Decrease in loan to share incentive trust		924	1 287	–	–
Disposal of subsidiaries	30	8 192	–	–	–
Disposal of other investments		60	–	–	–
Cancellation of purchase agreement of branches		–	225	–	–
Investment in subsidiary	31	(1 171)	(221)	–	–
		(22 357)	(114 488)	1 232	–
Cash flow from financing activities					
Shares issued	32	–	177 817	–	80 000
Listing and restructuring expenses		–	(690)	–	–
Decrease in borrowings		–	(80 000)	–	(80 000)
		–	97 127	–	–
Net increase in cash and cash equivalents		27 683	28 673	–	–
Effects of exchange rate changes		–	733	–	–
Cash and cash equivalents at beginning of year		76 393	46 987	–	–
Cash and cash equivalents at end of year	2	104 076	76 393	–	–

1. ACCOUNTING POLICIES

The annual financial statements are prepared on the historical cost basis. The following are the principal accounting policies used by the company and its subsidiaries, which are consistent with those of the previous year and comply with South African Statements of Generally Accepted Accounting Practice.

1.1 Basis of consolidation

The consolidated financial statements include those of the company and its subsidiaries. Subsidiaries are those companies and other entities in which the company, directly or indirectly, has power to govern the financial and operating policies. The results of all subsidiaries are included from the date effective control was acquired. Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired entity at the date of acquisition. Goodwill is capitalised and amortised on the straight-line basis over five years (the period of the expected benefit), unless the carrying value is impaired, in which case the impairment is expensed.

1.2 Investments

Investments in which the group has a long-term interest but which do not meet the criteria for subsidiaries or associated companies are classified as other investments. These investments are stated at cost to the group unless, in the opinion of the directors, a permanent diminution in the value of an investment has occurred. In these circumstances the investment is stated at its written-down value and the relevant diminution is written off against income.

1.3 Fixed assets

Fixed assets are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Fixed assets are stated at historical cost less accumulated depreciation. Depreciation is recorded by a charge to income computed on a straight-line basis so as to write off the cost of the assets over their expected useful lives.

The expected useful lives are as follows:

– Internally developed software	6 years
– Computer software	2 – 4 years
– Automated teller machines	8 years
– Computer equipment	3 – 4 years
– Office equipment	5 years
– Motor vehicles	5 years

1.4 Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. 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.

1.5 Advances

Advances are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified. All debts over 180 days are written off as bad.

1.6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, net of bank overdrafts. In the balance sheet, bank overdrafts are included in short-term borrowings.

1.7 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

1.8 Financial instruments

Investments in financial assets are initially recognised at cost. Subsequently financial assets are remeasured at fair value, except for fixed maturity investments such as debt and loans. Financial liabilities are recognised at the original debt less principal repayments and amortisations. Disclosures about financial instruments to which the company is a party are provided in note 26.

1.9 Foreign currencies

Income statements of foreign entities are translated into the group's reporting currency at average exchange rates for the year and the balance sheets are translated at the year-end exchange rates ruling on 28 February. Exchange differences arising from the retranslation of the net investment in foreign subsidiaries and associated undertakings and of borrowings that hedge such investments are taken to "foreign translation reserve" in shareholders' equity. On disposal of the foreign entity, such translation differences are transferred to distributable reserves. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at year-end exchange rates. All exchange gains and losses relating to hedge transactions are recognised in the income statement in the same period as the exchange differences on the items covered by the hedge transactions. Gains and losses on contracts, which are no longer designated as hedges, are included in the income statement.

1.10 Revenue recognition

Revenue consists of interest earned on advances. Interest income is recognised as it accrues, taking into account the effective yield on the asset, unless collectability is in doubt.

1.11 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

for the year ended 28 February 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
2. CASH AND CASH EQUIVALENTS				
Bank balances	69 454	58 116	–	–
Cash on hand	34 622	18 277	–	–
	104 076	76 393	–	–
3. LOANS AND ADVANCES				
Receivable within:				
One month	141 864	112 881	–	–
One month to one year	2 346	2 222	–	–
More than one year	3 981	3 840	–	–
	148 191	118 943	–	–
Specific provision for doubtful debts	(31 421)	(26 037)	–	–
General provision for doubtful debts	(1 000)	(838)	–	–
	115 770	92 068	–	–
4. OTHER RECEIVABLES				
Trade receivables	–	240	–	–
Sundry receivables	2 269	1 818	–	–
Prepayments	3 394	2 610	–	–
	5 663	4 668	–	–
5. GROUP LOANS RECEIVABLE				
Loan to holding company	2 534	5 385	–	–
Loan to fellow subsidiary	2 103	–	–	–
Loan to share incentive trust	63	17 327	–	–
Loans to subsidiaries	–	–	81 848	80 000
	4 700	22 712	81 848	80 000

Currently all loans are interest-free. The loan to Capitec Bank Limited was interest bearing for the first six months of the 2002 financial year at 15% per year. The loan to the holding company is repayable at 28 February 2006.

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
6. INVESTMENTS IN SUBSIDIARIES				
Unlisted				
Cost	–	–	282 610	282 610
Directors' valuation	–	–	282 610	282 610

The following information relates to the company's interest in subsidiaries:

Name	Country of incorporation/ residence	Proportion owned	Nature of business
Capitec Bank Limited	South Africa	100%	Banking
Keynes Rational Corporate Services (Pty) Limited	South Africa	100%	Dormant
PSG Smartfin Financial Services (Pty) Limited	South Africa	100%	Dormant
Finaid Financial Services (Pty) Limited	South Africa	100%	Dormant
Keymatrix (Pty) Limited	South Africa	100%	Dormant

The holding company's interest in the aggregate income earned and losses incurred after tax by the subsidiaries amounted to R32,7 million (2002: R49,5 million) and R1,4 million (2002: R1,5 million) respectively. All subsidiaries are wholly owned. All holdings are in the ordinary share capital of the subsidiary concerned, and are unchanged from 2002, except for the disposal of Cash Corp (Pty) Limited (Botswana), Finaid Financial Services (Pty) Limited (Namibia) and Rational Investments (Pty) Limited (Namibia) as disclosed in notes 19 and 30.

