CAPITEC

Results presentation 2018

“We enable clients to improve their financial lives

through an experience that is consistently simple, affordable, easy to access and personalised”

CAPITEC

Contents

- Key indicators
- Operating environment
- Credit
- Banking
- Save
- People
- Future

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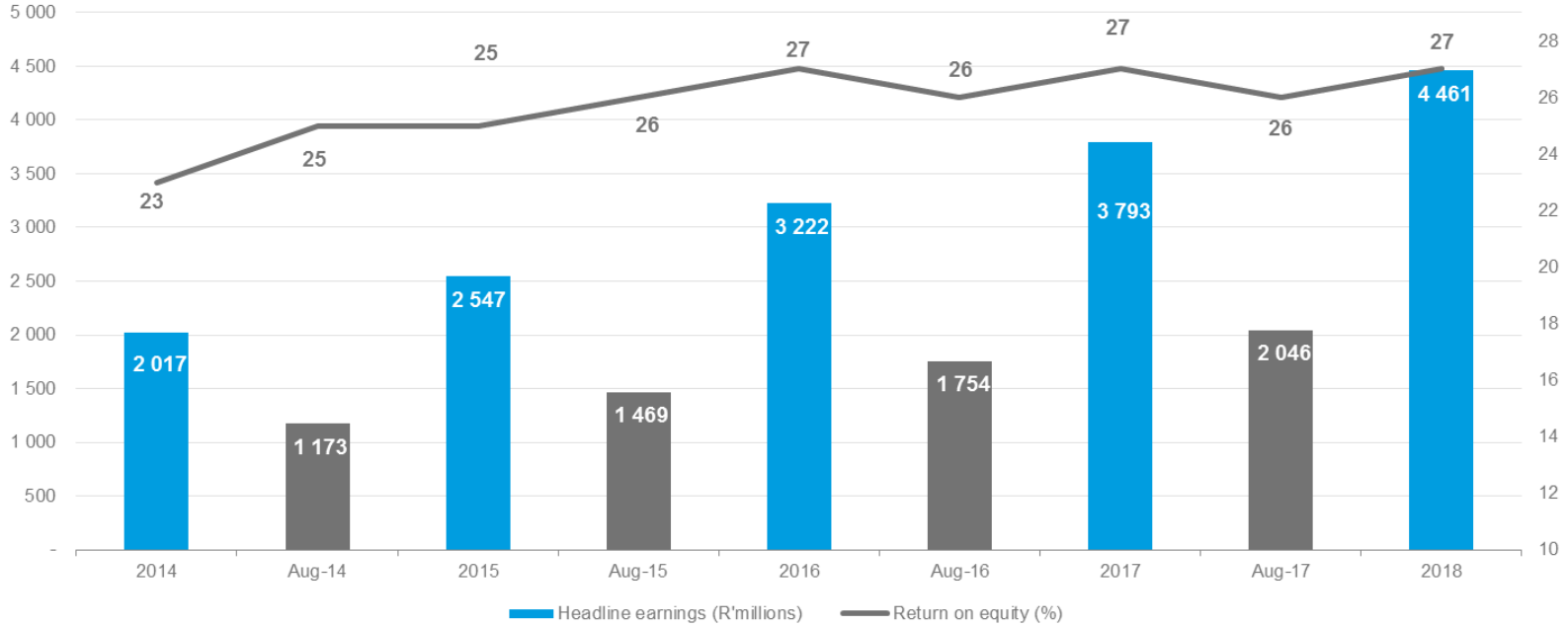
Key indicators

Key indicators

Earnings

Headline earnings

UP 18% to R4.461 billion



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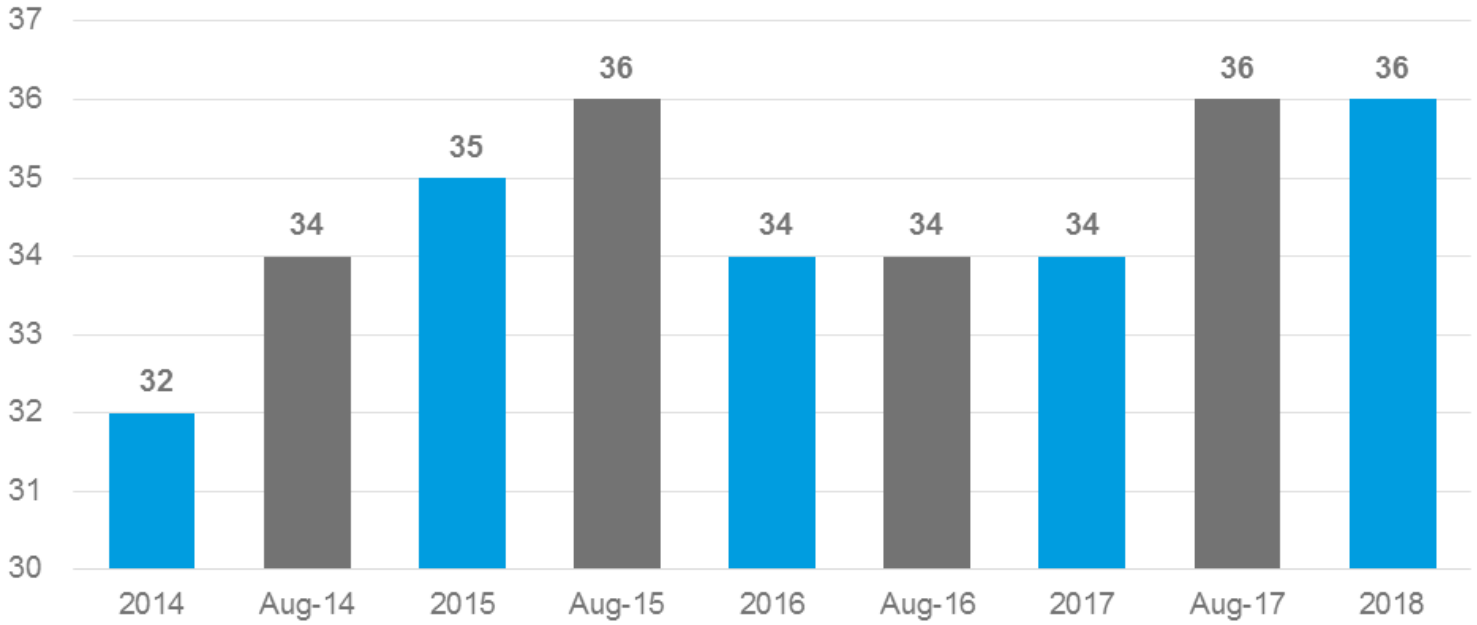
Key indicators

Cost-to-income (%)



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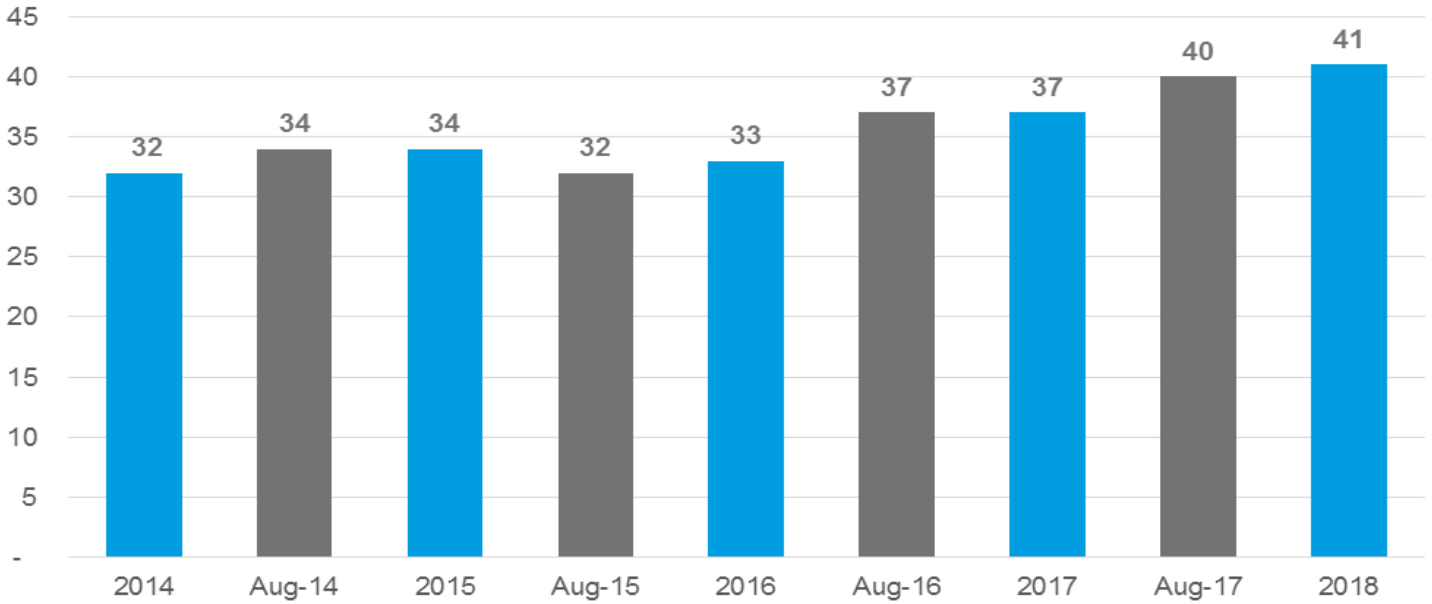
Key indicators

Net transaction fee income to net income (%)



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Operating environment

Operating environment

Improving economy and political environment

2016/2017: Economy and political instability

2017/2018: Economy stable
Political environment volatile

2018+: Economy and political stability

- Protracted recovery?
- Land distribution?

