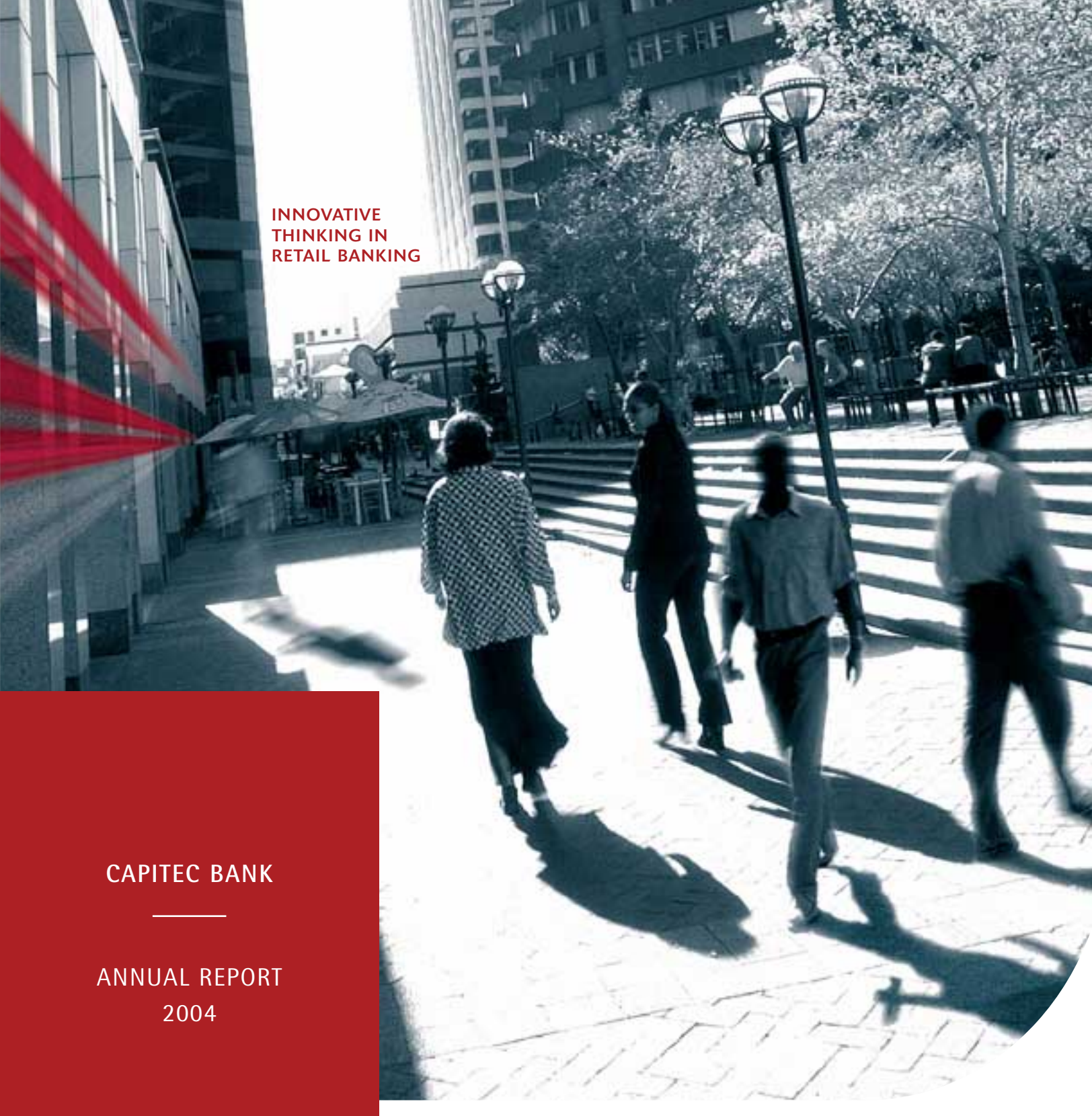


INNOVATIVE
THINKING IN
RETAIL BANKING

CAPITEC BANK

ANNUAL REPORT 2004

CAPITEC
Bank

CONTENTS

CAPITEC Bank

SIMPLICITY

KEY PERFORMANCE INDICATORS	2004	2003	Change %
• Earnings	**R45m**	R30m	51
• Headline earnings per share	**70c**	46c	53
• Proposed dividend per share	**20c**	19c	5
• Shareholders' funds	**R428m**	R386m	11
• Net asset value per share	**623c**	611c	2
• Net tangible asset value per share	**552c**	502c	10
• Share price at 29 February	**580c**	260c	123
• Market capitalisation	**R398m**	R164m	143
• Net loans and advances at year-end	**R135m**	R116m	16
• Total loans advanced during the year [1]	**R1 904m**	R1 477m	29
• Bad debts percentage (actual) [1]	**1,4%**	2,6%	(46)
• Return on average ordinary shareholders' funds	**11,6%**	8,0%	45
• Number of branches	**265**	266	(0)
• Number of personnel	**1 402**	1 180	19

(1) Excludes Botswana and Namibian branches sold during 2003.

GEOGRAPHICAL REPRESENTATION

Region	Number of branches
Western Cape	46
Northern Cape	10
Eastern Cape	34
Free State	17
Gauteng	61
North West	16
Limpopo	16
Mpumalanga	20
KwaZulu-Natal	45
TOTAL	265

CAPITEC BANK HOLDINGS AND CAPITEC BANK BOARDS

Independent non-executive

Johannes Fredericus Mouton (57) BComm (Hons), CA(SA), AEP
Jannie is chairman of Capitec Bank Holdings and Capitec Bank as well as chairman of PSG Group Limited. He is also non-executive director of Remgro Limited and Steinhoff International Limited.

Michiel Scholtz du Pré le Roux (54) BComm LLB
Michiel has 30 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. Michiel was one of the founding members of the Capitec Bank group and resigned from his position as chief executive officer effective 31 March 2004.

Merlyn Claude Mehl (Prof) (61) PhD (Physics)
Merlyn serves on the boards of various companies. He was previously chancellor of Peninsula Technikon and chief executive of the Independent Development Trust.

Nonhlanhla Sylvia Mjoli-Mncube (45) MA City and Regional Planning
Nonhlanhla is chairperson of Nurcha, the National Urban Reconstruction and Housing Agency in South Africa, and director of Mjoli Development group. She was Nurcha's executive director from 1994 until last year. She sits on several boards in the housing finance sector. She was appointed as a director of Capitec Bank Holdings and Capitec Bank on 26 January 2004.

Chris Adriaan Otto (54) BComm LLB
Chris is managing director of PSG Capital Limited and director of mCubed Holdings Limited.

Jan Georg Solms (49) BAcc, CTA, CA(SA)
Johnny has been a member of the JSE Securities Exchange South Africa since 1981, and is stockbroker and executive director of stockbrokers Independent Securities (Proprietary) Limited. He is also chairman of Capitec Bank Holdings nomination committee.

Jacobus van Zyl Smit (Dr) (62) BComm LLB, CTA, CA(SA), DComm
Jacobus is a director of BAT Holdings SA (Proprietary) Limited. He was previously a partner of Coopers & Lybrand Chartered Accountants. He is chairman of the Capitec Bank Holdings audit and risk committees.

Executive

Cornelius Johannes Borstlap (44) BA, BTh
Executive director
Neels 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 (42) BComm (Hons), CA(SA)
Financial director
André has over 18 years' business advisory, financial consulting and strategic and financial management experience. He was a partner at Arthur Andersen where he worked from 1986 to 1996 and was the chief executive – financial management of Boland PKS from 1996 to 2000.

Riaan Stassen (50) BComm (Hons), CA(SA)
Chief executive officer
Riaan was managing director of Boland PKS, a division of BoE Bank Limited from 1997 to 2000. 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). He was appointed chief executive officer effective 31 March 2004.

MANAGEMENT COMMITTEE

CAPITEC BANK HOLDINGS AND CAPITEC BANK MANAGEMENT COMMITTEE

Riaan Stassen (50) BComm (Hons), CA(SA)
Chief executive officer

André Pierre du Plessis (42) BComm (Hons), CA(SA)
Financial director

Carl Gustav Fischer (47) BComm (Hons), MBA
Chief executive – Capitec services
Carl was chief executive for marketing and support services of Boland PKS from 1999 to 2000. Previous positions include group marketing and sales director (1996 – 1998) and group production/ operations director of Stellenbosch Farmers' Winery Limited (1993 – 1996).

Gerhardus Metselaar Fourie (40) BComm (Hons), MBA
Chief executive – Sales
Gerrie was area general manager of Stellenbosch Farmers' Winery (1997 – 2000), focusing on distribution and sales.

André Olivier (36) BComm (Hons), CA(SA)
Chief executive – Business development
André was a financial risk manager at Boland PKS from 1997 to 2000, after which he was head of operations of PEP Bank, the micro-lending division of BoE Bank Limited. He gained extensive audit and business advisory experience with Arthur Andersen (1990 – 1997).

Christiaan Oosthuizen (49)
Chief executive – Information technology
Chris held the position of chief executive – information technology at Boland PKS, where he was employed from 1976 to 2000.

Christian George van Schalkwyk (49) BComm LLB, CA(SA)
Chief executive – Risk management
Christian was chief executive – credit risk and legal services at Boland PKS from 1997 to 2000. Previous positions include being a partner at attorneys Jan S de Villiers (1987 – 1996) and tax consultant at Arthur Andersen (1985).

Leonardus Venter (42) BA (Hons), MA (Industrial Psychology)
Chief executive – Human resources
Leon was a human resources manager at Iridium Africa from 1998 to 1999. Previous positions include manager – human resources and support at Telkom SA (1993 – 1997) and area personnel manager at Iscor Limited (1986 – 1992).

CONVENIENCE

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.

THE NETWORK EFFECT

On Sunday 22 February 2004 our branch in Idutywa was converted to a full Capitec Bank branch. This is our 148th bank branch. We plan to have 200 bank branches throughout South Africa by July. This is quite an achievement. Since May 2003 we have been converting ten to fifteen branches a month and are happy that this complicated process has been running smoothly. We still have much to do; we have learnt to perform as a team and not as a group of individuals working for a new company.

Years ago the Stellenbosch District Bank had a single office – in Stellenbosch, of course. Something like this is no longer possible. No customer is prepared to bank at a bank with a single branch. Banking has become an example of the network effect. A new bank probably requires at least 40 branches and as many ATMs to be credible. It requires a massive investment in systems and people before the first customer can be won over.

We started by purchasing a large number of micro-lending branches. They have helped us remain profitable while creating a national bank network. Today we have a total of 265 branches: those that haven't yet been converted to Capitec Bank branches are still Finaid micro-lending branches.

A PROFIT MARGIN OF 2,4% (2003: 2,0%)

All our profit for the year was derived from short-term loans. Once again we increased our turnover: to R1,9 billion this time, an increase of 29% over 2003. The profit of R45 million is a satisfactory increase over last year's R30 million, but a return of only 11,6% on our capital (2003: 8,0%). Our profit is equal to 2,4% of turnover. We carry a tax loss and the R19 million tax expensed was actually written off against the tax asset – in short, we generated R19 million more cash than our profit figure indicates. Much remains to be done before we can report a decent return on capital of more than 20%.

During the current year, we launched a new three-month loan to complement our short-term thirty-day loan. The new product has been a success and accounted for 12% of our turnover during January. During the year we advanced a total of 2,6 million loans with an average size of R724 (2003: R618). The interest we charge on short-term loans declined further to an average of 20% a month (2003: 22% a month). Twenty percent a month still sounds exorbitant, but our loans are mostly between R50 and R3 000 in size and the rate charged has to cover the administrative cost of the loan. Had we charged 30% a month, the market norm, our profit could have been R167 million after tax. Being a price leader has its disadvantages, but we intend to keep on reducing rates as our efficiency improves.

In a brief* on micro finance, the Consultative Group to assist the Poorest, a World Bank organisation, said: "Why are micro credit 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."

QUALITY CUSTOMERS

Last year we were proud that our arrears were only 2,6%. This year the figure has been nearly halved. At the end of February 2004 just 1,4% of payments which should have been made in November 2003 were still outstanding. These arrears will be written off after 180 days, but we hope that our losses due to poor payment will be less than 1% after legal processes. We think it is remarkable that our net bad debts (after recoveries) declined by R3 million compared to last year although our turnover increased by R430 million. At the end of each month, we make a provision against all new loans based on historically expected repayments. This provision runs at 2,75% for short-term loans and at 4% for three-month loans.

DO AFFORDABLE BANK PRODUCTS EXIST?