	Software R'000	Computer equipment and ATMs R'000	Office equipment and motor vehicles R'000	Total R'000
7. FIXED ASSETS				
Group				
Year ended 28 February 2003				
Movement				
Opening net book value	32 040	60 188	35 235	127 463
Additions	1 826	15 130	14 373	31 329
Disposals	–	(47)	(1 296)	(1 343)
Disposal of subsidiaries	–	(140)	(134)	(274)
Depreciation charge	(566)	(9 681)	(11 155)	(21 402)
Net book value at end of year	33 300	65 450	37 023	135 773
The book value consists of:				
Cost	33 866	81 216	54 868	169 950
Accumulated depreciation	(566)	(15 766)	(17 845)	(34 177)
Net book value at end of year	33 300	65 450	37 023	135 773
Year ended 28 February 2002				
Movement				
Opening net book value	7 845	12 000	10 281	30 126
Additions	24 195	53 218	30 861	108 274
Disposals	–	–	(92)	(92)
Depreciation charge	–	(5 030)	(5 815)	(10 845)
Net book value at end of year	32 040	60 188	35 235	127 463
The book value consists of:				
Cost	32 040	67 439	42 572	142 051
Accumulated depreciation	–	(7 251)	(7 337)	(14 588)
Net book value at end of year	32 040	60 188	35 235	127 463

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
8. INTANGIBLE ASSETS				
Opening book value	–	87 994	–	–
Investments in intangible assets	4 901	–	–	–
Impairment (note 19)	(4 901)	–	–	–
Negative goodwill on acquisition of The Business Bank	–	(87 994)	–	–
Net book value at end of year	–	–	–	–
Intangible assets consist of goodwill arising on the purchase of subsidiaries and branches.				
9. DEFERRED TAX ASSET				
Deferred tax is calculated using a principal tax rate of 30%. The movement on the deferred tax asset account is as follows:				
At beginning of year	85 573	891	–	–
Subsidiaries disposed	3	–	–	–
Subsidiaries acquired	–	101 771	–	–
Movements during year attributable to temporary differences	(13 398)	(17 089)	–	–
Adjustment of assessed loss on acquisition of subsidiary	(3 730)	–	–	–
At end of year	68 448	85 573	–	–
Deferred tax asset may be analysed as follows:				
Assessable losses	66 220	83 907	–	–
Provisions for leave pay and bad debts	2 034	1 447	–	–
Capital allowances	194	219	–	–
	68 448	85 573	–	–

for the year ended 28 February 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
10. DEPOSITS AND CURRENT ACCOUNTS				
On demand to one month	1 139	–	–	–
One month to one year	16 938	–	–	–
More than one year	7 760	–	–	–
	25 837	–	–	–
11. TRADE AND OTHER PAYABLES				
Trade payables	3 687	10 959	–	1 232
Accruals	13 356	–	–	–
	17 043	10 959	–	1 232
12. CURRENT TAX LIABILITIES				
Normal income tax	(92)	306	–	–
Foreign tax	576	2 488	–	–
	484	2 794	–	–
13. PROVISIONS				
Provision for leave pay				
Opening balance	3 876	2 414	–	–
Net charge	517	1 462	–	–
Closing balance	4 393	3 876	–	–
Provision for pending litigation				
Opening balance	–	–	–	–
Net charge	740	–	–	–
Closing balance	740	–	–	–
Total provisions	5 133	3 876	–	–
14. GROUP LOANS PAYABLE				
Loans owing to subsidiaries	–	–	37 465	18 161
Loan owing to holding company	–	–	2 138	–
	–	–	39 603	18 161

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
15. SHARE CAPITAL AND PREMIUM				
Authorised				
Ordinary shares				
100 000 000 shares of R0,01 each	1 000	1 000	1 000	1 000
Issued				
Ordinary shares				
63 190 349 shares of R0,01 each				
(2002: 66 655 701 shares of R0,01 each)	632	667	632	667
Share premium	326 246	342 550	326 246	342 550
	326 878	343 217	326 878	343 217
During the year 3 465 352 shares were acquired from Capitec Bank Holdings Share Trust in a share buyback for a total consideration of R16,339 million.				
16. RESERVES				
An analysis of the movements in each category within reserves is presented below:				
Non-distributable reserve				
At beginning of year	733	–	–	–
Foreign translation reserve	–	733	–	–
Transfer to retained earnings on sale of subsidiary	(733)	–	–	–
At end of year	–	733	–	–
Outside shareholders' interest				
At beginning of year	–	–	–	–
Transfer from income statement	–	79	–	–
Acquisition of outside shareholders' interest	–	(79)	–	–
At end of year	–	–	–	–
Total reserves at end of year	–	733	–	–

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
17. FINANCE INCOME/(COSTS)				
Interest received				
Bank	3 253	2 897	–	–
Other investments	–	5 633	–	–
Loan accounts	–	416	–	6 000
	3 253	8 946	–	6 000
Interest paid				
Interest-bearing borrowings	(3 402)	(6 000)	–	(6 000)
Net finance (costs)/income	(149)	2 946	–	–
18. OPERATING PROFIT				
The following items have been charged in arriving at operating profit:				
Depreciation on fixed assets	21 402	10 845	–	–
Operating lease rentals				
Land and buildings	30 516	26 122	–	–
Office equipment	2 852	2 272	–	–
	33 368	28 394	–	–
Auditors' remuneration				
Audit fees – current year	764	640	–	–
Underprovision – previous year	42	9	–	–
Other services	17	85	–	–
	823	734	–	–
Profit warranty loss	2 138	–	2 138	–
Foreign exchange gain	–	(998)	–	–
Bad debts	48 959	41 448	–	–
Bad debts recovered	(16 141)	(15 552)	–	–
Net bad debts	32 818	25 896	–	–
Directors' emoluments				
Executive				
Salaries	–	–	3 108	2 443
Fringe benefits	–	–	420	19
Bonuses	–	–	340	–
Non-executive				
Fees	–	–	182	168
Less: Paid by subsidiaries	–	–	(4 050)	(2 630)
	–	–	–	–

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
18. OPERATING PROFIT *(continued)*				
Fees relating to non-employees				
Managerial services	1 929	2 248	–	–
Secretarial services	3	19	–	–
	1 932	2 267	–	–
Staff costs				
Salaries and wages	95 372	66 685	–	–
Social security cost	1 579	1 247	–	–
Training cost	1 220	1 571	–	–
	98 171	69 503	–	–

Number of employees at year-end

– Group 2003	1 180
– Group 2002	1 267
– Company 2003	–
– Company 2002	–

19. EXCEPTIONAL ITEMS

	Profit on disposal of Botswana subsidiary R'000	Profit on disposal of Namibian subsidiaries R'000	Impairment of goodwill on reduction of tax loss R'000	Impairment of goodwill R'000	Profit/(Loss) on disposal of other assets R'000	Total R'000
Group						
2003						
Gross	3 193	2 716	(3 730)	(1 171)	(1 064)	(56)
Tax effect	(576)	–	–	–	351	(225)
Net	2 617	2 716	(3 730)	(1 171)	(713)	(281)
2002						
Gross	–	–	–	–	–	–
Tax effect	–	–	–	–	–	–
Net	–	–	–	–	–	–
Company						
2003						
Gross	–	–	–	–	115	115
Tax effect	–	–	–	–	(9)	(9)
Net	–	–	–	–	106	106
2002						
Gross	–	–	–	–	–	–
Tax effect	–	–	–	–	–	–
Net	–	–	–	–	–	–