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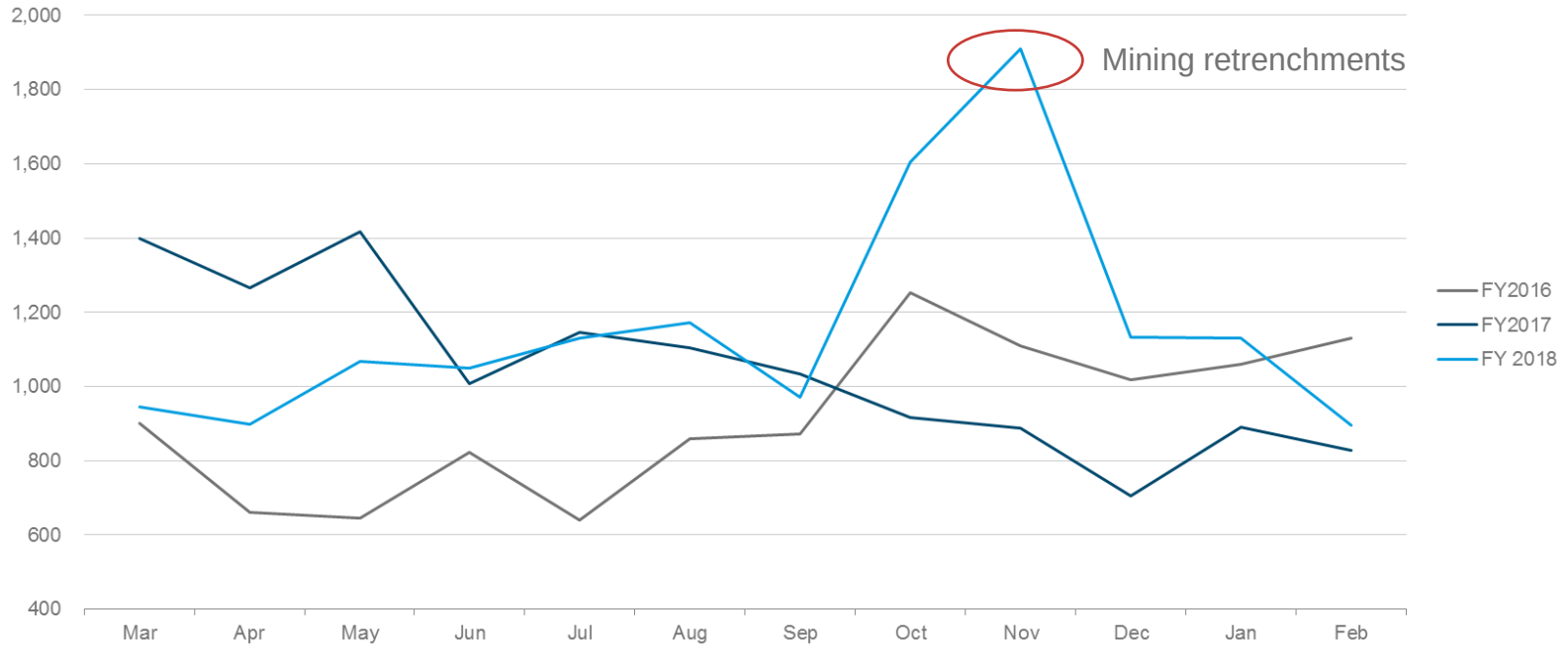
Operating environment

Capitec retrenchments letters received



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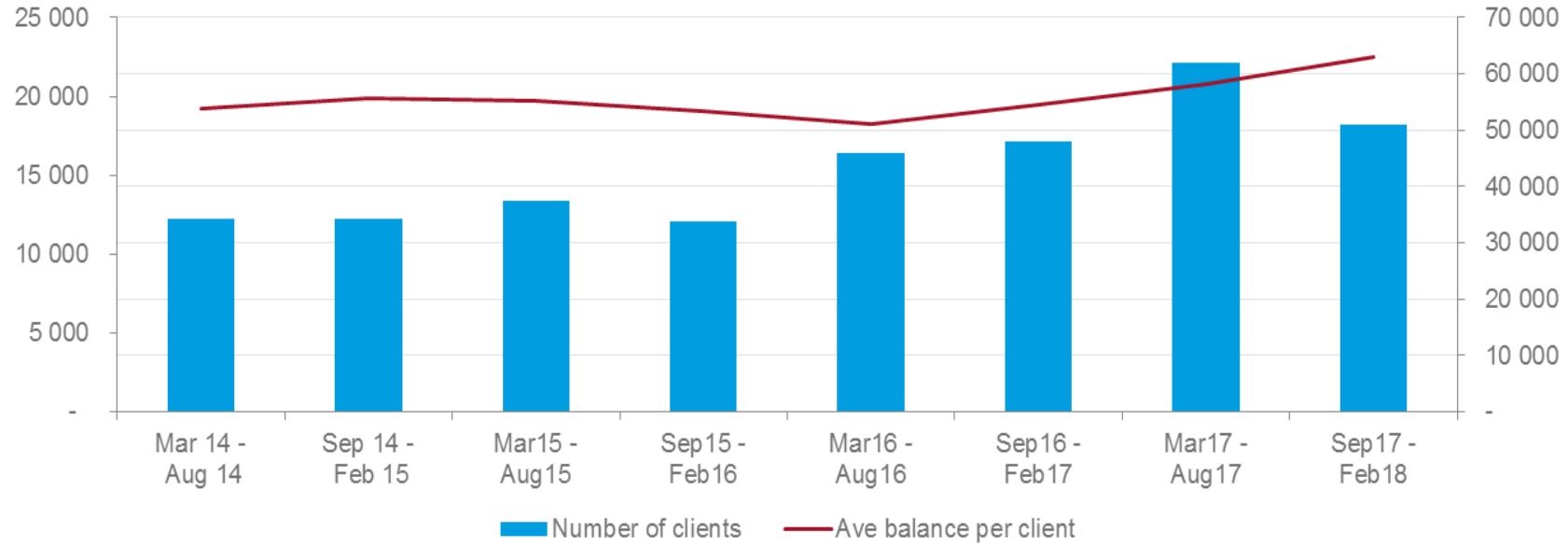
Operating environment

Debt review



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Operating environment

Loan book clients' cash availability

Total book*	Feb-17 (%)	Aug -17 (%)	Feb-18 (%)
More than 40% cash available	74	80	75
Between 39% and 21% cash available	14	10	14
Cash stress less than 20% cash available	7	6	8
No inflow	5	4	3

40% cash available clients per salary band	Feb-17 (%)	Aug 17 (%)	Feb-18 (%)
R15 000 plus	32	40	40
R10 001 – R15 000	29	29	29
R5 001 – R10 000	29	24	25
R1 – R5 000	10	7	6

