

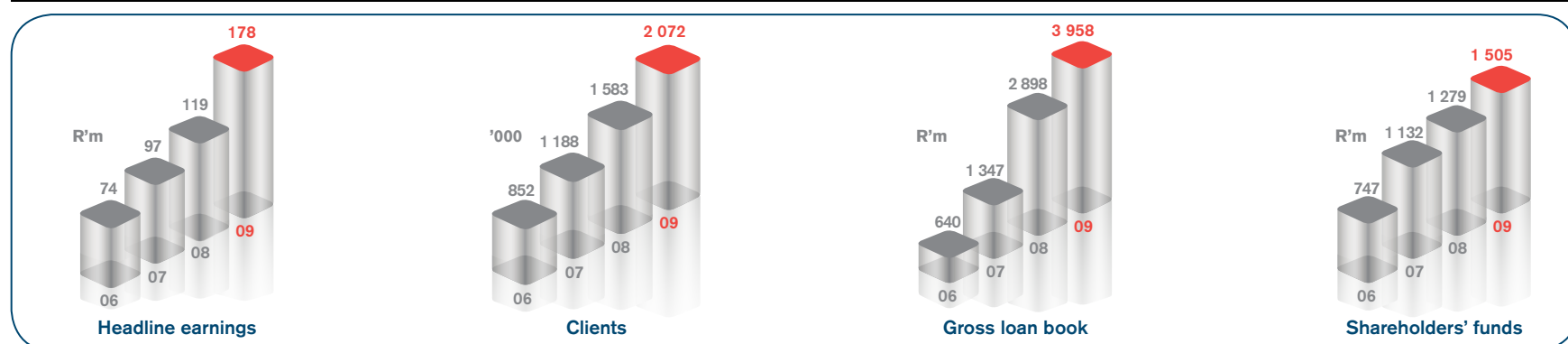


CAPITEC BANK

Simplicity is the ultimate sophistication

Unaudited financial results for the six months ended 31 August 2009

Headline earnings per share up **48%** • Interim dividend per share **55 cents** • Return on equity **28%** • Capital adequacy ratio **36%** • Clients **2.1 million**



	Six months ended August 2009	Six months ended August 2008	Growth %	Year ended February 2009
PROFITABILITY				
Income from banking operations	Rm 1 163	916	27	1 903
Net loan impairment expense	(258)	(228)	13	(468)
Banking operating expenses	(637)	(504)	26	(1 065)
Non-banking operations	2	3	6	8
Tax	(84)	(68)	45	(137)
Preference dividend	(8)	(10)	(20)	(19)
Earnings attributable to ordinary shareholders				
• Basic	Rm 178	119	50	300
• Headline	Rm 178	119	50	302
Cost to income ratio – banking activities	% 55	55	54	54
Return on ordinary shareholders equity	% 28	22	27	27
Earnings per share				
• Attributable	cents 215	145	48	364
• Headline	cents 215	145	48	366
• Diluted attributable	cents 211	142	49	357
• Diluted headline	cents 211	142	49	359
Dividends per share				
• Interim	cents 55	30	83	30
• Final	cents			110
Dividend cover	x 3.9	4.8		2.6

	Six months ended August 2009	Six months ended August 2008	Growth %	Year ended February 2009
ASSETS				
Total assets	Rm 6 536	4 018	63	4 969
Net loans and advances	Rm 3 680	2 662	38	2 982
Cash and cash equivalents	Rm 2 234	1 043	114	1 514
Investments	Rm 282	17	150	150
Other	Rm 340	296	15	323
LIABILITIES				
Total liabilities	Rm 5 031	2 739	84	3 563
Deposits	Rm 4 699	2 507	88	3 317
Other	Rm 332	232	40	246
EQUITY				
Shareholders' funds	Rm 1 505	1 279	18	1 406
Capital adequacy ratio	% 36	45	20	43
Net asset value per ordinary share	cents 1 627	1 358	20	1 512
Share price	cents 5 500	2 950	86	3 001
Market capitalisation	Rm 4 564	2 443	87	2 485
Number of shares in issue	'000 82 983	82 798		82 798
Share options				
• Number outstanding	'000 5 412	7 468	5	7 133
• Average strike price	cents 2 837	2 723	2	2 487
• Average time to maturity	months 29	35		25
• Charge on settlement	Rm 12	15	(20)	34