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
20. TAX				
Current tax	1 291	1 475	–	–
Deferred tax	13 398	17 089	–	–
Secondary tax on companies	2 375	9	–	–
	17 064	18 573	–	–
The tax on the profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:				
Profit/(loss) before tax	47 087	66 640	16 976	–
Tax calculated at a tax rate of 30%	14 126	19 992	5 093	–
Secondary tax on companies	2 375	9	–	–
Income not subject to tax	(603)	(2 116)	(5 725)	–
Expenses not deductible for tax purposes	1 491	241	–	–
Unutilised tax loss	632	405	632	–
Foreign tax rate differential	(740)	–	–	–
Prior year unrecognised tax losses utilised	71	25	–	–
Overprovision previous year	(288)	–	–	–
Other	–	17	–	–
Tax charge	17 064	18 573	–	–
Estimated tax losses at year-end available for utilisation against future taxable income	222 842	281 041	2 107	–
Less: Applied in raising a deferred tax asset	(220 735)	(279 690)	–	–
Net calculated tax losses carried forward	2 107	1 351	2 107	–
Tax relief calculated at current tax rates	632	405	632	–
The utilisation of the tax losses is dependent on sufficient future taxable income being earned.				

	Group	
	2003 R'000	2002 R'000

21. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

Net profit attributable to shareholders	30 023	47 988
Weighted average number of ordinary shares in issue (thousands)	65 808	59 868
Basic earnings per share (cents)	45,6	80,2

Diluted earnings per share

For the diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. For 2003 potentially dilutive ordinary shares consisted only of share options.

In the diluted earnings per share calculation for 2002 an adjustment is made for the convertible debt which was converted into ordinary shares during the 2002 financial year, and the net profit is adjusted to eliminate the applicable interest expense less the tax effect. This calculation shows the effect of conversion of the debentures at the beginning of the 2002 financial year on earnings per share.

Net profit attributable to shareholders	30 023	47 988
Elimination of interest expense on convertible debt (net of tax effect)	–	4 200
Net profit used to determine diluted earnings per share	30 023	52 188
Weighted average number of ordinary shares in issue (thousands)	65 808	59 868
Adjustments for:		
– conversion of convertible debt (thousands)	–	6 788
– exercise of share options	1 801	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	67 709	66 656
Diluted earnings per share (cents)	44,3	78,3

	Group	
	2003 R'000	2002 R'000
22. HEADLINE EARNINGS PER SHARE		
Headline earnings per share		
Net profit attributable to shareholders	30 023	47 988
Exceptional items (Note 19)	281	–
Headline earnings	30 304	47 988
Headline earnings per share (cents)	46,0	80,2
Diluted headline earnings per share		
Headline earnings	30 304	47 988
Elimination of interest on convertible debt (net of tax effect)	–	4 200
	30 304	52 188
Diluted headline earnings per share (cents)	44,8	78,3

23. DIVIDENDS PER SHARE

A dividend of 19,0 cents (2002: 28,5 cents) per share is proposed. Shareholders will be offered the choice of accepting a scrip dividend in lieu of a cash dividend. No liability for dividend payments was raised at 28 February 2003. This is in line with recommended accounting practice.

24. SEGMENT INFORMATION FOR THE GROUP

Primary reporting format – geographical segments

During the year the group conducted operations in two main geographical areas, South Africa and the rest of southern Africa. At year-end, operations were conducted only in South Africa.

	South Africa R'000	Rest of southern Africa* R'000	Total R'000
Year ended 28 February 2003			
Revenues	282 726	7 505	290 231
Segment earnings	22 550	7 473	30 023
Segment headline earnings	28 164	2 140	30 304
Segment assets	434 430	–	434 430
Segment liabilities	48 497	–	48 497
Capital expenditure	30 949	162	31 111
Depreciation	21 321	81	21 402
Amortisation	4 901	–	4 901
Year ended 28 February 2002			
Revenues	231 423	13 550	244 973
Segment earnings and headline earnings	43 974	4 014	47 988
Segment assets	398 625	10 252	408 877
Segment liabilities	14 068	3 561	17 629
Capital expenditure	108 230	44	108 274
Depreciation	10 723	122	10 845
Amortisation	–	–	–

** Operations in the rest of southern Africa were disposed of during the year, as disclosed in notes 19 and 30.*

24. SEGMENT INFORMATION FOR THE GROUP *(continued)*

Secondary reporting format

No secondary segment information is disclosed as the company business for the year ended 28 February 2003 comprised mainly of microloans.

25. RETIREMENT BENEFITS

The group contributed R3,7 million (2002: R2,0 million) on behalf of all employees who elected to be members of the provident fund. These amounts have been included in staff costs. Since 1 July 2001 it is compulsory for all new appointments to be members of the provident fund. The company 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 to existing or former employees.

26. FINANCIAL INSTRUMENTS

Nature and extent of financial instruments

Financial instruments carried on the balance sheet consist of investments, group loans receivable and payable, borrowings, loans and advances, other receivables, cash and cash equivalents and trade and other payables resulting from normal business transactions.

Fair values

At year-end the carrying values of financial instruments reported in the financial statements approximate their fair value.

Credit risk

Potential concentrations of credit risk principally exist in the area of group loans receivable, cash and cash equivalents and receivables. The group only deposits cash surpluses with major banks of high credit standing.

Advances are disclosed net of the provision for doubtful debts. The group operates in the microfinancing industry. The group's exposure to concentrated credit risk is low due to the nature and distribution of the loan book. Exposure to systemic credit risk is regarded as being higher than normal banking activities due to the demographic credit characteristics of the client base. Sufficient measures are taken by the group to limit credit risk to acceptable levels. Non-current loans are made only to parties within the group, which limits the credit risk.

Interest rate risk

The group's exposure to interest rate risk is limited as intergroup loans are all interest-free, advances are repayable within a very short period and the extent of deposits taken is currently insubstantial.

Liquidity risk

The liquidity risk of the company is mitigated by the continued financial support of the holding company. The short-term nature of the loan book further reduces the liquidity risk of the group.

