

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

Key performance indicators

	Six months ended August 2012	Six months ended August 2011	Year ended February 2012	Year ended February 2011
Profitability				
Interest on loans	Rm 3 035	1 940	56	4 347
Net loan fee income	Rm 631	724	(13)	1 471
Net transaction fee income	Rm 583	361	61	836
Interest paid	Rm (726)	(451)	61	(1 022)
Other banking income	Rm 3	7	(60)	14
Income from banking operations	Rm 3 526	2 581	37	5 646
Net loan impairment expense	Rm (1 019)	(679)	50	(1 604)
Banking operating expenses	Rm (1 485)	(1 183)	26	(2 486)
Non-banking operations	Rm 4	—	—	—
Tax	Rm (316)	(221)	43	(464)
Preference dividend	Rm (11)	(10)	10	(19)
Earnings attributable to ordinary shareholders				
Basic	Rm 700	488	43	1 075
Headline	Rm 700	489	43	1 078
Cost-to-income ratio – banking activities	% 42	46	—	—
Return on ordinary shareholders' equity	% 28	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	Rm 22 823	13 393	70	16 863
Cash and cash equivalents	Rm 7 097	3 248	119	4 551
Investments	Rm 924	908	2	1 199
Other	Rm 1 197	676	77	2 009
Total assets	Rm 32 041	18 225	76	23 622
Liabilities				
Deposits	Rm 25 608	13 678	87	17 692
Other	Rm 803	721	11	744
Total liabilities	Rm 26 411	14 399	83	18 436
Equity				
Shareholders' funds	Rm 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	Rm 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	—	—
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	Rm 296	203	46	381
Sales				
Loans				
Value of loans advanced	Rm 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	Rm 9 065	7 566	20	16 173
Gross loans and advances	Rm 24 697	14 495	70	18 408
Loans past due (arrears)	Rm 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	Rm 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	Rm 1 141	755	51	1 780
Recoveries	Rm 122	76	61	176
Net loan impairment expense	Rm 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	Rm 10 753	5 454	97	7 162
Retail call savings	Rm 8 864	4 963	79	6 348
Retail fixed savings	Rm 5 646	3 125	81	4 015

Interim consolidated balance sheet

	Reviewed August 2012 R'000	Unaudited August 2011 R'000	Six months 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 2012/2011 %	Audited 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)

	Reviewed August 2012	Unaudited August 2011	Six months 2012/2011	Audited February 2012
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 2012/2011 %	Audited 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 2012/2011 %	Audited 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 cash flows

	Reviewed Six months ended August 2012 R'000	Unaudited Six months ended August 2011 R'000	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

Interim consolidated statement of changes in equity

	Reviewed August 2012 R'000	Unaudited August 2011 R'000	Audited 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 effected 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

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	(725 627)	(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

	Banking R'000	Wholesale distribution R'000	Intra-segment R'000	Total R'000
Unaudited six months ended August 2011				
Segment revenue	3 351 223	104 659	(531)	3 450 351
Segment earnings after tax	498 341	(645)	—	497 696
The following items are included in segment earnings after tax:				
Interest income	1 940 855	—	(531)	1 939 554
Interest expense	(450 833)	(554)	531	(450 856)
Net fee income	1 084 567	—	—	1 084 567
Net impairment charge	(678 906)	(60)	—	(679 506)
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

	Banking R'000	Wholesale distribution R'000	Intra-segment R'000	Total R'000
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			