for the six months ended 31 August 2014

Headline earnings **UP 21%** to R1.173 billion

Headline earnings per share **UP 21%** to 1 018 cents

Interim dividend per share **UP 21%** to 246 cents

Return on equity

25%



Capital adequacy



Cost-to-income

34%

August 2013. Vigorous marketing and last year's redesign of the branch banking system have created momentum that is pushing net transaction fee income higher. Tight underwriting and a focus on collections contained the impact of the weak economic environment.

In May 2014, the World Economic Forum recognised Capitec Bank as one of 16 African high growth companies regarded as trailblazers and innovators. Capitec Bank's 'Global One' remains the most cost-effective account as per Solidarity's September 2014 report on bank charges.

Net transaction fee income ahead of expectations

Net transaction fee income increased to R1.2 billion for the six months ended August 2014 (in the six months ended August 2013 it was R899 million). Net transaction fee income covered 63% of operating expenses for the six months (six months to August 2013: 55%). New regulated fees to be implemented early in 2015 will result in a decrease in income from debit card fees; continued volume growth should

Growth in the number of active clients accelerated, increasing by 418 000

Active client numbers grew by 418 000 to 5.8 million since February 2014, driving the increase in net transaction fee income. The growth in the number of clients in the past six months exceeded the growth in the two prior six-month periods. We consider clients who make regular deposits (mostly their salaries) into their Capitec Bank accounts a key client category. These clients amounted to 2.5 million at August 2014 (August 2013: 1.9 million, February 2014: 2.2 million).

Secure mobile banking anywhere, anytime

We released the Capitec mobile app in July 2014. Client acceptance of the app exceeded expectations with 90 500 activations in a month and a half. Our app can be used on all phones with an internet connection, which includes older phone models (a significant number of South Africans do not have smartphones). The safety of our clients' money is essential so the app was designed to prevent fraud through SIM swaps. This safety feature is unique in the South African market, as it links the client to the phone and not to the SIM card.

National roll-out of home loan service in partnership with SA Home Loans

Capitec now performs an immediate in-branch assessment for clients interested in a home loan. If the assessment shows that the client may qualify, SA Home Loans is notified and they then contact the client directly. Capitec does not grant the home loan, this is done by SA Home Loans when clients are successful in their credit applications. The service is already available in Gauteng, KwaZulu-Natal and the Western Cape, rolling out to the rest of the country in October. This is part of our longer-term strategy to meet all our clients' core banking needs.

Over the last six months we opened 18 new branches and installed 290 additional ATMs to address the need highlighted in client surveys to have more branches and ATMs. Our focus is on increasing our presence in shopping malls.

Containing costs while expanding distribution

Containing costs while expanding distribution
Operating costs for the six months were R1.9 billion, an increase of 18%. The above inflation growth in
costs was driven by employee numbers increasing by 7% to 9 491. This was mainly due to the staffing
needs of the expanding branch network and employing more skilled people in key support departments,
namely information technology, business intelligence and project management. Capital expenditure was
less due to lower planned capital outlay and a slower roll out of ATMs due to limited availability of

Strong on fundamentals

Careful with our finances

We remain cautious in the way we grant credit by applying comprehensive credit screening models and a detailed client affordability assessment before granting a loan. With provisions we have a prudent approach setting aside calculated buffers for possible bad debts. We remain prudent with our capital, funding and liquidity; our ratios significantly exceed international standards and are higher than the average of the South African banking industry. In managing costs, we remain frugal, challenging each expense. Our cost-to-income ratio remains low at 34%.

Strict rules maintained for granting credit

We apply stringent rules to limit bad debts, which have the effect of limiting loan sales. Loan sales were 2% less than for the corresponding six months ended August 2013 and 7% more than sales for the smonths ended February 2014. Tighter rules meant the number of loans granted declined by 20% to 1 324 440 compared to the six months ended August 2013 and this is 5% lower than for the six months to February 2014. The average size of new loans increased mainly because we granted less low-value, short-term loans. The overall term of the outstanding book shortened from 45 months at February 2014 to 44 months at August 2014. Despite decreasing loan sales, loan revenue increased by 6%. Ve will continue earning interest and fees from loans sold in previous periods. Gross loans and ad grew to R35.1 billion (August 2013: R32.6 billion, February 2014: R33.7 billion).

