Annual Report 2007

CAPITEC Bank

The way to bank

Contents

The way to bank

For the past six years, Capitec Bank has focused on providing South Africans with **affordable**, **accessible** and **simplified banking** – delivered with **personal service**. The bank's underlying philosophy is to use **innovative technology** to drive down costs, to increase accessibility and to simplify client processes.

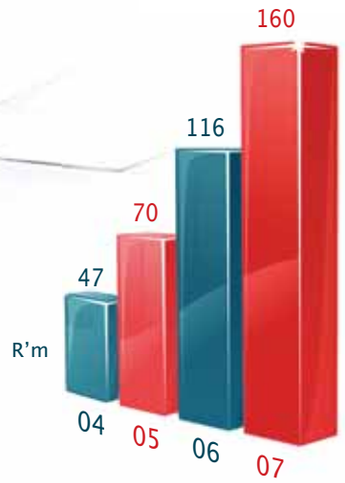

1 million
clients
CAPITEC
Bank
The way to bank
No forms
for all transactions.
CAPITEC
% interest
on savings accounts.
CAPITEC
129
oyees


407
ATMs
CAPITEC
ATM
28
bran

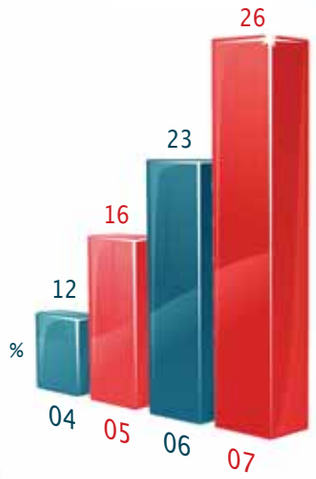
2 129 employees

280 branches

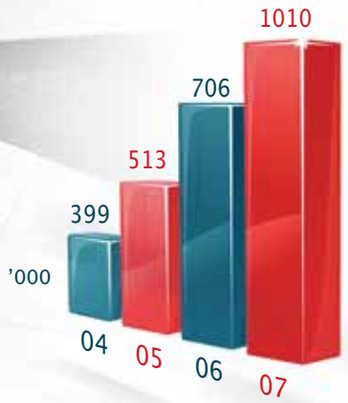
Headline earnings



Return on equity



Client numbers

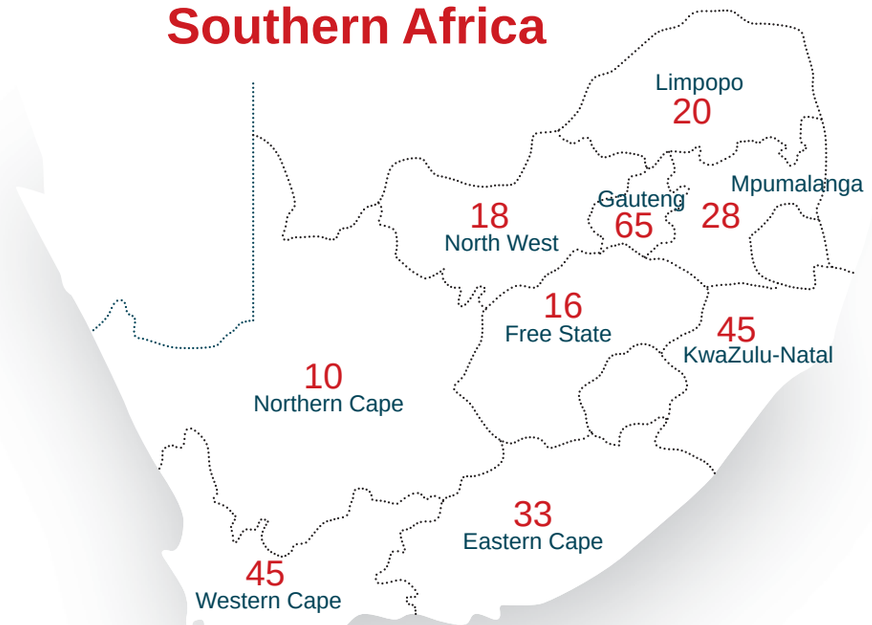


Highlights

Headline earnings per share	↑ 35%
Final dividend per share	60 cents
Return on equity	26%
Clients	1 million
Shareholders' funds	R1.1 billion

National Network

Southern Africa



Key Performance Indicators

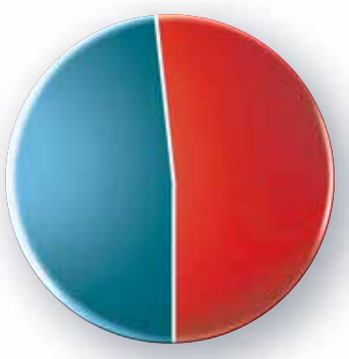
		2007	2006	% change	2005	2004	2003
Operations							
Branches		**280**	253	11	251	265	266
Employees		**2 129**	1 901	12	1 708	1 402	1 180
Active clients	'000	**1 010**	706	43	513	399	352
Own ATMs		**264**	210	26	180	75	58
Partnership ATMs		**143**	-	-	-	-	-
Mobile banking facilities		**53**	-	-	-	-	-
Capital expenditure	Rm	**86**	72	19	84	44	31
Sales							
Loans							
Value of loans advanced	Rm	**3 449**	2 863	20	2 259	1 904	1 477
Number of loans advanced	'000	**2 924**	2 650	10	2 486	2 617	2 454
Average loan amount	R	**1 180**	1 080	9	909	728	602
Interest from loans advanced	Rm	**924**	768	30	534	393	323
Loan fee income	Rm	**77**	-		-	-	-
Net loan impairment expense	Rm	**161**	96	68	39	29	33
Net impairment to repayments	%	**4.12**	2.85	45	1.45	1.43	2.58
Deposits							
Value of savings deposits	Rm	**554**	314	76	74	4	-
Number of savings clients	'000	**583**	375	55	143	18	-
Net transaction fee income	Rm	**35**	15	133	4	-	-
Profitability							
Earnings attributable to ordinary shareholders							
Basic	Rm	**159**	115	38	67	45	29
Headline	Rm	**160**	116	38	70	47	30
Operating expenses	Rm	**614**	506	21	392	307	250
Cost to income ratio							
banking activities	%	**60**	66	(9)	73	76	77
Return on ordinary shareholders' equity	%	**26**	23	13	16	12	8
Earnings per share							
Attributable	Cents	**221**	163	36	98	67	45
Headline	Cents	**222**	165	35	101	70	45
Diluted attributable	Cents	**209**	155	35	92	63	43
Diluted headline	Cents	**211**	156	35	95	65	44
Dividends per share							
Interim	Cents	**20**	-	78	-	-	-
Final	Cents	**60**	45		30	20	19
Dividend cover	X	**2.8**	3.7	(24)	3.4	3.5	2.4
Assets							
Total assets	Rm	**2 191**	1 251	75	805	512	434
Net loans and advances	Rm	**803**	455	76	208	135	116
Cash and cash equivalents	Rm	**1 044**	582	79	363	160	104
Investments	Rm	**112**	7	-	17	-	-
Other	Rm	**232**	207	12	217	217	31
Liabilities							
Total liabilities	Rm	**1 074**	687	56	332	86	52
Deposits	Rm	**897**	595	51	281	49	26
Other	Rm	**177**	92	92	51	37	26
Equity							
Shareholders' funds	Rm	**1 117**	564	98	473	426	384
Capital adequacy ratio	%	**84**	56	50	84	98	99
Net asset value per ordinary share	Cents	**1 175**	784	50	672	619	607
Share price at 28 February	Cents	**3 700**	3 105	19	1 490	580	260
Market capitalisation at 28 February	Rm	**3 031**	2 233	36	1 072	399	164
Number of share options outstanding	'000	**6 191**	5 841	6	6 753	7 860	8 079
Average share option strike price	Cents	**1 151**	648	78	271	153	144
Average share option time to maturity	Months	**24**	28	(14)	25	22	30
Charge on settlement of share options	Rm	**22**	31	(29)	16	2	-
Number of ordinary shares							
At year end	'000	**81 928**	71 928	14	70 442	68 743	63 190
Weighted average	'000	**72 120**	70 555	2	68 860	67 028	65 808
Diluted weighted average	'000	**76 043**	74 534	2	73 536	71 868	67 709

The **fastest way** to **bank**

We offer a banking facility which provides immediate access to **savings**, **lending** and **transacting** in only **8 - 10 minutes**.

A **View** of the **Market**

Bank usage levels

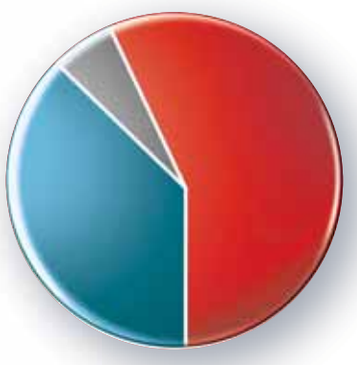


- 51% Adult Population Banked
- 49% Adult Population Unbanked

Many South Africans are today still not part of the banking system. The number of **adults who were banked** in 2006 **increased by 1.5 million** in relation to 2005. However, many employed salary earners still receive their monthly income in cash. An **estimated 49% or 15.3 million adults** above the age of 16 are still **unbanked** in South Africa.

Most employees, who were brought into the banking system via employers when changing to an electronic salary payment system, were **never exposed** to the full range of **products and services** offered by banks. Therefore many employees simply regard banks and ATMs as places at which to **collect their salaries**. This is reflected by the low usage level of bank products, reported by the Finmark Trust, a leading organisation addressing bank usage in South Africa.

Convenient **electronic payment instruments** such as money transfers, stop orders and debit orders are **underutilised** by a large portion of the South African population.

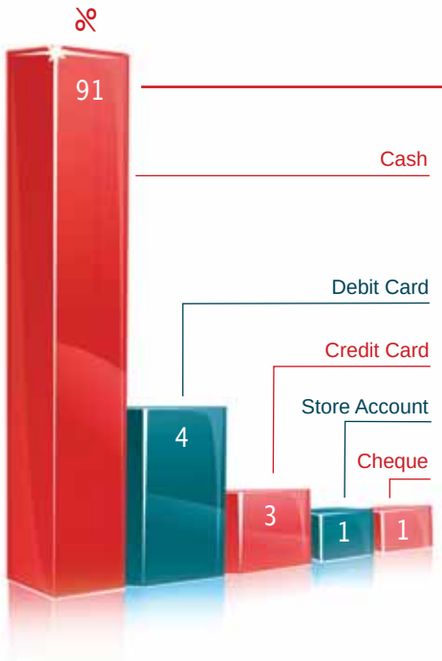


- 54% in Cash
- 44% in Bank Account
- 2% Other

How income is received

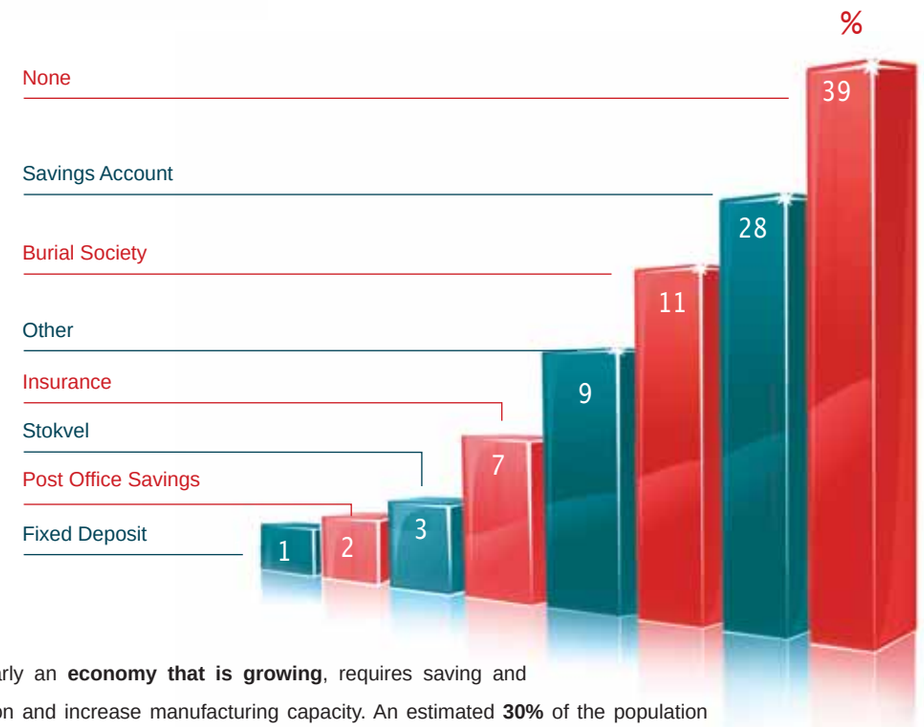
The **use of cash** is **far too high** as a payment instrument for most South Africans. This behaviour by consumers means **high personal risk** as the majority of consumers are commuters. In a society with **high crime levels**, it is important to encourage the use of **'non-cash' payment methods**.

How people pay for retail purchases



Cash is extremely **expensive** to manage through the supply channels. The present cash cycle from employers to employees to retailers to manufacturers and ultimately to the bank accounts of the employers again, requires very expensive **control**, **transport**, **dispensing** and **verification processes** and **equipment**. It therefore makes sense to do as many payments as possible electronically and to rotate cash between retailers and consumers in the form of cash withdrawals at retailers.

How people save



Any economy and particularly an **economy that is growing**, requires saving and investment to fund expansion and increase manufacturing capacity. An estimated **30%** of the population uses **savings accounts** at banks or the post office and **1%** use **fixed deposit accounts**. **14%** of the population made use of informal savings facilities such as **burial societies** and **stokvels** in 2006.

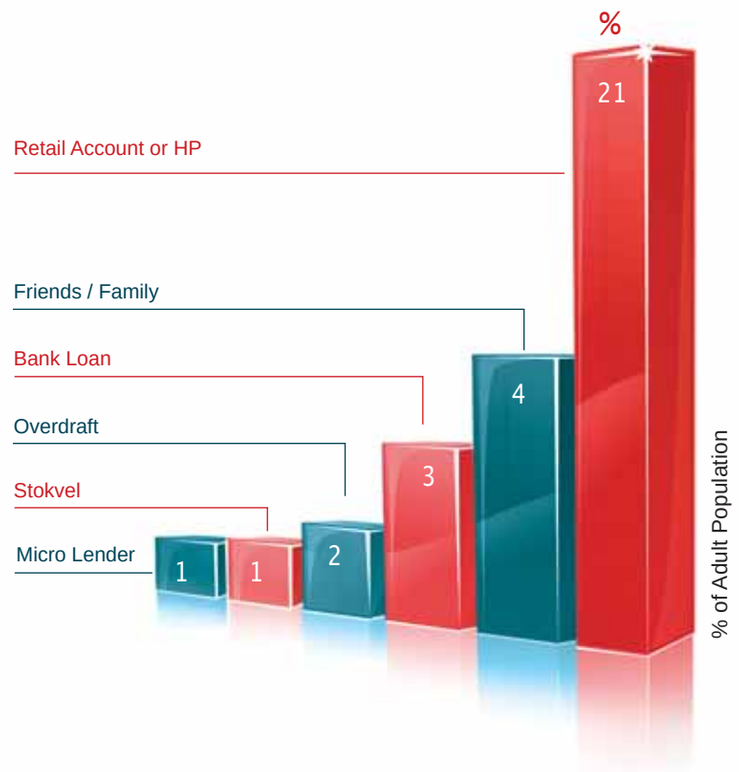
Banks do not offer real returns on daily savings accounts and **annual fees** often **exceed interest earned**. The average South African therefore does not save. **Better incentives** are needed to encourage clients to save, regardless of the amount they can afford to sacrifice on a monthly basis.

Where people access funding

The 2006 **Finscope research** reflects that **only 7%** of the population used **funding** via the banking industry. For a large part of our population the ability to uplift themselves is therefore **restricted**.

The average client is in need of finance to take advantage of **business opportunities**, facilitate **home improvements** and **support family needs** such as expenses on **education**, **weddings** and **funerals**.

In addition to personal financing, most small businesses, regardless of their success, also need a form of **funding to expand and grow**.



Banks are inaccessible

People are time constrained, as they mostly work **fixed hours** from 8:00 to 17:00. This means that clients find it difficult to use a bank, as most banks are only open from 8:30 to 15:30 on weekdays, and 8:30 to 11:00 on Saturdays. The mobility of clients is **limited due to the use of public transport** and this further restricts access to banking. This is why long **queues over month end** and on Saturdays are synonymous with banking. Access to banking is therefore not comparable to the access to retail shopping in South Africa.

The cost of banking

Ad valorem fees charged for most transactions by banks leads to **confusion and discontent** amongst clients. It is no wonder that **long queues at enquiry counters** are common over month end in bank branches. People are seldom sure what their **bank charges** will be at the end of each month.

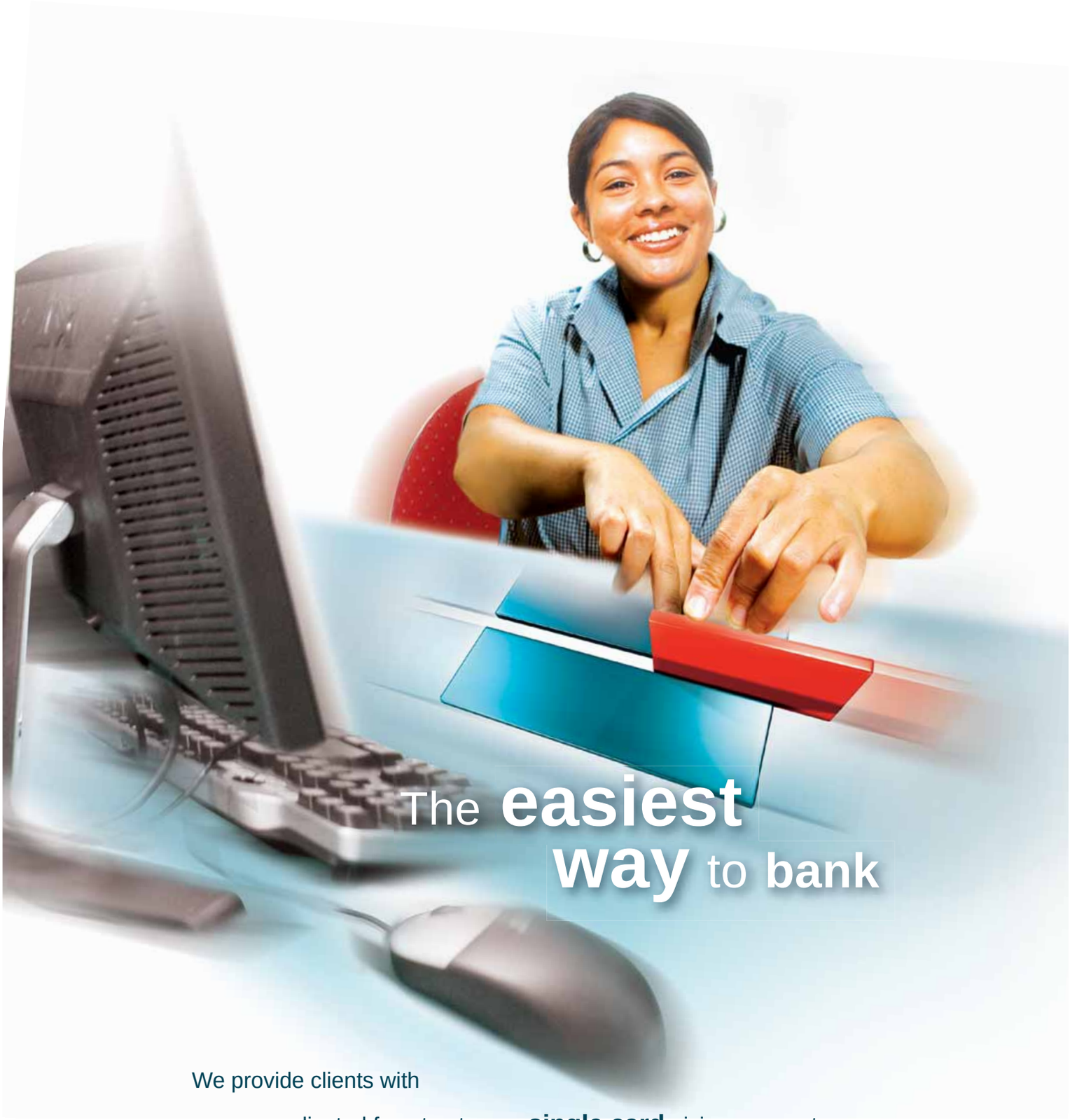
The high cost of ATM withdrawals, debit orders, enquiries, reversed debit orders and account administration makes everyday banking unaffordable.

Complex and paper driven

Less than 10% of the South African population fully understand the concept of **inflation** and the methods of **calculating interest**. Contracts and loan agreements contain **conditions** that many clients do not understand.

Paper-driven processes for applications, deposits, withdrawals and transfers are **confusing and cumbersome**. Extensive administration and control procedures **restrict the delivery** of convenient and efficient service to clients and simplicity does not exist in banking. Clients refer to banks as confusing, complex and requiring long periods for approval.

Reference to data and graphs from the Finscope Survey by Finmark Trust



The **easiest way** to **bank**

We provide clients with

an uncomplicated fee structure, a **single card** giving access to

savings, **lending** and **transacting,** and **personal service**

in the **language of their choice**.

The **Unique** Capitec Bank Offer

An **innovative single banking facility** containing all **savings**, **lending** and **transacting facilities** which are accessed via a **paperless**, card-driven process on a **real-time** basis.

Capitec Bank's offer can be defined as the:

- **lowest-cost way**
- **most innovative way**
- **fastest way**
- **easiest way**
- **friendliest way**

Simply: **The way to bank.**

Banking to most South Africans entails:

Saving | Lending | Transacting

Capitec Bank has, through innovation, combined the above into a **single facility**. It provides access to numerous options of each, via a **paperless card-driven process** which delivers everything on a real-time basis.

The innovative packaging of this facility and our unique service platform have resulted in a **low-cost bank infrastructure**, requiring no costly branch back office, which delivers the most **accessible, simplified**, **affordable banking** available in the market.

The access to this unique facility is further enhanced by: **minimum bank hours** of 8:00 to 17:00 on weekdays and 8:00 to 13:00 on Saturdays. **Paperless transacting** is enabled by **biometric control** of all branch transactions at the consultant. This protects clients by verifying transactions while simplifying client processes. **Photographic verification** of clients is used to enhance secure transacting on client accounts and to support **instant card replacement** when required.

Accessible service platform

- Capitec Bank offers a nationwide network of **280 branches** and **407 ATMs** at which clients can gain access to our banking services.
- Connection to the **SASWITCH network** gives access to all other banks and ATMs providing convenient cash withdrawals and transacting.
- Agreements with **Shoprite, Checkers and Pick `n Pay** provide access to cash withdrawals for our clients at the unrivalled cost of only **90 cents per transaction**.
- **MasterCard connectivity** locally and internationally provides card purchases at most retailers.

