summarised audited financial results

for the year ended 28 February 2015

CAPITEC BANK HOLDINGS LIMITED

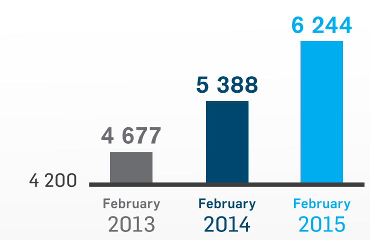
Headline earnings
UP 26% to R2.547 billion

Headline earnings per share
UP 26% to 2 209 cents

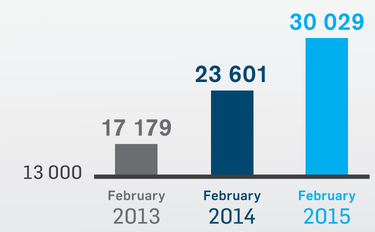
Final dividend per share
UP 28% to 590 cents

Return on equity	25%
Capital adequacy	36%
Cost-to-income	35%

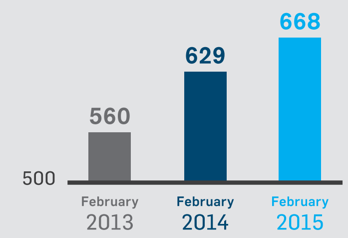
UP BY ('000)
Active clients
16%



UP BY (R'm)
Retail deposits
R6.4b



UP TO
Branches
668



Through a storm

Our number of active clients increased by 856 000 to 6.2 million, compared to an increase of 711 000 last year. According to the comprehensive AMPS survey, 16.8% of South Africans regard us as their primary bank, up from 12.7% the previous year. However, our dominant profit driver remains our personal lending business where loan growth was modest but still positive. In this part of our business we concentrated on improving credit granting and recoveries. A healthy growth in all departments seemed unlikely early in our financial year. South Africa was rocked by large strikes, affecting many of our clients and on 10 August 2014 our biggest competitor was placed under curatorship. It was an unpleasant experience to watch them fold under the weight of bad debt and market panic. Yet, by year-end our retail clients proved to be unaffected by this drama and total retail funding grew by 27% to R30 billion. The wholesale funding market has not yet returned to normal, as we explain below. Our earnings growth of 26% was driven by an increase in net transaction fee income, increased recoveries and improved credit granting.

Net transaction fee income increased 35%

After growing by 35%, our net transaction fee income covers 65% of our banking operating expenses and provides 34% of our net banking income. This growth will slow temporarily next year as new limits on card processing fees between banks and merchants are applied. We plan for this to be countered by an increase in client numbers and increased activity per client.

More South Africans are trusting Capitec with their money

The number of our primary banking clients grew by 578 000, to 2.8 million. These are clients who make regular deposits (mostly their salaries) into Capitec accounts and who transact more regularly. Acceptance of the Capitec brand by higher income earning clients has influenced this performance.

We believe in branches and staff development

Although electronic service channels are important, face-to-face communication remains essential for many clients. We place a priority on internal employee promotion and provide easy access to the training they need to perform effectively. During the year we promoted 1 251 employees. We increased the number of branches by 39 to 668. We increased the capacity of existing branches by increasing the number of consultant workstations. Across the bank we created 1 191 new positions and now have 10 261 employees.

Capitec is a retail bank only

We do not do business or corporate banking. The only services we provide to businesses support our retail focus, such as a facility to pay salaries to employees, and card machines. We focus our efforts on providing a distinctive service, saving our clients time and money. This means we are obsessed with analysing details. Precision is necessary to deliver on the transparency and simplicity of our product offer.

Our automated queue management system enables us to provide better service and to improve our branch efficiency. In the past year our branches issued 62 million service tickets, an increase of 30% on the 48 million of the previous year. We increased our ATM network by 500, bringing the total of own and partnership ATMs to 3 418. The take-up of our cellphone app and internet banking continues to grow significantly and we are pleased with the feedback received from the market on the simplicity of these products.

