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')

unaudited financial results

for the 6 months ended 31 August 2017

Headline earnings per share up **17%** to **1 769 cents**
Headline earnings up **17%** to **R2.046 billion**
Interim dividend per share: **525 cents**
Return on equity: **26%**
Active clients: **9.2 million**
New jobs created this period: **463**

Key performance indicators

		6 months ended August 2017	6 months ended August 2016	Change % 2017/2016	Year ended February 2017
Profitability					
Interest income	R'm	**7 759**	7 430*	4	14 934
Net loan fee income	R'm	**640**	97*	560	495
Total lending and investment income	R'm	**8 399**	7 527	12	15 429
Interest expense	R'm	**(2 015)**	(1 708)	18	(3 552)
Net lending and investment income	R'm	**6 384**	5 819	10	11 877
Net transaction fee income	R'm	**2 386**	1 851	29	3 923
Other income	R'm	**18**	-	-	-
Income from operations	R'm	**8 788**	7 670	15	15 800
Net loan impairment expense	R'm	**(2 811)**	(2 600)	8	(5 121)
Net income	R'm	**5 977**	5 070	18	10 679
Operating expenses	R'm	**(3 156)**	(2 626)	20	(5 439)
Income before tax	R'm	**2 821**	2 444	15	5 240
Tax	R'm	**(767)**	(685)	12	(1 434)
Preference dividend	R'm	**(7)**	(8)	(13)	(16)
Earnings attributable to ordinary shareholders					
Basic	R'm	**2 047**	1 751	17	3 790
Headline	R'm	**2 046**	1 754	17	3 793
Net transaction fee income to net income	%	**40**	37		37
Net transaction fee income to operating expenses	%	**76**	70		72
Cost-to-income ratio	%	**36**	34		34
Return on ordinary shareholders' equity	%	**26**	26		27
Earnings per share					
Attributable	cents	**1 770**	1 514	17	3 278
Headline	cents	**1 769**	1 517	17	3 281
Diluted attributable	cents	**1 765**	1 508	17	3 267
Diluted headline	cents	**1 764**	1 511	17	3 270
Dividends per share					
Interim	cents	**525**	450	17	450
Final	cents				800
Total	cents				1 250
Dividend cover	x				2.6
Assets					
Net loans and advances	R'm	**40 619**	36 938	10	39 205
Cash, cash equivalents and other liquid assets	R'm	**36 210**	27 481	32	30 605
Other	R'm	**4 307**	3 101	39	3 548
Total assets	R'm	**81 136**	67 520	20	73 358
Liabilities					
Deposits and bonds	R'm	**62 406**	51 384	21	55 582
Other	R'm	**1 600**	1 517	5	1 658
Total liabilities	R'm	**64 006**	52 901	21	57 240

