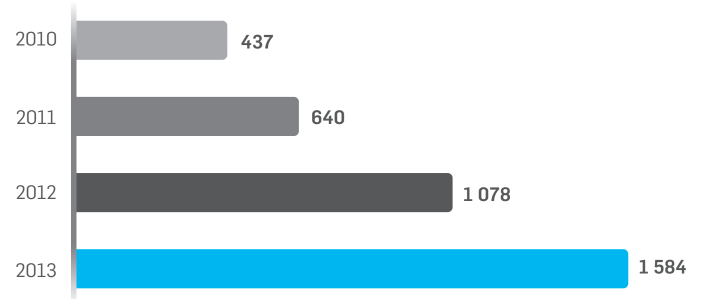
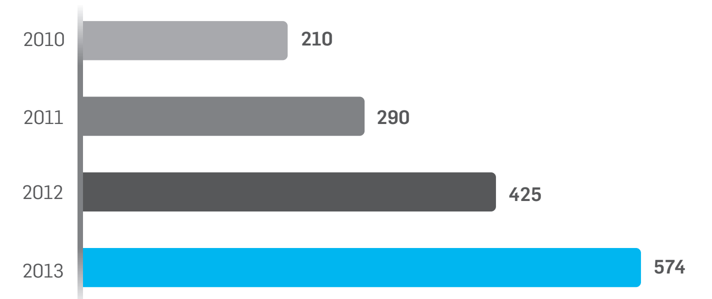
Summarised financial results
for the year ended 28 February 2013

CAPITEC BANK HOLDINGS LIMITED

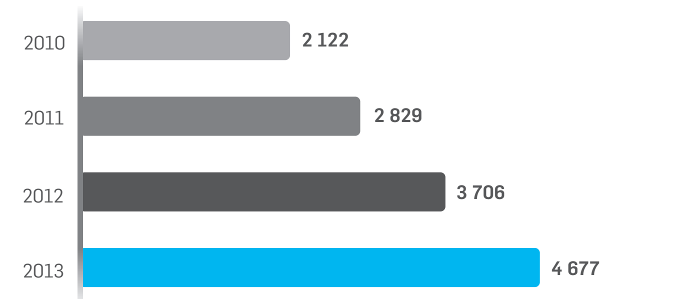
HEADLINE EARNINGS (R'm)



TOTAL DIVIDEND PER SHARE (cents)



CLIENTS ('000)