* Clients where we collect loan instalment from a Global One account

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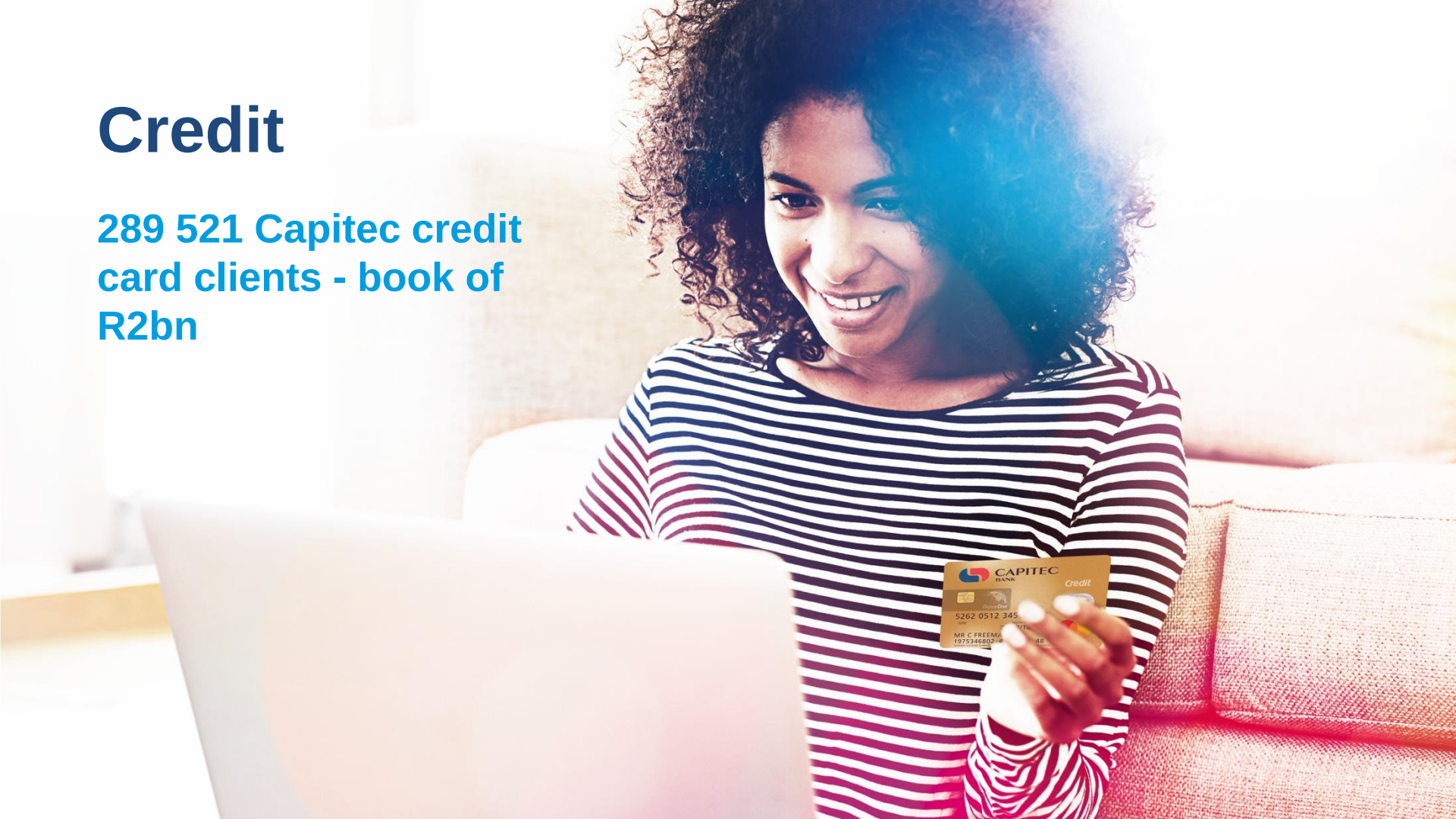
Credit

289 521 Capitec credit card clients - book of R2bn



Credit

Total credit market (Loans advanced for 12 months to Sep'17)

	Market (R'million)		
Credit type	**2015**	**2016**	**2017**
Secured credit	154 705	149 458	162 418
Mortgage	143 702	145 202	145 981
Unsecured and short term	87 421	98 352	98 045
Credit facility	69 121	52 902	61 705
Developmental	6 473	12 398	15 435
Total	**461 422**	**458 312**	**483 584**

Source: NCR

Capitec market share of unsecured and short term credit – 26.6%
Capitec market share of total credit market – 5.4%

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Credit

Unsecured and short term credit market (granted by income group for 12 months to Sep'17)

	(R'million)		
	2015	2016	2017
Gross income	**Market**	**Market**	**Market**
R0 –R5 500	11 391	12 927	9 245
R5 501 – R10 000	16 831	17 087	14 792
R10 001 – R15 000	17 143	18 061	17 381
R15 000 plus	42 056	50 277	56 627
Total	**87 421**	**98 352**	**98 045**

Source: NCR

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Credit

Credit granting strategy

- Stricter variable income recognition
- Stricter living expenses calculation
- Stricter frequent maximum borrower model
- Stricter granting criteria
- Focus on higher income market and longer terms
- Reduce pricing

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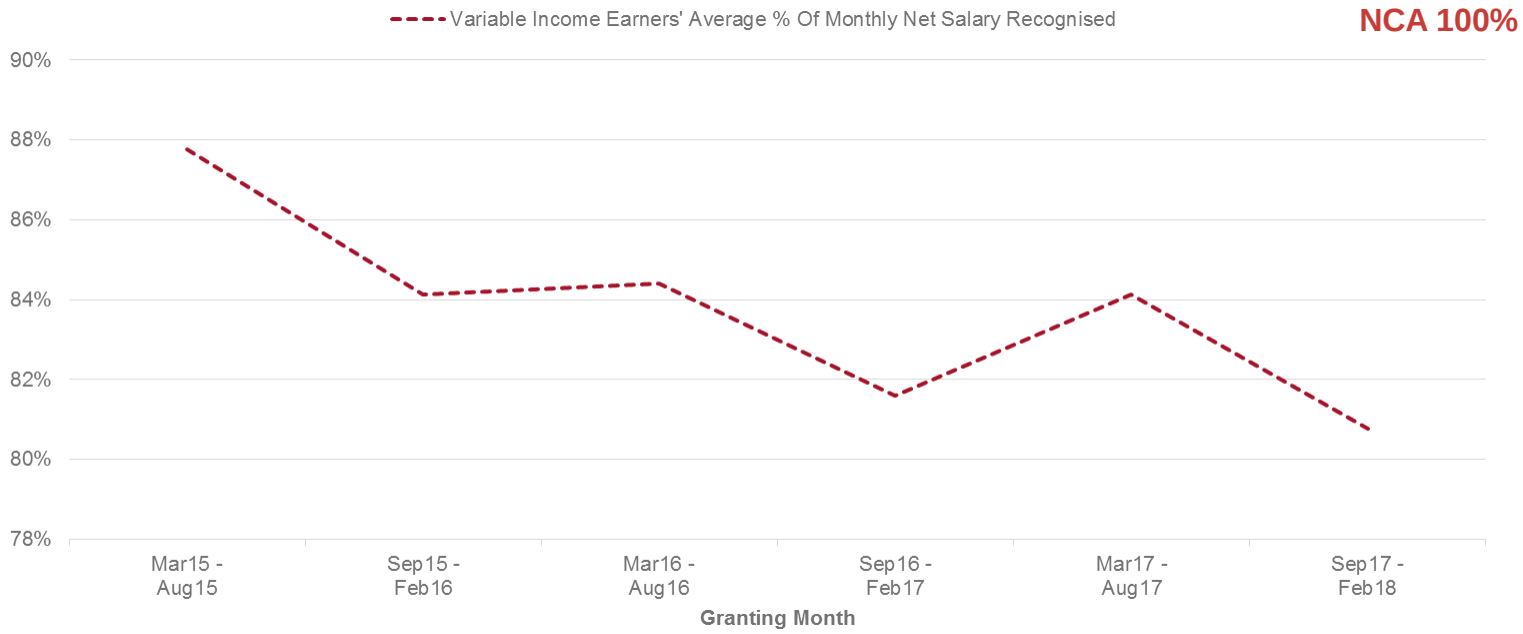
Credit

Stricter variable income recognition



Note: Capitec data

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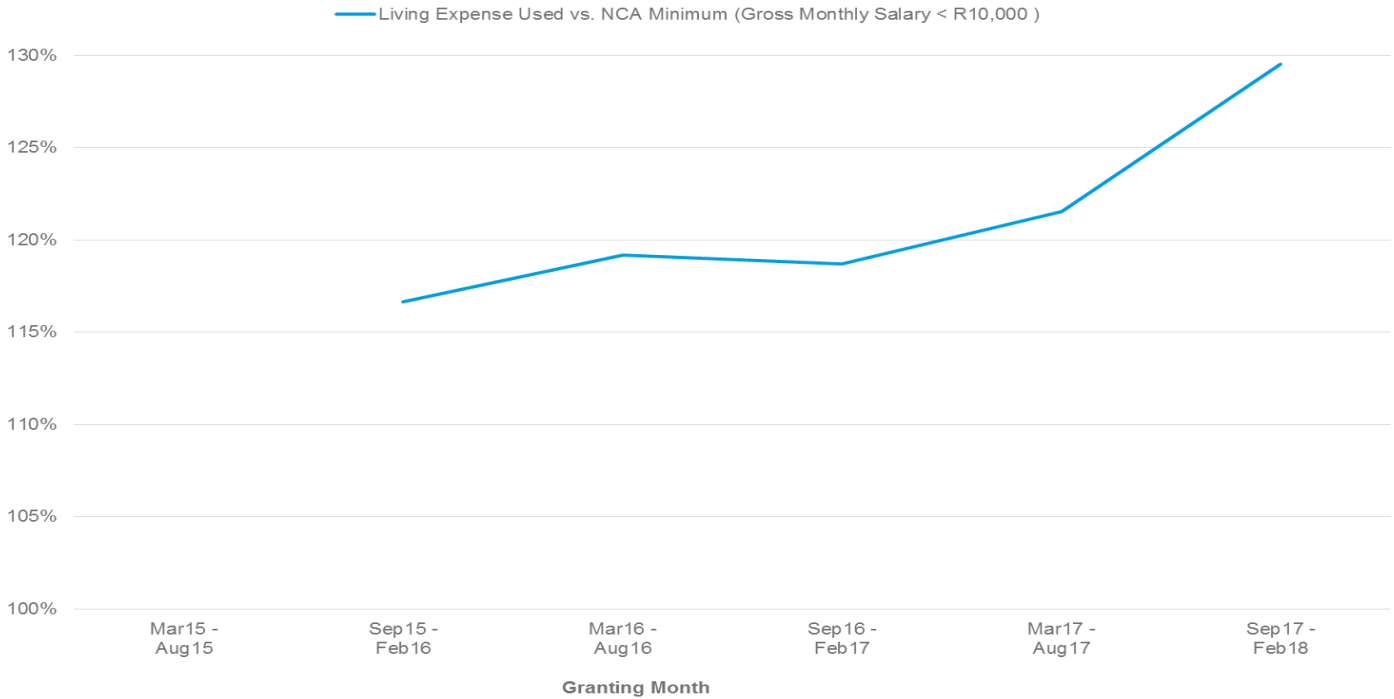
Credit

