



# Interim Results - 2012



## **DISCLAIMER**

**This presentation has been prepared and issued by and is the sole responsibility of Capitec Bank Holdings Limited (the "Company"). The presentation does not constitute, or form part of an offer to sell, or the solicitation of an offer to subscribe for or buy, any rights offer shares or letters of allocation.**

**This presentation and the information contained herein are strictly confidential and are being shown to you solely for your information. The information may not be reproduced, distributed to any other person or published, in whole or in part, for any purpose.**

**This presentation is not a prospectus, disclosure document or rights offer circular under the laws of South Africa or any other law and does not purport to be complete. Investors should not subscribe for or purchase any of the securities referred to in this presentation except solely on the basis of the information in the rights offer circular to be published by the Company in due course in connection with the rights offer and made available on the Company's website ([www.capitecbank.co.za](http://www.capitecbank.co.za)). This presentation does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the rights offer shares or letters of allocation offered by any person in any jurisdiction in which such an offer or solicitation is unlawful. Any decision to participate in the rights offer or to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities should only be made solely on the basis of information contained in the rights offer circular when it is published in due course, which will contain further information relating to the Company as well as a summary of the risk factors to which any investment is subject.**

# **DISCLAIMER**

**This presentation is not for distribution, directly or indirectly, in or into the United States, Australia, Canada, Japan and Hong Kong, subject to certain exceptions, and any other jurisdiction where the extension or making of the rights offer would be unlawful or in contravention of certain regulations. The distribution of this presentation and/or the rights offer circular and/or the letters of allocation and/or the rights offer shares into jurisdictions other than the Republic of South Africa may be restricted by law. Persons into whose possession this presentation comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws or such jurisdiction.**

**This presentation and the information contained herein do not contain or constitute an offer for sale or the solicitation of an offer to purchase securities in the United States, or any other jurisdiction. This presentation is not directed at persons located in the United States other than "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act of 1933 (the "U.S. Securities Act"). The securities mentioned herein have not been, and will not be, registered under the U.S. Securities Act and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered directly or indirectly within the United States absent registration or an exemption from the registration requirements of the U.S. Securities Act. There will be no public offer of the securities in the United States.**

**This presentation and the information contained herein do not contain or constitute an offer for sale or the solicitation of an offer to purchase securities. No public offer of rights offer shares or letters of allocation will be made in the United States, Australia, Canada, Japan and Hong Kong and any other jurisdiction where the extension or making of the rights offer would be unlawful or in contravention of certain regulations, and no public offer of rights offer shares or letters of allocation will be made in such jurisdictions. The rights offer shares or letters of allocation have not been and will not be registered under the securities laws of such jurisdictions and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an exemption from and in compliance with any applicable securities laws. It is noted, however, that pursuant to available exemptions under the securities laws of Australia, Hong Kong, Japan and the United States, certain institutional investors from those jurisdictions will be able to participate in the rights offer.**

## **DISCLAIMER**

**In member states of the European Economic Area ("EEA") which have implemented the Prospectus Directive (each, a "Relevant Member State"), this presentation and any offer if made subsequently is directed exclusively at persons who are "qualified investors" within the meaning of the Prospectus Directive ("Qualified Investors"). For these purposes, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in a Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the express "2010 PD Amending Directive" means Directive 2010/73/EU. In the United Kingdom, this presentation is directed exclusively at Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") or (ii) who fall within Article 49(2)(A) to (D) of the Order, and (iii) to whom it may otherwise lawfully be communicated. This presentation is not an offer of securities or investments for sale nor a solicitation of an offer to buy securities or investments in any jurisdiction where such offer or solicitation of an offer to buy securities or investments in any jurisdiction where such offer or solicitation would be unlawful. No action has been taken that would permit an offering of the securities or possession or distribution of this presentation in any jurisdiction where action for that purpose is required. Persons into whose possession this presentation comes are required to inform themselves about and to observe any such restrictions.**

**This presentation does not constitute or form part of any offer to sell or issue, or invitation to purchase or subscribe for, or any solicitation of any offer to purchase or subscribe for, any securities of the Company, nor shall the fact of its presentation form the basis of, or be relied on in connection with, any contract or investment decision.**

**The information contained in this presentation has not been independently verified. This presentation does not purport to be all-inclusive or to contain all the information that a prospective purchaser of rights offer shares or letters of allocation of the Company may desire or require in deciding whether or not to offer to purchase such rights offer shares or letters of allocation.**

# **DISCLAIMER**

**No representation or warranty, express or implied, is made or given by or on behalf of the Company, Merrill Lynch International or Sanlam Capital Markets Limited (the “Joint Underwriters”) or any of their respective affiliates (within the meaning of Rule 405 under the Securities Act) (“Affiliates”), members, directors, officers or employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this presentation or any other material discussed verbally. None of the Company, the Joint Underwriters or any of their respective Affiliates, members, directors, officers or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith.**

**Each of the Joint Underwriters will not regard any person (whether or not a recipient of this presentation) other than the Company as a client in relation to the sale of securities of the Company and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for providing advice to any such other person. Any prospective purchaser of securities in the Company is recommended to seek its own independent financial advice.**

**The information in this presentation includes forward-looking statements which are based on current expectations and projections about future events. These forward-looking statements, as well as those included in any other material discussed at any presentation, are subject to risks, uncertainties and assumptions about the Company and its subsidiaries and investments, including, among other things, the development of its business and trends in the unsecured credit industry in South Africa. In light of these risks, uncertainties and assumptions, the events or circumstances referred to in the forward-looking statements may not occur. None of the future projections, expectations, estimates or prospects in this presentation should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in the presentation. No one undertakes to publicly update or revise any such forward-looking statement, whether as a result of new information, future events or otherwise. As a result of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements as a prediction of actual results or otherwise.**

## **DISCLAIMER**

**The information and opinions contained in this presentation are provided as at the date of this presentation and are subject to verification, completion and change without notice.**

**Any decision to purchase rights offer shares should be made solely on the basis of information to be contained in the rights offer circular to be published by the Company in due course and made available on its website. No reliance may be placed for any purpose whatsoever on the information contained in this presentation, or any other material discussed verbally, or on its completeness, accuracy or fairness. This presentation should not be considered as a recommendation by the Company or any of their respective advisers and/or agents or any other person that any person should subscribe for or purchase any rights offer shares or letters of allocation of the Company. Prospective purchasers of rights offer shares or letters of allocation of the Company are required to make their own independent investigation and appraisal.**

**In giving this presentation, neither the Company nor its respective advisers and/or agents nor any other person undertake any obligation to provide the recipient with access to any additional information or to update this presentation or any additional information or to correct any inaccuracies in any such information which may become apparent.**