The mass market is the market for basic, affordable bank products. Our savings accounts have the lowest cost and pay the highest interest rates in South Africa. An ATM withdrawal costs only R2, and we pay 10% interest on savings accounts with a maximum balance of R25 000. On bigger balances we pay 7%. We are the only bank that offers the small investor more interest than the big investor. Our debit card, which carries the Maestro mark from MasterCard, gives our customers access to all Saswitch ATMs and can be used for purchases at all linked shops. We don't offer foreign currency or cheque accounts, although our cards act as a form of electronic cheque book, operate internationally and we accept cheques as deposits. At Capitec Bank a debit order costs only R2. We have few products, but those we have are the best and cheapest of their kind.

To date we have only 18 104 savings customers. Our main aim for the new year is to change the culture and the ability of the whole organisation to that of a bank and to have 60 000 bank customers by year-end.

A BANK WITHOUT SLIPS OF PAPER OR MONEY

We're building a bank: a low-cost mass-market retail bank. We have a bank licence, enough primary capital, a listing on the JSE Securities Exchange South Africa and a unique banking system.

Our customers do paperless banking. No customer ever needs to fill in a form: not for a transaction like applying for a loan, nor for a

** Donor Brief No 6, September 2002.*

SERVICE

MULTILINGUAL customer 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 customer service.

FLOOR CONSULTANTS direct and advise customers to speedily process their needs and complete ATM transactions.

EMPLOYER-DIRECTED SALES SERVICE provides convenient advice and support for customers AT THEIR PLACE OF EMPLOYMENT.

routine interaction like making a deposit. A consultant captures the transaction directly onto the system and prints a copy of the completed document for the customer. Instead of a paper trail we create an electronic trail for every transaction, as the consultant must authorise every transaction by means of a biometric fingerprint. An electronic photo of every customer is stored on the system. One day we will store all documents, such as copies of agreements, on the system. Then we'll be truly paperless, without any files at branches.

This unique system is part of the reason why we can offer bank products cheaper than anybody else. No administrative staff work in the backrooms of our branches. Not one. Administration is done by the system or on campus. Our branch managers serve the public as consultants, along with the other consultants. They are more like team leaders and in no branch does one find a "Manager's Office."

As if being paperless isn't enough, we also want to be a cashless bank. In branches with an ATM we only hold a R200 float, in coins. This is also our best defence against robbery. At year-end we had 75 ATMs and in a year's time we'll have 174. We were robbed 26 times during the year and lost R1,9 million in these incidents. This is a distasteful and disheartening part of our business which we would like to eliminate as fast as possible. No robberies occurred at our cashless bank branches.

THE COST OF RUNNING CAPITEC BANK INCREASED BY 25%

It is expensive to do what we are doing. The infrastructure of a bank is very costly. Strategically we are supporting the cost of building a bank with our small loans business. The running cost of a bank branch is 34% higher than the cost of running the same branch as a micro-lending branch. In the coming year costs will again rise sharply. Gaining bank customers will require significant expenditure on marketing.

WE MANAGE LIQUIDITY CAUTIOUSLY

We can rely on only two types of loan capital. Internationally, retail deposits are regarded as a stable source of funds. We can only use wholesale funding if it is invested with us for a long period. Since year-end we have signed an agreement with Futuregrowth for funding of R50 million for five years, half of which is guaranteed by USAID. In a big bank this would be a small and routine transaction. For us it was an exciting first. Just before that, in February, we also received a deposit of R35 million. We are slowly overcoming the legacy of the small-bank crisis of two years ago, which prevented us from obtaining term funding. At year-end we had R160 million in cash. The above-mentioned R35 million helped, but we manage our liquidity cautiously.

We believe in investing our money in our main business and own no buildings. Even the campus buildings are leased. The total commitment for all our buildings until the end of all lease agreements amounts to R82 million. Incidentally, we own only three cars, all of them pool cars.

OUR REAL STRENGTH: HIGH-QUALITY PEOPLE

We're building an enthusiastic 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 545 new employees and lost 323 people. Our operational staff attended an average of four training courses per individual during the year. This is expensive and disruptive because our branches are spread throughout the country, but it is necessary to enable our people to move from micro lending to banking. At least 50% of the work done at the campus (we don't like the word "head office") relates to turning the organisation into a bank. No training or development costs were capitalised during the year and all costs were expensed against current income.

We invest heavily in our people. Salaries are our biggest expense item and we spend 5% of salaries on training.

We have already announced that Michiel le Roux retired as chief executive officer on 31 March 2004. As a non-executive director and shareholder he will remain involved in the development of Capitec Bank. After the prescribed "cooling off" period of three years, we intend inviting him to become chairman of the bank.

Nonhlanhla Mjoli-Mncube joined our board during the year. We appreciate it and welcome her to Capitec Bank.

EMPOWERMENT THROUGH SHARES

In December 2003 we launched an empowerment share purchase scheme. The bank pays the transaction costs of Capitec shares bought by staff members and we subsidise the purchase price by 10%. At the moment 105 people participate in the scheme. Everybody is invited to participate and some invest amounts as small as R20 per month.

The bank has a strong and loyal management team under the leadership of Riaan Stassen. Those who are in a position to influence the growth of the bank as a whole, participate in an option scheme. The rise in our share price means that those who exercised options during the year made a good paper profit. In most cases it remains a paper profit as those shares have not been sold. Most of our option holders also hold shares that they bought, often at relatively high prices before we listed.

WHAT IS A BUSINESS WITHOUT SHAREHOLDERS?

We listed in February 2002, a week after Saambou went belly up. In turbulent times the PSG Group remained a loyal supporter of our bank plans. It was with regret that we learned of PSG Group's decision to unbundle their shares in Capitec Bank to their shareholders in December 2003. PSG Group's main shareholders kept their new Capitec Bank shares. Capitec Bank no longer has a controlling shareholder. Together, the directors and management hold about 35% of the bank's shares. Although there is no shareholders' agreement, we are not perturbed. We don't have idle assets, only exciting opportunities, real risks and a lot of back-grinding work. We're building a bank. We believe in the long-term future of this organisation.

Since year-end, about 6% of the shares in Capitec Bank were acquired by Arch Equity. This investment company is black controlled after a transaction with Desmond Lockey. We welcome Arch Equity and Desmond Lockey as shareholders.

After the unbundling by PSG Group, Capitec Bank has nearly 5 000 shareholders. We like shareholders, but unfortunately more than 300 of our shareholders hold fewer than 10 shares each, which isn't practical. At the annual general meeting we shall propose a repurchase to all shareholders holding fewer than 500 shares. Should the offer succeed, we shall be left with 2 000 shareholders.

MORE PROFIT, MODEST DIVIDEND

Last year we indicated that our dividend cover would increase. Despite a 48% increase in profit per share, we are proposing a dividend of 20c per share. This is 5% higher than last year's 19c and the dividend cover has increased to 3,4 times from 2,4 times. Last year most of our shareholders preferred a capitalisation dividend. These shareholders now hold more shares than last year and last year's cash alternative of 19c should technically be compared with 21,85c now (20c plus 9,25%). We hope to deliver steady dividend growth with an increase in dividend cover over time.

RISKS AND OPPORTUNITIES

Capitec Bank's success depends on our ability to convince our customers to bank with us. Our branches are accessible, our prices and products are right and our service levels are improving. We believe in our ability to win over customers. We are much stronger than a year ago, but things can still go awry. How fast will we convert customers? The government is proposing new credit legislation. Current legislation is obsolete, but will the new legislation be realistic or will it be utopian, making it difficult for us to do business? Payment systems require close cooperation with your competitors. Will the big banks treat a small newcomer fairly?

Every year seems to be a critical year for Capitec Bank. We have achieved our target of becoming a retail bank. In a year's time we will know our customers' reaction to our bank offer. We believe that the number of customers and our business will continue to grow in the coming year.

Jannie Mouton	Riaan Stassen	Michiel le Roux
Chairman	*Chief executive officer*	*Director*

31 March 2004

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 independent non-executive directors. Seven of the full complement of ten 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 two-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 reviews and approves a detailed budget supported by a business plan and a written exposition of the strategy of the company; and
- 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 chairperson

The chairman of the board of Capitec Bank is an independent 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; and
- 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 non-executive director;
- non-executive directors have not been granted share options; and
- executive directors do not have fixed-term service contracts.

1.5 Director selection and development

The company has a directors' affairs committee led by the chairman. This committee annually performs an appraisal of the board's performance. It further concerns itself with succession both at board and executive management level and recommends new appointees to the 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; and

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 customer.

Dip card ATMs address risk and are EASY TO OPERATE when transacting.

DEBIT CARDS provide convenient, cashless purchases and the removal of risk for customers.

- board members are afforded the opportunity to attend informative presentations on directors' duties at the expense of the company.

1.6 Board and director appraisal

Through the directors' affairs 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 individual director.

1.7 Disqualification of directors

Any new appointees to the board are scrutinised by the directors' affairs 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 does not proceed.

1.8 Board committees

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

- directors' affairs committee;
- audit committee;
- remuneration committee;
- risk committee; and
- management 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; and
- 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 it 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.

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. RISK MANAGEMENT

2.1 Definition

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

2.2 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 operational risk committee (responsible for managing legal, compliance, technology, operational and reputational risks), the asset and liability committee (looking after interest rate, market, liquidity, counterparty and currency risk as well as capital adequacy) and the credit committee appointed to deal with defined areas of risk management, it is ensured that the company approaches risk management in a structured manner. Ultimately risk management is assessed by the risk committee comprising a majority of independent non-executive directors. 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.

2.3 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

AFFORDABLE

The HIGHEST GUARANTEED RATES on daily savings products in the industry encourages customer investment and planning.

NO ADMIN FEES and HIDDEN EXTRAS ensure that customers understand the implications of loan and transacting decisions.

The LOWEST TRANSACTION FEES in the industry support the transacting needs of the market.

COMPETITIVE PRICING provides some of the most attractive net loan costs in the market.

probability assigned. Existing controls are assessed and, if necessary, adjusted. Thereafter reports are generated at regular intervals to enable monitoring of risk levels.

2.4 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 credit extension. Thus the emphasis tends to fall in 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.

3. INTERNAL AUDIT

3.1 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 and in accordance with a charter approved by the audit committee, to which a report is submitted at every meeting of the committee.

3.2 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.

3.3 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 and monitored until resolved.

4. INTEGRATED SUSTAINABILITY REPORTING

4.1 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.

4.2 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; and
- Suppliers – we strive to manage these relationships in an atmosphere of certainty and fairness. Service level agreements are general practice.

4.3 Ethical practices and organisational integrity

Capitec Bank intends to become an institution in the communities which it serves. 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.

4.4 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 achieved 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 measures, security guards are employed at high-risk and cash-rich branches.

In terms of the Occupational Health and Safety Act, No 85 of 1993, 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.

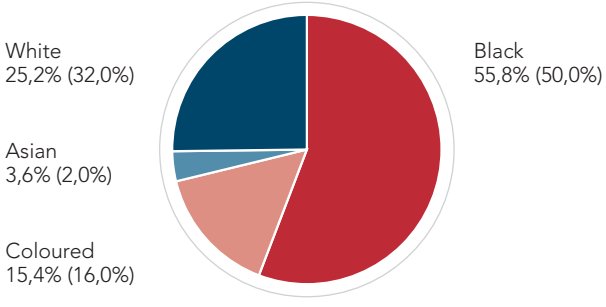
As a retail financial services supplier, our business has little or no direct impact on the environment. However, by extending credit in a manner which may contribute to the relief of poverty, we hope to contribute in the long term to relieving pressure on the environment and creating sustainability.

4.5 Social and transformation issues

In line with our above stated attitude towards regulation, we are able to report that we have published our information manual in terms of the Promotion and Access to Information Act, No 2 of 2000.

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



We have received the Financial Sector Charter with some reservations. An initial appraisal of our position in the various categories measured indicates that we should be able to comply within the time allowed. However, we must note that none of the matters raised by us during the drafting process received any acknowledgement in the final charter. This resulted in the iniquitous situation that an organisation which exists in the main for bringing accessible, affordable banking to people having little or no access thereto, does not receive any acknowledgement for such effort.

4.6 Human capital

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 443 workshops have been presented in which employees participated in total 3 987 times. Workshop development aims at training staff in soft skills, i.e. customer 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, and in the past financial year the company has spent R10,8 million (including overheads) 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	0,31
20 – 29	52,04
30 – 39	34,16
40 – 49	10,68
50 – 59	2,68
> 60	0,13

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

In terms of the Skills Development Levies Act, No 9 of 1999, 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 60% of the levy paid, which is the maximum refund that can be claimed.

5. ACCOUNTING AND AUDITING

5.1 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, No 94 of 1990, 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 independent 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.

5.2 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

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

CAPITEC BANK HOLDINGS LIMITED AND ITS SUBSIDIARIES

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Capitec Bank Holdings Limited and its subsidiaries. The financial statements presented on pages 21 to 57 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (Statements of GAAP), and include amounts based on judgements and estimates made by management.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all Statements of GAAP that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the group and company at year-end. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and consistency with the financial statements.

The directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the companies to enable the directors to ensure that the financial statements comply with the relevant legislation.