Foreign currency risk

Business is no longer conducted outside South Africa. Foreign currency risk relating to the import of goods and services is managed through the use of forward exchange contracts.

for the year ended 28 February 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
27. RELATED PARTY TRANSACTIONS				
The company is controlled by PSG Group Limited, incorporated in South Africa.				
Investments in subsidiaries are disclosed in notes 6 and 31.				
Interest income				
– PSG Investment Bank call interest	–	5 633	–	–
– Capitec Bank	–	–	–	6 000
Interest expense				
– PSG Investment Bank debentures	–	6 000	–	6 000
– PSG Corporate Services call account	445	–	–	–
Intergroup operating expense				
– PSG Corporate Services management fee	1 425	1 511	–	–
– PSG Corporate Services facility fee	519	–	–	–
– Profit warranty provided to PSG Corporate Services	2 138	–	2 138	–
Intergroup loans due from				
– PSG Corporate Services	2 534	5 385	–	–
– Capitec Bank Holdings Share Trust	63	17 327	–	–
– Capitec Bank	–	–	81 848	80 000
– Key Distributors	2 103	–	–	–
Intergroup loans due to				
– PSG Corporate Services	–	–	2 138	–
– Keynes Rational Corporate Services	–	–	891	891
– Finaid Financial Services	–	–	20 234	16 098
– Capitec Bank	–	–	16 339	1 172
– Keymatrix	–	–	1	–

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
28. CASH FLOW FROM OPERATIONS				
Net profit before tax	47 087	66 640	16 976	–
Adjusted for				
Finance charges/(income)	149	(2 946)	–	–
Non-cash items				
Depreciation included in other operating costs	21 402	10 845	–	–
Goodwill impairment	4 901	–	–	–
Provision for doubtful debts increase	6 509	41 448	–	–
Net loss/(profit) on disposal of equipment, branches and other assets	1 067	331	(60)	–
Profit on disposal of subsidiaries	(5 909)	–	–	–
Other non-cash expense	–	–	2 083	–
Movements in current assets and liabilities				
Decrease in receivables and prepayments	(821)	(32 564)	–	–
Increase in loans and advances	(34 681)	(25 030)	–	–
Increase/(decrease) in trade and other payables	8 748	(339)	(1 232)	–
Increase in deposits	25 837	–	–	–
Cash flows from operations	74 289	58 385	17 767	–
29. TAX PAID				
Outstanding at beginning of year	(2 794)	(16 607)	–	–
Charge to the income statement	(17 064)	(18 573)	–	–
Movement in deferred tax	13 398	17 089	–	–
Owing by subsidiaries sold	875	–	–	–
Outstanding end of year	484	2 794	–	–
Tax paid	(5 101)	(15 297)	–	–

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
30. DISPOSAL OF SUBSIDIARIES				
Net assets sold				
Fixed assets	274	–	–	–
Net cash	3 955	–	–	–
Loans and advances	4 472	–	–	–
Other debtors	–	–	–	–
Deposits and other liabilities	(1 878)	–	–	–
Net asset value	6 823	–	–	–
Less: Net cash	(3 955)	–	–	–
Net asset value excluding cash	2 868	–	–	–
Profit on sale	5 909	–	–	–
Non-cash proceeds	(585)	–	–	–
Net proceeds	8 192	–	–	–
The group disposed of its investment in the two Namibian subsidiaries, Finaid Financial Services (Pty) Limited and Rational Investments (Pty) Limited, as well as the Botswana subsidiary Cash Corp (Pty) Limited, during the 2003 financial year.				
Finaid Financial Services (Pty) Limited				
Interest income	805	1 031	–	–
Operating loss before tax	(1 392)	(1 323)	–	–
Rational Investments (Pty) Limited				
Revenue	3 032	3 651	–	–
Operating income before tax	2 070	1 136	–	–
Cash Corp (Pty) Limited				
Interest income	2 017	5 372	–	–
Operating income before tax	1 305	3 405	–	–
31. INVESTMENT IN SUBSIDIARY				
Adjustment to purchase price of 50% interest in Keymatrix (Pty) Limited (previously Curerisk (Pty) Limited) acquired in 2002 financial year.				
Net cash investment in subsidiary	(1 171)	(221)	–	–
32. SHARES ISSUED/(ACQUIRED)				
Movement in ordinary shares	(35)	667	(35)	467
Movement in share premium	(16 304)	344 733	(16 304)	244 933
Issue expenses	–	(2 183)	–	–
Non-cash consideration paid/(received)	16 339	(165 400)	16 339	(165 400)
	–	177 817	–	80 000

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
33. COMMITMENTS AND CONTINGENT LIABILITIES				
Property rental commitments				
Within 1 year	24 830	23 800	–	–
From 1 to 5 years	30 331	40 091	–	–
After 5 years	–	–	–	–
	55 161	63 891	–	–
Other operating lease commitments				
Within 1 year	1 667	415	–	–
From 1 to 5 years	2 889	1 105	–	–
After 5 years	–	–	–	–
	4 556	1 520	–	–
Guarantees				
Issued to banking institutions	4 000	16 700	–	–
Issued other	3 848	–	1 362	3 500
	7 848	16 700	1 362	3 500
Capital commitments – approved by the board				
Contracted for	12 530	3 030	–	–
Not contracted for	38 632	15 730	–	–
	51 162	18 760	–	–

Pending litigation

The amount of pending litigation against the group for which no provision has been raised is R2,1 million (2002: R0,1 million). The directors are of the opinion that the likelihood of losses arising from this pending litigation is remote.

34. DISPOSAL OF KEY DISTRIBUTORS (PTY) LIMITED

The company disposed of Key Distributors (Proprietary) Limited on 28 February 2002 for R1. The company warrants the profit of Key Distributors and is liable for any underperformance for the 2003 and 2004 financial years, limited to R3,5 million in aggregate. The group and company incurred a loss of R2,1 million relating to this warranty during the year under review as disclosed in note 18. The remaining balance of R1,4 million is included under guarantees issued to other parties in note 33.

35. BORROWING POWERS

In terms of the articles of association of Capitec Bank Holdings Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation.

36. RINGFENCED ASSETS

In terms of the Keynes Rational Limited restructuring agreement, PSG Investment Bank Holdings Limited, the 100% holding company of PSG Investment Bank Limited, warranted to and in favour of the minority shareholders in Keynes Rational Holdings Limited and to Capitec Bank Holdings Limited that the tangible net asset value of Capitec Bank Limited as at 28 February 2001 would not be less than R100 million, comprising cash injected as share capital and share premium. During 2002, this liability was assumed by PSG Group Limited on the sale of PSG Investment Bank Holdings Limited.

It was agreed during the abovementioned restructuring that all assets and liabilities ("the ringfenced assets"), other than the R100 million mentioned above, in existence at, or emanating from activities prior to 1 March 2001, would be held and administered for the exclusive benefit, risk, profit and loss of PSG Investment Bank Limited. This benefit was transferred to Axiam Holdings Limited, a 100%-held subsidiary of PSG Group Limited, on the sale of PSG Investment Bank Holdings Limited. The recovery of the existing loan forming part of the ringfenced assets (which amounted to approximately R155 million at 28 February 2001) is limited to the economic value that accrues to Axiam Holdings Limited from the realisation of these assets. Accordingly the loan is non-interest bearing.

