**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

CAPITEC BANK HOLDINGS LIMITED

# Reviewed financial results for the six months ended 31 August 2012

- **Headline earnings per share: up 35% to 702 cents**
- **Earnings: up 43%**
- **Interim dividend per share: up 35% to 169 cents**
- **Return on equity: 28%**
- **Active clients: 4.2 million**
- **Rights issue announced**

| | | Six months ended August 2012 | 2011 | Six months August 2012/2011 % | Year ended February 2012 |
|---|---|---|---|---|---|
| **Profitability** | | | | | |
| Interest on loans | R'm | **3 035** | 1 940 | 56 | 4 347 |
| Net loan fee income | R'm | **631** | 724 | (13) | 1 471 |
| Net transaction fee income | R'm | **583** | 361 | 61 | 836 |
| Interest paid | R'm | **(726)** | (451) | 61 | (1 022) |
| Other banking income | R'm | **3** | 7 | (60) | 14 |
| Income from banking operations | R'm | **3 526** | 2 581 | 37 | 5 646 |
| Net loan impairment expense | R'm | **(1 019)** | (679) | 50 | (1 604) |
| Banking operating expenses | R'm | **(1 485)** | (1 183) | 26 | (2 486) |
| Non-banking operations | R'm | **4** | – | | 3 |
| Tax | R'm | **(316)** | (221) | 43 | (464) |
| Preference dividend | R'm | **(11)** | (10) | 10 | (19) |
| Earnings attributable to ordinary shareholders | | | | | |
| Basic | R'm | **700** | 488 | 43 | 1 075 |
| Headline | R'm | **700** | 489 | 43 | 1 078 |
| Cost-to-income ratio – banking activities | % | **42** | 46 | | 44 |
| Return on ordinary shareholders' equity | % | **28** | 29 | | 29 |
| Earnings per share | | | | | |
| Attributable | cents | **702** | 518 | 35 | 1 122 |
| Headline | cents | **702** | 520 | 35 | 1 125 |
| Diluted attributable | cents | **691** | 505 | 37 | 1 096 |
| Diluted headline | cents | **691** | 507 | 36 | 1 099 |
| Dividends per share | | | | | |
| Interim | cents | **169** | 125 | 35 | 125 |
| Final | cents | | | | 300 |
| Total | cents | | | | 425 |
| Dividend cover | X | **4.2** | 4.2 | | 2.6 |
| **Assets** | | | | | |
| Net loans and advances | R'm | **22 823** | 13 393 | 70 | 16 863 |
| Cash and cash equivalents | R'm | **7 097** | 3 248 | 119 | 4 551 |
| Investments | R'm | **924** | 908 | 2 | 1 199 |
| Other | R'm | **1 197** | 676 | 77 | 1 009 |
| Total assets | R'm | **32 041** | 18 225 | 76 | 23 622 |

