summarised financial results

Key performance indicators

			2022	2021	% change 2022/2021
Profitability					
Interest income on loans		R'm	13 247	13 401	(1)
Interest income on investments		R'm	4 207	3 143	34
Total interest income		R'm	17 454	16 544	6
Net loan fee income		R'm	951	898	6
Net insurance income		R'm	1 540	965	60
Total lending, investment and insurance income less loan fee expense		R'm	19 945	18 407	8
Interest expense		R'm	(4 838)	(4 985)	(3)
Net lending, investment and insurance income		R'm	15 107	13 422	13
Net transaction income		R'm	10 515	8 708	21
Net foreign currency income		R'm	144	111	30
Other income		R'm	290	114	>100
Funeral plan income		R'm	906	650	39
Income from operations		R'm	26 962	23 005	17
Credit impairments		R'm	(3 508)	(7 825)	(55)
Net income		R'm	23 454	15 180	55
Operating expenses		R'm	(12 555)	(9 463)	33
Share of net profit/(loss) of associates and joint ventures		R'm	36	(7)	>100
Impairment of investments		R'm	-	(122)	
Operating profit before tax		R'm	10 935	5 588	96
Income tax expense		R'm	(2 408)	(1 130)	>100
Profit after tax		R'm	8 527	4 458	91
Preference dividend		R'm	(3)	(4)	(25)
Discount on repurchase of preference shares		R'm	(1)	(2)	(50)
Earnings attributable to ordinary shareholders					
Basic		R'm	8 523	4 452	91
Headline		R'm	8 440	4 586	84
Net transaction, net foreign currency and funeral plan income to net income		%	49	62	
Net transaction, net foreign currency and funeral plan income to operating expenses		%	92	100	
Cost-to-income ratio		%	47	41	
Return on ordinary shareholders' equity		%	26	17	
Earnings per share					
Attributable		cents	7 371	3 850	91
Headline		cents	7 300	3 966	84
Number of shares for calculation		'000	115 627	115 627	
Diluted attributable		cents	7 360	3 848	91
Diluted headline		cents	7 289	3 963	84
Number of shares for calculation		'000	115 800	115 698	
Dividends per ordinary share					
Interim		cents	1 200	-	
Final		cents	2 440	1 600	53
Total		cents	3 640	1 600	>100
Number of shares for calculation		'000	116 100	115 627	
Dividend cover		times	2.0	2.5	
Special dividend		cents	1 500	-	
Assets					
Net loans and advances		R'm	66 549	57 189	16
Cash and financial investments[(1)]		R'm	97 901	84 625	16
Other		R'm	13 493	14 693	(8)
Total assets		R'm	177 943	156 507	14
Liabilities					
Deposits and wholesale funding		R'm	134 458	120 908	11
Other		R'm	7 720	5 684	36
Total liabilities		R'm	142 178	126 592	12
Equity					
Shareholders' funds (total equity)		R'm	35 765	29 915	20
Capital adequacy ratio (CAR)		%	36	37	
Net asset value per ordinary share		cents	30 888	25 824	20
Number of shares for calculation		'000	115 627	115 627	
Share price		cents	207 435	133 875	55
Market capitalisation		R'm	240 832	154 796	56
Number of shares in issue per the shareholders' register		'000	116 100	115 627	
Share options					
Number outstanding		'000	557	552	1
Number outstanding to shares in issue		%	0.5	0.5	
Average strike price		cents	100 737	91 395	10
Average time to maturity		months	27	30	(10)