Facts on the product offer

- 5 Savings options offering up to **10% interest per year**
- Competitively priced **loan products** from 1 to 24 months
- **Lowest cost** transacting facilities which include

ATM withdrawals	R2 fixed fee
Stop orders	R2 fixed fee
Money transfers	R2 fixed fee
Debit card purchase fee	Free
Cash withdrawals from retailers	90 cents

A savings culture

A savings culture does not exist in South Africa and more often than not, purchases of goods are made when clients can hardly afford the expense. **Unexpected expense crises** result in emergency lending at a high cost to clients.

This lack of a savings culture is largely as a result of **low savings returns** and the **high administration costs** of having a savings account. Capitec Bank offers five savings options with up to **10% interest** per year and a fixed monthly administration fee of R3,50 to encourage savings by clients.

The branch experience

Our in-branch experience starts with the **convenient location** of our branches where clients **work, shop, commute and live**. The physical layout of our branches provides an open and informal atmosphere with **no barriers**, allowing our consultants to provide clients with **personal service**, supported by **innovative technology**. Clients never complete any forms as all our processes are **paperless** and **card driven**. This allows the consultant to focus on the client's needs and to provide knowledgeable options, in the client's language of choice. Access to the full bank offer takes up to **10 minutes**. As cash in branches is either held in drop safes or dispensed through ATMs, we provide a **safe** and **user-friendly banking environment** where clients can be informed and empowered.

Taking banking to the client

Workplace banking

Overall access to banking and the ability to fully inform clients of alternatives are limited. Most clients are therefore not informed with regard to the full functionality of banks and the basis of fees charged. Inevitably, this is to the detriment of the client.

Capitec Bank therefore takes banking to employers, in order to reach their employees and to increase the understanding of the options available in banking. **Information sessions for employees** are arranged at their place of work to explain options, reflect on cost comparisons and **provide financial skills support** where required.

Mobile banking

Should employees want access to banking, Capitec Bank provides a **mobile banking service** to enable them to open bank accounts at **their place of work**. The mobile banks, which use **wireless transmission**, **biometric verification of transactions** and a **digital camera** to capture images of new clients, allow us to offer banking to clients at a time and place convenient to them.

Our mobile banking facility offers most of the **non-cash banking functions** available. These services include **opening of accounts**, **balance enquiries**, **transferring of money** between accounts and **activating personal loans**.

Electronic Salary Transfer Facility for employers

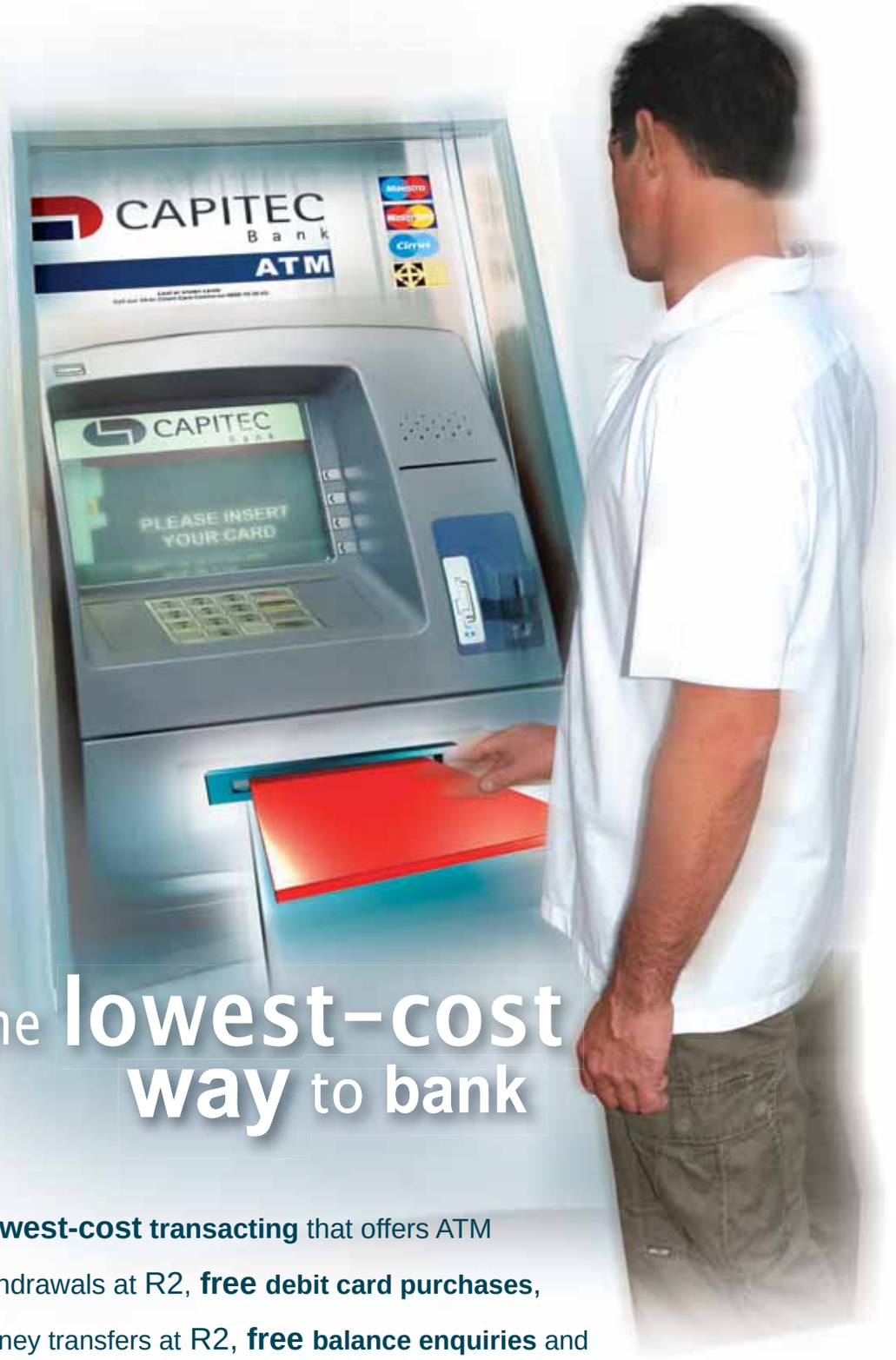
Capitec Bank's highly **simplified**, **secure** and **cost-effective Electronic Salary Transfer Facility** enables employers to pay employees **via the internet**. The system is **low cost**, **convenient and simplified** and promotes **cashless transactions** in the interest of safety for both employer and employee.

By using Capitec Bank's Electronic Salary Transfer Facility, employers can transfer salaries at **75 cents per transaction** to Capitec Bank accounts and at **R2 per transaction** to accounts at other banks.

Financial education

Capitec Bank is committed to community upliftment by means of **basic financial skills improvement**. Research by Finmark Trust identified the need for **better financial planning** and **control of finances** in most households throughout South Africa.

We have developed a **Basic Financial Skills Course** in cooperation with **Unisa** which covers **basic financial planning**, the **management of debt** and **banking services and products**. These courses are presented **free of charge** to communities, employees at their work place, schools, teachers and interested community groups.



The lowest-cost way to bank

Lowest-cost transacting that offers ATM withdrawals at R2, **free debit card purchases**, money transfers at R2, **free balance enquiries** and a **low monthly administration fee** of only R3,50.

Letter to Shareholders

At Capitec Bank we focus relentlessly on basic bank products. This does not mean that we offer hand-written savings books. Our **products** are all **electronically delivered** and **easy to use**. We offer the **highest interest rate** on **savings** and the most **affordable bank and loan products** in the country. Our branches are close to our clients and our **bank hours are longer** than those of any other bank. With basic banking we simply mean that we do not offer products like cheque accounts, foreign currency or corporate banking.

It is not particularly easy to focus on basic banking. We are a clearing bank, which means that together with the big banks we manage the **flow of money through the banking system**. Our cards are accepted worldwide. We have been in the forefront of developing **new real-time clearing products**, which means that a client can transfer money immediately from one bank to another. Previously, even electronic transfers between banks took place overnight. The new transfer method is useful not only for our clients, but also for people who want to make immediate payments over the internet but do not want to use credit cards. We are one of a handful of banks that place **card machines in shops**, where any card can be **swiped and connected** to the bank network.

Even our physical environment is complicated. We have a nationwide **network of 280 branches**, many in remote parts of our country. When Capitec Bank started in 2001, sites were abundant and inexpensive although quite often of a low standard. In the past six years South Africa has experienced a **retail boom** and the areas where we operate have been transformed beyond all recognition. Shopping centres have sprung up, not only in urban areas like Soweto and Khayelitsha, but in rural areas like Nqutu and KaNyamazane. The quality of sites is much better and the costs much higher. Six years ago Capitec Bank was often viewed with suspicion by landlords; now we are a **prized tenant**. During the past year we opened **29 new branches**, less than the 50 we had planned because of the time involved in obtaining good sites. We plan to open **65 new branches** during the new financial year. Should we achieve that, our **branch network** will have **expanded by 36% in two years**. Our **ATM network** has grown faster than the increase in our branch numbers. Accessible banking means that we need to place our **bank facilities** where **clients live, shop, commute and work**. We have expanded our ATM network in partnership with two independent service providers by over 140, bringing our total network at our branches and in retail shopping areas to **over 400**.

Providing an ATM service in remote parts can be daunting. The most money that has ever been paid out by one of our ATMs in a single day is R868 980.This particular ATM had to be reloaded during the course of the day.

An unpleasant side-effect of bringing banking to disadvantaged areas is an exposure to high levels of crime. We do not dare hold cash, so all **payments are card based** and clients can withdraw money from ATMs or from the tills of shops such as **Pick `n Pay, Shoprite and Checkers**. We are proud of the fact that a withdrawal at a Capitec Bank ATM costs a Capitec Bank client only **R2**.

The average withdrawal is R620, and if a savings client of one of the big banks withdraws this amount from one of his bank's own ATMs he would, on average, pay R8,00 for the privilege. The story gets better: withdrawing the same amount of cash at a retail store **costs our clients only 90c**. Seven percent of all Saswitch transactions are originated by our clients. All the cash we receive in a branch is deposited **directly into a safe**, which is later collected by a security company.

In the last twelve months we have been the victim of 24 break-ins into our ATMs (8 cash losses) and 2 cash heists. Our internal security is rigid: every transaction is **verified by fingerprint reader** to ensure the identification of the staff member who concluded a particular transaction. We have **zero tolerance for crime** and staff members are summarily dismissed for dishonesty. All transgressors are reported to the police and placed on a banking blacklist.

We are often tempted to stray from our narrow focus. Many temptations arise to utilise our payments infrastructure and card expertise for other purposes. Much still needs to be done in our market and sticking to our priorities always brings us back to **concentrating on a single market**. Many of our clients need housing and car loans or fund transfers to neighbouring countries, and much remains to be done to service our market well.

A narrow focus can increase risks, should something go wrong in our market. On the other hand, this is not a small market, with **15,8 million adults** who already have a bank account and an estimated **15,3 million** who do not yet have a bank account. **We now have 1 million clients**. Our initial target of 2 million clients is within reach. We therefore do not think that our relentless focus exposes us to significant competitive or market risks. We do realise, however, that the economy has performed exceptionally well and that credit providers have never had it so good.

- **15.8 million** Adults Banked
- **15.3 million** Adults Unbanked

Regulatory Risk could make us more vulnerable as a result of our focus on the market for **basic banking**. In June 2007, the **National Credit Act** will come into full effect. The Act **aims to protect credit consumers**. The main way to achieve this is to enforce transparency. Whilst we support the aims of the Act, it unfortunately also prescribes maximum price levels, which will have an effect on our profitability. Increased efficiency and volumes will partly counter this impact. The Act also prescribes a complicated formula for loan pricing.

Simplicity is an important aspect of our relationship with our clients. That is why a **withdrawal from a Capitec bank ATM** always has a **fixed cost of R2**. We used to apply a straightforward interest rate to our loans. Now we have to charge an origination and administration fee in addition to interest. These fees attract VAT, so a statute which endeavours to protect consumers will increase the cost of serving them. This, together with an aggressive expansion plan, has resulted in us budgeting for lower growth in income during the next year.

Relentless focus on one market segment means that we can give our clients a high level of service. The big banks do an impressive job of selling hundreds of different products to many different market segments. In a branch of a big bank a housewife, a labourer, a businessman and a learner queue with their divergent needs.

Many aspects of a big bank represent a compromise between the needs of different groups of clients. For instance, a branch in a shopping centre serves the needs of a housewife, but not of a labourer or businessman. We avoid such compromises: all our branches are close to **one target market**. For instance, our clients rely on public transport so our branches are close to taxi ranks or at railway stations. Our senior management know our target market intimately and spend many days a month visiting branches and getting to know clients.

One million clients and beyond

We have prior to February 2007, not invested in advertising. We have relied on **word of mouth** and **strong communication through our branches** to attract clients. Notwithstanding this, we managed to **increase our client numbers to over one million** by the end of February 2007. We acquired nearly one thousand new savings clients per day and **grew our total number of savings clients from 374 700 to 583 318** by year end. The balance of retail deposits increased from R314m to R554m and a large proportion of savings are in fact held in Focus Save accounts, a savings account that clients can name themselves. The fact that Capitec Bank has consistently offered up to **10% interest on savings**, has obviously contributed to this growth. Incidentally, we open accounts only for **individuals** (not for companies or businesses) and offer the high rate of 10% only to small savers (up to a maximum balance of R10 000 per account).

By offering **easy and low-cost** ways to withdraw money and a growing network of places to do so, we hope to **encourage our clients to withdraw money only when they need it**. Five years ago, paying by card was unknown in the market we operate in. To help clients use debit cards with confidence we place **balance readers in supermarkets** where clients can verify their balance before making a purchase. We offer **zero fees on purchases with our debit card** and the number of card transactions continues to grow exponentially. However, most of our clients remain enamoured of cash. On average, an astonishing 43% of all salary payments our clients receive, is withdrawn by the next day.

We charge our clients **modest banking fees**; for instance, our monthly account fee is only R3,50. Our average client uses his bank account only a few times per month. It is obvious that we need large numbers of clients before banking fees will become a significant source of income. In the past year, net transaction fee income amounted to R35m, barely 3% of our total income.

Results

Headline earnings grew to R159 million for the financial year. This was primarily through income from **lending of R1 billion** and **income on bank fees of R94 million**. **Personal loans** remain the main source of Capitec Bank's income. Six years ago we started with small, one-month loans. We have now added loans with a fixed term of up to twenty-four months. The value of all loans disbursed during the year increased by 20% to R3, 4 billion. The value of three-month loans has declined slightly, while all other loans grew on a year on year basis. Because of the longer average term of our loans, our net loan book has increased from R455 million a year ago to R803 million.

It is expensive to grant small, unsecured personal loans and our costs, inevitably, result in high fees for our clients. It is one of Capitec Bank's ambitions to continue making micro credit more accessible by reducing the cost of lending while offering more products designed to meet the exact needs of the market.

In a brief* on **micro finance**, the Consultative Group to Assist the Poorest, a World Bank organisation, explains the higher rates charged for small loans as follows: "Why are micro credit interest rates higher than bank interest rates? The cost of making a small loan is higher in percentage terms than the cost 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."

During the year we granted a total of **2,9 million loans** with an average size of R1 180 (2006: 2,7 million loans with an average size of R1 080). The interest and fees we charge decreased further to an average of 12,6% per month (from 14,9% per month). We make a **profit of R54 per loan**. Like all averages, these figures hide more than they reveal because of our new term loans. The percentage cost of a twelve-month loan is lower than that of a one-month cash loan for two reasons: the cost of granting the loan is amortised over more payments and the loans are bigger. However, the risk of default increases as the loan period increases. Our fees for a one-month loan vary between 12,5% and 18,5% per month and for a two-year loan our interest charge is 2,3% per month.

*Donor Brief No 6, September 2002.

		2007	2006
Number of loans*	'000	**2 924**	2 650
Total value of loans*	Rm	**3 449**	2 863
Average loan size	R	**1 180**	1 080
Average monthly rate (incl fees)	%	**12,6**	14,9
Gross bad debt	%	**4,7**	3,5
Total gross write-off	Rm	**183**	116
Less recoveries		**(22)**	(21)
Net bad debt	%	**4,12**	2,85

* Includes one-month, three-month, six-month, twelve-month, eighteen-month and twenty-four-month loans.

Credit and provisioning

We track the **repayment history** of each type of loan separately for each month. If the actual payment performance of a particular loan category for a given month deviates from the expected performance, we immediately increase (or, in the case of good news, decrease) the provision calculation for that loan category. Our expected repayment rates are based on our own experience and industry norms. We are cautious in our approach, and where sufficient historical information for the provision calculation is not available, the provision is conservative. Our net loan impairment expense increased to R161 million as result of both the increased value and term of our loan book.

People: Recruit for potential and train for skill

Finding the right people in the banking industry is not easy. Systems, controls and procedures are rigid and demand a high level of training before staff can be fully operational. Our approach is to recruit for potential and train for skill. Few of our consultants worked in the bank industry before we appointed them. Every month **staff from across the country attend a two-week intensive training course** at Stellenbosch. This process is preceded by a two-week training assignment in branches and is concluded by a three-week apprentice period before a consultant is certified as competent to serve clients.

We have also introduced an **E-learning programme** for continuous training of our staff in a revolutionary way. We spend **10% of our operations salary bill on training**. The expense is quite staggering: in the past year 1 883 people attended training at a cost of R15 million.

In total **we spend a huge amount on training**, and yet our contribution to the bank SETA amounts to a net amount of R1.1 million. This turns the SETA contribution into an explicit tax on employment.

Our shareholders

Just before year end shareholders approved a transaction in terms of which Capitec Bank **issued 10 million new shares at R30** – the then market price – **to a consortium of black companies**, **trusts and individuals**. Funds of R285 million were provided by the IDC. This share transaction amounts to 12% of Capitec. The Capitec Bank Group Employee Empowerment Trust acquired a 5% interest in the consortium for R15 million. Arch Equity, a black company in terms of the Financial Sector Charter, initially held 17% in Capitec, but restructured subsequent to the publication of the Codes of Good Practice. This resulted in a new black company, Arch Equity Investments Holdings, holding 4% of our shares. Arch Equity Investments Holdings changed its name to Thembeka Capital. In total **16% of our shares are now held by black shareholders**.

Our bank is, of course, transformational to its core: we are **revolutionising access to banking** for all South Africans and training new entrants to the banking industry to achieve that.

The R300 million capital, which we raised, is in excess of our current needs. Together with retained earnings, **our shareholders' funds have increased from R564 million last year to R1,1 billion**. Our return on equity, as a result, will drop in the new financial year. Our return for the current year would have been 19% instead of 26% if this transaction had been done at the beginning of the year.

Following the conclusion of the BEE transaction in December **Tshepo Mahloele** from the Pan African Development Fund will be appointed as a **non-executive director** with effect 1 April 2007. At the same time **Michiel Le Roux** will succeed Jannie Mouton as the **chairman** of Capitec Bank Holdings Limited and Capitec Bank Limited. Jannie Mouton will remain a **non-executive director** of these companies.

Investing for growth

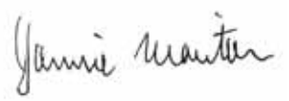
The business model provides a **low-cost platform** from which to expand our aggressively priced bank offer. We shall invest a significant amount, in our terms, in the next financial year to **expand our service offering and client base** in the future. We shall continue to expand our product portfolio, distribution channels and branch platform. We believe we are at a stage of our overall product and service offering which warrants building awareness in the market-place. We therefore have **invested in an advertising**

campaign for the first time. Over R20 million will be spent on **television and print communication** to convey our **unique positioning** and **product offering** to our target market.

Our distribution platform will be **expanded** by a further **65 branches** and **300 ATMs by February 2008**, resulting in a service infrastructure of 345 branches and in excess of 700 ATMs. This wider level of access to transacting will be enhanced by **100 additional balance card readers** and an **expanded point-of-sale transacting network** at retailers. **Our mobile banking facilities** will be **expanded to 100 units** to support clients with access to bank products and services at the workplace. Our employer sales and support team will increase, by over 40%, to grow and improve service at employers.

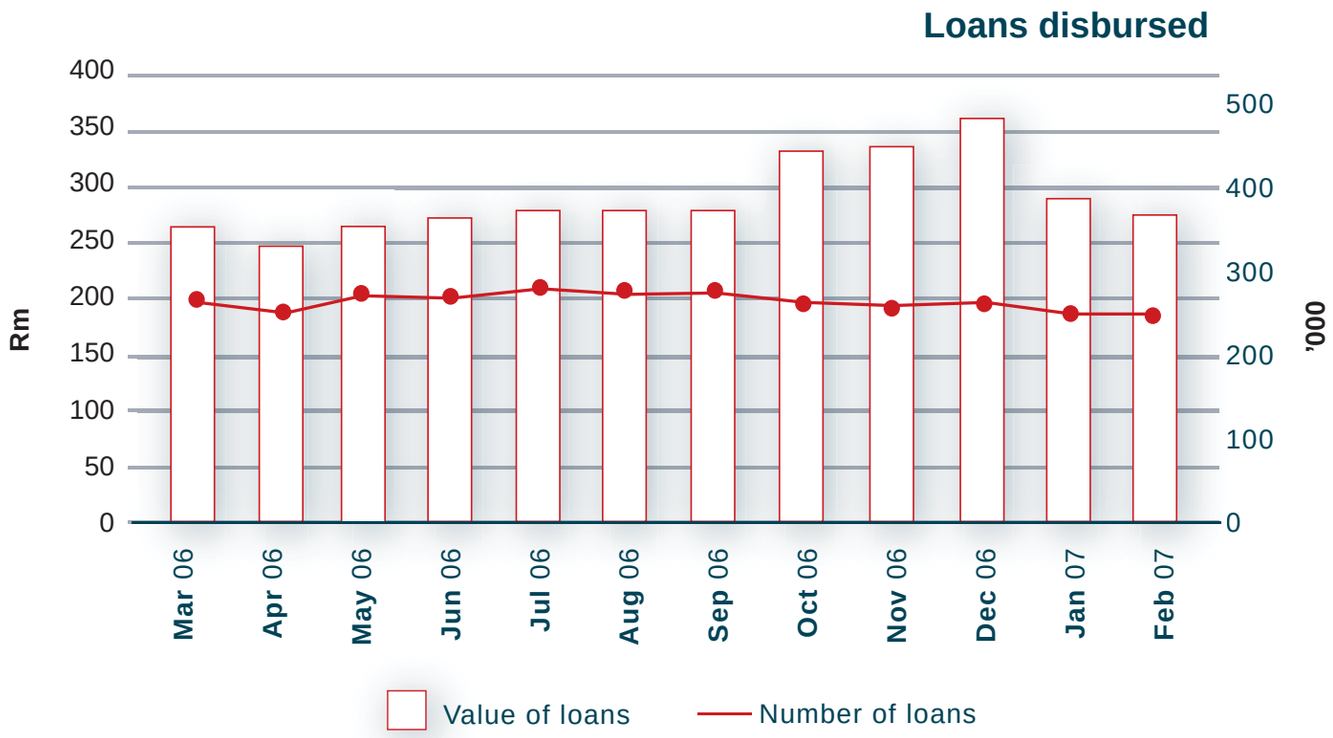
Our confidence in our business model means we will be aggressive in the execution of our expansion plans. However, we remain careful in the planning of the expansion, as uncertainties regarding the reaction of competitors to the changing regulatory environment exist. This, together with the prescription of maximum price levels, has resulted in us budgeting for lower growth for next year.