| | | Six months ended August 2012 | 2011 | Six months August 2012/2011 % | Year ended February 2012 |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Deposits | R'm | **25 608** | 13 678 | 87 | 17 692 |
| Other | R'm | **803** | 721 | 11 | 744 |
| Total liabilities | R'm | **26 411** | 14 399 | 83 | 18 436 |
| **Equity** | | | | | |
| Shareholders' funds | R'm | **5 630** | 3 826 | 47 | 5 185 |
| Capital adequacy ratio | % | **38** | 35 | | 39 |
| Net asset value per ordinary share | cents | **5 351** | 3 772 | 42 | 4 962 |
| Share price | cents | **20 222** | 18 845 | 7 | 18 500 |
| Market capitalisation | R'm | **20 295** | 17 819 | 14 | 18 367 |
| Number of shares in issue | '000 | **100 363** | 94 554 | 6 | 99 282 |
| Share options | | | | | |
| Number outstanding | '000 | **2 269** | 3 233 | (30) | 3 087 |
| Number outstanding to shares in issue | % | **2** | 3 | | 3 |
| Average strike price | cents | **6 187** | 4 283 | 44 | 4 358 |
| Average time to maturity | months | **20** | 21 | | 16 |
| **Operations** | | | | | |
| Branches | | **534** | 474 | 13 | 507 |
| Employees | | **7 780** | 6 351 | 23 | 7 194 |
| Active clients | '000 | **4 252** | 3 247 | 31 | 3 706 |
| ATMs | | | | | |
| Own | | **581** | 507 | 15 | 550 |
| Partnership | | **1 787** | 1 356 | 32 | 1 526 |
| Total | | **2 368** | 1 863 | 27 | 2 076 |
| Capital expenditure | R'm | **296** | 203 | 46 | 381 |
| **Sales** | | | | | |
| Loans | | | | | |
| Value of loans advanced | R'm | **12 831** | 9 226 | 39 | 19 393 |
| Number of loans advanced | '000 | **1 934** | 2 355 | (18) | 4 648 |
| Average loan amount | R | **6 634** | 3 918 | 69 | 4 172 |
| Repayments | R'm | **9 065** | 7 566 | 20 | 16 173 |
| Gross loans and advances | R'm | **24 697** | 14 495 | 70 | 18 408 |
| Loans past due (arrears) | R'm | **1 075** | 649 | 66 | 932 |
| Arrears to gross loans and advances | % | **4.4** | 4.5 | | 5.1 |
| Provision for doubtful debts | Rm | **1 873** | 1 102 | 70 | 1 545 |
| Provision for doubtful debts to gross loans and advances | % | **7.6** | 7.6 | | 8.4 |
| Arrears coverage ratio | % | **174** | 170 | | 166 |
| Loan revenue | R'm | **3 552** | 2 596 | 37 | 5 660 |
| Loan revenue to average gross loans and advances | % | **16.5** | 20.4 | | 38.6 |
| Gross loan impairment expense | R'm | **1 141** | 755 | 51 | 1 780 |
| Recoveries | R'm | **122** | 76 | 61 | 176 |
| Net loan impairment expense | R'm | **1 019** | 679 | 50 | 1 604 |
| Net loan impairment expense to loan revenue | % | **28.7** | 26.2 | | 28.3 |
| Net loan impairment expense to average gross loans and advances | % | **4.7** | 5.3 | | 10.9 |
| Deposits | | | | | |
| Wholesale | R'm | **10 753** | 5 454 | 97 | 7 162 |
| Retail call savings | R'm | **8 864** | 4 963 | 79 | 6 348 |
| Retail fixed savings | R'm | **5 646** | 3 125 | 81 | 4 015 |

## Clients

**Active client base grew to 4.2 million**

Capitec saw the active client base grow consistently during the past six months to reach 4.2 million at the end of August 2012. This reflects an increase of 31% and equates to more than 90 000 new clients per month on average.

Active transacting and savings clients are in excess of 3.1 million. Lending only clients total 1.1 million, comprising only 26% of total active clients.

The focus remains on acquiring clients that will use Capitec as their primary bank. Many clients have accounts at a number of banks but choose one as the account into which their salaries are deposited and from which payments are made.

## Earnings

Increases in loan revenue to R3.6 billion and net transaction fee income to R583 million, along with an improvement in the cost to income ratio to 42%, resulted in earnings of R700 million, a 43% year-on-year increase.

The bank's focus has been to acquire more transacting clients, reduce the cost of credit and maintain stringent credit criteria.

## Transaction income

**Net transaction fee income up 61% to R583 million**

Gross transaction fee income (non-lending) grew by 55% compared to the six months ended August 2011 and totalled R918 million. The growth in fee income exceeded the 31% growth in client numbers for the same period.

Capitec delivered on its commitment to transparency and simplicity by charging a single monthly administration fee of R4.50 for its Global One accounts and by simplifying transaction prices. All transaction prices are quoted in the form of a fixed fee per transaction.

