



# CAPITEC Bank

CAPITEC BANK HOLDING LIMITED Registration Number: 1999/025903/06 Registered bank controlling company  
JSE Ordinary Share Code: CPI ISIN: ZAE000035861 JSE Preference Share Code: CPIP ISIN: ZAE000083838

## UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2006 AND DIVIDEND DECLARATION

### PERPETUAL PREFERENCE SHARE ISSUE

We are pleased with the successful perpetual preference share issue at 75% of prime at the end of August, which raised R155 million (net of expenses). Our capital base of R747 million will be used for possible international expansion, expansion of infrastructure and branches locally, and to increase Capitec's capacity for book growth.

### NATIONAL CREDIT ACT

We support the aims of the National Credit Act. It is important that credit is provided to the market in a simplified, unambiguous way. The regulations which the new Act provides for, however, do not necessarily support this and create a significant administrative burden. This has forced us to divert the attention of systems development staff to deal with these change requirements, at the cost of innovation on product and service delivery.

### PRICING AND PROSPECTS

In line with our ongoing policy of driving prices down, we will adjust prices on our loan products during the second half of the financial year. A revised pricing format will be simultaneously applied, which is in accordance with the new Credit Act. Longer term products, which will be offered to clients based on scorecard and affordability tests, will further enable us to drive prices down.

Shareholders are advised that even though prospects for the remainder of the financial year are sound, a similar level of earnings growth will not necessarily be maintained for the full financial year.

### INTERIM DIVIDEND

In view of the continued growth of the bank the directors approved an interim dividend of 20 cents per share payable on Monday, 4 December 2006. The following dates apply:

Last date to trade cum dividend	Friday, 24 November 2006
Trading ex dividend commences	Monday, 27 November 2006
Record date	Friday, 1 December 2006
Date of payment	Monday, 4 December 2006

Share certificates may not be dematerialised or rematerialised between Monday, 27 November 2006 and Friday, 1 December 2006, both days inclusive.

On behalf of the board

**Jannie Mouton**  
Chairman

**Riaan Stassen**  
Chief executive officer

Stellenbosch

27 September 2006

### GROUP BALANCE SHEET

	Unaudited August 2006 R'000	Unaudited August 2005 R'000	Audited February 2006 R'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	987 614	367 182	582 293
Investments at fair value	6 595	31 279	7 149
Loans and advances	465 003	322 076	443 504
Inventory	7 003	8 056	11 800
Other receivables	10 518	10 057	7 077
<b>Non-current assets</b>			
Loans and advances	10 463	10 549	11 157
Property and equipment	142 853	119 745	133 956
Intangible assets - banking system	40 181	59 646	47 688
Deferred income tax assets	13 116	8 041	6 648
<b>Total assets</b>	<b>1 683 346</b>	<b>936 631</b>	<b>1 251 272</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Deposits at amortised cost	483 252	207 486	337 067
Deposits held at fair value	2 239	2 221	2 149
Trade and other payables	78 901	45 588	63 696
Current income tax liabilities	55 412	48	22 493
Provisions	300	1 000	300
<b>Non-current liabilities</b>			
Deposits at amortised cost	256 772	140 052	200 827
Deposits held at fair value	52 224	55 184	54 953
Trade and other payables	7 088	5 030	5 971
<b>Total liabilities</b>	<b>936 188</b>	<b>456 609</b>	<b>687 456</b>
<b>EQUITY</b>			
Ordinary share capital and premium	347 865	323 160	347 865
Reserves	1 710	700	710
Retained earnings	242 977	156 162	215 241
Ordinary shareholders' equity	592 552	480 022	563 816
Perpetual preference share capital and premium	154 606	-	-
<b>Total equity</b>	<b>747 158</b>	<b>480 022</b>	<b>563 816</b>
<b>Total equity and liabilities</b>	<b>1 683 346</b>	<b>936 631</b>	<b>1 251 272</b>

### GROUP INCOME STATEMENT

	Unaudited Six months ended August 2006 R'000	Unaudited Six months ended August 2005 R'000	Audited Year ended February 2006 R'000
Interest on loans advanced	484 068	318 861	767 624
Interest on cash and cash equivalents	17 032	8 073	16 278
Interest expense	(32 219)	(16 445)	(40 079)
<b>Net interest income</b>	<b>468 881</b>	<b>310 489</b>	<b>743 823</b>
Net fee income	14 991	6 919	14 942
Fee income	39 831	16 467	44 314
Fee expense	(24 840)	(9 548)	(29 372)
Net impairment charge on loans and advances	(81 946)	(23 740)	(95 625)
Dividend income	187	1 047	1 015
Net movement in financial instruments held at fair value	2 220	352	1 431
<b>Non-banking gross profit</b>	<b>4 016</b>	<b>3 223</b>	<b>6 563</b>
Non-banking sales	65 751	64 238	131 368
Non-banking cost of sales	(61 735)	(61 015)	(124 805)
<b>Other income</b>	<b>11</b>	<b>258</b>	<b>4</b>
Income from operation	408 360	298 548	672 153
Banking operating expenses	(296 191)	(233 576)	(500 075)
Non-banking operating expenses	(3 228)	(2 958)	(5 965)
<b>Operating profit before tax</b>	<b>108 941</b>	<b>62 014</b>	<b>166 113</b>
Tax	(35 372)	(20 841)	(50 832)
<b>Profit for the period</b>	<b>73 569</b>	<b>41 173</b>	<b>115 281</b>

