CAPITEC BANK HOLDINGS LIMITED
Registration number: 1999/025903/06
Registered bank controlling company
Incorporated in the Republic of South Africa
JSE ordinary share code: CPI **ISIN:** ZAE000035861
JSE preference share code: CPIP **ISIN:** ZAE000083838

Summarised audited financial statements
for the year ended 29 February 2012

Headline earnings per share up 49% to 1 125 cents
Earnings up 68%
Final dividend per share 300 cents
Return on equity 29%
Active clients 3.7 million

Key performance indicators

		2012	2011	Change % 2012/2011	2010
Profitability					
Income from banking operations	R'm	5 646	3 741	51	2 556
Net loan impairment expense	R'm	(1 604)	(988)	62	(548)
Banking operating expenses	R'm	(2 486)	(1 813)	37	(1 368)
Non-banking operations	R'm	3	–		2
Tax	R'm	(464)	(284)	63	(193)
Preference dividend	R'm	(19)	(16)	19	(14)
Earnings attributable to ordinary shareholders					
Basic	R'm	1 075	640	68	435
Headline	R'm	1 078	640	68	437
Cost to income ratio – banking activities	%	44	48		54
Return on ordinary shareholders' equity	%	29	34		32
Earnings per share					
Attributable	cents	1 122	757	48	525
Headline	cents	1 125	757	49	527
Diluted attributable	cents	1 096	730	50	509
Diluted headline	cents	1 099	730	50	511
Dividends per share					
Interim	cents	125	85	47	55
Final	cents	300	205	46	155
Total	cents	425	290	47	210
Dividend cover	X	2.6	2.6		2.5
Assets					
Net loans and advances	R'm	16 863	10 071	67	5 225
Cash and cash equivalents	R'm	4 551	2 842	60	2 567
Investments	R'm	1 199	989	21	1 306
Other	R'm	1 009	538	88	390
Total assets	R'm	23 622	14 440	64	9 488
Liabilities					
Deposits	R'm	17 692	10 450	69	7 360
Other	R'm	744	539	38	400
Total liabilities	R'm	18 436	10 989	68	7 760

Key performance indicators (continued)

		2012	2011	Change % 2012/ 2011	2010
Equity					
Shareholders' funds	R'm	**5 185**	3 451	50	1 728
Capital adequacy ratio	%	**39**	41		37
Net asset value per ordinary share	cents	**4 962**	3 418	45	1 896
Share price	cents	**18 500**	15 901	16	8 200
Market capitalisation	R'm	**18 367**	14 850	24	6 805
Number of shares in issue	'000	**99 282**	93 388	6	82 983
Share options					
Number outstanding	'000	**3 087**	4 222	(27)	5 322
Number outstanding to total shares in issue	%	**3**	5	(40)	6
Average strike price	cents	**4 358**	3 510	24	2 888
Average time to maturity	months	**16**	20	(20)	24
Operations					
Branches		**507**	455	11	401
Employees		**7 194**	5 331	35	4 154
Active clients	'000	**3 706**	2 829	31	2 122
ATMs					
Own		**550**	479	15	417
Partnership		**1 526**	1 182	29	821
Capital expenditure	R'm	**381**	235	62	149
Sales					
Loans					
Value of loans advanced	R'm	**19 393**	14 318	35	8 645
Number of loans advanced[(1)]	'000	**4 648**	3 907	19	2 899
Average loan amount	R	**4 172**	3 665	14	2 982
Repayments	R'm	**16 173**	12 117	33	8 288
Gross loans and advances	R'm	**18 408**	10 916	69	5 607
Loans past due (arrears)	R'm	**932**	626	49	350
Arrears to gross loans and advances	%	**5.1**	5.7		6.2
Provision for doubtful debts	R'm	**1 545**	845	83	382
Provision for doubtful debts to gross loans and advances	%	**8.4**	7.7		6.8
Arrears coverage ratio	%	**166**	135		109
Loan revenue	R'm	**5 660**	3 800	49	2 603
Loan revenue to average gross loans and advances	%	**38.6**	46.0		58.9
Gross loan impairment expense	R'm	**1 780**	1 088	64	620
Recoveries	R'm	**176**	100	76	72
Net loan impairment expense	R'm	**1 604**	988	62	548
Net loan impairment expense to loan revenue	%	**28.3**	26.0		21.1
Deposits					
Wholesale	R'm	**7 162**	3 954	81	3 669
Retail call savings	R'm	**6 348**	3 933	61	2 346
Retail fixed savings	R'm	**4 015**	2 316	73	1 148
Net transaction fee income	R'm	**836**	532	57	295

(1) *The definition of the number of loans advanced as reflected in the key performance indicators was amended to count one multi-loan per month and not each draw-down on a multi-loan as a loan advanced. Statistics for comparative years were restated.*

It is all about clients

Acquiring new clients and encouraging existing clients to use more of our products and services is what we do. We've acquired 877 000 new active clients for the year.