Capitec promotes the use of mobile banking and at the end of August 2012 in excess of 2.0 million clients were registered for this service. The added convenience of mobile transacting in the form of prepaid vouchers for electricity and cell phone airtime was well supported and led to the doubling of income from electronic vouchers for the six months since February 2012.

Net transaction fee income covered 39% of banking operating expenses compared to 31% in the six months ended August 2011. The target for the full 2013 financial year is 40%.

## Lending income

**Loans advanced increased by 39% year-on-year to R12.8 billion**

During the six months ended August 2012 Capitec took credit beyond traditional personal loans by changing its offer to a single loan with a term of anywhere between one and 84 months and a maximum amount of R230 000. Clients can now choose their own credit plan based on their credit profile and affordability, instead of being bound by predetermined loan terms.

The offer of loans up to 84 months closes the gap between Capitec and the traditional banks in terms of the maximum unsecured loan amount offered. The lower pricing of the new loan product is a further step in Capitec's strategy to reduce the cost of credit in the unsecured lending market.

Before the introduction of the new loan product a client would identify the need for credit, for example, to build a house or purchase durable goods, and would be granted a loan. When the client identified another need for credit a few months later, a second loan would be granted based on affordability. Under these circumstances the client would pay an origination fee and a monthly administration fee for each of the loans.

The new loan product reduces the cost to the client because additional credit requirements are met by increasing the value of the client's existing loan. The client does not pay an additional origination fee and will only pay one monthly administration fee. The payment collections from the client's bank account are also reduced to a single collection, increasing the client's ability to manage his finances.

The impact of the new loan product is reflected in the 18% decrease in the number of loans advanced and the 69% increase in the average loan amount advanced compared to the six months ended August 2011.

The 69% year-on-year growth in the sales of loans with terms longer than 12 months was largely attributable to the new loan product. Loans with terms longer than 12 months contributed 80% of sales compared to 66% for the six months ended August 2011.

The new loan product also attracted a significant number of new clients to Capitec. Loans advanced to new clients increased by 64% compared to the six months ended 31 August 2011.

Capitec's credit granting criteria are constantly assessed and adjusted to ensure that risk appetite is not exceeded. The risk parameters in the credit models are measured against the actual performance of loans and credit bureau information is utilised in the models to identify stresses in the market.

The continued growth in the unsecured lending market should be considered against the background of the restructuring of the market that occurred with the introduction of the National Credit Act (NCA) in 2007. The NCA restricts the interest rates and fees that may be charged on unsecured loans. The resulting reduction in the cost of credit makes unsecured credit available to a wider market. Higher income clients, with monthly income in excess of R15 000, have progressively accounted for an increased portion of unsecured credit granted. These clients carry a lower risk. Our analysis also indicates that increased affordability, together with growth in disposable income has meant that the growth in unsecured lending has not resulted in borrowers becoming over-indebted.

**Arrears as a percentage of gross loans and advances down to 4.4%**

The 70% year-on-year growth in the gross loan book from R14.5 billion to R24.7 billion was achieved while maintaining the quality of the book. Book quality is measured most objectively by loans past due (those in arrears) as a percentage of the total loan book as well as the rand amount of arrears.

Arrears as a percentage of gross loans and advances improved to 4.4% compared to 4.5% in August 2011 and 5.1% in February 2012. Loans past due increased to R1.1 billion compared to R649 million at the end of August 2011 and R932 million at the end of February 2012, a lower rate of increase than the gross loan book.

The provision for doubtful debts as a percentage of the gross loan book is 7.6%, unchanged year-on-year and down from 8.4% at the end of February 2012. The decrease compared to February 2012 is in line with the relative decrease in arrears and the cyclical nature of the loan book. The provision as a percentage of arrears is 174%, which signifies prudent provisioning.

Although loan book growth was predominantly in longer-term loans, these loans are granted to lower risk clients. Loans with terms longer than 12 months now comprise 98% of the loan book compared to 95% at the end of August 2011.