	Group	
At year-end the ringfenced assets consisted of the following:	2003 R'000	2002 R'000
Investment and trading securities	4 282	27 234
Loans and advances	8 141	38 465
Cash and near cash	–	246
	12 423	65 945
Other liabilities and provisions	(2 079)	(7 505)
Loan – Axiam Holdings Limited	(10 344)	–
Loans – PSG Investment Bank Limited	–	(66 679)
	–	(8 239)

37. SHARE INCENTIVE SCHEME

	2003 Number	2002 Number
Options granted		
Options issued to personnel of Capitec Bank Holdings Limited and subsidiaries to subscribe to and/or purchase Capitec Bank Holdings Limited ordinary shares		
Total number of options	8 079 205	7 436 442
Balance at beginning of year	7 436 442	6 550 749
Options granted	851 000	960 653
Options cancelled	(86 584)	(74 960)
Options exercised	(121 653)	–

		2003		2002	
Expiry		Strike price (R)	Number	Strike price (R)	Number
Financial year	2003	–	–	1,42	131 010
	2004	1,42	876 780	1,42	867 422
	2005	1,44	2 050 214	1,42	1 859 111
	2006	1,44	2 050 214	1,42	1 859 111
	2007	1,44	1 888 011	1,42	1 696 906
	2008	1,45	1 213 986	1,42	1 022 882
			8 079 205		7 436 442

ANNEXURE A – ATTENDANCE OF BOARD MEETINGS

CAPITEC Bank

during the year ended 28 February 2003

The board of Capitec Bank Holdings Limited meets at least six times per annum.

Directors always endeavour to attend each meeting and an attendance register is signed by all present. The following table sets out board meetings and board committee meetings attended by each director during the year:

Committees	Board	Audit	Remuneration	Nomination
Number of meetings during the period under review	**10**	**4**	**1**	**1**
JF Mouton	10	–	–	1
CJ Borstlap	9	–	–	–
AP du Plessis*	8	3	–	–
MS du P le Roux	10	4	1	1
MC Mehl	8	–	–	–
CA Otto	9	4	1	–
JG Solms	9	3	–	1
R Stassen	10	4	–	–
J van Z Smit	10	4	–	–

** Joined the board effective 6 May 2002.*

ANNEXURE B – COMPOSITION OF THE BOARD AND BOARD COMMITTEES

CAPITEC Bank

	COMMITTEES	PURPOSE	COMPOSITION	QUORUM	FREQUENCY OF MEETINGS
1.	Board of directors	The board of directors is responsible for the strategy and overall management of the company	**2 non-executive directors** JF Mouton (Chairman) CA Otto **3 independent non-executive directors** JG Solms MC Mehl (Prof) J van Z Smit (Dr) **4 executive directors** MS du P le Roux (CEO) R Stassen (MD) AP du Plessis (FD) CJ Borstlap	2 members*	At least 6 times per year (10 times in current year)
** To be amended subject to shareholder approval to a majority of directors of which at least 50% must be non-executive.*					
2.1	Executive management committee*	Responsible for operational decision making and approvals of administrative nature on an ongoing basis	R Stassen (Chairman) AP du Plessis MS du P le Roux CG van Schalkwyk (CE – Risk management)	3 members	Once every week
2.2	Management committee*	Responsible for operational decision making and implementation of strategic decisions approved by the board	R Stassen (Chairman) AP du Plessis **Chief executives** CG Fischer (Capitec services) GM Fourie (Sales) A Olivier (Business development) C Oosthuizen (Information technology) CG van Schalkwyk L Venter (Human resources) **Operational heads** F Cronjé H de Jongh HAJ Lourens	3 members	Once a month (members located at head office meet weekly to report on operational matters)
** The executive management committee came into existence in August 2002 upon restructure of the management committee which had the same purpose as first mentioned.*					
3.	Non-executive forum	Identifies and discusses board-related issues independent from executive directors and refer to full board, when relevant, for discussion	All non-executive directors	2 members	Twice a year

	COMMITTEES	PURPOSE	COMPOSITION	QUORUM	FREQUENCY OF MEETINGS
4.	Nomination committee	Evaluates the balance and effectiveness of the board; identifies the skills needed by the board; recommends potential appointees to the board	JG Solms (Chairman) MS du P le Roux JF Mouton	2 members	Once a year
5.	Audit committee	Oversees financial controls, reporting and disclosure	**Non-executive directors** J van Z Smit (Chairman) CA Otto JG Solms **Executive directors** R Stassen MS du P le Roux (alternate for R Stassen) **Attendee** DG Malan (External audit partner – PricewaterhouseCoopers) **Management attendees** CG van Schalkwyk (Secretary) JHC de Beer (Compliance officer) AP du Plessis CN Kotze (Head: Internal audit)	50% of members of which 50% must be non-executive director(s)	Four times a year
6.	Remuneration committee	Directors' and senior executives' remuneration is discussed and determined as well as levels of remuneration, adjustment thereof at intervals and, when applicable, additional remuneration such as bonuses and incentives, including share incentives	J Hoffman (Chairman) MS du P le Roux CA Otto **Attendees** R Stassen L Venter	3 members	Once a year

	COMMITTEES	PURPOSE	COMPOSITION	QUORUM	FREQUENCY OF MEETINGS
7.	ALCO	Reviews the assets of the bank and compares these with the associated liabilities, setting prudent strategies and ensuring compliance with both legal and SA Reserve Bank requirements Addresses and manages the following risk areas: – Interest rate – Market – Liquidity – Counterparty – Currency – Solvency/Capital adequacy	CG van Schalkwyk (Chairman) AP du Plessis DJ Ehlers (Manager: Interbank) MS du P le Roux R Stassen	3 members	Monthly
8.	Risk committee	Responsible for addressing the following identified risks: – Credit – Legal – Compliance – Technology – Operational – Reputational	CG van Schalkwyk (Chairman) JHC de Beer AP du Plessis C Oosthuizen R Stassen	3 members	Five times a year
9.	Credit committee	– To formulate and determine the credit policy and macro market environment as well as the developments of opposition – To monitor collections, on three levels: • Capitec Payment Systems (CPS) • Capitec Collection Services (CCS) • Arrears collections in the branches – Co-ordination between credit and divisional heads of operations, risk management and financial management	CG van Schalkwyk (Chairman) AP du Plessis WJ du Plessis (Head: Credit) R Stassen **Attendees** I Abrahams (Credit vetting and monitoring) CG Fischer GF Fourie A Olivier V van Zyl (Credit analyst)	3 members	Monthly
10.	Information technology steering committee	Strategic supervision of information technology environment, including monitoring and prioritisation of projects	C Oosthuizen (Chairman) AP du Plessis GM Fourie A Olivier R Stassen T Steyl (Systems development) CG van Schalkwyk	4 members	Monthly