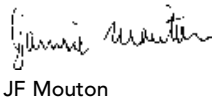
Capitec Bank Holdings Limited and its subsidiaries operated in a well established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the group or any company within the group will not be going concerns in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the company and the group.

The Code of Corporate Practices and Conduct has been adhered to, except as noted in the corporate governance and risk management report.

The group's external auditors, PricewaterhouseCoopers Incorporated, audited the financial statements and their report is presented on page 20.

The financial statements were approved by the board of directors on 31 March 2004, and are signed on its behalf by:



JF Mouton
Chairman

R Stassen
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 29 February 2004, 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
31 March 2004

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF CAPITEC BANK HOLDINGS LIMITED

We have audited the annual financial statements and group annual financial statements of Capitec Bank Holdings Limited, set out on pages 21 to 57, for the year ended 29 February 2004. 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. These 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 29 February 2004 and the results of its operations 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 South African Companies Act.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors

Cape Town
31 March 2004

DIRECTORS' REPORT

The directors present their annual report, which forms part of the audited financial statements of the company, for the year ended 29 February 2004.

1. NATURE OF BUSINESS

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

2. REVIEW OF OPERATIONS

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 R45,4 million (2003: R30,0 million).

During the year under review Capitec Bank Holdings Limited and its subsidiaries were unbundled by PSG Group Limited. Consequently the ultimate holding company of the group is now Capitec Bank Holdings Limited.

The company acquired 75% of Key Distributors (Pty) Limited from the PSG Group at the beginning of the year. Key Distributors is a wholesale distribution company and is considered of strategic importance for market penetration in the provision of loans to small businesses. Key Distributors is currently operating at a loss but is expected to break even in the foreseeable future. Accordingly goodwill of R600 000, arising on acquisition of the company, was impaired and expensed.

3. FINANCIAL RESULTS AND DIVIDENDS

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

Current year dividends

A dividend of 20 cents per share is proposed (2003: 19 cents). No accrual was made for this dividend in line with recommended accounting practice. This dividend will, if approved, be paid on 14 July 2004.

It is not the policy of the company to declare an interim dividend.

Prior year dividend

A dividend of 19,0 cents per share was declared on 15 May 2003 and paid on 17 June 2003. The shareholders had the option to take the dividend in cash or 9,25 scrip shares per 100 shares held. R407 000 was paid as cash. Ninety seven percent of shareholders opted for the scrip dividend.

4. SHARE CAPITAL

Movements relating to share capital during the year and disclosed in the statement of changes in equity (page 28) include:

- the effect of the scrip dividend;
- the shares held in the company by the share incentive trust reduced the share capital and weighted number of shares of the group for the year;
- with respect to the share options referred to in 6.2 of this directors' report, the company settled 824 120 share options at a strike price of 500 cents per share through the purchases of shares in the open market, while 14 520 share options lapsed. The effect was a reduction in the share premium of the company and the group of R463 000; and
- the group settled 876 780 options relating to the share incentive scheme, of which 820 632 were settled through purchases of shares in the open market while the balance of 56 148 options were settled in cash. The effect was a reduction of R2 147 million in the group's share premium.

5. DIRECTORS AND SECRETARY

Information relating to the directors and secretary of the company is presented on pages 3 and 65 of the annual report.

6. INTERESTS OF THE DIRECTORS IN SHARE CAPITAL AND CONTRACTS

6.1 At year-end, the directors, in aggregate, were directly or indirectly, beneficially or non-beneficially, interested in 23 635 616 (2003: 12 403 238) Capitec Bank Holdings Limited shares, equivalent to 34,34%, (2003: 19,63%) of the issued share capital of Capitec Bank Holdings Limited. The individual interests of the directors were as follows:

2004	Number of shares held					
	Beneficial		Non-beneficial		Total	
	Direct	Indirect	Direct	Indirect	Shares	%
CJ Borstlap	–	–	–	320 322	320 322	0,47
AP du Plessis	–	314 290	–	–	314 290	0,46
MS du P le Roux	–	–	–	11 083 713	11 083 713	16,10
MC Mehl	–	–	–	–	–	–
NS Mjoli-Mncube	–	–	–	–	–	–
JF Mouton	33	–	–	8 255 611	8 255 644	11,98
CA Otto	33	–	–	775 573	775 606	1,13
R Stassen	135 122	–	–	2 562 382	2 697 504	3,92
JG Solms	–	–	–	18 183	18 183	0,03
J van Z Smit	139 647	–	–	30 707	170 354	0,25
	274 835	314 290	–	23 046 491	23 635 616	34,34

2003	Number of shares held					
	Beneficial		Non-beneficial		Total	
	Direct	Indirect	Direct	Indirect	Shares	%
CJ Borstlap	–	–	–	257 511	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	480 228	–	11 718 842	12 403 238	19,63

The following directors acquired shares in the company that are financed by PSG Corporate Services (Pty) Ltd. The shares remain registered in the name of PSG Corporate Services until the purchase price has been settled. Accordingly these shares were excluded from the schedule of directors' interest in share capital.

2004	Number of shares held				
	Beneficial		Non-beneficial		
	Direct	Indirect	Direct	Indirect	Total
AP du Plessis	–	220 710	–	–	220 710
	–	220 710	–	–	220 710

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
	–	202 023	–	121 214	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 was 500 cents and the option exercise date was 29 February 2004. 824 120 options were exercised and the remainder lapsed. The directors had the following interest in these options:

2003	Number of shares held				
	Beneficial		Non-beneficial		
	Direct	Indirect	Direct	Indirect	Total
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

6.3 At year-end the directors were participants in the share incentive scheme in respect of 2 835 933 (2003: 3 358 411) Capitec Bank Holdings Limited shares as follows:

2004	Opening balance			Options exercised			Closing balance
Directors	Maturity date R	Strike price	Number of share options	Number of share options R	Market value	Exercise date	Number of share options
CJ Borstlap	31 Aug 03	1,42	38 991	38 991	5,84	16 Feb 04	–
(indirect non-beneficial)	31 Aug 04	1,42	38 991	–	–	–	38 991
	30 Sep 04	1,42	7 798	–	–	–	7 798
	31 Aug 05	1,42	38 991	–	–	–	38 991
	30 Sep 05	1,42	7 798	–	–	–	7 798
	31 Aug 06	1,42	7 798	–	–	–	7 798
	30 Sep 06	1,42	7 798	–	–	–	7 798
	30 Sep 07	1,42	7 798	–	–	–	7 798
			155 963				116 972
AP du Plessis	16 Jul 03	1,42	31 193	31 193	5,15	15 Jan 04	–
(indirect beneficial)	16 Jul 04	1,42	129 970	–	–	–	129 970
	16 Jul 05	1,42	129 970	–	–	–	129 970
	16 Jul 06	1,42	129 970	–	–	–	129 970
	16 Jul 07	1,42	98 777	–	–	–	98 777
			519 880				488 687
MS du P le Roux	1 Jan 04	1,42	31 193	31 193	5,10	21 Jan 04	–
(indirect non-beneficial)	1 Jan 04	1,42	389 908	389 908	5,10	21 Jan 04	–
	31 Aug 04	1,42	389 908	–	–	–	389 908
	31 Aug 05	1,42	389 908	–	–	–	389 908
	31 Aug 06	1,42	358 715	–	–	–	358 715
			1 559 632				1 138 531
R Stassen	1 Jan 04	1,42	31 193	31 193	5,20	7 Jan 04	–
(indirect non-beneficial)	16 Jul 04	1,42	280 734	–	–	–	280 734
	16 Jul 05	1,42	280 734	–	–	–	280 734
	16 Jul 06	1,42	280 734	–	–	–	280 734
	16 Jul 07	1,42	249 541	–	–	–	249 541
			1 122 936				1 091 743
Total			3 358 411				2 835 933

The only movement for 2003 was 31 193 options for CJ Borstlap with a strike price of R1,42 and a maturity date of 31 August 2002 that were exercised on 1 October 2002. The market price was R1,60 on that date.

Disclosures, including the prior year, have been expanded to provide further details relating to directors share options as required by the JSE Securities Exchange South Africa. No repricing of options or revision of maturity dates occurred during the year under review.

MS du P le Roux was allowed by the board of directors to accelerate the exercise of his options outstanding at 29 February 2004 after year-end, but prior to 31 May 2004, as a result of his retirement as executive director on 31 March 2004.

6.4 The directors' remuneration in respect of the financial year ended 29 February 2004 was as follows:

2004	Salaries R'000	Fringe benefits R'000	Fees R'000	Bonuses R'000	Gains made on the sale of options R'000	Total R'000
Executive						
CJ Borstlap	682	6	–	–	–	688
AP du Plessis	977	21	–	–	–	998
MS du P le Roux	580	7	–	–	–	587
R Stassen	1 485	9	–	–	–	1 494
Non-executive						
MC Mehl	–	–	65	–	–	65
NS Mjoli-Mncube	–	–	15	–	–	15
JF Mouton	–	–	100	–	–	100
CA Otto	–	–	33	–	–	33
JG Solms	–	–	85	–	–	85
J van Z Smit	–	–	98	–	–	98
	3 724	43	396	–	–	4 163

2003						
Executive						
CJ Borstlap	635	6	–	85	19	745
AP du Plessis	900	10	–	120	58	1 088
MS du P le Roux	568	6	–	–	190	764
R Stassen	1 005	7	–	135	124	1 271
Non-executive						
MC Mehl	–	–	44	–	–	44
JF Mouton	–	–	–	–	–	–
CA Otto	–	–	–	–	–	–
JG Solms	–	–	66	–	–	66
J van Z Smit	–	–	72	–	–	72
	3 108	29	182	340	391	4 050

7. INVESTMENTS IN SUBSIDIARIES

Information relating to the company's financial interest in its subsidiaries is set out in note 8 to the financial statements.

8. MATERIAL EVENTS AFTER YEAR-END

No matter, material to the financial affairs of the company, other than as stated in 6 above regarding the acceleration of the exercise date of options held by MS du P le Roux, has occurred between the balance sheet date and the date of approval of the financial statements.

BALANCE SHEETS

as at 29 February 2004

		Group		Company	
	Notes	2004 R'000	2003 R'000	2004 R'000	2003 R'000
ASSETS					
Cash and cash equivalents	3	159 803	104 076	–	–
Loans and advances	4	134 878	115 770	–	–
Inventory	5	9 141	–	–	–
Other receivables	6	11 193	5 663	–	–
Group loans receivable	7	–	4 700	80 443	81 848
Investment in subsidiaries	8	–	–	282 610	282 610
Current tax assets	9	62	–	–	–
Equipment	10	146 755	135 773	–	–
Goodwill	11	–	–	–	–
Deferred tax	12	48 652	68 448	–	–
Total assets	2	510 484	434 430	363 053	364 458
LIABILITIES					
Deposits	13	48 876	25 837	–	–
Trade and other payables	14	31 709	21 436	–	–
Current tax liabilities	9	–	484	–	–
Provisions	15	1 746	740	–	–
Group loans payable	16	–	–	21 637	39 603
Total liabilities	2	82 331	48 497	21 637	39 603
SHAREHOLDERS' FUNDS					
Share capital and premium	17	323 731	326 878	326 415	326 878
Reserves	18	745	–	–	–
Retained earnings/(Accumulated loss)		103 677	59 055	15 001	(2 023)
Total shareholders' funds		428 153	385 933	341 416	324 855
Total liabilities and shareholders' funds		510 484	434 430	363 053	364 458

INCOME STATEMENTS

for the year ended 29 February 2004

		Group		Company	
	Notes	2004 R'000	2003 R'000	2004 R'000	2003 R'000
Interest income	19	398 732	326 397	–	–
Interest expense	19	(3 518)	(3 402)	–	–
Net interest income	19	395 214	322 995	–	–
Net impairment charge on loans and advances	20	(28 791)	(32 818)	–	–
Income from lending activities		366 423	290 177	–	–
Fees and other income		1 392	54	2 429	–
Dividend income		–	–	17 873	18 999
Non-banking gross profit		4 057	–	–	–
Sales		92 206	–	–	–
Cost of sales		(88 149)	–	–	–
Income from operations		371 872	290 231	20 302	18 999
Operating expenses	21	(300 143)	(243 088)	(374)	(2 138)
Non-banking expenses	21	(4 831)	–	–	–
Operating profit		66 898	47 143	19 928	16 861
Exceptional items	22	(1 993)	(56)	(2 446)	115
Profit before tax		64 905	47 087	17 482	16 976
Tax	23	(19 523)	(17 064)	(51)	–
Net profit after tax attributable to ordinary shareholders	2	45 382	30 023	17 431	16 976
Earnings per share (cents)					
Basic	24	67,7	45,6		
Diluted	24	63,1	44,3		
Headline earnings per share (cents)					
Basic	25	70,2	46,0		
Diluted	25	65,4	44,8		
Proposed dividends per share (cents)	26	20,0	19,0		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 29 February 2004

