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 six months ended 31 August 2016

Headline earnings per share up **19%** to **1 517 cents**
Headline earnings up **19%** to **R1.754 billion**
Interim dividend per share up **20%** to **450 cents**
Return on equity: **26%**
Active clients: **7.9 million**
New jobs created: **1 445**

Key performance indicators

		Six months ended August 2016	Six months ended August 2015	Change % 2016 / 2015	Year ended February 2016
Profitability					
Interest income	R'm	**7 017**	6 042	16	12 475
Net loan fee income	R'm	**510**	399	28	855
Net transaction fee income	R'm	**1 851**	1 414	31	3 020
Interest paid	R'm	**(1 708)**	(1 372)	24	(2 884)
Other income	R'm	**–**	(3)		(1)
Income from operations	R'm	**7 670**	6 480	18	13 465
Net loan impairment expense	R'm	**(2 600)**	(2 113)	23	(4 401)
Net income	R'm	**5 070**	4 367	16	9 064
Operating expenses	R'm	**(2 626)**	(2 315)	13	(4 591)
Income before tax	R'm	**2 444**	2 052	19	4 473
Tax	R'm	**(685)**	(575)	19	(1 244)
Preference dividend	R'm	**(8)**	(9)	(11)	(16)
Earnings attributable to ordinary shareholders					
Basic	R'm	**1 751**	1 468	19	3 213
Headline	R'm	**1 754**	1 469	19	3 222
Net transaction fee income to net income	%	**37**	32		33
Net transaction fee income to operating expenses	%	**70**	61		66
Cost-to-income ratio	%	**34**	36		34
Return on ordinary shareholders' equity	%	**26**	26		27
Earnings per share					
Attributable	cents	**1 514**	1 270	19	2 779
Headline	cents	**1 517**	1 271	19	2 787
Diluted attributable	cents	**1 508**	1 265	19	2 773
Diluted headline	cents	**1 511**	1 266	19	2 781
Dividends per share					
Interim	cents	**450**	375	20	375
Final	cents				680
Total	cents				1 055
Dividend cover	x				2.6
Assets					
Net loans and advances	R'm	**36 938**	33 649	10	35 760
Cash and short-term funds	R'm	**27 481**	22 839	20	24 989
Other	R'm	**3 101**	2 066	50	2 196
Total assets	R'm	**67 520**	58 554	15	62 945

Key performance indicators (continued)

		Six months ended August 2016	Six months ended August 2015	Change % 2016 / 2015	Year ended February 2016
Liabilities					
Deposits	R'm	**51 384**	45 042	14	47 940
Other	R'm	**1 517**	1 135	34	1 346
Total liabilities	R'm	**52 901**	46 177	15	49 286
Equity					
Shareholders' funds	R'm	**14 619**	12 377	18	13 659
Capital adequacy ratio	%	**34**	35		35
Net asset value per ordinary share	cents	**12 493**	10 539	19	11 663
Share price	cents	**58 258**	48 285	21	47 400
Market capitalisation	R'm	**67 362**	55 830	21	54 807
Number of shares in issue	'000	**115 627**	115 627		115 627
Share options					
Number outstanding	'000	**1 003**	1 036	(3)	868
Number outstanding to shares in issue	%	**0.9**	0.9		0.8
Average strike price	cents	**31 420**	25 188	25	28 520
Average time to maturity	months	**25**	27	(7)	27
Operations					
Branches		**751**	691	9	720
Employees		**12 479**	11 034	13	11 440
Active clients	'000	**7 917**	6 708	18	7 269
ATMs					
Own		**1 453**	1 071	36	1 236
Partnership		**2 474**	2 575	(4)	2 469
Total		**3 927**	3 646	8	3 705
Capital expenditure	R'm	**712**	307	132	704
Sales					
Loans					
Value of loans advanced	R'm	**12 810**	11 070	16	24 228
Number of loans advanced	'000	**1 711**	1 798	(5)	3 684
Average loan amount	R	**7 487**	6 157	22	6 577
Repayments	R'm	**16 086**	13 646	18	28 689
Gross loans and advances	R'm	**42 812**	37 898	13	40 891
Loans past due (arrears)	R'm	**2 561**	1 781	44	2 297
Arrears to gross loans and advances	%	**6.0**	4.7		5.6
Arrears rescheduled < 6 months	R'm	**1 645**	1 167	41	1 542
Arrears and arrears rescheduled < 6 months to gross loans and advances	%	**9.8**	7.8		9.4
Rescheduled from current < 6 months	R'm	**1 535**	1 542	–	1 818
Arrears and all rescheduled < 6 months to gross loans and advances	%	**13.4**	11.8		13.8
Provision for doubtful debts	R'm	**5 874**	4 249	38	5 131
Provision for doubtful debts to gross loans and advances	%	**13.7**	11.2		12.5
Arrears coverage ratio	%	**229**	239		223
Arrears and arrears rescheduled < 6 months coverage ratio	%	**140**	144		134
Arrears and all rescheduled < 6 months coverage ratio	%	**102**	95		91
Loan revenue	R'm	**6 737**	5 906	14	12 145
Loan revenue to average gross loans and advances	%	**16.1**	15.9		31.5
Gross loan impairment expense	R'm	**3 137**	2 510	25	5 255
Recoveries	R'm	**537**	397	35	854
Net loan impairment expense	R'm	**2 600**	2 113	23	4 401
Net loan impairment expense to loan revenue	%	**38.6**	35.8		36.2
Net loan impairment expense to average gross loans and advances	%	**6.2**	5.7		11.4
Deposits					
Wholesale deposits	R'm	**8 351**	10 429	(20)	10 154
Retail call savings	R'm	**26 893**	21 851	23	24 152
Retail fixed savings	R'm	**16 140**	12 762	26	13 634