Stricter living expenses calculation



Note: Capitec data

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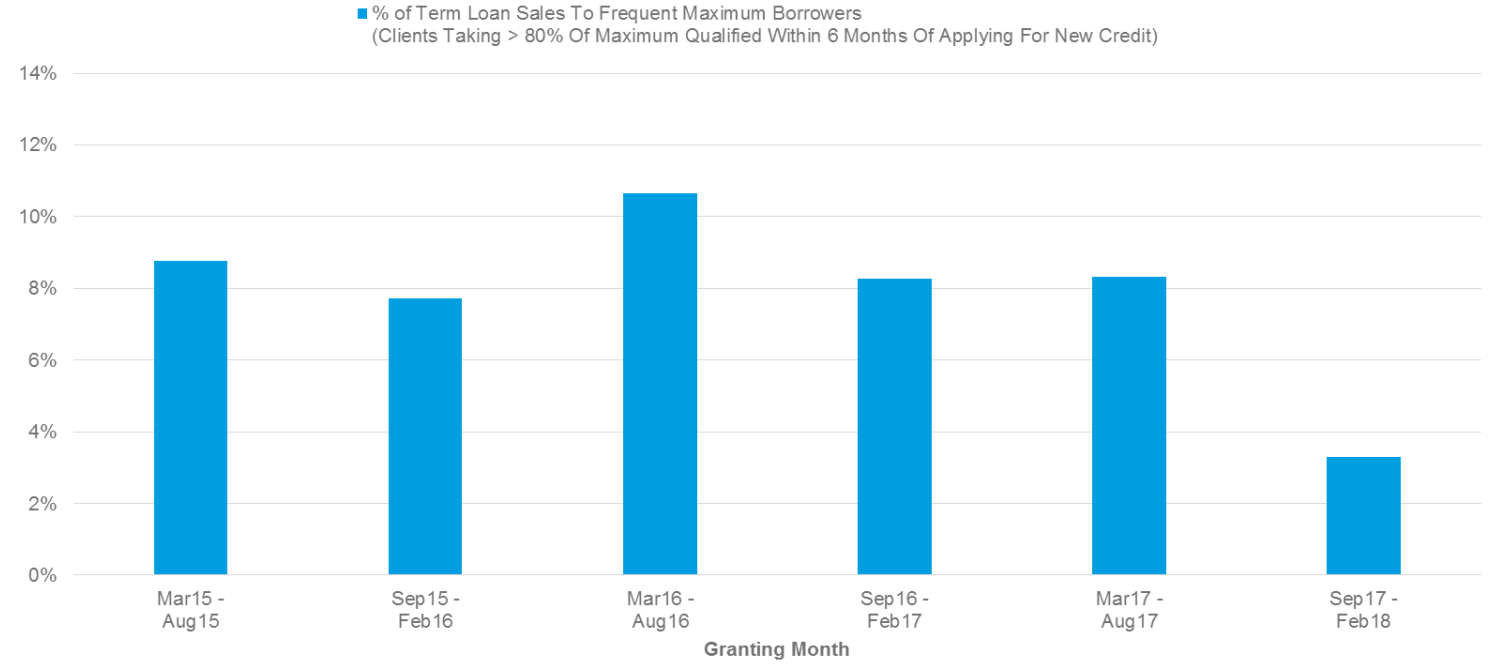
Credit

Stricter frequent maximum borrower model



Note: Capitec data

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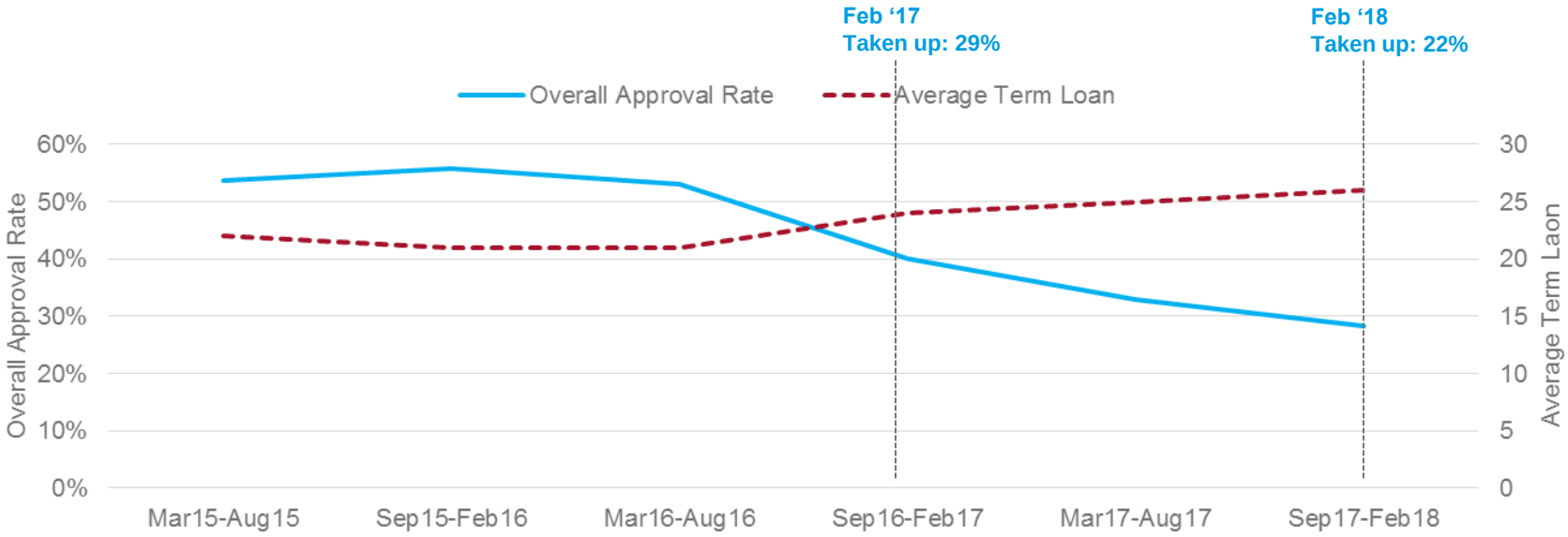
Credit

