



Audited summarised financial statements for the year ended 29 February 2016

Prepared under supervision of AP du Plessis (CFO)

The full integrated report is available at:
www.capitecbank.co.za/investor-relations

What are the key performance indicators?

Financial highlights
Stakeholder highlights
Key performance indicators

Financial highlights

Headline earnings (R'm)
R3 222

Headline earnings per share (cents)
2 787c

Return on equity (%)
27%

Net transaction fee income (R'm)
R3 020

Cost-to-income ratio (%)
34%

Stakeholder highlights

Clients


1 025 000
new clients

3.7m
new loans

52
new branches

287
additional ATMs

Shareholders


R3.2bn
net profit

1 055c
total dividend per share

R13.7bn
shareholder funds

Key performance indicators

		2016	2015	Change % 2016/2015	2014
Profitability					
Interest income	R'm	12 475	10 783	16	9 434
Net loan fee income	R'm	855	619	38	841
Net transaction fee income	R'm	3 020	2 608	16	1 927
Interest paid	R'm	(2 884)	(2 426)	19	(2 133)
Other income	R'm	(1)	22		(19)
Income from operations	R'm	13 465	11 606	16	10 050
Net loan impairment expense	R'm	(4 401)	(4 014)	10	(3 976)
Net income	R'm	9 064	7 592	19	6 074
Operating expenses	R'm	(4 591)	(4 031)	14	(3 242)
Non-banking operations	R'm	–	(1)		2
Income before tax	R'm	4 473	3 560	26	2 834
Tax	R'm	(1 244)	(995)	25	(797)
Preference dividend	R'm	(16)	(18)	(11)	(20)
Earnings attributable to ordinary shareholders					
Basic	R'm	3 213	2 547	26	2 017
Headline	R'm	3 222	2 547	26	2 017
Net transaction fee income to net income	%	33	34		32
Net transaction fee income to operating expenses	%	66	65		59
Cost-to-income ratio	%	34	35		32
Return on ordinary shareholders' equity	%	27	25		23
Earnings per share					
Attributable	cents	2 779	2 209	26	1 752
Headline	cents	2 787	2 209	26	1 752
Diluted attributable	cents	2 773	2 206	26	1 740
Diluted headline	cents	2 781	2 206	26	1 740
Dividends per share					
Interim	cents	375	246	52	203
Final	cents	680	590	15	460
Total	cents	1 055	836	26	663
Dividend cover	x	2.6	2.6		2.6

Key performance indicators (continued)		2016	2015	Change % 2016/2015	2014
Assets					
Net loans and advances	R'm	35 760	32 484	10	30 053
Cash and short-term funds	R'm	24 989	19 755	26	14 423
Other	R'm	2 196	1 678	31	1 715
Total assets	R'm	62 945	53 917	17	46 191
Liabilities					
Deposits	R'm	47 940	41 181	16	35 449
Other	R'm	1 346	1 172	15	760
Total liabilities	R'm	49 286	42 353	16	36 209
Equity					
Shareholders' funds	R'm	13 659	11 564	18	9 982
Capital adequacy ratio	%	35	36		39
Net asset value per ordinary share	cents	11 663	9 822	19	8 433
Share price	cents	47 400	41 000	16	18 375
Market capitalisation	Rm	54 807	47 407	16	21 186
Number of shares in issue	'000	115 627	115 627		115 298
Share options					
Number outstanding	'000	868	710	22	1 503
Number outstanding to shares in issue	%	0.8	0.6		1.3
Average strike price	cents	28 520	19 403	47	9 465
Average time to maturity	months	27	28	(4)	16
Operations					
Branches		720	668	8	629
Employees		11 440	10 261	11	9 070
Active clients	'000	7 269	6 244	16	5 388
ATMs					
Own		1 236	941	31	744
Partnership		2 469	2 477		2 174
Total		3 705	3 418	8	2 918
Capital expenditure	R'm	704	414	70	549