Capitec Bank continues to pursue its ambition to **revolutionise banking in and beyond South Africa**.



Jannie Mouton
Chairman

Financial
Director's Report



Operational Performance

The overall sales performance for the year was in line with our expectations. Longer term loans exceeded our expectations and growth on shorter term products was slightly lower than expected.

The value of loans disbursed increased by 20%, compared to the growth in the net loan book of 76%. This was due to the impact of the eighteen-month and twenty-four-month loans that were launched during October 2006. These products made up 39% of the net outstanding loan book at year end.

The advantage of the longer term products is that our branch infrastructure is used less frequently, and we receive revenue and recover loan granting expenses over a longer period. The percentage increase in revenue from loans therefore exceeded the percentage increase in the value of loans disbursed, but was lower than the increase in the outstanding book.

The average loan amount for the second half of the year was 20% higher than the first half of the year as a result of the new products. Our experience indicates that the shorter term products will make up a larger portion of the sales mix in the first half of the new financial year, as clients that qualify for the longer term products are more likely to take up these products around November and December.

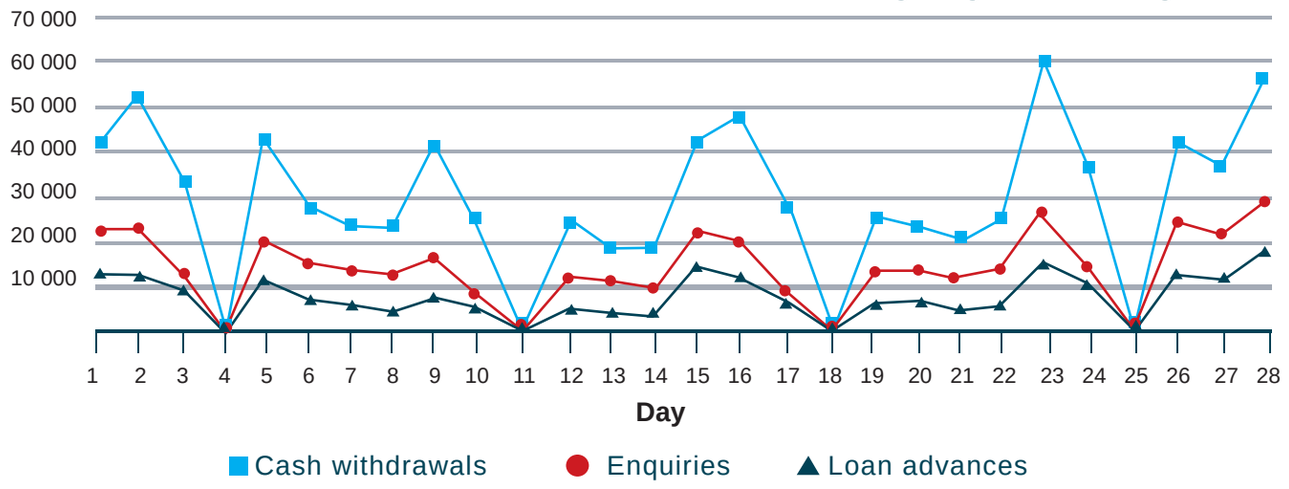
The movement in our retail deposit book for the month of February 2007, set out below, gives an insight into the flow of funds through the business:

	Rm
Inflow	**1 207**
Electronic deposits	749
Loans advanced into savings accounts	273
Cash deposits	129
Transfers	28
Cheque deposits	20
Other	5
Interest earned	3
Outflow	**1 178**
Cash withdrawals from own ATMs/branches	543
SASWITCH withdrawals	238
Loan repayments and other transfers	335
Point of sales purchases	37
Point of sales purchases with cash back	15
Fees	8
Other	2
Increase	**29**

We currently receive electronic credits of approximately R750 million per month (mainly due to receipts of client salaries) and the flow of these funds through our deposit book led to significant growth in our transaction fee income. The cost of processing electronic banking transactions such as debit card transactions, electronic fund transfers, debit orders and stop orders is mainly fixed and the underlying systems are in place, which places us in a strong position for revenue growth from these products. We believe that the increasing levels of sophistication in our target market create the opportunity to move away from expensive cash based transactions to more profitable electronic banking.

Our transaction volumes are largely pay-date driven, as shown in the graph below. This places pressure on our branches around large pay dates and the last day of the month, as well as Fridays for weekly and fortnightly paid clients. Our approach is to expand capacity through a larger number of small branches instead of large impersonal banking halls, which our clients tend to find intimidating.

Number of transactions by day – February 2007



We introduced an ATM activated one-month loan during the previous financial year in order increase efficiency in the loan approval process. Many of our clients require assistance when using an ATM. ATMs are therefore placed inside our branches and staff monitor the ATMs and offer clients assistance where appropriate. We intend to introduce SMS based balance enquiry system during the next year in order to reduce the impact of enquiries on our branches.

Pricing

Our pricing on deposit products remains extremely competitive, giving real savings returns, low fees, transactional functionality and access on demand that is not offered by any other bank. Our fees are generally not based on a percentage of the transaction amount, which ensures simplicity.

During the year we introduced a new lower-loan price structure which conforms to the National Credit Act. This means that a portion of our revenue, previously charged as interest income, is now charged as a loan origination fee and a monthly loan administration fee.

In our experience, a reduction in prices leads to growth in sales volumes over a period of a few months. This creates an immediate reduction in profitability due to the lower prices, which is countered by an increase over time as revenue from higher sales volumes contributes to profit growth.

Our revenue from loans in the second half of the year only increased by 7% compared to the 17% increase in loans disbursed due to the impact of the price reductions combined with the fact that revenue from longer term loans is recognised over a longer period of time.

Furthermore, the new pricing structure introduced in October 2006 had a negative VAT impact of R7 million on the profit for the year before tax, with a further R5 million of VAT paid on initiation fees that will be amortised in future months.

Initiation fees are partly reflected in the month that a loan is advanced, with the remainder amortised over the term of the loan. We base the split on the relative activity levels related to the issuing and collection of a loan.

The fact that the new price structure was introduced in October 2006 means that the current year's results are a mixture of the old and new price structures.

Bad debt

On short-term loans a substantial portion of loans are advanced at the beginning of a month and are due before the end of the same month. Only loans in arrears would then remain on the balance sheet at month end. Had we measured arrears rates by dividing loans in arrears into the outstanding loan book, this would show a 100% arrears rate, in spite of the fact that most of the loans were repaid when they became due during the month and were consequently not on the balance sheet at month end.

We therefore measure arrears rates by dividing the loans in arears that arose during a period into the value of instalments due in that period.

Our provisioning model estimates the total loss that will be incurred over the life of each tranche of loans (loans of each product advanced in each month). The estimate is based on history and is updated on a monthly basis taking into account the collection rates on each tranche for that month. The expected loss for each tranche is systematically expensed over the term of that tranche of loans, taking into account the higher outstanding balances at the beginning of the term and the correspondingly larger impact of earlier loss events over the term of the loan. This matches the loss expense to the revenue profile of loans.

The one-month and three-month product arrears rates increased over the last year, partly due to the fact that higher scoring clients that qualify for longer term products tended to migrate to these products. We are satisfied that our short-term book remains profitable and sustainable.

The performance of the six-month and twelve-month loan arrears improved through the year as we obtained experience and improved our systems to manage these products. Our provisioning model has also become more accurate as we have built up history over the last year. The arrears performance on these products is in line with our expectations at just over 1% per month.

The impact of errors during the loan granting and collection process is far more severe on the longer term products and we manage this carefully. We introduced strict credit scoring and affordability calculations on these products, combined with continuous refinement of our instalment collection and follow-up procedures.

The performance of the different loan products for the year was as follows:

2007 Loan term		1 month	3 months	6 months	12 months	18 months	24 months	Total
Value of loans disbursed	**Rm**	**1 601**	**687**	**392**	**425**	**189**	**155**	**3 449**
Number of loans disbursed	**'000**	**2 289**	**366**	**127**	**92**	**29**	**21**	**2 924**
Average loan size	**R**	**699**	**1 878**	**3 096**	**4 612**	**6 571**	**7 460**	**1 180**
Average monthly rate (incl. fees)	**%**	**17.7**	**11.2**	**9.2**	**5.5**	**3.8**	**3.2**	**12.6**
Value of instalments due	**Rm**	**1 836**	**901**	**588**	**520**	**45**	**28**	**3 918**
Gross impairment	**%**	**1.6**	**3.2**	**6.9**	**13.1**	**24.3**	**21.7**	**4.67**
Gross impairment expense	**Rm**	**30**	**28**	**40**	**68**	**11**	**6**	**183**
Recoveries	**Rm**							**(22)**
Net impairment expense	**Rm**							**161**
Net impairment	**%**							**4.12**
2006								
Value of loans disbursed	Rm	1 501	913	204	245	-	-	2 863
Number of loans disbursed	'000	2 079	453	62	56	-	-	2 650
Average loan size	R	722	2 012	3 287	4 392	-	-	1 080
Average monthly rate	%	19.3	11.2	9.5	6.5	-	-	14.9
Value of instalments due	Rm	1 785	1 258	150	155	-	-	3 348
Gross impairment	%	1.2	2.6	17.3	24.0	-	-	3.5
Gross impairment expense	Rm	21	32	26	37	-	-	116
Recoveries	Rm							(21)
Net impairment expense	Rm							95
Net impairment	%							2.85

We currently do not have historical experience of a full loan cycle for the eighteen-month and twenty-four-month products. Our provisioning is therefore based on our experience with shorter term products, rolled forward from the months that we do have history for. We expect that there will be a similar learning curve in the management of these products as was experienced with the six-month and twelve-month products.

We expect that these products will eventually operate at arrears rates of approximately 0.6% per month, taking into account the stricter vetting criteria on granting these loans.

Our loan provisions compared as follows against problem loans (defined as all loans where a loss event has occurred in the past):

	2007 R'000	2006 R'000
Identified problem loans	105 873	104 105
Estimated incurred but not reported problem loans	42 756	24 231
Total problem loans	148 629	128 336
Loan loss provision	110 917	92 649
Coverage ratio	75%	72%

During the previous year we did not have sufficient history on six-month and twelve-month loans to determine an appropriate write-off policy. If the current year's policy of writing off loans in arrears by more than 90 days was followed on these products, problem loans and the loan loss provision for 2006 would have been reduced by R12.8 million and the coverage ratio would have been 69%.

The new longer term products have lower rehabilitation rates compared to the shorter term products and the expected loss provided against these loans make up a larger percentage of the problem loans.

Funding structure

Our balance sheet structure changed with the issue of perpetual preference shares to the value of R154 million in August 2006. Dividends attributable to preference shareholders therefore have to be subtracted from the income statement figure to arrive at the profit attributable to ordinary shareholders. The preference shares enabled us to increase the gearing on ordinary share capital without weakening our capital adequacy ratio, which remains highly conservative.

We invested R90 million of our excess cash in listed perpetual preference shares issued by other banks.

Our tax loss was fully utilised by the end of the last financial year, placing us in a tax paying position for the future. This will have an impact on the cash flow generated by the business.

Capital management and capital adequacy

Details of subsidiaries are set out in Note 10 to the annual financial statements. All subsidiaries are consolidated for both accounting and supervisory reporting purposes. All companies are incorporated in the Republic of South Africa. The registered banking subsidiary of the group, Capitec Bank Limited, had no subsidiaries and consolidation for regulatory purposes only relates to the consolidated returns of Capitec Bank Holdings Limited.

Capitec Bank Limited is subject to regulatory capital adequacy requirements under the Banks Act and, from 1 January 2008, in terms of Basel II.

Consolidation entries exist that relate to share options which are reflected on the equity settled basis in the group financial statements, but on the cash settled basis in the financial statements of Capitec Bank Limited in terms of IFRS2.

As the operations of the group are in South Africa, the only restrictions on the transfer of capital within the group relates to the statutory limitations on investments in certain associates in terms of the Banks Act.

The capital adequacy ratios for the month ended February 2007 for the group and for the main banking subsidiary of the group were as follows:

		Group		Capitec Bank Limited	
		2007 R'000	2006 R'000	2007 R'000	2006 R'000
Tier 1 capital	R'000	**1 040 380**	519 587	**975 670**	403 357
Tier 2 capital	R'000	**2 439**	710	**2 439**	100 710
Total qualifying capital	R'000	**1 042 819**	520 297	**978 109**	504 067
Average risk weighted assets	R'000	**1 127 201**	848 874	**1 117 406**	804 366
Risk weighted off balance sheet exposures	R'000	**119 624**	79 565	**119 624**	79 565
Total risk weighted exposure	R'000	**1 246 825**	928 439	**1 237 030**	883 931
Capital adequacy ratio	%	**83.6**	56.0	**79.1**	57.0
Tier 1 capital adequacy ratio	%	**83.4**	56.0	**78.9**	45.6

The terms and conditions and the main features of capital instruments are set out in Note 19 to the annual financial statements.

The group has sufficient capital to fund growth for the new year. We elected to reduce the dividend cover in order to slightly reduce the capital adequacy ratio of the group. The opportunity to issue shares to the BEE consortium at market price was considered to be of strategic benefit and existing shareholders indicated that they did not want to reduce their investment in the group. We believe that the group capital of over R1 billion is necessary to be seen as a significant market participant and that the capital will be utilised efficiently in the business of the bank in the foreseeable future.

Results and profitability

Our cost to income ratio has remained around 60% since the second half of the 2006 financial year, when we introduced six-month and twelve-month loans. The better cost to income ratio was therefore due to the impact of six-month and twelve-month loans in the second half of 2006 and the introduction of eighteen-month and twenty-four-month loans in the second half of the 2007 financial year.

André du Plessis
Financial Director

Our consultants are employed for their **people skills** and from the **community** where branches are situated which means they can attend to our clients in a friendly, warm and **efficient manner** in the **language of their choice**.

The most **convenient way** to **bank**

Our branches are open from **8:00 to 17:00** on weekdays and **8:00 to 13:00** on Saturdays. **Mobile banking** at our clients' place of work and a **24-hour Client Care Centre** means our clients can bank when and where it is convenient for them.

Directorate and Executive

Non-executive

Johannes Fredericus Mouton (60) BComm (Hons), CA(SA), AEP

Jannie is chairman of Capitec Bank Holdings and Capitec Bank. He will resign as chairman on 31 March 2007 but will continue to serve as non-executive director on the boards of both companies.

Jannie is the founder and chairman of PSG Group and director of Quince Capital Limited and PSG Konsult Limited. He is chairman of Zeder Investments Limited and a non-executive director of Steinhoff International Holdings Limited. He also serves as a trustee of numerous trusts and investment funds of the University of Stellenbosch. Prior to the establishment of PSG Group, he co-founded and served as managing director of the stockbroking firm Senekal Mouton & Kitshoff Inc and served on the committee of the JSE.

Michiel Scholtz du Pré le Roux (57) 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. He will succeed Jannie Mouton as chairman of Capitec Bank Holdings and Capitec Bank on 1 April 2007. He is a non-executive director of Zeder Investments Limited.

Chris Adriaan Otto (57) BComm LLB

Chris has been an executive director of PSG Group Limited since its formation. He has been involved in PSG Group's investment in microfinance and subsequent establishment of Capitec Bank of which he has been a non-executive director since establishment. He currently serves as chairman of Paladin Capital Limited, the private equity and corporate finance division of PSG and is a director of Zeder Investments Limited and Channel Life Limited.

Independent non-executive

Merlyn Claude Mehl (Prof) (64) 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. He is presently executive chairman of Open Learning Group (Pty) Limited.

Nonhlanhla Sylvia Mjoli-Mncube (48) MA City and Regional Planning.

Nonhlanhla is economic adviser to the deputy president of South Africa. She has formerly chaired several companies and has worked in leadership positions in South Africa and the USA. She presently runs her own investment company, Mjoli Development Company, and sits on the boards of inter alia Cadiz Holdings and Pioneer Foods.

Jan Georg Solms (52) BAcc, CTA, CA(SA)

Johnnie has been a member of the JSE since 1981 and is stockbroker and executive director of stockbrokers Independent Securities Holdings (Proprietary) Limited.

Jacobus van Zyl Smit (65) BComm LLB, CTA, CA(SA), DComm

Jacobus is a director of PSG Group Limited and BAT Holdings SA (Proprietary) Limited. He was previously a partner of Coopers & Lybrand Chartered Accountants. He is chairman of the Capitec Bank Holdings audit committee.

Executive

Riaan Stassen (53) 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 joined Capitec Bank as managing director in 2000 and was appointed chief executive officer effective 31 March 2004.

André Pierre du Plessis (45) BComm (Hons), CA(SA)

Financial director

André has over 20 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 of Financial Management of Boland PKS from 1996 to 2000.

The most innovative way to bank

Biometric control and **photographic verification** supported by **paperless, card-driven transactions** deliver unrivalled **innovation** for **client convenience**.

Management Committee

Riaan Stassen (53)
Comm (Hons), CA(SA)
Chief executive officer

André Pierre du Plessis (45)
BComm (Hons), CA(SA)
Financial director

Carl Gustav Fischer (50)
BComm (Hons), MBA
Chief executive – Marketing and Corporate Affairs
Carl was chief executive of 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 (43)
BComm (Hons), MBA
Chief executive – Operations
Gerrie was area general manager of Stellenbosch Farmers' Winery (1997 – 2000), focusing on distribution and sales.

André Olivier (39)
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.

Christiaan Oosthuizen (52)
Chief executive – Information Technology
Chris held the position of chief executive of Information Technology at Boland PKS, where he was employed from 1976 to 2000.

Christian George van Schalkwyk (51)
BComm LLB, CA(SA)
Chief executive – Risk Management and company secretary
Christian was chief executive of 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 (45)
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 of human resources and support at Telkom SA (1993 – 1997) and area personnel manager at Iscor Limited (1986 – 1992).

The most **profitable way** to bank

The **lowest transaction fees**, the **highest return on savings** of **10% interest** per year with the option of four additional savings accounts and the **most affordable** monthly account administration fees ensure that our clients can afford to **transact, lend and save**.

Corporate Governance

and **Risk Management** Review

Board functioning and effectiveness

The Capitec board meets six times per annum. A record of attendance by each board member is published as per Annexure A. **The Capitec board operates in terms of an approved charter** which, apart from detailing the powers, duties and responsibilities of the board, also specifies the reserved powers of the board. To allow non-executive directors the opportunity to familiarise themselves with the Capitec business outside of board meetings, they are invited to executive meetings and an annual board conference is held at which senior managers present the various aspects of the business to directors. This approach facilitates access by board members to company information, records, documents and property. The board has established various board committees to monitor the implementation of their plans and strategies.

Board structure and continuity

The board comprises a majority of non-executive directors, consisting of a proper balance of **two executive**, **two non-executive** and **six independent non-executive directors**. A directors' affairs committee, comprising all the non-executive and independent non-executive directors, chaired by the chairman of the board, inter alia is responsible for, inter alia, recruitment and selection of new directors. New appointees are recommended to the board for approval, subject to the approval of the Registrar of Banks. To facilitate continuity of the board, one third of the board retires at each annual general meeting and has to date been re-elected by shareholders.

Chairman/CEO power balance

The roles and responsibilities of the chairman and chief executive officer are separated. Capitec has a **non-executive chairman** with proven business acumen and a good standing in the South African business community. **The chairman:**

- participates actively in the selection of board members; and
- ensures that all directors are given opportunity to add value to the formulation of the strategy of the company.

The chief executive officer's responsibilities include:

- the **development** and **implementation** of company strategy;
- taking initiative in **managing relationships** with stakeholders and the **investment** public in general; and
- acts as the **chief spokesperson** on behalf of the company.

The performance of the chief executive officer and the board as a whole, including its committees, are appraised at least annually.

Directors' selection and orientation

A formal orientation programme consisting of extensive discussions on the **company's business environment** and **operations** are held with new directors. In addition, directors are provided with company records such as copies of board minutes, applicable legislation and board committee charters. Directors are invited to attend presentations by independent specialists on matters relevant to the board in the Capitec environment and when considered necessary, such presentations are arranged in-house. Directors are also afforded the opportunity to attend industry-specific training as initiated by the Registrar of Banks.

Directors' remuneration

A remuneration committee comprising one non-executive director and three independent non-executive directors considers matters relating to **director and executive remuneration**. This committee executes its responsibilities in accordance with the terms and references incorporated in the board-approved remuneration committee charter. Remuneration of directors is disclosed on page 45.

Board oversight

To assist the board in reviewing processes and procedures to determine the effectiveness of **internal systems of control** in the company, the board has established committees with specific mandates to cover all aspects of the Capitec business. These committees report their findings to the board thereby ensuring that the **decision making capability of the board and the accuracy of its reporting and financial results are maintained at high levels**.

Information assessed by the board comprises financial as well as non-financial information and enables the board to **assess the adequacy** and **efficiency of corporate governance** and **internal controls** in operation from time to time.

Board committees

The board has established various **subcommittees** such as the **management**, **risk**, **audit**, **directors' affairs** and **remuneration committees**, each with an approved charter containing terms of reference for these committees. Further particulars on each of the committees are set out in Annexure B.

Board/director evaluation

The directors' affairs committee meets at least **twice a year** to assess, amongst other things, the skills needs of the board and feels satisfied that the board composition currently represents an adequate **mix of skills** and **diverse backgrounds**.

Dealing in securities

The board has approved a policy in accordance with the JSE Listings Requirements (the LR) in terms of which directors, senior management and employees with access to management reports are required to obtain clearance to deal in the shares of the company prior to transacting. This policy also bars any trading in the shares of the company during a prohibited period; standard closed periods at year end up to publication of year-end results and at half-year up to publication of interim results. Strong emphasis is placed on **proper and correct declaration of interest by directors** in compliance with relevant legislation, including their shareholding in the company. The register of directors' interests is circulated at every board meeting and signed by all members present.