	Share capital R'000	Share premium R'000	Reserves R'000	Retained earnings R'000	Total R'000
GROUP					
Balance at 1 March 2002	667	342 550	733	47 298	391 248
Net profit for the year	–	–	–	30 023	30 023
Dividends paid	–	–	–	(18 999)	(18 999)
Transfer to retained earnings	–	–	(733)	733	–
Share buyback	(35)	(16 304)	–	–	(16 339)
Balance at 28 February 2003	632	326 246	–	59 055	385 933
Effect of implementation of AC133	–	–	700	(353)	347
Restated balance at 1 March 2003	632	326 246	700	58 702	386 280
Hedges – fair value gains, net of tax	–	–	45	–	45
Net profit for the year	–	–	–	45 382	45 382
Loss on settlement of share options	–	(2 610)	–	–	(2 610)
Dividends – cash portion paid	–	–	–	(407)	(407)
– nominal value of scrip shares issued	56	(56)	–	–	–
Increase in shares held by share trust	(1)	(536)	–	–	(537)
Balance at 29 February 2004	687	323 044	745	103 677	428 153
Notes	17	17	18		
COMPANY					
Balance at 1 March 2002	667	342 550	–	–	343 217
Net profit for the year	–	–	–	16 976	16 976
Dividends paid	–	–	–	(18 999)	(18 999)
Share buyback	(35)	(16 304)	–	–	(16 339)
Balance at 28 February 2003	632	326 246	–	(2 023)	324 855
Net profit for the year	–	–	–	17 431	17 431
Loss on settlement of share options	–	(463)	–	–	(463)
Dividends – cash portion paid	–	–	–	(407)	(407)
– nominal value of scrip shares issued	56	(56)	–	–	–
Balance at 29 February 2004	688	325 727	–	15 001	341 416
Notes	17	17	18		

CASH FLOW STATEMENTS

for the year ended 29 February 2004

	Notes	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash flow from operations	30	101 433	74 140	17 790	17 767
Tax paid	31	(623)	(5 101)	(51)	–
Dividends paid		(407)	(18 999)	(407)	(18 999)
		100 403	50 040	17 332	(1 232)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment in equipment	10	(44 230)	(31 329)	–	–
Proceeds from disposal of equipment		89	218	–	–
Decrease/(Increase) in loans receivable from group companies		2 596	749	(14 423)	1 232
Decrease in loan to share incentive trust	7	–	924	–	–
Disposal of other investments		–	60	–	–
Acquisition of subsidiaries	32	(341)	(1 171)	(2 446)	–
Disposal of subsidiaries	33	357	8 192	–	–
		(41 529)	(22 357)	(16 869)	1 232
CASH FLOW FROM FINANCING ACTIVITIES					
Shares acquired	34	(3 147)	–	(463)	–
Net increase in cash and cash equivalents		55 727	27 683	–	–
Cash and cash equivalents at beginning of year		104 076	76 393	–	–
Cash and cash equivalents at end of year	3	159 803	104 076	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2004

1. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements comply with South African Statements of Generally Accepted Accounting Practice (Statements of GAAP) and are consistent with the accounting policies applied in the previous year, except for the consolidation of the share incentive trust (refer note 8) and the adoption of AC133 Financial Instruments: Recognition and Measurement, applied from 1 March 2003. In terms of this standard's transitional arrangements, fair value adjustments at the beginning of the financial year should be adjusted to retained earnings and prior year comparatives should not be adjusted. Adjustments to opening equity balances on application of AC133 are disclosed in note 40.

The preparation of financial statements in conformity with Statements of GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The following are the principal accounting policies used by the company and its subsidiaries:

1.1 Basis of consolidation

The consolidated financial statements include those of the company, all its subsidiaries and the share incentive trust. Subsidiaries are those companies and other entities in which the company, directly or indirectly, has control over the financial and operating policies.

The results of all subsidiaries are consolidated from the date effective control was acquired and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. 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, is recorded as goodwill. 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.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless costs cannot be recovered. The accounting policies used by subsidiaries are consistent with the policies adopted by the group.

1.2 Foreign currency translation

Income statements and cash flows 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 exchange rates ruling at year-end. Exchange differences arising from the translation of the net investment in foreign subsidiaries and associated undertakings and of borrowings that hedge such investments are taken to "foreign currency 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, translated at year-end exchange rates, are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

1.3 Equipment

Equipment is initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Equipment is 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 estimated useful lives as follows:

• Core banking application 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

Equipment is periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of equipment are determined by comparing proceeds with carrying amounts and are included in operating profit.

1.4 Impairment of non-current assets

Equipment and other non-current assets, including goodwill, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use.

1.5 Cash and cash equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less. Cash and cash equivalents are stated at cost which approximates fair value due to the short-term nature of these instruments.

1.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.7 Originated loans and provisions for impairment

Loans and advances originated by the group by providing money directly to the borrower are carried at original contract amount less provision made for impairment of these receivables. An estimate is made for impairment of doubtful advances 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. An impairment assessment is made of the carrying value of loans and advances by comparing this carrying value with an assessment of the present value of recoverable cash flows, discounted at the asset's original effective interest rate. The resulting difference is recognised as an impairment provision. The movement in the provision is taken to the income statement.

1.8 Depositors' funds

Depositors' funds are recognised initially at cost, being their issue proceeds (fair value consideration received) net of transaction costs incurred and are subsequently stated at amortised cost. Any differences between net proceeds and the redemption value are recognised in the income statement over the period of the borrowing using the effective yield method.

1.9 Interest-free loans granted

Interest-free loans granted, with fixed maturities, are stated at amortised cost. The redemption value is discounted to present value using the borrower's incremental borrowing cost. The unwinding of the resulting discount value is recognised in the income statement over the period of the borrowing.

1.10 Derivative financial instruments and hedging

Derivative financial instruments are restricted to forward foreign exchange contracts which are initially recognised in the balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices. All contracts are carried as assets when fair value is positive and as liabilities when fair value is negative. Derivatives are held only for hedging purposes and not for trading.

On the date a derivative contract is entered into, the group designates the contract as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge); or (2) a hedge of a future cash flow attributable to a recognised asset or liability, a forecasted transaction or a firm commitment (cash flow hedge). Hedge accounting is used for contracts designated in this way provided certain criteria are met.

The group's criteria for an instrument to be accounted for as a hedge include:

- formal documentation linking the hedging instrument to the hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- the hedge is expected to be highly effective in offsetting the risk in the hedged item; and
- the hedge is highly effective throughout the reporting period.

1.11 Inventory

Inventory is stated at the lower of the cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses. Inventory is carried net of rebates. All inventory comprises finished goods.

1.12 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.

Deferred tax related to the fair value measurement of cash flow hedges is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

1.13 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.

1.14 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. Fee income is recognised on an accrual basis.

Non-banking sales represent the net sales value of all products sold to third parties after the deduction of trade discounts. Revenue is recognised when risks and rewards of ownership have been transferred to the customer. Cost of inventory is recognised net of rebates.

1.15 Segment reporting

Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. The business of the company is currently located only within South Africa and meaningful geographical analyses cannot be performed.

1.16 Leases

Where a group company is the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

Where a group company is the lessor

Rental from the subletting of leased premises is recognised on a straight-line basis over the lease term.

2. SEGMENT REPORTING

Primary reporting format – business segments

During the year the group conducted operations in two main business areas – banking and wholesale distribution.

	Banking R'000	Wholesale distribution R'000	Adjustment for intra-segment items R'000	Total R'000
Year ended 29 February 2004				
Revenues	400 850	92 206	(726)	492 330
Segment result	46 882	(1 500)	–	45 382
Segment headline earnings	48 532	(1 500)	–	47 032
Segment assets	509 817	10 698	(10 031)	510 484
Segment liabilities	80 243	12 119	(10 031)	82 331
Capital expenditure	44 177	53	–	44 230
Depreciation	32 086	64	–	32 150
Goodwill impairment	1 206	–	–	1 206
Year ended 28 February 2003				
Revenues	326 451	–	–	326 451
Segment earnings	30 023	–	–	30 023
Segment headline earnings	30 304	–	–	30 304
Segment assets	434 430	–	–	434 430
Segment liabilities	48 497	–	–	48 497
Capital expenditure	31 329	–	–	31 329
Depreciation	21 402	–	–	21 402
Goodwill impairment	4 901	–	–	4 901

Comparatives – the primary reporting format was changed from geographical to business type, as all operations outside South Africa were sold in the previous financial year. The acquisition of Key Distributors (Pty) Ltd has resulted in the wholesale distribution segment.

Secondary reporting format

No secondary geographical segment information is disclosed as the company business for the year ended 29 February 2004 was all conducted within the Republic of South Africa.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2004

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
3. CASH AND CASH EQUIVALENTS				
Bank balances	114 913	69 257	–	–
Cash on hand	42 218	34 622	–	–
Central bank balances:				
Treasury bills	–	97	–	–
Debentures	2 006	–	–	–
Deposits with the central bank	666	100	–	–
	159 803	104 076	–	–
Debentures and treasury bills are short-term fixed interest securities lodged with the South African Reserve Bank in terms of clearing account arrangements.				
The comparative disclosure has been expanded to separately identify central bank balances.				
4. LOANS AND ADVANCES				
Receivable within:				
One month	146 460	141 864	–	–
One month to one year	17 006	2 346	–	–
More than one year	165	3 981	–	–
	163 631	148 191	–	–
Specific provision for impaired advances	(28 753)	(31 421)	–	–
General provision for doubtful debts (notes 18, 40)	–	(1 000)		
	134 878	115 770	–	–
Included within loans and advances is related accrued interest receivable of R7 835 000 (2003: R8 936 000).				
Movement on provision for impaired advances:				
Balance at 1 March 2003	32 421	26 875	–	–
Transfer of general provision to general banking risk reserve (notes 18, 40)	(1 000)	–	–	–
Movement in provision for loan impairment (note 20)	(2 668)	6 509	–	–
Subsidiaries sold	–	(963)	–	–
Balance at 29 February 2004	28 753	32 421	–	–
5. INVENTORY				
Finished goods	9 141	–	–	–
Inventory comprises consumable goods held at the Key Distributors warehouse.				

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
6. OTHER RECEIVABLES				
Prepayments	8 297	3 394	–	–
Rental deposits	1 879	2 269	–	–
Other	952	–	–	–
Derivatives (note 39)	65	–	–	–
	11 193	5 663	–	–
7. GROUP LOANS RECEIVABLE				
Loan to holding company [1]	–	2 534	–	–
Loan to fellow subsidiary	–	2 103	–	–
Loan to share incentive trust [2]	–	63	443	–
Loans to subsidiaries	–	–	80 000	81 848
	–	4 700	80 443	81 848

Currently all loans are interest-free with no fixed terms of repayment.

(1) The loan to the former holding company, reflected under the comparative group balances represented balances with PSG Group Limited. This fixed term interest-free loan was revalued at the beginning of the year in terms of AC 133 by R353 000. All balances with the PSG Group were settled during the year under review.

(2) The loan to the share incentive trust is now eliminated on consolidation (note 8).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2004

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
8. 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	Domicile	Proportion owned	Nature of business
Capitec Bank Limited	South Africa	100%	Banking
Keynes Rational Corporate Services (Pty) Limited	South Africa	100%	Dormant
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
Key Distributors (Pty) Limited	South Africa	75%	Wholesale distribution
Capitec Bank Holdings share trust [1]	South Africa	–	Share incentive trust

The holding company's interest in the aggregate income earned and losses incurred after tax by the subsidiaries amounted to R44,5 million (2003: R32,7 million) and R1,5 million (2003: R1,4 million) respectively. All holdings are in the ordinary share capital of the subsidiary concerned. Holdings are unchanged from 2003, except for the acquisition of Key Distributors (Pty) Limited.

(1) The share incentive trust has been consolidated in line with recommended accounting practice. The policy of the group's previous holding company, PSG Group Limited, was to not consolidate the results of the share incentive trust. The previous year's comparatives have not been revised as the share incentive trust did not have material assets and liabilities outside the group and did not hold shares in the group at the end of the previous year.

