Summarised financial results

for the year ended 28 February 2011

CAPITEC BANK HOLDINGS LIMITED

KEY PERFORMANCE INDICATORS

		2011	2010	Change % 2011/2010	2009
Profitability					
Income from banking operations	Rm	3 741	2 556	46	1 983
Net loan impairment expense	Rm	(988)	(548)	80	(468)
Banking operating expenses	Rm	(1 813)	(1 368)	33	(1 065)
Non-banking operations	Rm	–	2	(100)	6
Tax	Rm	(284)	(193)	47	(137)
Preference dividend	Rm	(16)	(14)	14	(19)
Earnings attributable to ordinary shareholders					
Basic	Rm	640	435	47	300
Headline	Rm	640	437	46	302
Cost to income ratio – banking activities	%	48	54		54
Return on ordinary shareholders' equity	%	34	32		27
Earnings per share					
Attributable	cents	757	525	44	364
Headline	cents	757	527	44	366
Diluted attributable	cents	730	509	43	357
Diluted headline	cents	730	511	43	359
Dividends per share					
Interim	cents	85	55	55	30
Final	cents	205	155	32	110
Total	cents	290	210	38	140
Dividend cover	x	2.6	2.5		2.6
Assets					
Total assets	Rm	14 440	9 488	52	4 969
Net loans and advances	Rm	10 071	5 225	93	2 982
Cash and cash equivalents	Rm	2 842	2 567	11	1 514
Investments	Rm	989	1 306	(24)	150
Other	Rm	538	390	38	323
Liabilities					
Total liabilities	Rm	10 989	7 760	42	3 563
Deposits	Rm	10 450	7 360	42	3 317
Other	Rm	539	400	35	246
Equity					
Shareholders' funds	Rm	3 451	1 728	100	1 406
Capital adequacy ratio	%	38	37		43
Net asset value per ordinary share	cents	3 418	1 896	80	1 512
Share price	cents	15 901	8 200	94	3 001
Market capitalisation	Rm	14 850	6 805	118	2 485
Number of shares in issue	'000	93 388	82 983	13	82 798
Share options					
Number outstanding	'000	4 222	5 322		5 713
Number outstanding to total shares in issue	%	5	6		7
Average strike price	cents	3 510	2 888		2 487
Average time to maturity	months	20	24		25
Operations					
Branches		455	401	13	363
Employees		5 331	4 154	28	3 414
Active clients	'000	2 829	2 122	33	1 545
ATMs					
Own		479	417	15	368
Partnership		1 182	821	44	571
Capital expenditure	Rm	235	149	58	133
Sales					
Loans					
Value of loans advanced	Rm	14 318	8 645	66	6 273
Number of loans advanced	'000	5 471	3 861	42	3 536
Average loan amount	R	2 617	2 239	17	1 774
Repayments	Rm	12 117	8 288	46	6 744
Gross loans and advances	Rm	10 916	5 607	95	3 238
Loans past due (arrears)	Rm	626	350	79	326
Arrears to gross loans and advances	%	5.7	6.2		10.1
Provision for doubtful debts	Rm	845	382	121	256
Provision for doubtful debts to gross loans and advances	%	7.7	6.8		7.9
Arrears coverage ratio	%	135	109		79
Loan revenue	Rm	3 800	2 603	46	2 032
Loan revenue to average gross loans and advances	%	46.0	58.9		74.8
Gross loan impairment expense	Rm	1 088	620	75	514
Recoveries	Rm	100	72	39	46
Net loan impairment expense	Rm	988	548	80	468
Net loan impairment expense to loan revenue	%	26.0	21.1		23.0
Net loan impairment expense to average gross loans and advances	%	12.0	12.4		17.2
Net loan impairment expense to repayments	%	8.2	6.6		7.2
Deposits					
Wholesale deposits	Rm	3 954	3 669	8	1 690
Retail call savings	Rm	3 933	2 346	68	1 306
Retail fixed savings	Rm	2 316	1 148	102	265
Net transaction fee income	Rm	532	295	80	160