Company secretary's role

The company secretary oversees corporate governance within the company, supports the chairman in ensuring the effective functioning of the board and provides the board and directors individually with guidance on the proper discharging of their responsibilities. As such the company secretary:

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

Auditing and accounting

We are privileged to have a prestigious international firm as our external auditors; both the external auditors and internal audit department of Capitec observe the **highest levels of business and professional ethics and independence.** The company and management encourage regular coordination and consultation between external and internal auditors to **ensure an efficient audit process**. Non-audit work performed by the external auditors is regulated by a policy laid down by the audit committee. In compliance with the requirement of our regulator, the lead partner of our external audit team rotated during the year under review, in line with a five-year rotation cycle.

Reporting

Annual and interim financial results are submitted to the audit committee for consideration and recommendation to the board for final approval. The audit committee's mandate includes the authority to determine whether or not the interim report should be subject to an independent review by the auditors. The facts and assumptions used by the board to assess the going concern status of Capitec Bank at each year end are recorded and submitted annually, in terms of the Banks Act (Act 94 of 1990), to the Registrar of Banks.

Audit committee

The audit committee comprises two independent non-executive and one non-executive director as well as the chief executive officer of the company; the chairman of the committee is an independent non-executive director. The chairman of the board is not a member of the audit committee. **The audit committee** derives its authority and responsibilities from a **board approved charter** with which it has complied during the year under review.

Audit fees are annually approved in advance by the audit committee in a manner which should not impact on the scope of the audit. Non-audit services rendered by our external auditors are limited to ad hoc tax advice and other assurance-related services within the parameters of a policy approved by the audit committee limiting such expense to 40% of the annual audit fee; the consideration is disclosed in the annual financial statements.

Internal audit

Status of internal audit

The company has an independent internal audit department with direct access to both the chairman and the chief executive officer. Apart from own staff it functions on a co-sourced basis with Deloitte as external consultants and in accordance with a charter approved by the audit committee. The charter formally defines the purpose, authority and responsibility of the internal audit activity and is consistent with the Institute of Internal Auditors' definition thereof. The head of internal audit attends all audit and risk committee meetings, and submits a report to each audit committee meeting.

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.

Scope of internal audit

The department annually submits a coverage 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 in mind. In our developing environment strong emphasis is placed on the implementation and efficiency of systems. In addition, the **operational environment is closely monitored** and assurance derived that controls are functioning adequately. Increased emphasis is placed on the development of centralised monitoring. In this process, any deficiency detected in governance is escalated to management for action.

Compliance

We have an independent compliance function which has recently been restructured to enhance its functionality. In this process a number of staff have received training under the auspices of the Compliance Institute of South Africa. These specifically indentified individuals will serve as compliance champions in their respective business units.

We are confident that our compliance function well serves the current needs of the Group.

Risk management framework and responsibility

Capitec Bank views **risk management as a measure of ensuring a responsible return on shareholders' equity**. Ultimately, the board remains responsible for risk management. To assist them in performing this duty, the company is managed through a **system of internal controls** functioning throughout the entity so that an awareness of risk pervades every aspect of our business and is seen as the responsibility of each and every employee of Capitec Bank.

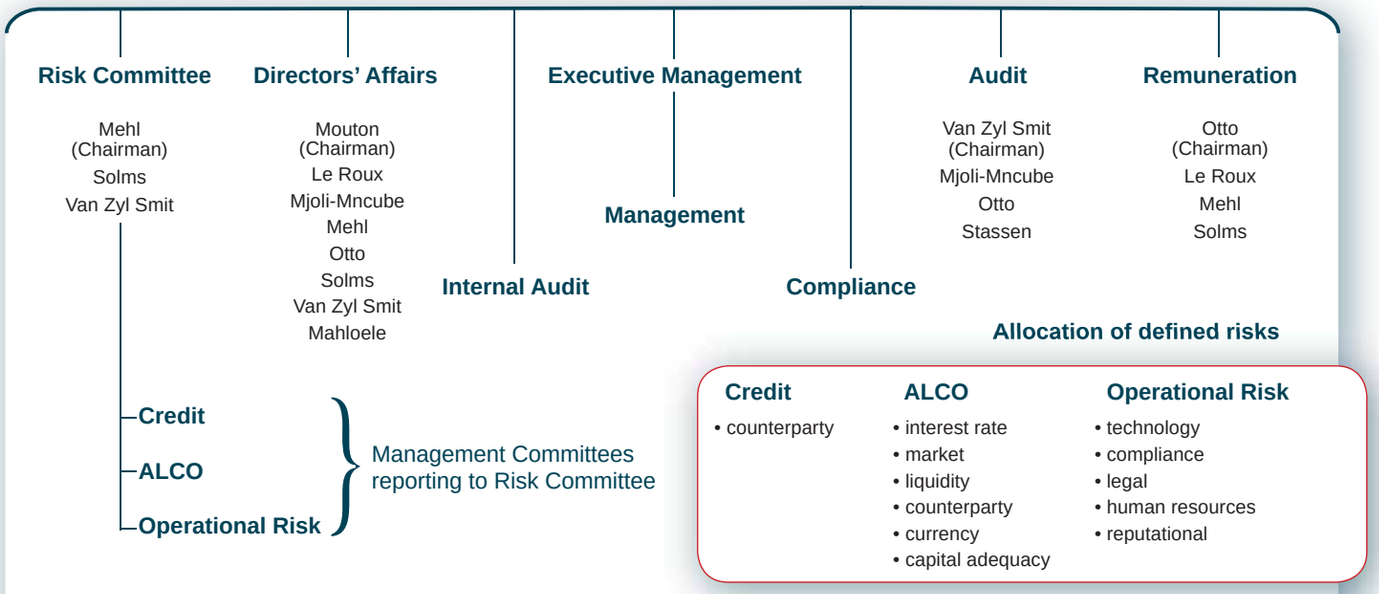
The board has established a **risk committee** comprising three independent non-executive directors. The committee has a formal charter in accordance with which it assists the board in reviewing the processes followed to identify risk and considering such risks in the Capitec group environment. The committee also assists the board in ensuring that risk assessment is an ongoing process and that a formal risk assessment is undertaken at least quarterly.

Subcommittees comprising executives and senior management have been established to deal in a structured manner with specific risks facing the company :

- Credit committee – credit risk.
- Assets and liability committee – interest rate, market, liquidity, counterparty, currency and capital adequacy risk; and
- Operational risk committee – legal, compliance, technology, operational and reputational risk.

The Capitec Bank Risk Framework

Board of Directors



Risk management

The biggest risks facing Capitec Bank reside in **information technology**, **human resources**, **credit extension** and, as explained elsewhere in the annual report, the **regulatory environment**. The emphasis thus tends to fall in these areas, however, to enhance shareowners' and other stakeholders' interests, all risks are mitigated to an acceptable level relative to the return produced by the activity concerned. This remains a central theme of the manner in which Capitec Bank conducts business.

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

Business continuity and **disaster recovery plans** have been developed and set in place to ensure continuity of business in the event of a disastrous incident which could impact the bank's activities. These plans are tested periodically to ensure their continued effectiveness.

Integrated sustainability reporting

Capitec Bank is exceedingly conscious of the necessity to ensure that, to the extent that it can take such responsibility, the environment in which it exists, remains sustainable. 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.

Stakeholder relations

Relations with shareholders and communication

Shareholders are respected as the **providers of capital** and as such we strive to provide them with sufficient information on which **investment decisions** can be based. To this extent the company makes an effort to ensure that shareholders attend shareholder meetings and sends personal invitations, over and above the notice of the annual general meeting, to shareholders encouraging them to attend these meetings. At the annual general meeting, the company's results are presented and opportunity is created to ascertain the common objectives of the company and its shareholders. We also endeavour to communicate with each new shareholder to introduce individuals with whom shareholders may make contact on company matters. In addition, we strive to maintain regular, transparent and timely communication with our shareholders through the media, our website and formal announcements. We create wealth for shareholders; our market capitalisation increased to over R3 billion during the year under review.

Regulators

Relationship 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. From our dominant position, holding in excess of 30% of the market share in the 30-day micro-loan industry, we play an important role in regularising the micro-lending industry and in improving service levels available to the public.

Suppliers

We strive to manage these relationships in an atmosphere of certainty and fairness. **Service level agreements** are general practice. Capitec Bank has implemented a targeted procurement strategy to enhance black economic empowerment (BEE), the aim being in line with the Financial Services Charter to procure at least 50% of supplies from BEE-accredited companies by 2008 and 70% by 2014. Fifty percent of Capitec Bank's procurement expenditure is with BEE suppliers.

Communities

The main theme of our corporate social investment strategy is **financial education** and as such the bank cooperates with UNISA on a financial education programme that is presented to communities, schools, teachers and parents with the aim of increasing the broader understanding of financial terms and products. This programme allows participants to improve their financial life in terms of **learning basic skills** such as budgeting, understanding the use of debit orders and electronic banking products such as internet banking and debit cards. These courses are presented **free of charge** and are NQF accredited.

The allocation of donations in 2006 has followed the financial education theme which means that institutions involved in **job creation** and **community upliftment** were favoured when allocating the donations budget.

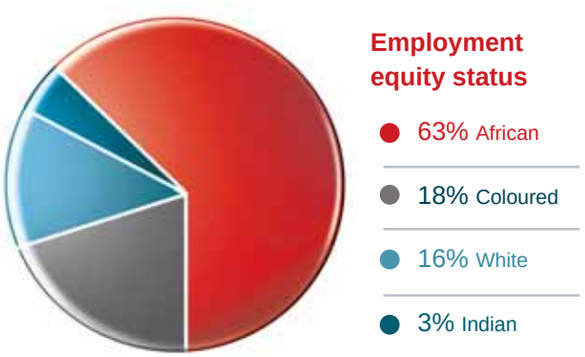
It is the Capitec Bank offer, however, which should be considered for its value to the communities which the bank serves. By extending credit in a manner which may contribute to the relief of poverty, we strive to contribute in the long term to relieving pressure within these communities and to create sustainability. We strive to achieve sustainability within communities by:

- **increasing access to banking facilities** by positioning of our branches and banking facilities in the areas where the majority of our client base operates;
- **extending our banking hours** to be more aligned with the needs of our clients;
- **reducing our interest rates** to make credit economically feasible for clients; and
- **continuously developing new products** to increase our product offer.

Underlying the aim to become the **retail bank of choice** and measures set in place to achieve this is the requirement to ensure sustainable banking practices to the entire spectrum of our client base.

Employees

The employment equity profile of Capitec Bank is 84% black and 16% white. At present, almost 100% of employees recruited in operations are previously disadvantaged.



Capitec Bank values its employees and strives continuously to train staff to facilitate personal development and provide a sophisticated staff interface to the Capitec Bank client specifically and other stakeholders of the bank in general. To this extent, we have run **86 training programmes** during the year under review, accommodating **1 883 employees** and indirectly, as a result of inter alia this training, were able to promote 300 employees of which the majority were previously disadvantaged individuals. Total training expenditure excluding overheads in the period under review amounted to R15 million.

Capitec Bank endeavours to inspire employees to further their education and with this in mind, makes **bursaries** available in support of further education. As such, **49 bursaries** were approved to staff for tertiary education in 2007 of which at least 76% were awarded to previously disadvantaged employees.

Ethical practices and organisational integrity

Capitec Bank continues to position itself as an institution within 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** as well as the **Code on Responsible Credit Extension** and expect our employees to bind themselves to support and maintain the ethical principles and standards prescribed by the board and management.

Safety, health and the environment (SHE)

Capitec Bank places great emphasis on the **safety of its employees**. Security of staff therefore remains an ongoing concern and considerable time and resources have been spent to combat armed robbery and burglaries, which we are happy to report, are both much curtailed. We remain committed to stamping out this evil and work with the banking industry to achieve this aim.

One of the core business strategies of Capitec Bank is to create a **cashless environment** in our branches to the benefit of both clients and employees. This is effected by installing ATMs for cash dispensing and secure safes to deposit cash, leaving cashiers with only a minor daily float for small transactions. The drop safes are emptied regularly by an independent security firm and cash is counted and banked off premises. In addition to standard security measurements, security guards are deployed at high-risk branches.

In terms of the Occupational Health and Safety Act, 1993 (Act 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.

By extending credit in a manner which may contribute to the r**elief of poverty**, we hope to contribute in the long term to relieving pressure on the environment and **creating sustainability**.

Annexure A – Attendance by Directors

Committees	Board	Directors' Affairs	Audit	Remuneration	Risk
Number of meetings in the period of review	7	2	3	3	2
JF Mouton	7	2	2*	-	-
AP du Plessis	7	-	3*	-	2*
MS du P le Roux**	7	2	3	3	-
D Lockey(1)	3	-	-	-	-
MC Mehl(6)(7)	6	2	-	-	2
NS Mjoli-Mncube(2)(5)	3	2	-	-	1
CA Otto(2)	7	2	3	3	-
JG Solms(3)(4)	7	2	3	3	-
R Stassen	7	-	3	-	2*
J van Zyl Smit	6	2	3	-	2

Notes:
(1) Mr Lockey resigned effective 1 September 2006
(2) Resigned from Risk Committee effective 27 September 2006
(3) Appointed to Risk Committee effective 27 September 2006
(4) Resigned from Audit Committee effective 27 September 2006
(5) Appointed to Audit Committee effective 27 September 2006
(6) Appointed to Remuneration Committee effective 27 September 2006
(7) Appointed chairman of Risk Committee effective 27 September 2006
* Attendance by invitation.
** Resigned from Audit Committee effective 1 April 2007

Annexure B – Composition of 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	**2 non-executive directors** JF Mouton (Chairman) D Lockey (resigned 1 September 2006) CA Otto **6 independent non-executive directors** MS du P le Roux MC Mehl (Prof) NS Mjoli-Mncube (Ms) JG Solms J van Z Smit (Dr) TD Mahloele (appointed 1 April 2007) **2 executive directors** R Stassen (CEO) AP du Plessis (CFO)	A majority of directors at the time in office of which at least 50% must be non-executive	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 (Chairman) AP du Plessis GM Fourie CG van Schalkwyk	3 members	Once a week
2.2	Management Committee	Responsible for operational decision making and implementation of strategic decisions approved by the board	R Stassen (Chairman) JE Carstens* AP du Plessis CG Fischer GM Fourie A Olivier C Oosthuizen CG van Schalkwyk L Venter	3 members	Once a month (meetings are held weekly to report on operational matters)

* Appointed to the management committee in March 2007

Annexure B – Composition of Board and Board Committees

	Committees	Purpose	Composition	Quorum	Meetings
3.	Directors' Affairs Committee	Responsible for evaluation of board effectiveness; senior management and board succession planning; corporate governance	All non-executive directors are members of this committee	Majority of members	Twice a year
4.	Audit Committee	Oversees financial controls, reporting and disclosure	J van Z Smit (Chairman) MS du P le Roux CA Otto NS Mjoli-Mncube R Stassen **Independent attendee** HD Nel (External audit partner – PricewaterhouseCoopers) **Management attendees** J-HC de Beer (Compliance officer) AP du Plessis J Gourrah (Internal Audit) CG van Schalkwyk (Risk Management) (Secretary)	50% of members	Three times a year
5.	Remuneration Committee	Directors' and senior executives' remuneration is discussed and determined and, when applicable, additional remuneration such as bonuses and incentives, including share incentives	CA Otto (Chairman) MS du P le Roux MC Mehl JG Solms **Management attendees** R Stassen L Venter	Majority of members	Twice a year
6.	Risk Committee	Reviews processes followed to identify risk and considers such risks in the Capitec Bank group environment. Assists the board in reviewing the risk management systems and processes and the significant risks facing the group.	MC Mehl (Chairman) JG Solms J van Z Smit **Management attendees** J-HC de Beer AP du Plessis J Gourrah R Stassen CG van Schalkwyk	2 members	Twice a year

The way
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CAPITEC
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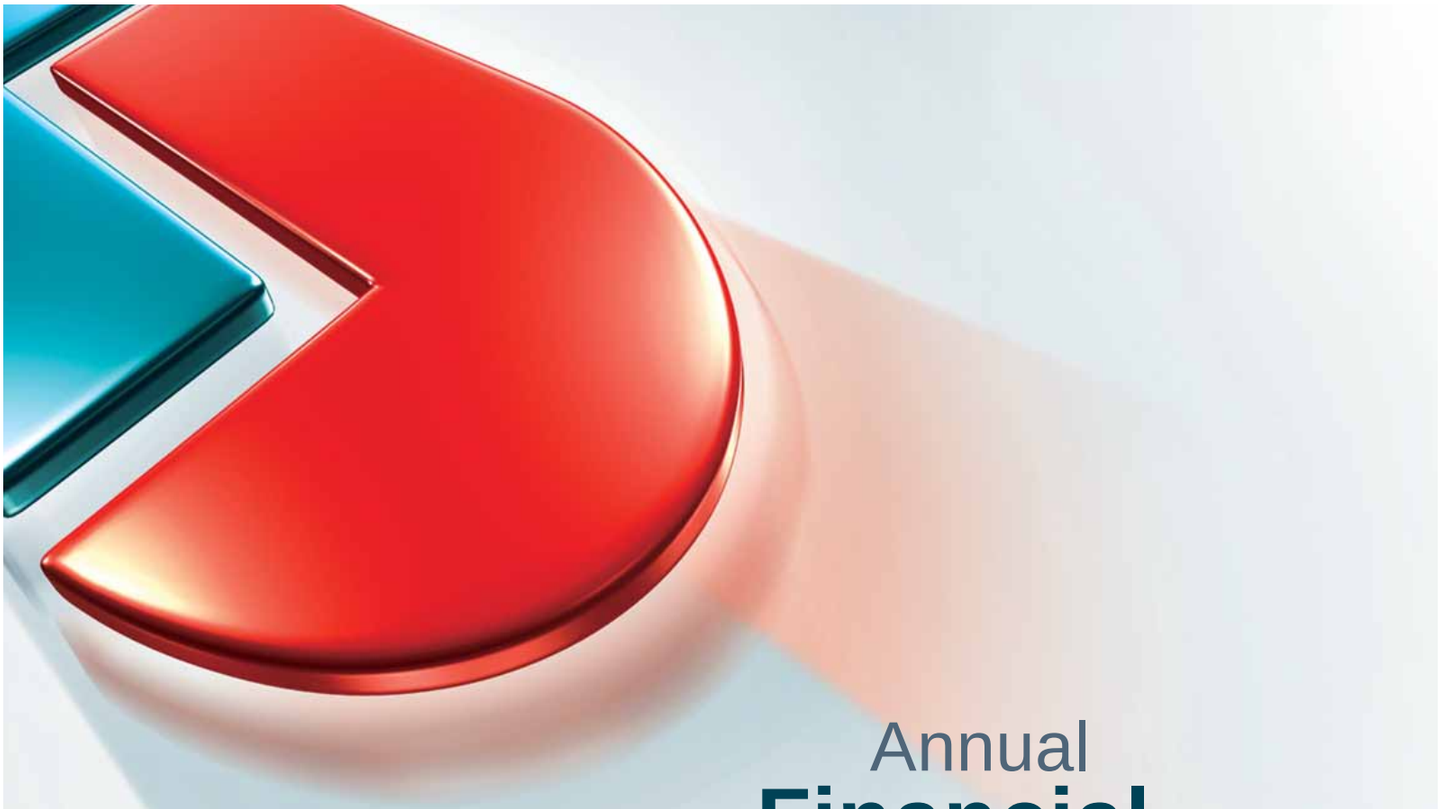

Annual Financial Statements 2007

Contents

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 41 to 84 have been prepared in accordance with International Financial Reporting Standards (IFRS), 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 IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly present the results of operations, cash flows and changes in equity 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 the responsibility for ensuring that accounting records are kept. The accounting records should disclose, with reasonable accuracy, the financial position of the Group and company to enable the directors to ensure that the financial statements comply with relevant legislation.

Capitec Bank Holdings Limited and its subsidiaries operated in a well-established control environment, which is 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 that 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 Group and the company.

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

The Group's external auditors, PricewaterhouseCoopers Incorporated, audited the financial statements and their report is presented on page 40.

The financial statements were approved by the Board of Directors on 28 March 2007, and are signed on its behalf by:

Jannie Mouton
Chairman

Riaan 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 28 February 2007, 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
Stellenbosch
28 March 2007

Report of the Independent Auditors

To the Members of Capitec Bank Holdings Limited

We have audited the annual financial statements and the Group annual financial statements of Capitec Bank Holdings Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 28 February 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory Notes, as set out on pages 41 to 84.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the Group as at 28 February 2007, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Director: HD Nel
Registered Auditor

Cape Town
28 March 2007

Directors' Report

The directors present their annual report, which forms part of the audited financial statements of the company, for the year ended 28 February 2007.

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 retail 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, statements of changes in equity, cash flow statements and notes thereto. The Group's earnings attributable to shareholders amounted to R166.9 million (2006: R115.3 million).

3. FINANCIAL RESULTS AND DIVIDENDS

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

Dividends

A final ordinary dividend of 60 cents per share was declared by the directors on 28 March 2007 (2006: 45 cents). No accrual was made for this dividend, which is in line with recommended accounting practice.

A preference dividend of R7 617 017 (2006: nil) was declared on 28 February 2007. The dividend will be paid on 26 March 2007 and is included as a distribution to preference shareholders in the current financial year's statement of changes in equity.

A dividend of 45 cents per share relating to the previous financial year was declared on 29 March 2006 and paid on 12 June 2006. An interim dividend of 20 cents per share was declared on 27 September 2006 and paid on 4 December 2006. The total dividend of R46 753 468 was settled in cash and is included as a distribution to ordinary shareholders in the current financial year's statement of changes in equity.

4. SHARE CAPITAL

During the current financial year, 10 000 000 ordinary shares with a par value of R0.01 per share were issued at a premium of R29.99 per share (market value at the time of approval) to a BEE consortium. Expenses relating to the issue of these shares amounted to R502 000. There was also an issue of 1 684 211 non-redeemable, non-cumulative, non-participating preference shares with a par value of R0.01 per share at a premium of R94.99 per share. Expenses relating to the issue of these shares amounted to R5 394 000.

Settlement of share options

The Group settled 713 056 options (2006: 2 486 744 options) relating to the existing share incentive scheme.

5. DIRECTORS AND SECRETARY

Information relating to the directors and secretary of the company is presented on pages 39 and 42 to 45 of the financial statements and on page 25 of the annual report.

6. GROUP DETAILS

The Group's and company's place of domicile and country of incorporation is the Republic of South Africa.

