

Capitec Bank Holdings Limited  
Registration number: 1999/025903/06  
Registered bank controlling company  
Incorporated in the Republic of South Africa  
JSE ordinary share code: CPI  
ISIN code: ZAE000035861  
JSE preference share code: CPIP  
ISIN code: ZAE000083838  
(‘Capitec’ or ‘the Company’ or ‘the Group’)



# summarised audited financial statements

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for the year ended 28 February 2018

**+18%** to 3 858 cents  
Headline earnings per share

**+18%** to R4.461 billion  
Headline earnings

**+18%** to 1 470 cents  
Total dividend per share

 **27%**

*Return on equity*

 **9.9m**

*Active clients*

 **264**

*New jobs created during  
this period*

# Key performance indicators

		2018	2017	Change % 2018/ 2017	2016
<b>Profitability</b>					
Interest income	R'm	15 474	14 934	4	13 413
Net loan fee income <sup>(1)</sup>	R'm	1 380	495	179	(83)
Total lending, investment and insurance income	R'm	16 854	15 429	9	13 330
Interest expense	R'm	(4 184)	(3 552)	18	(2 884)
Net lending, investment and insurance income	R'm	12 670	11 877	7	10 446
Net transaction fee income	R'm	5 127	3 923	31	3 020
Other	R'm	(1)	–		(1)
Income from operations	R'm	17 796	15 800	13	13 465
Net provision for doubtful debts charge	R'm	(5 280)	(5 121)	3	(4 401)
Net income	R'm	12 516	10 679	17	9 064
Income from associates	R'm	3	–		–
Operating expenses	R'm	(6 364)	(5 439)	17	(4 591)
Income before tax	R'm	6 155	5 240	17	4 473
Tax	R'm	(1 685)	(1 434)	18	(1 244)
Preference dividend	R'm	(12)	(16)	(25)	(16)
<b>Earnings attributable to ordinary shareholders</b>					
Basic	R'm	4 458	3 790	18	3 213
Headline	R'm	4 461	3 793	18	3 222
Net transaction fee income to net income	%	41	37		33
Net transaction fee income to operating expenses	%	81	72		66
Cost-to-income ratio	%	36	34		34
Return on ordinary shareholders equity	%	27	27		27
<b>Earnings per share</b>					
Attributable	cents	3 855	3 278	18	2 779
Headline	cents	3 858	3 281	18	2 787
Diluted attributable	cents	3 843	3 267	18	2 773
Diluted headline	cents	3 846	3 270	18	2 781
<b>Dividends per share</b>					
Interim	cents	525	450	17	375
Final	cents	945	800	18	680
Total	cents	1 470	1 250	18	1 055
Dividend cover	x	2.6	2.6		2.6
<b>Assets</b>					
Net loans and advances	R'm	41 814	39 205	7	35 760
Cash, cash equivalents and other liquid assets	R'm	39 400	30 605	29	24 989
Other	R'm	3 743	3 548	5	2 196
Total assets	R'm	84 957	73 358	16	62 945
<b>Liabilities</b>					
Retail deposits and wholesale funding	R'm	64 030	55 582	15	47 940
Other	R'm	2 035	1 658	23	1 346
Total liabilities	R'm	66 065	57 240	15	49 286
<b>Equity</b>					
Shareholders' funds	R'm	18 892	16 118	17	13 659
Capital adequacy ratio	%	36	34		35
Net asset value per ordinary share	cents	16 241	13 809	18	11 663
Share price	cents	83 246	72 500	15	47 400
Market capitalisation	R'm	96 255	83 830	15	54 807
Number of shares in issue	'000	115 627	115 627		115 627
<b>Share options</b>					
Number outstanding	'000	777	963	(19)	868
Number outstanding to shares in issue	%	0.7	0.8		0.8
Average strike price	cents	38 561	31 755	21	28 520
Average time to maturity	months	19	20		27