### RECONCILIATION OF ATTRIBUTABLE EARNINGS TO HEADLINE EARNINGS

	Unaudited Six months ended August 2006 R'000	Unaudited Six months ended August 2005 R'000	Audited Year ended February 2006 R'000
Profit for the period	73 569	41 173	115 281
Items excluded from headline earnings after tax:			
- Loss (profit) on disposal of fixed assets	927	(182)	1 111
<b>Headline earnings</b>	<b>74 496</b>	<b>40 991</b>	<b>116 392</b>

### GROUP CASH FLOW STATEMENT

	Unaudited Six months ended August 2006 R'000	Unaudited Six months ended August 2005 R'000	Audited Year ended February 2006 R'000
Cash flow from operating activities	302 778	67 473	294 042
Cash flow from operations	149 197	95 225	291 614
Increase in loans and advances	(26 038)	(129 593)	(308 745)
Increase in other liabilities, provisions and deposits	215 813	125 717	335 051
Tax paid	(3 826)	(2 558)	(2 560)
Dividend paid	(32 368)	(21 318)	(21 318)
Cash flow from investing activities	(34 503)	(48 152)	(61 523)
Net investment in equipment and software	(34 750)	(33 153)	(71 502)
Decrease (increase) in other investing activities	247	(14 999)	9 979
Cash flow from financing activities	137 046	(15 012)	(13 099)
Perpetual preference share issue net of issuing expenses	154 606	-	-
Shares acquired and options settled	(17 560)	(15 012)	(13 099)
Increase in cash and cash equivalents	405 321	4 309	219 420
Cash and cash equivalents at beginning of period	582 293	362 873	362 873
<b>Cash and cash equivalents at end of period</b>	<b>987 614</b>	<b>367 182</b>	<b>582 293</b>

### GROUP STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended August 2006 R'000	Unaudited Six months ended August 2005 R'000	Audited Year ended February 2006 R'000
Equity at beginning of period	563 816	473 418	473 418
Net profit for the period	73 569	41 173	115 281
Perpetual preference share issue net of issuing expenses	154 606	-	-
Loss on settlement of share options net of share based staff costs	(17 560)	(7 850)	(29 020)
Tax on settlement of share options	5 095	1 780	7 931
Shares (purchased) utilised for options	-	(7 181)	17 524
Dividend paid	(32 368)	(21 318)	(21 318)
<b>Equity at end of period</b>	<b>747 158</b>	<b>480 022</b>	<b>563 816</b>

### SEGMENTAL RESULTS

	Banking R'000	Wholesale Distribution R'000	Total R'000
<b>Unaudited Six months ended August 2006</b>			
Revenues	551 532	65 751	617 283
Headline earnings	74 291	205	74 496
Assets	1 670 995	12 351	1 683 346
<b>Unaudited Six months ended August 2005</b>			
Revenues	345 058	64 238	409 296
Headline earnings	41 223	(232)	40 991
Assets	932 016	4 615	936 631
<b>Audited Year ended February 2006</b>			
Revenues	829 235	131 368	960 603
Headline earnings	116 860	(468)	116 392
Assets	1 237 114	14 158	1 251 272

### COMMITMENTS

	Unaudited August 2006 R'000	Unaudited August 2005 R'000	Audited February 2006 R'000
Guarantees			
- Non-banking institutions	8 139	2 740	10 206
Unutilised loan facilities to clients	80 136	45 239	79 700
Capital commitments approved by the board			
- Contracted for	4 493	2 999	3 927
- Not contracted for	80 253	48 497	79 985
Operating lease commitments			
< 1 year	46 851	41 544	47 378
1 to 5 years	116 182	86 177	118 850
> 5 years	1 681	4 894	4 203

### NOTE

#### INTERIM FINANCIAL REPORT

The abridged interim consolidated financial statements are prepared in accordance with IAS 34 - Interim Financial Reporting and the accounting policies applied conform to IFRS. The accounting policies applied in the preparation of the interim consolidated financial statements are consistent with the policies applied in the previous year.