For the third year in a row Capitec received the highest general customer satisfaction scores for banking in the South African Customer Satisfaction Index.

In November 2014, for the second year in a row, Capitec was voted South Africa's favourite financial services institution in the Ask Afrika Orange Index customer service awards. Capitec ranked third overall, the only financial institution to make the top 20. We are thrilled by this recognition, but know that service quality is a daily challenge in any retail business.

Increase in the cost-to-income ratio

The cost-to-income ratio increased from 32% in 2014 to 35% this year. The two biggest reasons for the 25% growth in expenses was a growth of 13% in the number of employees and an increase of 479% in employee incentive costs. Salary costs grew by R232 million and bonus incentive costs grew by R254 million. Profit targets were achieved, resulting in special bonuses for all employees. The 123% increase in the share price increased the cost of incentives that are linked to this price, being R109 million of the increase in incentives.

A better credit granting model

We continually adjust our credit criteria to improve the quality of the credit we grant. These changes are intended to reduce credit risk, at the same time enabling us to lend more to specific groups of clients. In general it has reduced the period a loan is granted for. The average term of the outstanding book decreased from 45 months at February 2014 to 43 months at February 2015. Although the terms of loans advanced were shorter, the value of loans advanced grew by 7% from R18.2 billion to R19.4 billion in 2015 as the average loan amount increased.

Gross loan impairment expense increased by 5%

The gross loan impairment expense rose by 5% to R4.6 billion, due to the result of extended strikes in the mining sector and the impact on downstream industries, the strike in the manufacturing sector and challenges in the administration of collections in the education sector. Additionally, because bad debts occur over time, the expense includes bad debt occurring on loans sold in previous years. Write-offs increased by 26% from R3.5 billion to R4.4 billion, compared to a 99% increase in 2014. The level of provisions was increased by R220 million compared to an increase of R914 million in 2014, because of lower arrears. Year-end arrears were 10% lower than last year.

We provide 8% on all new and up-to-date loans

Arrears were lower as a percentage of gross loans and advances, amounting to 5.4% compared to 6.5% at the end of the 2014 financial year. The level of provisions to arrears was 196%, compared to 167% at February 2014. Bad debt provisions increased 6% to R3.857 billion. We provide 8% on up-to-date loans, 45% on loans one instalment behind, 73% for two instalments and 87% for three instalments. After 90 days in arrears we consider the loan bad, write it off and hand it over to the legal process. The book is performing within our risk appetite. The board and management concluded that the level of provisioning is sufficient.

We enhanced our centralised pre- and post-delinquent collection processes; we improved reporting, strengthened management, restructured the legal collections environment and refined systems to improve recoveries by 39% to R602 million.

Capital adequacy healthy at 36%

The profit Capitec is generating is sufficient to fund the growth in the retail loan book. The capital adequacy ratio declined from 39% at February 2014 to 36% at February 2015 mainly because we keep more money in higher yielding investments such as fixed and term-notice deposits, which according to the rules require more capital than government treasuries. At the end of the 2015 financial year 37% of bank assets were invested in cash and short-term funds compared to 31% at the end of the 2014. Capitec remains conservatively leveraged with total assets at 5 times equity.

The return on equity is on target at 25%. The total annual dividend increased by 26% in line with the growth in earnings.

Retail deposits grew by R6.4 billion

While we noted some depositor hesitation from August 2014 to October 2014 due to African Bank's curatorship, retail depositors set aside concerns they may have had about the market and have increased deposits significantly since then. Deposit growth of R3.4 billion occurred in the second half of the year surpassing the R3 billion deposited in the first half.

Wholesale funding remains important

Wholesale funding reduced as some funding instruments matured. In contrast to the retail market, confidence in the wholesale funding market was negatively influenced by market events and the ratings downgrade of the South African banking sector. The availability of liquidity for all market participants has been lower and the cost higher. We extended the term of some of our wholesale funding agreements. Wholesale funding remains an important part of our liquidity structure. Capitec is fully compliant with the Basel 3 liquidity ratios. Our conservative liquidity policies are unchanged.