	Six months ended August 2009	Six months ended August 2008	Growth %	Year ended February 2009
OPERATIONS				
Branches	371	346	7	363
Employees	3 804	3 190	19	3 414
Active clients	'000 2 072	1 583	31	1 835
ATMs				
• Own	385	350	10	368
• Partnership	668	520	28	571
Capital expenditure	Rm 61	47		133
SALES				
Loans				
Value of loans advanced	Rm 3 684	3 064	20	6 273
Number of loans advanced	'000 1 793	1 725	4	3 536
Average loan amount	Rm 2 054	1 776	16	1 774
Gross loans & advances	Rm 3 958	2 898	37	3 238
Loans past due (arrears)	Rm 299	288	4	341
Loans past due to gross loans & advances	% 7.6	9.9		10.5
Provision for doubtful debts	Rm 278	236	18	256
Provision for doubtful debts to gross loans & advances	% 7.0	8.1		7.9
Arrears coverage ratio	% 93	82		75
Loan revenue	Rm 1 175	925	27	2 032
Loan revenue to gross loans & advances	% 29.7	31.9		62.8
Gross loan impairment expense	Rm 294	249	18	514
Recoveries	Rm 36	21	71	46
Net loan impairment expense	Rm 258	228	13	468
Net loan impairment expense to gross loan	% 22.0	24.7		24.0
Net loan impairment expense to loan revenue	% 6.5	7.9		13.4
Net loan impairment expense to instalments due	% 7.2	7.5		7.2
Deposits				
Wholesale deposits	Rm 2 157	1 377	57	1 690
Retail call savings	Rm 1 582	984	61	1 306
Retail fixed savings	Rm 800	–		265
Net transaction fee income	Rm 126	75	75	160

	Unaudited Six months ended August 2009	Unaudited Six months ended August 2008	Growth %	Audited February 2009
CONSOLIDATED BALANCE SHEET				
ASSETS				
Current assets				
Cash and cash equivalents	2 233 903	1 043 440	114	1 513 989
Investments at fair value through profit or loss	282 169	17 355		150 044
Loans and advances to clients	2 397 160	1 909 290	26	2 114 208
Inventory	23 466	16 980	38	22 120
Other receivables	28 206	24 719	14	20 114
Non-current assets				
Loans and advances to clients	1 283 140	753 162	70	867 477
Property and equipment	247 697	197 173	26	240 134
Intangible assets – banking system	28 567	37 981	(25)	27 669
Deferred income tax assets	11 757	18 287	(36)	13 667
Total assets	6 536 065	4 018 387	63	4 969 422
LIABILITIES				
Current liabilities				
Deposits at amortised cost	2 847 219	1 563 810	82	2 065 928
Deposits held at fair value	–	40 899		17 916
Trade and other payables	229 390	183 768	25	183 950
Current income tax liabilities	77 487	39 608	96	16 498
Non-current liabilities				
Trade and other payables	25 176	14 162	78	45 960
Deposits at amortised cost	1 851 542	896 893	106	1 232 969
Total liabilities	5 030 814	2 739 140	84	3 563 221
EQUITY				
Ordinary share capital and premium	682 219	674 368	1	674 369
Reserves	(21 127)	(10 972)	93	(23 873)
Retained earnings	689 553	461 245	49	601 099
Ordinary shareholders' funds	1 350 645	1 124 641	20	1 251 595
Non-redeemable, non-cumulative, non-participating preference share capital and premium	154 606	154 606	–	154 606
Total equity	1 505 251	1 279 247	18	1 406 201
Total equity and liabilities	6 536 065	4 018 387	63	4 969 422