As the bank has grown to a sizeable business with over 7 000 employees and 507 branches, we retain the focus and discipline of a small organisation. Every new employee, from the most experienced to the person in their first job, must participate in the same client orientation training course. During the year 2 694 employees (including replacements) were appointed and 1 863 jobs were created.

Capitec Bank has changed banking in South Africa. We focus on effective system-driven solutions and centralised control. We minimise administration and costs for our clients. We innovate and keep banking simple. This approach is attracting more and more high income clients that recognise that what we offer is all they need.

Capital and liquidity

In January 2011 when capital was needed to meet the requirements for the 2012 financial year, there was uncertainty surrounding the Basel 3 criteria for subordinated debt to qualify as capital. For this reason a rights issue, which raised R1.1 billion in ordinary share capital, was undertaken.

A private placement of ordinary share capital took place in November 2011. A total of R787 million in ordinary share capital was raised from domestic and international institutional shareholders at R172.00 per share. The price was at a discount of 7.6% to the volume weighted share price of the previous 30 days. This increased the number of ordinary shares in issue by 4.91%. We consider this placement a success. The sharply higher taxes on dividends and capital gains will increase the cost of capital.

The return on ordinary shareholders equity was 29% (2011: 34%) despite the increase in ordinary share capital in January and November 2011.

During the course of the 2012 financial year, as the uncertainty surrounding subordinated debt diminished, we issued R619 million in subordinated debt to fund operational requirements. All the subordinated debt issued by Capitec qualifies for the phase-out in terms of Basel 3 criteria.

Retail deposits (the total of savings accounts and fixed deposits) have grown to R10 billion, increasing by 66% compared to a year ago. At Capitec savings attract interest from the first cent. The average retail call savings balance grew by 12% to over R1 800 during the year. Competitive fixed deposit rates have seen fixed deposits grow by 73% during the last year to R4 billion.

Unsecured credit

The unsecured credit market is showing continued growth. Unsecured credit (excluding credit card facilities) granted during the year to September 2011 grew by 56% according to the statistics published by the National Credit Regulator ("NCR"). The loan sales reported to the NCR by Capitec for the same period grew by 71%. The NCR reports loans disbursed as the total of all new credit, even if such loans are used to repay previous loans. In this report Capitec reports loan sales net of repayments. In other words, when a new loan is used to settle a current loan, we report only the additional money advanced. On this basis loans advanced grew by 35% for the full 2012 financial year to total R19.4 billion.

The term of credit granted has also continued to lengthen. During the 2012 year loans with terms longer than three years advanced by Capitec grew to R8.9 billion and totalled 46% of all loans advanced (2011: 25%).

There is a perception that a credit bubble is developing in the unsecured credit market as a result of continuing growth in the term and value of credit granted. We believe that growth will continue and that there is not a significant threat to the market as long as affordability and client behaviour is considered when granting credit.

When the credit market in South Africa was governed by the Usury Act, credit was only available to prime clients who could provide security. Interest rates were capped and credit providers sold credit insurance in order to increase their returns. It was difficult for the ordinary South African to get credit. Subsequently, the exemption to the Usury Act for loans under R10 000 with terms shorter than three years, opened the market to micro-lenders and interest rates increased dramatically.

When Capitec entered the market, our aim was to reduce the cost of credit to the client and make unsecured credit available to a wider market.

The implementation of the National Credit Act in June 2007 capped interest rates and fees but did not restrict the term or the amount of credit that could be granted. This spurred growth in the market.

The impact of the resulting lengthening loan terms and increasing loan values to clients can be measured best by comparing loan instalments to the disposable income of clients.

