unaudited financial results

for the six months ended 31 August 2015

CAPITEC BANK HOLDINGS LIMITED

Headline earnings
UP 25% to R1.469 billion

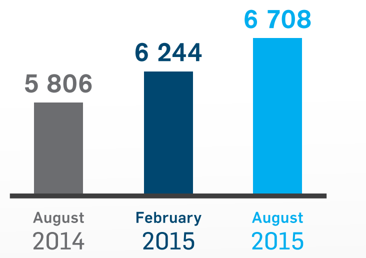
Headline earnings per share
UP 25% to 1 271 cents

Interim dividend per share
UP 52% to 375 cents

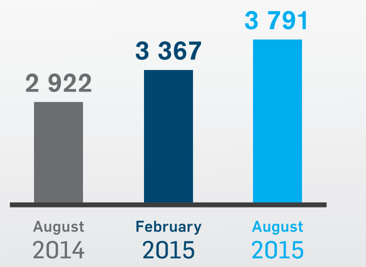
Return on equity | 26%

New jobs created | 1 543

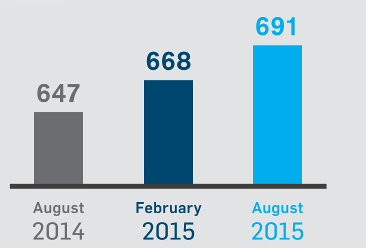
Active clients ('000)
UP BY 16%



Cellphone clients ('000)
UP TO 3.8m



Branches
UP TO 691



Sustainable growth

Capitec continues to grow. We have 902 000 more active clients than a year ago, of which 576 000 are additional primary banking clients. Over the last twelve months, we opened 44 branches and created 1 543 new jobs. Our retail deposits increased year-on-year by R8 billion. Our loan book has grown modestly and we are comfortable with the current arrears of 4.7%.

We remain focused on building relationships and supporting clients to manage their financial lives better. This has helped us attract young people in both high and low-income categories.

Earnings up 25%

Earnings increased by 25% to R1.5 billion from R1.2 billion a year ago. Growth came from higher loan and transaction fee income and improved loan book performance as a result of better granting criteria and lower arrears.

Winning market share

Capitec's banking philosophy continued to attract clients. Active client numbers grew during the past six months to 6.7 million at the end of August 2015. We define an active client as a client who performs a minimum level of transacting during a twelve-month period. According to the comprehensive AMPS survey for the period ended December 2014, 18.9% of South Africans regard Capitec Bank as their primary bank, up from 16.8% for the period ended June 2014. Similar growth in market share is expected when the next survey is announced.

Clients who make regular deposits (mostly their salaries) into their Capitec bank accounts are considered primary banking clients. These clients are important because they use their bank accounts more often, and as a result, we receive higher fee income from them. Primary banking clients totalled 3.0 million at August 2015 (August 2014: 2.4 million; February 2015: 2.8 million).

Net transaction fee income increased 18%

Net transaction fee income grew by 18% to R1.4 billion for the six months ended 31 August 2015, despite the impact of the decrease in card processing fees. Net transaction fee income covered 61% of operating expenses (six months to August 2014: 63%) and provided 32% of our net banking income (six months to August 2014: 34%).

Operating costs increased 21%

Operating costs increased by 21% to R2.3 billion for the six-month period. This represents a year-on-year increase of R403 million. The growth resulted from employee numbers increasing by 16% due to the expanding branch network and employing more people in support departments, mainly information technology. Employment costs contributed R277 million to the overall increase in operating expense. Premises and security are the other major contributors towards the increase.

We opened 23 new branches and installed 228 new ATMs during the last six months. There are 869 000 more clients making use of cellphone banking since August 2014, with 3.8 million clients using this method to transact.

A total of 773 new jobs were created in the last six months and Capitec now employs 11 034 people. We place emphasis on the training and development of individuals. All new employees undergo intense training to embed the bank's values and the bank's belief in client service. Leadership programmes that run in conjunction with the Gordon Institute of Business Science were introduced.