Operations					
Branches			853	857	
Employees			14 758	14 672	1
Active clients		'000	18 083	15 829	14
ATMs (automated teller machines) , DNRs (dual note recyclers) and CNRs (coin and note recyclers)					
Own			2 863	2 660	8
Partnership			4 315	4 065	6
Total			7 178	6 725	7
Capital expenditure		R'm	863	837	3
Credit sales					
Retail bank - value of total loans advanced		R'm	43 932	29 334	50
Value of credit card disbursements/drawdowns		R'm	11 011	9 659	14
Value of access facility disbursements/drawdowns		R'm	14 167	6 398	>100
Value of term loans advanced (net of loan consolidations)		R'm	18 754	13 071	43
Value of credit facility disbursements/drawdowns		R'm	-	206	
Business bank - value of total loans advanced		R'm	53 903	48 918	10
Value of mortgage loans advanced		R'm	2 268	1 553	46
Value of business loans advanced		R'm	2 443	2 245	9
Value of overdraft disbursements/drawdowns		R'm	49 192	45 120	9
Value of total loans advanced		R'm	97 835	78 252	25
Credit book					
Gross loans and advances		R'm	84 108	75 026	12
Up-to-date	Stage 1	R'm	55 297	47 696	16
Up-to-date with significant increase in credit risk (SICR)	Stage 2	R'm	8 641	4 349	99
Forward-looking SICR	Stage 2	R'm	3 059	4 564	(33)
Total up-to-date		R'm	66 997	56 609	18
Arrears	Stage 2	R'm	1 409	1 034	36
Arrears	Stage 3	R'm	1 744	1 904	(8)
Total arrears		R'm	3 153	2 938	7
Application for debt review within 6 months	Stage 3	R'm	141	137	3
COVID-19 reschedules	Stage 2	R'm	659	1 267	(48)
COVID-19 reschedules	Stage 3	R'm	-	61	
Up-to-date that rescheduled from up-to-date (not yet rehabilitated)[(2)]	Stage 2	R'm	151	172	(12)
Up-to-date that rescheduled from up-to-date (not yet rehabilitated)[(2)]	Stage 3	R'm	1 175	2 105	(44)
Up-to-date that rescheduled from arrears (not yet rehabilitated)[(2)]	Stage 2	R'm	126	92	37
Up-to-date that rescheduled from arrears (not yet rehabilitated)[(2)]	Stage 3	R'm	1 634	2 403	(32)
Total up-to-date that rescheduled (not yet rehabilitated)[(2)]		R'm	3 745	6 100	(39)
More than 3 months in arrears and legal status	Stage 3	R'm	10 072	9 242	9
Total provision for credit impairment		R'm	(17 559)	(17 837)	(2)
Net loans and advances		R'm	66 549	57 189	16
Total provision for credit impairments to stage 3 and stage 2 (excluding SICR) coverage		%	103	97	
Gross credit impairment charge on loans and advances		R'm	4 286	8 697	(51)
Bad debts recovered		R'm	818	932	(12)
Net credit impairment charge on loans and advances[(3)]		R'm	3 468	7 765	(55)
Net credit impairment charge on loans and advances to average gross loans and advances (credit loss ratio)		%	4.4	10.3	
Total lending and insurance income (excluding investment income)[(4)]		R'm	15 756	15 335	3
Net credit impairment charge on loans and advances to total lending and insurance income (excluding investment income)[(4)]		%	22.0	50.6	
Deposits and wholesale funding					
Wholesale funding		R'm	2 060	2 376	(13)
Call savings		R'm	89 167	78 113	14
Fixed savings		R'm	41 928	39 176	7
Foreign currency deposits		R'm	1 303	1 243	5