Key performance indicators

		6 months ended August 2017	6 months ended August 2016	Change % 2017/2016	Year ended February 2017
Equity					
Shareholders' funds	R'm	**17 130**	14 619	17	16 118
Capital adequacy ratio	%	**35**	34		34
Net asset value per ordinary share	cents	**14 695**	12 493	18	13 809
Share price	cents	**90 050**	58 258	55	72 500
Market capitalisation	R'm	**104 122**	67 362	55	83 830
Number of shares in issue	'000	**115 627**	115 627		115 627
Share options					
Number outstanding	'000	**837**	1 003	(17)	963
Number outstanding to shares in issue	%	**0.7**	0.9		0.8
Average strike price	cents	**37 950**	31 420	21	31 755
Average time to maturity	months	**23**	25		20
Operations					
Branches		**811**	751	8	796
Employees		**13 532**	12 479	8	13 069
Active clients	'000	**9 184**	7 917	16	8 569
ATMs					
Own		**1 775**	1 453	22	1 653
Partnership		**2 506**	2 474	1	2 371
Total		**4 281**	3 927	9	4 024
Capital expenditure	R'm	**467**	712	(34)	1 000
Sales					
Loans					
Value of loans advanced	R'm	**14 139**	12 810	10	27 226
Number of loans advanced	'000	**1 871**	1 711	9	3 508
Average loan amount	R	**7 556**	7 487	1	7 761
Average loan amount less than or equal to 6 months	R	**2 128**	1 751	22	1 905
Average loan amount greater than 6 months	R	**29 990**	25 794	16	26 605
Repayments	R'm	**17 116**	16 086	6	32 983
Gross loans and advances	R'm	**46 544**	42 812	9	45 135
Loans past due (arrears)	R'm	**2 498**	2 561	(2)	2 855
Arrears to gross loans and advances	%	**5.4**	6.0		6.3
Arrears rescheduled within 6 months	R'm	**1 396**	1 645	(15)	1 583
Arrears and arrears rescheduled within 6 months to gross loans and advances	%	**8.4**	9.8		9.8
Rescheduled from up-to-date within 6 months	R'm	**1 049**	1 535	(32)	1 088
Arrears and all rescheduled within 6 months to gross loans and advances	%	**10.6**	13.4		12.2
Provision for doubtful debts	R'm	**5 925**	5 874	1	5 930
Provision for doubtful debts to gross loans and advances	%	**12.7**	13.7		13.1
Arrears coverage ratio	%	**237**	229		208
Arrears and arrears rescheduled within 6 months coverage ratio	%	**152**	140		134
Arrears and all rescheduled within 6 months coverage ratio	%	**120**	102		107
Loan revenue	R'm	**7 378**	6 737	10	13 720
Loan revenue to average gross loans and advances	%	**16.1**	16.1		31.9
Gross loan impairment expense	R'm	**3 395**	3 137	8	6 246
Recoveries	R'm	**584**	537	9	1 125
Net loan impairment expense	R'm	**2 811**	2 600	8	5 121
Net loan impairment expense to total loan revenue	%	**38.1**	38.6		37.3
Net loan impairment expense to average gross loans and advances	%	**6.1**	6.2		11.9
Deposits and bonds					
Wholesale deposits	R'm	**7 005**	8 351	(16)	7 543
Retail call savings	R'm	**33 523**	26 893	25	30 117
Retail fixed savings	R'm	**21 878**	16 140	36	17 922

**Loan origination fees previously included in loan fee income was restated and included in interest income of the income statement.*

Unsecured lending competitive with the secured credit market

We now offer unsecured credit at an interest rate from as low as 12.9%. There are no legal or administration costs to register an asset and the loan is instantly available with no waiting period.

We make banking simple to suit the needs of our clients. Our understanding of the circumstances of our clients in an economy under severe pressure, enables us to challenge what we do and make adjustments to address demands in the market. The personalised solutions produce real value for our clients. The Global One solution remains the most affordable bank account in the market when considering transaction fees, and interest of at least 5.1% is earned on any positive balance in any account. The monthly fee on our credit card was reduced to R35 per month.

South Africans appreciate that we help them manage their financial lives better, so they can live better. By the end of August 2017, we had 9.2 million active clients and increased our number of branches to 811. This represents client growth of 106 000 per month over the last 12 months.

We made further progress on our out-of-branch transacting strategy with self-service banking transactions (cellphone banking app, internet banking, self-service terminals and dual note recyclers) increasing by 43%. This improves accessibility for clients. Allowing clients to bank from anywhere, anytime and in any way, ensures clients are always in full control.

We were placed first in the overall mobile banking category by the SITEisfaction® 2017 survey. The simplicity and great user experience of our internet and mobile banking resulted in Capitec being voted South Africa's best digital bank of 2017.

Being recognised as the fastest growing overall brand in South Africa and voted the best bank in the world for the second time in a row according to Lafferty Group's annual Bank Quality Ratings survey, serves as a reminder to constantly improve and set standards higher than any accolades received. We retain our focus of exceptional personal service and delivery of simple, transparent solutions.