Headline earnings per share up 35% to 1 519 cents

Earnings up 47%

Final dividend per share: 405 cents

Return on equity: 27%

Active clients: 4.7 million

New jobs created: 1 114

Key performance indicators

		2013	2012	Change % 2013/2012	2011
Profitability					
Interest income	R'm	7 085	4 347	63	2 809
Net loan fee income	R'm	1 153	1 471	(22)	1 151
Net transaction fee income	R'm	1 349	836	61	532
Interest paid	R'm	(1 663)	(1 022)	63	(751)
Other banking income	R'm	–	14		–
Income from banking operations	R'm	7 924	5 646	40	3 741
Net loan impairment expense	R'm	(2 659)	(1 604)	66	(988)
Net banking income	R'm	5 265	4 042	30	2 753
Banking operating expenses	R'm	(2 994)	(2 486)	20	(1 813)
Non-banking operations	R'm	7	3		–
Tax	R'm	(673)	(464)	45	(284)
Preference dividend	R'm	(21)	(19)	11	(16)
Earnings attributable to ordinary shareholders					
Basic	R'm	1 584	1 075	47	640
Headline	R'm	1 584	1 078	47	640
Net transaction fee income to banking operating expense	%	45	34		29
Net transaction fee income to net banking income	%	26	21		19
Cost-to-income ratio – banking activities	%	38	44		48
Return on ordinary shareholders' equity	%	27	29		34
Earnings per share					
Attributable	cents	1 519	1 122	35	757
Headline	cents	1 519	1 125	35	757
Diluted attributable	cents	1 498	1 096	37	730
Diluted headline	cents	1 498	1 099	36	730
Dividends per share					
Interim	cents	169	125	35	85
Final	cents	405	300	35	205
Total	cents	574	425	35	290
Dividend cover	x	2.6	2.6		2.6
Assets					
Net loans and advances	R'm	27 935	16 863	66	10 071
Cash and cash equivalents	R'm	7 143	4 551	57	2 842
Investments	R'm	2 023	1 199	69	989
Other	R'm	1 246	1 009	23	538
Total assets	R'm	38 347	23 622	62	14 440
Liabilities					
Deposits	R'm	29 000	17 692	64	10 450
Other	R'm	834	744	12	539
Total liabilities	R'm	29 834	18 436	62	10 989
Equity					
Shareholders' funds	R'm	8 513	5 185	64	3 451
Capital adequacy ratio	%	41	39		41
Net asset value per ordinary share	cents	7 212	4 962	45	3 418
Share price	cents	18 800	18 500	2	15 901
Market capitalisation	R'm	21 515	18 367	17	14 850
Number of shares in issue	'000	114 442	99 282	15	93 388
Share options					
Number outstanding	'000	2 177	3 087	(29)	4 222
Number outstanding to total shares in issue	%	2	3		5
Average strike price	cents	6 294	4 358	44	3 510
Average time to maturity	months	15	16		20
Operations					
Branches		560	507	10	455
Employees		8 308	7 194	15	5 331
Active clients	'000	4 677	3 706	26	2 829
ATMs					
Own		640	550	16	479
Partnership		1 914	1 526	25	1 182
Total		2 554	2 076	23	1 661
Capital expenditure	R'm	473	381	24	235
Sales					
Loans					
Value of loans advanced	R'm	25 401	19 393	31	14 318
Number of loans advanced	'000	3 760	4 648	(19)	3 907
Average loan amount	R	6 756	4 172	62	3 665
Repayments	R'm	19 159	16 173	18	12 117
Gross loans and advances	R'm	30 658	18 408	67	10 916
Loans past due (arrears)	R'm	1 777	932	91	626
Arrears to gross loans and advances	%	5.8	5.1		5.7
Provision for doubtful debts	R'm	2 723	1 545	76	845
Provision for doubtful debts to gross loans and advances	%	8.9	8.4		7.7
Arrears coverage ratio	%	153	166		135
Loan revenue	R'm	7 983	5 660	41	3 800
Loan revenue to average gross loans and advances	%	32.5	38.6		46.0
Gross loan impairment expense	R'm	2 932	1 780	65	1 088
Recoveries	R'm	273	176	55	100
Net loan impairment expense	R'm	2 659	1 604	66	988
Net loan impairment expense to loan revenue	%	33.3	28.3		26.0
Net loan impairment expense to average gross loans and advances	%	10.8	10.9		12.0
Deposits					
Wholesale	R'm	11 679	7 162	63	3 954
Retail call savings	R'm	10 335	6 348	63	3 933
Retail fixed savings	R'm	6 844	4 015	70	2 316

Summarised consolidated balance sheet

	Audited February 2013 R'000	Audited February 2012 R'000
Assets		
Cash, cash equivalents and money market funds	7 143 092	4 551 203
Investments designated at fair value	2 022 906	1 198 833
Loans and advances to clients	27 934 854	16 863 028
Inventory	–	42 079
Other receivables	140 818	57 745
Current income tax assets	–	62 331
Interest in associate	167	–
Property and equipment	697 512	543 121
Intangible assets	136 380	69 262
Deferred income tax assets	270 995	234 242
Total assets	38 346 724	23 621 844
Liabilities		
Loans and deposits at amortised cost	29 000 191	17 692 062
Other liabilities	759 083	718 549
Current income tax liabilities	46 007	885
Provisions	28 449	24 998
Total liabilities	29 833 730	18 436 494
Equity		
Ordinary share capital and premium	5 330 710	2 926 435
Cash flow hedge reserve	(15 925)	(1 920)
Retained earnings	2 939 240	2 001 866
Share capital and reserves attributable to ordinary shareholders	8 254 025	4 926 381
Non-redeemable, non-cumulative, non-participating preference share capital and premium	258 969	258 969
Total equity	8 512 994	5 185 350
Total equity and liabilities	38 346 724	23 621 844