Capital expenditure increased 112% to R307 million for the six-month period ended August 2015 (August 2014: R145 million) due to an aggressive rollout of ATMs, acquisition of a building which houses our IT operations and the opening of new branches.

Gross loans and advances increased 8%

Gross loans and advances grew by 8% year-on-year from R35.1 billion to R37.9 billion. Net loan impairment expense to average gross loans and advances decreased to 5.7% at August 2015 from 5.8% a year ago.

We granted more low-value, short-term loans, which also decreased the average loan size granted to R6 157. The value of new loans granted grew 18% compared to the period ended August 2014 and 10% compared to the six months ended February 2015.

The overall term of the outstanding book shortened to 41 months at August 2015 (August 2014: 44 months; February 2015: 43 months).

Arrears as a percentage of gross loans and advances down to 4.7%

Book quality is measured most objectively by loans past due (those in arrears) as a percentage of the total loan book, as well as the rand amount of total arrears. Arrears were down 8% year-on-year to R1.8 billion (August 2014: R1.9 billion). Arrears as a percentage of gross loans and advances improved to 4.7% compared to 5.5% in August 2014 and 5.4% in February 2015. The improvement reflects better credit granting criteria and better arrears collections.

We identified the opportunity to optimise collections by rescheduling the loans of selected clients rather than handing them over for legal process. This rehabilitation directly benefits the client. As a result, arrears rescheduled less than six months ago increased 57% year-on-year to R1.1 billion (August 2014: R745 million). The ratio of arrears and arrears rescheduled less than six months ago to gross loans and advances increased to 7.8% compared to 7.6% at August 2014 and remained the same compared to February 2015. Although the arrears rescheduled less than six months ago balances are up to date in terms of the new agreement, we provide on average 40% on these clients.

The arrears performance and book quality remain well within our risk appetite.

Prudent provisioning

The gross loan impairment expense rose by 11% for the six months ended August 2015 compared to the six months ended August 2014. The table below analyses this increase:

		Six months ended August 2015	Six months ended August 2014	Change % 2015/2014	Year ended February 2015
Write-offs	R'm	2 118	2 129	(1)	4 395
Movement in bad debt provision	R'm	392	126	211	221
Gross loan impairment expense	R'm	2 510	2 255	11	4 616

Write-offs remained stable and totalled R2.1 billion. The stability in write-offs was offset by a higher provisions charge of R392 million at August 2015 (August 2014: R126 million).

We remain prudent in the application of our write-off policies. We provide 7% for loans that are up to date, 46% for clients who are behind by one instalment, 74% for two instalments and 87% for three instalments. A loan that is more than 90 days in arrears is considered bad and is written off, notwithstanding that the loan repayments are still actively pursued via legal process.

Increased overall provisions are partly the result of higher provisions against clients dependent on South Africa's mining industry, coupled with ongoing uncertainty in both local and global markets. As a result, provisions for doubtful debts increased by 13% to R4.2 billion, which equates to 11.2% of the gross loan book (August 2014: 10.7%; February 2015: 10.6%). Provisions are more than double the loans in arrears, as illustrated by the arrears coverage ratio of 239% (August 2014: 194%; February 2015: 196%). Expressed over arrears and arrears rescheduled less than six months ago, the coverage ratio equates to 144% (August 2014: 140%; February 2015: 135%).

Strong capital levels

The annualised return on equity for the six months was 26% (August 2014: 25%). Capitec remains well capitalised and is generating sufficient profit to fund growth in the loan book. At August 2015, the capital adequacy ratio was 35.4%. The forecast capital adequacy ratio remains strong.