An analysis of our credit granting for the last quarter of the 2012 financial year compared to the last quarter of the 2009 financial year indicates that average compounded growth in credit granted was 97% while the compounded growth in the average loan instalment was only 9.8%. Disposable income grew by 9.2% per year during the same period, slightly more than wage inflation.

The percentage of loan instalments on loans with terms longer than 12 months to disposable income in 2012 is 40% compared to 39% in 2009. The client's disposable income has not been significantly impacted by the changes taking place in the market and according to our analysis our clients are not over-indebted.

The granting of longer-term, higher value loans has not had a negative impact on the quality of Capitec's loan book. The gross loan book grew by R7.5 billion during the 2012 financial year to R18.4 billion. Arrears grew by R306 million and arrears to loans and advances was 5.1% compared to 5.7% in 2011 (2010: 6.2%). This is because longer-term loans are granted to our better rated clients with lower credit risk.

The gross loan impairment expense (before recoveries) increased by R692 million (64%). This increase is a result of the growth in the size of our loan book and not as a result of higher risk in the loan book.

Reducing margins, increasing profit

Loan revenue grew by 49% to R5.7 billion, but loan revenue to average gross loans and advances decreased to 39% from 46% in 2011. Interest rates on all loan products declined during the year as we continued to make lending more affordable for our clients. The lengthening term of the loan book also contributed to decreasing yields but increased the annuity income from loans and decreased the loan impairment expense.

Despite the fact that Capitec did not increase its fees in 2011, transaction fee income grew by 57% to R836 million. The number of clients as well as the number of monthly transactions per client increased during the past year because a growing number of clients are using Capitec for stop orders, debit orders and transfers. We have already announced our new fees for this year, which included no increase on our monthly fee and that the cost of internet and mobile payments (irrespective of the amount involved) will be reduced from R2.75 to R1.50 each.

Board of directors

The core management team has been with the bank since its inception. They are supported by an informed board. During the year we had to say goodbye to Johnnie Solms who was a director of the Capitec Bank since the inception of the bank. He made a solid and entrepreneurial contribution, for which we thank him. We are pleased that Jackie Huntley, a lawyer, could join us as a board member. From 1 March 2012 our board will also benefit from the presence of Jock McKenzie, who has been chairman and CEO of Caltex Petroleum Corporation.

Dividends

The directors declared a final dividend of 300 cents per ordinary share for the year ended 29 February 2012 on 1 March 2012, bringing the total dividends for the year to 425 cents per share. The final dividend was paid on 26 March 2012.

The future

The focus remains on clients, from systems that provide convenience and ease of access, to the support clients require to make decisions in their own best interest.

We shall continue to build our bank platform to deliver this support. New card services, loan products and mobile banking functions are planned for the coming year, as well as less visible improvements to our infrastructure. All of these will make banking easier and more cost effective for our clients.

We are confident that this and the 55 new branches planned for the current year will continue to grow our client base as in the past.

On behalf of the board

Michiel le Roux
Chairman

Riaan Stassen
Chief executive officer

Stellenbosch
28 March 2012

Group balance sheet

	Audited February 2012 R'000	Audited February 2011 R'000
Assets		
Cash and cash equivalents	**4 551 203**	2 841 918
Investments designated at fair value	**1 198 833**	988 664
Loans and advances to clients	**16 863 028**	10 071 466
Inventory	**42 079**	30 847
Other receivables	**57 745**	48 177
Current income tax assets	**62 331**	–
Property and equipment	**543 121**	375 185
Intangible assets	**69 262**	34 357
Deferred income tax assets	**234 242**	48 903
Total assets	**23 621 844**	14 439 517
Liabilities		
Loans and deposits at amortised cost	**17 692 062**	10 449 883
Provisions	**24 998**	14 403
Trade and other payables	**718 549**	489 685
Current income tax liabilities	**885**	35 033
Total liabilities	**18 436 494**	10 989 004
Equity		
Ordinary share capital and premium	**2 926 435**	1 918 677
Cash flow hedge reserve	**(1 920)**	(3 469)
Retained earnings	**2 001 866**	1 276 336
Share capital and reserves attributable to ordinary shareholders	**4 926 381**	3 191 544
Non-redeemable, non-cumulative, non-participating preference share capital and premium	**258 969**	258 969
Total equity	**5 185 350**	3 450 513
Total equity and liabilities	**23 621 844**	14 439 517