(1) *Cash, cash equivalents, money market funds, government bonds, term deposits and other financial investments.*

(2) *Not yet rehabilitated - Loans are deemed to be rehabilitated once contractual payments for 6 consecutive months have been made. Once rehabilitated, the loan is classified as up-to-date.*

(3) *This charge is for loans and advances only. The income statement charge for the year includes R39.6 million (2021: R59.9 million) related to other financial assets.*

(4) *Interest received on loans, initiation fees, monthly service fees and net insurance income.*

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Headline earnings per share

+84%

to 7 300 cents

Headline earnings

+84%

to R8.4 billion

Return on equity

26%

CAPITEC BANK HOLDINGS LIMITED

for the year ended 28 February 2022

Client-centricity was the cornerstone of 84% growth in headline earnings.

Capitec gives everyone access to simple, affordable and personalised banking that allows them to manage their finances and live better. Our philosophy has been all the more relevant during the global turmoil of the past 2 years and it yielded growth of 84% in headline earnings for the 2022 financial year.

We have a client-centric culture and this is evident in all facets of our business, whether it be product or system design. We offer simple, innovative solutions that meet our clients' needs rather than a multitude of products that do not add value or improve our clients' lives. We maintained a sustainable compound annual growth rate of 17% in headline earnings over the past 5 years and 23% for the past 10 years.

Headline earnings

The group's headline earnings increased to R8.4 billion from R4.6 billion (2020: R6.3 billion). Operating income before credit impairments grew by 17% to R27.0 billion (2021: R23.0 billion; 2020: R21.1 billion).

Interest income on loans was impacted by lower interest rates and clients' migration to the access facility product. Growth in our active client base to 18.1 million clients (2021: 15.8 million; 2020: 13.9 million) and our digital transacting innovations drove transaction volume growth.

Net insurance income from credit life policies increased primarily due to a reduction in claims and a decrease in the incurred but not yet reported (IBNR) provision. Funeral plan income increased due to an increase in active policies and improved collection rates.

Credit impairments decreased by 55% as the full impact of the COVID-19 pandemic was accounted for in the 2021 financial year.

Operating expenses increased by 33% from R9.5 billion to R12.6 billion (2020: R8.6 billion) as we rewarded our people for their commitment and contribution to the group. Our employees are extremely proud and excited to be Capitec shareholders. Almost 10 500 employees benefitted from the Izindaba Ezinhle Employee Share Scheme during February 2022.

Credit impairments and lending income

Credit impairments

The group's credit impairment charge on loans and advances decreased to R3.5 billion (2021: R7.8 billion; 2020: R4.5 billion).

Retail bank

The credit impairment charge on loans and advances decreased by 55% to R3.3 billion (2021: R7.4 billion; 2020: R4.4 billion).

The table below reflects the change in write-off, movement in the credit impairment provision and bad debts recovered on loans and advances.

R'm	2022	2021	2020
Bad debts written off	6 110	6 311	5 106
Movement in provision for credit impairments	(2 003)	1 978	517
Gross credit impairment charge(1)	4 107	8 289	5 623
Bad debts recovered(2)	(815)	(929)	(1 263)
Net credit impairment charge	3 292	7 360	4 360

(1) *Under International Financial Reporting Standards (IFRS) 9, the credit impairment charge is recognised on a net basis for all loans classified as stage 3, reducing interest received and the credit impairment charge by R1.6 billion for this year (2021: R1.8 billion; 2020: R1.5 billion).*

(2) *Bad debts recovered include R0.4 billion (2021: R0.2 billion; 2020: R0.1 billion) in recoveries on loans written off since 1 March 2018 under the write-off policy adopted on transition to IFRS 9.*

The gross credit impairment charge was driven by the increase in loan sales and disbursements, changes in the composition and quality of the loan book and the forward-looking macroeconomic expected credit loss (ECL) provision.

Loans advanced and disbursements

Total loans advanced and disbursements increased by 50% from R29.3 billion to R43.9 billion (2020: R39.1 billion).

Access facility disbursements grew by 121% to R14.2 billion (2021: R6.4 billion; 2020: Rnil). Term loans advanced and credit card disbursements were impacted by the migration to the access facility and grew to R18.8 billion (2021: R13.1 billion; 2020: R28.7 billion) and R11.0 billion (2021: R9.7 billion; 2020: R9.8 billion), respectively.

The increase in loans advanced and disbursements is a result of robust growth in new credit clients, especially in the higher income bands and strong take-up of the access facility as clients realise the remote transacting capability this product offers.

In terms of IFRS 9 *Financial Instruments*, a 12-month ECL provision is raised on loans and facilities in the month that they are advanced. The increase in loan sales and disbursements therefore increased the credit impairment charge.

Composition of the loan book

The gross loan book increased by 11% to R71.2 billion (2021: R64.0 billion; 2020: R65.4 billion), mainly during the last 6 months of the year, when credit granting restrictions were eased as COVID-19 concerns waned and economic activity normaliseda. We actively optimise the portfolio, adjusting granting in response to employer, regional or portfolio risks as necessary.

The composition of the loan book had a positive impact on the credit impairment charge as the book shifted from stage 3 towards stages 1 and 2 during 2022 as reflected in the table below.