Interim dividend increased by 52%

The interim dividend increased by 52% from 246 cents per share at August 2014 to 375 cents per share at August 2015. Last year the interim dividend reflected 29% of the total dividend. We believe the interim dividend should make up a higher percentage of the total dividend, therefore the big increase. This is a one-off adjustment between the interim and final dividend and does not indicate a revised dividend policy.

Healthy liquidity and growth of deposits

Retail deposit funding was R34.6 billion at 31 August 2015, an increase of R8.0 billion on the prior year. Balances have grown consistently during the year and reliance on wholesale deposits has decreased. However a reserve of longer dated wholesale deposits is maintained to match assets and liabilities. Wholesale funding remains an important part of our liquidity structure.

During May 2015, a bond of R500 million was successfully issued. The auction was 2.5 times oversubscribed.

Capitec maintained a healthy liquidity position, in line with our conservative capital management policy, throughout the year. We comfortably exceed the Basel 3 liquidity standards, which measure our ability to survive severe stress due to a loss of support from institutional funders and how well the bank matches cash inflows from assets with its cash outflows to funders and depositors.

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 guide credit providers away from providing high-risk credit and protect consumers applying for credit at registered providers. We continue to support appropriate regulation enhancing the sustainability of the credit industry and work closely with the Regulator on these matters.

In June this year, the DTI released a draft of proposed new interest rate limits and fees for credit agreements for public comment. We performed a robust assessment of the impact of these proposals and have determined that there will be a limited impact on Capitec as we have consistently and responsibly offered unsecured credit below the statutory ceiling limits. In principle, Capitec is supportive of action by the DTI 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. However, we believe the current proposal will have a severe impact on the industry and economy as it will limit credit supply to the market, due to lower margins.

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 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 remains of the view that the matter will be satisfactorily resolved through due process.

Prospects

We remain committed to providing simple, accessible and affordable banking supported by personal service. This commitment has resulted in the growth in our active client numbers, a trend we expect to continue.

Despite an unsupportive economic environment, we are bullish on retail banking and see opportunities to grow our client base and product offering. We are cautious on credit but remain optimistic that we can grow our loan book in a prudent manner.

We remain focused on our strategy to be the best retail bank for all South Africans.

Interim dividend

The directors declared a gross interim dividend for the six months ended 31 August 2015 of 375 cents per ordinary share on Monday, 28 September 2015. The dividend will be paid on Monday, 26 October 2015. There are 115 626 991 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 318.75000 cents per share. The distribution is made from income reserves. Capitec's tax reference number is 9405/376/84/0.

Last day to trade cum dividend	Friday, 16 October 2015
Trading ex-dividend commences	Monday, 19 October 2015
Record date	Friday, 23 October 2015
Payment date	Monday, 26 October 2015

Share certificates may not be dematerialised or rematerialised between Monday, 19 October 2015 and Friday, 23 October 2015, both days inclusive.

On behalf of the board, Stellenbosch, 29 September 2015.

