

Interim Results Presentation

September 2016

Content

- Key indicators
- Growth
- Credit
- Capital / Liquidity
- The way forward



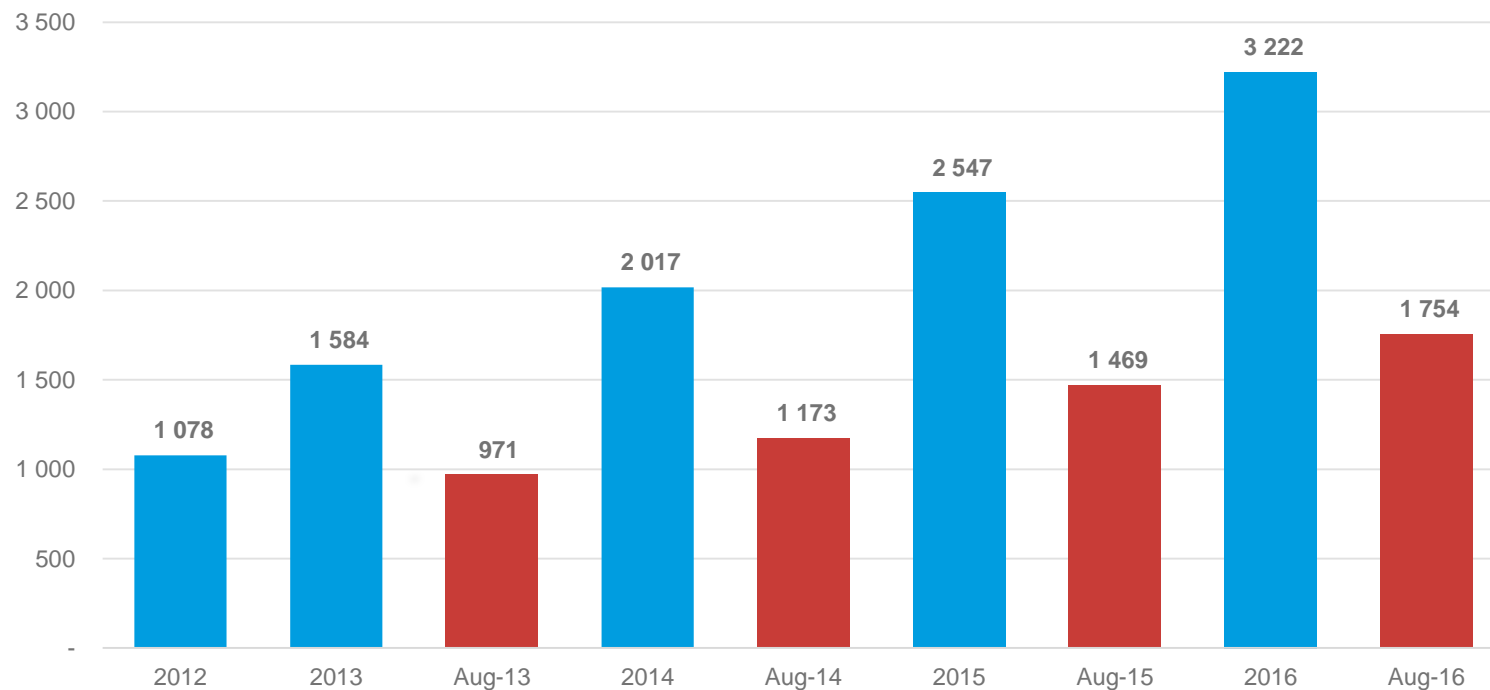
key indicators



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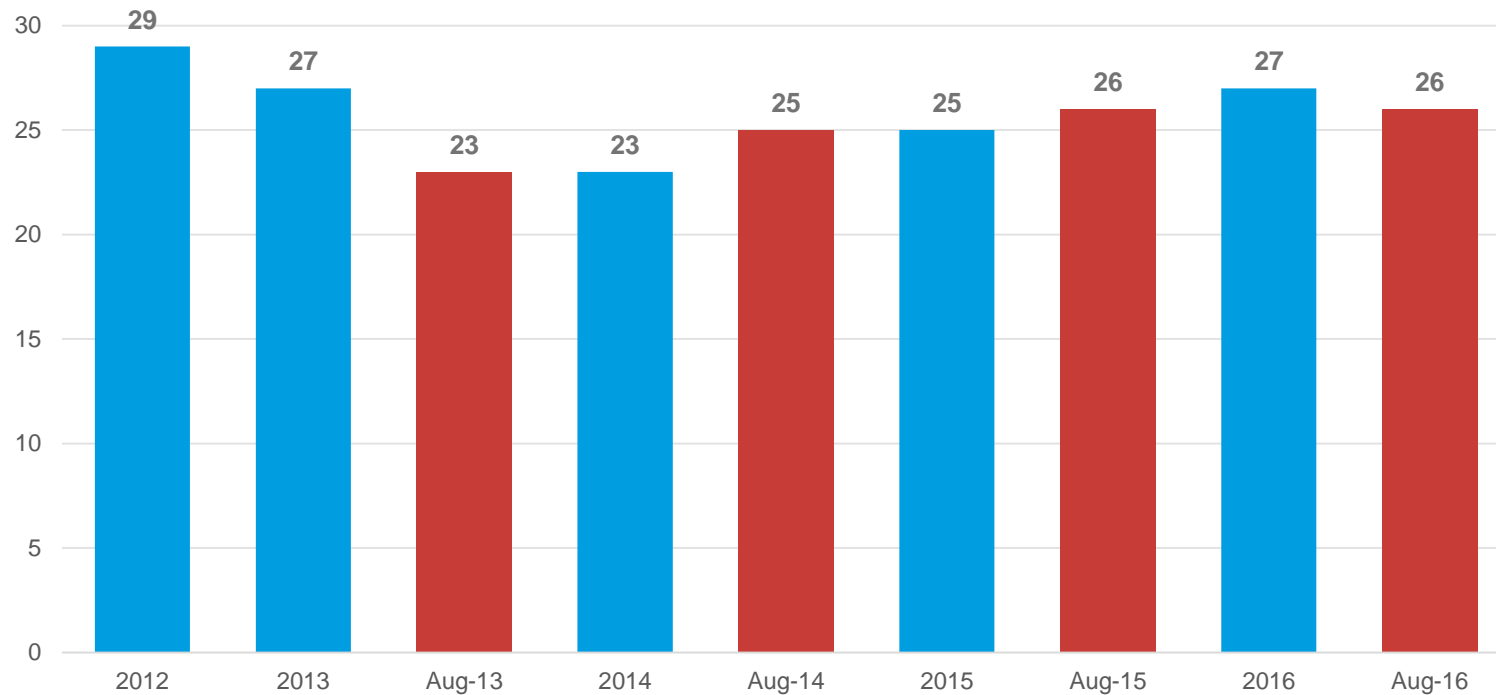
Key Indicators