Write-offs increase but overall growth in bad debts slows

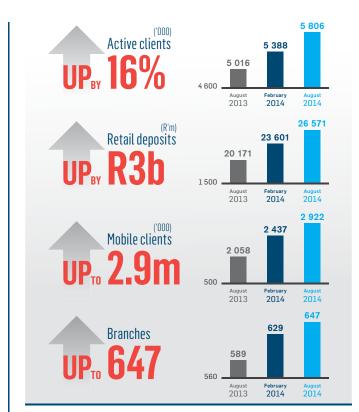
Gross loan impairment expenses (which are made up of debts written off and provisions for bad debts) rose by 6% for the six months ended August 2014 compared to the six months ended August 2013 Previous periods had a higher growth rate due to higher costs for increased provisions to address the higher book growth in the past. Write-offs totalled R2.1 billion, a 28% and 16% increase on the write-offs experienced in the six months to August 2013 and February 2014, respectively. The increase in write-offs was countered by a lower cost for provisions, which amounted to R126 million, decreasing by 72% and 73%, compared to the provision costs for the six months to August 2013 and February 2014, respectively. This occurred because provisions made in previous periods were more than sufficient to absorb current period write-offs, arrears have been stable and book growth was slow.

Recoveries improved by 58% resulting in net impairment expenses rising by 2%. The improved recoveries were due to a sustained focus on this aspect of our business. The net loan impairment expense to average gross loans and advances for the six months declined to 5.8% compared to 6.2% and 6.1% for August 2013 and February 2014, respectively.

The ratio of arrears to gross loans and advances remained stable at 5.5% compared to August 2013 and declined compared to the 6.5% at February 2014. Although ratios are stable, management remains cautious, mindful that arrears in the second six months of our financial year are usually higher. To address potential weakness in the book caused by strikes, competitors, the poor economy and the higher write-offs, R199 million in supplemental provisions were raised. This ensured that total provisions mpared to the gross loan book remained adequate at 10.7% (August 2013: 9.8%, February

When clients stop paying their instalments, we attempt to convince them to resume payment, if neccessary with a new repayment plan. As rescheduled loans represent a higher risk compared to other loans, we create additional provisions against them.

On average we continue providing prudently. We provide 8% for loans that are up to date, 46% for clients who are behind with one instalment. 74% for two instalments and 87% for three instalments. After 90 days in arrears, we consider the loan bad and write it off. Provisions are almost two times more than loans in arrears, as demonstrated by our arrears coverage ratio of 194% (August 2013: 1177%). Despite higher write-offs, performance and book quality is well within our risk appetite. We are consistent in the application of our provisioning and write-off policies.



Healthy liquidity and funding position

Retail deposits grew by R3 billion Robust growth in retail deposits of R3 billion for the six months to R26.6 billion (August 2013: R20.2 billion, February 2014: R23.6 billion) surpassed the growth in the gross retail loan book, which grew by R1.4 billion. The strong showing by retail deposits again made it unnecessary to source funding in the wholesale market. Our liquidity policies remain conservative and unchanged.

maintained full compliance with both the international benchmark Basel 3 liquidity ratios: the Liquidity Coverage Ratio (a short-term strength measure) and the Net Stable Funding Ratio (a long-term strength measure). These ratios measure our ability to survive a severe stress due to a loss of support from institutional funders and how well the bank matches cash inflows from assets to its cash outflows

Cash and short-term funds are 34% of total balance sheet assets

 $Muted\ retail\ loan\ growth\ and\ strong\ retail\ deposit\ growth\ resulted\ in\ this\ high\ level\ of\ liquidity.\ The\ ratio\ in\ August\ 2013\ was\ 28\%\ and\ February\ 2014,\ 31\%.$

Capital adequacy is prudent at 38%

The capital adequacy ratio remains strong at 38%, marginally lower than the 39% reported in February 2014 due to changes in the mix of cash and short-term funds. The core equity capital ratio was 30% (February 2014: 30%).