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
9. CURRENT TAX ASSETS/(LIABILITIES)				
Normal income tax	62	92	–	–
Foreign tax	–	(576)	–	–
	62	(484)	–	–

10. EQUIPMENT

Group

Year ended 29 February 2004	Software R'000	Computer equipment R'000	Office equipment and vehicles R'000	Total R'000
Opening net book value	33 300	65 450	37 023	135 773
Additions	7 193	20 549	16 488	44 230
Disposals	(43)	(233)	(957)	(1 233)
Acquisition of subsidiaries	7	53	75	135
Depreciation charge	(7 723)	(12 009)	(12 418)	(32 150)
Reclassification*	31 298	(31 298)	–	–
Net book value at end of year	64 032	42 512	40 211	146 755
Cost	74 344	65 403	68 566	208 313
Accumulated depreciation	(10 312)	(22 891)	(28 355)	(61 558)
Net book value at end of year	64 032	42 512	40 211	146 755
Year ended 28 February 2003				
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)
Disposals 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
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

** The comparative results incorrectly classified certain software items as computer equipment. This has been corrected. The cost price of the assets reclassified amounted to R34,4 million with accumulated depreciation of R3,1 million.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2004

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
11. GOODWILL				
Opening book value	–	–	–	–
Acquisition of subsidiary	1 206	4 901	2 446	–
Impairment charge	(1 206)	(4 901)	(2 446)	–
Net book value at end of year	–	–	–	–
Cost	6 107	4 901	2 446	–
Accumulated impairment	(6 107)	(4 901)	(2 446)	–
Net book value at end of year	–	–	–	–

The impairment charge in 2004 comprised the full write-off of goodwill paid of R600 000 on the acquisition of Key Distributors (Pty) Ltd, as the subsidiary was trading at a loss. Goodwill of R606 000 on the acquisition of Keymatrix (Pty) Ltd [previously Curerisk (Pty) Ltd] was impaired as the purchase price was dependent on the collection of the arrears book of the acquired business. The increase in goodwill is therefore impaired in the same period as the collection is accounted for.

12. DEFERRED TAX				
Deferred tax is calculated using a principal tax rate of 30% (2003: 30%). The movement on the deferred tax asset account is as follows:				
At beginning of year	68 448	85 573	–	–
AC133 – adjustment to general doubtful debts provision (notes 4, 40)	(300)	–	–	–
	68 148	85 573	–	–
Disposal of subsidiaries	–	3	–	–
Movements due to other temporary differences	1 392	(13 398)	–	–
Utilisation of assessed losses	(20 868)	–	–	–
Adjustment of assessed loss on acquisition of subsidiary	–	(3 730)	–	–
Cash flow hedges				
Fair value measurement transferred to equity	(20)	–	–	–
At end of year	48 652	68 448	–	–

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
12. DEFERRED TAX *(continued)*				
Deferred tax may be analysed as follows:				
Assessed losses	45 352	66 220	–	–
Provisions	2 914	2 034	–	–
Capital allowances	406	194	–	–
Cash flow hedges	(20)	–	–	–
	48 652	68 448	–	–
Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.				
13. DEPOSITS				
On demand to one month	4 585	1 139	–	–
One month to one year	7 312	16 938	–	–
More than one year	36 979	7 760	–	–
	48 876	25 837	–	–
Effective interest rates				
– On demand to one month (%)	10,1	15,4	–	–
– One month to one year (%)	10,2	16,3	–	–
– More than one year (%)	12,6	15,9	–	–
14. TRADE AND OTHER PAYABLES				
Trade payables	9 598	3 687	–	–
Accruals	22 111	17 749	–	–
	31 709	21 436	–	–
The comparative amounts have been adjusted to include the reclassification of the leave pay accrual. The accrual totalled R5,0 million (2003: R4,4 million) (note 15).				

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2004

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
15. PROVISIONS				
Provision for pending litigation				
Opening balance	740	–	–	–
Net charge	1 006	740	–	–
Closing balance	1 746	740	–	–
The comparative numbers for the leave pay expense due have been adjusted. This item is by nature an accrual and was reclassified and moved to trade and other payables.				
16. GROUP LOANS PAYABLE				
Loans owing to subsidiaries	–	–	21 637	37 465
Loan owing to holding company	–	–	–	2 138
	–	–	21 637	39 603
Loans from subsidiaries are interest free and have no fixed terms of repayment.				
17. 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				
68 743 488 (company 68 837 250) shares of R0,01 each (2003 group and company: 63 190 349 shares of R0,01 each)				
Company and group share capital				
Company share capital	688	632	688	632
– Shares held in share incentive trust	(1)	–	–	–
Consolidated share capital	687	632	688	632
Company and group share premium				
Company share premium	325 727	326 246	325 727	326 246
– Shares held in share incentive trust	(536)	–	–	–
– Loss on settlement of share options by subsidiary	(2 147)	–	–	–
Consolidated share premium	323 044	326 246	325 727	326 246
Total share capital and share premium	323 731	326 878	326 415	326 878

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
17. SHARE CAPITAL AND PREMIUM *(continued)*				
All issued shares are fully paid. The principal subsidiary company within the group, Capitec Bank Limited, purchases shares in Capitec Bank Holdings Limited and transfers these shares to the share incentive trust in accordance with the arrangements of the company's share scheme and articles of association. These shares have not been cancelled and are held within the share trust for delivery against share options as they fall due. These shares are treated as a deduction from the shareholders' equity. Losses on settlement of share options are charged to expenses in Capitec Bank Limited and are reversed to share premium on consolidation.				
The unissued shares are under the control of the directors until the next annual general meeting.				
18. RESERVES				
The foreign currency translation reserve realised on the sale of related foreign subsidiaries and the cash flow hedge reserve is released on recognition of the related hedged liability. An analysis of the movements in each category within reserves is presented below:				
Foreign currency translation reserve				
At beginning of year	–	733	–	–
Transfer to retained earnings on sale of subsidiary	–	(733)	–	–
At end of year	–	–	–	–
Cash flow hedge reserve				
Gains/(Losses) from changes in fair value	65	–	–	–
Deferred tax (note 12)	(20)	–	–	–
At end of year	45	–	–	–
General banking provision reserve				
Transfer from general doubtful debts provision (notes 4, 40)	1 000	–	–	–
Transfer from deferred tax (notes 12, 40)	(300)	–	–	–
At end of year	700	–	–	–
Total	745	–	–	–

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for the year ended 29 February 2004

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
19. NET INTEREST INCOME				
Interest income				
Interest on loan book	393 177	323 144	–	–
Interest on bank balances	4 459	3 247	–	–
Interest on central bank balances	136	6	–	–
Loan accounts	960	–	–	–
	398 732	326 397	–	–
Interest expense				
Deposits and customer accounts	(3 518)	(3 402)	–	–
Net interest income	395 214	322 995	–	–
20. NET IMPAIRMENT CHARGE ON LOANS AND ADVANCES				
Bad debt	49 117	42 450	–	–
Movement in impairment provision (note 4)	(2 668)	6 509	–	–
Bad debts recovered	(17 658)	(16 141)	–	–
Net impairment charge	28 791	32 818	–	–
21. OPERATING EXPENSES				
The following items have been included in arriving at operating expenses:				
Depreciation on equipment	32 150	21 402	–	–
Loss/(Profit) on disposal of equipment and other assets	1 144	1 067	–	(60)
Operating lease rentals				
Land and buildings	33 920	30 516	–	–
Office equipment	3 153	2 852	–	–
	37 073	33 368	–	–
Income from subletting	(1 123)	(379)	–	–
Auditors' remuneration				
Audit fees – current year	880	764	–	–
Underprovision – previous year	78	42	–	–
Other services	117	17	–	–
	1 075	823	–	–
Profit warranty loss	–	2 138	(2 138)	2 138

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
21. OPERATING EXPENSES *(continued)*				
Directors' emoluments				
Executive (included in staff costs below)				
Salaries			3 724	3 108
Fringe benefits			43	420
Bonuses			–	340
Non-executive				
Fees			396	182
Less: Paid by subsidiaries			(4 163)	(4 050)
			–	–
Consultancy fees relating to non-employees comprise:				
Managerial services	1 605	1 929	–	–
Secretarial services	540	435	188	–
Technical	1 920	2 270	–	–
Administrative	2 049	388	–	–
	6 114	5 022	188	–
Comparative numbers for consultancy fees have been expanded to provide complete disclosure of all consultancy fees relating to non-employees split into the above categories.				
Staff costs				
Salaries and wages	110 538	95 372	–	–
Social security cost	2 035	1 579	–	–
Training cost	5 605	1 220	–	–
Training refund	(603)	(458)	–	–
	117 575	97 713	–	–
Number of employees at year-end	1 402	1 180	–	–

22. EXCEPTIONAL ITEMS

	Profit on disposal of Botswana subsidiary R'000	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 equipment and other assets R'000	Total R'000
Group						
2004						
Gross	9	348	–	(1 206)	(1 144)	(1 993)
Tax effect	–	–	–	–	343	343
Net	9	348	–	(1 206)	(801)	(1 650)
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)
Company						
2004						
Gross	–	–	–	(2 446)	–	(2 446)
Tax effect	–	–	–	–	–	–
Net	–	–	–	(2 446)	–	(2 446)
2003						
Gross	–	–	–	–	115	115
Tax effect	–	–	–	–	–	–
Net	–	–	–	–	115	115

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
23. TAX				
Current tax	(4)	1 291	–	–
Deferred tax	19 476	13 398	–	–
Secondary tax on companies	51	2 375	51	–
	19 523	17 064	51	–
The tax on the profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:				
Profit before tax	64 905	47 087	17 482	16 976
Tax calculated at a tax rate of 30%	19 472	14 126	5 245	5 093
Secondary tax on companies	51	2 375	51	–
Income not subject to tax	(1 497)	(603)	(5 362)	(5 725)
Expenses not deductible for tax purposes	1 612	1 491	734	–
Unutilised tax loss	474	632	16	632
Foreign tax rate differential	–	(740)	–	–
Prior year unrecognised tax losses utilised	(632)	71	(633)	–
Overprovision previous year	(5)	(288)	–	–
Other	48	–	–	–
Tax charge	19 523	17 064	51	–
Estimated tax losses at year-end available for utilisation against future taxable income	158 391	222 842	53	2 107
Less: Applied in raising a deferred tax asset	(151 173)	(220 735)	–	–
Net calculated tax losses carried forward	7 218	2 107	53	2 107
Tax relief calculated at current tax rates	2 165	632	16	632
The utilisation of the tax losses is dependent on sufficient future taxable income being earned.				

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24. 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.

	Group	
	2004 R'000	2003 R'000
Net profit attributable to shareholders	45 382	30 023
Weighted average number of ordinary shares in issue (thousands)	67 028	65 808
Basic earnings per share (cents)	67,7	45,6

Diluted earnings per share

Diluted earnings per share is calculated using the weighted average number of ordinary shares in issue, adjusted to assume conversion of all potentially dilutive ordinary shares. For 2004 and 2003 potentially dilutive ordinary shares consisted only of share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issue of ordinary shares for no consideration. No adjustment is made to earnings (numerator).

Net profit used to determine diluted earnings per share	45 382	30 023
Weighted average number of ordinary shares in issue (thousands)	67 028	65 808
Adjustments for:		
– exercise of share options	4 840	1 901
Weighted average number of ordinary shares for diluted earnings per share (thousands)	71 868	67 709
Diluted earnings per share (cents)	63,1	44,3

	Group	
	2004 R'000	2003 R'000
25. HEADLINE EARNINGS PER SHARE		
Basic headline earnings per share		
Net profit attributable to shareholders	45 382	30 023
Exceptional items (Note 22)	1 650	281
Headline earnings	47 032	30 304
Headline earnings per share (cents)	70,2	46,0
Diluted headline earnings per share		
Headline earnings	47 032	30 304
Diluted headline earnings per share (cents)	65,4	44,8

26. DIVIDENDS PER SHARE

At the annual general meeting on 26 May 2004 a dividend in respect of 2004 of 20 cents per share (2003: 19,0 cents per share or 9,25 scrip shares per 100 shares held) amounting to a total dividend of R13,8 million (2003: R0,4 million cash and nominal value of scrip shares of R0,1 million) will be proposed. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 28 February 2005, in line with recommended accounting policy.

The prior year scrip dividend option offered in June 2003 was accepted by 97% of shareholders.

27. FINANCIAL RISK MANAGEMENT

Nature and extent of financial instruments

Financial instruments carried on balance sheet consist of cash and cash equivalents, loans and advances, other receivables, forward foreign exchange contracts, group loans receivable and payable, deposits and current accounts and trade and other payables.

Credit risk

Potential concentrations of credit risk exist principally in cash and cash equivalents. The group only deposits cash surpluses with major financial institutions of high credit standing and reputation.

Advances are disclosed net of the impairment provision. 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 customer base. Measures taken by the group to limit credit risk to acceptable levels include, inter alia, the application of standard credit acceptance procedures to assess potential customers, daily monitoring of collectible balances at both branch and campus level and monitoring by the risk committee.

Interest rate risk

The group operates within the ambit of the Usury Act exemption notice when considering interest rates on the advancing of short-term micro loans.

The current group interest profile is uncomplicated and is monitored by the asset and liability committee. Effective rates on deposit balances are disclosed in note 13.

27. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk

The bank manages liquidity cautiously and operates an uncomplicated maturity profile which is monitored by the asset and liability committee. The short-term nature of the loan book relative to the size of the deposit book and the term nature of much of the funding reduces the liquidity risk of the group.