Financial year-end	28 February 2003
Profit announcement	27 March 2003
Annual report	April 2003
Annual general meeting	15 May 2003
Interim report	September 2003
Dividend:	
Last date to trade to be considered for the dividend payment	6 June 2003
Record date in respect of the dividend payment	13 June 2003
Payment date	17 June 2003
Share certificates may not be dematerialised, both days inclusive, from	9 June 2003 to 13 June 2003

SHARE ANALYSIS

Register date: 28 February 2003
Issued share capital: 63 190 349

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1 634	78,07	318 118	0,50
1 001 – 10 000 shares	288	13,76	1 088 620	1,72
10 001 – 100 000 shares	129	6,16	4 385 720	6,94
100 001 and over	42	2,01	57 397 891	90,84
	2 093	100,00	63 190 349	100,00

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Non-public shareholders	18	0,86	48 724 406	77,11
Directors of the company or any of its subsidiaries	2	0,10	204 168	0,32
Associates of directors of the company or any of its subsidiaries (Excluding Bielkor Beleggings (Pty) Ltd)	11	0,52	4 160 615	6,59
Shareholders with an interest of 10% or more:				
Holding Company and its subsidiaries	4	0,19	36 097 279	57,12
Bielkor Beleggings (Pty) Ltd*	1	0,05	8 262 344	13,08
Public shareholders	2 075	99,14	14 465 943	22,89
	2 093	100,00	63 190 349	100,00

** Bielkor Beleggings (Pty) Ltd is an associated company of a director of the company.*

Shareholders with an interest of 5% or more	Number of shares	% of shares
Bielkor Beleggings (Pty) Ltd	8 262 344	13,08
Holding company and its subsidiaries	36 097 279	57,12
Business Venture Investments 366 (Pty) Ltd	6 578 305	
PSG Financial Services Limited	28 247 512	
PSG Corporate Services (Pty) Ltd	821 640**	
PSG Corporate Services (Pty) Ltd	449 822	
	44 359 623	70,20

*** In terms of an agreement, directors and senior managers of Capitec Bank Limited will acquire these shares from PSG Corporate Services at a future date. The directors' interest in these shares have been published on SENS.*

Registration number:	1999/025903/06
Auditors:	PricewaterhouseCoopers Inc.
Directors:	CJ Borstlap (appointed 1 March 2001) AP du Plessis (appointed 6 May 2002) MS du P le Roux (appointed 1 March 2001) Prof MC Mehl (appointed 1 March 2001) JF Mouton (appointed 1 March 2001) CA Otto (appointed 1 March 2001) JG Solms (appointed 1 March 2001) R Stassen (appointed 1 March 2001) Dr J van Zyl Smit (appointed 1 March 2001)

No directors resigned during the year

Secretary:	CG van Schalkwyk (appointed 9 January 2002)
Registered address:	10 Quantum Road Techno Park Stellenbosch 7600
Postal address:	PO Box 12451 Die Boord Stellenbosch 7613

Notice is hereby given that the annual general meeting of the shareholders of Capitec Bank Holdings Limited ("the company") will be held in the auditorium, The House of JC le Roux, Devon Valley Road, Devon Valley, Stellenbosch, on Thursday, 15 May 2003, at 12:00 to transact the following business:

ORDINARY BUSINESS

1. To consider and, if accepted, approve the annual financial statements comprising the consolidated financial statements of the Capitec Bank Holdings group including those of the company incorporated therein for the year ended 28 February 2003.

2. To re-elect as a director Mr JG Solms, who retires by rotation in accordance with the articles of association of the company and, being eligible, offers himself for re-election.

Summary curriculum vitae of Jan Georg Solms

Mr Solms, aged 48, obtained a BAcc degree from the University of Stellenbosch (1976) and qualified as a chartered accountant (SA) in 1978.

He has extensive experience in the financial and securities environment, which includes 14 years accountancy services before he became a member of the JSE in 1981. Since then he has been a partner/director of various stockbroking firms such as PLJ van Rensburg & Partners, Bosman & Co, Mechiel Du Toit, Solms & Co, Solms & Co (the latter became the centre of Investec's stockbroking division when it was sold to Investec Bank in 1995), Investec Securities, Easy Nominees (Pty) Limited and both Independent Securities (Pty) Limited and Independent Securities Holdings (Pty) Limited, of which he is currently an executive director.

Mr Solms is a member of the audit committee and chairman of the nomination committee.

3. To re-elect as a director Dr J van Zyl Smit, who retires by rotation in accordance with the articles of association of the company and, being eligible, offers himself for re-election.

Summary curriculum vitae of Jacobus van Zyl Smit

Dr van Z Smit, aged 61, obtained his academic qualifications, including an LLB (1963) and DComm (1971), from the University of Stellenbosch. He qualified as a chartered accountant (SA) in 1965.

He has extensive experience as chartered accountant, including seven years as a partner of Coopers & Lybrand Chartered Accountants and 15 years as professor of accounting at the University of Stellenbosch. He has been a member of legal and other committees of the accountancy board and is currently a member of the examination committee of this board. He also acts as financial and research consultant. His experience as director includes executive and non-executive positions with banking, financial and publishing companies such as PSG Investment Bank Limited, Alnet (Pty) Limited and British American Tobacco Holdings SA (Pty) Limited ("BAT"). He also acts as chairman of the audit committees of PSG Group Limited and the companies within this group, including the company, as well as BAT and Alnet (Pty) Limited. He is a member of the board remuneration committee of BAT.

4. To approve the directors' remuneration as disclosed in the annual financial statements.

5. To reappoint Messrs PricewaterhouseCoopers as auditors of the company to hold office until the conclusion of the next general meeting at which annual financial statements are laid before the company.

6. To authorise the directors to determine the remuneration of the auditors.

SPECIAL BUSINESS

To consider and, if deemed fit, pass the following three resolutions, with or without modification, as special resolutions:

7. Special resolution number 1

That the company be authorised as, a general approval, to repurchase any of the ordinary shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of sections 85 to 88 of the Companies Act (Act 61 of 1973), the requirements from time to time of the JSE Securities Exchange South Africa ("JSE") and the articles of association of the company, provided always that:

- this general approval shall expire at the date of the company's next annual general meeting in 2004 or 15 August 2004, whichever is the earlier;
- the company will only implement the repurchase of the securities on the JSE ("open market");
- an announcement must be published when the company has acquired, on a cumulative basis, 3% of the number of shares it had in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof;
- during the period permitted in terms of this general approval, aggregate repurchases under this general authority will not exceed 20% of the company's issued share capital of that class as at the date this authority is granted; and
- the company will not make the repurchases at a price more than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date of the specific repurchase.