Strong client growth in a challenging economy

Active clients continued to grow with 648 000 new clients joining Capitec Bank in the past six months compared to 561 000 in the previous six months. This positive movement is largely attributed to a combination of increased branch distribution in key malls and a strong brand proposition of simplified banking and value for money.

Capitec Bank opened 31 new branches during the reporting period, bringing the total branches to 751. Branches are open for retail trading hours during the week while 280 branches, primarily in shopping malls, are open for seven days a week, ensuring that our banking offer is accessible when people really need it.

Consistently conservative

The current economic climate puts the consumer's ability to qualify for credit under pressure. Credit client growth and the total book remain flat due to strict affordability guidelines and prudent credit assessments. Based on continuous market assessment, we have limited credit extension to lower income earners, employees in particular industries and more specifically to particular business units which we believe are at high risk of having unstable income. This conservative approach to credit is characteristic of the business and will ensure long-term sustainability.

Strong brand loyalty evident in banking client growth

The number of primary banking clients (those clients who make regular deposits – mainly salaries) has grown in line with total client growth and represents 46% of all active clients. This trend is also evident in the comprehensive AMPS survey which, according to the latest results for December 2015, indicated that 22.4% of the banked population regard Capitec Bank as their primary bank, up from 20.6% for the period to June 2015. The number of primary banking clients is a strong indicator of commitment to the brand. These clients are more profitable since they do on average 5 times more transactions than non-primary banking clients.

Higher efficiency through self-help banking

Net transaction fee income to operating expenses continued healthy growth to 70% for the six-month period ended August 2016 (six months to August 2015: 61%; year ended February 2016: 66%). This is driven primarily by higher transaction activity by our growing primary banking client base. Marginal price increases at the beginning of the financial year were only applied to in-branch and cash-based transactions, while the pricing of banking on our remote channels remained unchanged. Remote channel transactions are priced at less than half of branch transactions. This is part of the bank's strategy to increase out-of-branch transacting, which will improve capacity and efficiencies in the branches.

Over the past six months new functionality was added to our remote banking app in order to help clients manage their money anytime from anywhere in the world. The number of clients banking on their phones using USSD and the app has grown significantly to over 3.2 million.

Earnings up 19%

Earnings increased by 19.4% to R1.8 billion from R1.5 billion a year ago. Solid growth from loan fee income and transaction fee income contributed to the strong year-on-year increase.

Net transaction fee income increased by 31%

Our transactional banking continues to grow rapidly in line with the increased client numbers and increased transactions by clients, both in branch and using remote access.

Net transaction fee income contributed 37% (six months to August 2015: 32%; year ended February 2016: 33%) of our net income.

We continually strive to offer our clients the best value proposition for their banking needs. We are therefore proud that this was recognised in the recent Solidarity banking charges report that again found that Capitec offers the most affordable bank account in South Africa.