		2018	2017	Change % 2018/ 2017	2016
<b>Operations</b>					
Branches		826	796	4	720
Employees		13 333	13 069	2	11 440
Active clients	'000	9 868	8 569	15	7 269
ATMs and DNRs					
Own		1 895	1 653	15	1 236
Partnership		2 750	2 371	16	2 469
Total		4 645	4 024	15	3 705
Capital expenditure	R'm	829	1 000	(17)	704
<b>Credit sales</b>					
Value of total loans advanced	R'm	28 292	27 226	4	24 228
Number of total loans advanced <sup>(2)</sup>	'000	3 947	3 508	13	3 684
Average of total loans advanced	R	7 168	7 761	(8)	6 577
Average loans advanced less than or equal to 6 months <sup>(2)</sup>	R	2 078	1 905	9	1 749
Average loans advanced greater than 6 months	R	32 133	26 605	21	25 229
<b>Credit book</b>					
Gross loans and advances	R'm	47 642	45 135	6	40 891
Average loan size at year end less than or equal to 6 months	R	2 621	2 736	(4)	2 636
Average loan size at year end greater than 6 months	R	36 302	31 123	17	30 901
Arrears – past due (not up-to-date with contractual obligations)	R'm	2 700	2 855	(5)	2 297
Arrears to gross loans and advances	%	5.7	6.3		5.6
Up-to-date that rescheduled from arrears (not rehabilitated <sup>(3)</sup> )	R'm	1 277	1 583	(19)	1 542
Arrears and up-to-date that rescheduled from arrears (not rehabilitated <sup>(3)</sup> ) to gross loans and advances	%	8.3	9.8		9.4
Up-to-date that rescheduled from up-to-date (not rehabilitated <sup>(3)</sup> )	R'm	1 085	1 088	(0)	1 818
Arrears and all rescheduled (not rehabilitated <sup>(3)</sup> ) to gross loans and advances	%	10.6	12.2		13.8
Provision for doubtful debts	R'm	5 828	5 930	(2)	5 131
Provision for doubtful debts to gross loans and advances	%	12.2	13.1		12.5
Provision for doubtful debts to arrears coverage	%	216	208		223
Provision for doubtful debts to arrears and rescheduled loans from arrears (not rehabilitated <sup>(3)</sup> ) coverage	%	147	134		134
Provision for doubtful debts to arrears and all rescheduled loans (not rehabilitated <sup>(3)</sup> ) coverage	%	115	107		91
Repayments <sup>(4)</sup>	R'm	35 974	33 236	8	29 388
Gross provision for doubtful debts charge	R'm	6 560	6 246	5	5 255
Bad debts recovered	R'm	1 280	1 125	14	854
Net provision for doubtful debts charge	R'm	5 280	5 121	3	4 401
Net provision for doubtful debts charge to average gross loans and advances	%	11.4	11.9		11.4
Total lending and insurance income (excluding investment income) <sup>(5)</sup>	R'm	15 008	14 362	4	12 837
Total lending and insurance income (excluding investment income) <sup>(5)</sup> to average gross loans and advances	%	32.4	33.4		33.2
Net provision for doubtful debts charge to total lending and insurance income (excluding investment income) <sup>(5)</sup>	%	35.2	35.7		34.3
Loan revenue <sup>(6)</sup>	R'm	14 596	13 720	6	12 145
Loan revenue <sup>(6)</sup> to average gross loans and advances	%	31.5	31.9		31.5
<b>Retail deposits and wholesale funding</b>					
Wholesale funding	R'm	6 206	7 543	(18)	10 154
Retail call savings	R'm	34 909	30 117	16	24 152
Retail fixed savings	R'm	22 915	17 922	28	13 634

<sup>(1)</sup> Loan fee income, loan fee expense and net insurance income

<sup>(2)</sup> Includes credit card. For a number of loans advanced, a month in which the credit card is utilised is counted

<sup>(3)</sup> Not rehabilitated – Clients are deemed to be rehabilitated once they have made contractual payments for 6 consecutive months. Once rehabilitated, the loan is classified as up-to-date

