Summarised financial results

for the year ended 28 February 2010

CAPITEC BANK

Simplicity is the ultimate sophistication

- **Headline earnings per share up 44% to 527 cents**
- **Final dividend per share: 155 cents**
- **Return on equity: 32%**
- **Active clients: 2.1 million**
- **Shareholders' funds: R1.7 billion**

KEY PERFORMANCE INDICATORS

Profitability		2010	2009	Change % 2010/2009	2008
Income from banking operations	Rm	2 556	1 983	29	1 315
Net loan impairment expense	Rm	(548)	(468)	17	(231)
Banking operating expenses	Rm	(1 368)	(1 065)	28	(763)
Non-banking operations	Rm	2	6	(67)	3
Tax	Rm	(193)	(137)	41	(95)
Preference dividend	Rm	(14)	(19)	(26)	(17)
Earnings attributable to ordinary shareholders					
• Basic	Rm	435	300	45	212
• Headline	Rm	437	302	45	212
Cost to income ratio – banking activities	%	54	54		58
Return on ordinary shareholders' equity	%	32	27		22
Earnings per share					
• Attributable	cents	525	364	44	259
• Headline	cents	527	366	44	259
• Diluted attributable	cents	509	357	43	250
• Diluted headline	cents	511	359	42	251
Dividends per share					
• Interim	cents	55	30	83	25
• Final	cents	155	110	41	75
• Total	cents	210	140	50	100
Dividend cover	x	2.5	2.6		2.6
Assets					
Total assets	Rm	9 488	4 969	91	2 936
Net loans and advances	Rm	5 225	2 982	75	2 019
Cash and cash equivalents	Rm	2 567	1 514	70	618
Investments	Rm	1 306	150	771	14
Other	Rm	390	323	21	285
Liabilities					
Total liabilities	Rm	7 760	3 563	118	1 719
Deposits	Rm	7 360	3 317	122	1 528
Other	Rm	400	246	63	191
Equity					
Shareholders' funds	Rm	1 728	1 406	23	1 217
Capital adequacy ratio	%	37	43		36
Net asset value per ordinary share	cents	1 896	1 512	25	1 297
Share price	cents	8 200	3 001	173	3 900
Market capitalisation	Rm	6 805	2 485	174	3 195
Number of shares in issue	'000	82 983	82 798	–	81 928
Share options					
• Number outstanding	'000	5 322	5 713	(7)	5 159
• Number outstanding to total shares in issue	%	6	7	(14)	6
• Average strike price	cents	2 888	2 487	16	1 815
• Average time to maturity	months	24	25	(4)	24
• Charge on settlement	Rm	1	34	(97)	48
Operations					
Branches		401	363	10	331
Employees		4 154	3 414	22	2 800
Active clients	'000	2 122	1 545	37	1 110
ATMs					
• Own		417	368	13	328
• Partnership		821	571	44	437
Capital expenditure	Rm	149	133	12	117
Sales					
Loans					
Value of loans advanced	Rm	8 645	6 273	38	5 162
Number of loans advanced	'000	3 861	3 536	9	3 155
Average loan amount	R	2 239	1 774	26	1 636
Gross loans and advances	Rm	5 607	3 238	73	2 192
Loans past due (arrears)	Rm	350	326	7	247
Arreas to gross loans and advances	%	6.2	10.1	(39)	11.2
Provision for doubtful debts	Rm	382	256	49	173
Provision for doubtful debts to gross loans and advances	%	6.8	7.9	(14)	7.9
Arrears coverage ratio	%	109	79	38	70
Loan revenue	Rm	2 603	2 032	28	1 273
Loan revenue to gross loans and advances	%	46.4	62.8	(26)	58.1
Gross loan impairment expense	Rm	620	514	21	265
Recoveries	Rm	72	46	57	35
Net loan impairment expense	Rm	548	468	17	231
Net loan impairment expense to loan revenue	%	21.1	23.0	(8)	18.1
Net loan impairment expense to gross loan book	%	9.8	14.5	(32)	10.6
Net loan impairment expense to instalments due	%	6.6	7.2	(8)	5.1
Deposits					
Wholesale deposits	Rm	3 669	1 690	117	632
Retail savings	Rm	2 346	1 306	80	842
Retail fixed deposits	Rm	1 148	265	333	–
Net transaction fee income	Rm	295	160	84	89