Operating costs increased by 13%

Operating costs for the six-month period were R2.6 billion, which represents a year-on-year increase of 13% (six months to August 2015: R2.3 billion). The growth was as a result of employee numbers increasing by 13% due to the expanding branch network and the employment of more people in key support departments, mainly information technology. Premises, security and information technology were the other major contributors towards the increase. The cost-to-income ratio decreased from 36% for the six-month period ended August 2015 to 34% for the six-month period ended August 2016.

Capital expenditure increased 132% to R712 million for the six-month period ended August 2016 (August 2015: R307 million) due to an increase in the rollout of ATMs (R160 million), the opening of new branches and spend on information technology. All of these are critical to support our growing client base whilst increasing our footprint across the country.

Emphasis on our employees

Our client service, and therefore our success, depends on our staff. 352 of our staff attended leadership courses during the six-month period ended August 2016, while 2 757 staff were involved in specific training courses. All operational employees were involved in continuous training. We have accelerated leadership development through three levels of management, from team leader to senior managers, across functions.

Our focus during the period has been to review all our employee benefits. We introduced benefits that are relevant and appropriate to our employees. This ranged from medical cover to financial health programs, and also temporary disability cover. The reward is employee turnover that continued to be below the industry average in the past half-year.

Gross loans and advances increased by 13%

Gross loans and advances grew by 13% year-on-year and by 5% from February 2016 to R42.8 billion (August 2015: R37.9 billion; February 2016: R40.9 billion). Net loan impairment expense to average gross loans and advances increased to 6.2% for the six-month period ended August 2016 from 5.7% a year ago and 5.8% for the six-month period ended February 2016.

Given the challenging economic conditions, we continued to tighten our credit granting criteria. This resulted in reducing credit risk by lending to better quality clients and granting fewer loans. Fewer high-risk, low value, shorter-term loans were granted, resulting in a 5% year-on-year decrease in the number of loans granted and an increase in the average size of new loans to R7 487 (August 2015: R6 157; February 2016: R6 577).

The overall term of the outstanding book shortened slightly to 39 months at August 2016 (August 2015: 41 months; February 2016: 40 months).

Arrears as a percentage of gross loans and advances increased to 6.0%

Arrears increased by 44% year-on-year and by 11% from February 2016 to R2.6 billion (August 2015: R1.8 billion; February 2016: R2.3 billion), while arrears to gross loans and advances increased to 6.0% (August 2015: 4.7%; February 2016: 5.6%). The tough economic conditions can impact clients in a number of ways. Client financial stress increases and is exacerbated by additional financial stress on employers that can often result in late or no salary payments. To address these risks, management responded decisively by changing granting rules and increasing the provision for doubtful debts.

Rescheduled loans

We reschedule loans to mitigate credit risk. Clients reschedule mainly to overcome temporary cash flow shortages. Clients who are rescheduled from an arrears status show renewed willingness to pay and maintain a relationship with Capitec that would be lost if they were handed over. For Capitec, rescheduling is an effective collection strategy that is closely monitored by management on a daily basis. It is more profitable than handing a client over to the legal process.

Rescheduling a loan does not necessarily reduce the risk of default - hence a higher provision is maintained on rescheduled loans in comparison to the remainder of the book.

Loans that were rescheduled from arrears during the first six months of the year increased by 41% year-on-year and by 7% from February 2016 to R1.6 billion (August 2015: R1.2 billion; February 2016: R1.5 billion). This is due to a combination of the growth in our loan book, credit granting strategy changes implemented during the 2016 financial year, validated rescheduling policy changes implemented during December 2015 as well as the impact of the current economic conditions on our clients.

When a client reschedules a loan, all his loans are moved to a rescheduled segment resulting in a higher provision percentage across all the loans. Furthermore, when a client reschedules out of arrears he is not considered to be rehabilitated immediately and the arrears provision is maintained and released over time to ensure our philosophy of conservative provisioning over the rehabilitation period.

Our provision model remains conservative

The provision for doubtful debts increased by 38% year-on-year and by 14% from February 2016 to R5.9 billion (August 2015: R4.2 billion; February 2016: R5.1 billion).