Registered office: 10 Quantum Road
Techno Park
Stellenbosch
7600

Directors' Report

7. INTERESTS OF THE DIRECTORS IN SHARE CAPITAL AND CONTRACTS

7.1 At year end, the directors, in aggregate, were directly or indirectly, beneficially or non-beneficially, interested in 24 304 058 (2006: 40 292 792) Capitec Bank Holdings Limited ordinary shares, equivalent to 29.66% (2006: 56.02%) of the issued ordinary share capital of Capitec Bank Holdings Limited. The individual interests of the directors were as follows:

	Number of ordinary shares held					
2007	**Beneficial**		**Non-beneficial**		**Total**	
	Direct	**Indirect**	**Direct**	**Indirect**	**Shares**	**%**
AP du Plessis *	**-**	**1 001 223**	**-**	**-**	**1 001 223**	**1.22**
MS du P le Roux	**-**	**-**	**-**	**12 292 244**	**12 292 244**	**15.00**
MC Mehl	**110 000**	**-**	**-**	**-**	**110 000**	**0.13**
NS Mjoli-Mncube	**100 000**	**-**	**-**	**-**	**100 000**	**0.12**
JF Mouton	**500 697**	**-**	**-**	**7 091 839**	**7 592 536**	**9.27**
CA Otto	**967**	**-**	**-**	**453 760**	**454 727**	**0.56**
JG Solms	**33 779**	**-**	**-**	**18 183**	**51 962**	**0.06**
R Stassen *	**100 000**	**-**	**-**	**2 397 229**	**2 497 229**	**3.05**
J van Z Smit	**139 647**	**33 783**	**-**	**30 707**	**204 137**	**0.25**
	985 090	**1 035 006**	**-**	**22 283 962**	**24 304 058**	**29.66**

2006	Beneficial		Non-beneficial		Total	
	Direct	Indirect	Direct	Indirect	Shares	%
AP du Plessis *	-	1 149 970	-	-	1 149 970	1.60
MS du P le Roux	-	-	-	12 292 244	12 292 244	17.09
D Lockey**	-	-	-	15 412 995	15 412 995	21.43
MC Mehl	110 000	-	-	-	110 000	0.15
NS Mjoli-Mncube	100 000	-	-	-	100 000	0.14
JF Mouton	451 302	-	-	7 033 104	7 484 406	10.41
CA Otto	967	-	-	453 760	454 727	0.63
JG Solms	33 779	-	-	18 183	51 962	0.07
R Stassen *	135 122	-	-	2 897 229	3 032 351	4.22
J van Z Smit	139 647	33 783	-	30 707	204 137	0.28
	970 817	1 183 753	-	38 138 222	40 292 792	56.02

* *Executive*

** D Lockey resigned on 1 September 2006. Shares held previously were held for the benefit of Arch Equity Limited and Arch Equity Investment Holdings Limited (now Thembeka Capital Limited) of which he was a director.

Directors' Report

7.2 At year-end the directors were participants in the Capitec Bank Holdings Limited share incentive scheme in respect of 1 450 818 (2006: 1 198 318) Capitec Bank Holdings Limited share options as follows:

2007

Directors	Maturity date	Issue date	Strike price R	Opening balance: Number of share options	(Options exercised)/ Options granted: Number of share options	Market price R	Exercise date	Closing balance: Number of share options
AP du Plessis								
(indirect beneficial)	16 Jul 07	17 Jul 00	1.42	98 777	-			98 777
	29 Apr 07	29 Apr 04	5.73	25 000	-			25 000
	29 Apr 08	29 Apr 04	5.73	25 000	-			25 000
	29 Apr 09	29 Apr 04	5.73	25 000	-			25 000
	29 Apr 10	29 Apr 04	5.73	25 000	-			25 000
(direct beneficial)	20 May 08	20 May 05	14.05	17 500	-			17 500
	20 May 09	20 May 05	14.05	17 500	-			17 500
	20 May 10	20 May 05	14.05	17 500	-			17 500
	20 May 11	20 May 05	14.05	17 500	-			17 500
	12 Apr 09	12 Apr 06	30.73	-	13 125			13 125
	12 Apr 10	12 Apr 06	30.73	-	13 125			13 125
	12 Apr 11	12 Apr 06	30.73	-	13 125			13 125
	12 Apr 12	12 Apr 06	30.73	-	13 125			13 125
				268 777	52 500			321 277
R Stassen								
(indirect non-beneficial)	16 July 07	17 Jul 00	1.42	249 541	-			249 541
(direct beneficial)	29 Apr 07	29 Apr 04	5.73	100 000	-			100 000
	29 Apr 08	29 Apr 04	5.73	100 000	-			100 000
	29 Apr 09	29 Apr 04	5.73	100 000	-			100 000
	29 Apr 10	29 Apr 04	5.73	100 000	-			100 000
	20 May 08	20 May 05	14.05	70 000	-			70 000
	20 May 09	20 May 05	14.05	70 000	-			70 000
	20 May 10	20 May 05	14.05	70 000	-			70 000
	20 May 11	20 May 05	14.05	70 000	-			70 000
	12 Apr 09	12 Apri 06	30.73	-	50 000			50 000
	12 Apr 10	12 Apr 06	30.73	-	50 000			50 000
	12 Apr 11	12 Apr 06	30.73	-	50 000			50 000
	12 Apr 12	12 Apr 06	30.73	-	50 000			50 000
				929 541	200 000			1 129 541
Total				1 198 318	252 500			1 450 818

Directors' Report

No share options were exercised by directors during the 2007 financial year.
The following options were exercised in the prior financial year:

	Options exercised					
Directors	Maturity date	Issue date	Number of share options	Strike price	Market price	Exercise date
AP du Plessis	16 Jul 05	17 Jul 00	129 970	1.42	25.75	19 Dec 05
	16 Jul 06*	17 Jul 00	129 970	1.42	29.99	20 Feb 06
R Stassen	16 Jul 05	17 Jul 00	280 734	1.42	23.50	5 Dec 05
	16 Jul 06*	17 Jul 00	280 734	1.42	29.99	20 Feb 06

* It was decided to allow the early exercise of options matured in the 2006/07 year to the extent that there were shares available in the Share Incentive Trust on 20 February 2006.

7.3 At year end, the directors, in aggregate, were indirectly non-beneficially interested in 70 703 (2006: nil) Capitec Bank Holdings Limited non-redeemable, non-cumulative, non-articipating preference shares,equivalent to 4.20% (2006: nil) of the issued preference share capital of Capitec Bank Holdings Limited. The individual interests of the directors were as follows:

2007	Non-beneficial Indirect	%
J G Solms	44 440	2.64
R Stassen	21 000	1.25
J van Z Smit	5 263	0.31
	70 703	4.20

7.4 The directors' remuneration in respect of the financial year ended 28 February 2007 was as follows:

2007	Salaries R'000	Fringe benefits R'000	Bonuses R'000	Fees R'000	Total R'000
Executive					
AP du Plessis	**1 462**	**148**	**229**	**-**	**1 839**
R Stassen	**2 328**	**248**	**1 950**	**-**	**4 526**
Non-executive					
MS du P le Roux	**-**	**-**	**-**	**137**	**137**
D Lockey	**-**	**-**	**-**	**47**	**47**
MC Mehl	**-**	**-**	**-**	**97**	**97**
NS Mjoli-Mncube	**-**	**-**	**-**	**95**	**95**
JF Mouton	**-**	**-**	**-**	**500**	**500**
CA Otto	**-**	**-**	**-**	**149**	**149**
JG Solms	**-**	**-**	**-**	**116**	**116**
J van Z Smit	**-**	**-**	**-**	**122**	**122**
	3 790	**396**	**2 179**	**1 263**	**7 628**

The total share option expense relating to directors amounts to R1 025 899 (2006: R329 688).

2006	Salaries R'000	Fringe benefits R'000	Bonuses R'000	Fees R'000	Total R'000
Executive					
AP du Plessis	1 247	203	63	-	1 513
R Stassen	1 965	278	7 000	-	9 243
Non-executive					
MS du P le Roux	-	-	-	147	147
D Lockey	-	-	-	95	95
MC Mehl	-	-	-	84	84
NS Mjoli-Mncube	-	-	-	105	105
JF Mouton	-	-	-	500	500
CA Otto	-	-	-	158	158
JG Solms	-	-	-	105	105
J van Z Smit	-	-	-	126	126
	3 212	481	7 063	1 320	12 076

8. INVESTMENTS IN SUBSIDIARIES

Information relating to the company's financial interest in its subsidiaries is set out in Note 10 to the financial statements.

9. MATERIAL EVENTS AFTER YEAR-END

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

Balance Sheets

as at 28 February 2007

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Assets					
Cash and cash equivalents	4	**1 043 746**	582 293	**-**	-
Investments at fair value through profit or loss	5	**111 933**	7 149	**-**	-
Loans and advances to customers	6	**803 260**	454 661	**-**	-
Inventory	7	**10 928**	11 800	**-**	-
Other receivables	8	**9 685**	7 077	**-**	-
Group loans receivable	9	**-**	-	**7 637**	100 000
Investment in subsidiaries	10	**-**	-	**821 127**	267 023
Property and equipment	11	**155 640**	133 956	**-**	-
Intangible assets	12	**42 604**	47 688	**-**	-
Deferred income tax assets	13	**13 846**	6 648	**-**	-
Total assets		**2 191 642**	1 251 272	**828 764**	367 023
Liabilities					
Deposits at amortised cost	14	**842 172**	537 894	**-**	-
Deposits held at fair value through profit or loss	15	**54 382**	57 102	**-**	-
Trade and other payables	16	**94 648**	69 667	**7 703**	-
Current income tax liabilities		**79 133**	22 493	**-**	-
Provisions	17	**3 850**	300	**-**	-
Group loans payable	18	**-**	-	**4 247**	4 326
Total liabilities		**1 074 185**	687 456	**11 950**	4 326
Equity					
Capital and reserves					
Ordinary share capital and premium	19	**647 363**	347 865	**647 363**	347 865
Non-distributable reserves	20	**2 439**	710	**-**	-
Retained earnings		**313 049**	215 241	**14 845**	14 832
		962 851	563 816	**662 208**	362 697
Non-redeemable, non-cumulative, non-participating preference share capital and premium	19	**154 606**	-	**154 606**	-
Total equity		**1 117 457**	563 816	**816 814**	362 697
Total equity and liabilities		**2 191 642**	1 251 272	**828 764**	367 023

Income Statements

for the year ended 28 February 2007

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Interest income	21	**967 528**	783 902	**-**	-
Interest expense	21	**(69 836)**	(40 079)	**-**	-
Net interest income	21	**897 692**	743 823	**-**	-
Net fee income		**111 557**	14 942	**-**	-
Loan fee income		**76 943**	-	**-**	-
Transaction fee income		**93 671**	44 314	**-**	-
Transaction fee expense		**(59 057)**	(29 372)	**-**	-
Dividend income		**1 469**	1 015	**54 450**	22 625
Net impairment charge on loans and advances	22	**(161 271)**	(95 625)	**-**	-
Net movement in financial instruments held at fair value through profit or loss	23	**(857)**	1 431	**-**	-
Non-banking gross profit		**8 025**	6 563	**-**	-
Sales		**134 888**	131 368	**-**	-
Cost of sales		**(126 863)**	(124 805)	**-**	-
Other income		**75**	4	**643**	1 170
Income from operations		**856 690**	672 153	**55 093**	23 795
Banking operating expenses		**(606 705)**	(500 075)	**(710)**	(1 249)
Non-banking operating expenses		**(6 808)**	(5 965)	**-**	-
Operating profit before tax	24	**243 177**	166 113	**54 383**	22 546
Income tax expense	25	**(76 253)**	(50 832)	**-**	(2 562)
Profit for the year attributable to equity holders		**166 924**	115 281	**54 383**	19 984
Earnings per share attributable to ordinary shareholders (cents)					
Basic	26	**220.9**	163.4		
Diluted	26	**209.5**	154.7		
Final dividend per share (cents)	28	**60.0**	45.0		
Interim dividend per share (cents)	28	**20.0**	-		

Statements of Changes in Shareholders' Equity

for the year ended 28 February 2007

	Ordinary share capital and premium R'000	Preference share capital and premium R'000	Shares held by the Group R'000	Reserves R'000	Retained earnings R'000	Total R'000
Group						
Balance at 1 March 2005	347 865	-	(17 524)	700	142 377	473 418
Net profit for the year	-	-	-	-	115 281	115 281
Ordinary dividend	-	-	-	-	(21 318)	(21 318)
Share-based staff costs	-	-	-	-	1 603	1 603
Shares acquired for employee share options at cost	-	-	(15 871)	-	-	(15 871)
Realised loss on settlement of employee share options	-	-	33 395	-	(30 623)	2 772
Tax effect on settlement of options	-	-	-	-	8 088	8 088
Tax rate change	-	-	-	10	(167)	(157)
Balance at 28 February 2006	**347 865**	**-**	**-**	**710**	**215 241**	**563 816**
Shares issued during the year	**300 000**	**160 000**	**-**	**-**	**-**	**460 000**
Share issue expenses	**(502)**	**(5 394)**	**-**	**-**	**(64)**	**(5 960)**
Net profit for the year	**-**	**7 617**	**-**	**-**	**159 307**	**166 924**
Ordinary dividend	**-**	**-**	**-**	**-**	**(46 753)**	**(46 753)**
Preference dividend	**-**	**(7 617)**	**-**	**-**	**-**	**(7 617)**
Share-based staff costs	**-**	**-**	**-**	**-**	**4 005**	**4 005**
Shares acquired for employee share options at cost	**-**	**-**	**(23 441)**	**-**	**-**	**(23 441)**
Realised loss on settlement of employee share options	**-**	**-**	**23 441**	**-**	**(22 249)**	**1 192**
Tax effect on settlement of options	**-**	**-**	**-**	**-**	**5 291**	**5 291**
Transfer to statutory provision reserve	**-**	**-**	**-**	**1 729**	**(1 729)**	**-**
Balance at 28 February 2007	**647 363**	**154 606**	**-**	**2 439**	**313 049**	**1 117 457**
Notes	19	19		20		

Statements of Changes in Shareholders' Equity

for the year ended 28 February 2007

	Ordinary share capital and premium R'000	Preference share capital and premium R'000	Shares held by the Group R'000	Reserves R'000	Retained earnings R'000	Total R'000
Company						
Balance at 1 March 2005	347 865	-	-	-	16 427	364 292
Net profit for the year	-	-	-	-	19 984	19 984
Ordinary dividend	-	-	-	-	(21 579)	(21 579)
Balance at 28 February 2006	**347 865**	**-**	**-**	**-**	**14 832**	**362 697**
Shares issued during the year	**300 000**	**160 000**	**-**	**-**	**-**	**460 000**
Share issue expenses	**(502)**	**(5 394)**	**-**	**-**	**-**	**(5 896)**
Net profit for the year	**-**	**7 617**	**-**	**-**	**46 766**	**54 383**
Ordinary dividend	**-**	**-**	**-**	**-**	**(46 753)**	**(46 753)**
Preference dividend	**-**	**(7 617)**	**-**	**-**	**-**	**(7 617)**
Balance at 28 February 2007	**647 363**	**154 606**	**-**	**-**	**14 845**	**816 814**
Notes	**19**	**19**				

Cash Flow Statements

for the year ended 28 February 2007

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Cash Flow from operating activities					
Cash from operations	32	**292 041**	317 920	**54 469**	22 545
Tax paid	33	**(21 520)**	(2 560)	**-**	(2 557)
Dividend paid	34	**(46 753)**	(21 318)	**(46 753)**	(21 579)
		223 768	294 042	**7 716**	(1 591)
Cash Flow from investing activities					
Investment in property and equipment		**(71 158)**	(59 627)	**-**	-
Investment in computer software		**(14 799)**	(12 767)	**-**	-
Increase in investment in subsidiaries		**-**	-	**(554 104)**	-
Proceeds from disposal of equipment		**148**	892	**-**	-
Decrease in loans receivable from Group companies		**-**	-	**92 363**	1 513
Pre-acquisition dividend		**-**	-	**-**	891
Disposal/(Acquisition) of investments at fair value through profit or loss		**(108 361)**	9 979	**-**	-
		(194 170)	(61 523)	**(461 741)**	2 404
Cash Flow from financing activities					
Increase/(Decrease) in Group loans payable		**-**	-	**(79)**	(813)
Shares issued	35	**454 104**	-	**454 104**	-
Shares acquired and options settled	36	**(22 249)**	(13 099)	**-**	-
		431 855	(13 099)	**454 025**	(813)
Net increase in cash and cash equivalents		**461 453**	219 420	**-**	-
Cash and cash equivalents at beginning of year		**582 293**	362 873	**-**	-
Cash and cash equivalents at end of year	4	**1 043 746**	582 293	**-**	-

Notes to the Annual Financial Statements

for the year ended 28 February 2007

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.

1.1 Basis of consolidation

The consolidated financial statements include those of the company, all its subsidiaries and the share incentive trust.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights would be considered when assessing whether the Group controls another entity, had such rights existed. Subsidiaries are fully consolidated from the date on which control is obtained by the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

1.2 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks, money market investments and short-term government securities. Cash and cash equivalents are stated at amortised cost which approximates fair value due to the short-term nature of these instruments.

1.3 Financial instruments

1.3.1 The Group classifies its financial assets in the under mentioned categories.

The Group recognises financial assets on the balance sheet only once it becomes a party to the contractual provisions of the particular financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Management determines the classification of its investments at initial recognition and re-evaluates this classification at each reporting date. Financial assets are initially recognised at fair value plus transaction costs.

(a) Financial assets at fair value through profit or loss
This category has two subcategories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are categorised as held for trading unless they are designated as hedges.

Purchases and sales of financial assets at fair value through profit or loss are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

Gains and losses on the disposal of financial assets at fair value through profit or loss are measured as the difference between the proceeds and the carrying amounts, and are included in the income statement.

(b) Loans and advances
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the advance. Included within this category are Group loans receivable and other receivables.

InterGroup 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. Interest-free loans with no fixed maturities are carried at cost net of impairment.

Loans and advances are recognised when cash is advanced to the borrowers.

(c) Held-to-maturity investments
The Group currently has no held-to-maturity investments. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(d) Available-for-sale financial assets
The Group currently has no available-for-sale financial assets. Available-for-sale financial assets are those intended to be held on a continuing basis, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and advances and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.

The fair values of quoted investments in active markets are based on current bid prices.

1.3.2 The Group classifies its financial liabilities in the under mentioned categories.

The Group recognises a financial liability once it becomes a party to the contractual provisions of the financial instrument.

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

(a) Deposits held at amortised cost
Deposits held at amortised cost are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest method. 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.

(b) Deposits held at fair value through profit or loss
These deposits are fair valued by discounting the value using an appropriate discount rate determined with reference to quoted rates on market instruments with similar credit characteristics and maturities.

Financial liabilities are designated at fair value through profit or loss where required in order to eliminate or reduce measurement or recognition inconsistencies that would otherwise arise from measuring liabilities on different bases, or if a Group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Management Committee and the Board of Directors.

Gains and losses arising from changes in the fair value of deposits held at fair value through profit or loss are included in the income statement in the period in which they arise.

(c) Other financial liabilities
Included within this class of financial liabilities are trade and other payables, provisions and Group loans payable. Trade and other payables and Group loans payable are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest rate method. Refer to Note 1.11 for the accounting policy applied in measuring provisions.

1.3.3 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.

1.4 Impairment of advances

Loans and advances are stated net of identified and incurred but unidentified impairments.

The estimation of allowances for impairments is inherently uncertain and depends on many factors, including general economic conditions, structural changes within industries, changes in individual customer circumstances and other external factors such as legal requirements, regulatory specifications and governmental policy changes.

Loans and advances are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an impact on the assets' estimated future cash flows that can be reliably measured.

In determining whether a loss event has occurred, loans and advances are subjected to regular evaluations that take cognisance of *inter alia* past experience of economic conditions that remain relevant in the current context, overall client risk profile and payments record.

Historical loss experience is adjusted on the basis of observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Objective evidence that loans and advances may be impaired, includes observable data that comes to the attention of the Group and may include the following loss events:

(a) A breach of contract, such as a default or delinquency in interest or principal payments.

(b) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a Group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group including:
- Adverse changes in the payment status of borrowers in the Group; or
- National or local economic conditions that correlate with defaults on the assets in the Group.

On a collective basis, the Group assesses whether objective evidence of impairment exists for Groups of financial assets with similar repayment terms. If there is objective evidence that an impairment loss on loans and advances has been incurred, the amount of the loss is measured as the difference between the assets' carrying amounts and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the respective financial assets' original effective interest rates (the recoverable amount).

1.4.1 Identified impairment

Advances within the Group all comprise a large number of small homogenous assets. Statistical techniques are used to calculate impairment allowances collectively, based on historical default and recovery rates. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios.

These statistics feed discounted cash flow models which have been developed for each of the loan products offered by the Group. The models are updated periodically in order to reflect appropriate changes in inputs.

Models contain both judgemental and non-judgemental inputs. The extent of judgement utilised in models developed for new loan products is greater than that for older products given the limited historical experience available for the new products.

In outline, the statistical analyses are performed on a portfolio basis as follows:
- Loans and advances are monitored on a product basis, with each month's advances being treated as a discrete portfolio, on which an analysis of the run-off of recoveries, in period buckets, is performed in order to develop a historical base for statistics on default.
- These derived statistics, based on actual experience, are used in plotting values on a model curve that reflects the risk profile of the portfolio.
- Loans in arrears by more than 90 days are handed over for collection. Recoveries from these loans are regarded as negligible as collateral is not required for the granting of advances in the current product range.
- Accrued arrears interest on loans handed over for collection is derecognised on handover date.

1.4.2 Incurred but unidentified impairment

In addition to the impairment estimated for assets with recognised objective evidence of impairment, an estimate is made for impairments associated with those assets in the balance sheet that are impaired, but for which objective evidence is not yet available.

The impairment calculation utilises the results of the statistical analyses referred to above to estimate the proportion of assets in each portfolio that are likely to display objective evidence of impairment over the emergence period. The emergence period is defined as the experience of the length of time that it takes for objective evidence to become apparent after the asset has become impaired.

In considering the occurrence of a loss event over the life of a loan, the following judgemental assumptions have been made:

- For one-month and three-month products it is assumed that there is a constant risk of the loss event occurring at any point in the life of the loan.
- For six-month, twelve-month, eighteen-month and twenty-four-month loans the risk of occurrence of a loss event is plotted on a model curve that gives greater weight to the probability of a loss event occurring earlier in the life of the loan.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce differences between loss estimates and actual loss experience.

All impaired loans and advances are reviewed on a regular basis and any changes to the amount and timing of the expected future cash flows compared to previous estimates will result in a change to the charges for impairment of loans and advances in the income statement.

1.4.3 Loan write-offs

Loans (and the related impairment allowance accounts) are written off in full for amounts in arrears for more than 90 days. In previous years the write-off period on long-term (six-month and twelve-month) loans was 90 days after maturity of the loans, due to the fact that we had not completed a full loan cycle for these products at the time and could consequently not determine the appropriate write-off point. The policy of writing off loans that are more than 90 days in arrears that was applied to short-term loans was found to also be appropriate for long-term loans. The impact if the new policy had been applied in the previous year would have been a reduction of R12.8 million in the gross loan book, with a corresponding reduction in the loan provision for identified losses, leaving the net loans and advances balance exactly the same.

1.5 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.