Headline earnings (R'millions)



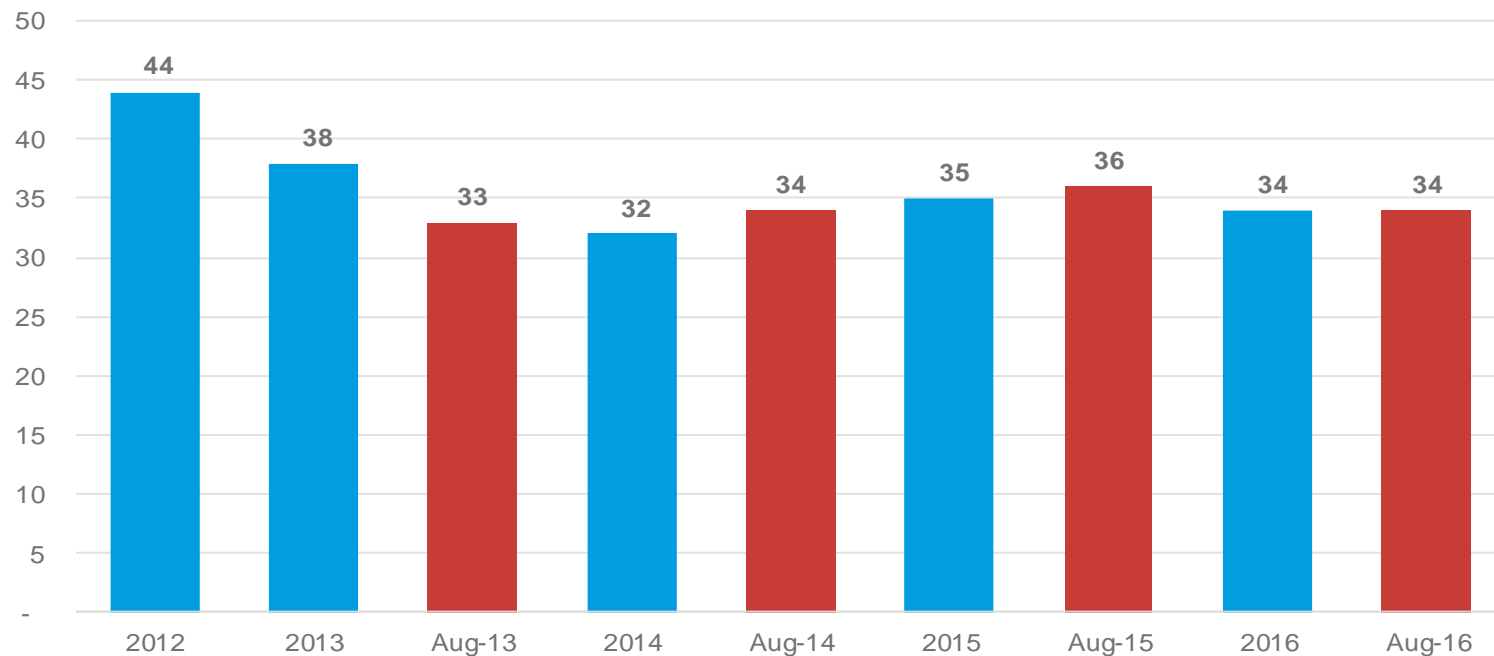
Key Indicators

Return on equity (%)