#### Company secretary and registered office

Christian George van Schalkwyk  
BComm LLB, CA(SA)  
10 Quantum Road  
Techno Park  
Stellenbosch 7600  
(PO Box 12451, Die Boord, Stellenbosch 7613)

**Sponsor**  
PSG Capital Limited  
(Registration number: 2002/017362/06)

#### Transfer secretaries

Computershare Investor Services 2004 (Pty) Limited  
Registration number: 2004/003647/07  
Ground Floor  
70 Marshall Street  
Johannesburg 2001  
(PO Box 61051, Marshalltown 2107)

#### Directors

JF Mouton (Chairman), R Stassen (CEO)\*, AP du Plessis (CFO)\*, MS du P le Roux, D Lockey#, Prof MC Mehl, Ms NS Mjoli-Mncube, CA Otto, JG Solms, Dr J van Zyl Smit  
\*Executive  
#Resigned effective 1 September 2006

# August 2006



↑ **78%** Headline earnings per share

↑ **79%** Attributable earnings

**26%** Return on equity

**R747 m** Total equity

**20c** Interim dividend

	August 2006	August 2005	Change %	February 2006
<b>OPERATIONS</b>				
Number of branches	267	250	7	253
Number of employees	2 000	1 771	13	1 901
Number of active clients	'000 852	565	51	706
Number of ATMs	244	208	17	210
<b>SALES</b>				
<b>Loans</b>				
Value of loans advanced	Rm 1 586	1 319	20	2 863
Number of loans advanced	'000 1 486	1 245	19	2 650
Average loan amount	R 1 067	1 060	1	1 080
Net impairment % of repayments	% 4,07	1,56	161	2,85
<b>Deposits</b>				
Number of savings accounts	'000 468	244	92	375
Value of savings deposits	Rm 446	175	155	314
<b>PROFITABILITY</b>				
Attributable earnings	Rm 74	41	79	115
Headline earnings	Rm 74	41	82	116
Cost to income ratio	% 60	73	(18)	66
- banking activities	% 26	17	53	23
Return on equity (annualised)	%			
<b>ASSETS</b>				
Total assets	Rm 1 683	937	80	1 251
Capital expenditure	Rm 35	33	6	72
<b>EQUITY</b>				
Capital adequacy ratio	% 77	61	26	56
Net asset value per share	Cents 824	683	21	784
Share price	Cents 3 050	1 750	74	3 105
Market capitalisation	Rm 2 194	1 259	74	2 233
Number of share options outstanding	'000 6 320	7 465	(15)	5 841
Average share option strike price	Cents 1 134	516	120	648
Average share option time to maturity	Months 30	27	11	28
Deficit on share options settled	Rm 19	8	138	31
<b>EARNINGS PER SHARE</b>				
Basic attributable	Cents 102,3	58,4	75	163,4
Basic headline	Cents 103,6	58,1	78	165,0
Diluted attributable	Cents 96,9	54,5	78	154,7
Diluted headline	Cents 98,2	54,3	81	156,2
<b>Number of shares</b>				
Issued net of treasury shares	'000 71 928	70 231	2	71 928
Weighted average	'000 71 928	70 501	-	70 555
Diluted	'000 75 897	75 536	-	74 534
Proposed dividend per share	Cents 20	-	-	45

### ACCESSIBLE BANKING

We have increased our network to 267 branches during the six months to August. Good retail space remains scarce and we have learnt the importance of locating our branches conveniently for our clients. This slightly delayed our roll-out plan, but we expect to have more than 290 branches by the end of February 2007.

We introduced 60 mobile banks recently, which enabled us to take banking to our clients' workplace. By combining a laptop, 3G communication, card reader, fingerprint scanner and web camera we can do all non-cash transactions such as opening accounts, issuing and replacing debit cards, dealing with account enquiries, printing bank statements and activating loans, at a place and time that suits our clients and their employers. This, combined with our inexpensive salary transfer facility, will drive client growth through employer sales.

### CLIENT GROWTH

We currently have 852 000 active clients and are increasing our client base by approximately 25 000 clients per month.

### NEW PRODUCTS

During October we shall introduce 18 and 24 month loan products. We believe in providing our clients with a one stop financial solution for saving, transacting and borrowing. This is important to ensure a successful long term relationship. In addition this will help utilise our capital more efficiently.

### ARREAR AND PROVISIONING

	August 2006	August 2005	February 2006
<b>Gross bad debts</b>			
One month loans	% 1,8	1,2	1,2
Three month loans	% 3,1	3,1	2,6
Six month loans	% 8,2	-	17,3
Twelve month loans	% 14,5	16,8	24,0
<b>Weighted average</b>	<b>4,64</b>	<b>2,17</b>	<b>3,47</b>
Recoveries	% (0,58)	(0,61)	(0,62)
<b>Net bad debts</b>	<b>4,07</b>	<b>1,56</b>	<b>2,85</b>

During the 2006 financial year the short term products benefited from a combination of lower arrears rates and the release of the provisions from prior years. Although the recovery of the short term loans for the first half of 2007 deteriorated slightly, we are satisfied with the performance, which is still well within our risk appetite.

The term of our loan book continued to increase due to the introduction of 6 and 12 month loans during the latter half of the 2006 financial year. Our provisioning policy is conservative and although we have adequate expertise we do not have extensive historical statistics since rolling out these products. This contributed to the higher overall impairment expense.