17% growth in earnings

Our headline earnings increased by 17% to R2.05 billion for the current 6 month period from R1.75 billion in the prior year corresponding 6 month period. Return on shareholders' equity for the current period is 26%.

Net lending and investment income increased with 10% despite introducing our improved credit solution and applying a stricter granting strategy. Arrears and rescheduled loans decreased with 14% while the net loan impairment expense increased with 8%.

Net transaction fee income increased by 29% and operating expenses increased 20% from the prior year period in support of our growth initiatives.

Our improved credit solution

Continuous improvement of our credit offer is key to our vision. In the process of offering personalised credit and improving our processes and systems, better interest rate options are available to our clients. The best possible amount, term and interest rate offered to clients are based on the clients' past bank and credit behaviour, affordability and stability of their source of income. We have strengthened our credit solution to allow clients to choose either the amount that suits their needs, monthly instalment that suits their cash flow or an option that gives them the best interest rate.

We continue to improve our understanding of our clients' behaviour and risk profiles that allow us to price loans accordingly and achieve a healthier, more sustainable loan book.

We have reduced our monthly fee on our credit card which will apply to all existing and new clients. There is no charge on any foreign exchange conversion cost when travelling overseas. The credit card is fully integrated into the Global One solution, earning interest of at least 5.1% on a positive balance.

We welcome the final Credit Life Insurance Regulations that came into effect on 9 August 2017. Although there are still some matters that need to be addressed, the regulations eliminate some ambiguity and prevent credit providers from taking unacceptable high risks that can hurt clients financially. Our credit agreements concluded on or after 9 August 2017 meet all the necessary requirements and fee limits of insuring our clients' loans for death, permanent and temporary disability, unemployment or when our clients are unable to earn an income.

All fees are priced with our clients' best interest in mind. For all credit life cover, we price according to the client's risk and loan balance that remains outstanding. The fee therefore adjusts downward over the term of the loan as the capital on the loan is repaid. This ensures our clients only pay to cover the value of the loan balance that remains at risk. As the fees previously charged were below the regulatory limits implemented on 9 August 2017, our clients and our profitability were not adversely impacted by these regulatory changes.

Unfortunately, the regulations also allow credit providers the option to retain the premium cost at the loan inception value even though the balance outstanding decreases over the period of the loan. We are working with the Regulator to resolve these differences.

The health of our loan book

With our stricter granting strategy, we have extended loans to better quality clients, aligned to support their needs. Gross loans and advances with a product term between 61 and 84 months increased by R1.2 billion and the credit card book increased by R1.3 billion in the current period.

Loans and advances in the up-to-date not rescheduled status, as a percentage of gross loans and advances increased from 78.7% to 82.1%. Arrears as a percentage of gross loans and advances decreased from 6.0% to 5.4%. The increase in up-to-date status and decrease in arrears is a direct result of our improved granting strategy, and the increased number of clients in debt review.

The current 6 month period experienced a 58% increase of loan balances in debt review. As per our bad and doubtful debt methodology, a client in debt review is fully written-off, regardless of loan status and does not proceed into arrears as a client that misses an instalment would. More clients are applying for debt review due to cash flow pressures and major marketing drives by debt management firms that currently promote debt review as a solution to the difficulty being experienced. In many cases the consequences of going into debt review are not in the best interest of clients.

Loans rescheduled from an up-to-date status within the last 6 months as a percentage of gross loans and advances decreased from 3.6% to 2.3% and arrears rescheduled within the last 6 months as a percentage of gross loans and advances decreased from 3.8% to 3.0% in the current period. This is a result of our rescheduling policy changes and implementing stricter rules of preventing lower risk clients from rescheduling from an up-to-date loan status, and clients in arrears from rescheduling for a second or a third time if their risk is deemed to be too high.

Loan revenue, in-line with loan book growth, increased with 10% for the current period. The implementation of improvements to our credit solution allowed us to provide more competitive interest rates, making our offer more attractive to quality consumers and which we expect should in turn, achieve a lower bad debt rate.