Key performance indicators (continued)		2016	2015	Change % 2016/2015	2014
Sales					
Loans					
Value of loans advanced	R'm	24 228	19 417	25	18 214
Number of loans advanced	'000	3 684	2 820	31	3 034
Average loan amount	R	6 577	6 887	(5)	6 003
Repayments	R'm	28 689	23 787	21	21 862
Gross loans and advances	R'm	40 891	36 341	13	33 690
Loans past due (arrears)	R'm	2 297	1 964	17	2 174
Arrears to gross loans and advances	%	5.6	5.4		6.5
Arrears and arrears rescheduled <6 months	R'm	3 839	2 848	35	2 921
Arrears and arrears rescheduled <6 months to gross loans and advances	%	9.4	7.8		8.7
Provision for doubtful debts	R'm	5 131	3 857	33	3 637
Provision for doubtful debts to gross loans and advances	%	12.5	10.6		10.8
Arrears coverage ratio	%	223	196		167
Arrears and arrears rescheduled <6 months coverage ratio	%	134	135		125
Loan revenue	R'm	12 145	10 660	14	9 841
Loan revenue to average gross loans and advances	%	31.5	30.4		30.6
Gross loan impairment expense	R'm	5 255	4 616	14	4 410
Recoveries	R'm	854	602	42	434
Net loan impairment expense	R'm	4 401	4 014	10	3 976
Net loan impairment expense to loan revenue	%	36.2	37.7		40.4
Net loan impairment expense to average gross loans and advances	%	11.4	11.5		12.4
Deposits					
Wholesale deposits	R'm	10 154	11 152	(9)	11 848
Retail call savings	R'm	24 152	19 298	25	14 617
Retail fixed savings	R'm	13 634	10 731	27	8 984

What do the chairman and chief executive officer have to say?

Relentless focus on clients and service

This year has seen the largest growth in our client numbers since we started the bank. By year-end, active clients were up 1 025 000 to 7.3 million and primary bank clients (those clients who make regular deposits – mainly salaries) increased by 582 000 to 3.3 million.

Our brand is accepted by all income profiles and most people like our transparent, non-discriminatory approach to services and fees: all our clients hold gold cards. According to the comprehensive AMPS survey for the period to June 2015, 20.6% of South Africans regard Capitec Bank as their primary bank, up from 18.9% for the period to December 2014.

A recent study by Centre for Competition, Regulation and Economic Development, supported by the National Treasury, demonstrates that Capitec's entry into the banking industry contributed to a more competitive banking environment, resulting in significantly lower bank charges in South Africa. This is estimated to amount to annual client savings across the banking system of R19.9 billion in 2014. The savings were calculated from the impact both on those clients who switched to Capitec Bank and the effect on clients who stayed with their existing bank but benefitted from reduced charges as the banks responded to Capitec's lower charges.

Cellphones lead to easier banking

Cellphone banking has taken off and the Capitec app is a tool clients can use easily and securely to simplify banking. Over 1 million clients have activated the app and can do almost everything they need to with three or four taps on their phones.

Earnings up 26%

Earnings increased by 26% to R3.2 billion from R2.5 billion a year ago. Continued growth from loan and transaction fee income combined with conservative credit granting contributed to the strong year-on-year increase.

Net transaction fee income increased by 16%

Growing client numbers, particularly salaried clients, combined with increased activity per client resulted in a 16% year-on-year increase in net transaction fee income to R3.0 billion. The decrease in card processing fees earned since March 2015 has been absorbed in this figure.

Our net transaction fee income covered 66% (February 2015: 65%) of our operating expenses and contributed 33% (February 2015: 34%) of our net income.

We strive for simplicity and transparency, giving clients greater control over their banking. Our fees are transparent and easy to understand. There was no price increase for cellphone and internet banking in the year and our other price increases were below inflation.

The importance of our employees

Capitec Bank's success depends upon its ability to recruit and retain employees as our unique service experience depends on them. We had 11 440 permanent employees at year-end, an increase of 1 179 employees compared to a year ago. Each one of our new employees is trained at our training centre in Stellenbosch and we invested significantly in leadership training. We promoted 1 369 employees within the organisation during the year.

Operating costs increased by 14%

Operating costs increased by 14% from R4.0 billion in 2015 to R4.6 billion in 2016. The cost-to-income ratio decreased from 35% in 2015 to 34% in 2016. The two biggest reasons for the growth in expenses were the increases in the number of employees and branches. Employment costs grew by R302 million, in line with the 11% year-on-year growth in employees. The cost of premises grew by R68 million as we opened 52 new branches during the year. Security and IT costs also showed significant increases.

Capital expenditure for the year was R704 million (February 2015: R414 million). The 70% year-on-year increase was due to the growing ATM and branch network, as well as the purchase of land and property.