R'm	2022	2021	2020
Stage 1	44 591	38 711	48 311
Stage 2	12 758	10 184	5 618
Stage 3	13 865	15 091	11 509
Total gross loan book	71 214	63 986	65 438

On average, the stage 1 loan book is impaired by 11%, the stage 2 book by 24% and the stage 3 book by 64%.

The stage 1 loan book increased by R5.9 billion. This was a result of the R14.6 billion increase in loan sales during 2022, offset by an increase of R5.7 billion in repayments. The total movements out of stage 1 into stages 2 and 3 amounted to R20.2 billion for the year (2021: R20.9 billion). Balances moving from stage 1 to stage 3, however, reduced from R10.4 billion in 2021 to R7.1 billion in 2022. COVID-19-related rescheduled balances amounting to R1.1 billion were included in stage 1 at year-end. Balances totalling R4.4 billion rolled back out of stage 2 to stage 1 (2021: R1.2 billion).

Stage 2 up-to-date with SICR balances increased by R4.1 billion to R8.3 billion (2021: R4.2 billion; 2020: R3.5 billion). This reflects a shift from the forward-looking SICR category, which decreased by R1.5 billion to R3.1 billion (2021: R4.6 billion; 2020: R1.0 billion) to the up-to-date with SICR category as the estimated impact of COVID-19 realised in the loan book at lower levels than expected. The gross decrease in forward-looking SICR was partially offset by the inclusion of the estimated impact of the conflict in Ukraine.

Up-to-date with SICR balances also increased due to the rehabilitation of stage 3 up-to-date reschedules and COVID-19-related reschedules in stages 2 and 3. The rescheduled from up-to-date (not yet rehabilitated) and rescheduled from arrears (not yet rehabilitated) gross books decreased by R0.9 billion and R0.8 billion, respectively, as reschedules rehabilitated and the number of new reschedules normalised after the higher volumes experienced during the COVID-19 lockdowns.

In total, stage 3 gross loans decreased by R1.2 billion. This, together with the decrease of R201 million in write-offs compared to 2021, is a further indicator of an improvement in the quality of the loan book.

The higher proportion of rehabilitated reschedules included in stage 1 contributed to the increase in the stage coverage ratio from 9% to 11%. The provision percentage on these loans is higher than on loans that have not been rescheduled. Improved performance by rescheduled clients is driving the reduction in the coverage ratio in the unrehabilitated rescheduled loans in stage 3.

Balances in arrears for more than 3 months (including debt review and handed-over loans) amounted to R9.3 billion (2021: R8.7 billion; 2020: R7.4 billion). At year-end, R1.0 billion in COVID-19-related rescheduled balances was included in this category. The coverage ratio on these loans decreased to 74% from 82% (2020: 85%) partly due to the fact that the category includes a higher proportion of clients under debt review than in previous years. Balances in debt review have a better repayment expectation than other outstanding balances in this category.

The table below analyses net loans and advances by stage.

R'm	Stage 1 12-month ECL	Stage 2 Lifetime ECL				Stage 3 Lifetime ECL					
	Up-to-date	Up-to-date loans with SICR and applied for debt review >6 months	Forward-looking SICR(1)	Up to 1 month in arrears	COVID-19 reschedules(2)	COVID-19 reschedules(2)	2 and 3 months in arrears	Rescheduled from up-to-date (not yet rehabilitated)	Rescheduled from arrears (not yet rehabilitated)	More than 3 months in arrears, legal statuses and applied for debt review <6 months	Total
Balance as at 28 February 2022											
Gross loans and advances	44 591	8 327	3 059	1 372	—	—	1 744	1 175	1 634	9 312	71 214
Provision for credit impairments (ECL)(3)	(4 826)	(1 771)	(647)	(673)	—	—	(1 206)	(346)	(455)	(6 852)	(16 776)
Net loans and advances	39 765	6 556	2 412	699	—	—	538	829	1 179	2 460	54 438
ECL coverage (%)	10.8	21.3	21.2	49.1			69.2	29.4	27.8	73.6	23.6
Balance as at 28 February 2021											
Gross loans and advances	38 711	4 220	4 564	1 008	392	24	1 904	2 105	2 403	8 655	63 986
Provision for credit impairments (ECL)(3)	(3 638)	(1 262)	(1 037)	(701)	(136)	(7)	(1 578)	(894)	(837)	(7 094)	(17 184)
Net loans and advances	35 073	2 958	3 527	307	256	17	326	1 211	1 566	1 561	46 802
ECL coverage (%)	9.4	29.9	22.7	69.5	34.7	29.2	82.9	42.5	34.8	82.0	26.9