**Net loan impairment expense down to 4.7% of average gross loans and advances**

The net loan impairment expense as a percentage of average loans and advances decreased to 4.7% from 5.3% for the six months ended August 2011 and 5.6% for the six months ended February 2012.

The net loan impairment expense grew by 50% year-on-year and amounted to R1.0 billion. The net expense includes recoveries of R122 million which increased by 61% year-on-year. The growth in the expense was lower than the growth in the loan book and was positively influenced by the arrears performance.

Our policy is to write off a client's full outstanding loan balance if any payment is in arrears for more than 90 days.

The gross loan book grew by R10.2 billion during the six months ended August 2012. During the same period the gross loan impairment expense (before recoveries) grew year-on-year by R386 million to R1.1 billion from R755 million and by R116 million compared to the six months ended February 2012. The table below analyses these increases:

| Change compared to the six months ended | February 2012 R'm | August 2011 R'm |
|---|---|---|
| Book growth | 300 | 495 |
| Improvement in book quality | (150) | (80) |
| Increased valuation of handed over book | (34) | (29) |
| Increase in gross loan impairment expense | 116 | 386 |

The continued growth in the longer-term loan book and the lengthening of the maximum loan term affected the impairment expense. The provision for loans with terms longer than 60 months is calculated by stretching the historical data that is available on loans with shorter terms. Uncertainty surrounding new longer-term loans is greater at the beginning of the term and the fact that the past does not necessarily reflect future economic conditions must also be considered. For this reason the provisioning curve at the beginning of the life span of a loan product is steepened by increasing the IAS39 provision on loans with terms of 12 months and longer.

**Loan revenue up by 37% year-on-year to R3.6 billion**

The launch of the new loan product resulted in a change in the make-up of the all in yield.

The reduction in the number of loans advanced together with the increase in average loan amounts meant that income from origination fees, which is capped on higher-value loans, decreased by 9% compared to the six months ended 31 August 2011. The income from monthly administration fees was also affected by the reduction in the number of loans advanced and grew only nominally. Total loan fee income decreased by 5% year-on-year and by 7% compared to the six months ended February 2012 to R782 million.

The introduction of the new loan product resulted in a diversification of interest rates based on the clients profile and the increased options regarding the term of the loan. Interest income increased by 56% year-on-year to R3.0 billion compared to R1.9 billion for the six months ended August 2011 and R2.4 billion for the six months ended February 2012.

The credit life and retrenchment insurance cost borne by the bank for the benefit of its clients increased to R151 million compared to R96 million for the six months ended August 2011 due to the growth in the gross loan book. We do not charge our clients any fee for this cover.

## Cost structure

**Cost-to-income ratio down to 42%**

The cost-to-income ratio of banking activities improved to 42% from 46% for the six months ended August 2011 and remained unchanged from the six months ended February 2012.

Capitec is in an expansion phase and the cost-to-income ratio was therefore not expected to decrease significantly during the current financial year.

The bank's footprint was expanded by opening 27 new branches during the six months ended August with another 28 new branches planned for the remainder of the financial year.

Capital expenditure increased by 46% year-on-year to R296 million.

Banking operating expenses grew by 26% compared to the six months ended August 2011 and totalled R1.5 billion. This represents an increase of R302 million.

Employment, premises, information technology, cash-handling and marketing costs remain the major components of operating expenditure.

The contribution of employment costs to total banking operating expenditure increased by 1% year-on-year to 54%. Employment costs contributed R158 million to the year-on-year increase in operating expenditure.

Capitec employed 7 780 people as at the end of August 2012 compared to 6 351 at the end of August 2011 and 7 194 at the end of February 2012.

There have been no changes to the incentive schemes since August 2009. Share appreciation rights are cash-settled and the expense fluctuates according to the Capitec share price. Share options are equity-settled and the income statement expense is therefore not subject to share price fluctuations. The senior management performance scheme and the staff performance bonus scheme are based on growth in headline earnings per share. In total, incentive schemes contributed R160 million to employment costs compared to R159 million for the six months ended August 2011 and R123 million for the six months ended February 2012.