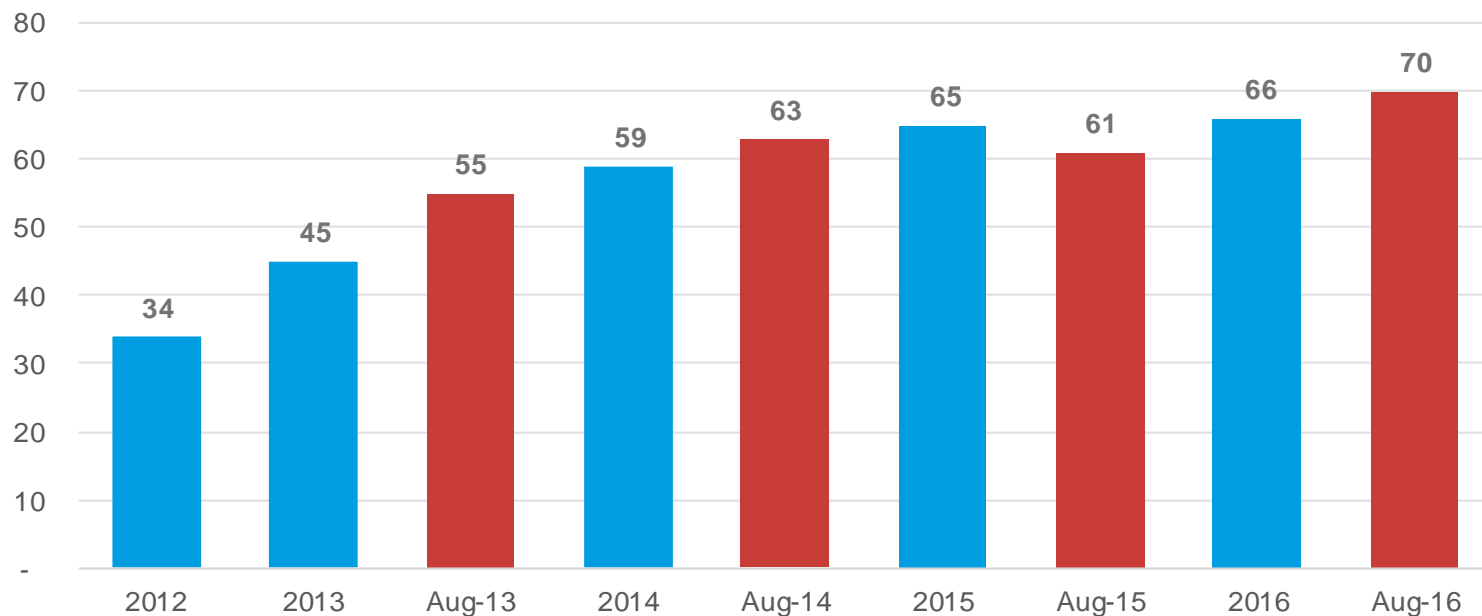
Key Indicators

Cost to income ratio (%)



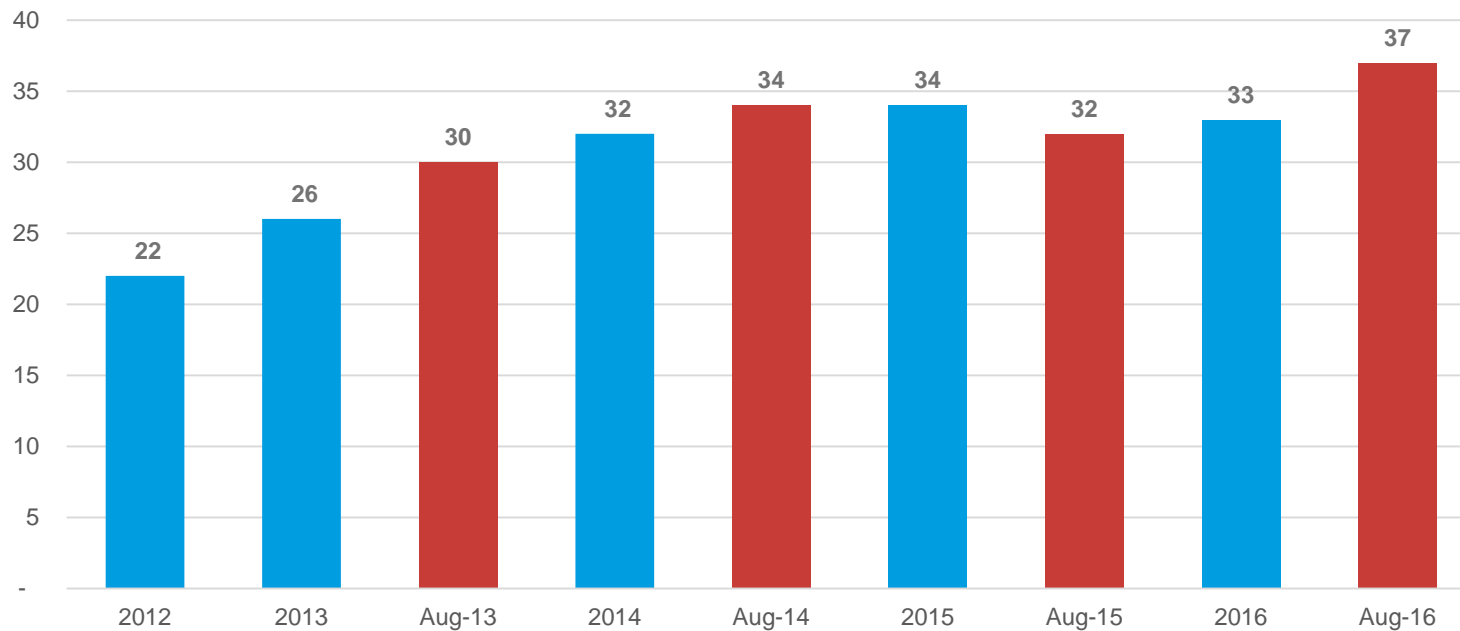
Key Indicators

Net transaction fee income to operating expenses (%)