**By attending the presentation you agree to be bound by the foregoing limitations.**



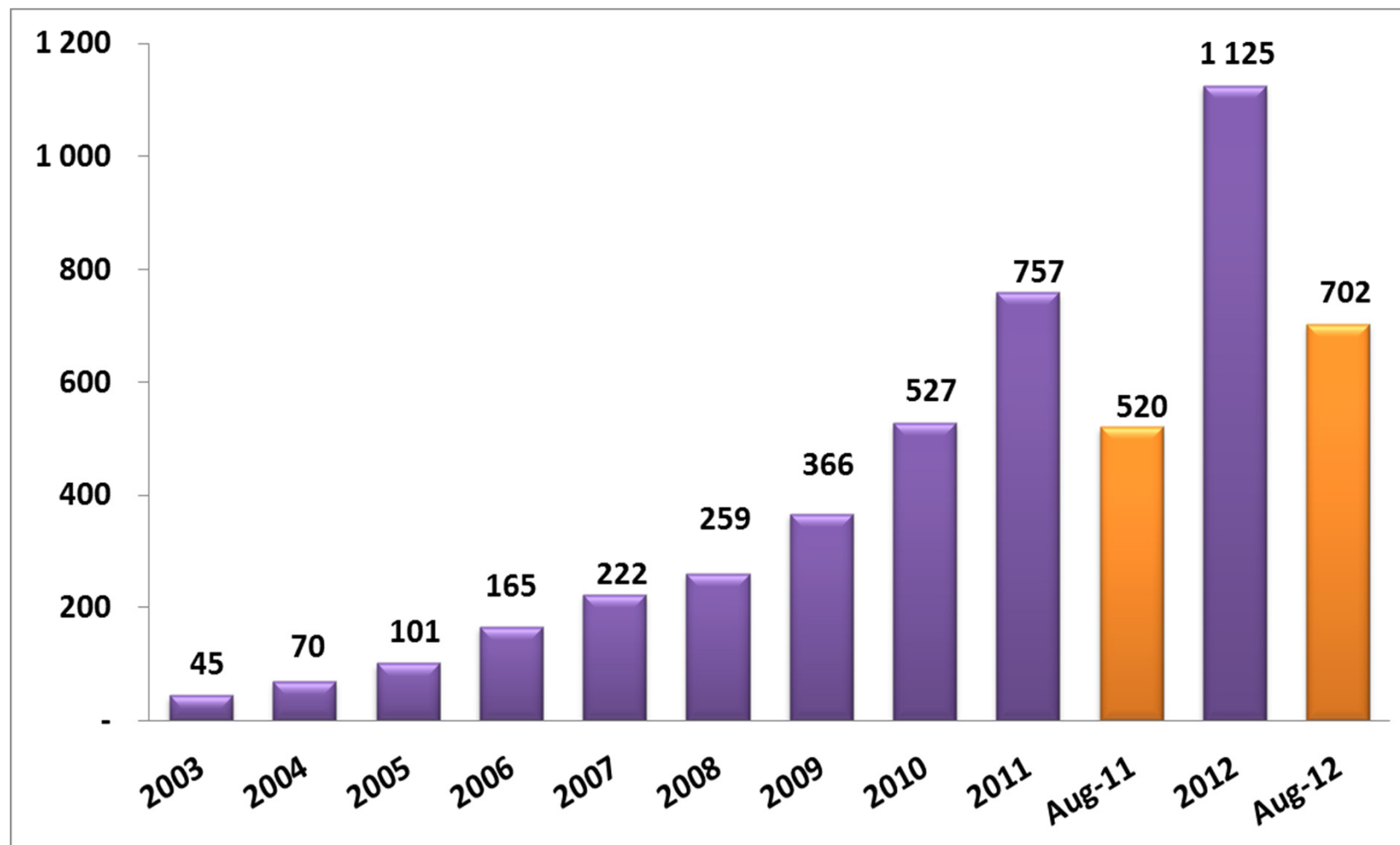
# Key Financials



# Key Financials

## Headline earnings per share

Cents

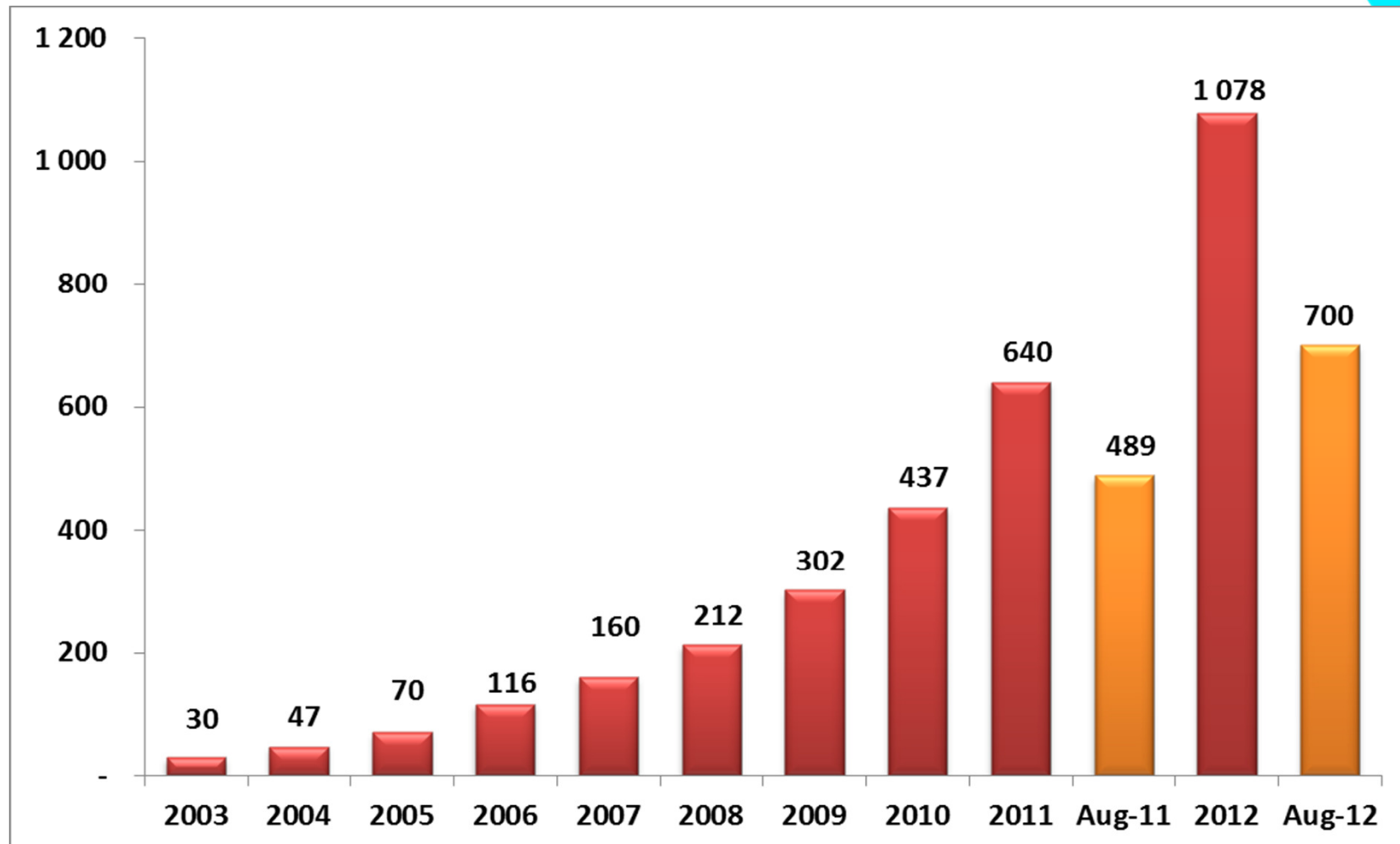




# Key Financials

## Headline earnings

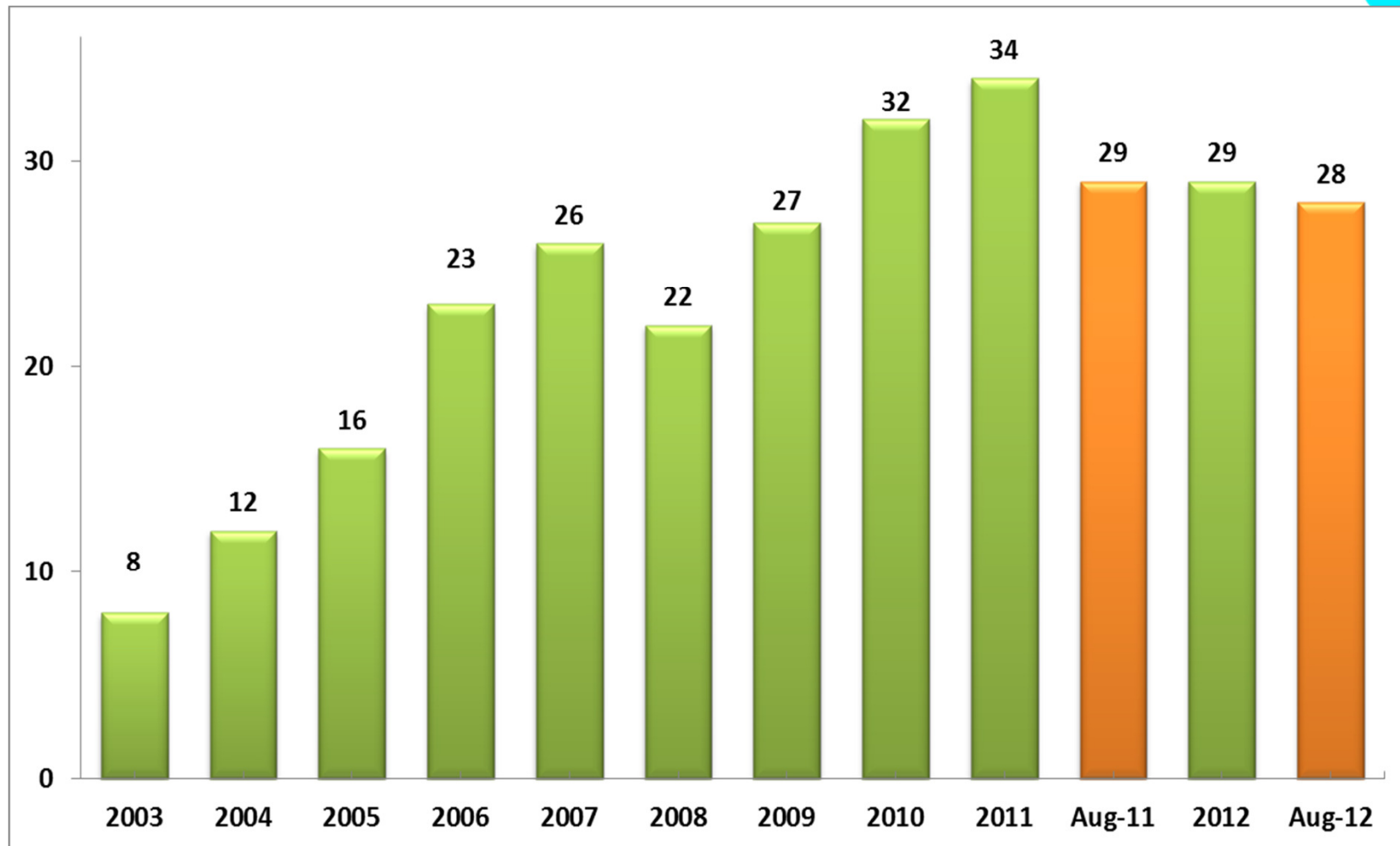
R'millions



# Key Financials

## Return on equity

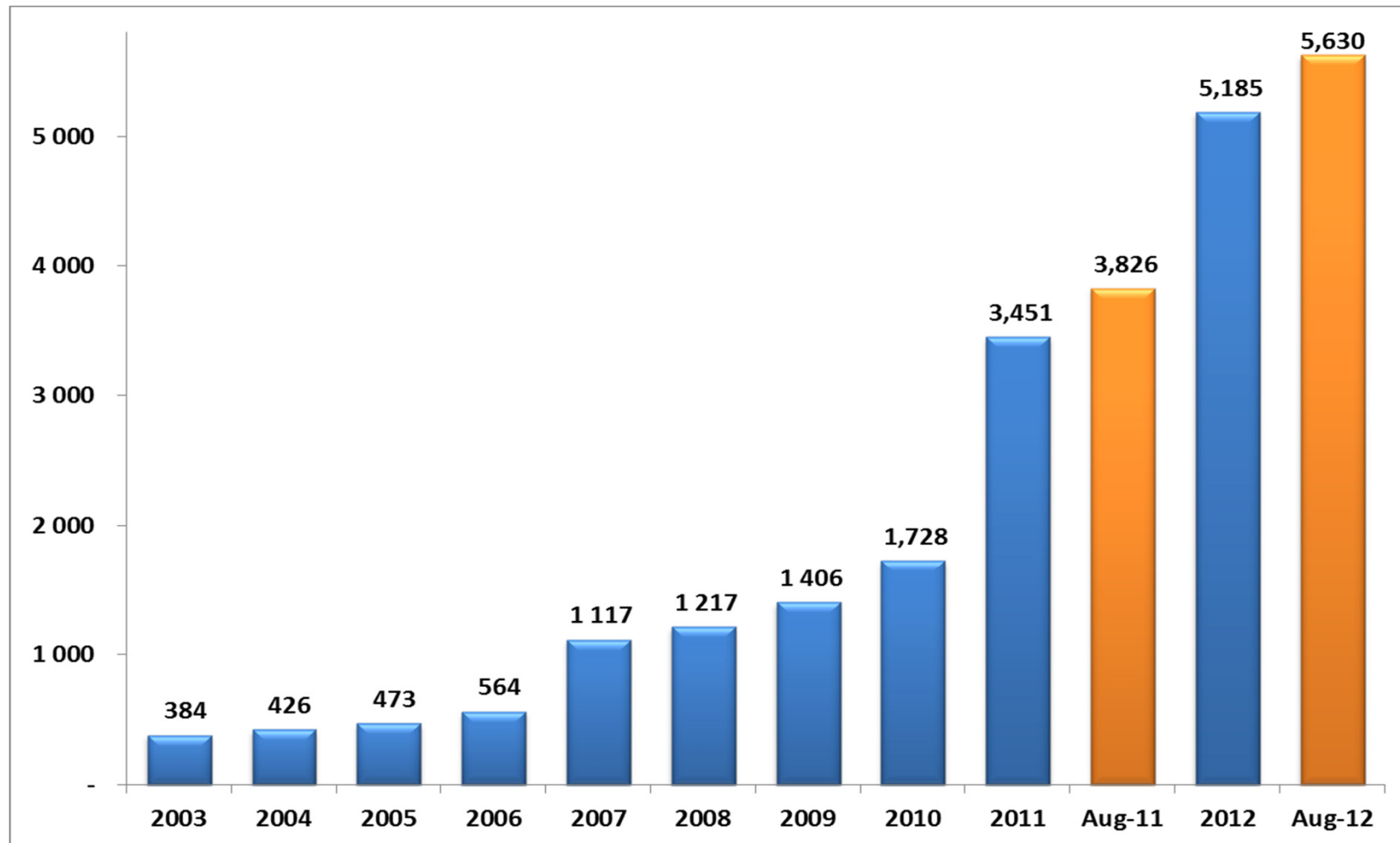
Percentage



# Key Financials

## Shareholders' funds

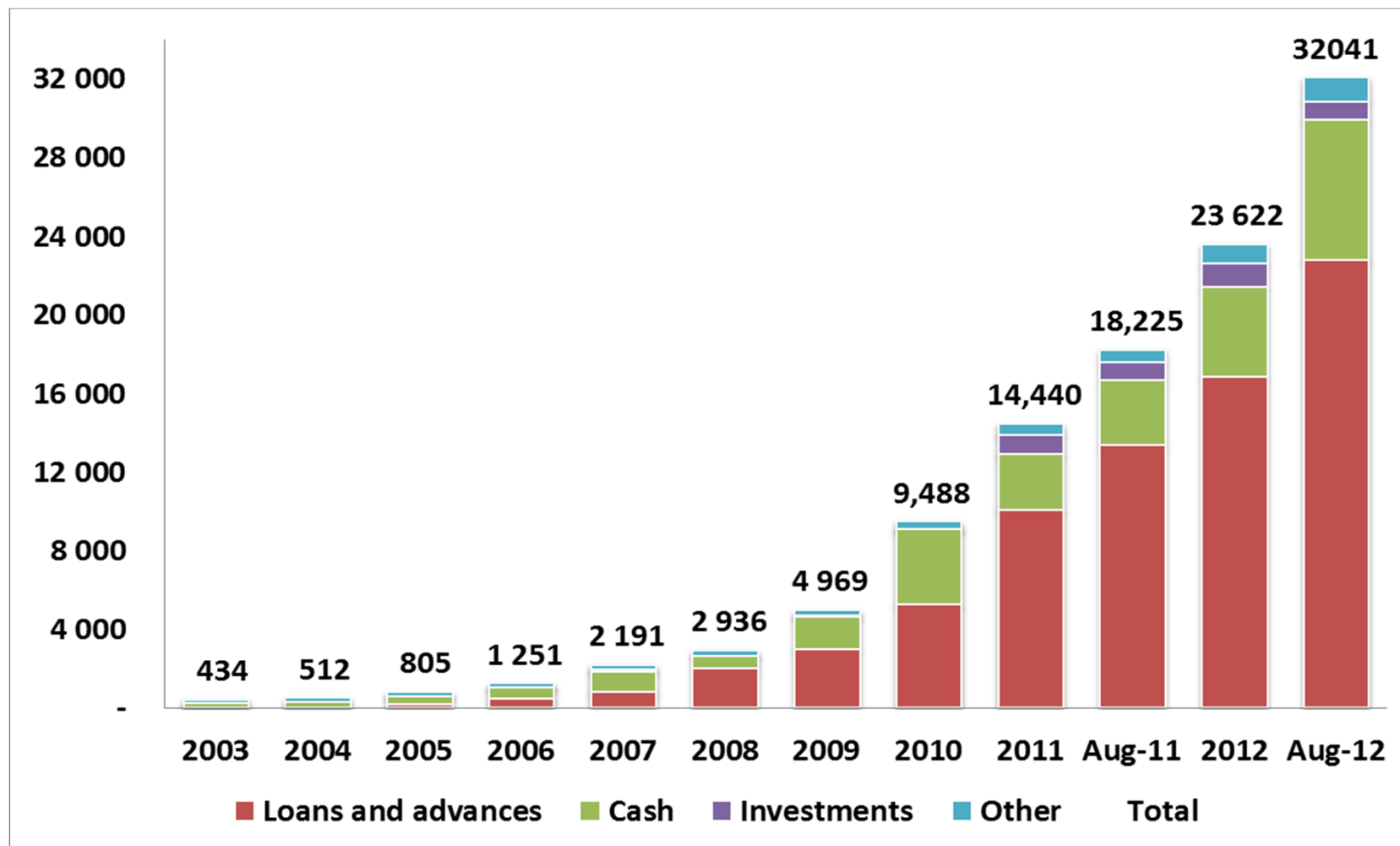
R'millions