Stricter granting criteria



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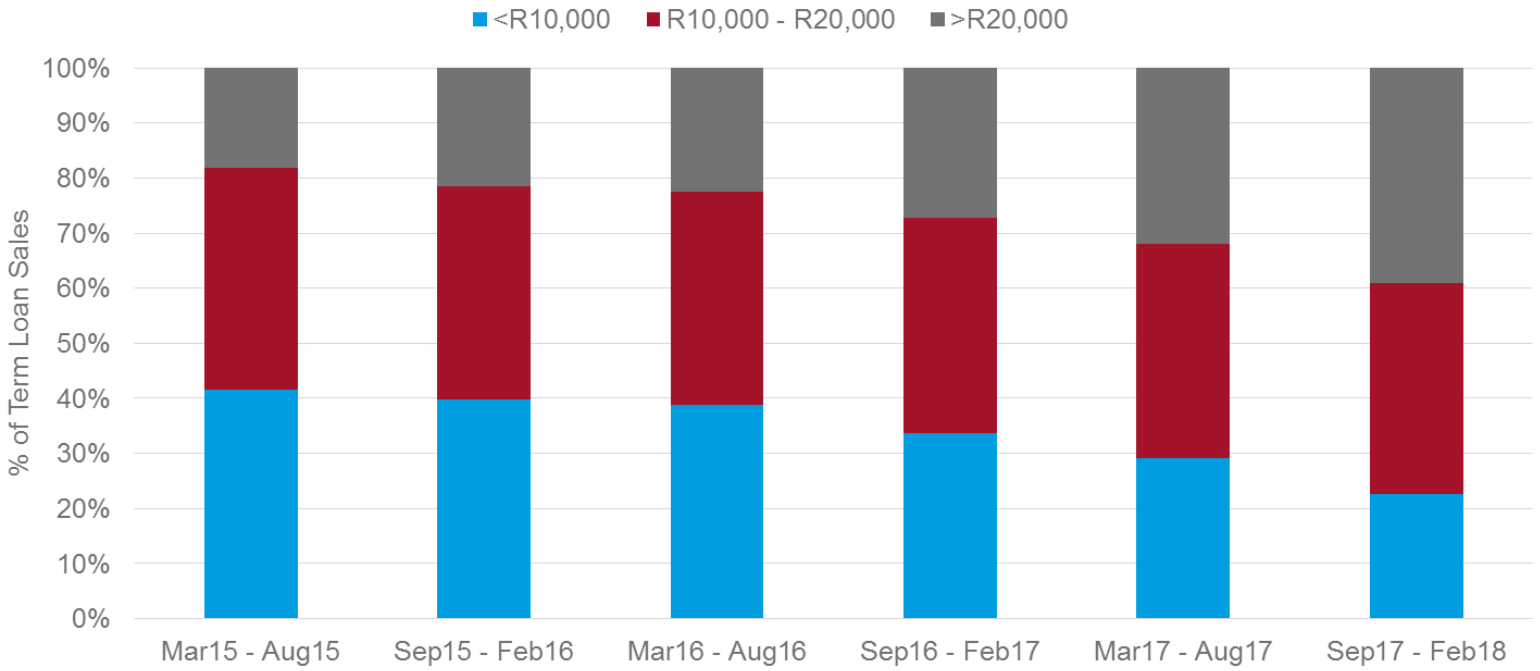
Credit

Focus on higher income market (gross income)



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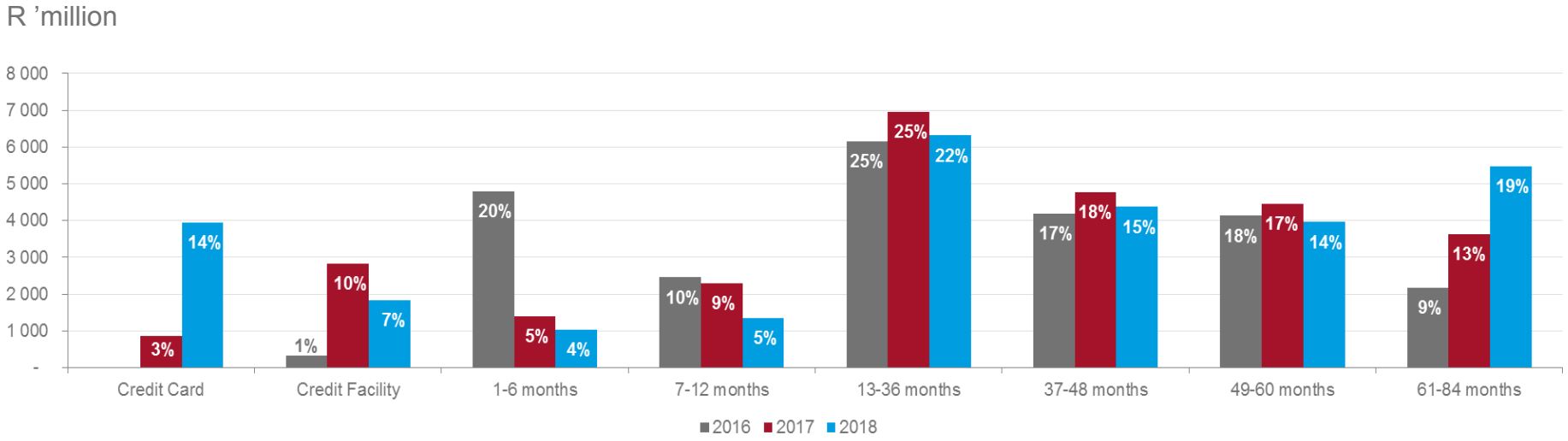
Credit

Move to longer term (loans advanced by term % of total)



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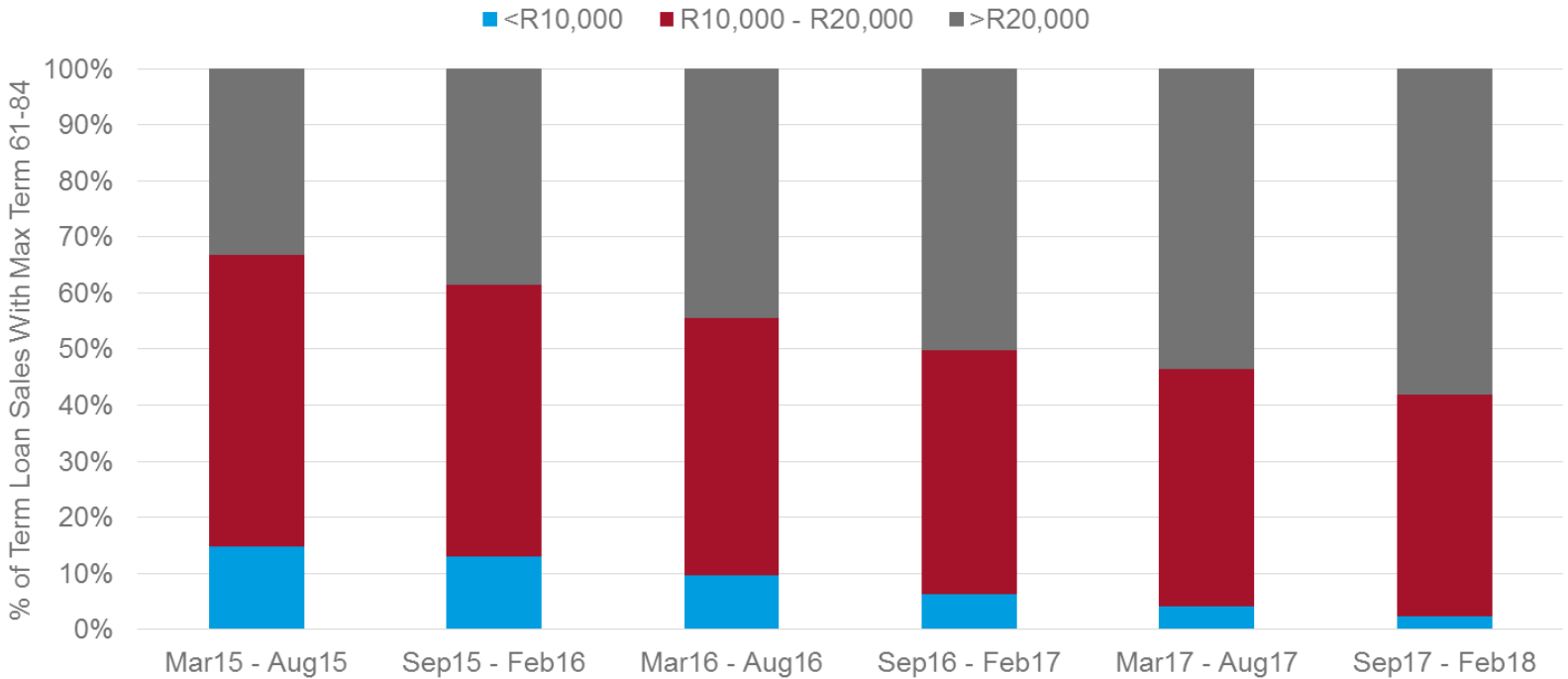
Credit

Higher income (61 - 84 month term loans)



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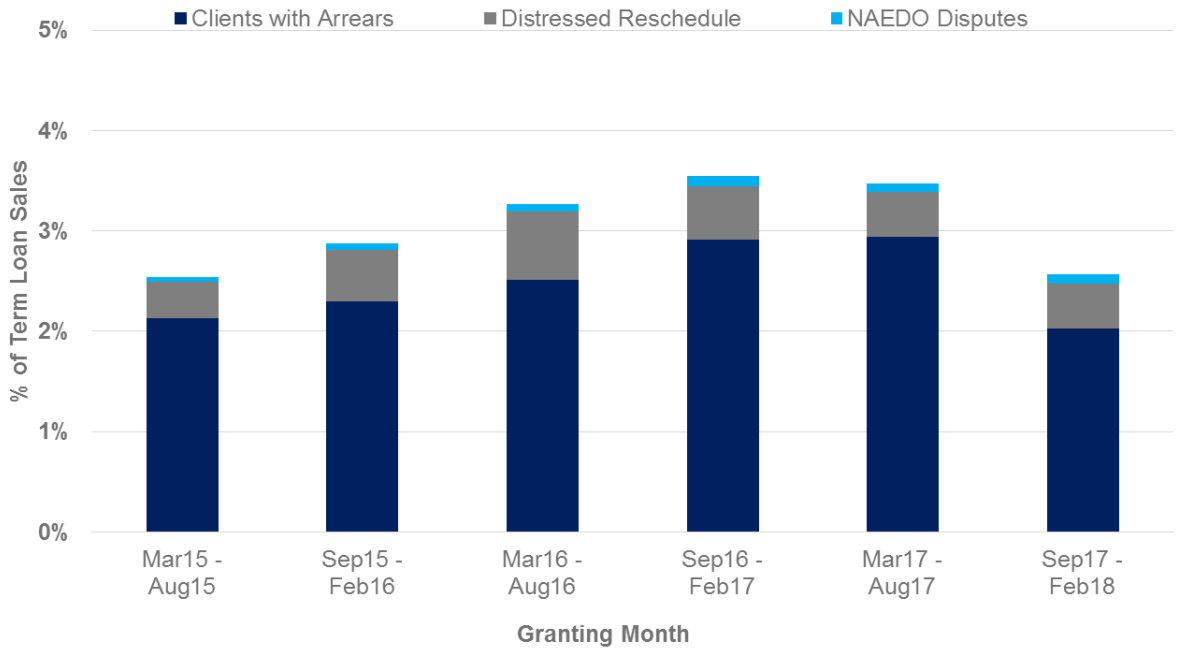
Credit