	Unaudited Six months ended August 2009	Unaudited Six months ended August 2008	Growth %	Audited February 2009
CONSOLIDATED INCOME STATEMENT				
Interest on loans advanced	715 361	508 321	41	1 156 514
Interest on cash and cash equivalents	64 949	20 481	217	56 382
Interest expense	(204 581)	(105 481)	94	(269 621)
Net interest income	575 729	423 321	36	943 275
Net fee income	586 434	487 887	20	1 035 709
Loan fee income	480 498	425 000	13	897 502
Loan fee expense	(20 510)	(8 675)	136	(21 889)
Transaction fee income	212 314	124 706	70	281 548
Transaction fee expense	(85 868)	(53 144)	62	(121 452)
Dividend income	485	1 070	(55)	1 099
Net impairment charge on loans and advances to clients	(257 718)	(228 085)	13	(467 727)
Net movement in financial instruments held at fair value	(50)	4 019		2 197
Other income	41	147	(72)	280
Non-banking gross profit	10 789	8 499	27	18 218
Non-banking sales	108 866	97 144	12	208 915
Non-banking cost of sales	(98 077)	(88 645)	11	(190 697)
Income from operations	915 710	696 858	31	1 533 051
Banking operating expenses	(637 138)	(504 681)	26	(1 063 672)
Non-banking operating expenses	(8 419)	(5 362)	57	(12 696)
Operating profit before tax	270 153	186 815	45	456 683
Income tax expense	(84 424)	(58 109)	45	(137 351)
Net profit attributable to equity holders	185 729	128 706	44	319 332

	Unaudited Six months ended August 2009	Unaudited Six months ended August 2008	Growth %	Audited February 2009
Earnings per share for profit attributable to ordinary shareholders				
• basic	Cents per share 215	145	48	364
• diluted	Cents per share 211	142	49	357

	Unaudited Six months ended August 2009	Unaudited Six months ended August 2008	Growth %	Audited February 2009
RECONCILIATION OF ATTRIBUTABLE EARNINGS TO HEADLINE EARNINGS				
Net profit attributable to equity holders	185 729	128 706	44	319 332
Less preference dividend	(7 586)	(9 619)	(21)	(19 127)
Net profit attributable to ordinary shareholders	178 143	119 087	50	300 205
Items excluded from headline earnings:				
• Gross loss on disposal of assets	214	54		2 133
• Tax - loss on disposal of assets	(47)	(12)		(467)
Headline earnings	178 305	119 129	50	301 871

	Unaudited Six months ended August 2009	Unaudited Six months ended August 2008	Growth %	Audited February 2009
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
Net profit attributable to equity holders	185 729	128 706	44	319 332
Other comprehensive income:				
• Cash flow hedge net of tax	2 746	(10 972)		(23 873)
Total comprehensive income	188 475	117 734	60	295 459

	Unaudited Six months ended August 2009	Unaudited Six months ended August 2008	Growth %	Audited February 2009
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY				
Equity at beginning of the period	1 406 201	1 217 427		1 217 427
Total comprehensive income	188 475	117 734	295 459	295 459
Employee share option scheme:				
• share-based employee costs	5 040	4 947	8 992	8 992
• shares issued and acquired at cost	(11 243)	(524)	(26 661)	(26 661)
• realised loss on settlement	14 693	7 110	8 597	8 597
• tax effect on settlement	982	4 308	8 490	8 490
Share issue expenses	(25)	(38)	(38)	(38)
Ordinary dividend	(91 281)	(62 098)	(86 938)	(86 938)
Preference dividend	(7 586)	(9 619)	(19 127)	(19 127)
Equity at end of the period	1 505 251	1 279 247	1 406 201	1 406 201

	Unaudited Six months ended August 2009	Unaudited Six months ended August 2008	Growth %	Audited February 2009
CONSOLIDATED CASH FLOW STATEMENT				
Cash flow from operating activities	1 010 700	535 249	1 285 812	1 285 812
Cash flow from investing activities	(193 422)	(45 272)	(266 176)	(266 176)
Cash flow from financing activities	(97 364)	(64 548)	(123 548)	(123 548)
Net increase in cash and cash equivalents	719 914	425 539	896 088	896 088
Cash and cash equivalents at beginning of period	1 513 989	617 901	617 901	617 901
Cash and cash equivalents at end of period	2 233 903	1 043 440	1 513 989	1 513 989