# Key Financials

## Total assets

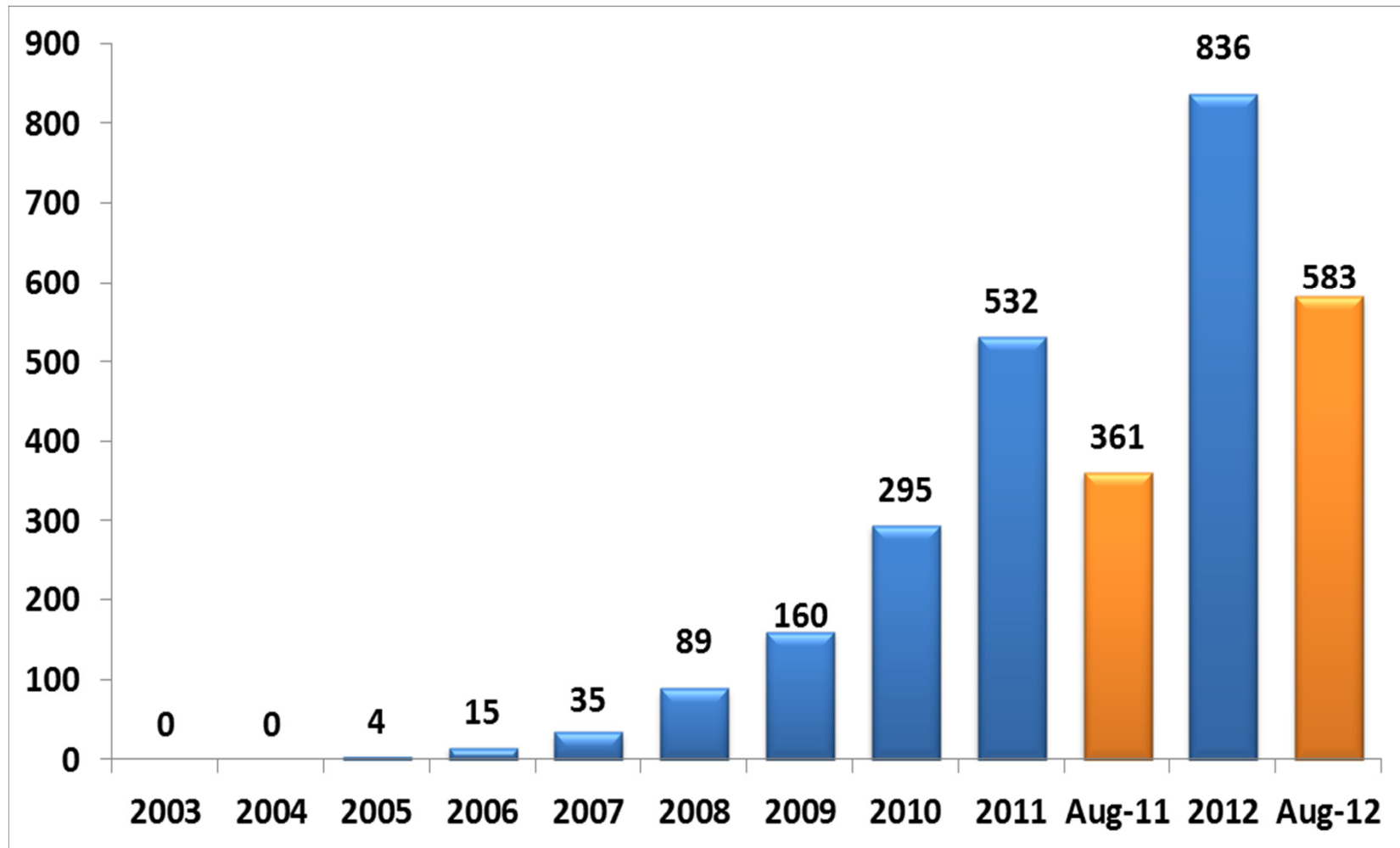
R'millions



# Key Financials

## Net transaction fee income

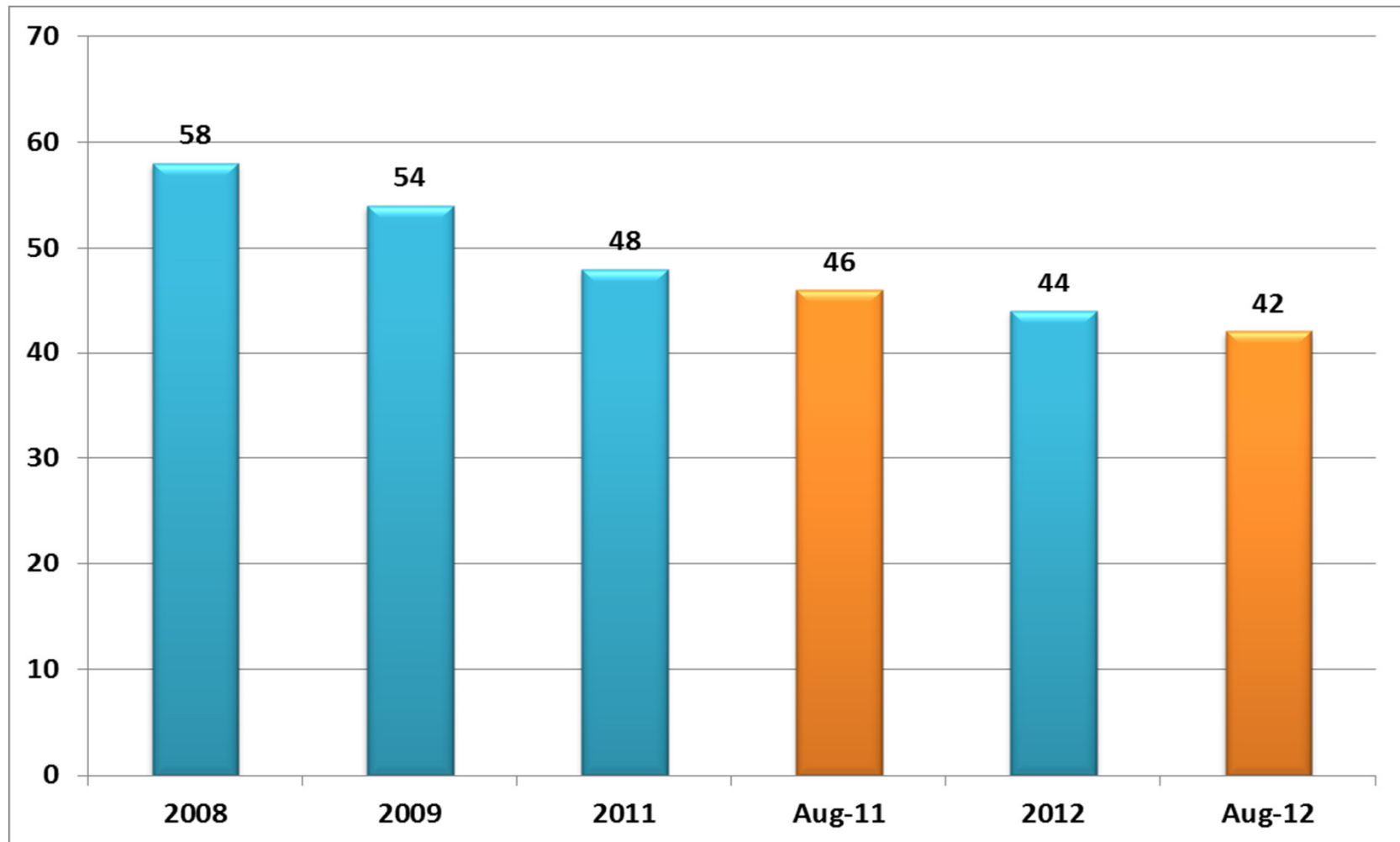
R'millions



# Key Financials

## Cost to income ratio

Percentage





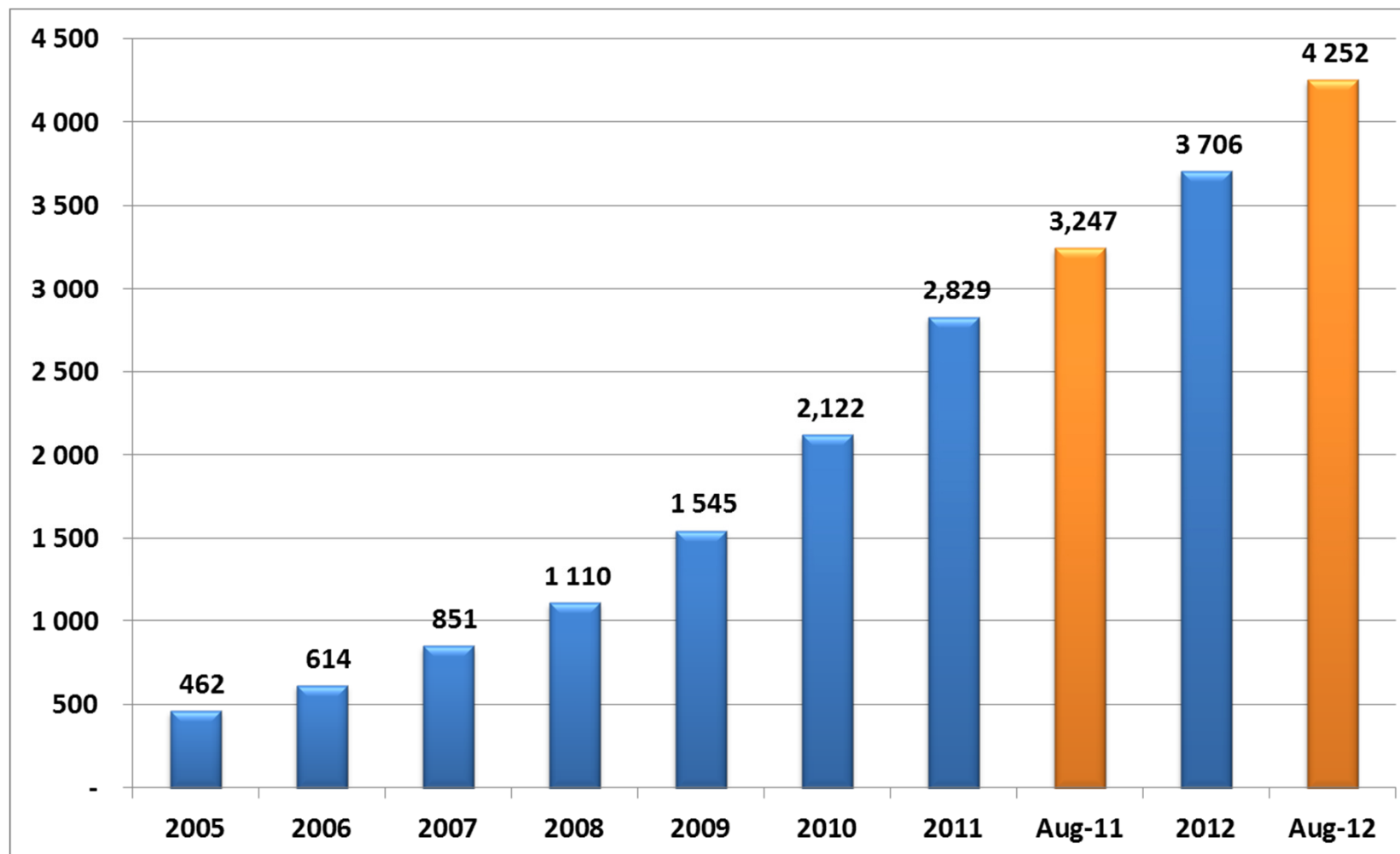
# Business Drivers



# Business Drivers

## Number of active clients

‘000

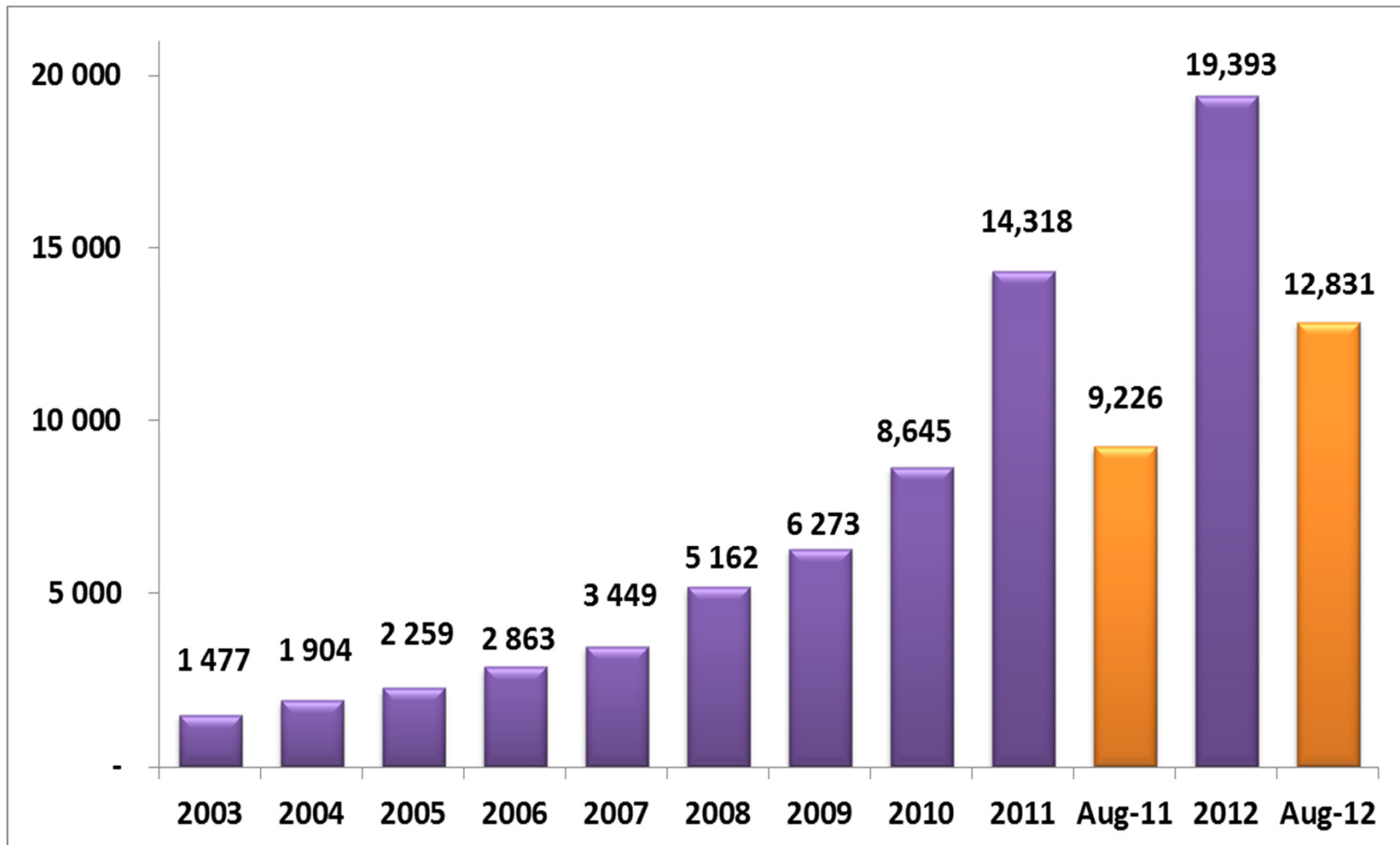




# Business Drivers – Credit

## Value of new loans advanced

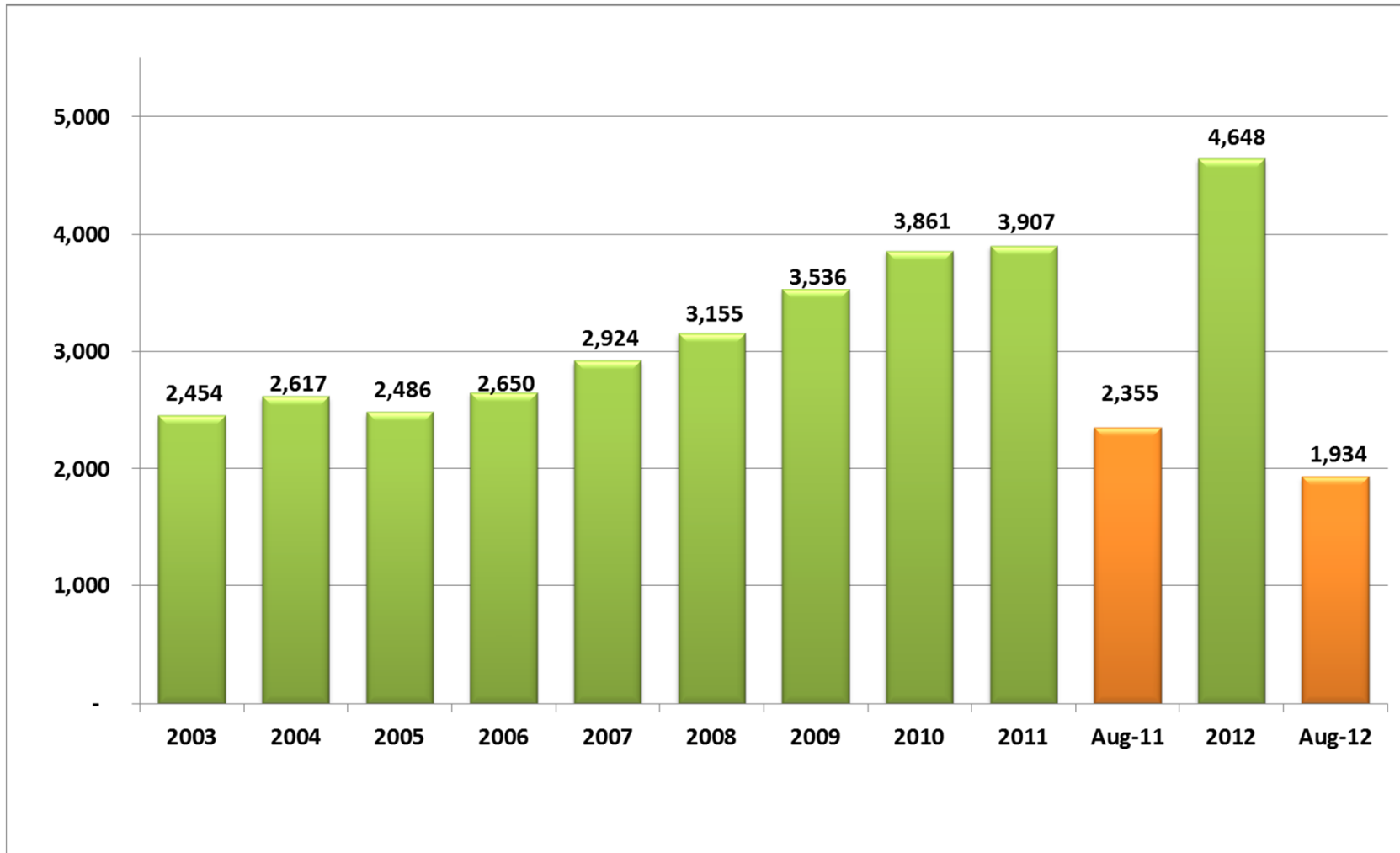
R'millions