The table below analyses assets and liabilities of the group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

Maturities of assets and liabilities	Up to one month R'000	One month to one year R'000	More than one year R'000	Total R'000
2004				
Assets				
Loans to customers	146 460	17 006	165	163 631
Cash and bank balances	157 797	–	–	157 797
Treasury bills/Debentures	2 006	–	–	2 006
	306 263	17 006	165	323 434
Liabilities				
Liabilities to depositors	4 585	7 312	36 979	48 876
Trade and other payables	31 709	–	–	31 709
	36 294	7 312	36 979	80 585
Net liquidity gap	269 969	9 694	(36 814)	242 849
2003				
Assets				
Loans to customers	141 864	2 346	3 981	148 191
Cash and bank balances	103 979	–	–	103 979
Treasury bills/Debentures	97	–	–	97
	245 940	2 346	3 981	252 267
Liabilities				
Liabilities to depositors	1 139	16 938	7 760	25 837
Trade and other payables	21 436	–	–	21 436
	22 575	16 938	7 760	47 273
Net liquidity gap	223 365	(14 592)	(3 779)	204 994

The repricing dates for items above are not materially different from their contractual maturity dates.

Currency risk

The exposure to foreign currency risk arises on the importation of capital equipment, technology and technology support services needed for the core banking activities. This risk is managed through the purchase of forward foreign exchange contracts to hedge anticipated payments.

Exposure to foreign currency arising from the net investment on foreign entities ceased with the sale of all subsidiaries outside of South Africa in the prior year.

27. FINANCIAL RISK MANAGEMENT *(continued)*

Capital adequacy

To monitor the adequacy of its capital the group uses ratios established by the South African Reserve Bank (SARB). These ratios measure capital adequacy (minimum 15% as required by SARB) by comparing the group's eligible capital with its balance sheet assets, off-balance-sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. Reporting to the SARB on capital adequacy occurs on a periodic basis. The group capital adequacy ratio at year-end was 100,8% (2003: 92,4%).

28. RETIREMENT BENEFITS

The group contributed R5,4 million (2003: R3,7 million) on behalf of all employees who elected to be members of the provident fund. The provident fund is a defined contribution fund, is administered independently of the group and is subject to the Pension Funds Act. 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.

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
29. RELATED PARTY TRANSACTIONS				
Investments in subsidiaries are disclosed in notes 8 and 33.				
Intergroup operating income				
– Capitec Bank management fee	–	–	291	–
Intergroup operating expense				
– PSG Corporate Services management fee	1 084	1 425	–	–
– PSG Corporate Services facility fee	227	519	–	–
– Profit warranty provided to PSG Corporate Services	–	2 138	(2 138)	2 138
Dividend received				
– Capitec Bank	–	–	17 873	16 099
– Cashcorp	–	–	–	850
– Finaid Financial Services	–	–	–	2 050
Intergroup loans due from:				
– Capitec Bank	–	–	80 000	81 848
– Capitec Bank Holdings Share Trust	–	63	443	–
– PSG Corporate Services	–	2 534	–	–
– Key Distributors	–	2 103	–	–
Intergroup loans due to:				
– Keynes Rational Corporate Services	–	–	891	891
– Finaid Financial Services	–	–	19 682	20 234
– Capitec Bank	–	–	1 063	16 339
– Keymatrix	–	–	1	1
– PSG Corporate Services	–	–	–	2 138

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2004

29. RELATED PARTY TRANSACTIONS *(continued)*

PSG Group Limited and PSG Corporate Services unbundled their holdings in Capitec Bank Holding Limited on 1 December 2003. The above related party transactions took place up to 1 December 2003.

The loan due from Capitec Bank of R80 million is subordinated by the holding company with a five year notice period and counts as secondary capital for the purposes of calculating Reserve Bank capital adequacy ratios.

Directors

All directors of Capitec Bank Holdings Limited have given notice that they did not have a material interest in any significant contract with the company or any of its subsidiaries, which could have given rise to a conflict of interest during the year. Details relating to directors' emoluments, shareholdings and share options granted are included in the directors' report.

30. CASH FROM OPERATIONS

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
Net profit before tax	64 905	47 087	17 482	16 976
Adjusted for				
Other finance charges	30	–	–	–
Non-cash items				
Depreciation included in other operating costs	32 150	21 402	–	–
Goodwill impairment	1 206	4 901	2 446	–
Movement in advances impairment provision	(2 668)	6 509	–	–
Movement in provisions	1 006	740	–	–
Loss/(Profit) on disposal of equipment and other assets	1 144	1 067	–	(60)
Profit on disposal of subsidiaries	(357)	(5 909)	–	–
Other items	(353)	–	(2 138)	2 083
Movements in current assets and liabilities				
Increase in receivables and prepayments	(4 955)	(821)	–	–
Increase in loans and advances	(15 440)	(34 681)	–	–
Increase/(Decrease) in trade and other payables	7 103	8 008	–	(1 232)
Increase in deposits	23 039	25 837	–	–
Increase in inventory	(5 377)	–	–	–
Cash flows from operations	101 433	74 140	17 790	17 767

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
31. TAX PAID				
Outstanding at beginning of year	(484)	(2 794)	–	–
Interest due to the Receiver of Revenue	(30)	–	–	–
Charge to the income statement	(19 523)	(17 064)	(51)	–
Income statement movement in deferred tax	19 476	13 398	–	–
Owing by subsidiaries sold	–	875	–	–
Outstanding end of year	(62)	484	–	–
Tax paid	(623)	(5 101)	(51)	–

32. ACQUISITION OF SUBSIDIARIES

On 1 March 2003, the company acquired 75% of the share capital of Key Distributors from PSG Corporate Services. Key Distributors is a wholesale distribution company. Key Distributors incurred an operating loss of R1,5 million for the period 1 March 2003 to 29 February 2004 (2003: R2,1 million). No outside shareholding is reflected, as the outside shareholders do not contribute to financing the loss of the company. On group level the profit warranty given to PSG Corporate Services of R2,1 million, which was waived in the current year, was offset against the purchase consideration to determine the goodwill on acquisition of Key Distributors. The effect was a lower group headline earnings.

The details of the assets and liabilities acquired and goodwill arising are as follows:

Equipment	135	–	–	–
Cash and bank	570	–	–	–
Inventory	3 764	–	–	–
Sundry receivables and prepayments	510	–	–	–
Trade and other payables	(3 170)	–	–	–
Term liabilities	(2 104)	–	–	–
Goodwill/Investment	600	–	2 446	–
Total purchase consideration paid	305	–	2 446	–
Less: Cash and cash equivalents in subsidiary acquired	(570)	–	–	–
Cash (inflow)/outflow on acquisition	(265)	–	2 446	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2004

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
32. ACQUISITION OF SUBSIDIARIES *(continued)*				
The company continued to pay for the acquisition of Keymatrix (Pty) Limited [previously Curerisk (Pty) Limited] based on the purchase contract which specified that the purchase price be determined based on the collection of the acquired arrears book of the company. The purchase price is now fully settled.				
Assets acquired	–	–	–	–
Liabilities acquired	–	–	–	–
Goodwill	606	1 171	–	–
Cash outflow on acquisition	606	1 171	–	–
Total cash outflow on acquisition	341	1 171	2 446	–
33. DISPOSAL OF SUBSIDIARIES				
Net assets sold				
Equipment	–	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	357	5 909	–	–
Non-cash proceeds	–	(585)	–	–
Net proceeds	357	8 192	–	–

In the prior year 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. The proceeds on sale in the current year relate to these disposals in the previous year.

	Group		Company	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
33. DISPOSAL OF SUBSIDIARIES *(continued)*				
Finaid Financial Services (Pty) Limited				
Interest income	–	805	–	–
Operating loss before tax	–	(1 392)	–	–
Rational Investments (Pty) Limited				
Revenue	–	3 032	–	–
Operating income before tax	–	2 070	–	–
Cash Corp (Pty) Limited				
Interest income	–	2 017	–	–
Operating income before tax	–	1 305	–	–
34. SHARES (ACQUIRED)/ISSUED				
Increase in ordinary shares	55	(35)	56	(35)
Decrease in share premium	(3 202)	(16 304)	(519)	(16 304)
Non-cash consideration paid/(received)	–	16 339	–	16 339
	(3 147)	–	(463)	–
35. COMMITMENTS AND CONTINGENT LIABILITIES				
Property rental commitments				
Within one year	33 078	24 830	–	–
From one to five years	49 082	30 331	–	–
After five years	–	–	–	–
	82 160	55 161	–	–
Other operating lease commitments				
Within one year	1 796	1 667	–	–
From one to five years	1 622	2 889	–	–
After five years	–	–	–	–
	3 418	4 556	–	–
Guarantees				
Issued to banking institutions	–	4 000	–	–
Issued to other institutions	1 949	3 848	–	1 362
	1 949	7 848	–	1 362
Capital commitments – approved by the board				
Contracted for	16 446	12 530	–	–
Not contracted for	39 991	38 632	–	–
	56 437	51 162	–	–

Pending litigation

The amount of pending litigation against the group for which no provision has been raised is R nil. (2003: R2,1 million).

36. 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. These borrowing powers are subject to the limitations of the Banks Act.

The increase in borrowings from the previous year is for the purposes of funding of general banking business including future expansion of the loan book and capital expenditure.

37. 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	
	2004 R'000	2003 R'000
At year-end the ringfenced assets consisted of the following:		
Investment and trading securities	–	4 282
Loans and advances	–	8 141
	–	12 423
Other liabilities and provisions	–	(2 079)
Loan – Axiam Holdings Limited	–	(10 344)
	–	–

38. SHARE INCENTIVE SCHEME

	2004 Number	2003 Number
Options issued to personnel of Capitec Bank Limited		
Total number of options	7 859 924	8 079 205
Balance at beginning of year	8 079 205	7 436 442
Options granted	752 500	851 000
Options cancelled	(95 001)	(86 584)
Options exercised	(876 780)	(121 653)

Expiry		2004 Weighted average strike price (R)	2004 Number	2003 Weighted average strike price (R)	2003 Number
Financial year	2004	–	–	1,42	876 780
	2005	1,44	2 026 464	1,44	2 050 214
	2006	1,44	2 026 464	1,44	2 050 214
	2007	1,53	2 052 385	1,44	1 888 011
	2008	1,58	1 378 361	1,45	1 213 986
	2009	2,40	188 125	–	–
	2010	2,40	188 125	–	–
			7 859 924		8 079 205

Disclosure regarding the effect, had IFRS 2 been adopted:

The table below provides detail regarding the data used in the valuation of the share options in terms of International Financial Reporting Standard (IFRS) 2. Had the accounting statement been adopted in the current year the effect would have been a charge to the current year's income statement of R69 000.

38. SHARE INCENTIVE SCHEME *(continued)*

Year granted	Strike price R	Share price on issuing/ repricing date %	Volatility used in valuation [4] %	Dividend yield %	Year maturing	Risk-free rate %	Number of options outstanding	Fair value on issue/repricing date ignoring vesting conditions R'000	Expected vesting proportion [5] %	Value taking into account expected vesting proportion R'000
1999/2000 [1] [2]										
	1,42	1,72	40	16,30	2004/05	11,7	528 717	169	72,2	122
					2005/06	11,7	528 717	157	62,8	99
					2006/07	11,7	366 513	99	54,7	54
2000/01 [1] [2]										
	1,42	1,72	40	16,30	2004/05	11,6	1 077 969	347	73,5	255
					2005/06	11,7	1 077 969	325	64,0	208
					2006/07	11,7	1 077 969	297	55,7	165
					2007/08	11,7	770 458	191	48,5	93
2001/02 [1] [2]										
	1,42	1,72	40	16,30	2004/05	11,6	230 778	75	75,5	56
					2005/06	11,7	230 778	71	65,7	46
					2006/07	11,7	230 778	65	57,1	37
					2007/08	11,7	230 778	58	49,7	29
2002/03 [2]										
	1,59	1,71	40	16,48	2004/05	11,3	189 000	49	75,7	37
					2005/06	11,6	189 000	48	65,9	32
					2006/07	11,5	189 000	45	57,3	26
					2007/08	11,5	189 000	41	49,8	20
2003/04 [3]										
	2,40	2,52	40	7,36	2006/07	10,3	188 125	123	65,9	81
					2007/08	10,1	188 125	130	57,3	75
					2008/09	10,1	188 125	134	49,8	67
					2009/10	10,0	188 125	135	43,4	58
Grand total							7 859 924	2 559	61,0	1 560

(1) Initially issued at R5 strike price, repriced to R1,42 on 26 April 2002. Valuation done as at repricing date as required by IFRS 2.

(2) Issued/Repriced prior to 7 November 2002 and will never be expensed through the income statement in terms of IFRS 2.

(3) Effect on the income statement for 2003/04 on implementation of IFRS 2 would have been R69 000.