Gross loans and advances increased by 13%

We granted 864 935 more loans in 2016 than in the previous year. Gross loans and advances increased by R4.6 billion to R40.9 billion.

The average term of the outstanding book decreased from 43 months at February 2015 to 40 months at February 2016. Although the average term of loans advanced were shorter and the average loan amount decreased, the value of new loans grew by 25% from R19.4 billion to R24.2 billion in 2016.

We react swiftly to events and changing circumstances that impact on our clients. Continuous detailed measurement of the performance and trends in the various segments of the loan book and economy is performed. For example, management undertook visits to mines during the year to understand the impact of the commodities downturn on our clients.

During the last few months of the 2016 year, macro-economic conditions deteriorated and as a result we made changes to the credit granting model in December 2015.

Arrears as a percentage of gross loans and advances increased to 5.6%

Arrears increased from R2.0 billion in 2015 to R2.3 billion in 2016, an increase of 17%, while arrears to gross loans and advances increased from 5.4% to 5.6%. Arrears performance was on track for most of the year, but increased in the last quarter of 2016.

Rescheduled accounts

We give clients who experience cash flow stress the opportunity to reschedule their payments. This applies to clients who are in arrears and those who are up-to-date with their payments, based on predetermined criteria.

Loans rescheduled during the last six months of the year (which were in arrears at the time of rescheduling), grew by 75% to R1.5 billion (February 2015: R884 million). This is due to the expansion of our higher margin short-term book, and is also an indication of the economic challenges faced by clients.

The increased cash flow stress to which clients are being subjected to, is also reflected in the increase in up-to-date rescheduling, which amounted to R1.8 billion (February 2015: R1.1 billion).

Conservative provisioning

We introduced two additional provisions during the latter half of the year. Firstly, for the probability of an up-to-date client rescheduling and secondly, for the effect of the macro-economic conditions on our clients. These provisions, as well as the provision model changes, contributed to a 33% increase in provision for doubtful debts to R5.1 billion at February 2016.

The total provisions compared to the gross loan book increased to 12.5% at the end of the 2016 financial year (February 2015: 10.6%). The level of provisions to arrears increased from 196% in 2015 to 223% in 2016.

We provide 8% on up-to-date loans, 47% on loans one instalment behind, 76% for two instalments and 89% for three instalments. We provide on average 49% on clients that rescheduled any of their loans whilst in arrears within the last six months although they are up-to-date in terms of the new agreement. For clients who rescheduled any of their loans whilst up-to-date we provide 16%. All these provisions are based on the probability of further default. All outstanding balances of clients who are 90 days in arrears on any loan are fully provided for or written off.

The gross loan impairment expense increased by 14% to R5.3 billion for the year ended February 2016 (February 2015: R4.6 billion).

The table below analyses this increase:

R'm	2016	2015	Change % 2016/2015	2014
Write-offs	3 981	4 395	(9)	3 496
Movement in bad debt provision	1 274	221	476	914
Gross loan impairment expense	5 255	4 616	14	4 410

Our net loan impairment expense to loan revenue improved from 37.7% in 2015 to 36.2% this year. The net loan impairment expense to average gross loans and advances decreased slightly from 11.5 % in 2015 to 11.4% this year.

The book is performing within our risk appetite. We expect continued pressure on employment and the economy. We are prudent when providing credit, we manage our book meticulously and we make conservative provisions.

Recoveries

Recoveries increased by 42% year-on-year from R602 million in 2015 to R854 million in 2016. The increase resulted from growth in the handed-over book, the implementation of a new strategy with our debt collectors and debt sales.

Robust capital

The return on equity for the year increased to 27% (February 2015: 25%). The total annual dividend increased by 26% from 836 cents per share to 1 055 cents per share, in line with the increase in earnings.

Capitec remains well capitalised and is generating sufficient profit to fund growth in the loan book. At February 2016, the capital adequacy ratio was 34.9%. We remain conservatively leveraged with total assets at 5 times equity.

Retail deposits grew by R7.8 billion

Capitec clients receive a minimum of 5.35% annual interest on balances in their transaction accounts. Retail fixed savings amounted to R13.6 billion at 29 February 2016 (an increase of R2.9 billion from a year ago) and retail call savings grew by R4.9 billion to R24.2 billion. Our retail deposits grew by more than our total advances.