# Business Drivers – Credit


## Number of loans advanced

‘000



# Business Drivers – Credit

## Loan impairment expense

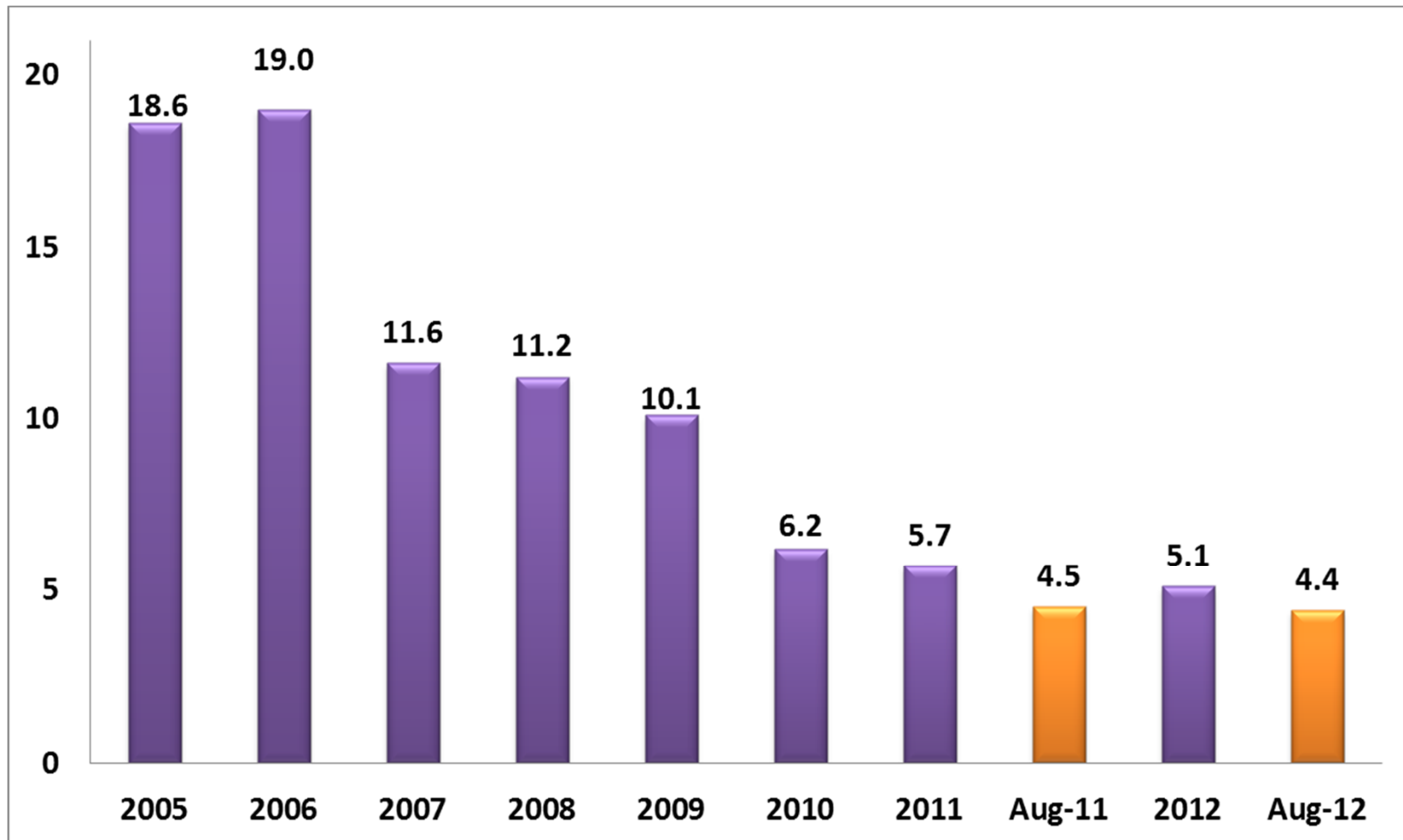


<b>Change compared to six months ended</b>	<b>February 2012 R'm</b>	<b>August 2011 R'm</b>
<b>Book growth</b>	<b>300</b>	<b>495</b>
<b>Improvement in book quality</b>	<b>(150)</b>	<b>(80)</b>
<b>Increased valuation of handed over book</b>	<b>(34)</b>	<b>(29)</b>
<b>Increase in gross loan impairment expense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