Advanced internal risk assessment (previous 6 months)



Repayment history is only one factor in our multifaceted credit risk assessment model.

Clients are approved based on the following risk drivers:

- bank behaviour
- utilisation of credit limits
- employment/income stability

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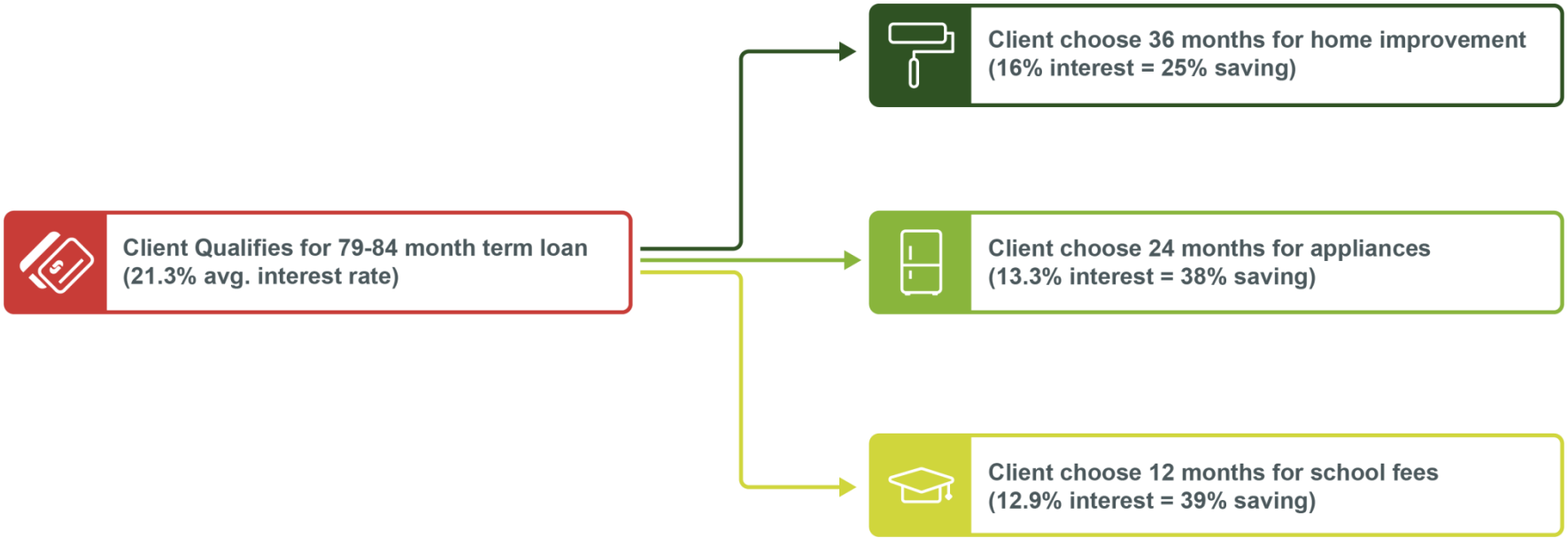
Credit

High quality clients pay less on shorter terms



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Credit

High quality clients pay less on shorter terms

Qualified for > 48 months or more

- 33% of clients take up shorter terms
- 45% of clients take up lower value
- 31% of all loans granted pay interest rate below 20.5%

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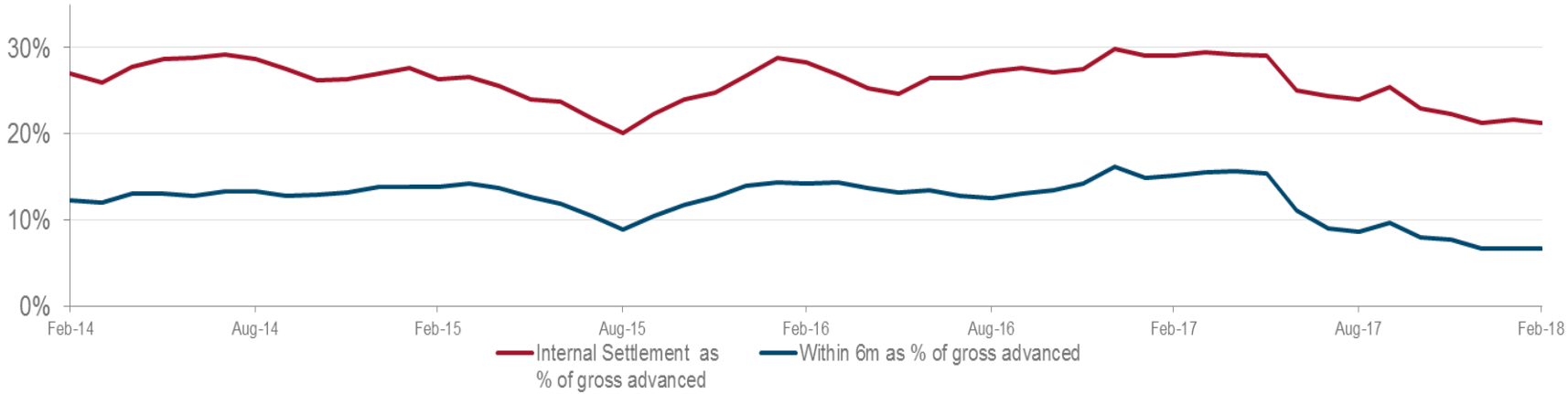
Credit

Consistent internal consolidations (as a percentage of gross advanced)



Avg. number of loans per client: 1.4

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Credit

Credit card

- Credit card client mix: 5% new banking clients, 22% new credit clients
- Biggest portion of client base is higher income
- 1.9% market share of credit card balances
- 27% share of new credit cards granted
- Performing better than business case
- Model update on more internal experience

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Credit

Performing loan look

		2017	2018
Gross loans and advances	R'm	45 135	47 642
Arrears past due (not up-to-date with contractual obligations)	R'm	2 855	2 700
Arrears to gross loans and advances	%	6.3	5.7
Up-to-date that rescheduled from arrears (not rehabilitated*)	R'm	1 583	1 277
Arrears and up-to-date that rescheduled from arrears (not rehabilitated*) to gross loans and advances	%	9.8	8.3
Up-to-date that rescheduled from up-to-date (not rehabilitated*)	R'm	1 088	1 085
Arrears and all rescheduled (not rehabilitated*) to gross loans and advances	%	12.2	10.6

* Not 6 months, once rehabilitated, the loan is classified as up-to-date

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Credit

Prudent provisioning

		2017	2018
Provision for doubtful debts	R'm	5 930	5 828
Provision for doubtful debts to gross loans & advances	%	13.1	12.2
Provision for doubtful debts to arrears	%	208	216
Provision for doubtful debts to arrears and rescheduled loans from arrears not rehabilitated	%	134	147
Provision for doubtful debts to arrears and all rescheduled loans not rehabilitated	%	107	115

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Credit

Prudent provisioning (%)

	2017	2018
Up-to-date	7.7	7.8
Rescheduled form up-to-date (not rehabilitated)	15.3	17.4
Rescheduled form arrears (not rehabilitated)	51.9	50.9
Arrears	67.2	65.0

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Banking

109 million electronic transactions done in Dec’17

Clients saved R65 million on international card purchases

Banking

Growth

- Continued growth in higher income clients
- Optimise client value to banking and product usage
- Grow transaction volume and self-service banking