<sup>(4)</sup> Includes bad debts recovered and early settlements where a subsequent loan is taken, the last repayment does not lead to an outflow – prior years are restated to include this

<sup>(5)</sup> Interest received on loans, initiation fees, monthly service fee and net insurance income

<sup>(6)</sup> Interest received on loans, initiation fees, monthly service fee, net insurance income and loan fee expense

## Steadfast fundamentals

We help clients manage their financial lives better, so they can live better. Our single financial solution, Global One, can be used in any way, from anywhere and at any time. We expect to achieve an active client base totalling 10 million by the end of this month. Our clients trust in our financial solution, delivers real value through personal service and supports continued growth. The simplicity of our solution ensures that clients know exactly what they pay for, and gives them full control of their money.

The results for the year are a reflection of the continuous focus on our fundamentals.

## Earnings up 18%

Headline earnings increased by 18% from R3.8 billion to R4.5 billion, and generated a return of 27% on our shareholders' equity for the 2018 financial year.

Our diversification strategy is evident by the increased earnings generated from each income stream.

## Net transactional income growth of 31%

Net transaction fee income (non-lending) increased from R3.9 billion to R5.1 billion in 2018. The net transaction fee income to operating expenses increased from 72% to 81%, which is in line with our objectives to cover all operating costs with net transaction fees by 2022.

Net transaction fee income now makes up 41% of total net income. This is a result of our focus on self-service banking, which has experienced a significant increase in transaction volumes. This investment and innovation delivers cost benefits and further efficiencies to our clients and frees up capacity for our consultants to better serve and address the needs of our clients in the branches. For the 5th consecutive year, the latest South African Customer Satisfaction Index (SAcsi) for Banking, conducted by Consulta, revealed that Capitec continues to lead with the most satisfied customers.

The increase in quality banking clients (a client becomes a quality banking client if they have stable inflows into their account and stable product usage over a consecutive 3 month period) of 18% and the continuous focus and improvement on our self-service banking transactions, increased total transaction volumes by 27%. Self-service banking transactions include the banking app, internet banking, unstructured supplementary service data (USSD – mostly used by clients who do not have smart phones), in-branch self-service terminals and dual note recyclers (DNRs).

74% of all possible transactions were performed by clients on self-service banking channels in 2018, compared to 62% in 2017. Transaction volumes for in-branch self-service terminals increased by 491%, and by 124% for DNRs in the current year.

Over 3 million clients have activated our banking app. For the month of February 2018, the app facilitated more than 20 million transactions. When our clients make use of our app, we cover the cost of the data. The banking app's wide appeal is evidenced by the fact that it is not only the most downloaded banking app in South Africa, but that it is also the 9th most downloaded app overall on the Google Play store in South Africa. This is according to the SA Social Media Landscape Report 2018 by brand intelligence organisation, Ornico, and high-tech market research consultancy, World Wide Worx.

## Monthly average retail deposit growth of R800 million

Total retail fixed savings increased by 28% to R23 billion and total retail call savings increased by 16% to R35 billion for the current year. Any positive balance on our debit or credit cards earns interest of at least 5.1% per year. Our clients earned more than R3.4 billion in interest for the 2018 financial year.

Wholesale funding decreased from R7.5 billion to R6.2 billion. Wholesale funding was lowered deliberately due to the strong retail fixed deposit and earnings growth, accompanied by moderate loan book growth. Nonetheless, we will maintain a presence in the debt capital markets.

## Personalised credit

Unsecured lending plays an important role in the South African credit market. The majority of South Africans, for example, live in dwellings on communal land or in townships with no title deeds. Consequently, the majority of the population is only able to build or improve their homes through accessing unsecured finance. More than 75% of South Africans do not have access to traditional secured lending to finance assets such as vehicles older than 5 years and appliances.

Our credit granting approach consistently evolves with our clients' needs and behaviour as well as our risk appetite. In line with the loan book growth, loan revenue increased by 6% for the current year and better performing loan book was achieved due to our conservative credit granting policy.