GROUP BALANCE SHEET

	2011 R'000	2010 R'000
Assets		
Cash and cash equivalents	2 841 918	2 566 588
Investments designated at fair value	988 664	1 306 298
Loans and advances to clients	10 071 466	5 225 139
Inventory	30 847	26 067
Other receivables	48 177	41 127
Property and equipment	375 185	281 610
Intangible assets – banking system	34 357	22 211
Deferred income tax assets	48 903	19 183
Total assets	14 439 517	9 488 223
Liabilities		
Loans and deposits at amortised cost	10 449 883	7 360 325
Trade and other payables	489 685	358 352
Current income tax liabilities	35 033	34 452
Provisions	14 403	7 117
Total liabilities	10 989 004	7 760 246
Equity		
Ordinary share capital and premium	1 918 677	682 219
Cash flow hedge reserve	(3 469)	(15 839)
Retained earnings	1 276 336	906 991
Share capital and reserves attributable to ordinary shareholders	3 191 544	1 573 371
Non-redeemable, non-cumulative, non-participating preference share capital and premium	258 969	154 606
Total equity	3 450 513	1 727 977
Total equity and liabilities	14 439 517	9 488 223

GROUP INCOME STATEMENT

	2011 R'000	2010 R'000
Interest income	2 808 543	1 763 966
Interest expense	(751 360)	(490 636)
Net interest income	2 057 183	1 273 330
Loan fee income	1 273 574	1 038 905
Loan fee expense	(121 710)	(52 706)
Transaction fee income	883 040	507 438
Transaction fee expense	(351 309)	(212 064)
Net fee income	1 683 595	1 281 573
Dividend income	571	519
Net impairment charge on loans and advances to clients	(988 177)	(547 731)
Net movement in financial instruments held at fair value	(210)	1 011
Other income	251	43
Non-banking income	22 258	20 750
Sales	219 298	208 604
Cost of sales	(197 040)	(187 854)
Income from operations	2 775 471	2 029 495
Banking operating expenses	(1 812 499)	(1 368 324)
Non-banking operating expenses	(22 672)	(18 815)
Operating profit before tax	940 300	642 356
Income tax expense	(284 276)	(193 132)
Profit for the year	656 024	449 224
Earnings per share (cents)		
Basic	757	525
Diluted	730	509

GROUP STATEMENT OF COMPREHENSIVE INCOME

	2011 R'000	2010 R'000
Profit for the year	656 024	449 224
Other comprehensive income for the year net of tax	12 370	8 034
Cash flow hedge before tax	17 181	11 158
Income tax relating to cash flow hedge	(4 811)	(3 124)
Total comprehensive income for the year	668 394	457 258

RECONCILIATION OF ATTRIBUTABLE EARNINGS TO HEADLINE EARNINGS

	2011 R'000	2010 R'000
Net profit attributable to equity holders	656 024	449 224
Less preference dividend	(15 754)	(14 163)
Net profit after tax attributable to ordinary shareholders	640 270	435 061
Non-headline items:		
(Profit) on disposal of property and equipment	(638)	(378)
Loss on disposal of intangible assets	476	2 665
Income tax charge	60	(640)
Headline earnings	640 168	436 708

GROUP STATEMENT OF CHANGES IN EQUITY

	2011 R'000	2010 R'000
Equity at the beginning of the year	1 727 977	1 406 201
Total comprehensive income for the year	668 394	457 258
Ordinary dividend	(201 882)	(136 921)
Preference dividend	(15 754)	(14 163)
Employee share option scheme: Value of employee services	11 706	12 186
Shares issued and acquired for employee share options at cost	(4 422)	(12 591)
Proceeds on settlement of employee share options	23 255	16 538
Tax effect on settlement of share options	27 587	(506)
Shares issued	1 258 217	–
Share issue expenses	(44 565)	(25)
Equity at the end of the year	3 450 513	1 727 977

