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 code:** ZAE000035861
JSE preference share code: CPIP **ISIN code:** ZAE000083838
("Capitec" or "the Company" or "the Group")

CAPITEC BANK HOLDINGS LIMITED

unaudited financial results

for the six months ended 31 August 2014

Active clients: **5.8 million**
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%**
Growth in net transaction fee income: **34%**

Key performance indicators

		Six months ended August 2014	Six months ended August 2013	2014/2013 %	Year ended February 2014
Profitability					
Interest income	R'm	**5 202**	4 616	13	9 434
Net loan fee income	R'm	**304**	465	(35)	841
Interest paid	R'm	**(1 179)**	(1 040)	13	(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	R'm	**(1 996)**	(1 955)	2	(3 976)
Net banking income	R'm	**3 550**	2 985	19	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	2 017
Net transaction fee income to banking operating expenses	%	**63**	55		59
Net transaction fee income to net banking income	%	**34**	30		32
Cost-to-income ratio	%	**34**	33		32
Return on ordinary shareholders' equity	%	**25**	23		23
Earnings per share					
Attributable	cents	**1 018**	844	21	1 752
Headline	cents	**1 018**	844	21	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	cents				460
Total	cents				663
Dividend cover	x				2.6

Key performance indicators (continued)

		Six months ended August 2014	Six months ended August 2013	2014/2013 %	Year ended February 2014
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	1 715
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	cents	8 868	7 710	15	8 433
Share price	cents	21 205	18 400	15	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	%	0.8	1.3		1.3
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		9 491	8 890	7	9 070
Active clients	'000	5 806	5 016	16	5 388
POS merchants		25 893	22 631	14	24 329
ATMs					
Own		841	671	25	744
Partnership		2 367	2 173	9	2 174
Total		3 208	2 844	13	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	'000	1 324	1 645	(20)	3 034
Average loan amount	R	7 059	5 776	22	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	%	5.5	5.5		6.5
Arrears and arrears rescheduled < 6 months	R'm	2 680	2 634	2	2 921
Arrears and arrears rescheduled < 6 months to gross loans and advances	%	7.6	8.1		8.7
Provision for doubtful debts	R'm	3 763	3 184	18	3 637
Provision for doubtful debts to gross loans and advances	%	10.7	9.8		10.8
Arrears coverage ratio	%	194	177		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	2 119	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	%	38.6	39.9		40.4
Net loan impairment expense to average gross 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

Earnings up 21%

Earnings grew by a satisfactory 21% in the past six months when compared to the six months ended 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 mitigate this impact.

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.

More branches and ATMs

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

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 suitable retail space.

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 six months 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%. We will continue earning interest and fees from loans sold in previous periods. Gross loans and advances 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.

Arrears percentages stable

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 compared to the gross loan book remained adequate at 10.7% (August 2013: 9.8%, February 2014: 10.8%).

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: 177%). 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.

We 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 to funders and depositors.

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%.

Solid capital levels

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.

Return on equity rises to 25%

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 (December 2013).

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 much credit to clients as their most recent transactions will reflect sooner on the bureaux. We were one of the first to implement this rule.

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.

Credit rating

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 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.

Prospects

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, which will all contribute to further growth in the years to come. Banking is about detail, and at Capitec Bank we work hard to implement detail across the organisation.

It is our aim to provide credit responsibly to those who can afford and manage it. Access to credit is a 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 as industry is still maturing.

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.

The dividend meets the definition of a dividend in terms of the Income Tax Act. The dividend amount net of South African dividend tax of 15% is 209.10000 cents per share. 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, 17 October 2014
Trading ex-dividend commences	Monday, 20 October 2014
Record date	Friday, 24 October 2014
Payment date	Monday, 27 October 2014