Preference shares amounting to R52 million (20% of our preference shares) that no longer counted as regulatory capital in terms of the Basel 3 rules were repurchased and replaced with less expensive fixed deposits. Repurchases occurred out of contributed tax capital.

The stronger profit performance has pushed the return on equity to the target of 25% (August 2013: 23%). The interim dividend increased by 21% to 246 cents per share. The bank remains conservatively leveraged at 5 times ordinary shareholders' equity relative to the industry average of 13 times

Working to improve industry lending standards

There is a general focus on unsecured lending practices and we have been working proactively with regulators and the industry for some time to implement sustainable improvements in the way credit providers grant credit. Through the Credit Providers Association we took the lead in promoting the reporting of new credit to the credit bureaux within 48 hours. This will limit the chance of granting too nuch credit to clients as their most recent transactions will reflect sooner on the bureaux. We were one

We are working with the National Credit Regulator (NCR) on the new rules to regulate client affordability assessments. When enforced, these will guide credit providers away from providing high-risk credit and better protect consumers applying for credit at registered providers. We do not charge our clients for the credit life cover they receive, so we have no exposure if credit life premiums are regulated. We have also been invited by the NCR to participate in discussions regarding the fair pricing of unsecured credit.

On 15 August 2014, Moody's Investor Service (Moody's) downgraded Capitec Bank's global scale deposit ratings to Ba2/NP from Baa3/P-3 and its national scale issuer ratings to Baa1.za/P-2.za from A2.za/P-1.za. All ratings are on review for further downgrade, with the exception of the short-term Not-Prime ratings. Capitec Bank was not alone as Moody's also downgraded other major South African banks. Capitec Bank is dissatisfied with the review process preceding this downgrade and its conclusion, but is working to have the credit rating improved.

Contingent liability

In the integrated reports for 2013 and 2014, mention was made of a notice received from the NCR alleging contraventions of the National Credit Act (NCA). On 9 April 2014, the National Consumer Tribunal dismissed the NCR's application against Capitec Bank. On 20 June 2014, Capitec Bank advised Induna usinsseu ine NCN a application against capture Salins on 20 one 20 H, Capture Dains avises that it had received a notice of appeal lodged by the NCR against this judgement. It remains impracticable to estimate the financial effect of any possible outcome. Capitec is still of the view that the matter will be satisfactorily resolved through due process.

The transaction banking result is the yield from investment made in previous periods. We will drive brand awareness and acceptance, and develop the product offer while expanding the distribution platforms, Bank we work hard to implement detail across the organisation

staple of modern life and the changes introduced by the NCA in 2007 enabled access to credit for many South Africans previously excluded. There is a future for unsecured lending, though we tread cautiously

We are pursuing our strategy to be accepted by all South Africans as the best retail bank

Interim dividend

The directors declared a gross interim dividend for the six months ended 31 August 2014 of 246 cents per ordinary share on Thursday, 25 September 2014. The dividend will be paid on Monday, 27 October 2014. There are 115 297 995 ordinary shares in issue.

of South African dividend tax of 15% is 209,10000 cents per share. The distribution is made from come 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, 17 October 2014 Trading ex-dividend commences Record date Friday, 24 October 2014 Monday, 27 October 2014 Payment date

Share certificates may not be dematerialised or rematerialised between Monday, 20 October 2014, and Friday, 24 October 2014, both days inclusive.