8. Special resolution number 2

That the company, insofar as it may be necessary to do so, hereby approves of, as a general approval, and authorises the acquisition by any subsidiary of the company of shares issued by such subsidiary and/or by the company, upon such terms and conditions and in such amounts as the directors of such subsidiary/ies may from time to time decide, but subject to the provisions of sections 85 to 89 of the Companies Act (Act 61 of 1973), the articles of association of the company and, insofar as it may be applicable, the requirements from time to time of the JSE Securities Exchange South Africa ("JSE"), provided always that:

- this general approval shall expire at the date of the company's next annual general meeting in 2004 or 15 August 2004, whichever is the earlier;
- the subsidiaries will only acquire securities in the company on the JSE ("open market");
- an announcement must be published when the subsidiary has acquired, on a cumulative basis, 3% of the number of shares the acquiree company had in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof;
- acquisitions by any subsidiary of its own securities under this general authority may not exceed 20% of that subsidiary's issued share capital of that class in any one financial year as at the date this authority is granted and in the case of the subsidiary acquiring shares in the company, limited to an aggregate of 10% of the company's issued capital as at the date this authority is granted; and
- the subsidiaries will not acquire securities in the company at a price more than 10% above the weighted average of the market value for the five business days immediately preceding the date of acquisition.

9. Special resolution number 3

That the following amendments to the company's articles of association be approved:

(a) deletion of article 53.2 in its entirety and the substitution thereof by the following article:

"Notwithstanding the provisions of 53.1, a member of the company present at any meeting of the company in person, by authorised representative or by proxy, shall have:

– one vote on a show of hands;

– one vote on a poll for each share of which that member is the registered holder;"

(b) substitution of the number "4 (four)" in article 65.1 by the number "5 (five)" in order to increase the minimum number of directors that the board may be constituted of to five.

(c) deletion of article 95.2 in its entirety and the substitution thereof by the following article:

"Until otherwise determined by the directors, a quorum shall be a majority of directors of the board for the time being in office of which at least 50% must be non-executive."

(d) the deletion of article 117 up to the end of article 117.1 in its entirety and substitution thereof by the following article:

"117. The directors, subject to the provisions of the Act, or a general meeting, on the recommendation of the directors, may at any time

117.1 resolve to capitalise all or any part of the amount then standing to the credit of:

117.1.1 any of the company's reserves; or

117.1.2 any share premium account or capital redemption reserve fund; or

117.1.3 the income statement,

otherwise available for distribution and not required for the payment of fixed dividends on any preference shares of the company."

To consider and, if deemed fit, pass the following three resolutions, with or without modification, as ordinary resolutions:

10. Ordinary resolution number 1

That the unissued ordinary shares in the authorised share capital of the company be placed under the control of the directors until the next annual general meeting of the company and that they be hereby authorised to issue any such shares as they may deem fit, subject to the Companies Act (Act 61 of 1973), the articles of association of the company and the requirements of the JSE Securities Exchange South Africa.

11. Ordinary resolution number 2

That, subject to ordinary resolution number 1 being passed, the directors be hereby authorised as a general approval to issue new ordinary shares for cash as they may deem fit, subject to the Companies Act (Act 61 of 1973), the articles of association of the company and the requirements of the JSE Securities Exchange South Africa ("JSE"), provided that:

- At least 75% of the shareholders present in person or by proxy at the annual general meeting cast their vote in favour of this resolution;
- This general approval shall expire at the date of the company's next annual general meeting in 2004 or 15 August 2004, whichever is the earlier;
- The securities will be issued only to the public as defined in the listings requirements of the JSE and not to related parties;
- Any such issue will only be securities of a class already in issue;

- During the period permitted in terms of this general approval, the general issues of ordinary shares in the aggregate will not exceed 15% of the company's issued ordinary share capital at the date of the first such issue. The securities of a particular class will be aggregated with the securities that are compulsorily convertible into securities of that class; and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible. The number of securities of a class which may be issued shall be based on the number of securities of that class in issue at the date of such application less any securities of the class issued during the current financial year, provided that any securities of that class to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were securities in issue at the date of application;
- In determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price as determined over 30 business days prior to the date of the directors' resolution authorising the issue, or where no announcement is required and none has been made, the date of issue of the ordinary shares concerned. The committee of the JSE should be consulted for a ruling if the company's securities have not traded in such 30 business day period;
- The company will publish, after any issue representing on a cumulative basis within any one financial year 5% or more of the number of shares which it had in issue prior to such issue, an announcement containing full details of said issue, including the impact of the issue on net asset value and earnings per share.

12. Ordinary resolution number 3

    To authorise, subject to the approval of special resolution number 3(d) above, the listings requirements of the JSE Securities Exchange South Africa and shareholders' right to elect to receive a cash dividend in lieu of capitalisation shares in respect of all or part of securities held, the payment of a capitalisation dividend to the value of 19,0 cents per share.

13. To transact such other business as may be transacted at an annual general meeting.

EXPLANATORY NOTES

The reasons for and effect of the three special resolutions listed above are:

Special resolution number 1 – Authority to purchase own shares

The company seeks a general authority to repurchase its own ordinary shares in the market subject to specific statutory requirements. The directors have no present intention of making any purchases but believe that the company should retain the flexibility to take action if future purchases could be considered desirable and in the best interest of shareholders.

The directors intend only to use this authorisation to repurchase if there is in their opinion no doubt that, after such repurchase:

- the company and the group will be able to repay its debt in the ordinary course of business for a period of twelve months from the date hereof;
- the company and group's consolidated assets, valued in terms of South African Statements of Generally Accepted Accounting Practice, will exceed its consolidated liabilities for a period of twelve months from the date hereof; and
- the company and group's ordinary and capital reserves and working capital will be sufficient to meet its needs for a period of twelve months from the date hereof.

The special resolution, if passed, will have such effect.

Special resolution number 2 – Authority to subsidiaries to purchase shares

The company seeks a general authority to empower directors of subsidiaries to resolve that said subsidiaries acquire shares issued by such subsidiaries and/or by the company in terms of the Companies Act (Act 61 of 1973), its articles of association and the requirements of the JSE Securities Exchange South Africa, when applicable. The authorisation to subsidiaries to acquire their own shares or shares in the company will only be exercised by the directors of the subsidiaries if, in the discretion of the board of the company, circumstances should merit and taking into account the effect thereof:

- The company and group will be able to repay its debt in the ordinary course of business for a period of twelve months from the date hereof;
- The company and group's consolidated assets, valued in terms of Generally Accepted Accounting Practice, will exceed its consolidated liabilities for a period of twelve months from the date hereof; and
- The company and group's ordinary and capital reserves and working capital will be sufficient to meet its needs for a period of twelve months from the date hereof.

The special resolution, if passed, will have such effect.