We maintain a healthy reserve of longer dated wholesale deposits to match our assets. Wholesale funding remains an important part of our liquidity structure. On 2 November 2015, we received bids totalling R903 million and subsequently issued a bond of R500 million. Capitec is fully compliant with the Basel 3 liquidity ratios. Our conservative liquidity policies are unchanged.

Regulation

The Department of Trade and Industry (“DTI”) published new regulations dealing with the assessment of affordability under the National Credit Act on 13 March 2015. The regulations, which guide credit providers away from providing high-risk credit and protect consumers applying for credit at registered providers, came into effect on 13 September 2015.

The DTI published final regulations for interest rate limits and fees for credit agreements which will become effective from 6 May 2016. They have also invited comment on the draft regulations regarding the capping of costs on credit life and retrenchment insurance. Capitec does not currently charge credit life or retrenchment insurance, but will start to do so from 6 May 2016. We performed a robust assessment of the impact of these regulations, including the charging for credit life and retrenchment insurance based on a client-by-client risk assessment, and determined that there will be a limited impact on Capitec.

We continue to support appropriate regulation enhancing the sustainability of the credit industry and to reduce the cost of credit for consumers if this is done in a manner that is sustainable and achieves a balance between affordability and access to credit. We will support the regulator on these matters.

Contingent liability

Since 2013, we have reported that the National Credit Regulator (“NCR”) alleged that Capitec Bank Limited had contravened the National Credit Act. The National Credit Tribunal dismissed the NCR’s application and the NCR lodged an appeal. The appeal was heard in the Gauteng High Court before a bench of three judges on 24 February 2016. On 23 March 2016 the court delivered its judgment and dismissed the NCR’s appeal.

During February 2016 we became aware of another referral made by the NCR to the National Consumer Tribunal, which referral is being contested by Capitec Bank.

It is, and remains, impracticable to estimate the financial effect of any possible outcome of either of the referrals. Capitec is, and remains, of the view that the matters will be satisfactorily resolved through due process.

Changes in executive management

Christian van Schalkwyk, who was in charge of risk management and company secretary since we started in 2000, retired during November 2015. We would like to thank Christian for the work he did in helping grow the bank and ensuring it has a solid foundation. He is succeeded by Nkosana Mashiya as the risk management executive. Nkosana was previously deputy registrar of banks at the South African Reserve Bank, and brings a wealth of risk and regulatory knowledge. We welcome him on board. After serving as assistant company secretary for 15 years, Yolandé Mouton replaced Christian as company secretary.

Prospects

The rapid growth in client numbers ensures that we will continue investing heavily in people, branches and ATMs.

We expect difficult economic conditions to persist. We see this as an opportunity to gain more clients as they look for value and better service from their bank.

Capitec Bank is well placed for the regulatory changes on credit agreements. We expect minimal impact on our earnings from these changes.

We will strive to improve both ease of access for clients and service standards. Quality of service is a never ending challenge in banking. With a strong brand, a simple and cost-effective product, a conservative approach to credit and a healthy capital adequacy position, the bank remains focussed on the financial needs of South Africans.

Summarised consolidated statement of financial position

As at 29 February 2016

Dividend

The directors declared a final gross dividend of 680 cents per ordinary share on 29 March 2016, bringing the total dividends for the year to 1 055 cents per share. The interim dividend payment was increased to 36% of the total dividend from 29% last year. There are 115 626 991 ordinary shares in issue.

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 578.00000 cents per share. The distribution is made from income reserves. Capitec's tax reference number is 9405376840.

Last day to trade cum dividend	Trading ex-dividend commences	Record date	Payment date
Friday, 15 April 2016	Monday, 18 April 2016	Friday, 22 April 2016	Monday, 25 April 2016

Share certificates may not be dematerialised or rematerialised from Monday, 18 April 2016 to Friday, 22 April 2016, both days inclusive.