(4) Standard expected volatility of 40% applied, as the short listing history available at valuation date was inappropriate for forecasting purposes.

(5) Average independently assessed South African executive staff turnover of 13% p.a. used to estimate likelihood of vesting conditions realising. Will be re-estimated in terms of IFRS 2 on an annual basis.

39. DERIVATIVE FINANCIAL INSTRUMENTS

Included in other receivables are the following forward foreign exchange contracts:

	Group		
	Notional amount	Fair values	
		Assets	Liabilities
Year ended 29 February 2004	000	R'000	R'000
Derivatives designated as cash flow hedges			
Forward foreign exchange contracts		65	–
– Notional amounts in ZAR	2 006		
– Notional amounts in USD	297		

Forward foreign exchange contracts represent commitments to purchase foreign currency.

40. EFFECT OF AC133 ON RESULTS

	Group		
	Gross R'000	Tax R'000	Net R'000
– Adjustments to retained earnings [1]	(353)	–	(353)
– Adjustments to reserves [2]	1 000	(300)	700
	647	(300)	347

The effect of implementing AC133 on the results for the period is limited due to the short-term nature of the loan book.

Comparative figures are not restated and opening adjustments are accounted for directly to opening retained earnings in terms of AC133, which is applied prospectively.

(1) Interest-free intergroup loans with a fixed maturity were fair valued in equity, with corresponding interest income amortised during the current period.

(2) Creation of a reserve within equity for Banks Act regulatory requirements on general provisioning and transfer of prior year general doubtful debt provision net of tax to this account.

STATUTORY INFORMATION

for the year ended 29 February 2004

ANALYSIS OF SHAREHOLDERS

	Number of shareholders	% of total	Number of shares	% interest
Analysis of shareholders				
1 – 1 000 shares	3 559	72,72	702 139	1,02
1 001 – 10 000 shares	1 001	20,45	2 471 257	3,59
10 001 – 100 000 shares	254	5,19	7 215 085	10,48
100 001 and over	80	1,64	58 448 769	84,91
	4 894	100,00	68 837 250	100,00

Shareholder spread

	Number of shareholders	% of total	Number of shares	% interest
Public shareholders	4 855	99,20	32 035 557	46,53
Directors	22	0,45	23 635 616	34,34
Directors of the company or any of its subsidiaries	4	0,08	274 835	0,40
Associates of directors of the company or any of its subsidiaries	18	0,37	23 360 781	33,94
Trustees of employees' share scheme	1	0,02	93 762	0,14
Holdings of 5% or more (excluding holdings of directors and associates of directors)	16	0,33	13 072 315	18,99
Old Mutual	7	0,15	4 475 626	6,50
Sanlam	5	0,10	4 614 173	6,70
PSG Group	4	0,08	3 982 516	5,79
	4 894	100,00	68 837 250	100,00

SPECIAL RESOLUTIONS OF SUBSIDIARIES

Details of special resolutions passed by the company's subsidiaries during the financial year are presented below.

Capitec Bank Limited

The following amendments to the company's articles of association were approved:

– Insertion of article 11.2.7 to allow the company to repurchase shares issued by it subject to the approval of the Registrar of Banks.
– Insertion of article 35A which stipulates that the number of directors shall not be less than five, provided that the appointment of any director or alternate director will be subject to the provisions of the Banks Act.
– Deletion of article 51 and substitution with the following "unless otherwise determined by the company in a general meeting, or by a meeting of directors (at which all the directors are present) the quorum necessary for transacting the business of the directors shall be a majority of the directors of the board for the time being in office of which at least 50% must be non-executive. A resolution of directors shall be passed by a majority of the votes of the directors present at the meeting at which it is proposed."

Keymatrix (Pty) Limited

– Resolution passed for a change of name from Curerisk (Pty) Ltd to Keymatrix (Pty) Ltd.

Keynes Rational Corporate Services (Pty) Limited

– The previous articles of association were cancelled and replaced.

Smartfin Financial Services (Pty) Limited

– Resolution passed for a change of name from PSG Smartfin Financial Services (Pty) Ltd to Smartfin Financial Services (Pty) Ltd.
– The previous articles of association were cancelled and replaced.

Key Distributors (Pty) Limited

– The previous articles of association were cancelled and replaced.

Finaid Financial Services (Pty) Limited

– The previous articles of association were cancelled and replaced.

ANNEXURE A – ATTENDANCE OF MEETINGS BY DIRECTORS

1 March 2003 to 29 February 2004

COMMITTEES	BOARD	AUDIT	REMUNERATION	RISK *	DIRECTORS' AFFAIRS
Number of meetings during the period under review	9	3	1	3	1
JF Mouton	9	–	–	–	1
CJ Borstlap	7	–	–	–	–
AP du Plessis	9	3	–	3	–
MC Mehl	7	–	–	–	1
MS du P le Roux	9	3	1	–	–
CA Otto	7	3	1	–	1
JG Solms	9	3	–	–	1
R Stassen	9	3	–	3	–
J van Z Smith	8	3	–	–	1
NS Mjoli-Mncube **	1	–	–	–	1

** The board risk committee, set up in accordance with the amendments to the Banks Act, 94 of 1990, which is attended by non-executive board members, held its first meeting in March 2004.*

*** Joined the board and the directors' affairs committee from 26 January 2004.*

ANNEXURE B – COMPOSITION OF THE BOARD AND BOARD COMMITTEES

	COMMITTEES	PURPOSE	COMPOSITION	QUORUM	MEETINGS
1.	Board of directors	The board of directors is responsible for the strategy and overall management of the company	**3 executive directors** AP du Plessis (FD) R Stassen (CEO) CJ Borstlap **7 independent non-executive directors** JF Mouton (Chairman) MS du P le Roux MC Mehl (Prof) CA Otto NS Mjoli-Mncube (Ms) J van Z Smit (Dr) JG Solms	2 members	6 times a year
2.1	Executive management committee	Responsible for operational decision making and approvals of administrative nature on an ongoing basis	R Stassen (CEO) AP du Plessis (FD) CG van Schalkwyk (CE – Risk management) GM Fourie (CE – Operations)	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 van Schalkwyk CG Fischer (CE – Capitec Services) GM Fourie C Oosthuizen (CE – Information technology) L Venter (CE – Human resources) A Olivier (CE – Business development) **Heads of operations** F Cronjé H de Jongh HAJ Lourens	3 members	Once a month (members located at head office meet weekly to report on operational matters)
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 attend this forum	2 members	Twice a year

ANNEXURE B – COMPOSITION OF THE BOARD AND BOARD COMMITTEES

	COMMITTEES	PURPOSE	COMPOSITION	QUORUM	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) JF Mouton MS du P le Roux	2 members	Once a year
5.	Directors' affairs committee *	Evaluates the balance and effectiveness of the board; identifies the skills needed by the board; recommends potential appointees to the board	All non-executive directors are members of this committee	4 members	Twice a year
6.	Audit committee	Oversees financial controls, reporting and disclosure	J van Z Smit (Chairman) (non-executive director) CA Otto (non-executive director) JG Solms (non-executive director) R Stassen (executive director) **Alternates** MS du P le Roux (for R Stassen) **Attendee** DG Malan (External audit partner – PricewaterhouseCoopers) **Management attendees** CG van Schalkwyk (Risk management) (Secretary) J-HC de Beer (Compliance officer) AP du Plessis (Financial management) J Gourrah (Internal audit)	50% of members of which 50% must be non-executive director(s)	Three times a year
7.	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	CA Otto (Chairman) MS du P le Roux JG Solms **Attendees** R Stassen L Venter	3 members	Once a year

** Non-executive forum and nomination committee were absorbed in the directors' affairs committee established in accordance with the amendments to the Banks Act, 94 of 1990.*

	COMMITTEES	PURPOSE	COMPOSITION	QUORUM	MEETINGS
8.	Risk committee **	Responsible for addressing the following identified risks: – Credit – Technology – Operational – Compliance – Legal – Reputational	CG van Schalkwyk (Chairman) AP du Plessis C Oosthuizen R Stassen J-HC de Beer	3 members	Five times a year

*** Risk committee replaced by a statutorily required risk committee on which at least three directors serve of which at least two are non-executive.*

SHAREHOLDERS' DIARY

Financial year-end	29 February 2004
Profit announcement	31 March 2004
Annual report	April 2004
Annual general meeting	26 May 2004
Interim report	September 2004
Dividend:	
Last date to trade to be considered for the dividend payment	4 June 2004
Record date in respect of the dividend payment	11 June 2004
Payment date	14 June 2004
Share certificates may not be dematerialised, both days inclusive, from	7 June 2004 to 11 June 2004

ADMINISTRATION AND ADDRESSES

Registration number:	1999/025903/06
Auditors:	PricewaterhouseCoopers Inc.
Directors:	CJ Borstlap AP du Plessis MS du P le Roux Prof MC Mehl JF Mouton Ms NS Mjoli-Mncube (appointed 26 January 2004) CA Otto JG Solms R Stassen Dr J van Zyl Smit

No directors resigned during the year

Secretary:	CG van Schalkwyk
Registered address:	10 Quantum Road Techno Park Stellenbosch 7600
Postal address:	PO Box 12451 Die Boord Stellenbosch 7613
Website:	www.capitecbank.co.za

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the shareholders of Capitec Bank Holdings Limited ("Capitec" or "the company") will be held in the auditorium, The House of JC le Roux, Devon Valley Road, Devon Valley, Stellenbosch, on Wednesday, 26 May 2004, 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 29 February 2004.

2. To re-elect as an independent non-executive director Ms NS Mjoli-Mncube, who retires in terms of article 80.2.1 of the company's articles of association.

   Summary curriculum vitae of Nonhlanhla Sylvia Mjoli-Mncube
   Ms Mjoli-Mncube, aged 45, obtained an MA in City and Regional Planning from the University of Cape Town (1985).

   She is chairperson of the National Urban Reconstruction and Housing Agency (Nurcha), in South Africa and director of the Mjoli Development group. She was an executive director of Nurcha from 1994 until last year. She studied at the universities of Fort Hare and Cape Town; the Harvard Business School (USA); the Wharton School of Business (USA); Warwick University and the Massachusetts Institute of Technology (USA), where she was a SPURS fellow. She has served as an advisor to the housing ministry and won several awards for her work to advance women in business and strengthen community development, including "SABC Business Woman of the Year", "Standard Bank/Tribute Woman of Substance" and "Old Mutual/Femina Woman of the 90s". She sits on several boards in the housing finance sector.

3. To re-elect as an independent, non-executive director Prof MC Mehl, 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 Merlyn Claude Mehl
   Prof Mehl, aged 61, obtained a PhD (Physics) from the University of the Western Cape (1985).

   He is widely known in education and development circles in South Africa and internationally. He is recognised as a leader in his fields of expertise, which include educational change and development, especially in relation to dealing with problems of poverty. His career includes having served as professor in physics at UWC, chancellor of Peninsula Technikon and chief executive officer of the Independent Development Trust. Prof Mehl serves on various boards.

   He is a member of the risk and directors' affairs committees of Capitec.

4. To re-elect as a non-executive director Mr CA Otto, 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 Chris Adriaan Otto
   Mr Otto, aged 54, obtained a BComm LLB from the University of Stellenbosch (1972).

   He has been an executive director of PSG Group Limited since its formation and currently serves as CEO of PSG Capital Limited, the private equity and corporate finance division of PSG Group. He has been directly involved in the establishment of PSG's investment in micro finance and the subsequent formation of Capitec Bank of which he has been a director since inception.

   Mr Otto is a member of the risk, directors' affairs, and audit committees of Capitec and is the chairman of its remuneration committee.

5. To approve the directors' remuneration for the financial year:

5.1 ended on 29 February 2004 as disclosed in the annual financial statements, and

5.2 ending on 28 February 2005, as will be determined by the remuneration committee, subject to ratification by the company in general meeting.

   This approval will allow the company to remunerate directors bi-annually, at the end of August 2004 and February 2005 respectively. In the past, board members were remunerated annually, after shareholder approval of directors' remuneration for the year then completed, had been obtained.

6. To reappoint PricewaterhouseCoopers as auditors of the company to hold office until the conclusion of the next annual general meeting of the company.

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

8. To authorise the payment of a cash dividend of 20 cents per share, payable in cash on Monday, 14 June 2004.

SPECIAL BUSINESS

To consider and, if deemed fit, pass the following resolutions as special and/or ordinary resolutions as the case may be, with or without modification:

9. Special resolution number 1

Resolved 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, 1973 (Act 61 of 1973), the Listings 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 2005 or 26 August 2005, whichever is the earlier;
- the repurchase will only be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- 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 as well as for each 3% in aggregate of the initial number of that class acquired thereafter;
- 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;
- the company will not make the repurchases at a price more than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected;
- the company will, at any point in time, appoint only one agent to effect any repurchase(s) on the company's behalf;
- the company will only undertake a general repurchase of securities if, after such repurchase, at least 500 public shareholders as defined in the Listings Requirements of the JSE continue to hold at least 20% of the company's issued ordinary shares;
- the company will not repurchase its shares during any prohibited period as defined in par 3.67 of the Listings Requirements of the JSE.