GROUP BALANCE SHEET

	2010 R'000	2009 R'000
Assets		
Cash and cash equivalents	2 566 588	1 513 989
Investments at fair value through profit or loss	1 306 298	150 044
Loans and advances to clients	5 225 139	2 981 685
Inventory	26 067	22 120
Other receivables	41 127	20 114
Property and equipment	281 610	240 134
Intangible assets – banking system	22 211	27 669
Deferred income tax assets	19 183	13 667
Total assets	9 488 223	4 969 422
Liabilities		
Loans and deposits at amortised cost	7 360 325	3 298 897
Loans and deposits held at fair value through profit or loss	–	17 916
Trade and other payables	358 352	229 910
Current income tax liabilities	34 452	16 498
Provisions	7 117	–
Total liabilities	7 760 246	3 563 221
Equity		
Ordinary share capital and premium	682 219	674 369
Cash flow hedge reserve	(15 839)	(23 873)
Retained earnings	906 991	601 099
Share capital and reserves attributable to ordinary shareholders	1 573 371	1 251 595
Non-redeemable, non-cumulative, non-participating preference share capital and premium	154 606	154 606
Total equity	1 727 977	1 406 201
Total equity and liabilities	9 488 223	4 969 422

GROUP INCOME STATEMENT

	2010 R'000	2009 R'000
Interest income	1 763 966	1 212 896
Interest expense	(490 636)	(269 621)
Net interest income	1 273 330	943 275
Loan fee income	1 038 905	897 502
Loan fee expense	(52 706)	(21 889)
Transaction fee income	507 438	281 548
Transaction fee expense	(212 064)	(121 452)
Net fee income	1 281 573	1 035 709
Dividend income	519	1 099
Net impairment charge on loans and advances to clients	(547 731)	(467 727)
Net movement in financial instruments held at fair value through profit or loss	1 011	2 197
Other income	43	280
Non-banking gross profit	20 750	18 218
Non-banking sales	208 604	208 915
Non-banking cost of sales	(187 854)	(190 697)
Income from operations	2 029 495	1 533 051
Banking operating expenses	(1 368 324)	(1 063 672)
Non-banking operating expenses	(18 815)	(12 696)
Operating profit before tax	642 356	456 683
Income tax expense	(193 132)	(137 351)
Profit for the year	449 224	319 332

GROUP STATEMENT OF COMPREHENSIVE INCOME

	2010 R'000	2009 R'000
Profit for the year	449 224	319 332
Other comprehensive income for the year net of tax	8 034	(23 873)
• Cash flow hedge before tax	11 158	(33 157)
• Income tax relating to cash flow hedge	(3 124)	9 284
Total comprehensive income for the year	457 258	295 459

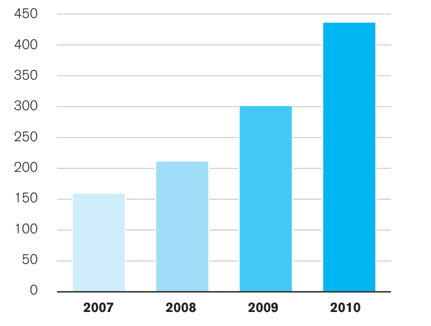
RECONCILIATION OF ATTRIBUTABLE EARNINGS TO HEADLINE EARNINGS

	2010 R'000	2009 R'000
Net profit attributable to equity holders	449 224	319 332
Less preference dividend	(14 163)	(19 127)
Net profit attributable to ordinary shareholders	435 061	300 205
Non-headline items:		
• Loss on disposal of assets	2 287	2 314
• Income tax charge	(640)	(648)
Headline earnings	436 708	301 871
Earnings per share (cents)		
• Basic	525	364
• Diluted	509	357