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

On behalf of the board



Michiel le Roux
Chairman

Stellenbosch
30 March 2016



Gerrie Fourie
Chief executive officer

	2016 R'm	2015 R'm
Assets		
Cash, cash equivalents and money market funds	14 165	11 312
Investments designated at fair value	–	2 664
Held-to-maturity investments	3 635	–
Term deposit investments	7 189	5 778
Loans and advances to clients	35 760	32 484
Other receivables	216	204
Derivative assets	225	36
Current income tax asset	53	38
Property and equipment	1 110	850
Intangibles	243	239
Deferred income tax assets	349	312
Total assets	62 945	53 917
Liabilities		
Loans and deposits at amortised cost	47 940	41 181
Other liabilities	1 238	1 108
Provisions	108	64
Total liabilities	49 286	42 353
Equity		
Ordinary share capital and premium	5 649	5 649
Cash flow hedge reserve	64	7
Retained earnings	7 772	5 701
Share capital and reserves attributable to ordinary shareholders	13 485	11 357
Non-redeemable, non-cumulative, non-participating preference share capital and premium	174	207
Total equity	13 659	11 564
Total equity and liabilities	62 945	53 917

Summarised consolidated income statement

Year ended 29 February 2016

	2016 R'm	2015 R'm
Interest income	12 475	10 783
Interest expense	(2 884)	(2 426)
Net interest income	9 591	8 357
Loan fee income	1 545	1 246
Loan fee expense	(690)	(627)
Transaction fee income	4 326	3 673
Transaction fee expense	(1 306)	(1 065)
Net fee income	3 875	3 227
Net impairment charge on loans and advances to clients	(4 401)	(4 014)
Net movement in financial instruments held at fair value through profit or loss	(1)	21
Income from operations	9 064	7 591
Operating expenses	(4 591)	(4 031)
Loss on sale of associate	–	(1)
Operating profit before tax	4 473	3 559
Income tax expense	(1 245)	(995)
Profit for the period	3 228	2 564
Earnings per share (cents)		
Basic	2 779	2 209
Diluted	2 773	2 206

Summarised consolidated statement of comprehensive income

Year ended 29 February 2016

	2016 R'm	2015 R'm
Profit for the period	3 228	2 564
Cash flow hedge recognised during the year	189	(89)
Cash flow hedge reclassified to profit and loss for the year	(111)	(14)
Cash flow hedge before tax	78	(103)
Income tax relating to cash flow hedge	(21)	29
Other comprehensive income for the period net of tax	57	(74)
Total comprehensive income for the period	3 285	2 490

Reconciliation of attributable earnings to headline earnings

Year ended 29 February 2016

	2016 R'm	2015 R'm
Net profit attributable to equity holders	3 228	2 564
Preference dividend	(16)	(18)
Discount on repurchase of preference shares	1	1
Net profit after tax attributable to ordinary shareholders	3 213	2 547
Non-headline items:		
Profit on disposal of property and equipment	(11)	(3)
Income tax charge – property and equipment	3	1
Loss on scrapping of intangible assets	23	2
Income tax charge – intangible assets	(6)	(1)
Loss on sale of associate	–	1
Headline earnings	3 222	2 547

Summarised consolidated statement of cash flows

Year ended 29 February 2016

	2016 R'm	2015 R'm
Cash flow from operations	8 446	7 713
Income taxes paid	(1 298)	(1 037)
Cash flow from operating activities	7 148	6 676
Purchase of property and equipment	(580)	(288)
Proceeds from disposal of property and equipment	23	16
Purchase of intangible assets	(124)	(125)
Proceeds from sale of associate	–	1
Investment in term deposit investments	(8 183)	(7 270)
Redemption of term deposit investments	6 773	1 491
Acquisition of held-to-maturity investments	(4 182)	–
Redemption of held-to-maturity investments	547	–
Acquisition of investments at fair value through profit or loss and money market unit trusts	(89)	(2 669)
Disposal of investments at fair value through profit or loss and money market unit trusts	2 747	4 777
Cash flow from investing activities	(3 068)	(4 067)
Dividends paid	(1 132)	(832)
Preference shares redeemed	(32)	(51)
Ordinary shares issued	–	137
Realised loss on settlement of employee share options less participants' contributions	(68)	(222)
Cash flow from financing activities	(1 232)	(968)
Net increase in cash and cash equivalents	2 848	1 641
Cash and cash equivalents at the beginning of the period	11 304	9 663
Cash and cash equivalents at the end of the period	14 152	11 304