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

Interim consolidated balance sheet

	Unaudited August 2014 R'000	Unaudited August 2013 R'000	Six months August 2014/2013 %	Audited February 2014 R'000
Assets				
Cash, cash equivalents and money market funds	**9 517 631**	8 752 709	9	9 665 611
Investments designated at fair value	**2 887 229**	3 066 485	(6)	4 757 036
Fixed deposit investments	**4 205 964**	–		–
Loans and advances to clients	**31 322 897**	29 460 077	6	30 052 850
Other receivables	**203 646**	170 469	19	219 596
Derivative assets	**136 377**	162 278	(16)	202 816
Current income tax assets	**70 270**	37 473	88	22 529
Interest in associate	**1 962**	1 484	32	1 850
Property and equipment	**811 186**	793 298	2	855 251
Intangible assets	**208 061**	200 802	4	201 319
Deferred income tax assets	**209 175**	213 063	(2)	212 108
Total assets	**49 574 398**	42 858 138	16	46 190 966
Liabilities				
Loans and bonds at mortised cost	**38 333 835**	32 979 448	16	35 448 678
Provisions	**41 682**	11 711	256	11 451
Other liabilities	**766 880**	717 965	7	748 726
Total liabilities	**39 142 397**	33 709 124	16	36 208 855
Equity				
Ordinary share capital and premium	**5 512 570**	5 512 570	–	5 512 570
Cash flow hedge reserve	**34 622**	67 128	(48)	80 865
Retained earnings	**4 677 634**	3 310 347	41	4 129 707
Share capital and reserves attributable to ordinary shareholders	**10 224 826**	8 890 045	15	9 723 142
Non-redeemable, non-cumulative, non-participating preference share capital and premium	**207 175**	258 969	(20)	258 969
Total equity	**10 432 001**	9 149 014	14	9 982 111
Total equity and liabilities	**49 574 398**	42 858 138	16	46 190 966

Interim consolidated income statement

	Unaudited Six months ended August 2014 R'000	Unaudited Six months ended August 2013 R'000	Six months August 2014/2013 %	Audited Year ended February 2014 R'000
Interest income	5 201 633	4 616 442	13	9 432 796
Interest expense	(1 179 274)	(1 039 538)	13	(2 132 718)
Net interest income	4 022 359	3 576 904	12	7 300 078
Loan fee income	601 099	679 222	(12)	1 306 619
Loan fee expense	(297 577)	(214 186)	39	(465 916)
Transaction fee income	1 696 653	1 305 574	30	2 786 393
Transaction fee expense	(494 317)	(406 928)	21	(859 523)
Net fee income	1 505 858	1 363 682	10	2 767 573
Dividend income	–	104	(100)	7
Net impairment charge on loans and advances to clients	(1 996 017)	(1 955 379)	2	(3 976 170)
Net movement in financial instruments held at fair value through profit and loss	16 418	(1 827)	(999)	(19 083)
Other income	303	980	(69)	279
Income from operations	3 548 921	2 984 464	19	6 072 684
Banking operating expenses	(1 912 220)	(1 619 963)	18	(3 241 570)
Operating profit before tax	1 636 701	1 364 501	20	2 831 114
Share of profit of associate	112	405	(72)	1 683
Income tax expense	(455 454)	(384 086)	19	(795 243)
Profit for the period	1 181 359	980 820	20	2 037 554
Earnings per share (cents)				
Basic	1 018	844	21	1 752
Diluted	1 015	838	21	1 740

Interim consolidated statement of comprehensive income

Profit for the period	1 181 359	980 820	20	2 037 554
Cash flow hedge recognised during the period	(47 956)	105 130	(146)	187 644
Cash flow hedge reclassified to profit and loss for the period	(16 269)	10 216	(259)	(53 219)
Cash flow hedge before tax	(64 225)	115 346	(156)	134 425
Income tax relating to cash flow hedge	17 982	(32 293)	155	(37 635)
Other comprehensive income for the period net of tax	(46 243)	83 053	(156)	96 790
Total comprehensive income for the period	1 135 116	1 063 873	7	2 134 344

Reconciliation of attributable earnings to headline earnings

	Unaudited Six months ended August 2014 R'000	Unaudited Six months ended August 2013 R'000	Six months August 2014/ 2013 %	Audited Year ended February 2014 R'000
Net profit after tax	**1 181 359**	980 820	20	2 037 554
Preference dividend	**(8 736)**	(10 245)	15	(20 420)
Discount on repurchase of preference shares	**1 017**	–		–
Net profit after tax attributable to ordinary shareholders	**1 173 640**	970 575	21	2 017 134
Non-headline items:				
(Profit)/loss – disposal of				
Property and equipment	**(665)**	75	(987)	80
Income tax charge – property and equipment	**186**	(21)	987	(23)
Headline earnings	**1 173 161**	970 629	21	2 017 191