(1) *Comprises loans where the forward-looking information indicates a SICR trigger.*

(2) *COVID-19-related reschedules prior to the Prudential Authority (PA) Directive 3 of 2020 were treated as stage 3 in terms of the existing policy. From 6 April 2020 to 19 July 2020, up-to-date loans that were rescheduled and met SICR criteria were classified as stage 2 COVID-19-related reschedules. These loans have subsequently rehabilitated or defaulted.*

(3) *For agreements at a client level that contain both a drawn and an undrawn component, the combined ECL is recognised with the loan component. To the extent that the combined ECL exceeds the gross carrying amount, the excess is recognised as a provision.*

The improvement in the quality of the loan book compared to 2021 led to a decrease in the coverage ratios in most categories of gross loans.

Credit quality of the loan book

The credit quality of the loan book is monitored based on the movement in client behaviour scores since the granting of the credit.

Loans and advances are classified as low, medium or high risk based on internally determined behaviour score bands. Provision coverage ratios increase from the low-risk band to the high-risk band.

At the end of the financial year, 56% of the loan book was classified as low risk (2021: 53%), 23% as medium risk (2021: 23%) and 21% as high risk (2021: 24%). This reflects the improvement in the quality of the loan book post the COVID-19 lockdowns which had a positive influence on the credit impairment charge.

Forward-looking macroeconomic provision

The forward-looking component of the credit impairment charge was determined based on the macroeconomic outlook at year-end. The socio-economic and geopolitical uncertainty created by the COVID-19 pandemic and the conflict in Ukraine was incorporated by stressing variables included in the macroeconomic outlook. The macroeconomic factors that have the most significant impact on the loan book were also stressed. These included the petrol price and consumer price index (CPI). The required forward-looking provision for ECLs was determined as R3.0 billion (2021: R3.2 billion; 2020: R0.6 billion).

Interest income on loans

Group interest income on loans decreased by 1% to R13.2 billion (2021: R13.4 billion; 2020: R13.6 billion).

Retail bank

Interest income on loans decreased by 2% to R12.3 billion from R12.5 billion (2020: R13.1 billion).

Interest rates

The average interest rate on loans advanced and disbursements is influenced by the movements in the repo rate and the composition of loan sales.

Loans and advances are unsecured and subject to the maximum interest rates prescribed by the National Credit Act. The 2.75% decrease in the repo rate between March and July 2020 impacted loans granted during the 2021 and 2022 financial years. Due to the annuity nature of interest income, the lower interest rates on loans advanced during 2021 had a continued impact on interest income for the 2022 financial year.

The proportion of loan sales represented by term loans advanced continued to decrease. As sales shifted towards the access facility product, the average interest rate on the book decreased because the interest rate on access facilities is significantly lower than on term loans.

Net investment income

Interest income on investments

Interest income on investments increased to R4.2 billion from R3.1 billion (2020:R3.5 billion). The increase is due to the growth in the investment portfolio as well as the yield. The increase in the yield is primarily due to increased investment in South African government bonds as a proportion of the total portfolio. The amount invested in government bonds as at 28 February 2022 was R12.0 billion (2021: R5.0 billion; 2020: Rnil), comprising 15% (2021: 7%) of the total portfolio of R80.5 billion (2021: R70.9 billion).

Interest expense

Interest expense decreased to R4.8 billion from R5.0 billion (2020: R5.7 billion).

Deposits increased by 12% to R132.4 billion (2021: R118.5 billion; 2020: R99.6 billion) which is in line with our client growth.

Wholesale funding decreased by 13% to R2.1 billion (2021: R2.4 billion; 2020: R3.7 billion) as part of our strategy to maintain our presence in the wholesale markets, while not issuing more debt than required.

Net transaction income

Net transaction income increased by 21% to R10.5 billion (2021: R8.7 billion; 2020: R7.4 billion). The prior year net transaction income was affected by lockdown regulations.