## Funding and liquidity

**Total funding grew to R25.3 billion**

Retail call savings grew by 79% year-on-year to R8.9 billion. Growth resulted from increased client numbers and an increase in the average savings balance per client.

Retail fixed savings grew by 81% year-on-year, totalled R5.6 billion at the end of August 2012 and comprised 34% of total term funding compared to 36% at the end of August 2011 against a target of 40%. The ratio will fluctuate based on the timing of wholesale funding issuances. Fixed deposit rates remained competitive and the number of fixed deposit accounts grew by 23% during the last year.

Retail funding comprises 57% of total funding compared to a target of 60%. Retail funding remains an attractive source of funding because it currently costs on average 4% less than wholesale funding and diversifies funding sources.

Wholesale deposits increased by 97% year-on-year to R10.8 billion and by R3.6 billion subsequent to February 2012. The increase was principally due to the issuance of R3.0 billion in listed and unlisted subordinated and senior debt. The issuances of listed debt were oversubscribed, indicating the funding market's confidence in Capitec. Senior listed bonds in the amount of R322 million were repaid in May 2012.

The funding strategy remains to match the duration of assets and liabilities. This is a powerful statement.

**Liquidity management remains conservative**

The management of liquidity continues to take preference over the optimisation of profitability. Capitec complied with the two new Basel 3 liquidity ratios: the liquidity coverage ratio and the net stable funding ratio.

Capitec's internal liquidity measurements and policies are more conservative regarding the utilisation of retail call savings than the abovementioned prescribed measurements. This means that funding in excess of operational requirements is held. These funds are invested in interest-bearing instruments.

## Capital

**Return on equity at 28%**

The return on ordinary shareholders' equity remains above target and in line with the return of 29% for the 2012 financial year.

The risk-weighted capital adequacy ratio is 38%. The R1.3 billion in subordinated debt issued during the six months ended August 2012 increased the capital adequacy ratio at the end of the six months by 6% from 32% to 38%. We continuously monitor capital requirements and review the need for additional capital.

The disclosure in terms of Regulation 43 of the Banks' Act is available on the Capitec Bank website.

## Rights issue

An announcement regarding a rights offer on ordinary shares will follow immediately hereafter in a separate announcement.

The R2.25 billion in proceeds from the rights issue will be utilised to fund growth in the loan book as well as expansion of the branch network by between 50 and 75 branches per year for the next 3 years.

## The future

The success of Capitec is driven by the bank's clients. We will continue to improve our unique service, positioning and product offer for the benefit of our clients.

Opportunities exist to broaden our market to include higher income clients that are increasingly exposed to our simplified, low-cost offer and are finding that the Global One solution is perfect for their needs.

The expansion of the branch network will continue to provide improved market penetration and more branches in shopping malls will assist in the acquisition of a different client profile.

## Interim dividend

The directors approved an interim ordinary dividend of 169 cents per share on Tuesday 25 September 2012. The dividend will be payable on Monday 22 October 2012.

| | |
|---|---|
| Last day to trade cum dividend | Friday 12 October 2012 |
| Trading ex-dividend commences | Monday 15 October 2012 |
| Record date | Friday 19 October 2012 |
| Payment date | Monday 22 October 2012 |

Share certificates may not be dematerialised or rematerialised between Monday 15 October 2012 and Friday 19 October 2012, both days inclusive.

In terms of the new Dividends Tax effective from 1 April 2012, and the amendments to section 11.17 of the JSE Listing Requirements, the following additional information is disclosed:

(1) The local dividend tax rate is 15%.

(2) The full dividend will be subject to dividends withholding tax. The dividend will not be paid out of contributed tax capital and there are no secondary tax credits available for utilisation. Accordingly, the net cash dividend per share is 143.65 cents.