The 2018 financial year presents the first full 12 month performance of our credit card. As at 28 February 2018, 289 000 active credit cards were in issue, with a total book value of R2 billion. This represents 4.2% of the total loan book. The monthly fee on our credit card is R35. The performance is in line with our expectations.

Arrears as a percentage of gross loans and advances decreased from 6.3% to 5.7%. This includes all loans that are not up-to-date with contractual obligations. Arrears and up-to-date loans that were rescheduled from arrears (not rehabilitated – have not made 6 consecutive contractual payments) as a percentage of gross loans and advances, decreased from 9.8% to 8.3%. This is a direct result of the stricter credit granting strategy and rescheduling policy as well as the increase of clients in debt review. In terms of our bad and doubtful debt methodology, regardless of loan status, when a client goes into debt review, the outstanding loan balance is substantially written off.

Our provision for doubtful debts as a percentage of gross loans and advances decreased from 13.1% to 12.2% and the provision coverage of arrears increased from 208% to 216%. The lower provision percentage and higher coverage ratio is a direct result of the better performing loan book.

The increase in bad debt written off in the current year is mostly due to the increase in the number of clients in debt review. Bad debts recovered increased due to improved collection efficiencies and initiatives.

## Investing in our operations

Our operating costs increased by 17% from R5.4 billion to R6.4 billion in the current year. Our cost-to-income ratio is 36%.

The focus on self-service banking to improve efficiency and capacity in existing branches resulted in the opening of 30 new branches in strategic areas during the year. We now have 727 DNRs and 467 in-branch self-service terminals to aid in the improvement of our service and client experience – the increases of which amount to 38% and 213%, respectively. Key personnel appointments were made in business development and digital solutions to support further growth initiatives.

## Insure

We believe that offering insurance solutions that are personalised and competitively priced will deliver value to our clients and disrupt the insurance market in a similar way to what we do in banking.

Save. Transact. **Insure**. Credit.

The unique funeral traditions in South Africa often result in clients who earn an income being responsible for the considerable costs of a funeral for either a direct family member or a dependant in their broader community.

We aim to launch the Capitec Funeral Plan, underwritten by Sanlam, in May 2018, as part of Insure, the new addition to our Global One Solution. This is an opportunity to further diversify our business and expand our product offering to clients to improve their financial lives.

Our funeral cover solution ensures that clients will only contribute what they can afford. A single contract can benefit up to 21 dependents. The voluntary pause option will allow policyholders to put their policy on hold for a maximum of 6 months if they are under financial strain. The new-born premium waiver benefit celebrates additions to clients' families at no cost for up to 6 months while still enjoying cover and peace of mind. Should an unnatural death or accident occur, the life assured will be covered immediately at twice the amount.

We believe that this solution will provide our clients with financial means to cover expenses during a period when they need someone they can trust and rely on.

## Strong capital, low liquidity risk, excess funds

Capitec remains well capitalised with a capital adequacy ratio of 36%. The bank continues to meet all prudential requirements.

We comply with the Basel 3 liquidity coverage ratio (LCR) as well as the net stable funding ratio (NSFR). Our LCR is 1 878% and NSFR is 206% as a result of the conservative liquidity strategy we implemented since the inception of the bank.

We manage our clients' funds in a diligent and conservative manner. Client deposits are invested in simple and easy to understand interest-bearing investments such as South African National Treasury Bills. These investments are, on average, for periods shorter than 3 months, with no single investment longer than 1 year. We use our equity, the wholesale funds received from institutions and, the bulk of fixed-term client deposits, to lend out to individual clients. We have a conservative approach to credit, price appropriately in compliance with the National Credit Act, Act 34 of 2005, for the risk and make adequate provisions for bad debt. Our approach to capital is consistent with our approach to liquidity and credit, and our capital levels are well above that which is required. This policy will continue to be applied as consistently as it has been since inception. Through deliberately maintaining substantial levels of capital, we protect client deposits should a major unforeseen event, such as a global financial crisis, occur.