Summarised consolidated statement of changes in equity

Year ended 29 February 2016

	2016 R'm	2015 R'm
Equity at the beginning of the period	11 564	9 982
Total comprehensive income for the period	3 285	2 490
Ordinary dividend	(1 116)	(814)
Preference dividend	(16)	(18)
Employee share option scheme:		
Value of employee services	23	13
Shares issued and acquired for employee share options at cost	(101)	(278)
Proceeds on settlement of employee share options	33	56
Tax effect on share options	19	47
Shares issued	–	137
Non-redeemable, non-cumulative, non-participating preference shares repurchased	(32)	(51)
Equity at the end of the period	13 659	11 564

Commitments

Year ended 29 February 2016

	2016 R'm	2015 R'm
Capital commitments approved by the board		
Contracted for:		
Property and equipment	347	54
Intangible assets	24	9
Not contracted for:		
Property and equipment	702	497
Intangible assets	467	132
Property and other operating lease commitments		
Future aggregate minimum lease payments		
Within one year	355	309
From one to five years	1 071	836
After five years	279	214
Total future cash flows	1 705	1 359
Straight-lining accrued	(89)	(71)
Future expenses	1 616	1 288

Notes

Year ended 29 February 2016

Post balance sheet event

On 10 August 2014, African Bank Limited was placed into curatorship. Capitec Bank is a participant in a consortium that will underwrite the recapitalisation of African Bank. The other members of the consortium comprise the Public Investment Corporation and five other South African retail banks. The banks have a maximum exposure of R2.5 billion of the recapitalisation. The participation level of each of the banks is based on a formula agreed on between the banks. The recapitalisation occurred during March 2016.

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' that 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 R38.2 billion (February 2015: R36.9 billion), deposits and bonds was R48.1 billion (February 2015: R41.4 billion) and derivative assets was R225.4 million (February 2015: R35.8 million asset; R22.1 million liability). The fair value of loans and advances was calculated on a level 3 basis and deposits and bonds and derivative assets were calculated on a level 2 basis. Investments designated at fair value are valued using the market approach on a level 2 basis. The fair value of all other financial instruments equates their carrying amount.

The summarised consolidated financial statements are prepared in accordance with the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act applicable to summarised financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 'Interim Financial Reporting'. The accounting policies applied in the preparation of the consolidated financial statements from which the summarised consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements. All other standards, interpretations and amendments to published standards applied for the first time during the current financial period did not have any significant impact on the financial statements.

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

Audit committee report

Capitec Bank Holdings
Limited and its subsidiaries
(the 'group')

The Capitec Bank Holdings group audit committee ('the committee') is an independent statutory committee appointed by the board of directors in terms of section 64 of the Banks Act (Act 94 of 1990) and the Companies Act (Act 71 of 2008) (the Act) to the extent applicable.

The committee comprises of four non-executive directors, of which three are independent. The committee met three times during the year with 100% attendance by members at the meetings.

The committee's responsibilities include statutory duties in terms of the Act, as well as responsibilities assigned to it by the group's board of directors. The committee's terms of reference are set out in a board-approved charter and are detailed in the corporate governance review.

The committee conducted its affairs in compliance with, and discharged its responsibilities in terms of, its charter for the year ended 29 February 2016.

The committee performed the following statutory duties during the period under review:

- Satisfied itself that the external auditor is independent of the company, as set out in section 94(8) of the Act.
- Ensured that the appointment of the auditor complied with the Act, and any other legislation relating to the appointment of auditors.
- In consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted fees for the 2016 financial year.
- Approved the terms of the master agreement for the provision of non-audit services by the external auditor, and approved the nature and extent of non-audit services that the external auditor may provide.
- Nominated for election at the annual general meeting, PricewaterhouseCoopers Inc. as the external audit firm.
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the independent external auditor and internal auditors, that the system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements.

- Reviewed the accounting policies and the group financial statements for the year ended 29 February 2016 and, based on the information provided to the committee, considers that the group complies, in all material respects, with the requirements of the Act, the JSE Listings requirements, the King III Code and IFRS.
- Undertaken the prescribed functions in terms of section 94(7) of the Act, on behalf of the subsidiary companies of the group.

The committee performed the following duties assigned by the board during the period under review:

- Considered the sustainability information as disclosed in the integrated report, which is the result of a combined assurance model, and satisfied itself that the information is reliable and consistent with the financial results. The committee, at its meeting held on 29 March 2016, recommended the integrated report for approval by the board of directors.
- Ensured that the company's internal audit function is independent and had the necessary resources and authority to enable it to discharge its duties.
- The committee recommended the internal audit charter for approval by the board and approved the annual audit plan.