Key Indicators

Net transaction fee income to net income (%)



growth

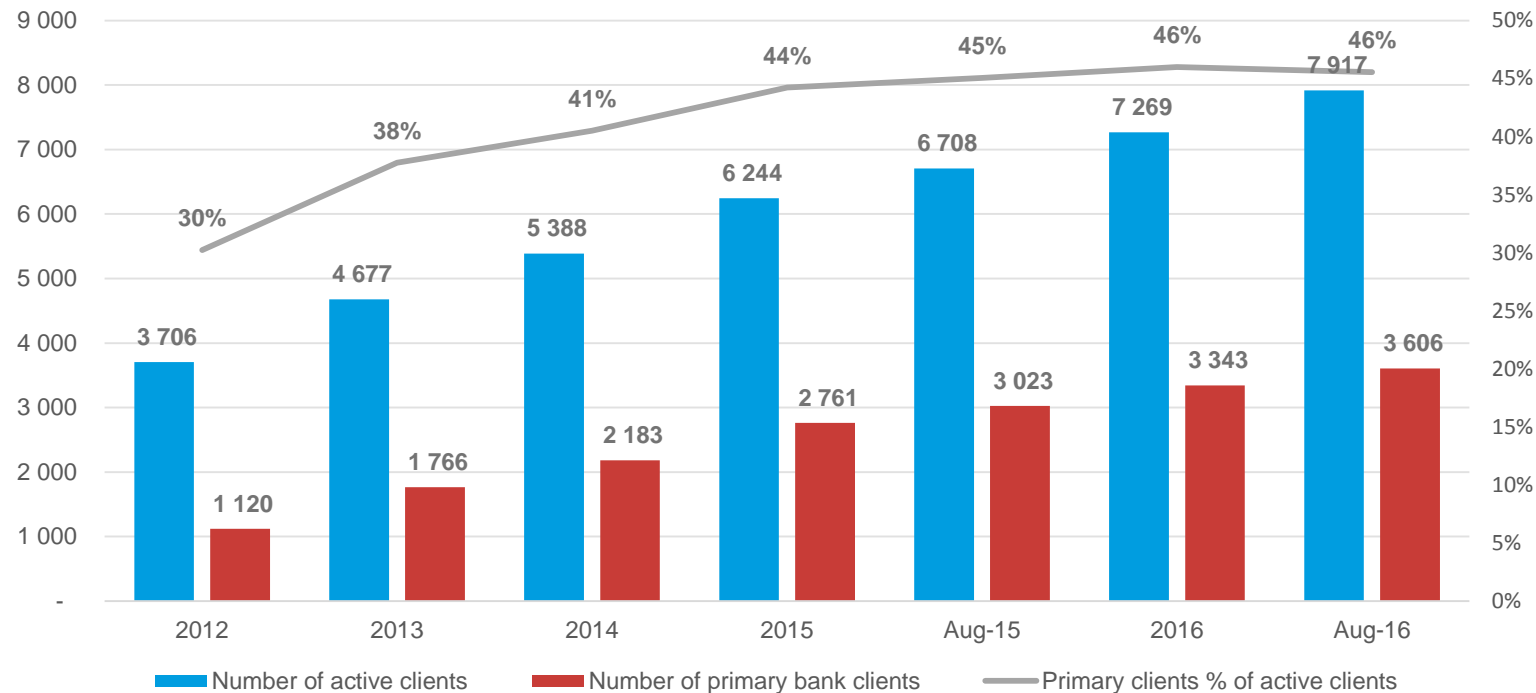


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Growth

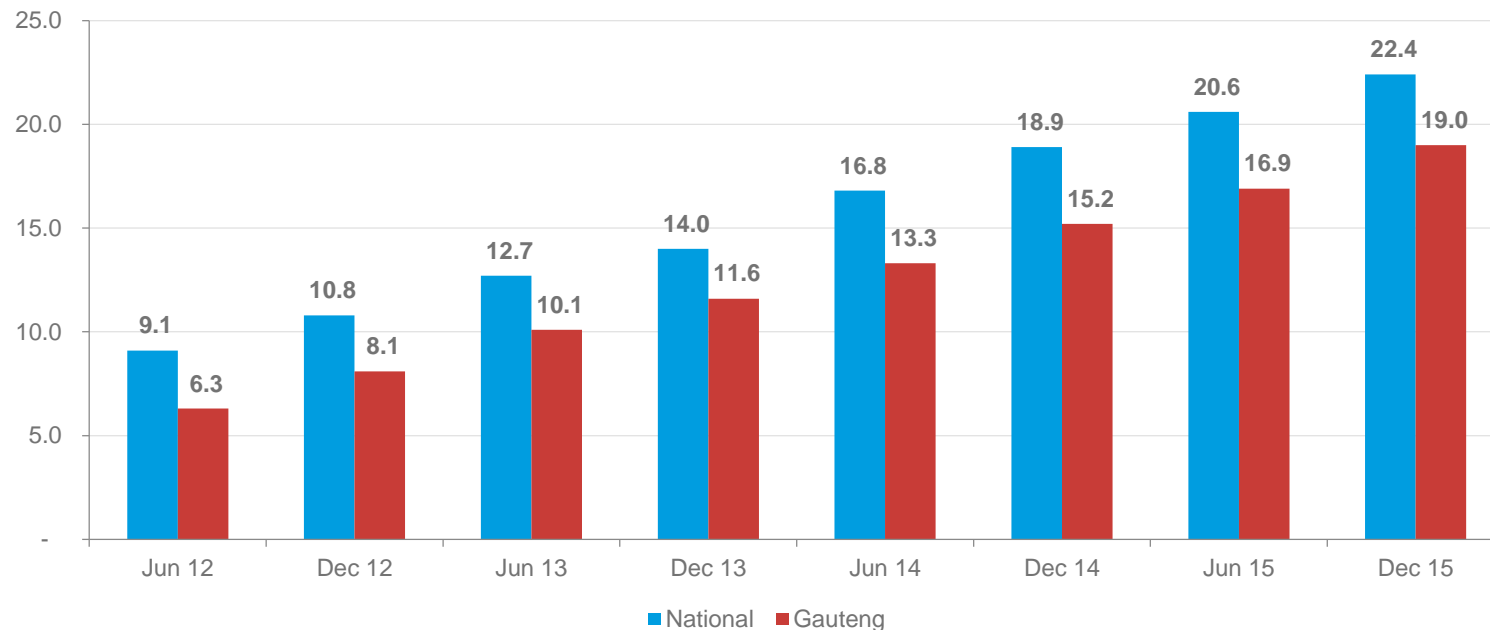
- Growing client base
- Focus on banking clients
- Opportunity in higher income segments
- Distribution
- Grow remote banking