10. Special resolution number 2

Resolved 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, 1973 (Act 61 of 1973), the articles of association of the company and insofar as it may be applicable, the Listings 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 2005 or 26 August 2005, whichever is the earlier;
- repurchase of securities in the company will only be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- 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 as well as for each 3% in aggregate of the initial number of that class acquired thereafter;
- 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;
- 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;
- the subsidiaries will, at any point in time, appoint only one agent to effect any purchase(s) of the company's securities;
- the subsidiaries will only undertake an acquisition of the company's securities if, after such acquisition, at least 500 public shareholders as defined in the Listings Requirements of the JSE continue to hold at least 20% of that class of the company's issued securities;
- the subsidiaries will not purchase any shares in the company during any prohibited period as defined in par 3.67 of the Listings Requirements of the JSE.

11. Special resolution number 3

Resolved that, subject to, inter alia, the approval of the Registrar of Banks and the Listings Division of the JSE Securities Exchange South Africa, the articles of association of the company be and are hereby amended by the inclusion of the following new article 139:

"139 ODD-LOT OFFERS

If, upon the implementation of any odd-lot offer made by the company in accordance with the Listings Requirements of the JSE Securities Exchange South Africa ("JSE"), there are members who hold either beneficially or as nominee on behalf of a third party less than the number of ordinary shares

in the company defined by the board of the company as an "odd-lot", then unless such members have either elected to retain their odd-lots, to sell their odd-lots or to increase their odd-lots in accordance with the terms of the odd-lot offer made by the company, such members shall be deemed to have agreed to sell their odd-lot holdings and the directors shall, with the approval of any ordinary resolution of members passed at any general meeting of the company, be entitled to cause the odd-lots of such members to be sold on behalf of such members on such basis as the directors may determine and the company shall procure that such odd-lot holders receive the proceeds thereof."

12. Ordinary resolution number 1

Resolved that, subject to special resolution number 3 above being

(a) approved by shareholders present at the meeting in person or represented by proxy and

(b) registered by the Registrar of Companies,

the directors be hereby authorised and empowered to make and implement an odd-lot offer to members of the company who hold, either beneficially or as nominee on behalf of a third party, less than 500 ordinary shares in the company ("odd-lots"), according to the terms and conditions of the odd-lot offer contained in the circular posted to shareholders on Friday, 30 April 2004, simultaneously with this notice, provided that expropriation will be limited to odd-lot holdings of less than 100 shares.

13. Special resolution number 4

Resolved that the company, subject to registration by the Registrar of Companies of special resolution number 3 above, approves and authorises as a specific approval, Capitec Bank Limited ("Capitec Bank"), a wholly-owned subsidiary of the company, to repurchase at the offer price, being the volume weighted average traded price of Capitec ordinary shares on the JSE over the five trading days commencing on Friday, 2 July 2004, and ending on Thursday, 8 July 2004, plus a 10% premium, the ordinary shares of those odd-lot holders who elect pursuant to the odd-lot offer (the details of which are contained in the circular to shareholders posted to shareholders on Friday, 30 April 2004, simultaneously with this notice), to

(a) sell their odd-lot holdings to Capitec Bank, or

(b) who do not make an election to sell, retain or increase their odd-lot holding, provided that where an election is not made such odd-lot holding is limited to less than 100 ordinary shares. The ordinary shares so purchased will be made available to shareholders electing to top up their odd-lot holdings and the balance, if any, will be retained as treasury stock, subject to the provisions of sections 85 to 89 of the Companies Act, 1973 (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:

- a majority of 75% of shareholders (excluding any shareholder and its associates which participate in the repurchase) present or represented by proxy at the general meeting approve special resolution number 4;
- the company will only undertake a specific repurchase of securities if, after such repurchase, at least 500 public shareholders as defined in the Listings Requirements of the JSE continue to hold at least 20% of the company's issued ordinary shares;
- the company or any of its subsidiaries will not repurchase its shares during any prohibited period as defined in par 3.67 of the Listings Requirements of the JSE.

14. Ordinary resolution number 2

Resolved that 6 883 725 of 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, 1973 (Act 61 of 1973), the articles of association of the company and the Listings Requirements of the JSE Securities Exchange South Africa.

15. Ordinary resolution number 3

Resolved that, subject to ordinary resolution number 2 being passed, the directors be hereby authorised as a general approval to issue new ordinary shares, options or convertible securities that are convertible into an existing class of equity securities for cash as they may deem fit, subject to the Companies Act, 1973 (Act 61 of 1973), the articles of association of the company and the Listings Requirements of the JSE Securities Exchange South Africa ("JSE"), provided that:

- this general approval shall expire at the date of the company's next annual general meeting in 2005 or 26 August 2005, whichever is the earlier;
- any such issue will only be securities of a class already in issue, or limited to such securities or rights that are convertible into a class already in issue;
- the securities will be issued only to the public as defined in the Listings Requirements of the JSE and not to related parties;
- during the period permitted in terms of this general approval, the general issues of ordinary shares in the aggregate will not exceed 10% 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, added to those that may be issued in future at the date of such application less any securities of the class issued or to be issued in future arising from options/convertible securities issued during the current financial year, plus any securities of that class to be issued pursuant to a rights issue (which has been announced, is irrevocable and is fully underwritten), or acquisition (which has had final terms announced), 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 JSE should be consulted for a ruling if the company's securities have not traded in such 30 business day period;
- 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.

16. Ordinary resolution number 4

That, subject to ordinary resolution number 1 above being passed, the directors be and are hereby authorised to allot and issue as a specific authority at the offer price, being the volume weighted average traded price of the ordinary shares on the JSE over the five trading days commencing on Friday, 2 July 2004, and ending on Thursday, 8 July 2004, such number of ordinary shares required by those odd-lot holders who, pursuant to the odd-lot offer contained in the circular to shareholders posted on Friday, 30 April 2004, simultaneously with this notice ("the odd-lot offer"), elect to increase their holdings to 500 ordinary shares subject to the Companies Act, 1973 (Act 61 of 1973), the articles of association of the company and the requirements of the JSE Securities Exchange South Africa, provided that:

- only ordinary shares in Capitec will be issued;
- issue of ordinary shares under this specific authority to non-public shareholders will be limited to such shareholders who are employees holding less than 500 shares of the company on record date expected to be on Friday, 23 July 2004;
- the maximum number of shares to be issued under this authority will not exceed 1 109 851 shares;
- the approval of a 75% majority of the votes cast by the shareholders (excluding any shareholders and their associates participating in the specific issue for cash) present or represented by proxy at the general meeting is required for this ordinary resolution to be effective.

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

EXPLANATORY NOTES

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

Special resolution number 1 – General 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 under this authority but believe that the company should retain the flexibility to take action if future purchases could be considered desirable and in the best interests 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 each be able to repay its debt in the ordinary course of business for a period of twelve months from the date hereof;
- the assets of the company and the group, valued in terms of Generally Accepted Accounting Practice, will respectively exceed the liabilities of the company and the group for a period of twelve months from the date hereof; and
- the share capital and reserves and working capital of the company and the group will be adequate for ordinary business purposes for a period of twelve months from the date hereof.

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

Special resolution number 2 – General 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, 1973 (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, subsidiary and group will each be able to repay its debt in the ordinary course of business for a period of twelve months from the date hereof.
- The assets of the company, subsidiary and the group will be in excess of the liabilities of the company, subsidiary and the group for a period of twelve months from the date hereof.
- The share capital, reserves and working capital of the company, subsidiary and group will be sufficient to meet the needs of the company, subsidiary and group 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 objective for seeking authority to amend its articles of association is, subject to shareholders approving same and registration of the amendment by the Registrars of Companies and Banks, to reduce the number of small shareholders in Capitec through implementing an odd-lot offer, thereby effectively reducing excessive costs associated with administering a large share register. The authority is subject to the terms of the Companies Act, 1973 (Act 61 of 1973), the Banks Act 94 of 1990 (as amended), 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.

Special resolution number 4 – Authority to effect a specific repurchase in favour of an odd-lot offer

The company seeks a specific authority for Capitec Bank to acquire ordinary shares in Capitec subject to specific statutory requirements. The Capitec board intends to make an odd-lot offer to members holding less than 500 ordinary shares ("odd-lots") in the issued share capital of the company beneficially or as nominees on behalf of third parties ("odd-lot holders"), in terms of the odd-lot offer contained in the circular to shareholders posted on Friday, 30 April 2004, simultaneously with this notice. In accordance with these terms, odd-lot holders may elect to either dispose of their odd-lots ("sale transaction"), top up their odd-lots ("purchase transaction") or retain their odd-lots. The default option where no election is made and the holding is less than 100 shares equates to a sale transaction. This authority will allow Capitec Bank to acquire the odd-lots resulting from the concerned sale transactions.

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 assets of the company and the group, valued in terms of Generally Accepted Accounting Practice, will respectively exceed the liabilities of the company and the group for a period of twelve months from the date hereof; and
- the share capital and reserves and working capital of the company and the group will be adequate for ordinary business purposes for a period of twelve months from the date hereof.

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

VOTING

Shareholders entitled to attend and vote at the annual 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 certificated or dematerialised shareholder with "own name" registration 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.

Proxy forms must be delivered or posted to Computershare Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) to be received by no later than 12:00 on Monday, 24 May 2004.

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

Beneficial owners who have dematerialised their shares through a CSDP or stockbroker, other than those in "own name" must provide the CSDP or stockbroker with their voting instruction. Alternatively, they must request the CSDP or stockbroker to provide them with a letter of representation should they wish to attend the meeting in person in terms of the custody agreement entered into between the beneficial owner and the CSDP or stockbroker.

By order of the board

CG van Schalkwyk
Company secretary

30 April 2004

FORM OF PROXY

Capitec Bank Holdings Limited (Incorporated in the Republic of South Africa)
(Registration number 1999/025903/06) ("Capitec" or "the company")
(JSE share code: CPI ISIN: ZAE000035861)

For use of shareholders who are
(1) registered as such and who have not dematerialised their Capitec ordinary shares, or
(2) hold dematerialised Capitec ordinary shares in their own name,
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 Wednesday, 26 May 2004, at 12:00.
Beneficial owners who have dematerialised their shares through a CSDP or stockbroker, other than those in "own name" must provide the CSDP or stockbroker with their voting instruction. Alternatively, they must request the CSDP or stockbroker to provide them with a letter of representation should they wish to attend the meeting in person in terms of the custody agreement entered into between the beneficial owner and the CSDP or stockbroker.

I/We (BLOCK LETTERS please) _____

of _____ (address)

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. Receive and adopt annual financial statements			
2. Re-elect Ms MS Mjoli-Mncube as a director			
3. Re-elect Prof MC Mehl as a director			
4. Re-elect Mr CA Otto as a director			
5.1 Approve the directors' remuneration up to 29 February 2004			
5.2 Authorise remuneration committee to determine directors' remuneration up to 28 February 2005, subject to ratification by shareholders in annual general meeting			
6. Reappoint auditors			
7. Authorise the directors to approve the auditors' remuneration			
8. Authorise payment of dividend of 20c per share			
9. Special resolution number 1 (general approval to the company to repurchase shares issued by the company)			
10. Special resolution number 2 (general approval to any subsidiary of the company to repurchase shares issued by such subsidiary and/or by the company)			
11. Special resolution number 3 (approval to amend the articles of association of the company to enable the odd-lot offer)			
12. Ordinary resolution number 1 (authorisation to the directors to make and implement an odd-lot offer)			
13. Special resolution number 4 (specific approval to Capitec Bank Limited, to, pursuant to the odd-lot offer, repurchase Capitec shares as required)			
14. Ordinary resolution number 2 (approval to place 6 883 725 of the unissued shares in the authorised share capital of the company under the control of the directors)			
15. Ordinary resolution number 3 (general approval to issue new ordinary shares for cash)			
16. Ordinary resolution number 4 (specific approval to allot and issue, pursuant to the odd-lot offer, new ordinary shares as required)			

Signed at _____ on this _____ day of _____ 2004.

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.

NOTES TO THE FORM OF PROXY

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 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, by proxy or 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 Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), by not later than 12:00 on Monday, 24 May 2004.

6. Any alteration or correction made to this form of proxy must be signed in full by the signatory/ies and not initialled.

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.

Beneficial owners who have dematerialised their shares through a CSDP or stockbroker, other than those in "own name" must provide the CSDP or stockbroker with their voting instruction. Alternatively, they must request the CSDP or stockbroker to provide them with a letter of representation should they wish to attend the meeting in person in terms of the custody agreement entered into between the beneficial owner and the CSDP or stockbroker.