# Business Drivers – Credit

Arrears to gross advances

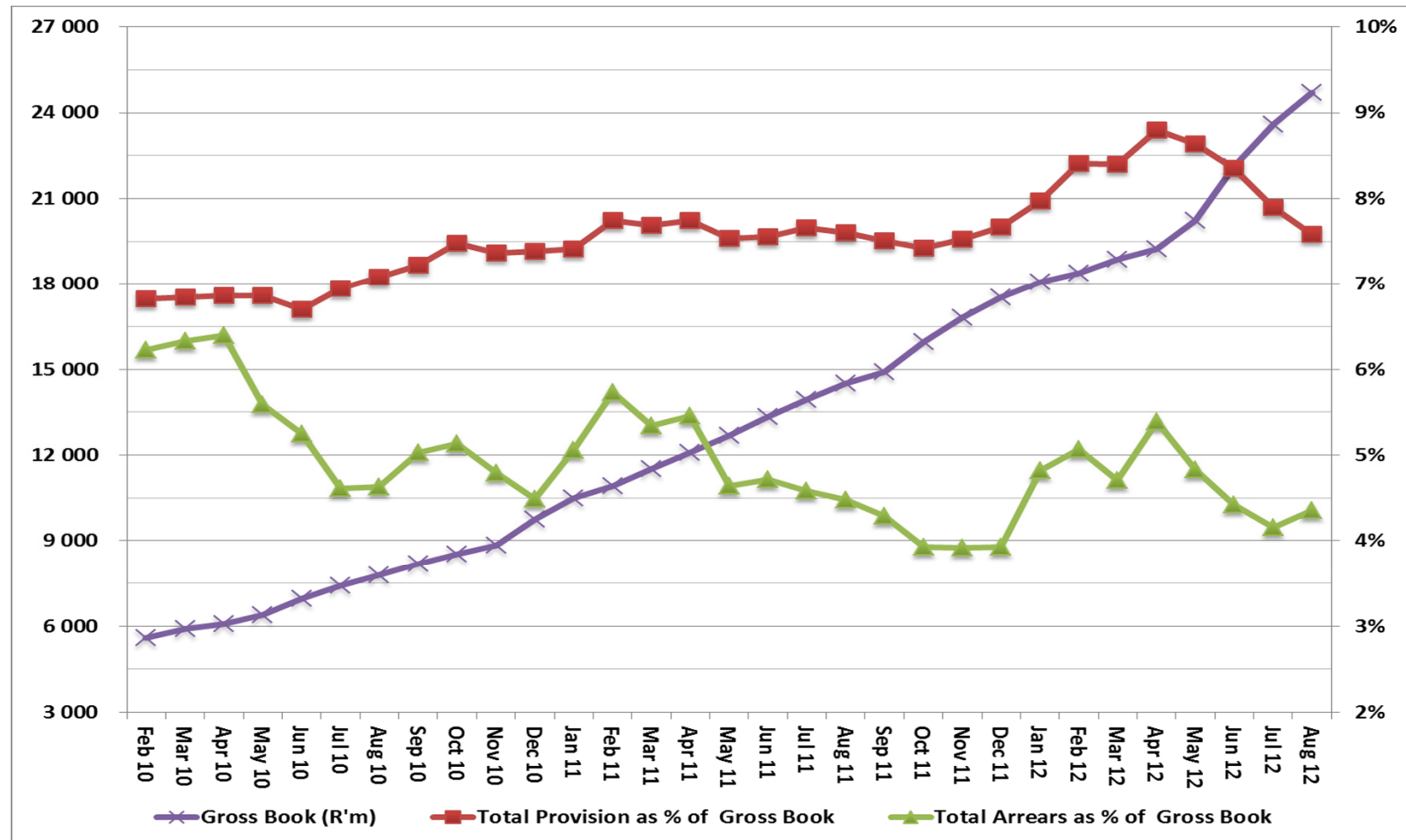
Percentage



# Business Drivers – Credit

## Arrears and Impairment Provision of Gross loans and advances

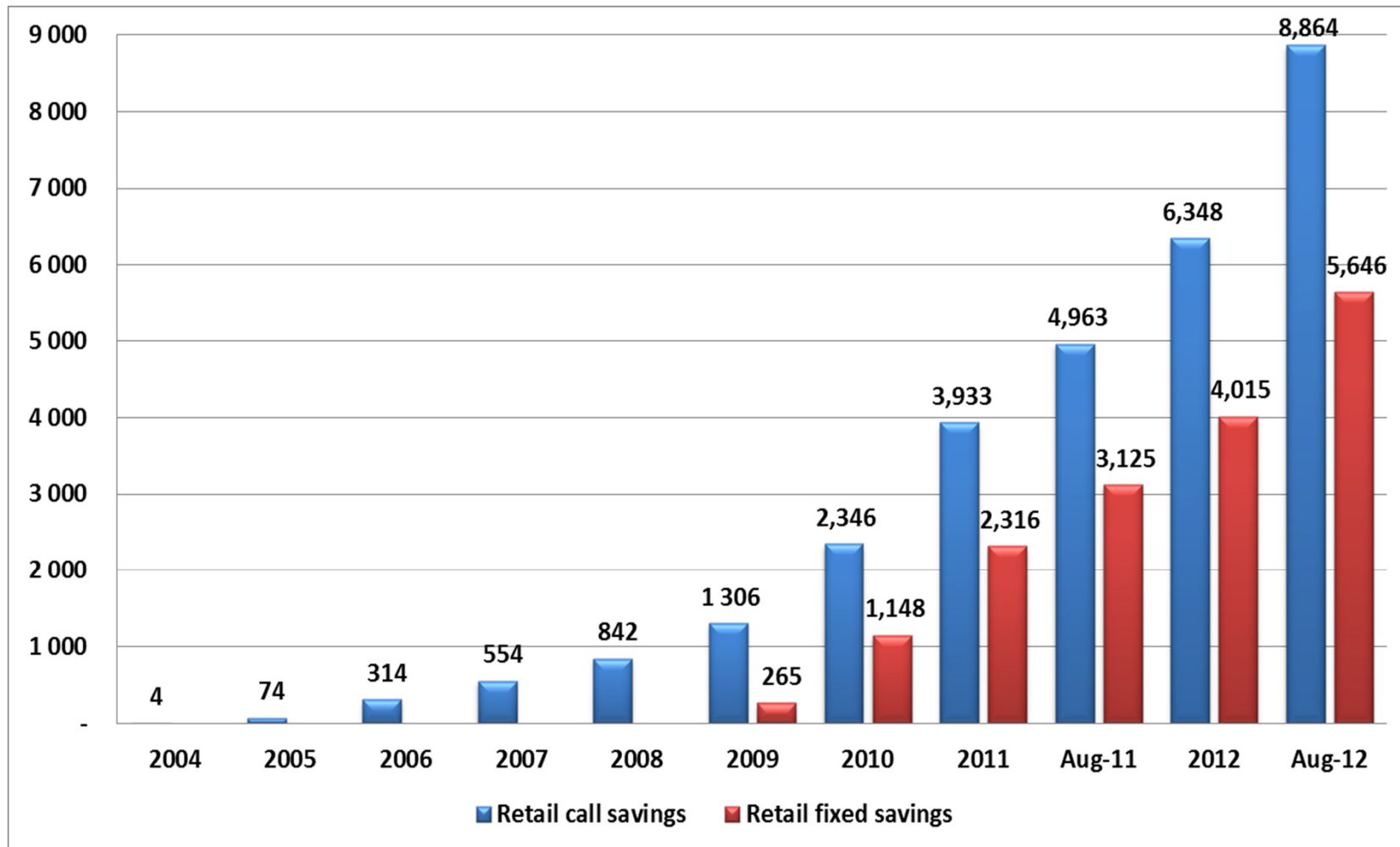
R'millions



# Business Drivers – Liquidity

## Value of retail savings deposits

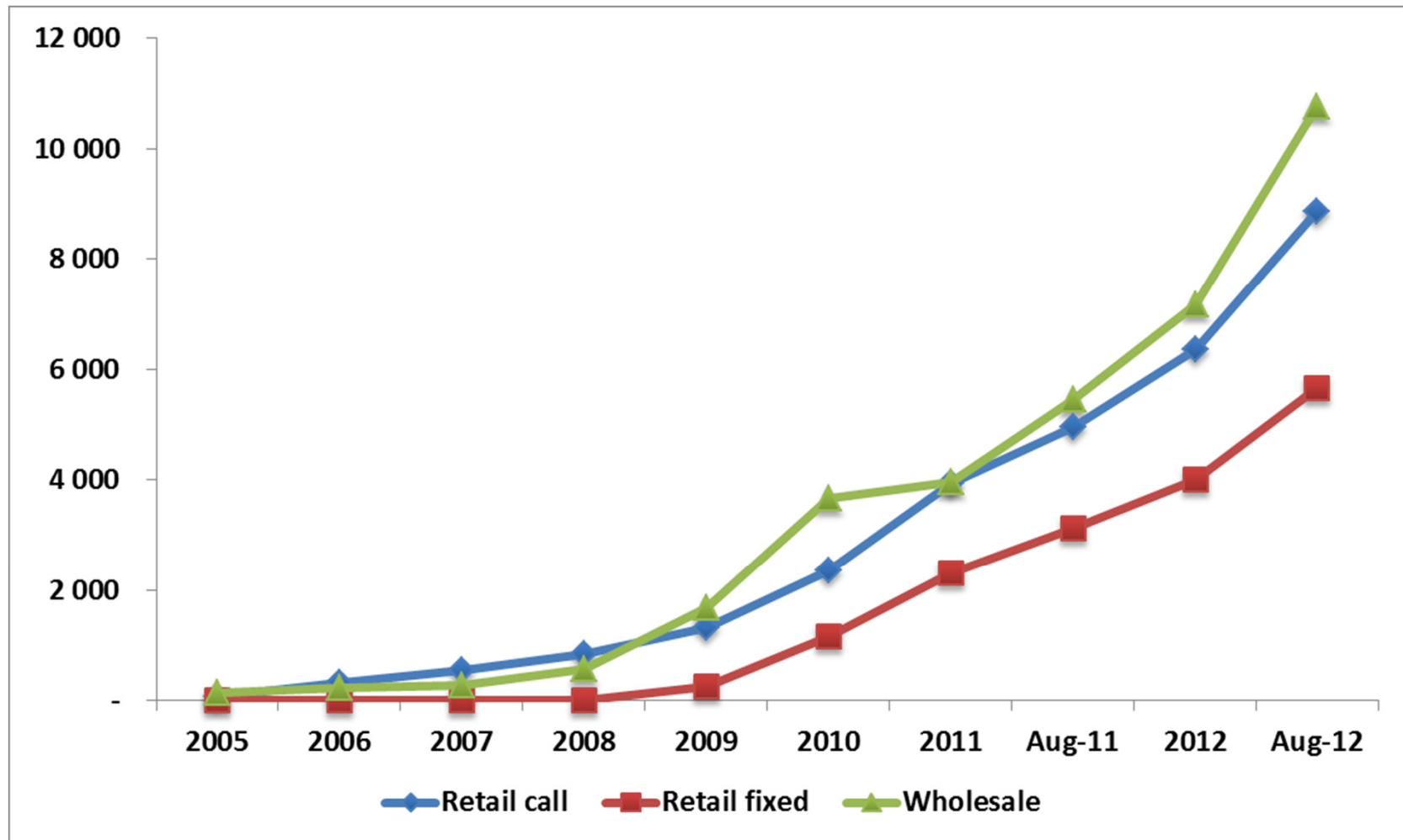
R'millions



# Business Drivers – Liquidity

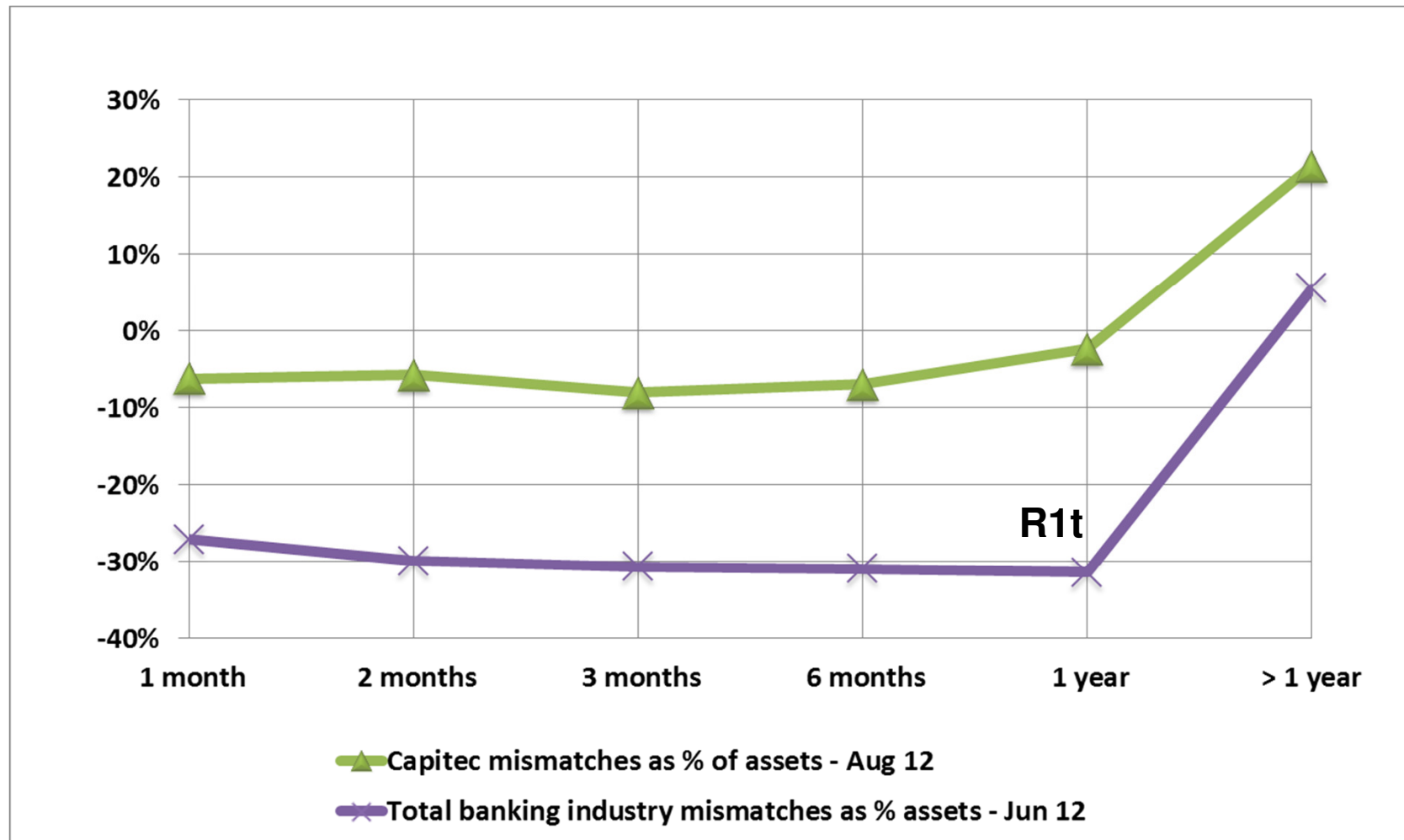
## Deposits

R'millions



# Business Drivers – Liquidity

## Contractual Liquidity Mismatches

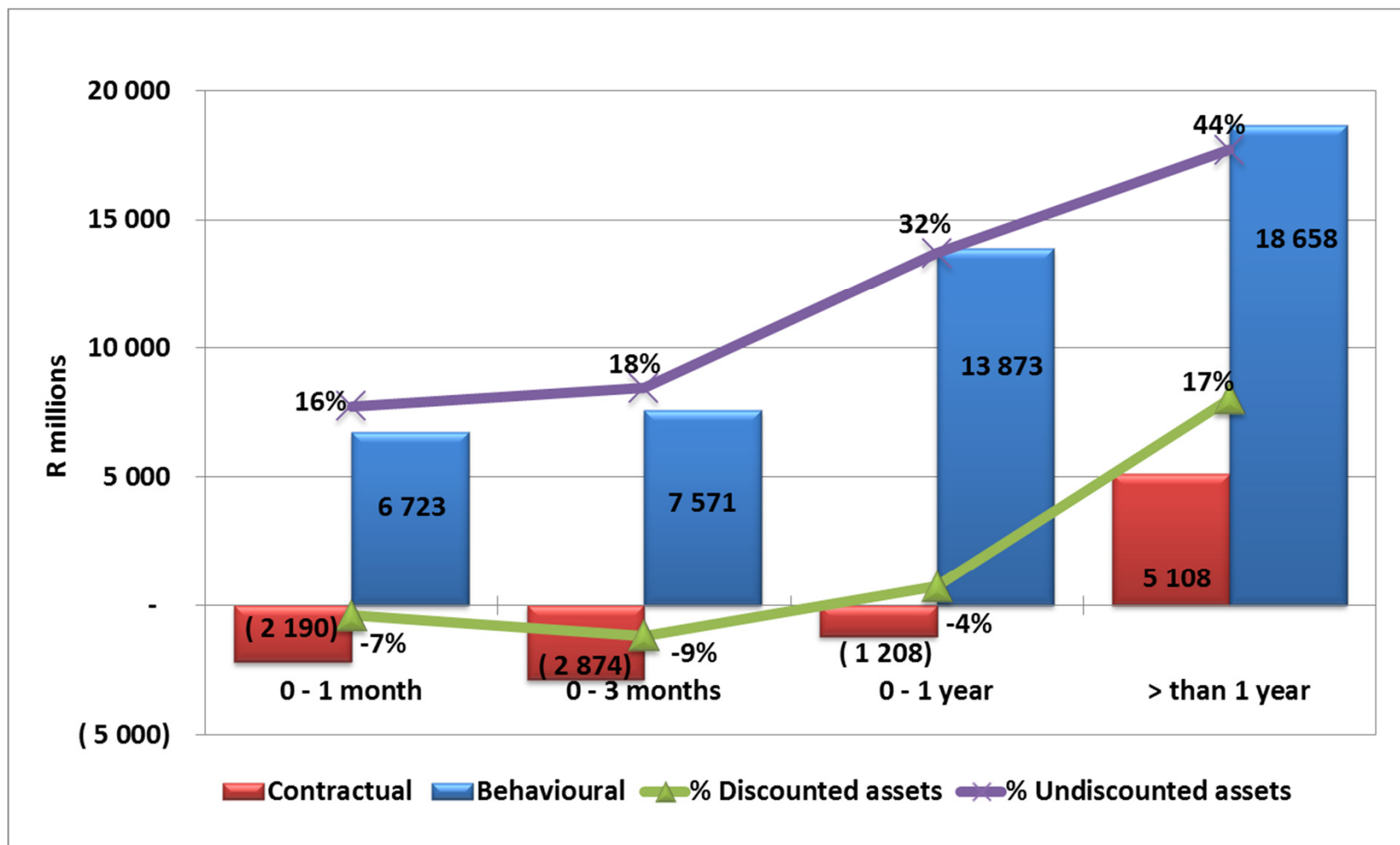