1.6 Current income tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carrying forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

1.7 Property and equipment

Land and buildings comprise a warehouse. All property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

- Banking application hardware 3 - 5 years
- Automated teller machines 8 years
- Computer equipment 3 - 5 years
- Office equipment 5 - 8 years
- Motor vehicles 5 years
- Buildings 25 years

The assets' residual values and useful lives are annually reviewed and adjusted, if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

1.8 Intangible assets

Computer software
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is carried at cost less accumulated amortisation and impairment losses.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Amortisation on computer software is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Banking application software 6 years
- Server software 3 - 5 years
- Desktop application software 2 - 4 years

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

1.9 Impairment of non-financial assets (property and equipment, computer software)

Equipment and other non-financial assets 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. For the purpose of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.10 Deferred income tax

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

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

Deferred tax related to 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. A deferred tax asset is raised on unutilised secondary tax on companies (STC) credits, to the extent that these will be used in future years.

1.11 Provisions

Provisions are recognised when:

- the Group 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.12 Share capital

(a) Share issue costs

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

(b) Dividends

Dividends are recognised in equity in the period in which they are approved. Dividends for the year that are declared after the balance sheet date are dealt with in the directors' report.

(c) Treasury shares

Where the Company or other members of the Group purchase the Company's equity share capital, the consideration paid is deducted from total shareholders' equity as shares held by the Group until they are cancelled or sold.

The Group complied with IFRIC 8 – "Scope of IFRS 2", AC 503 – "Accounting for "Black Economic Empowerment transactions" and IFRIC 11 – "IFRS 2 – Group and Treasury Share Transactions" for the current and comparative years.

1.13 Employee benefits

(a) Pension obligations

The Group contributes to a provident fund classified as a defined contribution fund.

For defined contribution plans, the Group pays fixed contributions to publicly or privately administered provident fund plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted on grant date, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

1.14 Foreign currency translation

(a) Functional and presentation currency

The consolidated financial statements are presented in Rand, which is the Group's functional and presentation currency. The financial statements of all the subsidiaries are also presented in Rand.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items are reported as part of the fair value gain or loss.

1.15 Revenue recognition

1.15.1 Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

Loan origination fees and monthly loan fees are recognised over the term of loans based on the incremental activity cost of servicing the loans.

Once a financial asset or a Group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1.15.2 Transaction fee income

Transaction fee income is recognised on an accrual basis in the period in which the services are rendered.

1.15.3 Non-banking sales

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. Revenue is recognised net of value added tax.

1.15.4 Dividend income

Dividend income is recognised in the income statement when the entity's right to receive payment is established.

1.16 Segment reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns different from those of segments operating in other economic environments.

1.17 Leases

(a) 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.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(b) Where a Group company is the lessor

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

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

Certain new standards, amendments and interpretations to existing standards are effective for the Group for the first time during the current financial year, and are as follows:

- IAS 39 (Amendments), "Financial Instruments: Recognition and Measurement" and IFRS 4, "Insurance Contracts".

  Cash flow hedge accounting of forecast intraGroup transactions

  The amendment allows the designation as a hedged item in the consolidated financial statements of the Group for the foreign currency risk of a highly probable forecast intraGroup transaction under certain conditions.

  Financial guarantee contracts

  The amendment permits the measurement of a financial guarantee contract initially at fair value and subsequently at the higher of the amount recognised in terms of IAS 37 (Provisions) and the amount initially recognised less any cumulative amortisation.

  Fair value option

  The amendment restricts the extent to which the fair value option previously available under IAS 39 without restrictions could be applied to the Group in designating any financial asset or financial liability at fair value through profit or loss.

- IAS 19 (Amendment), "Employee benefits".
- IFRIC 4, "Determining whether an arrangement contains a lease".

  The application of these amendments and interpretations during the current financial year did not result in a change in accounting policy. The internal criteria applied within the Group for applying the fair value option under IAS 39 is restrictive enough so that the amendment did not reduce the Group's usage of the option.

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods but which the Group has not early adopted, as follows:

- IFRS 7 – "Financial Instruments: Disclosures", and a complementary Amendment to IAS 1 – "Presentation of Financial Statements – Capital Disclosures" (effective from 1 January 2007).
- IFRIC 9 – "Reassessment of Embedded Derivatives" (effective from 1 June 2006).
- IFRIC 10 – "Interim Financial Reporting and Impairment" (effective from 1 November 2006).
- IFRIC 12 – "Service Concession Arrangements" (effective from 1 January 2008).
- IFRS 8 – "Operating Segments" (effective from 1 January 2009).

Management is in the process of assessing the impact of these amendments and standards on the reported results of the company.

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It will replace IAS 30, "Disclosures in the Financial Statements of Banks and Similar Financial Institutions", and disclosure requirements in IAS 32, "Financial Instruments: Disclosure and Presentation". It is believed that the Standard will not impact the results of the Group, but will result in potentially more disclosure than what is currently provided in the Group's annual financial statements.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In conformity with generally accepted accounting principles, the preparation of financial statements for the Group requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may ultimately differ from estimates.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the default modelling rates increase or decrease by five percent, the provision would be estimated R7 055 000 higher or R6 939 000 lower.

Property and equipment

Property and equipment are depreciated over their useful lives, taking into account their residual values at the end of their useful lives. The residual values and useful lives are based on industry knowledge and past experience with similar assets. Refer to Note 1.7 for the accounting policy regarding property and equipment.

Management expense provisions

At year-end, the Group is exposed to various liabilities of uncertain timing or amount. Such liabilities are provided for if a present obligation has arisen, payment is probable and the amount can be estimated reliably. Management uses its discretion to estimate the expenditure required to settle the present obligation at the balance sheet date, i.e. the amount the Group would rationally pay to settle the obligation or transfer it to a third party.

3. SEGMENTAL REPORTING

Primary reporting format – business segments

During the year the Group conducted operations in two main business areas - banking and wholesale distribution of consumer goods.

The banking segment incorporates retail banking services, savings, deposits, debit cards and consumer loans.
Wholesale distribution incorporates the wholesale distribution of fast-moving consumer goods.

Transactions between the business segments are on normal commercial terms and conditions.

2007	Banking	Wholesale distribution	Adjustment for intra-segment items	Total
Year ended 28 February 2007	**R'000**	**R'000**	**R'000**	**R'000**
Revenues	**1 140 519**	**134 888**	**(833)**	**1 274 574**
Segment earnings before tax	**242 918**	**259**	**-**	**243 177**
Segment earnings after tax	**166 665**	**259**	**-**	**166 924**
Segment headline earnings attributable to ordinary shareholders	**160 133**	**259**	**-**	**160 392**
Segment assets	**2 182 304**	**16 934**	**(7 596)**	**2 191 642**
Segment liabilities	**1 064 195**	**17 586**	**(7 596)**	**1 074 185**
Capital expenditure	**85 856**	**101**	**-**	**85 957**
Depreciation	**47 712**	**86**	**-**	**47 798**
Amortisation	**19 883**	**-**	**-**	**19 883**

2006				
Year ended 28 February 2006				
Revenues	830 157	131 368	(922)	960 603
Segment earnings before tax	166 551	(438)	-	166 113
Segment earnings after tax	115 719	(438)	-	115 281
Segment headline earnings attributable to ordinary shareholders	116 860	(468)	-	116 392
Segment assets	1 246 970	14 158	(9 856)	1 251 272
Segment liabilities	678 968	18 344	(9 856)	687 456
Capital expenditure	72 190	204	-	72 394
Depreciation	37 522	73	-	37 595
Amortisation	27 111	-	-	27 111

Secondary reporting format

No secondary geographical segment information is disclosed as the company's business for the year ended 28 February 2007 was all conducted within the Republic of South Africa.

Notes to the Annual Financial Statements

for the year ended 28 February 2007

	Group		Company	
	2007 R'000	2006 R'000	**2007** R'000	2006 R'000
4. CASH AND CASH EQUIVALENTS				
Cash on hand	**213 079**	173 914	**-**	-
Bank balances	**658 073**	322 520	**-**	-
Non-bank Money market placements	**45 574**	-	**-**	-
Treasury bills	**29 973**	-	**-**	-
Central Bank balances:				-
Debentures	**80 203**	75 356	**-**	-
Mandatory reserve deposits with Central Bank	**16 844**	10 503	**-**	-
	1 043 746	582 293	**-**	-

Mandatory reserve deposits are not available for use in the Group's day-to-day operations.
Debentures and treasury bills are short-term fixed interest securities issued by the South African Reserve Bank.

5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Listed preference shares	**96 958**	7 149	**-**	-
Promissory notes	**14 975**	-	**-**	-
Total at fair value	**111 933**	7 149	**-**	-

The investments at fair value through profit or loss are all classified as held-for-trading. Refer to Note 23 for the fair value adjustment of these investments.

The directors' valuation of investments at fair value through profit or loss is equal to the book value.

Notes to the Annual Financial Statements

for the year ended 28 February 2007

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
6. LOANS AND ADVANCES TO CUSTOMERS				
Remaining term of loans				
Demand to one month	**292 161**	255 803	**-**	-
One to three months	**175 516**	128 679	**-**	-
Three months to one year	**374 045**	151 671	**-**	-
More than one year	**108 109**	11 157	**-**	-
	949 831	547 310	**-**	-
Unearned deferred loan fee income	**(35 654)**	-	**-**	-
Gross loans and advances	**914 177**	547 310	**-**	-
Provision for impairment	**(110 917)**	(92 649)	**-**	-
Net amount	**803 260**	454 661	**-**	-
Included within loans and advances is related accrued interest receivable of R12 822 000 (2006: R13 319 000)				
Effective interest rates per month (%)				
Demand to one month	**10.7**	18.3		
One to three months	**7.4**	13.7		
Three months to one year	**4.4**	11.5		
More than one year	**3.3**	0.9		
Movement on provision for impaired advances:				
Balance at 1 March 2006	**92 649**	30 668	**-**	-
Unidentified losses	**18 525**	21 054	**-**	-
Identified losses	**14 586**	45 364	**-**	-
Amounts recovered during the year	**(14 843)**	(4 437)	**-**	-
Balance at 28 February 2007	**110 917**	92 649	**-**	-

Notes to the Annual Financial Statements

for the year ended 28 February 2007

	Group		Company	
	2007 R'000	2006 R'000	**2007** R'000	2006 R'000
7. INVENTORY				
Finished consumer goods	**10 928**	11 800	**-**	-
The cost of obsolete inventories recognised as expense and included in cost of sales amounted to R262 347 (2006: R235 560).				
8. OTHER RECEIVABLES (Current)				
Prepayments	**7 176**	5 238	**-**	-
Rental deposits	**1 729**	1 692	**-**	-
Other	**780**	147	**-**	-
	9 685	7 077	**-**	-
9. GROUP LOANS RECEIVABLE				
Loans to subsidiaries	**-**	-	**7 637**	100 000
10. INVESTMENT IN SUBSIDIARIES				
Unlisted				
Cost	**-**	-	**821 127**	267 023

The directors' valuation of the investment in subsidiaries is at least equal to the book value.

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

Name	Proportion owned	Nature of business	Carrying value **2007** R'000	Carrying value 2006 R'000
Capitec Bank Limited	100%	Banking	**819 725**	265 621
Keynes Rational Corporate Services (Pty) Limited	100%	Dormant	**-**	-
Smartfin Financial Services (Pty) Limited	100%	Dormant	**-**	-
Finaid Financial Services (Pty) Limited	100%	Dormant	**1 402**	1 402
Keymatrix (Pty) Limited	100%	Dormant	**-**	-
Key Distributors (Pty) Limited	75%	Wholesale distribution	**-**	-
Capitec Bank Holdings share trust	-	Share incentive trust	**-**	-
			821 127	267 023

The holding company's interest in the aggregate income earned and losses incurred after tax by the subsidiaries amounted to R133.4 million (2006: R117.8 million) and Rnil (2006: R0.5 million) respectively.

In terms of the shareholders' agreement the holding company funded all losses incurred by Key Distributors (Pty) Ltd, including the minority's share of these losses. Prior losses must be made good before the minorities can participate in their share of the profits. At year end Key Distributors (Pty) Ltd had an accumulated loss of R9.3 million (2006: R9.6 million), and therefore the minorities did not share in any profits.

11. PROPERTY AND EQUIPMENT

Group

2007

Year ended 28 February 2007	Land and buildings* R'000	Computer equipment R'000	Office equipment and vehicles R'000	Total R'000
Opening net book value	**1 451**	**49 597**	**82 908**	**133 956**
Additions	**-**	**31 955**	**39 203**	**71 158**
Disposals	**-**	**(591)**	**(1 085)**	**(1 676)**
Depreciation charge	**(41)**	**(23 461)**	**(24 296)**	**(47 798)**
Net book value at end of year	**1 410**	**57 500**	**96 730**	**155 640**
Cost	**1 517**	**138 146**	**174 260**	**313 923**
Accumulated depreciation	**(107)**	**(80 646)**	**(77 530)**	**(158 283)**
Net book value at end of year	**1 410**	**57 500**	**96 730**	**155 640**

2006

Year ended 28 February 2006				
Opening net book value	1 456	50 048	62 877	114 381
Additions	35	18 391	41 201	59 627
Disposals	-	(832)	(1 625)	(2 457)
Depreciation charge	(40)	(18 010)	(19 545)	(37 595)
Net book value at end of year	1 451	49 597	82 908	133 956
Cost	1 517	109 904	141 169	252 590
Accumulated depreciation	(66)	(60 307)	(58 261)	(118 634)
Net book value at end of year	1 451	49 597	82 908	133 956

* The land and buildings are encumbered in terms of mortgage bond (Note 14).

Notes to the Annual Financial Statements

for the year ended 28 February 2007

	Group		Company	
	2007 R'000	2006 R'000	**2007** R'000	2006 R'000
12. INTANGIBLE ASSETS				
Computer software				
Opening net book value	**47 688**	62 032	**-**	-
Additions	**14 799**	12 767	**-**	-
Amortisation charge	**(19 883)**	(27 111)	**-**	-
Net book value at end of year	**42 604**	47 688	**-**	-
Cost	**113 205**	98 406	**-**	-
Accumulated amortisation	**(70 601)**	(50 718)	**-**	-
Net book value at end of year	**42 604**	47 688	**-**	-
Computer software substantially consists of the primary banking application system.				
13. DEFERRED INCOME TAX ASSETS				
Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 29% (2006: 29%).				
The movement on the deferred income tax account is as follows:				
At beginning of year	**6 648**	24 534	**-**	5
Tax effect on settlement of share option	**-**	8 088	**-**	-
Rate change	**-**	(157)	**-**	-
Movement in deferred tax taken to income statement	**7 198**	(25 817)	**-**	(5)
Utilisation of assessable losses	**(75)**	(24 455)	**-**	-
Movements due to other temporary differences	**7 734**	(801)	**-**	-
STC credits received	**(82)**	96	**-**	(5)
Prior year adjustments	**(379)**	-	**-**	-
Rate change	**-**	(657)	**-**	-
At end of year	**13 846**	6 648	**-**	-
Deferred tax asset may be analysed as follows:				
Provisions and accruals	**14 929**	7 339	**-**	-
Capital allowances	**625**	503	**-**	-
Prepayments	**(1 842)**	(1 410)	**-**	-
STC credits	**134**	216	**-**	-
	13 846	6 648	**-**	-

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

Notes to the Annual Financial Statements

for the year ended 28 February 2007

	Group		Company	
	2007 R'000	2006 R'000	**2007** R'000	2006 R'000
14. DEPOSITS AT AMORTISED COST				
Deposits from customers on demand	**554 233**	314 348	**-**	-
Term deposits due:	**287 939**	223 546	**-**	-
Within one month	**25 361**	12 585	**-**	-
One to three months	**477**	2 080	**-**	-
Three months to one year	**6 724**	8 054	**-**	
More than one year	**255 377**	200 827	**-**	-
	842 172	537 894	**-**	-
Effective interest rates per annum (%)				
Demand to one month	**8.3**	9.1		
One to three months	**11.8**	8.8		
Three months to one year	**14.1**	9.6		
More than one year	**10.7**	11.3		

Term deposits include a mortgage bond of R1.1 million (2006: R1.2 million) that is secured as stated in Note 11. The remainder of the deposits are unsecured.

15. DEPOSITS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS				
Term deposits due:				
Within one month	**-**	-	**-**	-
One to three months	**2 149**	2 149	**-**	-
Three months to one year	**-**	-	**-**	-
More than one year	**50 000**	50 000	**-**	-
	52 149	52 149	**-**	-
Fair value adjustment	**2 233**	4 953	**-**	-
	54 382	57 102	**-**	-

The contractual interest rate on the funding is 13.075% (2006: 13.075%) fixed and the fair value thereof at 28 February 2007 was determined after applying a discount rate of 10.32% (2006: 9.03%).

Notes to the Annual Financial Statements

for the year ended 28 February 2007

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
16. TRADE AND OTHER PAYABLES				
Trade payables	**44 452**	39 586	**7 703**	-
Accruals	**50 194**	30 077	**-**	-
Derivatives	**2**	4	**-**	-
	94 648	69 667	**7 703**	-
Current	**85 815**	65 079	**86**	-
Non-current	**8 833**	4 588	**-**	-
	94 648	69 667	**86**	-
17. PROVISIONS				
Opening balance (provision for pending litigation)	**300**	1 000	**-**	-
Net provision raised / (released)	**3 550**	(700)	**-**	-
Closing balance (provision for bonuses) (current)	**3 850**	300	**-**	-
18. GROUP LOANS PAYABLE				
Loans from subsidiaries	**-**	-	**4 247**	4 326

Loans from subsidiaries are interest-free and have no fixed terms of repayment.

	Group		Company	
	2007 R'000	2006 R'000	**2007** R'000	2006 R'000
19. SHARE CAPITAL AND PREMIUM				
Share capital				
Authorised				
Ordinary shares				
100 000 000 shares of R0.01 each	**1 000**	1 000	**1 000**	1 000
Non-redeemable, non-cumulative, non-participating preference shares(1)				
100 000 000 shares of R0.01 each	**1 000**	1 000	**1 000**	1 000
	2 000	2 000	**2 000**	2 000
Issued				
Ordinary shares				
81 928 412 shares of R0.01 each (2006: 71 928 412 shares of R0.01 each)				
Par value of shares	**819**	719	**819**	719
Share premium	**646 544**	347 146	**646 544**	347 146
Ordinary share capital and premium	**647 363**	347 865	**647 363**	347 865
Non-redeemable, non-cumulative, non-participating preference shares(1)				
1 684 211 shares of R0.01 each (2006: nil)				
Par value of shares	**17**	-	**17**	-
Share premium	**154 589**	-	**154 589**	-
Non-redeemable, non-cumulative, non-participating share capital and premium	**154 606**	-	**154 606**	-
	801 969	347 865	**801 969**	347 865

(1) The preference shares carry a coupon rate of 75% of the prime overdraft rate on a face value of R100 per share.

All issued shares are fully paid.

7 192 841 (2006: 7 192 841) of the unissued ordinary shares and all the unissued non-redeemable, non-cumulative, non-participating preference shares are under the control of the directors until the next annual general meeting.

The share incentive trust purchased shares in the Group for the purpose of settling share options issued to employees in terms of the Group share incentive scheme. During the year a loss of R22 million (R16 million after tax) (2006: R31 million, R23 million after tax) was realised on the settlement of share options as reflected in the statement of changes in shareholders' equity. No shares were held at year-end (2006: Nil).

Notes to the Annual Financial Statements

for the year ended 28 February 2007

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
20. NON-DISTRIBUTABLE RESERVES				
General banking risk reserve				
At beginning of year	**710**	700	**-**	-
Tax rate change	**-**	10	**-**	-
Transfer from retained earnings	**1 729**	-	**-**	-
At end of year	**2 439**	710	**-**	-

Banking regulations require the Group to make an appropriation to a general banking reserve in instances where the provision for impairment required for regulatory purposes exceeds the amount that may be provided in terms of IFRS. These reserves may only be distributed to the extent that the differences between regulatory and accounting impairment provisions are extinguished.

21. NET INTEREST INCOME				
Interest income				
Loans and advances to customers	**924 370**	767 624	**-**	-
Bank balances	**27 502**	9 750	**-**	-
Non-bank Money market placements*	**7 450**	1 212	**-**	-
Central Bank balances	**3 789**	5 316	**-**	-
Marketable securities	**4 417**	-	**-**	-
	967 528	783 902	**-**	-
Interest expense				
Demand deposits	**(35 076)**	(15 650)	**-**	-
Term deposits	**(34 735)**	(24 414)	**-**	-
Foreign exchange contracts	**(25)**	(15)	**-**	-
	(69 836)	(40 079)	**-**	-
	897 692	743 823	**-**	-

Included within interest income is R7 037 000 (2006: R3 314 000) in respect of interest income accrued on impaired financial assets.

Notes to the Annual Financial Statements

for the year ended 28 February 2007

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
22. NET IMPAIRMENT CHARGE ON LOANS AND ADVANCES				
Bad debts	**165 434**	54 181	**-**	-
Movement in impairment provision	**18 268**	61 981	**-**	-
Bad debts recovered	**(22 431)**	(20 537)	**-**	-
	161 271	95 625	**-**	-
23. NET MOVEMENT IN FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS				
Financial assets held at fair value through profit or loss	**(3 577)**	286	**-**	-
Deposits held at fair value through profit or loss*	**2 720**	1 145	**-**	-
	(857)	1 431	**-**	-

* Fair value adjustments related to changes in the yield curve. There was no change in the credit premium used to fair value the deposits.