Growth Clients ('000)



Growth

Primary banking client market share – AMPS (%)



Growth

Potential in higher income segments - AMPS

	Total market with personal income ('000)	Distribution %	Capitec bank market share %
<R10 000	14 666	78	25
R10 000 - R30 000	3 996	21	11
>R30 000	689	4	2
Total	19 351	100	22

Growth Distribution

	Change since Feb-16	Total Aug-16
More branches: Total	31	751
Own : ATMs	79	1 047
: Dual note recyclers	138	406
Branded partnership ATMs	333	984
Branded light partnership ATMs	(328)	1 490



Remote Banking

Global One

Money Management

Transact



Save



Credit



Cards



Budget



best
way to
bank

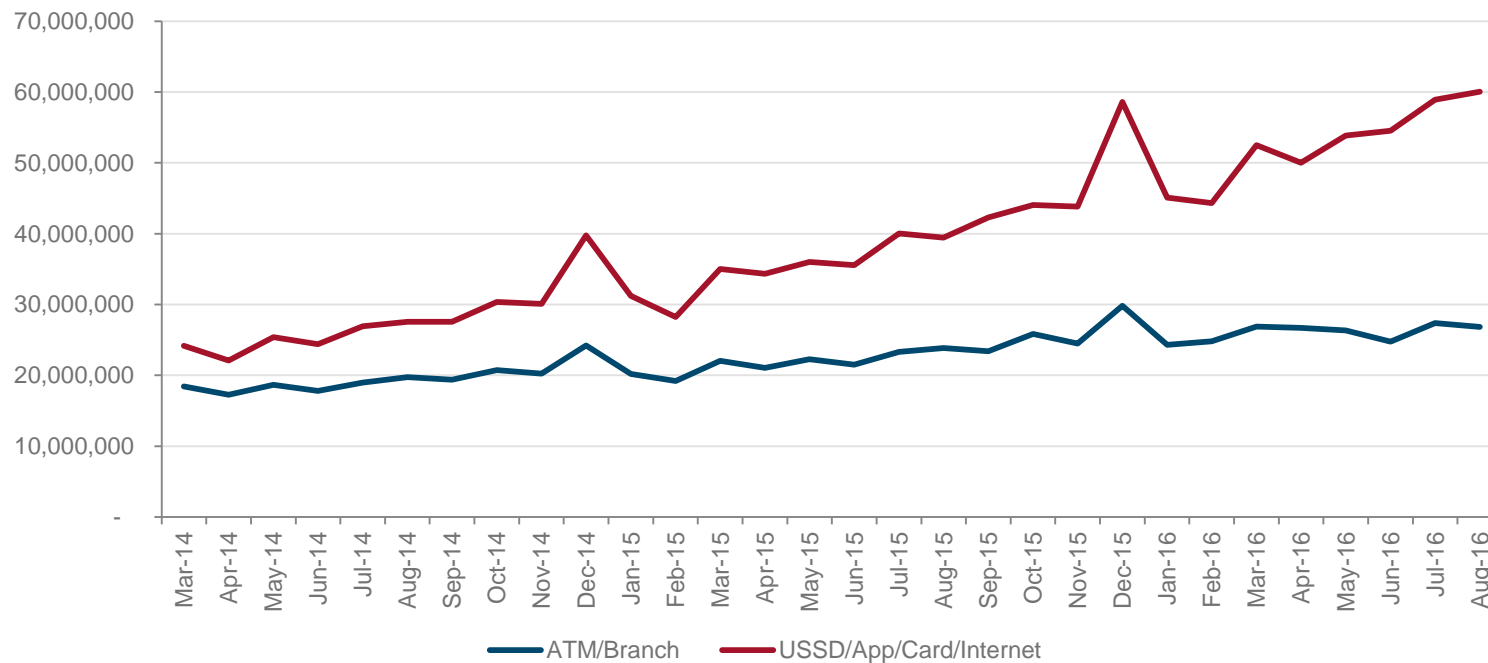
Growth

Remote banking

- Active USSD clients up to 2.9 million
- Activated app clients up to 1.1 million
- Added new functionality on app
- Free data while using app
- Wi-Fi in 300 branches
- Self Service Terminals
- MasterPass by MasterCard

Growth

Transaction Volume



credit



Credit

- Economic landscape / Market conditions
- Regulations
- Loans advanced
- Model criteria
- Collections / provisions
- Rescheduling