Retail bank

Net transaction income increased by 21% to R9.8 billion (2021: R8.1 billion; 2020:R7.4 billion).

Total transaction volumes increased by 26% to 6.7 billion from 5.3 billion (2020: 4.5 billion).

The table below illustrates the changes in the proportions of digital, point-of-sale (POS), cash and branch volumes.

%	2022	2021	2020
Transacting channel			
Digital	40	42	35
POS	42	38	42
Cash	16	18	20
Branch	2	2	3
	100	100	100

During 2021, the growth and composition of transaction volumes were impacted by the strict lockdown regulations. The portion of digital and POS transaction volumes increased while cash transaction volumes decreased.

As lockdown restrictions eased, POS transaction volumes increased. These changes were expected. Client transactional behaviour has shifted away from cash transacting since 2020. The proportion of cash transaction volumes was further impacted by the civil unrest that occurred during July 2021.

As at the end of February 2022, there were 6.6 million active banking app users (2021: 5.3 million; 2020: 3.4 million). Active digital users of the banking app, USSD channel, internet banking or a combination of digital channels increased by 17% to 10.1 million (2021: 8.6 million; 2020: 6.7 million). Clients performed 1.4 billion digital transactions for the year, an increase of 27% (2021: 1.1 billion; 2020: 0.8 billion).

We encourage our clients to make use of digital channels to manage their banking costs. In March 2022, most of our digital fees remained unchanged for the 4th consecutive year. We have free payment features on our app such as Scan to pay and Pay me using mobile devices.

Pay me was launched in December 2021. This functionality enables clients to generate a personalised quick response (QR) code on our banking app to receive payments immediately and securely from other Capitec clients at no transactional fee. Clients can activate and access their unique Pay me QR code on the banking app or visit a branch to obtain a printed version.

Our Live Better rewards programme

Our Live Better rewards programme offers clients real value with no complicated tiers, points or extra fees. From 1 March 2022, all clients can qualify for 0.5% cash back on their card spend if they reach their monthly bank better goals. In addition, credit card holders get 1% cash back on all their credit card payments. This means debit card clients can get 0.5% and credit card clients 1.5% unlimited cash back.

Clients can also earn cash back and discounts when they spend at our rewards partners. Since the launch of the programme 9 months ago, cash backs amounting to R49 million have been paid and clients benefitted from R4 million in discounts.

With the optional automatic savings tools, Round-up and Interest Sweep, clients have accumulated R300 million in Live Better savings accounts.

Cash back is paid into clients' Live Better savings accounts, which earn a higher interest rate than other GlobalOne call savings accounts, on the 10th of every month.

Insurance income

Net insurance income

Net insurance income from credit life policies increased by 60% to R1.5 billion (2021: R1.0 billion; 2020: R1.0 billion) as a result of the decrease in the total claims paid during the year.

Currently, no reinsurance is held on the policies and Capitec is responsible for retrenchment, death and disability claims. Total claims paid during the year amounted to R0.9 billion (2021: R1.4 billion; 2020: R0.8 billion (before reinsurance recoveries)). The IBNR charge decreased from R0.2 billion to R0.1 billion as the full impact of the pandemic became clearer.

Premium income increased to R3.1 billion (2021: R2.8 billion; 2020: R2.4 billion) due to the increase in insurance rates that was implemented during 2021. This increase was in response to the increased risk resulting from the COVID-19 pandemic. Credit life insurance rates on new credit decreased from 27 August 2021 as this risk has reduced.

Funeral plan income

Funeral plan income increased by 39% to R0.9 billion (2021: R0.7 billion; 2020: R0.4 billion). Collection rates also improved, averaging 87% (2021: 85%; 2020: 75%).

Active funeral policies grew to 1.7 million (2021: 1.2 million; 2020: 0.9 million).

Claims of approximately R2.0 billion (2021: R1.2 billion; 2020: R0.5 billion) were paid out to the families and loved ones of those who passed away. Claims are decreasing steadily now that the COVID-19 pandemic is having less impact.