The table below presents the increase in the gross loan impairment expense for the current 6 month period:

		Six months ended			Change %	
		August 2017	February 2017	August 2016	August 2017/ February 2017	August 2017/ August 2016
Bad debt written off	R'm	**3 400**	3 053	2 394	11	42
Movement in impairment allowance	R'm	**(5)**	56	743	(109)	
Gross loan impairment expense	R'm	**3 395**	3 109	3 137	9	8

A significant portion of the 42% increase in bad debt write-offs was as a result of the increased number of clients under debt review and the change in rescheduling policy provided for in the previous financial year which materialised in the current period.

The total movement of the provision for doubtful debts in the current year remained flat as a result of the tightening our of credit granting criteria, advancing better quality loans with lower risk and resultant lower arrears and rescheduled loan balances.

Strong transactional growth of 29% remains

Our quality banking client (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) growth was 21%. The increase in self-service banking transaction volume of 231 million this period compared to 162 million of the prior year period has contributed to 95% of our clients now waiting less than 15 minutes in a branch to be served.

Our net transaction fee income covered 76% of our operating expenses (August 2016: 70%) and contributed 40% of our net income (August 2016: 37%) achieving further income diversification.

Cost-to-income ratio of 36%

Operating costs increased by 20% from R2.6 billion to R3.2 billion in the current period. The main reason for the increase in costs relate to the increase in employees, increased salary incentives (due to a 55% increase in our share price), information technology and marketing expenditure to ensure our growth aspirations are appropriately supported.

15 new branches were opened during the current period compared to 31 during the prior year period, driven by the focus on self-service banking. This resulted in a decrease in capital expenditure of 34%.

Average deposit growth of R1 billion per month

Our continued brand acceptance growth resulted in a 28.7% increase in retail deposits to R55.4 billion by the end of August 2017 (August 2016: R43.0 billion).

We continued to manage our wholesale funding downwards to R7.0 billion during this period (August 2016: R8.4 billion). This was due to the increase in fixed retail deposits and profit contribution to fund the growth in loans and advances. We however will always retain wholesale funding exposure and strong support from the market was confirmed during our May 2017 bond issuance of R500 million that was 4.2 times oversubscribed.

Strong capital and low liquidity risk

We retained a capital adequacy ratio of 34.6% at the end of August 2017. We have sufficient capital to meet our growth requirements. During the current period, we continued to repurchase preference shares that are subject to the applicable phase-out rules in terms of Basel 3.

Our approach to liquidity risk remains conservative and to reduce the risk, call deposits are only utilised for the loan book to a limited extent. We comply with the Basel 3 liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). Our LCR is 1 187% (August 2016: 991%) and our NSFR is 199% (August 2016: 152%). Our internal liquidity requirements have always been stricter than the Basel ratios.

Resilient credit rating

S&P Global affirmed Capitec Bank Limited's global long-term credit ratings of BB+ on 5 September 2017. The global ratings carry a negative outlook linked to the sovereign's negative outlook. We were not downgraded along with the sovereign and other South African banks earlier this year. This means that we are now rated the same as the sovereign and the other South African banks. S&P Global recalibrated their national scale ratings after the sovereign was downgraded, resulting in our national scale long-term ratings increasing with three notches from the beginning of the year to zaAA.

Prospects

We believe that our DNA of client centric values, energy and ownership in everything we do, achieves personal service that ensures long-lasting relationships with our clients. We believe that this approach gives us a competitive edge.

The real value we generate for our clients through personal service and delivery of affordable, accessible financial solutions drives the growth of our company.

Investing in our people and infrastructure supports this growth and allows us the opportunity to create jobs, stimulate the economy and ultimately transform the country in which we live.

Changes in board composition

On 6 April 2017, the Board appointed Ms Lindi Dlamini and Mr Kabelo Makwane as independent non-executive directors. Lindi's experience includes legal and risk management, client services in the retail market and human resources management. Kabelo is an experienced businessman involved in information technology and sales. We welcome them both to the board.