Summary consolidated statement of cash flows

	Unaudited Six months ended August 2014 R'000	Unaudited Six months ended August 2013 R'000	Six months August 2014/ 2013 %	Audited Year ended February 2014 R'000
Cash flow from operations	**3 490 734**	3 844 222	(9)	7 339 048
Income taxes paid	**(471 310)**	(429 925)	10	(829 951)
Cash flow from operating activities	**3 019 424**	3 414 299	(12)	6 509 098
Purchase of property and equipment	**(95 692)**	(214 446)	(55)	(407 457)
Proceeds from disposal of property and equipment	**1 110**	286	288	844
Purchase of intangible assets	**(49 357)**	(100 048)	(51)	(141 103)
Investment in subsidiaries and associates	**–**	912	(100)	–
Acquisition of fixed deposit investments	**(4 205 964)**	–	100	–
Acquisition of investments at fair value through profit or loss and money market unit trusts	**(245 217)**	(1 543 362)	(84)	(5 427 767)
Disposal of investments at fair value through profit or loss and money market unit trusts	**2 131 489**	1 195 471	78	3 374 769
Cash flow from investing activities	**(2 463 631)**	(661 187)	273	(2 600 714)
Dividends paid	**(540 368)**	(474 464)	14	(718 327)
Preference shares issued or redeemed	**(50 777)**	–	100	–
Ordinary shares issued	**–**	181 860	(100)	181 860
Realised loss on settlement of employee share options less participants' contributions	**(112 581)**	(153 377)	(27)	(149 183)
Cash flow from financing activities	**(703 726)**	(445 981)	58	(685 650)
Net increase in cash and cash equivalents	**(147 933)**	2 307 131	(106)	3 222 733
Cash and cash equivalents at the beginning of the year	**9 663 333**	6 440 600	50	6 440 600
Cash and cash equivalents at the end of the year	**9 515 400**	8 747 731	9	9 663 333

Interim consolidated statement of changes in equity

	Unaudited Six months ended August 2014 R'000	Unaudited Six months ended August 2013 R'000	Audited Year ended February 2014 R'000
Equity at the beginning of the period	**9 982 111**	8 512 994	8 512 994
Total comprehensive income for the period	**1 135 116**	1 063 873	2 134 344
Ordinary dividend	**(530 259)**	(464 565)	(698 458)
Preference dividend	**(8 736)**	(10 245)	(20 420)
Employee share option scheme:			
Value of employee services	**6 158**	6 472	8 398
Shares issued and acquired for employee share options at cost	**(140 919)**	(181 969)	(181 970)
Proceeds on settlement of employee share options	**28 337**	28 592	32 787
Tax effect on share options	**10 970**	12 002	12 576
Shares issued or redeemed	**(50 777)**	188 127	181 970
Share issue expenses	**–**	(6 267)	(110)
Equity at the end of the period	**10 432 001**	9 149 014	9 982 111

Commitments

	Unaudited Six months ended August 2014 R'000	Unaudited Six months ended August 2013 R'000	Audited Year ended February 2014 R'000
Capital commitments approved by the board			
Contracted for			
Property and equipment	**78 810**	52 264	26 622
Intangible assets	**9 433**	14 826	8 456
Not contracted for			
Property and equipment	**225 264**	325 475	397 505
Intangible assets	**77 423**	104 394	138 914
Operating lease commitments			
Future aggregate minimum lease payments			
Within one year	**288 953**	238 058	257 035
From one to five years	**792 152**	715 786	740 229
After five years	**204 825**	220 836	215 552
Total future cash flows	**1 285 930**	1 174 680	1 212 816
Straight-lining accrued	**(64 245)**	(51 198)	(57 201)
Future expenses	**1 221 685**	1 123 482	1 155 615

Segment analysis

Capitec reports a single segment – Retail banking, operating only within the South African economic environment. The business is widely distributed with no reliance on any major customers. The business sells a single retail banking product 'Global One' which enables clients to transact, save and borrow.

Fair values

In terms of IFRS 13 'Fair value measurement', the fair value of loans and advances was R35.0 billion (August 2013: R33.0 billion) and for deposits was R38.8 billion (August 2013: R32.5 billion). The fair value of all other financial instruments equates their carrying amount.

Unaudited interim financial statements

The condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa 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 28 February 2014, which were prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies applied conform to IFRS and were consistent with those applied in the previous year except for standards, interpretations and amendments to published standards, applied for the first time during the current financial period, which did not have any impact on the financial statements. The group complies in all material respects with the requirements of the King III Code. Basel disclosures, in terms of Regulation 43 of the Regulations relating to Banks, are available on the Capitec Bank website.

No event, which is material to the financial affairs of the group, has occurred between the reporting date and the date of approval of the condensed consolidated interim financial statements.

The preparation of the condensed consolidated interim financial statements was supervised by the chief financial officer, André du Plessis CA(SA).

On behalf of the board, Stellenbosch, 25 September 2014.

Michiel le Roux
Chairman

Gerrie Fourie
Chief executive officer

Company secretary and registered office
Christian George van Schalkwyk: BComm, LLB, CA(SA)
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PSG Capital Proprietary Limited (Registration number: 2006/015817/07)

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