Regulation

Capitec engages regulators and government in a cooperative way, to understand and implement new regulations. We encourage regulators to engage with industry players to ensure both efficiency and practicality are considered, to the benefit of all stakeholders.

Contingent liability

Since 2013 we have reported that the National Credit Regulator ('NCR') alleged that Capitec Bank Limited had contravened the National Credit Act, number 34 of 2005 ('NCA'). The National Credit Tribunal dismissed the NCR's application and the NCR lodged an appeal. The appeal has been set down to be heard in the Gauteng High Court in February 2016. 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.

Changes in board composition and executive management

Pieter van der Merwe, a board member since 2007, has announced his retirement. Pieter has served as the chairman of the audit committee. He has been a stalwart member of the board and we thank him for his commitment, leadership and contribution.

On 23 March 2015 Jean Pierre Verster was appointed to the Capitec and Capitec Bank boards and will take over as the audit committee chairman. He comes with experience in banking and financial services and we welcome him.

After 14 years of outstanding and dedicated service, Chris Oosthuizen who was in charge of information technology ('IT') since we started, will be retiring in May 2015. We are indebted to Chris for developing the IT platform on which Capitec Bank stands today. He is succeeded by Wim de Bruyn. Wim has many years of IT experience in banking, and we welcome him on board.

Prospects

The South African economy continues to perform below its potential. However, we are optimistic. The growth in primary banking clients is an exciting trend that we expect to continue, helping to offset the impact of the new limits on card processing fees. Our brand is going from strength to strength and our efficiencies continue to improve.

Dividends

The directors declared a final gross dividend of 590 cents per ordinary share on 23 March 2015, bringing the total dividends for the year to 836 cents per share.

The final dividend meets the definition of a dividend in terms of the Income Tax Act (Act 58 of 1962). The dividend amount net of South African dividend tax of 15% is 501.50000 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. Capitec has 115 626 991 shares in issue at the declaration date.

Last day to trade cum dividend	Friday, 10 April 2015
Trading ex-dividend commences	Monday, 13 April 2015
Record date	Friday, 17 April 2015
Payment date	Monday, 20 April 2015

Share certificates may not be dematerialised or rematerialised between Monday, 13 April 2015 and Friday, 17 April 2015, both days inclusive.

The chief financial officer's review is available at www.capitecbank.co.za.