- The committee met with the external auditors and with the head of the internal audit function without management being present.
- The committee satisfied itself that the group financial director has appropriate expertise and experience as required by the JSE Listings Requirement 3.84(h).



Jean Pierre Verster

Chairman

29 March 2016

Directors' report

Year ended 29 February 2016

The directors present their annual report to shareholders for the year ended 29 February 2016.

Nature of the business

Capitec Bank Holdings Limited (Capitec or the company) was incorporated in South Africa on 23 November 1999 and registered as a bank controlling company, as envisaged by the Banks Act 1990, on 29 June 2001. Capitec was listed in the Banks sector of the JSE Limited on 18 February 2002.

The company holds 100% of its principal subsidiary, Capitec Bank Limited (Capitec Bank). Capitec Bank is a leading South African retail bank which focuses on essential banking services and provides innovative savings, transacting and unsecured lending products to individuals.

Review of operations

The operating results and the state of affairs of the company and the group are fully disclosed in the annual financial statements and commentary is provided in the chief financial officer's report, which is included in the integrated annual report.

Share capital

No ordinary shares were issued during the year ended 29 February 2016 bringing the number of shares in issue to 115 626 991 (February 2015: 115 626 991).

No ordinary shares were repurchased during the year and 368 707 (February 2015: 573 803) preference shares were repurchased.

Dividends to shareholders

The company declared the following dividends for the year under review and the previous year:

	2016	2015
Ordinary dividend (cents per share)		
Interim	375	246
Final	680	590
Preference dividend (cents per share)		
Interim	390.79	380.64
Final	404.21	382.23

The final ordinary dividend for 2016 was approved by the directors on 29 March 2016. In terms of the requirements of IFRS no accrual was made for this dividend.

Subsidiaries and associates

Information relating to the company's financial interest in its subsidiaries is presented in the notes to the annual financial statements.

Directors and company secretary

Information relating to the directors and company secretary are included in section 8 of the integrated annual report.

During the year ended 29 February 2016, the following changes were effected to the board of directors: JP van der Merwe resigned on 20 March 2015 and JP Verster was appointed on 23 March 2015.

The directors' interest in share capital and contracts, and directors' remuneration are disclosed in the notes to the annual financial statements.

Post balance sheet events

The directors are not aware of any other event which is material to the financial position of the group that has occurred between the reporting date of 29 February 2016 and the date of approval of these financial statements.

Independent auditor's report on summary financial statements

Year ended 29 February 2016

To the shareholders of Capitec Bank Holdings Limited

The summary consolidated financial statements of Capitec Bank Holdings Limited, set out on pages 11 to 19 of the, which comprise the summary consolidated balance sheet as at 29 February 2016, the summary consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Capitec Bank Holdings Limited for the year ended 29 February 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 29 March 2016. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph: "Other Reports Required by the Companies Act" (refer below).

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Capitec Bank Holdings Limited.

Directors' Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the JSE Limited's (JSE) requirements for summary financial statements, set out in the notes to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Capitec Bank Holdings Limited for the year ended 29 February 2016 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for summary financial statements, set out in the notes to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other Reports Required by the Companies Act

The "Other Reports Required by the Companies Act" paragraph in our audit report dated 29 March 2016 states that as part of our audit of the consolidated financial statements for the year ended 29 February 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we

have not identified material inconsistencies between these reports and the audited consolidated financial statements.

The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.



PricewaterhouseCoopers Inc.

Director: DG Malan
Registered Auditor
Cape Town
29 March 2016

Administration and addresses

Capitec Bank Holdings Limited

Company secretary and registered office

Yolandé Mouton, M.SC
1 Quantum Street, Techno Park, Stellenbosch, 7600
PO Box 12451, Die Boord, Stellenbosch, 7613

Transfer secretaries

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Ground Floor, 70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

Sponsor

PSG Capital Proprietary Limited (Registration number: 2006/015817/07)

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*

Website

www.capitecbank.co.za

Enquiries

The full integrated report can be requested from the company secretary at the registered offices or at enquiries@capitecbank.co.za

Shareholders' calendar

Annual General Meeting

Notice is hereby given that the annual general meeting of the shareholders of Capitec will be held on Friday, 27 May 2016. The detailed notice will be available from 26 April 2016 at

www.capitecbank.co.za/investor-relations/shareholders-centre.