Source : Capitec Bank – Regulation 43 disclosure



# Business Drivers – Liquidity

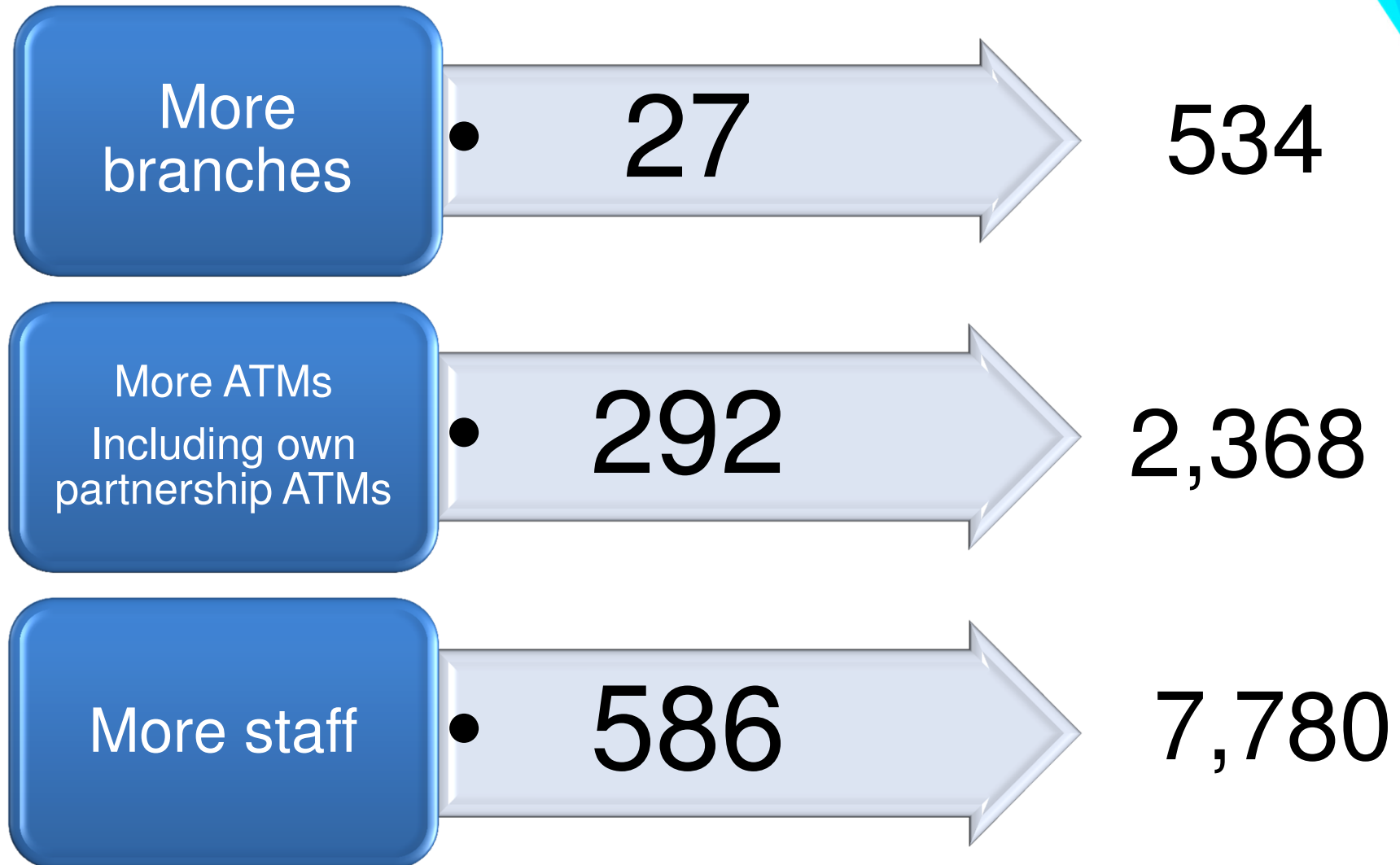
## Mismatches



Source : Capitec Bank – Regulation 43 disclosure

# Business Drivers

Changes – Aug '12 vs Feb '12





# Growth Potential



# Growth Potential

## Unsecured credit - A Bubble ?

### Secured credit – the bubble burst

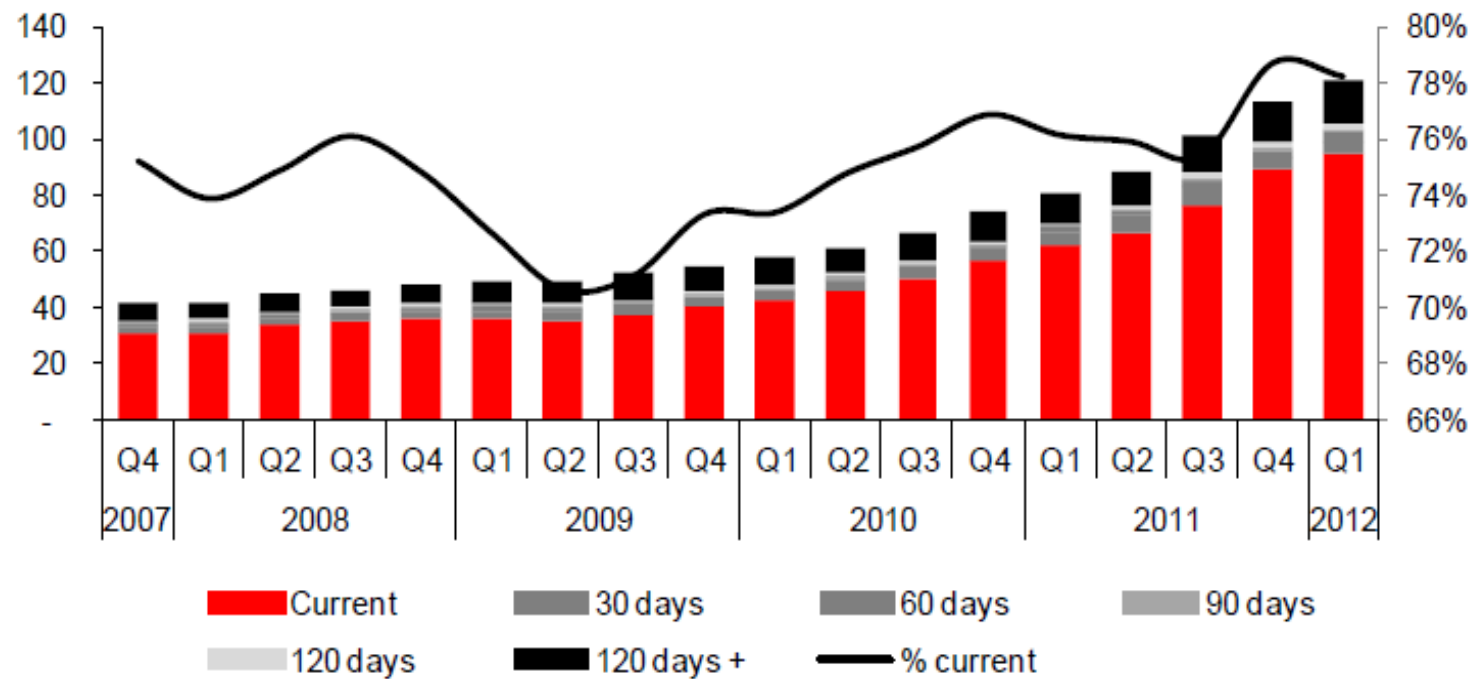
- Inter dependency – price, resale, repayment
- Domino effect

### Unsecured credit

- Key influences
  - Job losses
  - Interest rate increases (fixed for contract)
  - Large scale over indebtedness