Headline earnings per share up 44% to 757 cents

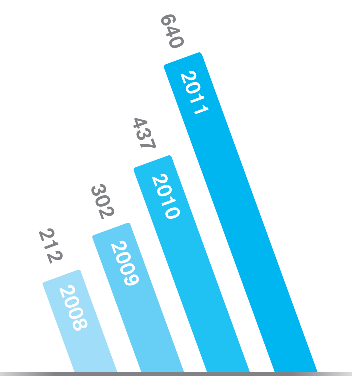
Final dividend per share 205 cents

Return on equity 34%

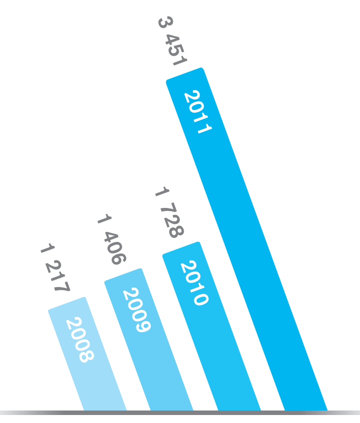
Active clients 2.8 million

Shareholders' funds R3.5 billion

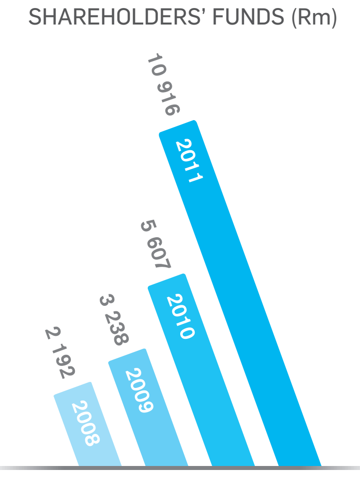
Jobs created 1 177



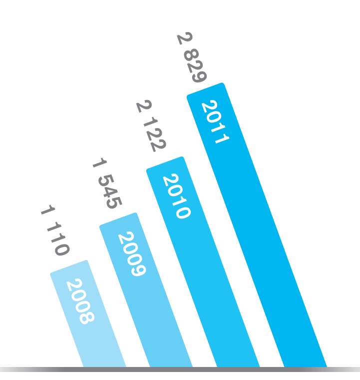
HEADLINE EARNINGS (Rm)



SHAREHOLDERS' FUNDS (Rm)



GROSS LOAN BOOK (Rm)



ACTIVE CLIENTS ('000)

A GROWTH INDUSTRY

Unsecured lending is a growth segment of the South African banking industry. During the quarter ended September 2010 the total unsecured market, excluding credit card and furniture finance, grew by 58% compared to the same quarter of 2009. By comparison, total lending by all banks in South Africa did not grow during 2010 (growth simply matched inflation).

Today's unsecured lending market was created in June 2007 by the National Credit Act (NCA). Before the implementation of the NCA, the maximum permissible loan in terms of the exemption to the Usury Act was R10 000 with a term of 36 months. Today there is no legal maximum for either term or loan size.

The average loan at Capitec Bank in February 2007 was R1 180 with an average outstanding term of 10 months. Today it is R2 617 and 36 months.

Since 2007 the Capitec gross loan book has grown from R950 million to R11 billion. At the same time total unsecured lending as defined by the National Credit Regulator, in the industry grew from R29 billion to R66 billion. This market growth represents a triumph for the companies providing loans, their clients and the authorities wishing to make finance more accessible.

CAREFUL NOW

We want to grow swiftly but cautiously. At the same time, a new legal dispensation, eager borrowers with little past experience of term loans and many enthusiastic lenders make us pause.

In November 2008 we tightened our lending criteria. Looking back, this proved to be exactly the right moment to start worrying. The rate of growth of new loans granted declined significantly for a few months, before we regained a strong growth path. Since that date our actual bad debt rate has been on a declining trend.

We are very selective when granting long-term credit. We approve 64% of all loan applications – but the higher the risk, the shorter the term of the loans offered. Only 17.1% of our clients would qualify for a 48 month loan, should they apply for one, only 8.4% for a 60 month loan.

We are aware of the shortcomings of credit scoring, as credit models cannot reflect the future behaviour of a whole market without previous access to long-term credit. We augment credit scoring with home-grown methods.

It is challenging to understand the real changes in our arrears and provisions over time. Long-term trends can be hidden by the fact that fast growth in our book could result in an apparent decline in arrears.

The provision on a new product is higher at the beginning of the term due to the uncertainty surrounding the performance of the product over time.

We write off all loans in their entirety if a client is more than three months in arrears.

Our provisions are equal to 135% of the outstanding amount of all loans with payments in arrears (the "arrear coverage ratio"). This includes only problem loans with less than three months of arrears, otherwise the loan would have been written off.

Our net transaction fee income has grown by at least 80% in each of the last three years. This reduces our reliance on the income from loans.