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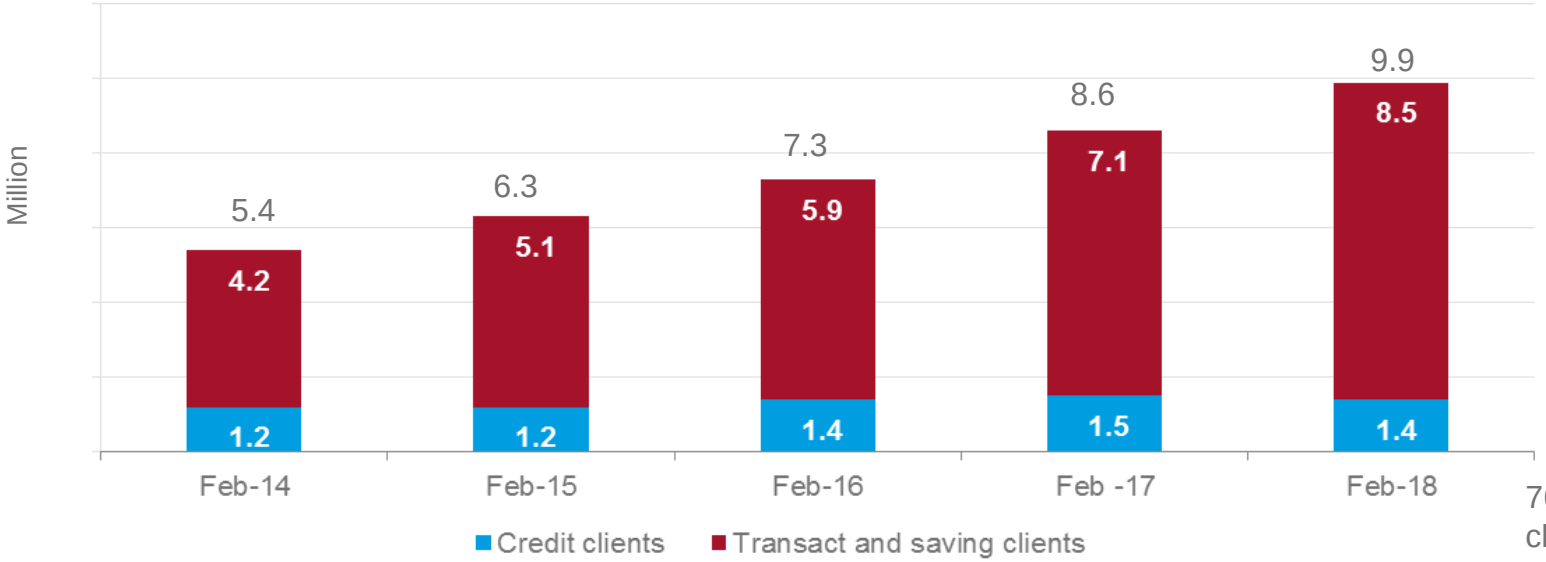
Banking

Growing total clients with 15% (9.9 million)

Higher income (R15,000 plus) up 28%



76% of credit clients bank with Capitec

Note: If client is included in one of the categories it will be excluded in the others,.

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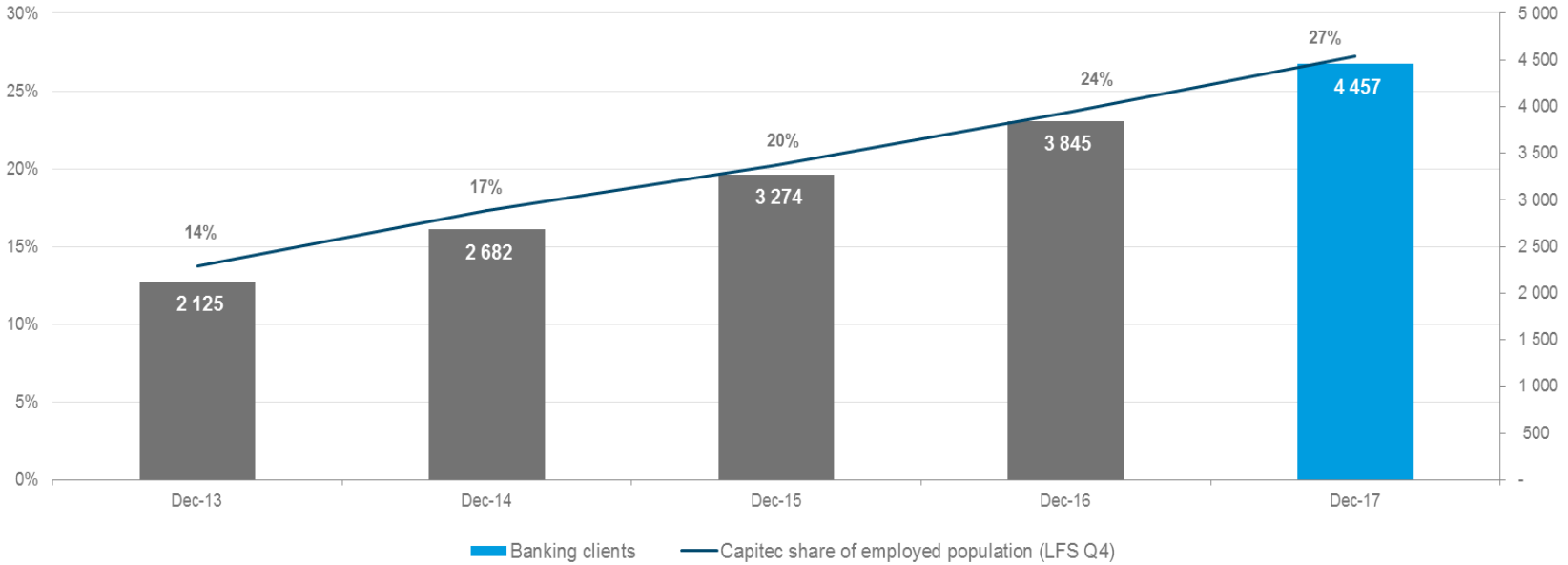
Banking

Growing banking client market share (Dec'17)

Feb'18: 4 517 million (28% of market)



Source: Labour force 2017 Q4, 2016 Q4, 2015 Q4, 2014 Q4, 2013 Q4 , Capitec internal data

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Banking

Distribution focused on service experience

		Change since Feb 2017	Total Feb 2018
Branches	**Total**	**30**	**826**
	New look	159	593
	Current	(129)	233
ATMs	**Total**	**621**	**4 645**
	Regular	40	1 168
	Dual note recyclers	202	727
	Capitec branded partnership	335	1 825
	Non-branded partnership	44	925

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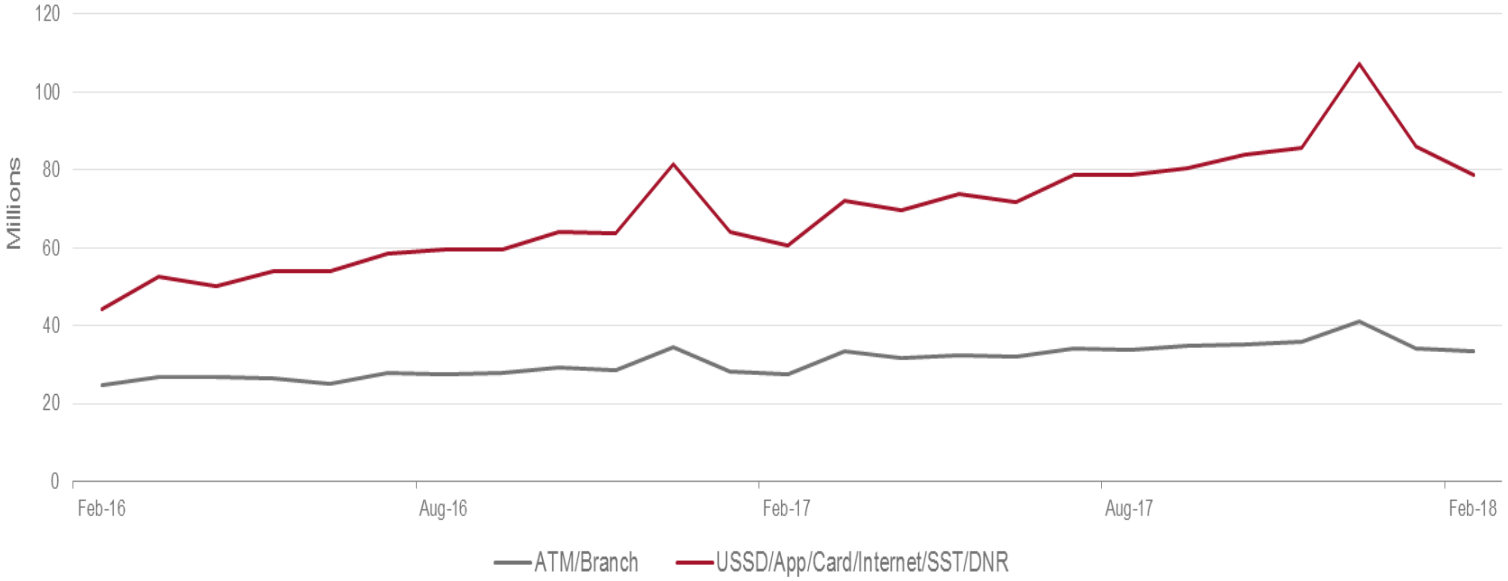
Banking