Special resolution number 3 – Authority to amend articles of association

The company's objectives for seeking authority to amend its articles of association are as follows:

(a) to ensure that members of the company represented by proxy at any meeting of the company, will have one vote on a show of hands and on a poll, one vote for each share which that member is the registered holder of;

(b) to increase the minimum number of directors of the board to five;

(c) to amend the number of directors to form a quorum for board meetings;

(d) to enable directors to capitalise the company's reserves, share premium, capital redemption reserve fund or income statement, subject to the Companies Act (Act 61 of 1973), articles of association of the company and Listings Requirements of the JSE Securities Exchange South Africa.

The special resolution, if passed, will have such effect.

VOTING

Shareholders entitled to attend and vote at the general meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy, in which are set out the relevant instructions for its completion, is enclosed for use by a shareholder who wishes to be represented at the general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the annual general meeting.

The instrument appointing a proxy and authority (if any) under which it is signed must reach the transfer secretaries of the company by not later than 12:00 on Tuesday, 13 May 2003.

On a poll ordinary shareholders will have one vote in respect of each share held.

A voting instruction form for use by members who have dematerialised their Capitec shares through STRATE, is enclosed together with instructions for its completion.

By order of the board

CG van Schalkwyk
Company secretary

23 April 2003

FORM OF PROXY

CAPITEC Bank

Capitec Bank Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1999/025903/06)
(Capitec or "the company")

For use at the annual general meeting of ordinary shareholders of the company to be held in the auditorium, The House of JC le Roux, Devon Valley Road, Devon Valley, Stellenbosch, on Thursday, 15 May 2003, at 12:00

I/We _____

being the registered holder(s) of _____ ordinary shares hereby appoint:

1. _____ of _____ or failing him/her,

2. _____ of _____ or failing him/her,

3. the chairman of the meeting,

as my proxy to vote on my/our behalf at the annual general meeting for purposes of considering and, if deemed fit, passing, with or without modification, the special resolutions and ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s in accordance with the following instructions (see notes on the opposite page):

	Number of shares		
	In favour of	Against	Abstain
1. Consider and if accepted, approve the annual financial statements			
2. Re-elect Mr JG Solms as a director			
3. Re-elect Dr J van Z Smit as a director			
4. Approve the directors' remuneration			
5. Reappoint auditors			
6. Authorise the directors to approve the auditors' remuneration			
7. Special resolution number 1			
8. Special resolution number 2			
9. Special resolution number 3			
(a) proxy voting on a show of hands			
(b) minimum number of directors that the board may consist of			
(c) quorum for board meetings			
(d) capitalisation			
10. Ordinary resolution number 1			
11. Ordinary resolution number 2			
12. Ordinary resolution number 3			

Signed at _____ on this _____ day of _____ 2003.

Signature(s) _____
Assisted by (where applicable) (state capacity and full name)

Each Capitec shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of the company) to attend, speak and vote in his/her stead at the annual general meeting.

1. A Capitec shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the annual general meeting". The person whose name appears first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A Capitec shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of ordinary shares to be voted on behalf of that member in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the general meeting, if he/she is the authorised proxy, to vote in favour of the resolutions at the general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of all the ordinary shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.

3. When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she is solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holder thereof.

4. Every member present in person, represented by authorised representative or by proxy shall, on a poll, have one vote for every ordinary share held, whereas on a show of hands, members present in person or represented by authorised representative shall have one vote each.

5. Forms of proxy must be completed and returned to be received by the transfer secretaries of the company, Computershare Investor Services Limited, PO Box 61051, Marshalltown, 2107, by not later than 12:00 on Tuesday, 13 May 2003.

6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's secretaries or waived by the chairman of the annual general meeting.

8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

VOTING INSTRUCTION FORM

CAPITEC Bank

Capitec Bank Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1999/025903/06)
(Capitec or "the company")

VOTING INSTRUCTION FORM – only for use by members who have dematerialised their Capitec shares through STRATE

For use at the annual general meeting of ordinary shareholders of the company to be held in the auditorium, The House of JC le Roux, Devon Valley Road, Devon Valley, Stellenbosch, on Thursday, 15 May 2003, at 12:00

Members who have already dematerialised their Capitec shares may use this form to advise their Central Securities Depository Participant ("CSDP") or broker of their voting instructions on the proposed resolutions in the spaces provided below. However, should such members wish to attend the meeting in person, then they will need to request their CSDP or broker to provide them with authority to do so in terms of the custody agreement entered into between the holder of dematerialised shares and the CSDP or broker.

I/We _____
being (a) member(s) of the company who has/have dematerialised my/our shares in Capitec do hereby indicate in the spaces provided below to my/our CSDP/broker my/our voting instructions on the resolutions to be proposed at the annual general meeting of the company to be held in the auditorium, The House of JC le Roux, Devon Valley Road, Devon Valley, Stellenbosch, on Thursday, 15 May 2003, and any adjournment thereof.

	Number of shares		
	In favour of	Against	Abstain
1. Consider and if accepted approve annual financial statements			
2. Re-elect Mr JG Solms as a director			
3. Re-elect Dr J van Z Smit as a director			
4. Approve the directors' remuneration			
5. Reappoint auditors			
6. Authorise the directors to approve the auditors' remuneration			
7. Special resolution number 1			
8. Special resolution number 2			
9. Special resolution number 3			
(a) proxy voting on a show of hands			
(b) minimum number of directors that the board may consist of			
(c) quorum for board meetings			
(d) capitalisation			
10. Ordinary resolution number 1			
11. Ordinary resolution number 2			
12. Ordinary resolution number 3			

Signed at _____ on this _____ day of _____ 2003.

Signature(s) _____
Assisted by (where applicable) (state capacity and full name)

Each Capitec shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of the company) to attend, speak and vote in his/her stead at the annual general meeting.

1. Please indicate in the appropriate spaces the number of votes to be cast.

2. All the votes need not be exercised neither need all votes be cast in the same way, but the total of the votes cast and in respect of which abstention is directed may not exceed the total of the votes exercisable.

3. When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she were solely entitled thereto, but, if more than one such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her voting instruction, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.

4. Every member present in person, represented by authorised representative or by proxy shall, on a poll, have one vote for every ordinary share held, whereas on a show of hands, members present in person or represented by authorised representative shall have one vote each.

5. Any alteration or correction made to this voting form must be initialled by the signatory/ies.

6. Completed voting instruction forms must be forwarded to the CSDP or broker through whom the Capitec shares have been dematerialised. Members should contact their CSDP or broker with regard to the cut-off time for lodging of voting instruction forms.

7. THIS VOTING INSTRUCTION FORM IS ONLY FOR USE BY MEMBERS WITH DEMATERIALISED SHAREHOLDINGS VIA STRATE. REGISTERED MEMBERS SHOULD USE THE PROXY FORM ATTACHED.

affordable, simplicity, service, accessible, tailor-made, flexibility, convenience, location, progressive

CAPITEC
Bank