In addition to premium collection rates and claims ratios, a key indicator of the quality of funeral plan policies issued over time is the persistency of the business. When the funeral book was not yet mature and was growing quickly, persistency over the whole book was a reasonable metric. It is now more meaningful to report on persistency in the 12 months after a policy is issued which is a key driver of overall sustainability. This measure shows a persistency rate of 58% (2021: 49%; 2020: 53%).

Other income and operating expenses

Other income increased from R114 million to R290 million (2020: R32 million). Operating expenses increased by 33% to R12.6 billion (2021: R9.5 billion; 2020: R8.6 billion) and the cost-to-income ratio increased to 47% (2021: 41%; 2020: 41%).

Our people are vital to the continued success of the group and we reward them appropriately for their contribution to the group's performance. Therefore, a significant portion of the increase in operating expenses consisted of employee benefits.

Total employee costs increased by 57% to R7.4 billion (2021: R4.7 billion; 2020: R4.4 billion). Performance bonuses increased to R1.2 billion (2021: R0.3 billion; 2020: R0.5 billion) due to higher growth in headline earnings. Share appreciation rights costs increased to R0.2 billion (2021: R0.1 billion; 2020: R0.1 billion) due to the 55% increase in the share price from R1 338.75 at the end of February 2021 to R2 074.35 at the end of February 2022 (February 2020: R1 299.99). The cost-to-income ratio increased by 3% due to the additional performance bonus and share appreciation rights expenses.

The Izindaba Ezinhle Employee Share Scheme, in terms of which 472 852 Capitec ordinary shares were issued to employees during February 2022, contributed R0.7 billion in employee costs that were recognised in full in the income statement in the current year. The transaction rewarded employees that were permanently employed by the group for at least 3 years. It aligns the interests of employees with those of shareholders. The cost-to-income ratio increased by 3% due to the cost of the scheme.

At the end of the 2022 financial year, we had 14 758 employees (2021: 14 672; 2020: 14 590). We appointed 335 data specialists during the year to assist with our strategic drive towards digitalisation.

The civil unrest that occurred in KwaZulu-Natal and Gauteng during July 2021 resulted in cash losses, the destruction of equipment and property, and additional operating expenses that had to be incurred to continue branch operations. Costs of R106.6 million were recognised in operating expenses. Compensation received from Sasria SOC Limited, at replacement value, amounted to R249.6 million and was recognised in other income.

Business bank

Business bank contributed R174.5 million to group earnings (2021: R1.5 million loss; 2020: R3.0 million). Business bank's gross loan book increased to R12.9 billion (2021: R11.0 billion; 2020: R10.3 billion). Business bank's total active clients, including POS Merchants, increased by 10% to 125 270 (2021: 114 072; 2020: 68 422). Business banking accounts grew by 31%.

Credit ratings

On 1 February 2022, S&P Global ratings affirmed the South African Sovereign rating together with the ratings of Capitec and other South African banks with a stable outlook. We have a global long-term rating of BB- and a short-term global rating of B. Our South African long-term national scale rating is zaAA and the short-term rating is zaA-1+.

Capital and liquidity

We remain well capitalised with a CAR of 36.3% (2021: 36.7%; 2020: 30.5%).

We comfortably comply with the Basel 3 liquidity coverage ratio (LCR) as well as the net stable funding ratio (NSFR). Our LCR is 2 881% and the NSFR is 225%. The regulatory required minimum NSFR is 100% and the LCR requirement, which was temporarily relaxed by the PA, is 90%.

Prospects

The rebranding of Mercantile Bank, the business banking division of Capitec Bank, to Capitec Business will accelerate client growth. The Business bank offering will encompass the same principles of accessibility, simplicity, affordability and personalised service that our retail clients have grown to expect. We have an opportunity to provide the best digital banking solution to every entrepreneur and small- to medium-sized business.

Technology forms an integral part of our strategy and enables us to create tailored, user-friendly solutions that prompt good financial decision-making, by our clients. We are working on innovative features that will enhance our clients' digital experience.

Our Live Better rewards programme is available to all our Retail bank clients. The programme will be expanded, and more partners will be added to ensure we add value to our clients' lives.

Our vision as an employer is to make Capitec the place of choice for world-class talent to unlock their full potential. Our aim is to create greater insights, innovation, experiences and moments that matter, that will inspire our people to continue driving business performance.