Credit

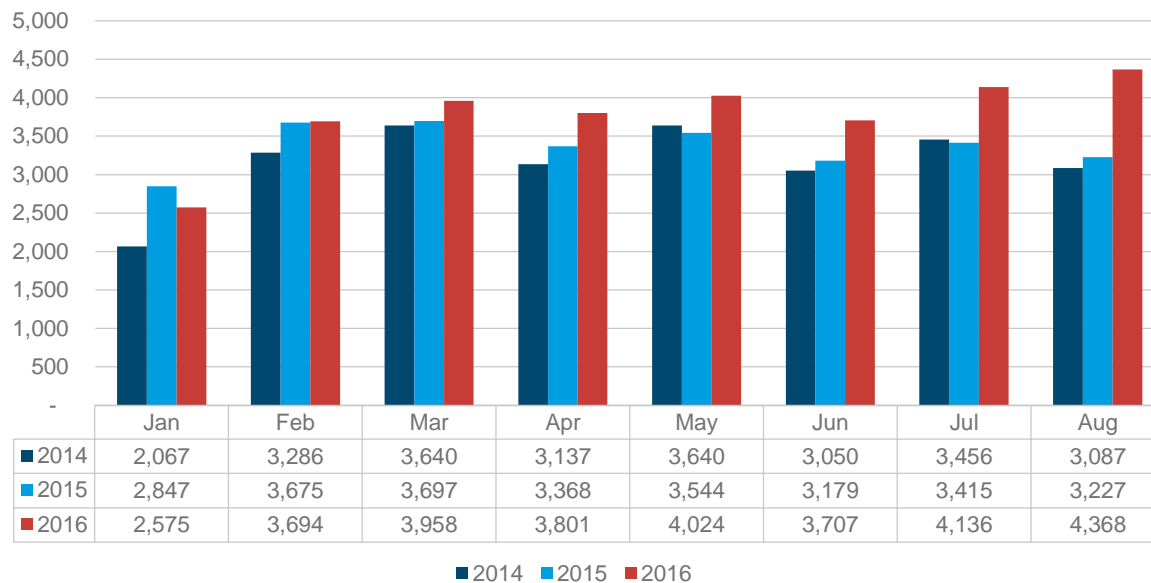
Economic Landscape

- No economic growth
- Negative growth per capita
- High inflation (especially food)
- High retrenchments & no real job creation
- Growing unemployment rate

Credit

Market conditions

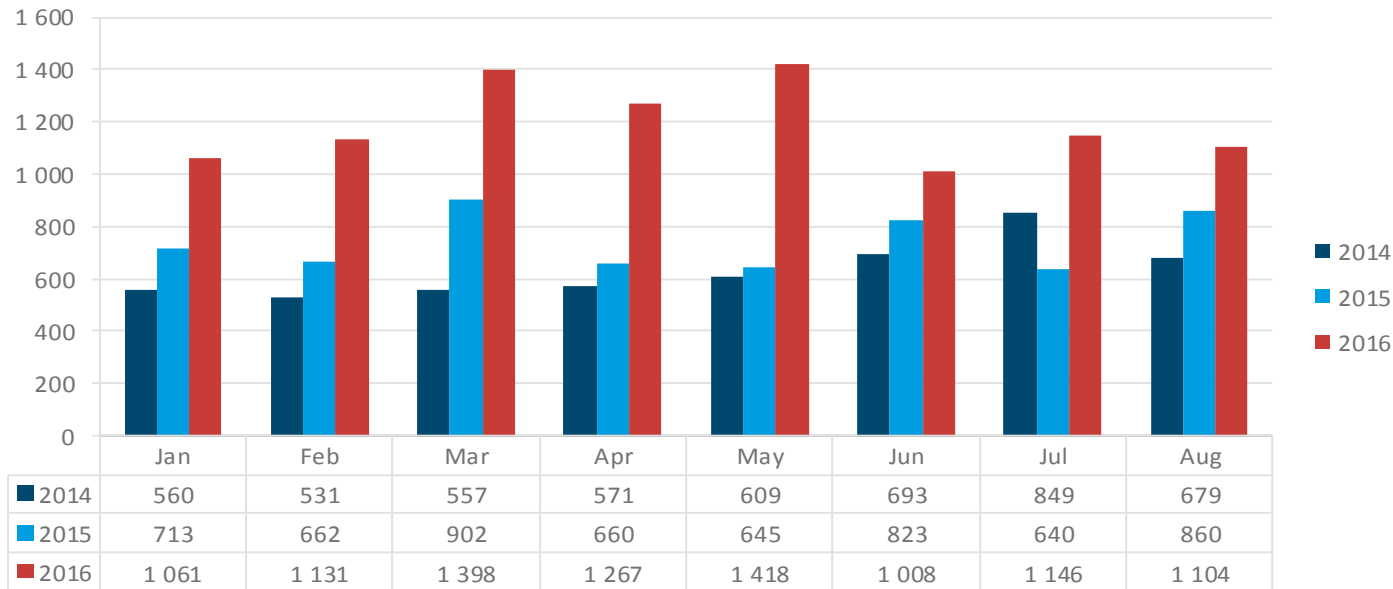
YOY Comparison - Debt review



Credit

Market conditions

YOY Comparison - Retrenchment Letters



Credit

Market conditions

422 125 performing clients from August 2015

		Non - Gov		Gov		Total	
		Aug-15	Aug-16	Aug-15	Aug-16	Aug-15	Aug-16
More than 40% cash available	%	80	69	77	71	79	68
Between 39% and 21% cash available	%	13	10	17	18	14	12
Cash stress less than 20% cash available	%	7	7	6	7	7	7
No inflow	%	-	14	-	4	-	13
		100	100	100	100	100	100