Walublin. Michiel le Roux

Gerrie Fourie

Key performance indicators			nonths August 2013	2014/2013	Year ended February 2014
Profitability					
Interest income	R'm	5 202	4 616	13	9 434
Net loan fee income Interest paid	R'm R'm	304 (1 179)	465 (1 040)	(35)	841 (2 133)
Net transaction fee income	R'm	1 202	899	34	1 927
Other banking income	R'm	17	-		(19)
Income from banking operations	R'm	5 546	4 940	12	10 050
Net loan impairment expense Net banking income	R'm R'm	(1 996) 3 550	(1 955) 2 985	2 19	(3 976) 6 074
Banking operating expenses	R'm	(1 912)	(1 620)	18	(3 242)
Tax	R'm	(455)	(384)	18	(795)
Preference dividend	R'm	(9)	(10)	(10)	(20)
Earnings attributable to ordinary shareholders Basic	R'm	1 174	971	21	2 017
Headline	R'm	1 173	971	21	2017
Net transaction fee income to banking operating					
expenses Net transaction fee income to net banking income	%	63 34	55 30		59 32
Cost-to-income ratio	%	34	33		32
Return on ordinary shareholders' equity	%	25	23		23
Earnings per share					
Attributable Headline	cents	1 018	844 844	21 21	1 752 1 752
Diluted attributable	cents	1 015	838	21	1 740
Diluted headline	cents	1 015	838	21	1 740
Dividends per share					
Interim	cents	246	203	21	203
Final Total	cents				460 663
Dividend cover	х				2.6
Assets					
Net loans and advances	R'm	31 323	29 460	6	30 053
Cash and short-term funds	R'm	16 611	11 819	41	14 423
Other	R'm	1 640	1 579	4	1715
Total assets	R'm	49 574	42 858	16	46 191
Liabilities Deposits	R'm	38 334	32 979	16	35 449
Other	R'm	808	730	11	760
Total liabilities	R'm	39 142	33 709	16	36 209
Equity					
Shareholders' funds	R'm	10 432	9 149	14	9 982
Capital adequacy ratio	%	38	39		39
Net asset value per ordinary share Share price	cents	8 868 21 205	7 7 1 0 18 4 0 0	15 15	8 433 18 375
Market capitalisation	R'm	24 449	21 215	15	21 186
Number of shares in issue	'000	115 298	115 298		115 298
Share options					
Number outstanding	'000 %	967	1 514	(36)	1 503
Number outstanding to shares in issue Average strike price	cents	14 197	8 520	67	9 465
Average time to maturity	months	22	19	16	16
Operations					
Branches		647	589	10	629
Employees Active clients	'000	9 491	8 890 5 016	7 16	9 070 5 388
POS merchants	000	5 806 25 893	22 631	14	24 329
ATMs					
Own		841	671	25	744
Partnership Total		2 367 3 208	2 173 2 844	9	2 174 2 918
Capital expenditure	R'm	145	314	(54)	549
Sales					
Loans					
Value of loans advanced	R'm	9 346	9 501	(2)	18 214
Number of loans advanced Average loan amount	'000 R	1 324 7 059	1 645 5 776	(20) 22	3 034 6 003
Repayments	R'm	11 329	10 800	5	21 862
Gross loans and advances	R'm	35 086	32 644	7	33 690
Loans past due (arrears)	R'm	1 935	1 799	8	2 174
Arrears to gross loans and advances Arrears and arrears rescheduled < 6 months	% R'm	5.5 2 680	5.5 2 634	2	6.5 2 921
Arrears and arrears rescheduled < 6 months				_	
to gross loans and advances Provision for doubtful debts	% R'm	7.6 3 763	8.1 3 184	18	8.7 3 637
Provision for doubtful debts to gross loans					
and advances Arrears coverage ratio	%	10.7 194	9.8 177		10.8 167
Loan revenue	R'm	5 169	4 899	6	9 841
Loan revenue to average gross loans and advances	%	15.0	15.5		30.6
Gross loan impairment expense	R'm	2 255	2 1 1 9	6	4 410
Recoveries	R'm	259	164	58	434
Net loan impairment expense	R'm	1 996	1 955	2	3 976
Net loan impairment expense to loan revenue Net loan impairment expense to average gross	%	38.6	39.9		40.4
loans and advances	%	5.8	6.2		12.4
Deposits Wholesale deposits	R'm	11 089	12 495	(11)	11 663
Retail call savings	R'm	16 183	11 885	36	14 617
Retail fixed savings	R'm	10 388	8 286	25	8 984

This short-form announcement is the responsibility of the directors, and is a summary of information in the full announcement published on SENS and on the Capitec Bank website. Investment decisions should be based on a review of the full SENS announcement. The full announcement is also available for inspection at the company's registered office during normal business hours at no charge. Copies of the full announcement may be requested from the company by emailing enquiries@capitecbank.co.za.