## Credit ratings

The South African sovereign rating was downgraded on 24 November 2017. In its ratings report, S&P Global indicated that it does not rate financial institutions in South Africa above the foreign currency sovereign ratings. Consequently, S&P Global lowered its ratings on 6 financial institutions operating in South Africa, including Capitec Bank.

Capitec Bank's global long-term rating was lowered to "BB" from "BB+". The global short-term rating remains at "B". These ratings carry a stable outlook. While, the national long-term rating was lowered to "zaAA-", the national short-term rating was affirmed at "zaA-1+". Capitec Bank carries the same long-term foreign currency rating as the South African sovereign.

## Thank you

We will continue to help people better manage their financial lives. We want to thank our clients for their continued support and for the confidence they place in us.

Our solutions for our clients would not be possible without the great drive from the entire Capitec family. As colleagues with individual strengths and skills, we make a strong team because of shared goals and commitment. We thank every member of the team for their part in what we have achieved, and are excited to pursue the goals we have set for ourselves.

## Prospects

Sustained focus on our fundamentals will keep us on course to become the best retail bank in the world.

## Dividend

The directors declared a final gross dividend of 945 cents per ordinary share on 26 March 2018, bringing the total dividends for the 2018 financial year to 1 470 cents per share. There are 1 15 626 991 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 20%, is 756 cents per share. The distribution is made from income reserves. Capitec's tax reference number is 9405376840.

Last day to trade cum dividend	Tuesday, 17 April 2018
Trading ex-dividend commences	Wednesday, 18 April 2018
Record date	Friday, 20 April 2018
Payment date	Monday, 23 April 2018

Share certificates may not be dematerialised or rematerialised from Wednesday, 18 April 2018 to Friday, 20 April 2018, both days inclusive.

The chief financial officer's review is available at [www.capitecbank.co.za](http://www.capitecbank.co.za).

On behalf of the board



**Riaan Stassen**  
Chairman



**Gerrie Fourie**  
Chief executive officer

Stellenbosch  
27 March 2018

# Summarised consolidated statement of financial position

	Audited February 2018 R'm	Audited February 2017 R'm
<b>Assets</b>		
Cash, cash equivalents and money market funds	25 091	18 677
Held-to-maturity investments	11 781	5 327
Term deposit investments	2 528	6 601
Net loans and advances	41 814	39 205
Other receivables	722	872
Net insurance receivable	245	255
Derivative assets	–	58
Available-for-sale financial assets	100	100
Current income tax asset	107	–
Investment in associate	134	–
Property and equipment	1 755	1 523
Intangible assets	283	280
Deferred income tax asset	397	460
<b>Total assets</b>	<b>84 957</b>	<b>73 358</b>
<b>Liabilities</b>		
Derivative liabilities	54	46
Current income tax liability	–	30
Retail deposits*	57 824	48 039
Other liabilities	1 914	1 501
Wholesale funding*	6 206	7 543
Provisions	67	81
<b>Total liabilities</b>	<b>66 065</b>	<b>57 240</b>
<b>Equity</b>		
<b>Capital and reserves</b>		
Ordinary share capital and premium	5 649	5 649
Cash flow hedge reserve	(26)	(12)
Foreign currency translation reserve	3	–
Retained earnings	13 153	10 330
<b>Share capital and reserves attributable to ordinary shareholders</b>	<b>18 779</b>	<b>15 967</b>
Non-redeemable, non-cumulative, non-participating preference share capital and premium	113	151
<b>Total equity</b>	<b>18 892</b>	<b>16 118</b>
<b>Total equity and liabilities</b>	<b>84 957</b>	<b>73 358</b>

\* Reclassification:  
Deposits and bonds presented in the prior year have been split into retail deposits and wholesale funding. The comparative figures have been presented accordingly.