On behalf of the board, Stellenbosch, 24 March 2015

Michiel le Roux
Chairman

Gerrie Fourie
Chief executive officer

Key performance indicators

		2015	2014	Change % 2015/2014	2013
Profitability					
Interest income	R'm	10 783	9 434	14	7 085
Net loan fee income	R'm	619	841	(26)	1 153
Net transaction fee income	R'm	2 608	1 927	35	1 349
Interest paid	R'm	(2 426)	(2 133)	14	(1 663)
Other banking income	R'm	22	(19)		-
Income from banking operations	R'm	11 606	10 050	15	7 924
Net loan impairment expense	R'm	(4 014)	(3 976)	1	(2 659)
Net banking income	R'm	7 592	6 074	25	5 265
Banking operating expenses	R'm	(4 031)	(3 242)	24	(2 994)
Non-banking operations	R'm	(1)	2		7
Tax	R'm	(995)	(797)	25	(673)
Preference dividend	R'm	(18)	(20)	(10)	(21)
Earnings attributable to ordinary shareholders					
Basic	R'm	2 547	2 017	26	1 584
Headline	R'm	2 547	2 017	26	1 584
Net transaction fee income to banking operating expenses	%	65	59		45
Net transaction fee income to net banking income	%	34	32		26
Cost-to-income ratio	%	35	32		38
Return on ordinary shareholders' equity	%	25	23		27
Earnings per share					
Attributable	cents	2 209	1 752	26	1 519
Headline	cents	2 209	1 752	26	1 519
Diluted attributable	cents	2 206	1 740	27	1 498
Diluted headline	cents	2 206	1 740	27	1 498
Dividends per share					
Interim	cents	246	203	21	169
Final	cents	590	460	28	405
Total	cents	836	663	26	574
Dividend cover	x	2.6	2.6		2.6
Assets					
Net loans and advances	R'm	32 484	30 053	8	27 935
Cash and short-term funds	R'm	19 755	14 423	37	9 166
Other	R'm	1 677	1 715	(2)	1 246
Total assets	R'm	53 916	46 191	17	38 347
Liabilities					
Deposits	R'm	41 181	35 449	16	29 000
Other	R'm	1 172	760	54	834
Total liabilities	R'm	42 353	36 209	17	29 834
Equity					
Shareholders' funds	R'm	11 564	9 982	16	8 513
Capital adequacy ratio	%	36	39		41
Net asset value per ordinary share	cents	9 822	8 433	16	7 212
Share price	cents	41 000	18 375	123	18 800
Market capitalisation	R'm	47 407	21 186	124	21 515
Number of shares in issue	'000	115 627	115 298	-	114 442
Share options					
Number outstanding	'000	710	1 503	(53)	2 177
Number outstanding to shares in issue	%	0.6	1.3		2
Average strike price	cents	19 403	9 465	105	6 294
Average time to maturity	months	28	16	75	15
Operations					
Branches		668	629	6	560
Employees		10 261	9 070	13	8 308
Active clients	'000	6 244	5 388	16	4 677
ATMs					
Own		941	744	26	640
Partnership		2 477	2 174	14	1 914
Total		3 418	2 918	17	2 554
Capital expenditure	R'm	414	549	(25)	473
Sales					
Loans					
Value of loans advanced	R'm	19 417	18 214	7	25 401
Number of loans advanced	'000	2 820	3 034	(7)	3 760
Average loan amount	R	6 887	6 003	15	6 756
Repayments	R'm	23 787	21 862	9	19 159
Gross loans and advances	R'm	36 341	33 690	8	30 658
Loans past due (arrears)	R'm	1 964	2 174	(10)	1 777
Arrears to gross loans and advances	%	5.4	6.5		5.8
Arrears and rescheduled loans <6 months	R'm	2 848	2 921	(3)	2 402
Arrears and rescheduled loans <6 months to gross loans and advances	%	7.8	8.7		7.8
Provision for doubtful debts	R'm	3 857	3 637	6	2 723
Provision for doubtful debts to gross loans and advances	%	10.6	10.8		8.9
Arrears coverage ratio	%	196	167		153
Loan revenue	R'm	10 660	9 841	8	7 983
Loan revenue to average gross loans and advances	%	30.4	30.6		32.5
Gross loan impairment expense	R'm	4 616	4 410	5	2 932
Recoveries	R'm	602	434	39	273
Net loan impairment expense	R'm	4 014	3 976	1	2 659
Net loan impairment expense to loan revenue	%	37.7	40.4		33.3
Net loan impairment expense to average gross loans and advances	%	11.5	12.4		10.8
Deposits					
Wholesale deposits	R'm	10 913	11 663	(6)	11 679
Retail call savings	R'm	19 298	14 617	32	10 335
Retail fixed savings	R'm	10 731	8 984	19	6 844

This short-form press announcement is the responsibility of the directors. The information in this short-form announcement has been extracted from, and is a summary of, the audited information in the full announcement published on SENS and on the Capitec Bank website, but this announcement itself is not audited. 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

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Directors MS du P le Roux (Chairman), GM Fourie (CEO)*, AP du Plessis (CFO)*, Ms RJ Huntley, JD McKenzie, Ms NS Mjoli-Mncube, PJ Mouton, CA Otto, G Pretorius, R Stassen, JP Verster (appointed 23 March 2015) *Executive

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