# Growth Potential

## Quality – unsecured credit – Age analysis

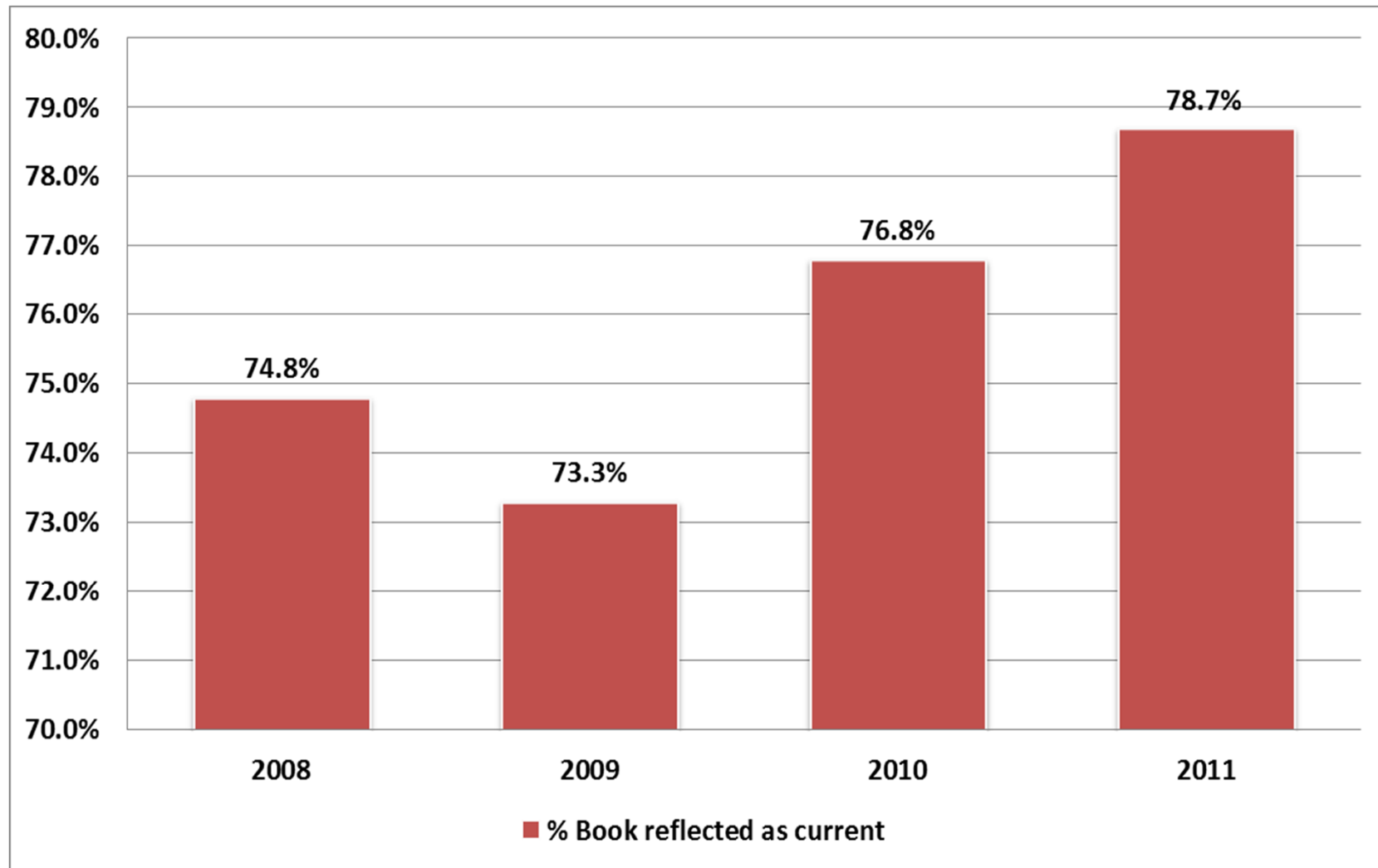


Source: NCR, Macquarie Research, August 2012

Source : Macquarie Research

# Growth Potential

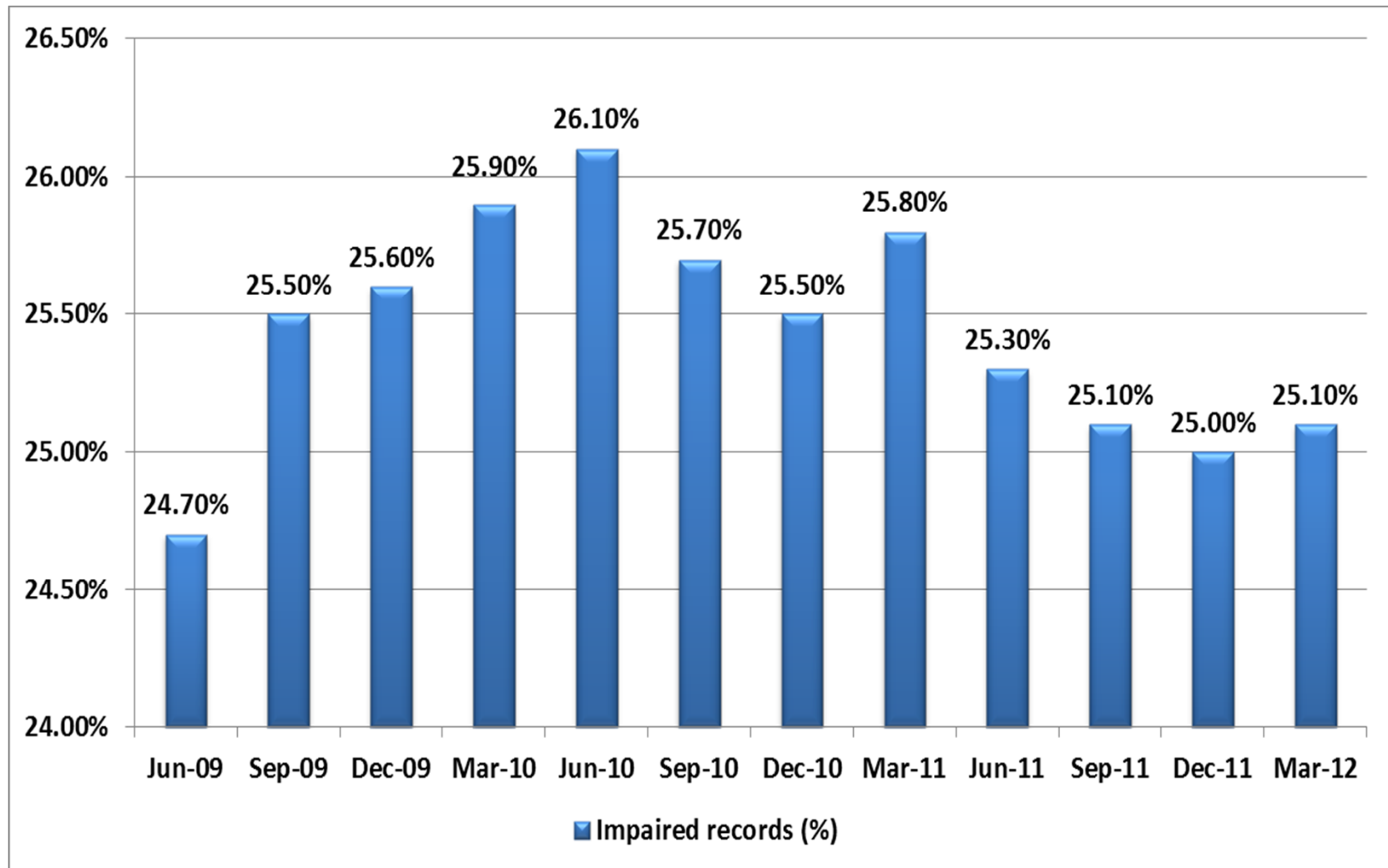
Quality – Total SA unsecured credit – % Current



Source : NCR

# Growth Potential

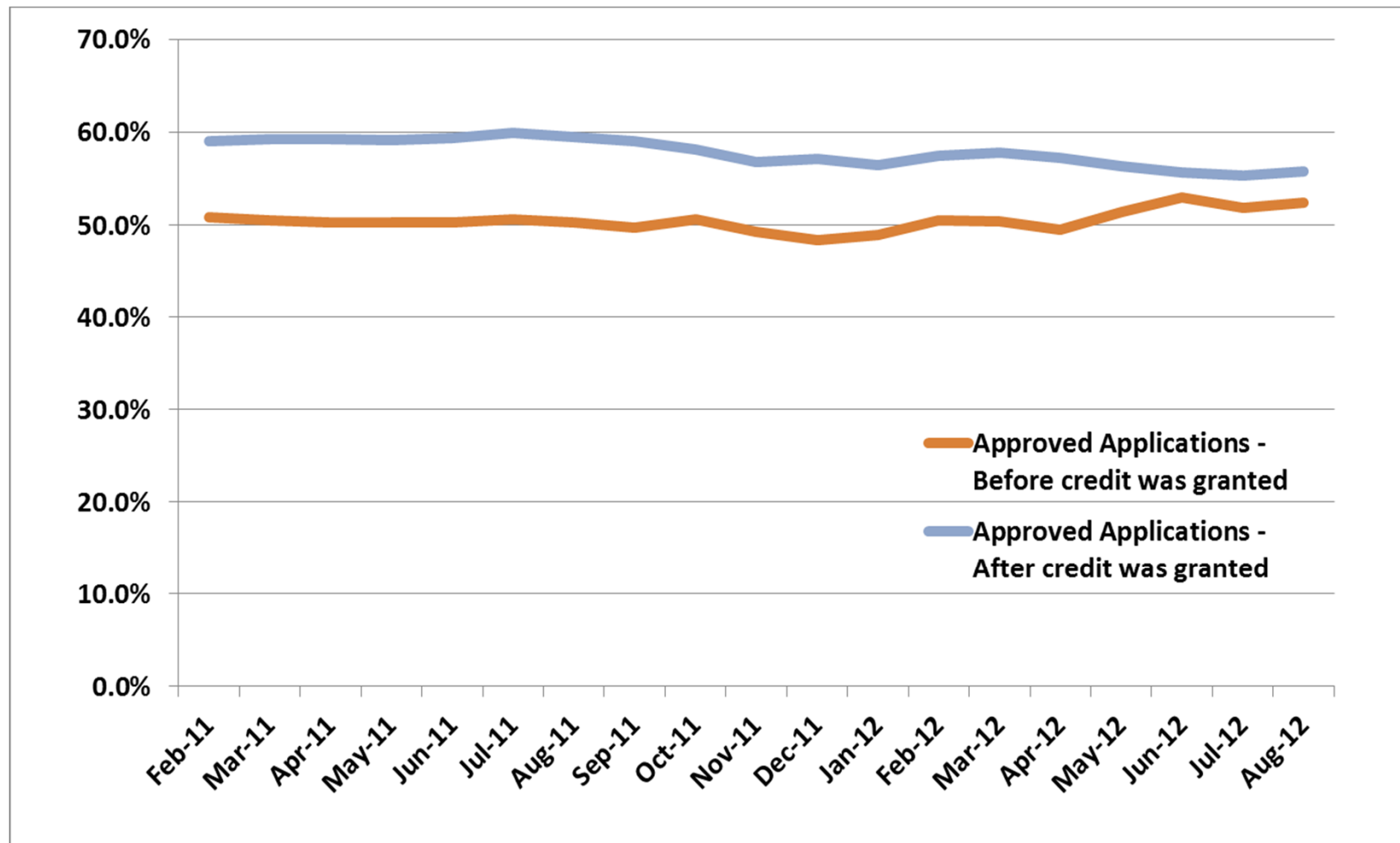
Quality – unsecured credit – % Impaired accounts



Source : NCR

# Growth Potential

Quality – Capitec Bank - indebtedness own clients





# Growth Potential

## A restructured credit market

- 2007 – Credit Act change
  - From R10k over 36 months
  - To R230k over 84 months
- Mortgage bonds 2007 – 2011 (Q4)
  - Reduced: R53 billion to R29 billion disbursed
- Secured credit 2007 – 2011 (Q4)
  - Static: R32 billion to R33 billion
- Move from secured to unsecured
- Decrease in payroll lending

Source : NCR

# Growth Potential

A restructured credit market– increasing high income sector – Q4

Unsecured Credit Granted by 'Income Level' - %				
Monthly Income	2008	2009	2010	2011
< R10 000	68	53	48	42
R10 000 – R15 000	15	21	21	21
>R15 000	17	26	31	37
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source : NCR



# Growth Potential

## A restructured credit market

- Reduced cost of credit
  - Double the credit value – same monthly repayment
- New higher salaried clients using unsecured credit
- 1.3 million more credit clients – March 2010 to March 2011
- Credit need –bonded homes vs active credit clients

Source : NCR

# Growth Potential

Demand caused by growth in living standards

Growth		'000
Housing 2002 – 2010		2,600
Electricity accounts	2007 – 2011	602
Vehicles 2007 – 2011		733

If the funding need is R50k per item – Total Credit Demand : R197 billion



# Growth Potential

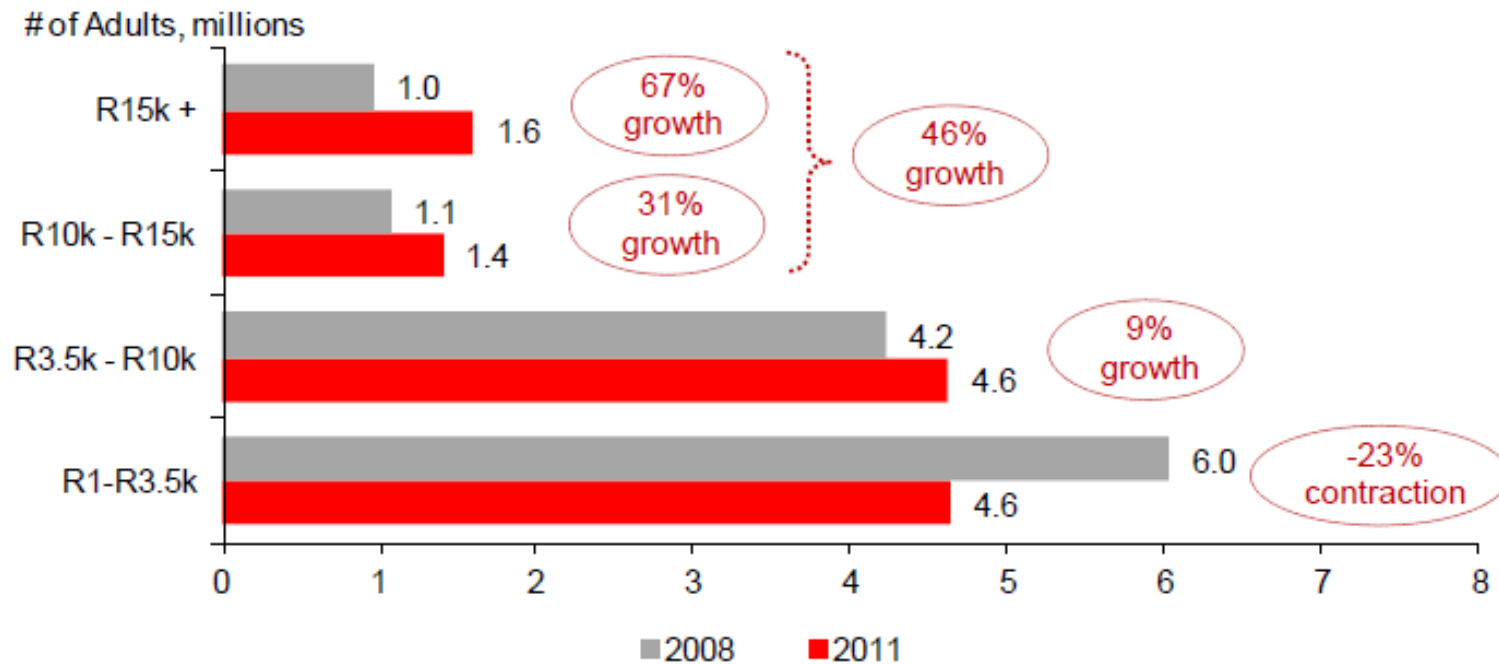
Changing consumer profile

Percentage Population Change: 2001 - 2011	
LSM 1 – 3	LSM 5 – 7
• 2001 - 40%	• 2001 - 31%
• 2011 - 14%	• 2011 - 49%