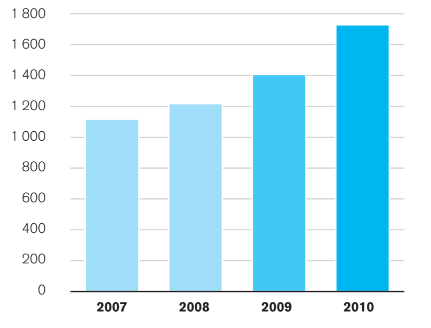
GROUP STATEMENT OF CHANGES IN EQUITY

	2010 R'000	2009 R'000
Equity at the beginning of the year	1 406 201	1 217 427
Net profit for the year	449 224	319 332
Cash flow hedge net of taxation	8 034	(23 873)
Ordinary dividend	(136 921)	(86 938)
Preference dividend	(14 163)	(19 127)
Share-based employee costs	12 186	8 992
Shares issued and acquired for employee share options at cost	(12 591)	(26 661)
Realised loss on settlement of employee share options less participants' contributions	16 538	8 597
Tax effect on settlement of share options	(506)	8 490
Share issue expenses	(25)	(38)
Equity at the end of the year	1 727 977	1 406 201

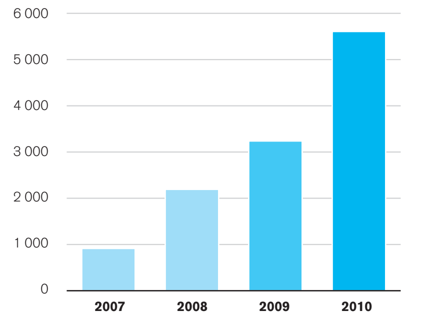
Headline earnings (Rm)



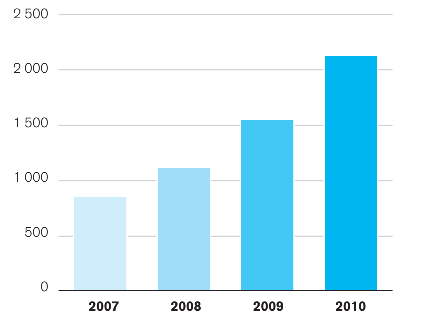
Shareholders' funds (Rm)



Gross loan book (Rm)



Number of active clients ('000)



1. Capitec Bank is a business not a bank
At Capitec Bank we focus on the needs of our clients. This is the norm in competitive businesses.

Many South Africans complain about their bank but have been with the same bank for years. Banks know that their clients are locked in and can afford to focus on their internal processes and their own needs. This is best illustrated by their operating hours: what client-focused business would close at half past three on weekdays and at eleven o'clock on Saturdays for the weekend when retailers are open for twelve hours a day, seven days a week?

Our clients have alternatives and we are continuously exposed to competitive pressure. Our primary source of income is unsecured personal loans. Every loan is a new transaction and more than half of the loans we offer are to clients who bank with a competitor. Borrowers are not locked in and remain free to go to one of our competitors for their next loan. Many of the people who have a savings account with us do just that. This keeps us humble and forces us to renew the trust of our clients every time we deal with them.

2. Everything happens for a reason
More than a year ago, we realised that the banking crisis meant we had to concentrate on two areas: managing bad debts and securing long-term funding.

We set stricter selection criteria for borrowers who needed a loan, and put emphasis on the quality of the employer of a prospective borrower. The results have been impressive and our bad debt ratio (technically "gross loan impairment expense less recoveries to gross loan book") decreased from 14.5% to 9.8%. We made 2.9 million short term loans that are to be repaid within a month, during the year. This enables us to constantly evaluate the effectiveness of our lending criteria and to make rapid adjustments when the behaviour of borrowers changes.

In November 2008 we offered our first fixed term retail deposit to address our funding concerns because retail deposits are the most reliable source of funding for a bank. We now have more than R1 billion of these deposits and more than R2 billion of normal savings deposits. Although savings deposits are theoretically call deposits that can be withdrawn without any warning, experience throughout the world shows that savings deposits are "sticky" and do not react as quickly to rumours as wholesale deposits.

