

for the year ended 29 February 2016

Headline earnings per share **UP 26%** to 2 787 cents

Headline earnings **UP 26%** to R3.2 billion

Total dividend per share **UP 26%** to 1 055 cents



Return on equity

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 Nationa 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 increased by 26% to R3.2 billion from R2.5 billion a year ago. Continued growth from loan and

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

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 terms 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 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 predeter

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 upto-date rescheduling, which amounted to R1.8 billion (February 2015: R1.1 billion).

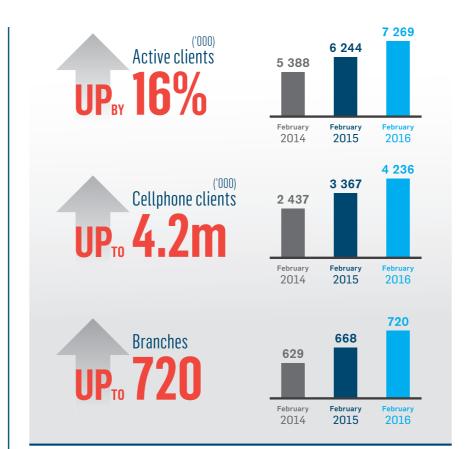
We introduced two additional provisions during the latter half of the year. Firstly, for the probability of an upto-date client rescheduling and secondly, for the effect of the macro-economic conditions on our clients. These provisions, as well as the provision model changes, contributed to a 33% increase 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 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

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:

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



loan impairment expense to average gross loans and advances decreased slightly from 11.5% in 2015 to

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

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

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

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.

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

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

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.

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

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

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.

Friday, 15 April 2016 Last day to trade cum dividend Trading ex-dividend commences Monday, 18 April 2016 Record date 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, Stellenbosch, 30 March 2016.

Moderlin Michiel le Roux



Key performance indicator	S	2016	2015	Change % 2016/2015	2014
Profitability					
Interest income	R'm	12 475	10 783	16	9 434
Net loan fee income Net transaction fee income	R'm R'm	855 3 020	619 2 608	38 16	841 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 Operating expenses	R'm R'm	9 064 (4 591)	7 592 (4 031)	19 14	6 074
Operating expenses Non-banking operations	R'm	(4 591)	(4 031)	14	(3 242)
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 shareholde			0.5.45	22	0.045
Basic Headline	R'm R'm	3 213 3 222	2 547 2 547	26 26	2 017 2 017
Net transaction fee income to net income	%	33	34		32
Net transaction fee income to operating expense	es %	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 Final	cents	375 680	246 590	52 15	203 460
Total	cents	1 055	836	26	663
Dividend cover	Х	2.6	2.6		2.6
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 R'm	2 196	1 678 53 917	31 17	1 715 46 191
Total assets	KIII	62 945	55 917	17	40 191
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	10	39 8 433
Net asset value per ordinary share Share price	cents	11 663 47 400	9 822	19 16	18 375
Market capitalisation	R'm	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 Average strike price	% cents	0.8 28 520	0.6 19 403	47	1.3 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 ATMs	'000	7 269	6 244	16	5 388
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
Sales					
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 R'm	40 891 2 297	36 341 1 964	13 17	33 690 2 174
Loans past due (arrears) Arrears to gross loans and advances	%	5.6	5.4	17	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	%	134	125		105
coverage ratio Loan revenue	R'm	12 145	135 10 660	14	125 9 841
Loan revenue to average gross loans and					
advances Gross Ioan impairment expense	% R'm	31.5 5 255	30.4 4 616	14	30.6 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 R'm	24 152 13 634	19 298 10 731	25 27	14 617 8 984
Retail fixed savings	кm	13 634	10/31	27	0 984

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.

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*

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