Summarised consolidated income statement

	Audited Year ended February 2013 R'000	Audited Year ended February 2012 R'000
Interest income	7 084 752	4 346 902
Interest expense	(1 662 513)	(1 022 374)
Net interest income	5 422 239	3 324 528
Loan fee income	1 496 009	1 657 018
Loan fee expense	(343 209)	(186 360)
Transaction fee income	2 100 594	1 360 308
Transaction fee expense	(751 768)	(524 202)
Net fee income	2 501 626	2 306 764
Dividend income	9	1 532
Net impairment charge on loans and advances to clients	(2 658 923)	(1 604 190)
Net movement in financial instruments held at fair value through profit or loss	(298)	12 070
Other income	204	679
Sales	248 358	217 145
Cost of sales	(219 480)	(191 996)
Non-banking income	28 878	25 149
Income from operations	5 293 735	4 066 532
Banking operating expenses	(2 994 008)	(2 486 318)
Non-banking operating expenses	(22 451)	(22 342)
Operating profit before tax	2 277 276	1 557 872
Share of profit of associate	167	–
Income tax expense	(672 862)	(463 532)
Profit for the year	1 604 581	1 094 340
Earnings per share (cents)		
Basic	1 519	1 122
Diluted	1 498	1 096

Summarised consolidated statement of comprehensive income

Profit for the year	1 604 581	1 094 340
Cash flow hedge recognised during the year	(33 430)	(4 916)
Cash flow hedge reclassified to profit and loss for the year	14 080	7 067
Cash flow hedge before tax	(19 350)	2 151
Income tax relating to cash flow hedge	5 345	(602)
Other comprehensive income for the year net of tax	(14 005)	1 549
Total comprehensive income for the year	1 590 576	1 095 889

Reconciliation of attributable earnings to headline earnings

Net profit attributable to equity holders	1 604 581	1 094 340
Less preference dividend	(20 783)	(19 419)
Net profit after tax attributable to ordinary shareholders	1 583 798	1 074 921
Non-headline items:		
Loss/(profit) on disposal of property and equipment	(358)	596
Income tax charge – property and equipment	100	(192)
Loss on scrapping of intangible assets	19	3 048
Income tax charge – intangible assets	(5)	(853)
Loss on sale of subsidiary	58	–
Income tax charge – sale of subsidiary	(16)	–
Headline earnings	1 583 596	1 077 520

Summarised consolidated statement of changes in equity

Equity at the beginning of the year	5 185 350	3 450 513
Total comprehensive income for the year	1 590 576	1 095 889
Ordinary dividend	(467 460)	(317 939)
Preference dividend	(20 783)	(19 419)
Employee share option scheme: Value of employee services	9 037	11 778
Shares issued and acquired for employee share options at cost	(244 422)	(221 207)
Proceeds on settlement of employee share options	37 850	35 091
Tax effect on share options	18 571	142 886
Shares issued	2 491 915	1 019 437
Share issue expenses	(87 640)	(11 679)
Equity at the end of the year	8 512 994	5 185 350

Contingent liabilities

On 22 February 2013 a notice was received from the National Credit Regulator, alleging contraventions of the National Credit Act 34 of 2005 including in relation to initiation fees charged on one product. It is not practicable to estimate its financial effect or the amount of any possible outflow. The bank has investigated the allegations and has taken legal advice, and believes the matter will be satisfactorily resolved through due process.

The revolution continues

In the last twelve months our earnings increased by 47% to R1 584 million. We raised R2.2 billion in new share capital through a rights issue but still managed a return of 27% on equity. We appreciate the confidence of our shareholders and the markets, but our long-term success depends on the support of ordinary people who trust us to look after their money. On this front, we have exciting news.

On the last day of our financial year, 28 February 2013, individual clients performed 2.7 million transactions on their Capitec Bank accounts. This was the busiest day of our year and is an increase of 80% on the busiest day of the previous year.

We have 971 000 clients more than a year ago, using their accounts more often – some borrow from us, some save with us, some transact with us, and many do all three. We love to be their bank of choice and the number of prime clients who use us to receive their salary has increased by 45% to 1.8 million.

Net transaction fee income grew by R513 million to R1.3 billion. When a client uses a Capitec Bank card to pay for a meal at a restaurant and the restaurateur uses a card machine provided by another bank, we receive a fee of which a portion is paid over to the other bank.. The net transaction fee is the portion of the fee that's ours, and it does not indicate that it is profit after costs. Transaction income covered 45% or our bank operating expenses, up from 34% last year, exceeding our target of 40% set three years ago. Our cost-to-income ratio dropped to 38%, an unusually low figure for a full-service bank with a national branch network.

People love the simplicity of our products and our easy-to-understand pricing. Many of our clients, who receive their salaries in their Capitec Bank accounts, receive more in interest than they pay in fees. Clients who incur banking fees of more than R12.50 receive a monthly sms to tell them what we charged them and how much interest we paid them. Happy clients are our best advertisement.