We have also been able to obtain long-term corporate deposits, now amounting to R3 billion of which R2 billion was raised through our listed bond programme. These bonds are for three, five and seven years. We also obtained a R250 million 12 year subordinated loan that counts as secondary capital during the first 7 years. This is a red letter achievement for Capitec Bank.

In short, despite the international crisis our funding has more than doubled from R3 billion to R7 billion and is not a constraint on our growth.

3. Survival, with cash
In a bank liquidity refers not only to our current cash position, but also to the ability over time to survive a loss of confidence. Some large profitable international banks went down because markets lost confidence and their access to money collapsed. They were borrowing short and lending long. At Capitec Bank we do the opposite: we borrow long and lend short. Like all banks we do a theoretical exercise, liquidity gap management. This theoretical exercise assumes that all funding to the bank dries up and current funders to the bank demand their money back as soon as they are legally entitled to do so. In such a doomsday scenario, what would happen to our bank?

At year-end Capitec Bank would have been able to repay all its saving deposits immediately and on average throughout the year, within one day.

This is not a cost-free option. Holding surplus cash is expensive.

Why has Capitec Bank been so prudent? We obtained our banking licence in 2001. At the time a small banks crisis was occurring in a small country at the southern tip of Africa. Hardly anybody else remembers it, but we do. We saw how small banks failed overnight when markets lost confidence and the banks were caught in a liquidity trap. Even before that, in 1997, we saw how a financial crisis in Asia could rock banks in Africa. When we started the bank, we decided that Capitec Bank should never put itself in a position where a bad day in the markets can destroy a bank built up over a lifetime.

The international banking crisis may be over. One thing is certain: there will be more banking crises and we intend to manage our liquidity in such a manner that we will always survive.

4. Growth
Our foundations have been well laid and the past year was a year of expansion.

Our client numbers grew 37% to 2.1 million.

We now have 401 branches throughout South Africa compared to 363 a year ago. Not a single established branch is loss-making. We should clearly increase our branch network faster.

Our number of employees grew by more than 22% to over 4 000, although our number of branches only increased by 10% because we created additional capacity in our existing branches. Every one of our consultants is trained in Stellenbosch before they are allowed to deal with clients. Our Firm Foundations training course was attended by 1 097 employees this year.

We advanced more than 3.8 million loans during the year, which on average equates to more than 12 000 loans per working day. After five o'clock on the afternoon of Friday 26 February, we granted 3 069 loans. On that same day we served 393 000 Capitec Bank clients who entered a branch, used their card to make a payment or used our internet service. Still modest figures, but growing all the time.

The total value of loans granted increased by 38% to R8.6 billion. Our total book (loans outstanding at year-end) grew 73% to R5.6 billion as more clients moved to longer term loans. We increased the longest term for a loan from 36 to 48 months and the maximum size of a loan from R50 000 to R100 000.

5. Profitability
Our profit grew from R300 million last year to R435 million. This is an impressive performance. In the five years since 2005, our profit has grown from R67 million at a compound rate of 45% per year. Our return on ordinary shareholders' funds was 32%.

Net transaction income grew by 84% and represents 15% (against 11% last year) of our income from banking operations, the other 85% deriving from loans.

We concentrate exclusively on personal banking. We have no business clients (except to facilitate employers to pay salaries and merchant accounts to facilitate card acquiring) and do no treasury trading.

Operating expenditure grew by 28%. We opened 38 new branches and plan to open another 50 in the next twelve months.

We remain extremely cost conscious. At Capitec Bank, nobody flies business class.

6. Arrears, bad debts and provisions
Our net bad debts (after taking into account recoveries) grew by 17% from R468 million to R548 million. Last year this figure doubled, compared to the previous year. Our loan book has grown 73% in this year, while arrears on the last day of the financial year declined from 10.1% last year to 6.2% this year. All debts over 90 days outstanding are written off. From every perspective, this has been a commendable performance. It is the result of tightening our lending criteria more than a year ago and improving our operational efficiency.

The bad debt expense before recoveries increased by R106 million from R514 million to R620 million. The increase includes a R178 million increase due to loan book growth and a decrease of R4 million in the income due to the valuation placed on handed-over loans. The expense before book growth decreased by R76 million due to an improvement in default rates.