# Summarised consolidated income statement

	Audited February <b>2018</b> R'm	Audited February <b>2017</b> R'm
Lending, investment and insurance income	<b>17 266</b>	16 071
Interest income	<b>15 474</b>	14 934
Loan fee income	<b>919</b>	875
Net insurance income	<b>873</b>	262
Lending and investment expenses	<b>(4 596)</b>	(4 194)
Interest expense	<b>(4 184)</b>	(3 552)
Loan fee expense	<b>(412)</b>	(642)
<b>Net lending, investment and insurance income</b>	<b>12 670</b>	11 877
Transaction fee income	<b>6 925</b>	5 499
Transaction fee expense	<b>(1 798)</b>	(1 576)
<b>Net transaction income</b>	<b>5 127</b>	3 923
Dividend income	–	–
Net provision for doubtful debts charge	<b>(5 280)</b>	(5 121)
Other (expense)/income	<b>(1)</b>	–
<b>Net income</b>	<b>12 516</b>	10 679
Operating expenses	<b>(6 364)</b>	(5 439)
Share of net profit of associates	<b>3</b>	–
<b>Operating profit before tax</b>	<b>6 155</b>	5 240
Income tax expense	<b>(1 685)</b>	(1 434)
<b>Profit for the year</b>	<b>4 470</b>	3 806
<b>Earnings per share (cents)</b>		
Basic	<b>3 855</b>	3 278
Diluted	<b>3 843</b>	3 267



# Summarised consolidated statement of other comprehensive income

	Audited February 2018 R'm	Audited February 2017 R'm
<b>Profit for the year</b>	<b>4 470</b>	3 806
Other comprehensive income that will be reclassified to profit and loss for the year	(15)	(76)
Cash flow hedge reserve recognised during the year	59	(212)
Cash flow hedge reclassified to profit and loss for the year	(80)	108
Income tax relating to cash flow hedge	6	28
Foreign currency translation reserve recognised during the year	3	–
<b>Total comprehensive income for the year</b>	<b>4 458</b>	3 730

# Reconciliation of attributable earnings to headline earnings

	Audited February 2018 R'm	Audited February 2017 R'm
<b>Net profit attributable to equity holders</b>	<b>4 470</b>	3 806
Preference dividend	(12)	(16)
Discount on repurchase of preference shares	–	(1)
<b>Net profit after tax attributable to ordinary shareholders</b>	<b>4 458</b>	3 789
Non-headline items:		
Loss on disposal of property and equipment	3	4
Income tax charge – property and equipment	–	(1)
Loss on scrapping and resultant derecognition of intangible assets	–	1
<b>Headline earnings</b>	<b>4 461</b>	3 793

# Summarised consolidated statement of cash flows

	Audited February 2018 R'm	Audited February 2017 R'm
<b>Cash flow from operating activities</b>		
Cash flow from operations	13 674	10 890
Income taxes paid	(1 741)	(1 388)
	<b>11 933</b>	9 502
<b>Cash flow from investing activities</b>		
Purchase of property and equipment	(686)	(783)
Proceeds from disposal of property and equipment	32	9
Purchase of intangible assets	(143)	(217)
Investment in term deposit investments	(3 153)	(7 011)
Redemption of term deposit investments	7 159	7 599
Acquisition of held-to-maturity investments	(12 904)	(7 620)
Redemption of held-to-maturity investments	6 650	5 928
Acquisition of available-for-sale financial assets	–	(100)
Movement in money market unit trusts	(14)	6
Acquisition of interest in associates	(129)	–
	<b>(3 188)</b>	(2 189)
<b>Cash flow from financing activities</b>		
Dividends paid	(1 545)	(1 323)
Preference shares repurchased	(39)	(24)
Issue of institutional bonds and other funding	500	774
Redemption of institutional bond and other funding	(1 110)	(2 208)
Realised loss on settlement of employee share options less participants' contributions	(151)	(14)
	<b>(2 345)</b>	(2 795)
<b>Net increase in cash and cash equivalents</b>	<b>6 400</b>	4 518
Cash and cash equivalents at the beginning of the year	18 670	14 152
<b>Cash and cash equivalents at the end of the year</b>	<b>25 070</b>	18 670