The total provision compared to the gross loan book amounts to 13.7% at August 2016 (August 2015: 11.2%; February 2016: 12.5%). The level of the provision to arrears remains high at 229% (August 2015: 239%; February 2016: 223%).

We provide 8% on up-to-date loans, 49% on loans one instalment behind, 79% for two instalments and 90% for three instalments. We provide on average 52% on clients that rescheduled any of their loans whilst in arrears within the last six months, although they are up-to-date in terms of the new agreement. For clients who rescheduled any of their loans whilst up-to-date within the last six months and are still up to date, we provide on average 17%. All provisions are based on the probability of further default. All outstanding balances of clients who are 90 days in arrears on any loan are fully provided for or written off.

The gross loan impairment expense of R3.1 billion for the six-month period ended August 2016 increased by 25% year-on-year and by 14% from the six-month period ended February 2016. The table below analyses the increases:

		Six months ended			Change %	
		August 2016	February 2016	August 2015	August 2016/ February 2016	August 2016/ August 2015
Write-offs	R'm	**2 394**	1 863	2 118	29	13
Movement in bad debt provision	R'm	**743**	882	392	(16)	90
Gross loan impairment expense	R'm	**3 137**	2 745	2 510	14	25

The net loan impairment expense to loan revenue was 38.6% for the six-month period ended August 2016, compared to 35.8% for the six-month period ended August 2015 and 36.2% for the year ended February 2016.

Arrears and book quality continue to perform within our risk appetite.

Recoveries

Recoveries increased by 35% to R537 million for the six-month period ended August 2016, from R397 million for the six-month period ended August 2015 and R457 million for the six-month period ended February 2016. The increase was the result of more effective and efficient internal procedures as well as a larger handed over book. The retrenchment book, which is fully insured, also increased in the current difficult economic conditions.

Capital remains strong

The annualised return on equity for the six-months was 26% (August 2015: 26%). Capitec remains well capitalised and is generating sufficient profit to fund growth in the loan book. At August 2016, the capital adequacy ratio was 34.0%.

Retail deposits grew by R8.4 billion

Retail deposits amounted to R43.0 billion at 31 August 2016, an increase of R8.4 billion to the prior year. The continued growth in retail deposits indicates the strong brand acceptance of the bank. The value of wholesale deposits declined to R8.4 billion at August 2016, from R10.4 billion at August 2015. This was as a result of instruments that matured and were deliberately only partially refinanced due to strong retail fixed deposit growth and good capital generation. At a bond auction on 6 May 2016, we received bids totalling R2.2 billion and subsequently issued bonds totalling R750 million. We appreciate the continued support of the domestic capital markets.

Capitec maintained its conservative liquidity policy, retaining long-term funding to match longer term assets. Retail call deposits are not used to finance long-term loans.

The liquidity position remained healthy and in line with our conservative liquidity policy. We comfortably exceed the Basel 3 liquidity standards, which measures our ability to survive severe stress due to a loss of support from institutional funders. This also measures how well the bank matches cash inflows from assets with its cash outflows to funders and depositors.

Regulation

The Department of Trade and Industry ('DTI') published final regulations for interest rate limits and fees for credit agreements that became effective from 6 May 2016. Capitec complies with the limits. The bank launched credit life and retrenchment insurance products linked to lending products from 6 May 2016 under the proposed fee limits. In principle we never charge clients a higher total credit fee than in the past.

We continue to support appropriate regulation enhancing the sustainability of the credit industry and to reduce the cost of credit for consumers if this is done in a manner that is sustainable and achieves a balance between affordability and access to credit.

Contingent liability

During February 2016 the National Credit Regulator ('NCR') alleged that Capitec Bank Limited had contravened the National Credit Act and referred the matter to the National Consumer Tribunal. The referral was withdrawn by the NCR on 21 September 2016. There are no more referrals pending between Capitec Bank and the NCR.

Changes in board composition and executive management

Michiel le Roux stepped down as chairman on 27 May 2016 and was succeeded by Riaan Stassen, previous chief executive of Capitec until 31 December 2013. Michiel continues to serve on the board as a non-executive director. The chairman and the other members of the board thank Michiel on behalf of all stakeholders for his exceptional leadership over the past nine years.

Gerrit Pretorius and Jackie Huntley, independent non-executive directors, stepped down from the board on 27 May 2016 and 21 September 2016 respectively. Nkosana Mashiya, executive: risk management, was appointed as an executive director on 1 June 2016.