	Banking	Wholesale Distribution	Intra-segment	Total
SEGMENT INFORMATION				
Unaudited six months ended August 2009				
Segment revenue	1 473 648	108 866	(320)	1 582 194
Segment earnings after tax	183 514	2 210	–	185 724
Segment assets	6 514 587	33 530	(12 052)	6 536 065
Unaudited six months ended August 2008				
Segment revenue	1 079 725	97 144	(469)	1 176 400
Segment earnings after tax	126 209	2 497	–	128 706
Segment assets	3 998 209	26 690	(6 512)	4 018 387
Audited year ended February 2009				
Segment revenue	2 393 965	208 915	(640)	2 602 240
Segment earnings after tax	314 864	4 468	–	319 332
Segment assets	4 948 274	28 820	(7 672)	4 969 422

The Group conducts business in banking and in the wholesale distribution of consumer goods. The banking segment incorporates retail banking services, including savings, deposits, debit cards and consumer loans. Wholesale distribution consists of the wholesale distribution of fast-moving consumer goods. The Group's business is conducted within the RSA.

	Unaudited August 2009	Unaudited August 2008	Audited February 2009
COMMITMENTS			
Capital commitments approved by the board			
• Contracted for	30 314	39 732	22 810
• Not contracted for	142 161	101 583	163 031
Operating lease commitments			
• within 1 year	94 142	73 292	80 858
• from 1 to 5 years	243 807	159 949	176 269
• after 5 years	20 451	3 943	3 213

SIMPLICITY IS THE ULTIMATE SOPHISTICATION

Capitec Bank focuses on simplifying banking by offering a single solution to everyday money management. This has resulted in an increase in client numbers of 489 000 over the past year, to 2.1 million. The number of branches has grown to 371 and this together with increased advertising should result in continued growth in client numbers.

RESULTS SUMMARY

- Profits for the six months increased by 50% to R178 million.
- Net revenue from banking activities, comprising both loan revenue and transaction income, grew by 9% from the six months ended February 2009 to R1.2 billion. This represents a 27% increase year-on-year.
- Loans to the value of R3.7 billion were granted in the last six months. This represents an increase of 20% on the six month period to August 2008 and a growth of 15% against the six months to February. The number of loans granted grew by 4% compared to the six months ended August 2008 to 1.8 million. The growth in sales was driven by an increase in the average loan amount to R2 054 from R1 776. Sales of medium-term products (12 to 36 months) comprised 52% of the total and increased 34% year-on-year. These products comprised 46% of total sales for the six months to August 2008. This implies that we are attracting clients with a higher income level.
- Net loan revenue of R1.2 billion consists of interest, origination fees and monthly administration fees net of loan fee expenses. Loan revenue to gross loans and advances has dropped from 32% for the six months ended August 2008 and 34% for the six months ended February 2009 to 30% due largely to margin-squeeze. The loan revenue was affected by a change in product mix and yields. The yield on the 12 to 36 month products which now comprise 88% of the gross loan book is much lower than the yield on shorter-term products. The longer products are however more profitable over time due to the annuity income and lower costs. Yields on all products have declined following the 350 basis points cut in lending rates by the Reserve Bank since February.
- Commencing July 2009 the loan book has been insured against re-entrainment risk in addition to the life insurance which has been in place for several years. This will in time decrease the bad debt expense. Loan revenue is shown net of this cost.
- The increased use of debit cards and electronic banking has led to an increase of 70% in transaction fee income to R212 million. Net transaction fee income as a percentage of operating expenses grew to 20% from 15% in the 2009 financial year. Management intends to drive this ratio to 40%.
- Operating expenditure grew by 26% year-on-year. Operating expenditure for the six months includes the cost of new television and branch advertising. We now employ 3 804 people as compared to 3 190 in August 2008. Since February our staff complement has grown by 390. Capacity has been added at senior level to support continued growth. The growth in the loan book has led to an increase in the resources required to manage collections. A project is underway to centralise monitoring and collections. The benefit of the costs already incurred in this regard will manifest over time.
- The cost to income ratio remained steady at 55% year-on-year but increased from 54% for the 2009 financial year as investment in branch expansion and people development continued. A change in the management incentive

structure led to an increase of 1.2% in the cost to income ratio. Also refer to the remuneration section below.

ARRARIS AND BAD DEBTS

The gross loans and advances on the balance sheet grew by 37% year-on-year and by 22% from February 2009 to R4.0 billion.

- The loan impairments are calculated at account level based on historical data. Trends are closely monitored and recent patterns and events are given the appropriate consideration.
- The gross loan impairment expense (before recoveries) for the six months