"SIMPLICITY IS THE ULTIMATE SOPHISTICATION"

Simplicity is our guiding principle. We want clients to understand exactly what we offer and how much it will cost. The length of queues at the information counters of banks indicate to what extent there is a difference between what clients expect and what they get. We don't offer confusing packages of services and treat all clients the same. Every consultant whether in a branch or in a call centre, knows the detail of all our products so that clients are not referred from one consultant to another. This is the result of simplicity of product offering and proper training of staff. It is also the reason why we do not offer banking to companies and trusts, but only to individuals.

Capitec Bank delivers all its products in real time. We don't open a file and ask a client to come back later. Even if we've never seen a client before (provided the client has the necessary documents), we will open an account, issue and activate a debit card, approve a loan and pay the loan into the new account so that the client has access to its full value by the time that he or she leaves the bank.

INSTANT SUCCESS

One of the reasons for our growth has been the success of our new branches. We opened 54 branches during the year, growing our network by 13% to 455 branches. All our existing branches are profitable.

This is impressive and indicates unmet demand for our products. Every site location is a serious decision.

Our branches are not comparable to those of traditional banks. All our branches are based on the same template: there are on average 9 personnel in a branch of 200 m^2. We keep no cash on the site, which means that we can use any retail space and not only purpose-built sites. The absence of cash also means that there are no glass partitions between the consultant and a client. The majority of our consultants are fluent in the language used in the vicinity of a particular branch.

In practical management terms, it is an advantage that all branches fit into the same mould. Instead of having larger branches, we prefer more branches in a town. In Mthatha we have five branches, each serving a different retail market (clients who rely on public transport are more likely to be confined to a single retail area of even a small town). We rent all our branches, which gives us flexibility when the retail patterns in a town change.

We encourage our clients to use their cards to purchase goods and withdraw cash at the tills of supermarkets. For card purchases there is no charge and for cash withdrawals we charge only R1. During the past year cash withdrawals at supermarket tills increased by 111% when compared with the previous year.

HIGH COSTS

Our total expenses grew by 33%. Over the past five years our expenses have grown on average by 32% per year. This is an enormous rate of increase but it illustrates our willingness to back a strategy we believe in.

In the past year our personnel numbers increased by 1 177. A reduction in staff numbers – which most companies try to achieve through higher productivity – is treated as bad news in the media, whereas a growth in staff numbers is often ignored. Our society doesn't seem to understand that in any given year many jobs disappear and many new ones are created – even inside the same company. This is an inevitable consequence of progress and a healthy phenomenon. Total employment can only grow when the business opportunities in our country grow. It serves no purpose to reduce business opportunities in an attempt to freeze existing employment.

We invest heavily in training staff. We appointed 1 910 new people (this includes staff turnover) and every one of them underwent a two week training course in Stellenbosch at a total cost of R22 million.

Our cost to income ratio declined to less than 50%. This is an important ratio for a retail bank, but should be treated with caution as it is distorted if a bank has other income (or expenditure) such as corporate banking. It ignores bad debts and benefits when a company has surplus capital – and Capitec Bank happens to have a high capital ratio.

We plan to continue our investment in growth in the coming year.

SHARING IN THE SUCCESS

Ten years ago, when we started the bank, we had a tiny company and a strong management team. We made them a simple promise: create a success and you will share in it. The most objective way of doing that is to base a portion of the remuneration of strategic management on the value created. Although share prices can fluctuate, the fundamental trend reflects the performance and prospects of a company and the share price is the most objective measure of the value of a company. Our share options and share appreciation rights base some of the rewards for strategic management on the value created. These rights vest over a period between three and six years. They have to be exercised within 6 months of due date.

Our share price increased by 94% during the financial year and the participants in these share schemes received a total value of R108 million from the schemes. The total growth during the current year in the value of share options and share appreciation rights which have yet to vest was R279 million. These values will obviously materialise only if market confidence in our company is maintained.

The next level, senior managers, participate in a bonus scheme based on the profit growth of the company. Payment of these bonuses takes place over a period of three years. The total value of bonuses accrued for the year, was R17 million.