Group income statement

	Audited Year ended February 2012 R'000	Audited Year ended February 2011 R'000
Interest income	**4 346 902**	2 808 543
Interest expense	**(1 022 374)**	(751 360)
Net interest income	**3 324 528**	2 057 183
Loan fee income	**1 657 018**	1 273 574
Loan fee expense	**(186 360)**	(121 710)
Transaction fee income	**1 360 308**	883 040
Transaction fee expense	**(524 202)**	(351 309)
Net fee income	**2 306 764**	1 683 595
Dividend income	**1 532**	571
Net impairment charge on loans and advances to clients	**(1 604 190)**	(988 177)
Net movement in financial instruments held at fair value	**12 070**	(210)
Other income	**679**	251
Sales	**217 145**	219 298
Cost of sales	**(191 996)**	(197 040)
Non-banking income	**25 149**	22 258
Income from operations	**4 066 532**	2 775 471
Banking operating expenses	**(2 486 318)**	(1 812 499)
Non-banking operating expenses	**(22 342)**	(22 672)
Operating profit before tax	**1 557 872**	940 300
Income tax expense	**(463 532)**	(284 276)
Profit for the year	**1 094 340**	656 024
Earnings per share (cents)		
Basic	**1 122**	757
Diluted	**1 096**	730

Group statement of comprehensive income

	Audited Year ended February 2012 R'000	Audited Year ended February 2011 R'000
Profit for the year	**1 094 340**	656 024
Cash flow hedge before tax	**2 151**	17 181
Income tax relating to cash flow hedge	**(602)**	(4 811)
Other comprehensive income for the year net of tax	**1 549**	12 370
Total comprehensive income for the year	**1 095 889**	668 394

Reconciliation of attributable earnings to headline earnings

	Audited Year ended February 2012 R'000	Audited Year ended February 2011 R'000
Net profit attributable to equity holders	1 094 340	656 024
Less preference dividend	(19 419)	(15 754)
Net profit after tax attributable to ordinary shareholders	1 074 921	640 270
Non-headline items:		
Loss/(profit) on disposal of property and equipment	596	(638)
Income tax charge – property and equipment	(192)	193
Loss on scrapping of intangible assets	3 048	476
Income tax charge – intangible assets	(853)	(133)
Headline earnings	1 077 520	640 168

Group statement of cash flows

	Audited Year ended February 2012 R'000	Audited Year ended February 2011 R'000
Cash flow from operations	2 406 380	(537 593)
Income taxes paid	(603 066)	(290 639)
Cash flow from operating activities	1 803 314	(828 232)
Purchase of property and equipment	(315 366)	(203 170)
Proceeds from disposal of property and equipment	1 236	3 107
Purchase of intangible assets	(65 873)	(32 193)
Acquisition of investments at fair value through profit or loss	(1 542 428)	(1 469 502)
Disposal of investments at fair value through profit or loss	1 344 330	1 786 927
Cash flow from investing activities	(578 101)	85 169
Dividends paid	(337 570)	(214 092)
Preference shares issued	–	104 363
Ordinary shares issued	1 007 758	1 236 458
Realised loss on settlement of employee share options less participants' contributions	(186 116)	(108 336)
Cash flow from financing activities	484 072	1 018 393
Net increase in cash and cash and cash equivalents	1 709 285	275 330
Cash and cash equivalents at the beginning of the year	2 841 918	2 566 588
Cash and cash equivalents at the end of the year	4 551 203	2 841 918

Group statement of changes in equity

	Audited Year ended February 2012 R'000	Audited Year ended February 2011 R'000
Equity at the beginning of the year	3 450 513	1 727 977
Total comprehensive income for the year	1 095 889	668 394
Ordinary dividend	(317 939)	(201 882)
Preference dividend	(19 419)	(15 754)
Employee share option scheme: Value of employee services	11 778	11 706
Shares issued and acquired for employee share options at cost	(702)	(4 422)
Proceeds on settlement of employee share options	35 091	23 255
Tax effect on share options	142 886	27 587
Shares issued	798 932	1 258 217
Share issue expenses	(11 679)	(44 565)
Equity at the end of the year	5 185 350	3 450 513