According to the AMPS research, our share of banking clients has grown from 5% in 2010 to 9% two years later and 61% of all other banking clients interviewed would consider banking with us, by far the highest rating of any South African bank by clients of its competitors. We have huge growth opportunities.

Policy triumph

The growth of the unsecured lending market is a triumph for the government's ambition to extend banking to those previously excluded from banks.

The initial deregulation of interest rates in 1994 created a large and chaotic market for credit: the microloan industry was born. Subsequently larger, more structured players became dominant, reducing interest rates and, in the case of Capitec Bank, offering a complete banking service. The National Credit Act which came into force in 2007 was a landmark: the rules of credit granting were legislated and abusive practices were banned. With this regulation the market took off: in 2007 the unsecured lending industry totalled R29 billion (according to the National Credit Regulator). The industry now has a total book of R171 billion, 14% of the total South African credit market.

This phenomenal growth has been a huge boon to South Africans. Only 6% of adults in South Africa have a home loan. Nobody can grant a home loan on an informal house or on a house built on communal land. Most houses in townships do not qualify for a mortgage. Yet, every one of these homes requires financing when a bathroom or a fence is added. Excluding somebody from the credit market because of a lack of security is an attack on the human dignity of that person.

Capitec Bank has been a leader in this huge expansion of the credit market. Our maximum loan period has been extended from three years to seven years. The interest rates that we charge our clients have been further reduced during the year. Dropping interest rates and lengthening payback periods resulted in much larger loans. Lower rates also convinced individuals with a higher income to use our loans. It is not so much the unsecured loan market that has expanded but a completely new market that has been created.

Capitec Bank is a real-time provider of loans. When somebody, even a completely new client, applies for a loan, that loan is approved or declined before the client leaves our branch. If approved, a new account is created and the money paid into it, available for immediate use by the borrower. Even private banks find it impossible to give real-time access to new credit to their best clients.

Our share of the unsecured market is 17%, up from 14% a year ago. This is rapid growth, but also means that we can keep on growing for a long time. Unsecured lending has become a permanent feature of the South African credit offering and will grow rather than diminish in importance. Our clients love the speed and simplicity of our loans. Even for a seven-year loan, we charge a fixed interest rate meaning that the borrower can budget accurately knowing that the monthly payment will never increase.

Bad debts

Lending is a risky business. Bad debts ("impairments" in the sanitised language of accounting) are huge. In the past year our major cost items were:

Net impairment charges	R2 659 million
Employment costs	R1 536 million
All other bank operating costs	R1 458 million
Taxes	R875 million
Dividends (interim plus final to be paid)	R931 million

Delinquent borrowers get more out of Capitec than our employees, the government or our shareholders.

We know that bad credit decisions are a huge risk to Capitec Bank. We are conscious of the fact that in a fast growing market past behaviour by borrowers is not necessarily an indication of future actions. We are careful in evaluating our borrowers, particularly those we grant large, long-term loans.

We react rapidly to changing circumstances. During the last few months, our arrears trend was slightly higher than expected, though still within our risk appetite. Credit criteria were immediately tightened and provisions increased.

The movement in gross impairment charges was due to:

	Six months to August 2012 R'm	Six months to February 2013 R'm	Twelve months to February 2013 R'm
Loan book growth	300	465	1 260
Change in book quality	(150)	185	(45)
Increased valuation of handed over book	(34)	–	(63)
Total increase in charge	116	650	1 152

With a rapidly growing book, one can be deluded into thinking that provisions are adequate should one look at arrears percentages only to find out later that it was not the case. We try to avoid falling into this trap, and of the R2.9 billion charged to the income statement, R1.2 billion was added to the provision for doubtful debts to cater for events not yet identified, while bad debts written off increased by R675 million to R1.7 billion.

BASEL III

The new international banking rules known as Basel III, were introduced after the banking crisis to strengthen banks. Basel III prescribes higher capital ratios, but also imposes measures, which will be phased in over the next number of years, to ensure that a bank has access to stable and long-term funding. Capitec already complies with these new rules. As at 28 February 2013 our liquidity coverage ratio % was 1 534% (100% required from 2019) and our net stable funding ratio % was 116% (100% required from 2018).

As a result of our rights issue, Capitec's capital adequacy ratio has remained high at 41% (2012: 39%).