Based on our growth in headline earnings per share, all staff (apart from senior management) received a bonus equal to 142.5% of one month's salary. These bonuses are paid out in two tranches: one after the half year, the other tranche will be paid after this announcement.

The incentive scheme expense as reflected in the income statement is summarised below.

		Strategic management	Senior management	Other employees	Total
Employees	Nr.	10	74	5 247	5 331
Share appreciation rights	Rm	86	35	–	121
Share options	Rm	5	7	–	12
Senior management performance bonus	Rm	–	17	–	17
Staff performance bonus	Rm	4	1	68	73
Total	Rm	95	60	68	223

Executive management committee members hold a total of almost 7 million shares between them. This holding defines the attitude of our senior management: they are owners rather than employees. It is this attitude that our various schemes try to instil in all of our 5 331 people.

LIQUIDITY AND SHARE CAPITAL

During the past 12 months we granted 5 471 000 individual loans to a total value of R14 billion, which is 66% more than last year. The total value of loans outstanding at year-end amounted to R11 billion.

Our liquidity philosophy remains conservative. At year-end it would have been possible to repay all deposits due immediately and on an average throughout the year, within 3 days. We are particularly happy with the doubling of fixed retail savings to R2 billion.

In December 2010 we offered one new share to existing ordinary shareholders for every ten they held. Our main shareholder, PSG Group, committed to take up all their rights. Practically all the rights were taken up by shareholders. Such confidence is an important element in the success of our group. In total we raised R1.1 billion new ordinary capital, including R100 million worth of shares issued to the underwriter. In addition, we issued preference shares to a value of R104 million and raised subordinated debt of R200 million.

Our capital adequacy ratio started the year at 37%, but as a result of the rapid growth of our term book it declined before our capital raising exercises restored the ratio to 38% at year-end. We will pay careful attention to our capital structure as we will endeavour to grow our loan book further.

DIRECTORS

We lost a director with valuable international experience when Tshepo Mahloele had to resign as a result of commitments to his own growing international business. We thank him for his friendship and his important contributions at board meetings.

Fortunately we gained in Markus Jooste, a new director with personal experience of building an international organisation.

During the year we paid a total remuneration of R3 million to our non-executive directors for their services as director. The chairman received a fixed sum of R960 000. The other directors received a fee of R108 000 plus additional compensation for service as a committee member or a committee chairman.

PROSPECTS

In November 2010 we were named as the top company of the year of the Sunday Times Top 100 Companies. On 1 March 2011 Capitec Bank was 10 years old. We held no party and didn't celebrate either of these achievements. We feel that we have done little more than lay the foundations of a potentially great business. Excessive celebration of a good start can lead to a false sense of achievement. Much remains to be done, but our management team is still full of ideas.

We will continue investigating opportunities during the year ahead.

DIVIDENDS

The directors have recommended a final dividend of 205 cents per ordinary share for the year ending 28 February 2011, bringing the total dividends for the year to 290 cents per ordinary share. The dividend will be presented for approval by the shareholders at the annual general meeting.

Last day to trade cum-dividend	Friday, 17 June 2011
Trading ex-dividend commences	Monday, 20 June 2011
Record date	Friday, 24 June 2011
Payment date	Monday, 27 June 2011

Share certificates may not be dematerialised or rematerialised between Monday, 20 June 2011, and Friday, 24 June 2011, both days inclusive.

On behalf of the board

Michiel le Roux
Chairman

Riaan Stassen
Chief executive officer

Stellenbosch
29 March 2011

Company secretary and registered office
Christian George van Schalkwyk
BComm, LLB, CA(SA)
1 Quantum Road, Techno Park
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: 2006/01587/07)

Directors
MS du P le Roux (Chairman), R Stassen (CEO)*, AP du Plessis (FD)*, MJ Jooste, Prof MC Mehl, Ms NS Mjoli-Mncube, PJ Mouton, CA Otto, JG Solms, JP van der 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 Molenvliet Wine and Guest Estate, Helshoogte Pass, Banhoek Road, Stellenbosch, on Friday, 3 June 2011, at 11:30.

The detailed notice will be available at: www.capitecbank.co.za/investor-relations/shareholder-centre/notice-of-annual-general-meeting from 12 May 2011.

Audited summarised consolidated financial statements available at:

www.capitecbank.co.za

GREYMATTER & FINCH # 5506