Source: AMPS

# Growth Potential

## Working adults per income group (millions)




Source: Eighty20 (NCR, AMPS data), Macquarie Research, August 2012

Source : Macquarie Research

# Growth Potential

## Share of market- Capitec Bank

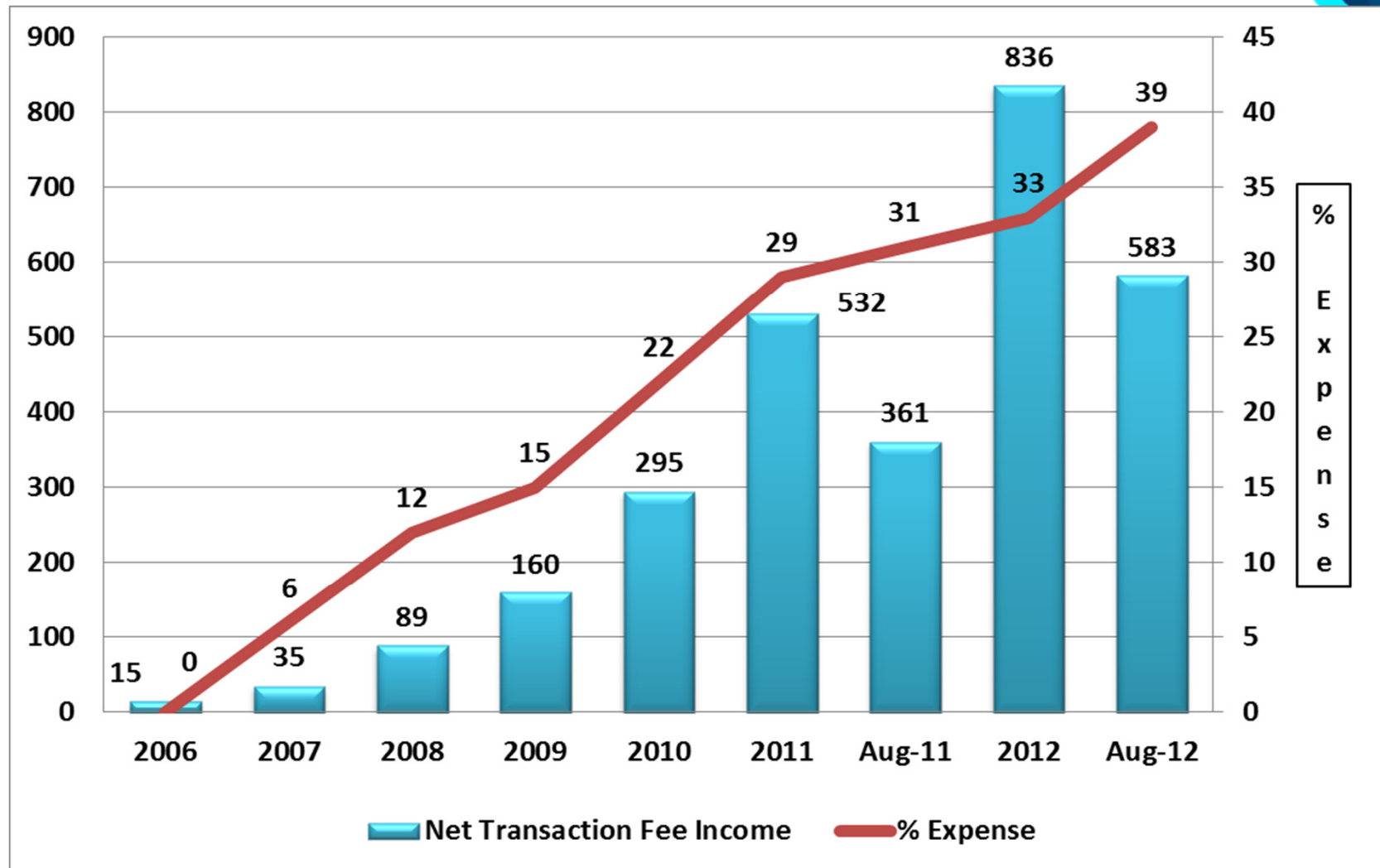


	Millions	Market share (Client numbers)
Total adult bank clients	21.2	
Capitec salary deposit clients	1.5	7.1%
Capitec fee income clients	1.9	9.0%
Active savings clients	3.0	
Capitec savings clients	0.6	20.0%
Active credit clients	19.5	
Capitec credit clients	1.1	5.6%

Source : Finscope / NCR

# Growth Potential

## Net transaction fee income







# Rights Issue

# Salient features of Rights Issue (RI)

- Amount – R2.25 billion
- 7 rights per 50 shares
- Current capital adequacy (CAR) is 38%



# Salient dates of Rights Issue



26 September 2012

Declaration on SENS

5 October 2012

Finalisation announcement on SENS

12 October 2012

Last day to trade in Capitec shares  
to participate in rights offer

15 October 2012

Letters of allocation  
available to shareholders to trade

22 October 2012

Rights offer opens

2 November 2012

Last day to trade letters of allocation

5 November 2012

Listing of rights offer shares and  
commencement of trading on JSE

9 November 2012

Rights offer closes at 12:00

12 November 2012

Rights offer shares issued

# Why do a Rights Issue ?

## Conservative capital management strategy

- Issue capital when you can, opposed to when you have to
- Would have had to issue capital post the announcement of the results in 2013, if no rights issue now
- Moving forward, it provides the bank with flexibility in executing its strategy
- Shareholder support



# Reasons for Rights Issue ?

- To fund growth of:
  - Branches
  - Loan book
- Uncertainty regarding Basel 3 implementation
- The capital mix between Tier 1 and Tier 2 instruments is expected to change
- Optimise the capital base





# The Future



# The Future

## Internal Focus

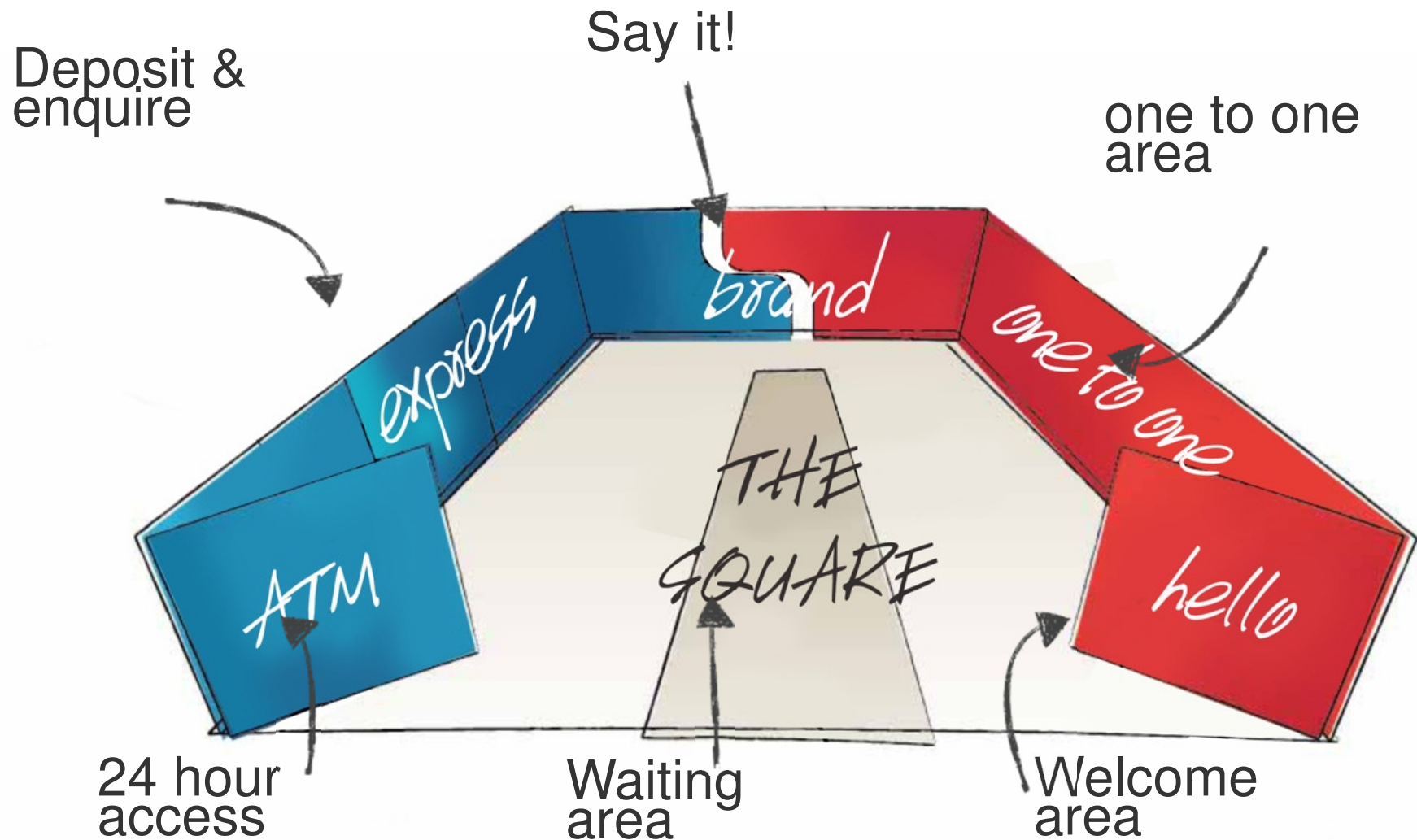
### Positioning, Product, Service – To be unique

- Positioning
  - Advertising
  - Branches
  - Locations



# The Future

## Positioning – Branch layout





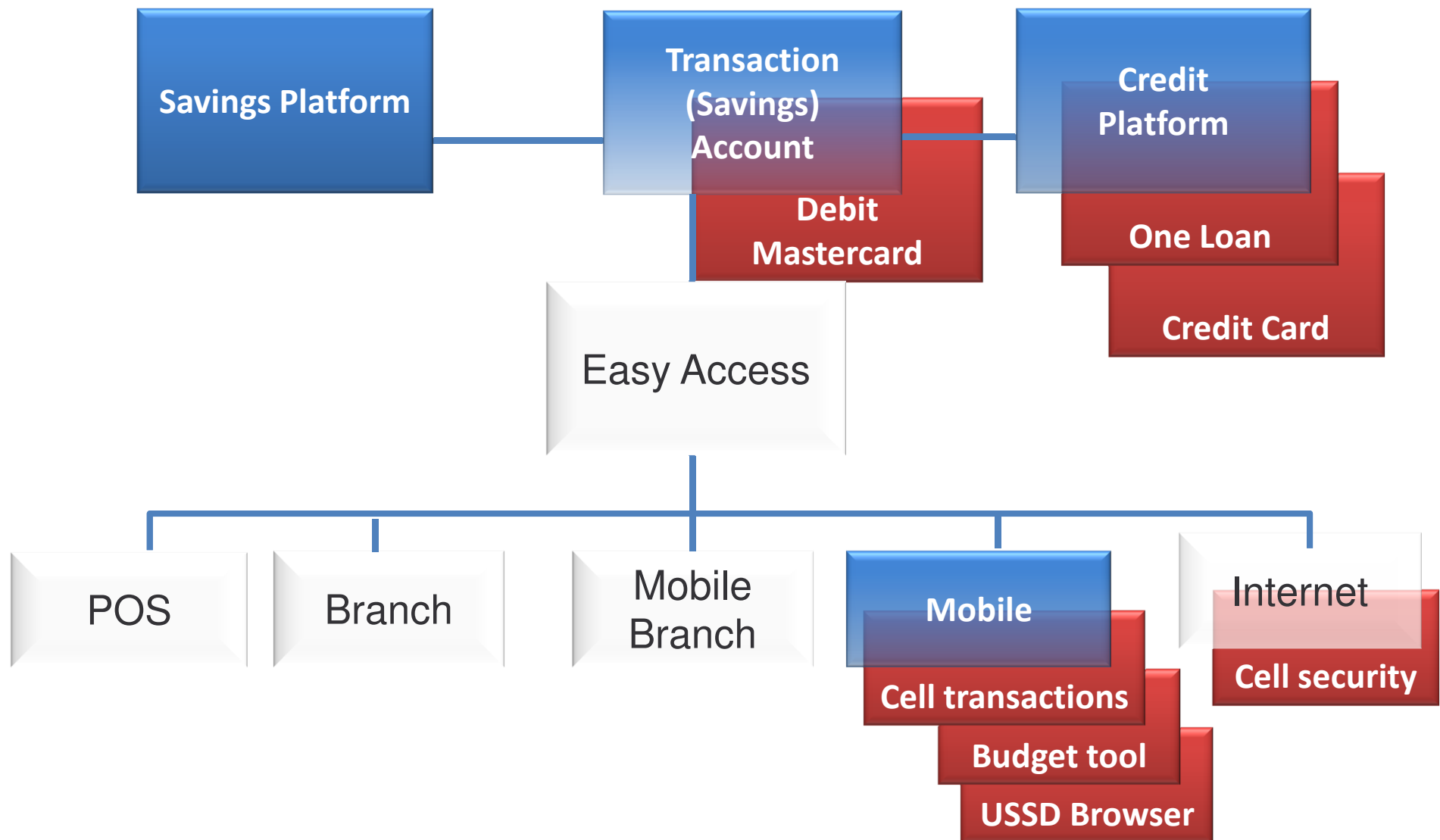
# The Future

## Positioning – Branch Look



# The Future

## Product enhancements



# The Future

## Service Enhancements

- Centralised collections – service focus
- Centralised control
- New service front end
  - Options
  - Road map
- Queuing system
- Side by side service
- Paperless
- Cash recycling
- Training
- **Efficiency**



# The Future – Capitec Bank

## External influences

- Economic down turn
- Regulatory environment
- Industrial action
- Competition





# Thank you



Simplicity is the ultimate  
sophistication

**Copyright© Capitec Bank 2009**

An authorised financial services and credit provider. Capitec Bank Limited Reg. No.: 1980/003695/06 NCR Reg. No.: NCRCP13