Notes to the Annual Financial Statements

for the year ended 28 February 2007

	Group		Company	
	2007 R'000	2006 R'000	**2007** R'000	2006 R'000
24. OPERATING PROFIT BEFORE TAX				
The following items have been included in arriving at operating profit before tax:				
Loss on disposal of equipment	**1 528**	1 565	**-**	-
Depreciation on fixed assets	**47 798**	37 595	**-**	-
Amortisation of computer software	**19 883**	27 111	**-**	-
Foreign exchange losses	**148**	-	**-**	-
Operating lease rentals				
Land and buildings	**52 870**	43 984	**-**	-
Office equipment	**2 439**	2 988	**-**	-
	55 309	46 972	**-**	-
Income from sub-letting	**(1 548)**	(1 129)	**-**	-
Auditors' remuneration				
Audit fees – current year	**1 826**	1 270	**-**	-
– underprovision previous year	**116**	35	**-**	-
Other services	**597**	127	**-**	-
	2 539	1 432	**-**	-
Directors' emoluments (included in staff costs below)				
Executive				
Salaries			**3 790**	3 212
Fringe benefits			**396**	481
Bonuses			**2 179**	7 063
Non-executive				
Fees			**1 263**	1 320
Less: Paid by subsidiaries			**(7 628)**	(12 076)
Staff costs				
Salaries and wages	**242 446**	187 547	**-**	-
Share-based payment	**4 005**	1 602	**-**	-
Social security cost	**5 234**	4 058	**-**	-
Training cost	**8 204**	13 173	**-**	-
Training refund	**(980)**	(777)	**-**	-
	258 909	205 603	**-**	-
Consultancy fees relating to non-employees comprise:				
Managerial services	**452**	240	**-**	-
Secretarial services	**325**	432	**296**	137
Technical	**2 885**	2 164	**-**	-
Administrative	**2 616**	1 862	**-**	-
	6 278	4 698	**296**	137

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for the year ended 28 February 2007

	Group		Company	
	2007 R'000	2006 R'000	**2007** R'000	2006 R'000
25. INCOME TAX EXPENSE				
Current tax	**83 451**	25 015	**-**	2 557
Normal company tax	**77 056**	22 458	**-**	-
Secondary tax on companies	**6 395**	2 557	**-**	2 557
Deferred tax	**(7 198)**	25 817	**-**	5
Normal company tax	**(7 280)**	25 913	**-**	-
Secondary tax on companies	**82**	(96)	**-**	5
	76 253	50 832	**-**	2 562
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	**243 177**	166 113	**54 383**	22 546
Tax calculated at a tax rate of 29% (2006: 29%)	**70 521**	48 173	**15 771**	6 538
Secondary tax on companies	**6 477**	2 461	**-**	2 562
Income not subject to tax	**(736)**	(649)	**(15 771)**	(6 561)
Expenses not deductible	**331**	18	**-**	-
Unutilised tax loss	**19**	150	**-**	23
Tax loss not previously recognised	**(75)**	-	**-**	-
Prior year re-estimate	**(289)**	-	**-**	-
Capital gains tax	**-**	22	**-**	-
Tax rate change	**-**	657	**-**	-
Tax rate difference	**5**	-	**-**	-
	76 253	50 832	**-**	2 562
Estimated tax losses at year-end available for utilisation against future taxable income	**9 367**	9 729	**237**	171
Less: Applied in raising a deferred tax asset	**-**	-	**-**	-
Net calculated tax losses carried forward	**9 367**	9 729	**237**	171
Tax relief calculated at current tax rates earned.	**2 716**	2 821	**69**	50

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	Group 2007 R'000	Group 2006 R'000
26. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS		
Basic attributable earnings per share		
Basic attributable earnings per share is calculated by dividing the net profit after tax attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.		
Net profit after tax	**166 924**	115 281
Preference dividend	**(7 617)**	-
Net profit after tax attributable to ordinary shareholders	**159 307**	115 281
Weighted average number of ordinary shares in issue ('000)	**72 120**	70 555
Basic attributable earnings per share (cents)	**220.9**	163.4
Diluted attributable earnings per share		
Diluted attributable 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 2007 and 2006 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 attributable earnings per share	**159 307**	115 281
Weighted average number of ordinary shares in issue ('000)	**72 120**	70 555
Adjustment for:		
exercise of share options ('000)	**3 923**	3 979
Weighted average number of ordinary shares for diluted attributable earnings per share ('000)	**76 043**	74 534
Diluted attributable earnings per share (cents)	**209.5**	154.7
27. HEADLINE EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS		
Basic headline earnings per share		
Net profit attributable to ordinary shareholders	**159 307**	115 281
Non-headline items after tax		
Loss on disposal of equipment	**1 085**	1 111
Headline earnings attributable to ordinary shareholders	**160 392**	116 392
Headline earnings per share (cents)	**222.4**	165.0
Diluted headline earnings per share		
Headline earnings	**160 392**	116 392
Diluted headline earnings per share (cents)	**210.9**	156.2

28. DIVIDEND PER SHARE

The directors declared a final dividend in respect of 2007 of 60 cents per share (2006: 45 cents per share) amounting to a total dividend of R49.2 million (2006: R32.4 million) on 28 March 2007. The secondary tax on companies in respect of this dividend will amount to R6.1 million (2006: R4.0 million). 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 2008, which is in line with recommended accounting policy. An interim dividend of 20 cents per share was declared on 27 September 2006 and paid on 4 December 2006.

29. FINANCIAL RISK MANAGEMENT

Financial instruments carried on the balance sheet consist of cash and cash equivalents, loans and advances, other receivables, investments, forward foreign exchange contracts, interGroup 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 banks and asset managers of high credit standing.

Advances are disclosed net of impairment provisions. The Group operates in the micro financing industry. The Group's exposure to concentrated credit risk is low due to the nature and distribution of the loan book. Exposure to systemic credit risk is regarded as being higher than normal banking activities due to the demographic credit characteristics of the client base. 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 head office level and monitoring by the risk committee. No security is obtained for loans and advances, and accordingly the entire balance as per the balance sheet is exposed to credit risk.

Geographical concentrations of assets, liabilities and off-balance sheet items

All the Group's operating activities are situated within the Republic of South Africa.

Interest rate risk

The Group operates within the ambit of the Usury Act exemption notice when considering interest rates on the advance 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 14 and 15.

Interest rates on loans and advances are fixed for the term of the loan. The Usury Act exemption notice will expire on 1 June 2007 and in future the bank will operate in terms of the National Credit Act.

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 classifies assets and liabilities of the Group into relevant maturity Groupings based on the remaining period at balance sheet date to the contractual maturity date.

Notes to the Annual Financial Statements

for the year ended 28 February 2007

29. FINANCIAL RISK MANAGEMENT – continued

Maturities of assets and liabilities	Demand to one month R'000	One to three months R'000	Three months to one year R'000	More than one year R'000	Fair value adjustment R'000	Total R'000
2007						
Assets						
Loans to customers	256 507	175 516	374 045	108 109	-	914 177
Cash and cash equivalents	1 043 746	-	-	-	-	1 043 746
Investments at fair value through profit or loss *	111 688	-	-	-	245	111 933
Assets	**1 411 941**	**175 516**	**374 045**	**108 109**	**245**	**2 069 856**
Liabilities						
Liabilities to depositors	579 594	477	6 724	255 377	-	842 172
Trade and other payables	86 944	863	80 991	8 833	-	177 631
Deposits at fair value through profit or loss *	-	2 149	-	50 000	2 233	54 382
Liabilities	**666 538**	**3 489**	**87 715**	**314 210**	**2 233**	**1 074 185**
Net liquidity excess / (shortfall)	**745 403**	**172 027**	**286 330**	**(206 101)**	**(1 988)**	**995 671**
Cumulative liquidity excess	**745 403**	**917 430**	**1 203 760**	**997 659**	**995 671**	**995 671**
2006						
Assets						
Loans to customers	255 803	128 679	151 671	11 157	-	547 310
Cash and cash equivalents	582 293	-	-	-	-	582 293
Investments at fair value through profit or loss *	6 766	-	-	-	383	7 149
Assets	844 862	128 679	151 671	11 157	383	1 136 752
Liabilities						
Liabilities to depositors	326 933	2 080	8 054	200 827	-	537 894
Trade and other payables	69 967	-	17 905	4 588	-	92 460
Deposits at fair value through profit or loss *	-	2 149	-	50 000	4 953	57 102
Liabilities	396 900	4 229	25 959	255 415	4 953	687 456
Net liquidity excess/(shortfall)	447 962	124 450	125 712	(244 258)	(4 570)	449 296
Cumulative liquidity excess	447 962	572 412	698 124	453 866	449 296	449 296

* Items held at fair value are stated at nominal values for the purposes of the maturity gap analysis.

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

29. FINANCIAL RISK MANAGEMENT – continued

Currency risk

The exposure to foreign currency risk is limited to 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.

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 occurs on a periodic basis.

Fair value of financial assets and liabilities

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value.

	Carrying value		Fair value	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
Financial assets				
Cash and cash equivalents	**1 043 746**	582 293	**1 043 746**	582 293
Loans and advances to customers	**803 260**	454 661	**803 260**	454 661
Other receivables	**1 729**	1 692	**1 547**	1 514
	1 848 735	1 038 646	**1 848 553**	1 038 468
Financial liabilities				
Deposits at amortised cost	**842 172**	537 894	**844 344**	548 395
Trade and other payables	**94 648**	69 667	**94 648**	69 667
Provisions	**3 850**	300	**3 850**	300
	940 670	607 861	**942 842**	618 362
	908 065	430 785	**905 711**	420 106

30. RETIREMENT BENEFITS

The Group contributed R12.8 million (2006: R9.0 million) on behalf of all employees who elected to be members of the provident fund. The provident fund, a defined contribution fund, is administered independently of the Group and is subject to the Pension Funds Act, 1956 (Act 24 0f 1956). These amounts have been included in staff costs. Since 1 July 2001 it is compulsory for all new employees 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	
	2007 R'000	2006 R'000	**2007** R'000	2006 R'000
31. RELATED-PARTY TRANSACTIONS				
Transactions with subsidiaries				
Investments in subsidiaries are disclosed in Note 10.				
Dividends received				
Capitec Bank	**-**	-	**54 450**	22 625
Keynes Rational Corporate Services (from pre-acquisition reserves)	**-**	-	**-**	792
Loans due from				
Capitec Bank	**-**	-	**7 637**	100 000
Loans due to				
Capitec Bank	**-**	-	**-**	79
Finaid Financial Services	**-**	-	**4 246**	4 246
Keymatrix	**-**	-	**1**	1
Guarantees				
Key Distributors has received a guarantee from a fellow subsidiary, Capitec Bank. The value of the guarantee is R6.8m (2006 R6.7m).(1) The balances outstanding at year-end that are covered amounted to R2.5m (2006: R2.0m). A market related guarantee fee of R102 000 (2006: R113 000) was paid by Key Distributors to Capitec Bank.				
Transactions with other related parties				
Transactions with Arch Equity (Pty) Ltd(2)				
Interest received	**1 021**	1 050	**-**	-
Loan receivable at end of year	**-**	10 000	**-**	-
PSG Group and subsidiaries(3)				
Brokers fees	**126**	154	**-**	-
Underwriter fee on issue of preference shares	**3 200**	-	**3 200**	-
Sponsor fees	**500**	55	**500**	55

(1) Key Distributors creditors are included in the Group Balance Sheet on consolidation. Guarantee was previously included in Note 37 and is repeated here for ease of comparison.

(2) Arch Equity Limited disposed of its shareholding (2006: 21.21%) of the share capital of Capitec Bank Holdings Limited and were considered a related party through their representation on the board by D Lockey. D Lockey resigned as director on 1 September 2006.

(3) PSG Capital is the Corporate Advisor and Joint Sponsor of Capitec Bank, while PSG Financial Services Limited is Capitec Bank's underwriter and PSG Konsult Limited is the stockbroker. All transactions are negotiated in an arm's length manner.

	Group		Company	
	2007 R'000	2006 R'000	**2007** R'000	2006 R'000
31. RELATED-PARTY TRANSACTIONS – Continued				
Loans and advances to directors and other key management personnel				
Outstanding at beginning of year	**761**	384	**-**	-
Advanced during the year	**-**	434	**-**	-
Interest charged during the year	**37**	49	**-**	-
Repayments during the year	**(664)**	(106)	**-**	-
	134	761	**-**	-
Deposits from directors and other key management personnel[4]	**549**	432	**-**	-
Key management compensation[5]				
Salaries and other short-term benefits	**8 208**	7 650	**-**	-
Post-employment benefits	**740**	705	**-**	
Share-based payments	**1 154**	525	**-**	-
	10 102	8 880	**-**	-

(4) Deposits are unsecured, carry variable interest rates available to the public and are repayable on demand.

(5) Key management compensation excludes directors' remuneration. Refer to the directors' report for directors' remuneration.

Key management

Key management is considered to be members of the management committee as set out on page 27.

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.

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	Group		Company	
	2007 R'000	2006 R'000	**2007** R'000	2006 R'000
32. CASH FROM OPERATIONS				
Net profit before tax	**243 177**	166 113	**54 383**	22 546
Adjusted for				
Non-cash items				
Fair value adjustments	**857**	(1 431)	**-**	-
Movement in impairment charge	**18 268**	61 981	**-**	-
Depreciation	**47 798**	37 595	**-**	-
Amortisation	**19 883**	27 111	**-**	
Movement in provisions	**3 550**	(700)	**-**	-
Share-based staff costs	**4 005**	1 603	**-**	-
Loss on disposal of equipment	**1 528**	1 565	**-**	-
Movements in current assets and liabilities				
Increase in loans and advances	**(366 867)**	(308 745)	**-**	-
Decrease/(increase) in inventory	**872**	(3 165)	**-**	-
(Increase)/decrease in other receivables	**(2 608)**	943	**-**	-
Increase in deposits	**304 278**	315 446	**-**	-
Increase/(decrease) in trade and other payables	**17 300**	19 604	**86**	(1)
Cash flows from operations	**292 041**	317 920	**54 469**	22 545
33. TAX PAID				
Outstanding at beginning of year	**22 493**	38	**-**	-
Charge to the income statement	**76 253**	50 832	**-**	2 562
Income statement movement in deferred tax	**7 198**	(25 817)	**-**	(5)
Tax effect on settlement of share options taken to equity	**(5 291)**	-	**-**	-
Outstanding end of year	**(79 133)**	(22 493)	**-**	-
	21 520	2 560	-	2 557
34. DIVIDENDS PAID				
Outstanding at beginning of year	**-**	-	**-**	-
Dividend declared during the year				
Ordinary dividend	**46 753**	21 318	**46 753**	21 579
Preference dividend	**7 617**	-	**7 617**	-
Outstanding at end of the year	**(7 617)**	-	**(7 617)**	-
	46 753	21 318	**46 753**	21 579
35. SHARES ISSUED				
Ordinary shares issued	**299 498**	-	**299 498**	-
Non-redeemable, non-cumulative, non-participating preference shares issued	**154 606**	-	**154 606**	-
	454 104	-	**454 104**	-

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	Group		Company	
	2007 R'000	2006 R'000	**2007** R'000	2006 R'000
36. SHARES ACQUIRED AND OPTIONS SETTLED				
Share options settled in cash	**-**	826	**-**	-
Shares acquired for options settled	**23 441**	15 871	**-**	-
Proceeds on settlement of options	**(1 192)**	(3 598)	**-**	-
	22 249	13 099	**-**	-
37. COMMITMENTS AND CONTINGENT LIABILITIES				
Property rental commitments				
Within one year	**58 755**	45 905	**-**	-
From one to five years	**141 614**	115 599	**-**	-
After five years	**4 340**	4 203	**-**	-
	204 709	165 707	**-**	-
Other operating lease commitments				
Within one year	**1 576**	1 473	**-**	-
From one to five years	**3 757**	3 251	**-**	-
	5 333	4 724	**-**	-
Guarantees				
Issued to non-banking institutions	**7 500**	10 206	**-**	-
Facilities				
Unutilised loan facilities to clients	**135 701**	79 700	**-**	-
These unutilised loan facilities to clients are revocable.				
Capital commitments – approved by the board				
Contracted for	**23 855**	3 927	**-**	-
Not contracted for	**141 481**	79 985	**-**	-
	165 336	83 912	**-**	-

38. 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, 1990 (Act 94 of 1990).

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.

	2007 Number	2006 Number
39. SHARE INCENTIVE SCHEME		
Options issued to personnel of Capitec Bank Limited		
Balance at beginning of year	**5 841 448**	6 753 192
Options granted	**1 150 000**	1 690 000
Options cancelled	**(86 898)**	(115 000)
Options exercised	**(713 056)**	(2 486 744)
Balance at year end	**6 191 494**	5 841 448

Analysis of outstanding share options by year of maturity	2007 Weighted average strike price (R)	2007 Number	2006 Weighted average strike price (R)	2006 Number
2006/07	**-**	**-**	1.67	713 056
2007/08	**2.59**	**1 770 244**	2.60	1 787 142
2008/09	**8.54**	**1 015 625**	8.60	1 038 125
2009/10	**13.43**	**1 303 125**	8.60	1 038 125
2010/11	**15.22**	**1 121 250**	9.80	850 000
2011/12	**21.04**	**693 750**	14.22	415 000
2012/13	**30.70**	**287 500**	-	-
		6 191 494		5 841 448

	2007 Number	2006 Number
Shares available for settlement of options		
Balance at beginning of year	**-**	1 486 339
Shares purchased during the year	**713 056**	953 617
Shares used for settlement of options	**(713 056)**	(2 439 956)
	-	-
Options exercised		
Settled in cash	**-**	(46 788)
Settled in shares	**(713 056)**	(2 439 956)
	(713 056)	(2 486 744)

The Group offers share options to members of management who are able to make significant contributions to the achievement of the Group's objectives. The exercise price of the granted options is equal to the weighted 30-day market price of the shares on the date of the grant. Options are conditional on the employee completing the vesting period applicable to each Group of options issued to that employee. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

40. SHARE OPTION EXPENSE

Data utilised in the valuation of options granted

The table below provides detail regarding the data used in the valuation of the share options to which International Financial Reporting Standard (IFRS) 2 has been applied. Share options are reflected on the equity settled basis and are valued at issue date. The number of options that are expected to vest are re-estimated on an annual basis.

Year granted	Strike price R	Share price on issuing/ repricing date R	Volatility used in valuation (Note 3) %	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 (Note 4) %	Value taking into account expected vesting proportion R'000
2000/1 (Note1) (Note 2)	1.42	1.72	40	16.3	2007/08	11.7	754 862	232	96.4	224
2001/2 (Note 1) (Note 2)	1.42	1.72	40	16.3	2007/08	11.7	224 507	67	98.1	66
2002/3 (Note 2)	1.59	1.71	40	16.5	2007/08	11.5	181 500	31	97.9	30
2003/4	2.40	2.52	40	7.4	2007/08	10.1	181 875	37	98.9	36
					2008/09	10.1	181 875	85	88.9	76
					2009/10	10.0	181 875	106	80.1	85
2004/5	5.73	5.30	28	3.7	2007/08	9.5	415 000	43	98.3	42
					2008/09	9.7	415 000	246	88.4	218
					2009/10	9.8	415 000	380	79.6	302
					2010/11	9.9	415 000	483	71.6	346
	7.36	8.15	28	3.7	2007/08	8.3	12 500	15	94.5	14
					2008/09	8.5	12 500	22	85.0	18
					2009/10	8.7	12 500	26	76.5	20
					2010/11	8.9	12 500	30	68.9	20
2005/6	13.72	13.71	36	2.1	2008/09	7.8	18 750	44	89.2	39
					2009/10	8.0	18 750	63	80.2	50
					2010/11	8.2	18 750	77	72.2	56
					2011/12	8.3	18 750	89	65.0	58
	14.05	13.90	36	2.1	2008/09	7.5	368 750	908	87.9	798
					2009/10	7.8	368 750	1 263	79.1	999
					2010/11	8.0	368 750	1 541	71.2	1 097
					2011/12	8.1	368 750	1 768	64.1	1 133
	17.64	18.90	35	2.0	2008/09	7.2	18 750	79	86.1	68
					2009/10	7.3	18 750	101	77.5	78
					2010/11	7.5	18 750	118	69.7	82
					2011/12	7.6	18 750	131	62.8	83
2006/7	30.59	31.05	36	1.4	2009/10	7.0	12 500	97	81.0	79
					2010/11	7.0	12 500	120	72.9	88
					2011/12	7.0	12 500	139	65.6	91
					2012/13	8.0	12 500	156	59.0	92
	30.20	31.00	36	1.4	2009/10	7.0	12 500	100	80.2	81
					2010/11	7.0	12 500	123	72.2	89
					2011/12	7.0	12 500	141	65.0	92
					2012/13	8.0	12 500	157	58.5	92
	30.73	34.0	36	1.3	2009/10	7.0	262 500	2 642	80.0	2 113
					2010/11	7.0	262 500	3 138	72.0	2 259
					2011/12	7.0	262 500	3 552	64.8	2 302
					2012/13	8.0	262 500	3 905	58.3	2 277
Grand Total							6 191 494	22 255	70.5	15 693

(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) The share options granted prior to 28 February 2003 have been valued for disclosure purposes by applying a standard expected volatility of 40% since the short listing history available at the valuation date for those share options was inappropriate for forecasting purposes. The share options granted, to which IFRS 2 has been applied, have been valued by applying the expected volatility of the share price after December 2003 as it was considered more appropriate in the valuation because the shares were traded more frequently after the PSG unbundling.
(4) Average South African executive staff turnover of 10% p.a. used to estimate likelihood of vesting conditions realising. Will be re-estimated in terms of IFRS 2 on an annual basis.

41. SHAREHOLDERS HOLDING MORE THAN 5% OF THE COMPANY'S SHARES

Year ended 28 February 2007

Shareholder	Number of shares held	% shareholding
PSG Group Limited	15 073 038	18.40
Limietberg Beleggings (Pty) Limited (Associate of MS du P le Roux)	11 548 950	14.10
Coral Lagoon Investments 194 (Pty) Limited	10 000 000	12.21
JF Mouton Familie Trust (Associate of JF Mouton)	5 738 422	7.00

Statutory Information

for the year ended 28 February 2007

	Number of shareholders	% of total	Number of shares	% interest
Analysis of ordinary shareholders				
1 - 1 000	1 691	55.88	787 060	0.96
1 001 - 10 000	1 025	33.87	3 535 077	4.31
10 001 - 100 000	246	8.13	7 277 567	8.88
100 001 and over	64	2.12	70 328 708	85.85
	3 026	100.00	81 928 412	100.00
Ordinary shareholder spread				
Public shareholders	2 999	99.11	32 551 316	39.73
Holding less than 5%	2 999	99.11	32 551 316	39.73
There are no public shareholders with holdings in excess of 5%				
Non-public shareholders excluding directors and their associates	5	0.16	25 073 038	30.61
Other than directors and their associates there are no non-public shareholders with holdings less than 5%				
Holdings of 5% or more:				
Coral Lagoon Investments 194 (Pty) Limited	1	0.03	10 000 000	12.21
PSG Group Limited	4	0.13	15 073 038	18.40
Directors (refer to page 42 for detail)	22	0.73	24 304 058	29.66
Directors of company or any subsidiaries	7	0.23	985 090	1.20
Associates of directors of company or any of its subsidiaries	15	0.50	23 318 968	28.46
The trustees of the employee share scheme held no shares at year end				
	3 026	100.00	81 928 412	100.00

SIGNIFICANT BLACK ECONOMIC EMPOWERMENT SHAREHOLDERS

Year ended 28 February 2007

Shareholder	Number of shares held	% shareholding
Coral Lagoon Investments 194 (Pty) Limited	10 000 000	12.21
Thembeka Capital Limited (Previously Arch Equity Investments Holdings Limited)	2 891 164	3.52
	12 891 164	15.73

Special Resolutions of Subsidiaries

Details of a special resolution passed by the company's subsidiary during the financial year under review are presented below:

Capitec Bank Limited

Authority to acquire shares in the holding company

It was resolved that the bank be authorised as a general approval to acquire, by subscription or purchase, shares issued by its holding company, upon such terms and conditions and in such amounts as the directors of the bank 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 Act"), the articles of association of the bank and holding company respectively and insofar as it may be applicable, the Listings Requirements from time to time of JSE Limited (JSE), provided always that:

- This general approval shall expire at the date of the bank's next annual general meeting in 2007, but not later than 18 October 2007;
- Purchases of securities in the listed holding 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 bank and the counter party (reported trades are prohibited) save in relation to an acquisition by the bank of shares in the holding company through subscription, to the extent permitted under the Act;
- An announcement must be published when the bank has acquired, including the acquisition of shares in the holding company through subscription, on a cumulative basis, 3% of the number of shares the holding 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 the bank of shares in its holding company either through purchase or subscription, will be limited to an aggregate of 10% of the holding company's issued capital as at the date this authority is granted;
- The bank will not purchase shares in the holding company or subscribe for shares as contemplated herein 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 bank will at any point in time, if applicable, appoint only one agent to effect any purchase(s) of the holding company's shares;
- The bank will only undertake an acquisition of the holding company's shares 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 shares;
- The bank will not purchase any shares in its holding company or allow the issue of shares as contemplated above during any prohibited period as defined in paragraph 3.67 of the Listings Requirements of the JSE.