Interim dividend

The directors declared a gross interim dividend for the 6 months ended 31 August 2017 of 525 cents per ordinary share on Tuesday, 26 September 2017. The dividend will be paid on Monday, 23 October 2017. There are 115 626 991 ordinary shares in issue.

The 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 420 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 October 2017
Trading *ex*-dividend commences	Wednesday, 18 October 2017
Record date	Friday, 20 October 2017
Payment date	Monday, 23 October 2017

Share certificates may not be dematerialised or rematerialised from Wednesday, 18 October 2017 to Friday, 20 October 2017, both days inclusive.

On behalf of the board

Riaan Stassen
Chairman

Gerrie Fourie
Chief executive officer

Stellenbosch

27 September 2017

Summarised consolidated statement of financial position

	Unaudited August 2017 R'm	Unaudited August 2016 R'm	Six months August 2017/2016 %	Audited February 2017 R'm
Assets				
Cash, cash equivalents and money market funds	**23 906**	15 090	58	18 677
Held-to-maturity investments	**6 701**	5 350	25	5 327
Term deposit investments	**5 603**	7 041	(20)	6 601
Loans and advances to clients	**40 619**	36 938	10	39 205
Other receivables	**1 585**	594	167	1 127
Derivative assets	**64**	143	(55)	58
Available-for-sale financial assets	**102**	100	2	100
Current income tax asset	**52**	111	(53)	–
Investment in associate	**104**	–	–	–
Property and equipment	**1 725**	1 408	23	1 523
Intangibles	**271**	400	(32)	280
Deferred income tax asset	**404**	345	17	460
Total assets	**81 136**	67 520	20	73 358
Liabilities				
Deposits and bonds	**62 406**	51 384	21	55 582
Derivative liabilities	**74**	17	335	46
Other liabilities	**1 484**	1 436	3	1 501
Current income tax liability	**–**	–	–	30
Provisions	**42**	64	(34)	81
Total liabilities	**64 006**	52 901	21	57 240
Equity				
Capital and reserves				
Ordinary share capital and premium	**5 649**	5 649	–	5 649
Cash flow hedge and foreign currency translation reserves	**(34)**	23	(248)	(12)
Retained earnings	**11 377**	8 773	30	10 330
Share capital and reserves attributable to ordinary shareholders	**16 992**	14 445	18	15 967
Non-redeemable, non-cumulative, non-participating preference share capital and premium	**138**	174	(21)	151
Total equity	**17 130**	14 619	17	16 118
Total equity and liabilities	**81 136**	67 520	20	73 358

Summarised consolidated income statement

	Unaudited August 2017 R'm	Unaudited August 2016 *Restated* R'm	Six months August 2017/2016 %	Audited February 2017 R'm
Lending and investment income	**8 628**	7 926	9	16 071
Interest income	**7 759**	7 430	4	14 934
Loan fee income	**869**	496	75	1 137
Lending and investment expenses	**(2 244)**	(2 107)	7	(4 194)
Interest expense	**(2 015)**	(1 708)	18	(3 552)
Loan fee expense	**(229)**	(399)	(43)	(642)
Net lending and investment income	**6 384**	5 819	10	11 877
Transaction fee income	**3 234**	2 602	24	5 499
Transaction fee expense	**(848)**	(751)	13	(1 576)
Net transaction income	**2 386**	1 851	29	3 923
Net impairment charge on loans and advances to clients	**(2 811)**	(2 600)	8	(5 121)
Other income	**18**	–	–	–
Net income	**5 977**	5 070	18	10 679
Operating expenses	**(3 156)**	(2 626)	20	(5 439)
Operating profit before tax	**2 821**	2 444	15	5 240
Income tax expense	**(767)**	(685)	12	(1 434)
Profit for the year	**2 054**	1 759	17	3 806
Earnings per share (cents)				
▪ Basic	**1 770**	1 514	17	3 278
▪ Diluted	**1 765**	1 508	17	3 267

Reclassification:

As part of the review of the group's basis of preparation policy to consistently comply with IFRS and interpretation issued by the IFRS Interpretation Committee (IFRIC), in February 2017 we have reclassified loan origination fees to be included in interest income and not form part of loan fee income as previously presented.