(3) Capitec's issued ordinary share capital is 100 363 200 shares as at 25 September 2012.

(4) Capitec's tax reference number is 9405/376/84/0.

# Interim consolidated balance sheet

| | Reviewed August 2012 R'000 | Unaudited August 2011 R'000 | Six months August 2012/2011 | Audited February 2012 R'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | **7 097 122** | 3 247 637 | 119 | 4 551 203 |
| Investments designated at fair value | **923 564** | 907 945 | 2 | 1 198 833 |
| Loans and advances to clients | **22 823 468** | 13 393 174 | 70 | 16 863 028 |
| Inventory | **50 524** | 23 503 | 115 | 42 079 |
| Other receivables | **80 043** | 53 717 | 49 | 57 745 |
| Current income tax assets | **61 841** | – | | 62 331 |
| Property and equipment | **673 052** | 479 977 | 40 | 543 121 |
| Intangible assets | **122 182** | 54 422 | 125 | 69 262 |
| Deferred income tax assets | **209 093** | 64 546 | 224 | 234 242 |
| Total assets | **32 040 889** | 18 224 921 | 76 | 23 621 844 |
| **Liabilities** | | | | |
| Loans and deposits at amortised cost | **25 607 827** | 13 678 188 | 87 | 17 692 062 |
| Provisions | **16 877** | 16 356 | 3 | 24 998 |
| Other liabilities | **786 360** | 616 178 | 28 | 718 549 |
| Current income tax liabilities | **161** | 88 681 | (100) | 885 |
| Total liabilities | **26 411 225** | 14 399 403 | 83 | 18 436 494 |
| **Equity** | | | | |
| Ordinary share capital and premium | **3 164 676** | 2 123 125 | 49 | 2 926 435 |
| Cash flow hedge reserve | **(23 901)** | (6 712) | 256 | (1 920) |
| Retained earnings | **2 229 920** | 1 450 136 | 54 | 2 001 866 |
| Share capital and reserves attributable to ordinary shareholders | **5 370 695** | 3 566 549 | 51 | 4 926 381 |
| Non-redeemable, non-cumulative, non-participating preference share capital and premium | **258 969** | 258 969 | – | 258 969 |
| Total equity | **5 629 664** | 3 825 518 | 47 | 5 185 350 |
| Total equity and liabilities | **32 040 889** | 18 224 921 | 76 | 23 621 844 |

# Interim consolidated income statement

| | Reviewed Six months ended August 2012 R'000 | Unaudited Six months ended August 2011 R'000 | Six months August 2012/2011 % | Audited Year ended February 2012 R'000 |
|---|---|---|---|---|
| Interest income | 3 034 829 | 1 939 554 | 56 | 4 346 902 |
| Interest expense | (725 627) | (450 856) | 61 | (1 022 374) |
| Net interest income | 2 309 202 | 1 488 698 | 55 | 3 324 528 |
| Loan fee income | 782 453 | 819 925 | (5) | 1 657 018 |
| Loan fee expense | (151 013) | (96 188) | 57 | (186 360) |
| Transaction fee income | 917 712 | 590 468 | 55 | 1 360 308 |
| Transaction fee expense | (335 061) | (229 638) | 46 | (524 202) |
| Net fee income | 1 214 091 | 1 084 567 | 12 | 2 306 764 |
| Dividend income | 9 | 727 | (99) | 1 532 |
| Net impairment charge on loans and advances to clients | (1 018 613) | (678 866) | 50 | (1 604 190) |
| Net movement in financial instruments held at fair value through profit or loss | 2 533 | 6 321 | (60) | 12 070 |
| Other income | 281 | 18 | | 679 |
| Sales | 136 650 | 104 659 | 31 | 217 145 |
| Cost of sales | (120 813) | (93 656) | 29 | (191 996) |
| Non-banking income | 15 837 | 11 003 | 44 | 25 149 |
| Income from operations | 2 523 340 | 1 912 468 | 32 | 4 066 532 |
| Banking operating expenses | (1 485 249) | (1 182 772) | 26 | (2 486 318) |
| Non-banking operating expenses | (11 742) | (11 034) | 6 | (22 342) |
| Operating profit before tax | 1 026 349 | 718 662 | 43 | 1 557 872 |
| Income tax expense | (315 541) | (220 966) | 43 | (463 532) |
| Profit for the period | 710 808 | 497 696 | 43 | 1 094 340 |
| | | | | |
| Earnings per share (cents) | | | | |
| Basic | 702 | 518 | 35 | 1 122 |
| Diluted | 691 | 505 | 37 | 1 096 |