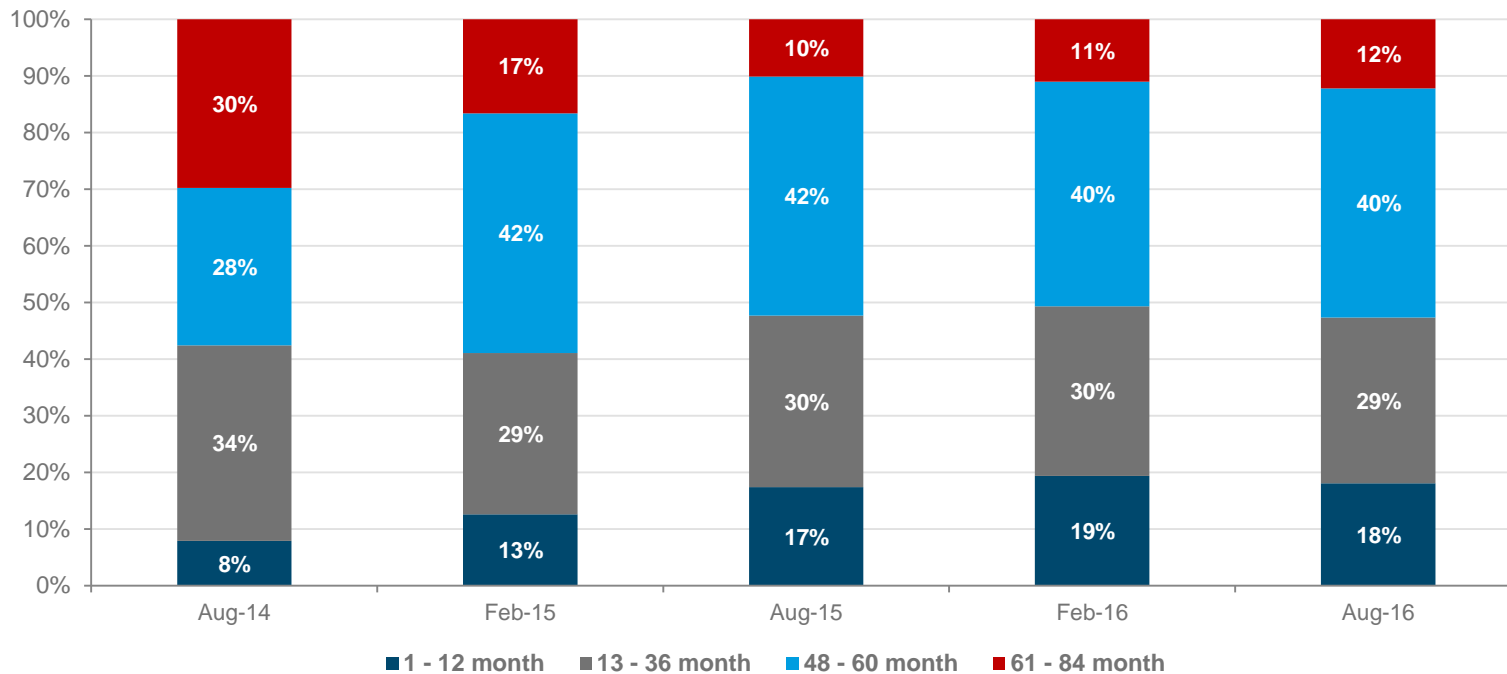
		No inflow - R5000		R5000 plus		Total	
		Aug-15	Aug-16	Aug-15	Aug-16	Aug-15	Aug-16
More than 40% cash available	%	78	65	80	69	79	68
Between 39% and 21% cash available	%	12	8	15	14	14	12
Cash stress less than 20% cash available	%	10	6	5	7	7	7
No inflow	%	-	21	-	10	-	13
		100	100	100	100	100	100

Credit Regulations

- Landscape
- Court case

Credit

Loans advanced by product



Credit

Model criteria

Credit application (%)

	6 Months to Aug-15	6 Months to Feb-16	6 Months to Aug-16
Applications decline rate	46	44	47
Application approved: Not taken up	15	14	12
Application taken up rate	39	42	41
Total	100	100	100

Credit

Collections / provisions

Arrears & impairment provisions of gross loans & advances

		Aug-15	Feb-16	Aug-16
Gross loans and advances	R'm	37 898	40 891	42 812
Loans past due (arrears)	R'm	1 781	2 297	2 561
Arrears to gross loans and advances	%	4.7	5.6	6.0
Arrears rescheduled < 6 months	R'm	1 167	1 542	1 645
Arrears and arrears rescheduled < 6 months to gross loans and advances	%	7.8	9.4	9.8
Rescheduled from current < 6 months	R'm	1 542	1 818	1 535
Arrears and all rescheduled < 6 months to gross loans and advances	%	11.7	13.8	13.4
Provision for doubtful debts	R'm	4 249	5 131	5 874
Provision for doubtful debts to gross loans and advances	%	11.2	12.5	13.7
Arrears coverage ratio	%	239	223	229
Arrears and arrears rescheduled < 6 months coverage ratio	%	144	134	140
Arrears and all rescheduled < 6 months coverage ratio	%	95	91	102

Credit

Rescheduling

Why does Capitec reschedule?

- Mitigate credit risk
- Arrears clients contacted show a willingness to pay
- Non-arrears clients contact us with intent
- Effective collection strategy
- More profitable
- Client retention

Credit

Rescheduling

Why do clients reschedule?