The portion of loan origination fees that relate to the creation of a financial asset is amortised over the term of the loan on an effective interest rate basis, with the unamortised portion of the fees recorded as deferred loan fee income contained within net loans and advances to clients.

The impact of this reclassification for August 2016 is presented as follows:

R'm	**2016 Restated**	**Reported previously**	**Impact**
Total interest income	7 430	7 017	413
Total loan fee income	496	909	(413)
Total lending and investment income	**7 926**	**7 926**	**–**

Summarised consolidated statement of comprehensive income

	Unaudited August 2017 R'm	Unaudited August 2016 R'm	Six months August 2017/2016 %	Audited February 2017 R'm
Profit for the period	**2 054**	1 759	17	3 806
Total movement in cash flow hedge and foreign currency translation reserve before tax	**(35)**	(55)	(36)	(104)
Foreign currency translation reserve recognised during the year	**11**	–	–	–
Cash flow hedge reserve recognised during the year	**(21)**	(73)	(71)	(212)
Cash flow hedge reclassified to profit and loss for the year	**(25)**	18	(239)	108
Income tax relating to cash flow hedge	**13**	14	(7)	28
Other comprehensive income for the period net of tax	**(22)**	(41)	(46)	(76)
Total comprehensive income for the period	**2 032**	1 718	18	3 730

Reconciliation of attributable earnings to headline earnings

	Unaudited August 2017 R'm	Unaudited August 2016 R'm	Six months August 2017/2016 %	Audited February 2017 R'm
Net profit attributable to equity holders	**2 054**	1 759	17	3 806
Preference dividend	**(7)**	(8)	(13)	(16)
Discount on repurchase of preference shares	**–**	–	–	(1)
Net profit after tax attributable to ordinary shareholders	**2 047**	1 751	17	3 789
Non-headline items:				
(Profit)/loss on disposal of property and equipment	**(1)**	6	(117)	4
Income tax charge - property and equipment	**–**	(2)	(100)	(1)
Loss on scrapping of intangible assets	**–**	(1)	(100)	1
	2 046	1 754	17	3 793

Summarised consolidated statement of cash flows

	Unaudited August 2017 R'm	Unaudited August 2016 *Restated* R'm	Six months August 2017/2016 %	Audited February 2017 R'm
Cash flow from operating activities				
Cash flow from operations	**8 523**	5 654	51	10 890
Income taxes paid	**(746)**	(711)	5	(1 388)
	7 777	4 943	57	9 502
Cash flow from investing activities				
Purchase of property and equipment	**(409)**	(475)	(14)	(783)
Proceeds from disposal of property and equipment	**4**	9	(56)	9
Purchase of intangible assets	**(59)**	(237)	(75)	(217)
Investment in term deposit investments	**(2 551)**	(3 649)	(30)	(7 011)
Redemption of term deposit investments	**3 549**	3 797	(7)	7 599
Acquisition of held-to-maturity investments	**(4 927)**	(4 686)	5	(7 620)
Redemption of held-to-maturity investments	**3 553**	2 971	20	5 928
Acquisition of available-for-sale financial assets	**(2)**	(100)	(98)	(100)
Acquisition of investments at fair value through profit or loss and money market unit trusts	**(6)**	4	(250)	6
Acquisition of interest in associate	**(93)**	–	–	–
	(941)	(2 366)	(60)	(2 189)
Cash flow from financing activities				
Dividends paid	**(932)**	(794)	17	(1 323)
Preference shares repurchased	**(13)**	–	–	(24)
Issue of institutional bonds and other funding	**505**	775	(35)	774
Redemption of institutional bond and other funding	**(1 034)**	(1 631)	(37)	(2 208)
Realised loss on settlement of employee share options less participants' contributions	**(128)**	2	(6 500)	(14)
	(1 602)	(1 648)	(3)	(2 795)
Effects of exchange rate changes on cash and cash equivalents	**(11)**	–	–	–
Net increase in cash and cash equivalents	**5 223**	929	462	4 518
Cash and cash equivalents at the beginning of the year	**18 670**	14 152	32	14 152
Cash and cash equivalents at the end of the year	**23 893**	15 081	58	18 670