# Interim consolidated statement of comprehensive income

| | Reviewed Six months ended August 2012 R'000 | Unaudited Six months ended August 2011 R'000 | Six months August 2012/2011 % | Audited Year ended February 2012 R'000 |
|---|---|---|---|---|
| Profit for the period | 710 808 | 497 696 | 43 | 1 094 340 |
| Cash flow hedge before tax | (30 426) | (4 504) | 838 | 2 151 |
| Income tax relating to cash flow hedge | 8 445 | 1 261 | (288) | (602) |
| Other comprehensive income for the period net of tax | (21 981) | (3 243) | | 1 549 |
| Total comprehensive income for the period | 688 827 | 494 453 | 39 | 1 095 889 |

# Reconciliation of attributable earnings to headline earnings

| | Reviewed Six months ended August 2012 R'000 | Unaudited Six months ended August 2011 R'000 | Six months August 2012/2011 % | Audited Year ended February 2012 R'000 |
|---|---|---|---|---|
| Net profit after tax | 710 808 | 497 696 | 43 | 1 094 340 |
| Preference dividend | (10 706) | (9 763) | (10) | (19 419) |
| Net profit after tax attributable to ordinary shareholders | 700 102 | 487 933 | 43 | 1 074 921 |
| Non-headline items: | | | | |
| (Profit)/loss on disposal of | | | | |
| Property and equipment | (147) | 1 176 | (113) | 596 |
| Income tax charge – property and equipment | 43 | (344) | (112) | (192) |
| Intangible assets | 16 | 960 | (98) | 3 048 |
| Income tax charge – intangible assets | (4) | (269) | (99) | (853) |
| Headline earnings | 700 010 | 489 456 | 43 | 1 077 520 |

## Interim consolidated statement of changes in equity

| | Reviewed Six months ended August 2012 R'000 | Unaudited Six months ended August 2011 R'000 | Audited Year ended February 2012 R'000 |
|---|---|---|---|
| Equity at the beginning of the period | **5 185 350** | 3 450 513 | 3 450 513 |
| Total comprehensive income for the period | **688 827** | 494 453 | 1 095 889 |
| Ordinary dividend | **(297 847)** | (193 837) | (317 939) |
| Preference dividend | **(10 706)** | (9 763) | (19 419) |
| Employee share option scheme: Value of employee services | **6 936** | 6 324 | 11 778 |
| Shares issued and acquired for employee share options at cost | **(238 357)** | (204 534) | (702) |
| Proceeds on settlement of employee share options | **34 517** | 31 131 | 35 091 |
| Tax effect on share options | **22 703** | 46 783 | 142 886 |
| Shares issued | **238 357** | 204 534 | 798 932 |
| Share issue expenses | **(116)** | (86) | (11 679) |
| Equity at the end of the period | **5 629 664** | 3 825 518 | 5 185 350 |

## Interim consolidated statement of cash flows

| | Reviewed Six months ended August 2012 R'000 | Unaudited Six months ended August 2011 R'000 | Audited Year ended February 2012 R'000 |
|---|---|---|---|
| Cash flow from operating activities | **2 836 438** | 693 663 | 1 803 314 |
| Cash flow from investing activities | **(17 404)** | (115 288) | (578 101) |
| Cash flow from financing activities | **(273 115)** | (172 656) | 484 072 |
| Net increase in cash and cash equivalents | **2 545 919** | 405 719 | 1 709 285 |
| Cash and cash equivalents at the beginning of the period | **4 551 203** | 2 841 918 | 2 841 918 |
| Cash and cash equivalents at the end of the period | **7 097 122** | 3 247 637 | 4 551 203 |