Ordinary dividends

A final gross dividend of 2 440 cents per ordinary share (2021: 1 600 cents) was declared on 11 April 2022, bringing the total dividend for the 2022 financial year to 3 640 cents per share (2021: 1 600 cents per share). There are 116 099 843 ordinary shares in issue.

The final dividend meets the definition of a dividend in terms of the Income Tax Act, Act 58 of 1962 (Income Tax Act). The dividend amount, net of South African dividend tax of 20%, is 1 952 cents per share. The distribution is made from income reserves. Capitec's tax reference number is 9405376840.

Last day to trade *cum* dividend	Tuesday, 3 May 2022
Trading ex-dividend commences	Wednesday, 4 May 2022
Record date	Friday, 6 May 2022
Payment date	Monday, 9 May 2022

Share certificates may not be dematerialised or rematerialised from Wednesday, 4 May 2022 to Friday, 6 May 2022, both days inclusive.

In addition to the final dividend referred to above, a special dividend of 1 500 cents per ordinary share (2021: nil cents) was declared on 11 April 2022. There are 116 099 843 ordinary shares in issue. Exchange control approval was obtained for the special dividend.

The special dividend meets the definition of a dividend in terms of the Income Tax Act. The dividend amount, net of South African dividend tax of 20%, is 1 200 cents per share. The distribution is made from income reserves. Capitec's tax reference number is 9405376840.

Last day to trade *cum* dividend	Tuesday, 3 May 2022
Trading ex-dividend commences	Wednesday, 4 May 2022
Record date	Friday, 6 May 2022
Payment date	Monday, 9 May 2022

Share certificates may not be dematerialised or rematerialised from Wednesday, 4 May 2022 to Friday, 6 May 2022, both days inclusive.

In terms of the company's memorandum of incorporation, dividends will only be transferred electronically to the bank accounts of certificated shareholders, as cheques are no longer issued. In instances where certificated shareholders do not provide the transfer secretary with their banking details, the dividend will not be forfeited, but will be marked as 'unclaimed' in the dividend register until the shareholder provides the transfer secretary with the relevant banking details for payout.

Short-form announcement

This short-form press announcement is the responsibility of the directors. The information in this short-form announcement has been extracted from, and is only a summary of, the audited information in the full announcement published on SENS and on the Capitec Bank website, but this announcement itself is not audited and does not contain full or complete details. Investment decisions should be based on a review of the full SENS announcement. The full announcement may be requested and obtained, at no charge, from the company at InvestorRelations@capitecbank.co.za and from PSG Capital Enquiries: enquiries@capitecbank.co.za. The results for the year ended 28 February 2022 have been audited by the company's auditors, PricewaterhouseCoopers Inc. and Deloitte & Touche who expressed an unmodified audit opinion thereon. The audit opinion also includes communication of key audit matters, along with the financial statements, on the company's website at https://www.capitecbank.co.za/globalassets/pages/investor-relations/financial-results/2022/audited-results.

On behalf of the board

Santie Botha
Chairman
Stellenbosch

Gerrie Fourie
Chief executive officer
12 April 2022

Capitec Bank Holdings Limited Registration number: 1999/025903/06 Registered bank controlling company Incorporated in the Republic of South Africa ('Capitec' or 'the group' or 'the company')

JSE ordinary share code: CPI ISIN code: ZAE000035861

JSE preference share code: CPIP ISIN code: ZAE000083838

Company secretary and registered office: YM Mouton, 5 Neutron Road, Techno Park, Stellenbosch 7600; PO Box 12451, Die Boord, Stellenbosch 7613

Transfer secretary: Computershare Investor Services Proprietary Limited (Registration number: 2004/003647/07) Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196; Private Bag X9000, Saxonwold, 2132

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

Directors: SL Botha (Chairman), GM Fourie* (CEO), AP du Plessis* (CFO), SA du Plessis, CH Fernandez, MS du Pré le Roux, V Mahlangu, TE Mashilwane, NS Mashiya* (Executive: Risk Management), DP Meintjes, PJ Mouton, CA Otto, JP Verster *Executive director.