As part of the JSE proactive monitoring of financial statements, issuers were advised that classification of an item within the statement of cash flows, i.e. whether it relates to operating, financing, or investing activities, is equally important to users as the final net cash position. For this purpose, during 2017 we have split the funding of our deposits and wholesale funding to reclassify the movement of bonds (subordinated debt and listed bonds) under financing activities and not under operating activities as previously disclosed.

Reclassification of August 2016:

R'm	**2016 Restated**	**Reported previously**	**Impact**
Cash flow from operations	5 654	4 798	856
Cash flow from financing activities	(1 648)	(792)	(856)
Net increase in cash and cash equivalents	**4 006**	**4 006**	–

Summarised consolidated statement of changes in equity

	Unaudited August 2017 R'm	Unaudited August 2016 R'm	Six months August 2017/2016 %	Audited February 2017 R'm
Equity at the beginning of the period	**16 118**	13 659	18	13 659
Total comprehensive income for the period	**2 032**	1 718	18	3 730
Ordinary dividend	**(925)**	(786)	18	(1 307)
Preference dividend	**(7)**	(8)	(13)	(16)
Employee share option scheme:				
Value of employee services	**19**	20	(5)	42
Shares acquired for employee share options at cost	**(184)**	–	–	(26)
Proceeds on settlement of employee share options	**56**	2	2 700	13
Tax effect on share options	**34**	14	143	47
Preference shares repurchased	**(13)**	–	–	(24)
Equity at the end of the period	**17 130**	14 619	17	16 118

Commitments

	Unaudited August 2017 R'm	Unaudited August 2016 R'm	Six months August 2017/2016 %	Audited February 2017 R'm
Capital commitments approved by the board				
Contracted for:				
▪ Property and equipment	**156**	245	(36)	196
▪ Intangible assets	**27**	54	(50)	36
Not contracted for:				
▪ Property and equipment	**1 311**	461	184	924
▪ Intangible assets	**255**	183	39	393
Property and other operating lease commitments				
Future aggregate minimum lease payments				
▪ Within one year	**452**	394	15	422
▪ From one to five years	**1 285**	1 209	6	1 244
▪ After five years	**288**	300	(4)	298
Total future cash flows	**2 025**	1 903	6	1 964
Straight-lining accrued	**(125)**	(103)	21	(114)
Future expenses	**1 900**	1 800	6	1 850

Segment analysis

Capitec reports a single segment - retail banking. 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 R43.8 billion (August 2016: R43.3 billion), deposits and bonds were R62.9 billion (August 2016: R51.6 billion), derivative assets was valued at R63.5 million (August 2016: R142.6 million), available-for-sale investment was R102 million (August 2016: nil) and derivative liabilities was R73.5 million (August 2016: R17 million). The fair value of loans and advances and available-for-sale investment was calculated on a level 3 basis and deposits and bonds and derivative assets and liabilities were calculated on a level 2 basis. The fair value of all other financial instruments equates to their carrying amount.

Unaudited interim financial statements

The condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, as amended. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements except for standards, interpretations and amendments to published standards, applied for the first time during the current financial period, which did not have any impact on the financial statements. The Group complies in all material respects with the requirements of King III. Basel disclosures in terms of Regulation 43 of the Banks' Act are available on the Capitec Bank website.

No event, that is material to the financial affairs of the Group, has occurred between the reporting date and the date of approval of the condensed consolidated interim financial statements.

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

Company secretary and registered office

Yolande Mouton, M.Sc.

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

Sponsor

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

Directors

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