Notice of 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 Grand Ballroom, The Lord Charles Hotel, Corner of Main Road and R44, Somerset West on Wednesday, 30 May 2007 at 12:00 to transact the following business:

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

1. Ordinary resolution number 1

"Resolved that the audited annual financial statements of the company for the year ended 28 February 2007 as incorporated in the consolidated annual financial statements of the Capitec Group be approved."

2. Ordinary resolution number 2

"Resolved that Mr TD Mahloele, appointed to the board of the company on 1 April 2007, having retired in terms of article 80.2.1 of the company's articles of association and, being eligible, has offered himself for re-election, be re-elected as an independent non-executive director of the company."

Summary curriculum vitae of Tshepo Daun Mahloele: *Mr Mahloele, aged 40, obtained a B Proc degree from the University of Rhodes (1988).*

Mr Mahloele is the chief executive officer of the Pan African Infrastructure Development Fund and deputy chairman of Circle Capital Ventures. He has over 14 years of experience in project finance, private equity, investment banking and corporate finance. Previously he was head of Corporate Finance and the Isibaya Fund at the Public Investment Corporation ("PIC"), where he concluded R13 billion of portfolio investments over a 3-year period and had ultimate responsibility for an investment portfolio totaling R18 billion. The Fund achieved a return of 45% over 2003/04 and 40% over 2004/05. Mr Mahloele won the Association of Black Securities and Investment Professionals "Financier of the Year" award for both 2004 and 2005. Prior to joining the PIC he was Head of Private Sector Investments at the Development Bank of Southern Africa ("DBSA") managing a portfolio of R4 billion across Southern Africa and responsible for a team of 12 project managers. Before joining the DBSA he was managing director of Solutions at Work. Mr Mahloele has also held positions at CDC Group Plc (formerly the Commonwealth Development Corporation), Rand Merchant Bank and National Sorghum Breweries.

Mr Mahloele is a member of the directors' affairs committee of Capitec.

3. Ordinary resolution number 3

"Resolved that Mr CA Otto, who retires by rotation in terms of article 77.1 of the articles of association of the company and, being eligible, offers himself for re-election, be re-elected as a non-executive director of the company."

Summary curriculum vitae of Chris Adriaan Otto: *Mr Otto, aged 57, obtained a B Comm LLB from the University of Stellenbosch (1972).*

Mr Otto has been an executive director of PSG Group Limited since its formation. He has been involved in PSG Group's investment in microfinance and subsequent establishment of Capitec Bank of which he has been a non-executive director since establishment. He currently serves as chairman of Paladin Capital Limited, the private equity and corporate finance division of PSG and is a director of Zeder Investments Limited and Channel Life Limited.

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

4. Ordinary resolution number 4

"Resolved that Mr MS du P le Roux, who retires by rotation in terms of article 77.1 of the articles of association of the company and, being eligible, offers himself for re-election, be re-elected as an independant non-executive director of the company."

Summary curriculum vitae of Michiel Scholtz du Pré le Roux: *Mr Le Roux, aged 57, obtained a B Comm LLB from the University of Stellenbosch (1972).*

Mr Le Roux has 30 years' experience in commerce and banking. He was managing director of Distillers Corporation (SA) Limited from 1979 to 1993 and from 1995 to 1998 managing director of Boland Bank Limited, NBS Boland Limited and BoE Bank Limited. Mr Le Roux was chief executive officer of Capitec and Capitec Bank Limited from 2001 to 31 March 2004 when he resigned from this position to become a non-executive director and was appointed chairman of the boards of both these companies on 1 April 2007. Mr Le Roux is also a non-executive director of Zeder Investments Limited.

Mr Le Roux is the chairman of the directors' affairs committee and a member of the remuneration committee of Capitec.

5. Ordinary resolution number 5

"Resolved that Mr JF Mouton, who retires by rotation in terms of article 77.1 of the articles of association of the company and, being eligible, offers himself for re-election, be re-elected as a non-executive director of the company."

Summary curriculum vitae of Johannes Fredericus Mouton: *Mr Mouton, aged 60, obtained a B Comm (Hons) from the University of Stellenbosch (1969), qualified as a chartered accountant (SA) in 1973 and obtained an AEP through Unisa.*

Mr Mouton is the founder and chairman of PSG Group, director of Quince Capital Limited and PSG Konsult Limited. He is chairman of Zeder Investments Limited and a non-executive director of Steinhoff International Holdings Limited. Mr Mouton also serves as a trustee of numerous trusts and investment funds of the University of Stellenbosch. Prior to the establishment of PSG Group, he co-founded and served as managing director of the stockbroking firm Senekal Mouton & Kitshoff Inc and served on the committee of the JSE. He has served as chairman of Capitec Bank Limited and Capitec from inception of the banking Group up to 31 March 2007 when he was succeeded by Mr Le Roux.

Mr Mouton is a member of the directors' affairs committee of Capitec.

6. Ordinary resolution number 6.1 and 6.2

6.1 "Resolved that the directors' remuneration for the financial year ended on 28 February 2007 as disclosed in the annual financial statements be ratified."

6.2 "Resolved that the directors' remuneration for the financial year ending on 29 February 2008, including payment thereof in accordance with the scale of remuneration as set out below, be authorised:

Chairman of the board*	600 000
Board membership**	75 000
Chairman of any board committee**	50 000
Committee membership**	25 000

Notes:

* The chairman of the board is paid a retainer as chairman of the board and receives no further payment for membership of committees; and

** Non-executive directors receive a retainer fee per membership of the board and each of the board committees. No fee is paid in respect of the directors' affairs committee."

7. Ordinary resolution number 7

"Resolved that Messrs PricewaterhouseCoopers Inc. be re-appointed as auditors of the company to hold office until the conclusion of the next annual general meeting of the company."

8. Ordinary resolution number 8

"Resolved that the directors be authorised to determine the remuneration of the auditors."

9. Ordinary resolution number 9

"Resolved that the payment of a dividend of 60 cents per share, payable in cash on Monday, 18 June 2007 to the shareholders of the company, recorded in the register on Friday, 15 June 2007, be authorised. The last day to trade to be eligible to receive a dividend will be Friday, 8 June 2007."

10. Ordinary resolution number 10

"Resolved that 8 192 841 of the unissued ordinary shares in the authorised ordinary share capital of the company and all the non-redeemable, non-cumulative, non-participating preference shares in the authorised but unissued preference 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), as amended, the articles of association of the company and the Listings Requirements of the JSE Limited."

11. Ordinary resolution number 11

"Resolved that, subject to ordinary resolution number 10 being approved, the directors be hereby authorised as a general approval to allot and issue ordinary shares, options or convertible securities that are convertible into an existing class of equity securities for cash without restriction, as they may deem fit, subject to the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the company and the Listings Requirements of the JSE Limited ("JSE"), provided that:

- This general approval shall expire at the date of the company's next annual general meeting in 2008 or 30 August 2008, 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 shares of a specific class in the aggregate will not exceed 10% of the company's issued share capital in that class 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 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;
    (1) less any securities of the class issued or to be issued in future arising from options/convertible securities issued during the current financial year;
    (2) 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) which may be included as though they were securities in issue at the date of application;
- In determining the price at which an issue of 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 shares concerned. The JSE will be consulted for a ruling if the company's securities have not traded in such 30 business day period; and
- 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."

12. Ordinary resolution number 12

"Resolved that subject to ordinary resolution number 10 being approved, the directors be hereby authorised as a general approval to allot, issue and otherwise dispose of the non-redeemable, non-cumulative, non-participating preference shares in the authorised but unissued preference share capital of the company for cash without restriction, as they may deem fit, subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), as amended, the Listings Requirements of the JSE Limited ("JSE") and the company's articles of association, provided that:

- This general approval shall expire at the date of the company's next annual general meeting in 2008 or 30 August 2008, whichever is the earlier;
- The securities will be issued only to the public as defined in the Listings Requirements of the JSE and not to related parties;
- At least 75% of shareholders present in person or by proxy at the annual general meeting cast their vote in favour of this resolution."

13. Ordinary resolution number 13

"Resolved that the terms and conditions of the trust deed in terms of which the Capitec Broad-Based Ownership Scheme ("the empowerment scheme") is adopted and the Capitec Bank Group Employee Empowerment Trust ("the trust") is constituted, a draft copy of which deed has been signed by the chairman and tabled at the meeting and the salient features of which are summarised below, be approved and that any director or the company secretary be authorised to sign all documents and do all acts required to implement the empowerment scheme."

Background to the adoption of the empowerment scheme and the constitution of the trust

Shareholders are referred to the announcement in the press on Monday, 18 December 2006 and the circular to shareholders dated Tuesday, 30 January 2007 regarding the issue of 10 000 000 shares in the ordinary share capital of Capitec to Coral Lagoon Investments 194 (Pty) Limited, a 100% subsidiary of Ash Brook Investments 15 (Pty) Limited ("the BEE consortium"). Shareholders were advised in the circular that the trust would be established for the benefit of employees of Capitec Bank Limited of which 84% at the time were black and that the said trust will hold 5% of the shares issued to the BEE consortium.

Notwithstanding the trust's participation as part of the BEE consortium, the overarching purpose of the empowerment scheme is to empower eligible employees and promote the objectives of the Broad-Based Black Economic Empowerment Act, 53 of 2003 ("BEE Act").

The trustees will control, hold and distribute the 5% shareholding in the BEE consortium issued to them and any additional scheme assets acquired by the trustees in terms of the empowerment scheme.

Salient features of the empowerment scheme

For the sake of transparency the salient features of the empowerment scheme are set out below:

1. Eligible participants are employees employed on a permanent basis by any of the companies in the Capitec Group being Capitec and its subsidiary companies from time to time, excluding participants in the Capitec Bank Holdings Share Trust, the deed of which was approved by shareholders on 7 February 2002.
2. The trustees shall allocate the entitlement to receive benefits to beneficiaries. Such beneficiaries will become entitled to the net increase (if any) in value of identified scheme assets. Such value will vest as to 25% per annum on each of the 3rd, 4th, 5th and 6th anniversary of the date that the benefits are accepted by a beneficiary.
3. Settlement of entitlement will be in cash or, if so approved and/or instructed as the case may be by Capitec, in ordinary shares in the share capital of Capitec ("Capitec shares").
4. At least 85% of benefits accruing and distributed by the trustees from time to time will be to black people as defined in terms of the BEE Act.
5. The price for any additional Capitec shares allocated to the trust shall be the volume weighted average traded price of Capitec shares on the JSE Limited ("JSE") calculated for the 30 business days immediately prior to the allocation date, save that the directors shall be entitled to grant the trust a maximum discount of 10%, unless specifically approved otherwise by Capitec shareholders.
6. Capitec currently has 81 928 412 ordinary shares in issue. The aggregate number of shares in the authorised ordinary share capital of Capitec that the trust will hold, at all times, together with any shares held by the trustees of the Capitec Bank Holdings Share Trust, will not exceed, in aggregate, 20% of the issued ordinary share capital of Capitec.
7. The trustees shall, in such intervals as specified by and on the recommendation of Capitec, allocate entitlements to receive benefits to eligible employees, provided that all entitlements in aggregate allocated to eligible employees (who shall become beneficiaries on allocation) and not settled through a cash distribution, together with any other shares that may accrue to employees of Capitec from other Capitec empowerment or incentive schemes, shall not exceed 20% of the issued ordinary share capital of Capitec at any time (to the extent that the latter percentage shall be based on the number of Capitec shares listed on the JSE at such time). As at the date of this notice, this amounts to 16 385 682 Capitec shares. In respect of any individual beneficiary, this percentage shall not exceed 1% of the issued ordinary share capital of Capitec. As at the date of this notice, this amounts to 819 284 Capitec shares that any individual beneficiary may become entitled to in terms of the empowerment scheme.

8. No voting, dividend, capitalisation or similar rights in scheme assets held by the trust will vest in beneficiaries prior to distribution of benefits by the trustees on the relevant distribution date.

9. Any entitlement of a beneficiary to receive benefits under the empowerment scheme will terminate upon such beneficiary no longer being in the employ of the Capitec Group. If the termination of employment is as a result of death or for a reason approved by Capitec, then the vesting period will be deemed to have expired upon such termination date and the benefit will become payable to the beneficiary concerned or his/her executor, which benefit may, if approved and/or instructed as the case may be, by Capitec Bank, be settled through the distribution of scheme assets. In any other termination, the entitlement will lapse and be of no further force or effect.

10. The requirements and terms set out in 1, 2, 5, 6, 7 and 8 above may not be altered without prior consent of the company in general meeting.

11. There shall at all times be a minimum of four trustees.

12. Capitec shall be entitled but not obliged to appoint two of the trustees and the beneficiaries shall be entitled but not obliged to appoint two of the trustees. At least 50% of the trustees will be black and at least 25% black women.

Documents available for inspection

A signed copy of this notice of annual general meeting, the memorandum and articles of association of Capitec and a copy of the proposed trust deed of the empowerment scheme will be available for inspection during normal business hours at the registered office of Capitec from the date of this notice of annual general meeting up to and including the date of the annual general meeting.

14. 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), as amended, the Listings Requirements of the JSE Limited ("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 2008 or 30 August 2008, 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 counter party (reported trades are prohibited);
- An announcement must be published when the company has acquired, on a cumulative basis, 3% of the number of shares of the relevant class 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;
- Aggregate repurchases under this general authority will not exceed 20% of the company's issued share capital of that class in any one financial year 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 of the securities of that class in issue 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 paragraph 3.67 of the Listings Requirements of the JSE."

15. 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 of any class issued by such subsidiary and/or by the company, either through a repurchase or through subscription for shares as contemplated herein, 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), as amended ("the Act"), the articles of association of the company and insofar as they may be applicable, the Banks Act, 1990 (Act 94 of 1990) and the Listings Requirements of the JSE Limited ("JSE"), provided always that:

- This general approval shall expire at the date of the company's next annual general meeting in 2008 or 30 August 2008, whichever is the earlier;
- A 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 counter party (reported trades are prohibited) save in relation to an acquisition by a subsidiary of shares in the company through subscription, to the extent permitted under the Act;
- An announcement must be published when the subsidiary has acquired, including the acquisition of shares in the company through subscription, on a cumulative basis, 3% of the number of shares of that class which 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 company of its own securities under this general authority may not exceed 20% in the aggregate of the acquiree company'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, either through repurchase or subscription, limited to an aggregate of 10% of the company's issued capital of that class as at the date this authority is granted;
- The subsidiaries will not acquire securities in the company or subscribe for shares as contemplated herein at a price more than 10% above the weighted average of the market value of securities of that class 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 if applicable;
- 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 the company's issued ordinary shares;
- The subsidiaries will not purchase any shares in themselves or the company or allow the issue of shares as contemplated above during any prohibited period as defined in paragraph 3.67 of the Listings Requirements of the JSE."

16. Other business

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

EXPLANATORY NOTES

The reasons for and effect of the two special resolutions set out above are:

Special resolution number 1 – General authority to purchase own shares

The reason for this special resolution is that the company seeks a general authority to repurchase its 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 interest of shareholders.

In terms of the Listings Requirements of the JSE any general repurchase by the company must, inter alia, be limited to a maximum of 20% of the company's issued share capital of that class in any one financial year at the time the authority is granted.

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 as it becomes due in the ordinary course of business for a period of twelve months from the date of this annual general meeting;

- 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 of this annual general meeting; 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 of this annual general meeting.

General information in respect of directors (page 25), major shareholders (page 84), directors' interests in securities (page 42), material changes (page 45) and the share capital of the company (page 69) is contained in the annual report to which this notice is attached.

The directors, whose names are given on page 25 of the annual report, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve months, a material effect on the financial position of Capitec.

The directors, whose names are given on page 25 of the annual report collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by the JSE Listings Requirements.

The effect of this special resolution, if approved, is to grant a general authority to the directors of the company to repurchase its shares in the market subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the company and the requirements of the JSE Limited, where applicable.

Special resolution number 2 – General authority to subsidiaries to acquire shares

The reason for this special resolution is that the company seeks a general authority to empower directors of subsidiaries to resolve that the said subsidiaries acquire shares in the company via subscription, to the extent permitted by the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), or shares issued by such subsidiaries and/or by the company in terms of the Act, their respective articles of association and, where applicable, the Banks Act, 1990 (Act 94 of 1990) ("the Banks Act") and the Listings Requirements of the JSE Limited ("JSE").

The directors have no present intention of making any acquisition under this authority but believe that its subsidiaries should retain the flexibility to take action if future acquisitions could be considered desirable and in the best interests of shareholders. One such eventuality could be the acquisition of shares in the company for delivery in terms of the Capitec Bank Holdings Share Trust ("the share incentive scheme"), the terms of which trust deed have been approved by shareholders at a general meeting held on 7 February 2002.

In terms of the Act, subsidiaries may acquire shares in the company to a maximum of 10% in the aggregate of the number of issued shares of the company. In terms of the Listings Requirements of the JSE any general acquisition by a company of its listed shares must, inter alia, be limited to a maximum of 20% of that class of the issued share capital of the acquiree company in any one financial year at the time the authority is granted.

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, at the discretion of the board of the company, circumstances should merit and if there is in their opinion no doubt that, after such acquisition:

- The company, relevant subsidiaries and Group will each be able to repay its debt as it becomes due in the ordinary course of business for a period of twelve months from the date of this annual general meeting;

- The assets of the company, relevant subsidiaries and the Group valued in terms of Generally Accepted Accounting Practice, will respectively be in excess of the liabilities of the company, relevant subsidiaries and the Group for a period of twelve months from the date of this annual general meeting; and

- The share capital, reserves and working capital of the company, relevant subsidiaries and the Group will be sufficient to meet the respective needs of the company, relevant subsidiaries and the Group for a period of twelve months from the date of this annual general meeting.

General information in respect of directors (page 25), major shareholders (page 84), directors' interests in securities (page 42), material changes (page 45) and the share capital of the company (page 69) is contained in the annual report to which this notice is attached.

The directors, whose names are given on page 25 of the annual report are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve months, a material effect on the financial position of Capitec.

The directors, whose names are given on page 25 of the annual report collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by the JSE Listings Requirements.

The effect of this special resolution, if approved, is to grant a general authority to the directors of the company's subsidiaries to acquire shares issued by such subsidiaries and/or by the company, inter alia by subscription, subject to the provisions of the Act, the articles of association of the subsidiaries and the company and where applicable, the Banks Act and the Listings Requirements of the JSE Limited.

Special resolution numbers 1 and 2 are renewals of resolutions approved at the previous annual general meeting held on 24 May 2006.

VOTING

Shareholders entitled to attend and vote at the general meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy, in which are set out the relevant instructions for its completion, is enclosed for use by a 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 Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) to be received by no later than 12:00 on Monday, 28 May 2007.

On a poll, ordinary shareholders will have one vote in respect of each share held and on a show of hands shareholders present in person, by proxy or by authorised representative shall have one vote each.

Beneficial owners who have dematerialised their shares through a Central Securities Depository Participant ("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

C G van Schalkwyk
Company Secretary
8 May 2007

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 shareholders of the company to be held in the Grand Ballroom, The Lord Charles Hotel, Corner of Main Road and R44, Somerset West on Wednesday, 30 May 2007 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 (Full names in 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 to be held on 30 May 2007 and at each adjournment thereof for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat 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		
Ordinary resolutions	**In favour of**	**Against**	**Abstain**
1. Approve annual financial statements			
2. Re-elect Mr TD Mahloele as a director			
3. Re-elect Mr CA Otto as a director			
4. Re-elect Mr MS du P le Roux as a director			
5. Re-elect Mr JF Mouton as a director			
6.1. Ratify the directors' remuneration up to 28 February 2007			
6.2 Approve the directors' remuneration for the financial year ending on 29 February 2008 including payment thereof			
7. Re-appoint auditors			
8. Authorise the directors to determine the auditors' remuneration			
9. Authorise payment of a cash dividend of 60c per share			
10 Approval to place 8 192 841 of the unissued ordinary shares in the authorised ordinary share capital of the company and all the non-redeemable, non-cumulative, non-participating preference shares in the authorised but unissued preference share capital of the company under the control of the directors			
11. General approval to allot and issue ordinary shares for cash			
12. General approval to allot and issue non-redeemable, non-cumulative, non-participating preference shares for cash			
13. Approval of the employee empowerment trust			
Special resolutions			
14. General approval to the company to repurchase shares issued by the company			
15. General approval to any subsidiary of the company to acquire shares issued by such subsidiary and/or by the company			

(Indicate instruction to proxy by way of a cross in the space provided above)

Signed at_____on this_____day of_____2007.

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 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 clearly 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, should 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 Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107), by no later than 12:00 on Monday, 28 May 2007.

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.

9. The chairman of the annual general meeting may reject or, provided that he is satisfied as to the manner in which a member wishes to vote, accept any form of proxy which is completed other than in accordance with these instructions. 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.

Shareholders' Calendar

Financial year end	28 February 2007
Profit announcement	29 March 2007
Annual report	May 2007
Annual general meeting	30 May 2007
Interim report	September 2007

Dividend

Last date to trade to be considered for the dividend payment	Friday, 8 June 2007
Record date in respect of the dividend payment	Friday, 15 June 2007
Payment date	Monday, 18 June 2007
Share certificates may not be dematerialised, both days inclusive	11 to 15 June 2007

Administration and Addresses

Registration number	1999/025903/06
Auditors	PricewaterhouseCoopers Inc
Directors	AP du Plessis MS du P le Roux D Lockey (resigned 1 September 2006) TD Mahloele (appointed effective 1 April 2007) MC Mehl (Prof) NS Mjoli-Mncube (Ms) JF Mouton CA Otto JG Solms R Stassen J van Zyl Smit (Dr)
Secretary	CG van Schalkwyk
Registered address	10 Quantum Street Techno Park Stellenbosch 7600
Postal address	PO Box 12451 Die Boord Stellenbosch 7613
Website	www.capitecbank.co.za

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