Increased footprint

We have 560 branches and have opened on average 50 branches per year for the last three years. We intend opening 75 new branches in the coming year, having increased our capacity to train new employees. Branches are positioned to make it convenient for clients to conduct their banking in the normal course of their daily activities, with 104 branches situated in shopping malls.

Capitec Bank has 244 branches in cities and towns and 316 branches serving rural and semi-rural areas. We have 27 branches in central Johannesburg and our most remote branches include Bochum, 85 kilometres north of Polokwane, and Manguzi 30 kilometres south of the Mozambique border in the north-eastern corner of KwaZulu-Natal. At our smaller branches seven employees perform on average 14 000 transactions per branch per month. Our largest branches are staffed by 16 employees that perform on average 82 000 transactions per branch per month.

We have no huge branches and would open a second or third branch in a town or neighbourhood, rather than enlarging our initial branch.

The ATM network has grown to 2 554 ATMs, and the number of ATMs that are independent of branches continued to grow. During the year Capitec introduced cash recyclers that utilise the cash deposited by one client in order to provide cash withdrawals to other clients.

We have experienced dramatic growth in the purchase of airtime and electricity by cell phone. Last December 6 million such purchases were made compared to 673 000 a year ago. In the same period, balance enquiries went up from 271 000 to 3.5 million. In future, the cell phone will be an integral part of banking.

Employees

Capitec Bank's success depends on its employees.

We had 8 308 permanent employees at year-end and we created 1 114 new jobs compared to a year ago. Including the filling of vacant posts, we appointed 2 419 employees during the year. In total 28 564 applicants were short-listed and 6 014 applicants were interviewed by Capitec Bank's internal recruitment department.

Our approach is to make Capitec a great place to grow and develop. Dumisani Ncukana is an example of the power of possibilities. He has worked for Capitec since the age of 18 when he started as an ATM assistant. He has completed an MBA and is currently an operations manager in Gauteng, responsible for 92 branches.

Every new employee is given hands-on, practical training before he or she is allowed to deal with clients. Altogether 703 employees attended management and leadership courses. A total of 730 employees were promoted internally.

Capital raised

Capitec Bank undertook a successful rights offer of ordinary shares in November 2012, which raised R2.2 billion in capital. We particularly appreciate the support of our largest shareholder, the PSG Group. There should be no need for further capital in the near future.

Board of directors

Capitec mourned the passing of Merlyn Mehl in January 2013. Merlyn was a gentleman, an intellectual and a Capitec enthusiast. He served on the Capitec board since before our listing and was the lead independent director at the time of his death.

Nonhlanhla Mjoli-Mncube was appointed as the lead independent director on 31 January 2013.

The board welcomed Boel Pretorius in November 2012. An engineer with years of experience as the chief executive of Reunert, he is a valuable addition to the board.

Prospects

We expect economic conditions to remain difficult but believe that our client base and transaction income will continue to grow. Responsible management of the quality of our loan book will remain a priority.

Dividends

The directors declared a final dividend of 405 cents per ordinary share on 25 March 2013, bringing the total dividends for the year to 574 cents per share. There are 114 441 719 ordinary shares in issue.

The final dividend meets the definition of a dividend in terms of the Income Tax Act (Act 58 of 1962). The dividend amount net of South African dividend tax of 15% is 344.25000 cents per share to those shareholders that are not exempt from dividends tax. The distribution is made from income reserves and no Secondary Tax on Companies (STC) credits were applied against the dividend. Capitec's tax reference number is 9405/376/84/0.

Last day to trade cum dividend	Friday, 12 April 2013
Trading ex- dividend commences	Monday, 15 April 2013
Record date	Friday, 19 April 2013
Payment date	Monday, 22 April 2013

Share certificates may not be dematerialised or rematerialised between Monday, 15 April 2013, and Friday, 19 April 2013, both days inclusive.

The Chief financial officer's review is available on www.capitecbank.co.za.

On behalf of the board.

Michiel le Roux
Chairman

Riaan Stassen
Chief executive officer

Stellenbosch
27 March 2013

The information in this press announcement has been extracted from the audited information published on SENS, but this announcement itself is not audited.

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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 (CFO)*, Ms RJ Huntley, JD McKenzie, Ms NS Mjoli-Mncube, PJ Mouton, CA Otto, G Pretorious, JP van der Merwe *Executive

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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

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