The loan impairment expense as a percentage of instalments due, by product, compared as follows against last year:

	2010 %	2009 %
1 month	1.4	1.4
3 month	3.8	4.3
6 month	5.2	6.7
12 month	10.9	12.7
18 month	10.8	11.4
24 month	11.5	12.7
36 month	14.4	21.7
48 month	50.8	–
Weighted average	7.5	7.9
Recoveries	(0.9)	(0.7)
Net bad debts	6.6	7.2

The best measurement of arrears and impairments on the short-term products is against instalments due and not outstanding balances because a large part of the short-term loans is repaid before month-end/year-end and is therefore not reflected on the balance sheet. Computations based on the outstanding balance therefore distort this ratio on short-term products.

The 48 month loan product is only 4 months old and the level of impairment is therefore very high. The impairment charge is calculated by stretching the historical data that is available on the other longer-term loan products to produce a vintage graph. The impact of a missed instalment on a longer-term loan is more severe at the beginning of a loan repayment period, as the full loan amount may be at risk. Therefore, the provision as a percentage of instalments due is higher for a new and growing loan book. Over time every new product reverts to a normal distribution. The impairment expense of the 36 month loans indicates this trend. It is expected that the level of impairment on the 36 month loans will continue to reduce as the product matures. The product is currently 28 months old but the average age of loans on this book is only 18 months.

One of the reasons for the international credit crunch was a false complacency within banks that they fully understood the risks inherent in their products. At Capitec Bank we know we can never relax. Credit risk is the major risk that we have to manage every day.

7. 27 Great brands
What do the following brands have in common: Tiffany and Co, Amazon, Apple, Mercedes-Benz, China Merchant Bank, Mahindra, Facebook, Julius Baer, Polo, Ralph Lauren and Capitec Bank?

The Credit Suisse Research Institute has released "Great Brands of Tomorrow", an in-depth look at how a company's brand can be one of the few true competitive advantages remaining in modern industry. In it, they identified 27 great global brands of tomorrow, some old and powerful, some young with potential. Capitec is the only brand from Africa on that list.

A group of 3 000 analysts in 50 countries participated in the survey, which aimed to distinguish those brands that were likely to outperform the competition in the future and rise to the top in their respective markets. Credit Suisse rated its top brands on three main factors: innovation, aspiration and scale.

8. Prospects
We are proud of our people, we have good products and a niche in the market. We expect our growth to continue during the coming year.

9. Dividends
The directors have recommended a final dividend of 155 cents per share bringing the total dividends for the year to 210 cents per share. The dividends will be presented for approval by the shareholders at the annual general meeting.

Last day to trade cum-dividend	Thursday, 10 June 2010
Trading ex-dividend commences	Friday, 11 June 2010
Record date	Friday, 18 June 2010
Payment date	Monday, 21 June 2010

Share certificates may not be dematerialised or rematerialised between Friday, 11 June 2010 and Friday, 18 June 2010, both days inclusive.

On behalf of the board

Michiel le Roux
Chairman

Riaan Stassen
Chief executive officer

Stellenbosch
30 March 2010

Company secretary and registered office
Christian George van Schalkwyk
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Stellenbosch 7600
(PO Box 12451 Die Boord
Stellenbosch 7613)

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

Sponsor
PSG Capital (Pty) Limited (Registration number: 2006/015817/07)

Directors
MS du P le Roux (Chairman), R Stassen (CEO)*, AP du Plessis (FD)*,
TD Mahloele, Prof MC Mehl, Ms NS Mjoli-Mncube, PJ Mouton, CA Otto,
JG Solms, JP vd Merwe.
*Executive

Annual general meeting
Notice is hereby given that the annual general meeting of the shareholders of Capitec Bank Holdings Limited will be held at Oude Libertas, c/o Adam Tas and Libertas Roads, Stellenbosch, on Wednesday, 2 June 2010 at 12:00.

Audited summarised consolidated financial statements available at:

www.capitecbank.co.za

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