## Commitments

| | Reviewed August 2012 R'000 | Unaudited August 2011 R'000 | Audited February 2012 R'000 |
|---|---|---|---|
| Capital commitments approved by the board | | | |
| Contracted for | | | |
| Property and equipment | **91 437** | 36 281 | 85 195 |
| Intangible assets | **9 322** | 2 654 | 6 744 |
| Not contracted for | | | |
| Property and equipment | **176 660** | 199 339 | 458 247 |
| Intangible assets | **41 325** | 43 575 | 122 329 |
| | | | |
| Operating lease commitments | | | |
| Future aggregate minimum lease payments | | | |
| Within one year | **192 781** | 154 356 | 170 248 |
| From one to five years | **544 784** | 434 310 | 475 371 |
| After five years | **124 184** | 84 173 | 99 694 |
| Total future cash flows | **861 749** | 672 839 | 745 313 |
| Straight-lining accrued | **(41 461)** | (30 088) | (35 749) |
| Future expenses | **820 288** | 642 751 | 709 564 |

## 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, cell phone and internet banking 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 |
|---|---|---|---|---|
| **Reviewed six months ended August 2012** | | | | |
| Segment revenue | **4 735 470** | **136 650** | **(186)** | **4 871 934** |
| Segment earnings after tax | **707 882** | **2 926** | **–** | **710 808** |
| The following items are included in segment earnings after tax: | | | | |
| Interest income | **3 035 015** | **–** | **(186)** | **3 034 829** |
| Interest expense | **(725 602)** | **(211)** | **186** | **(725 627)** |
| Net fee income | **1 214 091** | **–** | **–** | **1 214 091** |
| Net impairment charge | **(1 018 340)** | **(273)** | **–** | **(1 018 613)** |
| Depreciation | **(89 746)** | **(246)** | **–** | **(89 992)** |
| Amortisation | **(22 493)** | **–** | **–** | **(22 493)** |
| Other operating expenses | **(1 373 010)** | **(11 496)** | **–** | **(1 384 506)** |
| **Unaudited six months ended August 2011** | | | | |
| Segment revenue | 3 351 223 | 104 659 | (531) | 3 455 351 |
| Segment earnings after tax | 498 341 | (645) | – | 497 696 |
| The following items are included in segment earnings after tax: | | | | |
| Interest income | 1 940 085 | – | (531) | 1 939 554 |
| Interest expense | (450 833) | (554) | 531 | (450 856) |
| Net fee income | 1 084 567 | – | – | 1 084 567 |
| Net impairment charge | (678 806) | (60) | – | (678 866) |
| Depreciation | (63 493) | (219) | – | (63 712) |
| Amortisation | (11 623) | – | – | (11 623) |
| Other operating expenses | (1 107 656) | (10 815) | – | (1 118 471) |
| **Audited 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) |

## NOTES

The condensed consolidated interim 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. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 29 February 2012, which were prepared in accordance with IFRS. 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 preparation of the condensed consolidated interim financial statements was supervised by the chief financial officer, André du Plessis CA(SA).

## AUDITOR'S REPORT

The company's external auditors, PricewaterhouseCoopers Inc., have reviewed the condensed interim financial report. A copy of their unqualified review opinion is available on request at the company's registered office.

On behalf of the board

**Michiel le Roux**
*Chairman*

**Riaan Stassen**
*Chief executive officer*

Stellenbosch
26 September 2012

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**Sponsor**
PSG Capital (Pty) 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, Prof MC Mehl, Ms NS Mjoli-Mncube, PJ Mouton, CA Otto, JP van der Merwe

**Executive*

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