Commitments

	Audited February 2012 R'000	Audited February 2011 R'000
Capital commitments approved by the board		
Contracted for		
Property and equipment	**85 195**	29 609
Intangible assets	**6 744**	–
Not contracted for		
Property and equipment	**458 247**	417 556
Intangible assets	**122 329**	88 212
Property and other operating lease commitments		
Future aggregate minimum lease payments		
Within one year	**170 248**	131 058
From one to five years	**475 371**	362 795
After five years	**99 694**	54 331
Total future cash flows	**745 313**	548 184
Straight-lining accrued	**(35 749)**	(25 354)
Future expenses	**709 564**	522 830

Segment analysis

The group has two operating segments which conduct business within the Republic of South Africa:

- Banking – incorporating retail banking services including savings, deposits, debit cards and consumer loans to individuals.
- Wholesale distribution – consisting of the wholesale distribution of fast moving consumer goods.

There are no clients that account for more than 10% of revenue.

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

Banking segment revenue consists of interest income and fee income on consumer loans, transaction fee income on savings accounts, dividend income and other income. Wholesale distribution revenue consists of sales of fast moving consumer goods.

The segment information provided to the executive management committee for the reportable segments is as follows:

	Banking R'000	Wholesale distribution R'000	Intra-segment R'000	Total R'000
Year ended February 2012				
Segment revenue	**7 367 351**	**217 145**	**(912)**	**7 583 584**
Segment earnings after tax	**1 092 630**	**1 710**	**–**	**1 094 340**
The following items are included in segment earnings after tax:				
Interest income	**4 347 814**	**–**	**(912)**	**4 346 902**
Interest expense	**(1 022 329)**	**(957)**	**912**	**(1 022 374)**
Net fee income	**2 306 764**	**–**	**–**	**2 306 764**
Net impairment charge	**(1 604 052)**	**(138)**	**–**	**(1 604 190)**
Depreciation	**(145 141)**	**(457)**	**–**	**(145 598)**
Amortisation	**(27 920)**	**–**	**–**	**(27 920)**
Other operating expenses	**(2 313 257)**	**(21 885)**	**–**	**(2 335 142)**
Year ended February 2011				
Segment revenue	4 966 768	219 298	(789)	5 185 277
Segment earnings after tax	657 273	(1 249)	–	656 024
The following items are included in segment earnings after tax:				
Interest income	2 809 332	–	(789)	2 808 543
Interest expense	(751 299)	(850)	789	(751 360)
Net fee income	1 683 595	–	–	1 683 595
Net impairment charge	(988 192)	15	–	(988 177)
Depreciation	(106 647)	(479)	–	(107 126)
Amortisation	(19 571)	–	–	(19 571)
Other operating expenses	(1 686 281)	(22 193)	–	(1 708 474)

Notes to the summarised audited financial statements

The summarised audited consolidated financial statements are prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', the requirements of the Companies Act of South Africa (Act No 71 of 2008), as amended, and the Listings Requirements of the JSE Limited. The accounting policies applied conform to IFRS and are consistent with those applied in the previous year. Standards, interpretations and amendments to published standards applied for the first time during the current financial year did not have any significant impact on the financial statements. The group complies in all material respects with the requirements of the King III Code.

The unmodified audit reports of PricewaterhouseCoopers Inc. on the annual financial statements for the year ended 29 February 2012 are available for inspection at the registered office of the company.

The definition of the number of loans advanced as reflected in the key performance indicators was amended to count one multi-loan per month and not each draw-down on a multi-loan as a loan advanced. Statistics for comparative years were restated.

The preparation of the summarised audited consolidated financial statements was supervised by the financial director, André du Plessis CA(SA).

Annual general meeting

Notice is hereby given that the annual general meeting of the shareholders of Capitec Bank Holdings Limited will be held at the Auditorium, Conference centre, Spier, R310, Stellenbosch on Friday 1 June 2012 at 12:00. The detailed notice will be available at:
www.capitecbank.co.za\investor relations\shareholder centre\notice of annual general meeting.

Company secretary and registered office
Christian George van Schalkwyk: BComm, LLB, CA(SA)
1 Quantum Street, Techno Park, Stellenbosch 7600, PO Box 12451, Die Boord, Stellenbosch 7613

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

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

Directors
MS du P le Roux (Chairman), R Stassen (CEO)*, AP du Plessis (FD)*, Ms RJ Huntley, MJ Jooste, JD McKenzie, Prof MC Mehl, Ms NS Mjoli-Mncube, PJ Mouton, CA Otto, JP van der Merwe

**Executive*

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