# Summarised consolidated statement of changes in equity

	Audited February <b>2018</b> R'm	Audited February <b>2017</b> R'm
<b>Equity at the beginning of the period</b>	<b>16 118</b>	13 659
Total comprehensive income for the period	<b>4 458</b>	3 731
Ordinary dividend	<b>(1 531)</b>	(1 307)
Preference dividend	<b>(12)</b>	(16)
Employee share option scheme:		
Value of employee services	<b>37</b>	42
Shares acquired for employee share options at cost	<b>(225)</b>	(27)
Proceeds on settlement of employee share options	<b>74</b>	13
Tax effect on share options	<b>12</b>	47
Preference shares repurchased	<b>(39)</b>	(24)
<b>Equity at the end of the period</b>	<b>18 892</b>	16 118

## Commitments

	Audited February <b>2018</b> R'm	Audited February <b>2017</b> R'm
<b>Capital commitments approved by the board</b>		
<b>Contracted for:</b>		
Property and equipment	<b>148</b>	196
Intangible assets	<b>16</b>	36
<b>Not contracted for:</b>		
Property and equipment	<b>897</b>	924
Intangible assets	<b>242</b>	393
	<b>1 303</b>	1 549
<b>Property operating lease commitments</b>		
Future aggregate minimum lease payments		
Within one year	<b>469</b>	422
From one to five years	<b>1 292</b>	1 244
After five years	<b>269</b>	298
Total future cash flows	<b>2 030</b>	1 964
Straight-lining accrued	<b>(135)</b>	(114)
Future expenses	<b>1 895</b>	1 850

## Segment analysis

The group reports a single segment – retail banking – within the South African economic environment. The business is widely distributed and has no reliance on any major clients. In addition, no client accounts for more than 10% of revenue.

## Fair values

In terms of IFRS 13 'Fair value measurement', the fair value determined for disclosure purposes of net loans and advances (level 3) was R44.1 billion (February 2017: R43.2 billion), retail deposits (level 2) was R58.1 billion (February 2017: R48.1 billion) and wholesale funding (level 2) was R6.4 billion (February 2017: R7.8 billion). The measured fair value of derivative assets (level 2) was valued at R0.1 million (February 2017: R58.1 million), available-for-sale investments (level 3) was R100 million (February 2017: R100 million) and derivative liabilities (level 2) was R54.6 million (February 2017: R45.6 million). The fair value of all other financial instruments equates to their carrying amount.

## Notes

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act, Act 71 of 2008, applicable to summary 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) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and 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 Group complies in all material respects with the requirements of the King IV Report on Corporate Governance™ for South Africa 2016. Basel disclosures in terms of Regulation 43 of the Banks' Act, Act 94 of 1990, are available on the Capitec Bank website.

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

## Independent auditor's opinion

These summarised consolidated financial statements for the year ended 28 February 2018 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summarised consolidated financial statements were derived.

A copy of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office. The directors take full responsibility for the preparation of the report and that the financial information has been correctly extracted from the underlying annual financial statements.

**Company secretary and registered office**

Yolande Mouton

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)

Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196; PO Box 61051, Marshalltown 2107

**Sponsor**

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

**Directors**

R Stassen (Chairman), GM Fourie (CEO)\*, LA Dlamini, AP du Plessis (CFO)\*, MS du P le Roux, K Makwane, NS Mashiya\*, JD McKenzie, NS Mjoli-Mncube, PJ Mouton, CA Otto, JP Verster.

\* *Executive*

## Annual General Meeting

Notice is hereby given that the annual general meeting of the shareholders of Capitec will be held on Friday, 25 May 2018. The detailed notice will be available from 23 April 2018 at [www.capitecbank.co.za/investor-relations/shareholders-centre](http://www.capitecbank.co.za/investor-relations/shareholders-centre).

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