Growing transaction volume (focus on self-service)

Total transaction growth: 27%



37% Growth

19% Growth

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Banking

Growing transaction volume (digital solutions)

Debit orders

- 118 million debit orders
- 20% growth in transaction volumes (YoY)

USSD

- 3.7 million active clients
- 361 million transactions
- 25% growth in transaction volumes (YoY)

Card payments

- 484 million transactions
- 34% growth in transaction volumes (YoY)

Banking app

- 1.5 million active clients
- 106 million transactions
- 105% growth in transaction volumes (YoY)

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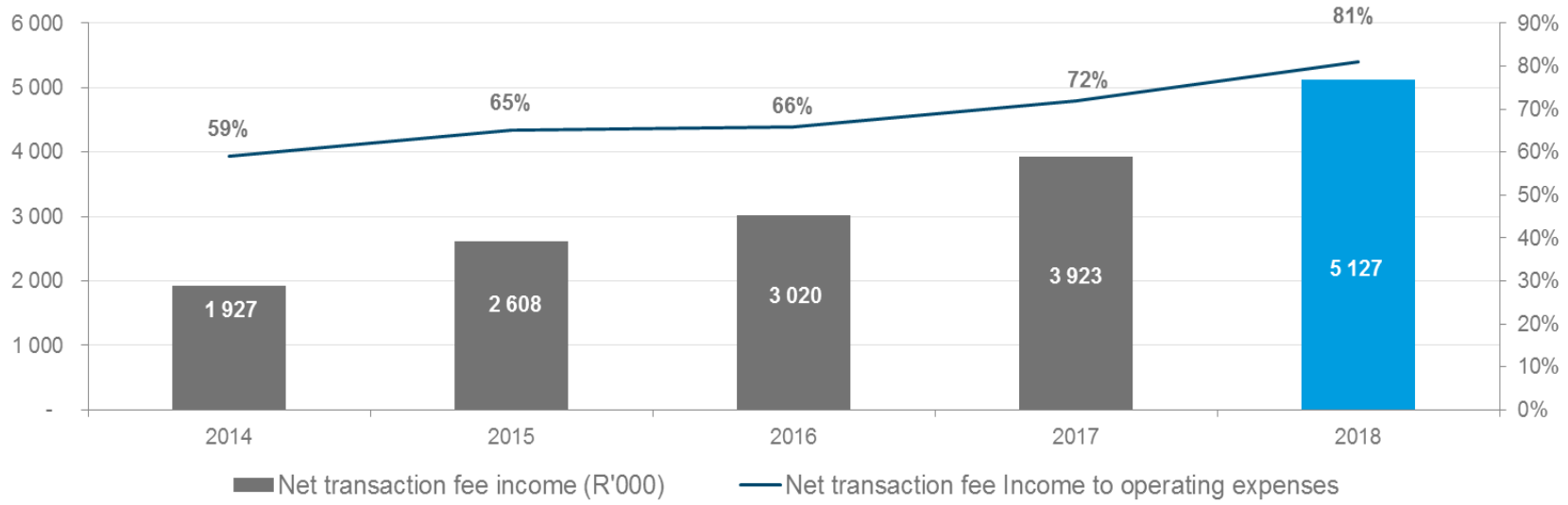
Banking

Transaction fees earned up 31%

2022 Target: 100%



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Save

Clients earned over R3.4bn in interest – up by 29%

Save

Help clients manage their money

- R58 bn retail deposits
- Market share 6.5% (Jan‘18)
- Well-priced retail deposit growth – fixed and call
- 28% growth in fixed term savings
- Brand acceptance and trust due to support of clients
- Consistent, conservative approach to liquidity
- R265 million growth in retail/fixed deposits (mtd 23 March ’18)

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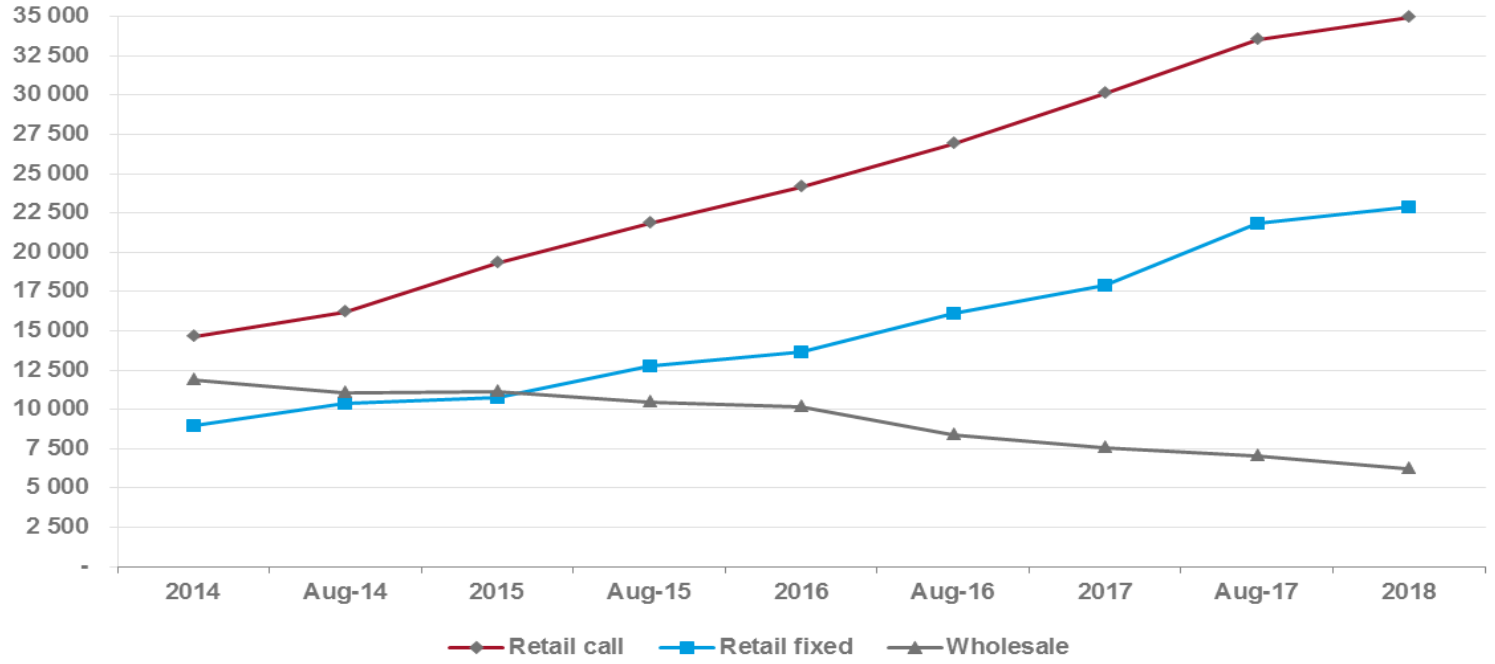
Save

Deposits (R’millions)



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People

13 333 employees,
85% younger than 35

People

Client service

- Recruit for potential and cultural fit, train for skill
- 264 new positions created
- Service measurement and improvement at all client touchpoints
- Service culture
- Accolades:
  - ✓ Columinate SITEisfaction best bank app in SA
  - ✓ Lafferty Group best bank in the world (2nd time)
  - ✓ Brand finance fastest growing & strongest bank brand in SA
  - ✓ Sunday Times Top Brands award
  - ✓ SA Consumer Satisfaction Index top bank (5 years)

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Future

Digital banking

Future

New Insure category (new funeral plan)

All clients get access to the Global One solution

Clients can simply activate the offers they choose by using on the banking app

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Future

New Insure category (new funeral plan)

- Market size
- Partner with Sanlam
- Simplified single solution
- Accessible in branch or on app (cost 38% less)
- 30%-35% lower than market leaders
- Unique features

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Future

2018 Focus

Increase client value

- Banking: Benefits, digital service channels
- Credit: Reduce pricing, remote access, improved solutions

Service experience

- Brand advocates through a world-class service experience
- Work place banking
- Completely paperless
- Facial recognition

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Future

2018 Focus

Business delivery

- Deliver faster in a fast-changing environment
- Scale our way of work while maintaining client centric focus
- Technology architecture to allow for agility

Diversify income streams

- Insure (new funeral plan)
- Merchant Services / SMEs

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Future

2018 Focus

People

- Develop exceptional leaders
- Diversity and transformation
- Improve employer value proposition / learning environment

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Future

2018 Focus

Digital innovation

- Increased resources and investment
- Personalised mobile banking platform
- Simplified mobile payments
- Machine learning and analytics
- Continued focus on digital security
- Financial education

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thank you

any questions?

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Each platform has a different purpose, so find the one that fits your personality and become part of the conversation.

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