Michiel le Roux
Chairman

Gerrie Fourie
Chief executive officer

Key performance indicators

		Six months ended August 2015	Six months ended August 2014	Change % 2015/2014	Year ended February 2015
Profitability					
Interest income	R'm	6 042	5 202	16	10 783
Net loan fee income	R'm	399	304	31	619
Net transaction fee income	R'm	1 414	1 202	18	2 608
Interest paid	R'm	(1 372)	(1 179)	16	(2 426)
Other income	R'm	(3)	17	(118)	22
Income from operations	R'm	6 480	5 546	17	11 606
Net loan impairment expense	R'm	(2 113)	(1 996)	6	(4 014)
Net income	R'm	4 367	3 550	23	7 592
Operating expenses	R'm	(2 315)	(1 912)	21	(4 031)
Non-banking operations	R'm	-	-		(1)
Tax	R'm	(575)	(455)	26	(995)
Preference dividend	R'm	(9)	(9)		(18)
Earnings attributable to ordinary shareholders					
Basic	R'm	1 468	1 174	25	2 547
Headline	R'm	1 469	1 173	25	2 547
Net transaction fee income to net income	%	32	34		34
Net transaction fee income to operating expenses	%	61	63		65
Cost-to-income ratio	%	36	34		35
Return on ordinary shareholders' equity	%	26	25		25
Earnings per share					
Attributable	cents	1 270	1 018	25	2 209
Headline	cents	1 271	1 018	25	2 209
Diluted attributable	cents	1 265	1 015	25	2 206
Diluted headline	cents	1 266	1 015	25	2 206
Dividends per share					
Interim	cents	375	246	52	246
Final	cents				590
Total	cents				836
Dividend cover	x				2.6
Assets					
Net loans and advances	R'm	33 649	31 323	7	32 484
Cash and short-term funds	R'm	22 839	16 611	37	19 755
Other	R'm	2 066	1 640	26	1 677
Total assets	R'm	58 554	49 574	18	53 916
Liabilities					
Deposits	R'm	45 042	38 334	17	41 181
Other	R'm	1 135	808	40	1 172
Total liabilities	R'm	46 177	39 142	18	42 353
Equity					
Shareholders' funds	R'm	12 377	10 432	19	11 564
Capital adequacy ratio	%	35	38		36
Net asset value per ordinary share	cents	10 539	8 868	19	9 822
Share price	cents	48 285	21 205	128	41 000
Market capitalisation	R'm	55 830	24 449	128	47 407
Number of shares in issue	'000	115 627	115 298		115 627
Share options					
Number outstanding	'000	1 036	967	7	710
Number outstanding to shares in issue	%	0.9	0.8		0.6
Average strike price	cents	25 188	14 197	77	19 403
Average time to maturity	months	27	22	23	28
Operations					
Branches		691	647	7	668
Employees		11 034	9 491	16	10 261
Active clients	'000	6 708	5 806	16	6 244
ATMs					
Own		1 071	841	27	941
Partnership		2 575	2 367	9	2 477
Total		3 646	3 208	14	3 418
Capital expenditure	R'm	307	145	112	414
Sales					
Loans					
Value of loans advanced	R'm	11 070	9 346	18	19 417
Number of loans advanced	'000	1 798	1 324	36	2 820
Average loan amount	R	6 157	7 059	(13)	6 887
Repayments	R'm	13 646	11 329	20	23 787
Gross loans and advances	R'm	37 898	35 086	8	36 341
Loans past due (arrears)	R'm	1 781	1 935	(8)	1 964
Arrears to gross loans and advances	%	4.7	5.5		5.4
Arrears and arrears rescheduled < 6 months	R'm	2 948	2 680	10	2 848
Arrears and arrears rescheduled < 6 months to gross loans and advances	%	7.8	7.6		7.8
Provision for doubtful debts	R'm	4 249	3 763	13	3 857
Provision for doubtful debts to gross loans and advances	%	11.2	10.7		10.6
Arrears coverage ratio	%	239	194		196
Arrears and arrears rescheduled < 6 months coverage ratio	%	144	140		135
Loan revenue	R'm	5 906	5 169	14	10 660
Loan revenue to average gross loans and advances	%	15.9	15.0		30.4
Gross loan impairment expense	R'm	2 510	2 255	11	4 616
Recoveries	R'm	397	259	53	602
Net loan impairment expense	R'm	2 113	1 996	6	4 014
Net loan impairment expense to loan revenue	%	35.8	38.6		37.7
Net loan impairment expense to average gross loans and advances	%	5.7	5.8		11.5
Deposits					
Wholesale deposits	R'm	10 429	11 089	(6)	10 913
Retail call savings	R'm	21 851	16 183	35	19 298
Retail fixed savings	R'm	12 762	10 388	23	10 731

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

Capitec Bank 803739/E_BD

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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 van der Merwe (resigned 20 March 2015), JP Verster (appointed 23 March 2015) * *Executive*

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