- Overcome temporary cash flow shortage
- Reduce monthly payment obligation – temporary or for the remainder of the loan
- Catch up
- Administrative purposes

Credit

Rescheduling

Provision for doubtful debts

- Contractually current
- Higher provisions maintained for arrears and non-arrears rescheduled clients
- All the client's loans treated as rescheduled
- Arrears rescheduled provision significantly higher than non-rescheduled arrears provision
- Arrears provision maintained over rehabilitation period
- Missed payment – previous status plus 1

Credit

Rescheduling

Example of provision

- Current, not rescheduled 8 %
- Current, rehabilitated 14%
- Arrears (two instalments) 79%
- Difference 65%
- Release 11% per month

Credit

Rescheduling

Management

- Monitored
- Managed actively
- Disclosed and reported

Credit

Rescheduling

- Arrears rescheduled within last 6 months: R1 645m
(August 2015: R1 167m; February 2016: R1 542m)
- Rescheduled from current within last 6 months: R1 535m
(August 2015: R1 542m; February 2016: R1 818m)
- Arrears and all rescheduled within last 6 months to gross loans and advances: 13.4%
(August 2015: 11.7%; February 2016: 13.8%)

capital / liquidity



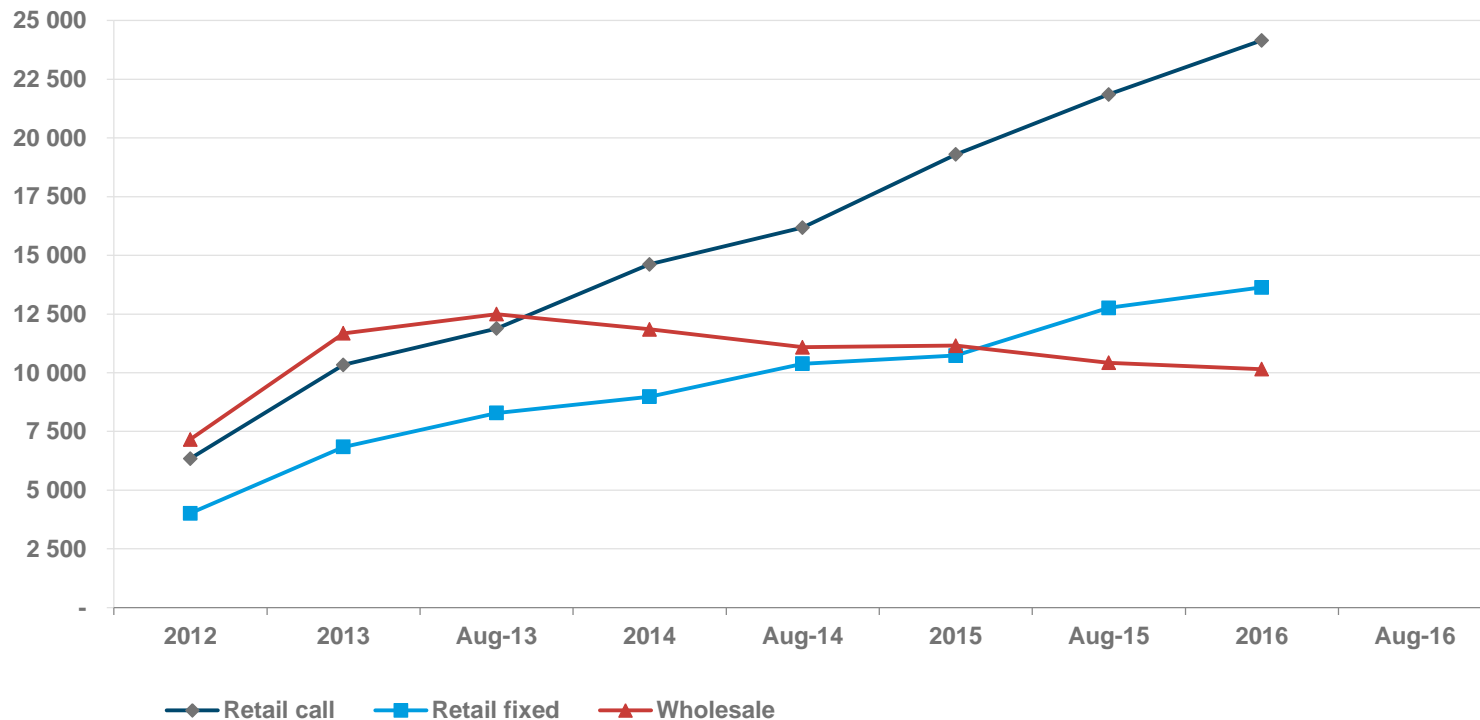
Capital / Liquidity

Conservative capital and funding

- Well capitalised
- Funding raised in May 2016 – R750 million
- Consistent retail deposit growth – fixed and call
- Early compliance with Basel III liquidity ratios

Liquidity

Deposits (R'millions)



the way forward



CAPITEC
BANK

new



**one card for
all your banking**

Credit Card

One card for all your banking

Market

- Pulled back
- Conservative approach
- Develop over time to appeal to higher income clients

Launch

- September: Western Cape
- October: National

Credit Card

One card for all your banking

What makes our card different?

- One card for all your banking
- Available in minutes, active immediately
- Complete control using the banking app
- 5.35 – 5.9% interest on positive balance
- Competitively priced

The way forward

Key areas

1. Economy

- Price sensitivity
- Need for responsible credit

2. Banking Clients

- Maintain value for money and brand acceptance
- Gain market share in higher income segments
- Optimize our existing client base better
- Move clients to remote and self-help platforms

The way forward

Key areas

3. Credit

- Granting correctly
- Managing credit effectively

4. Operational Focus

- Service
- Business development to handle change
- Increase product range
- Innovation



thank you