After 15 years of outstanding and dedicated service, Carl Fischer, co-founder of the bank responsible for marketing and corporate affairs, retired in May 2016. We are indebted to Carl for his contribution in developing the bank and his continued focus on client service. He is succeeded by Francois Viviers who has been with Capitec since 2011.

Prospects

The slowdown in South Africa's economic growth will continue to place pressure on consumers. As the increase in our client numbers over the past six months has shown, clients will continue to seek value and better service from their bank. We will maintain our conservative approach to credit in the current conditions.

We remain relentless in the pursuit of continued service excellence and our strategy to be the best retail bank for all South Africans.

Interim dividend

The directors declared a gross interim dividend of 450 cents per ordinary share on Monday, 26 September 2016. The dividend will be paid on Monday, 17 October 2016. 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 15% is 382.50000 cents per share. The distribution is made from income reserves. Capitec's tax reference number is 9405376840.

Last day to trade cum dividend	Tuesday, 11 October 2016
Trading ex-dividend commences	Wednesday, 12 October 2016
Record date	Friday, 14 October 2016
Payment date	Monday, 17 October 2016

Share certificates may not be dematerialised or rematerialised from Wednesday, 12 October 2016 to Friday, 14 October 2016, both days inclusive.

Condensed consolidated statement of financial position

	Unaudited August 2016 R'm	Unaudited August 2015 R'm	August 2016/2015 %	Audited Year ended February 2016 R'm
Assets				
Cash, cash equivalents and money market funds	**15 090**	10 563	43	14 165
Investments designated at fair value	**–**	1 449		–
Available-for-sale financial assets	**100**	–		–
Held-to-maturity investments	**5 350**	2 639	103	3 635
Term deposit investments	**7 041**	8 188	(14)	7 189
Loans and advances to clients	**36 938**	33 649	10	35 760
Other receivables	**594**	389	53	216
Derivative assets	**143**	104	38	225
Current income tax asset	**111**	102	9	53
Property and equipment	**1 408**	964	46	1 110
Intangibles	**400**	230	74	243
Deferred income tax asset	**345**	277	25	349
Total assets	**67 520**	58 554	15	62 945
Liabilities				
Loans and deposits at amortised cost	**51 384**	45 042	14	47 940
Other liabilities	**1 453**	1 068	36	1 238
Provisions	**64**	67	(4)	108
Total liabilities	**52 901**	46 177	15	49 286
Equity				
Ordinary share capital and premium	**5 649**	5 649		5 649
Cash flow hedge reserve	**23**	36	(36)	64
Retained earnings	**8 773**	6 501	35	7 772
Share capital and reserves attributable to ordinary shareholders	**14 445**	12 186	19	13 485
Non-redeemable, non-cumulative, non-participating preference share capital and premium	**174**	191	(9)	174
Total equity	**14 619**	12 377	18	13 659
Total equity and liabilities	**67 520**	58 554	15	62 945

Condensed consolidated income statement

	Unaudited Six months ended August 2016 R'm	Unaudited Six months ended August 2015 R'm	Six months August 2016/2015 %	Audited Year ended February 2016 R'm
Interest income	**7 017**	6 040	16	12 475
Interest expense	**(1 708)**	(1 372)	24	(2 884)
Net interest income	**5 309**	4 668	14	9 591
Loan fee income	**910**	732	24	1 545
Loan fee expense	**(400)**	(332)	20	(690)
Transaction fee income	**2 602**	2 013	29	4 326
Transaction fee expense	**(751)**	(599)	25	(1 306)
Net fee income	**2 361**	1 814	30	3 875
Net impairment charge on loans and advances to clients	**(2 600)**	(2 113)	23	(4 401)
Net movement in financial instruments held at fair value through profit or loss	**–**	(3)		(1)
Income from operations	**5 070**	4 366	16	9 064
Operating expenses	**(2 626)**	(2 315)	13	(4 591)
Operating profit before tax	**2 444**	2 051	19	4 473
Income tax expense	**(685)**	(575)	19	(1 245)
Profit for the period	**1 759**	1 476	19	3 228
Earnings per share (cents)				
Basic	**1 514**	1 270	19	2 779
Diluted	**1 508**	1 265	19	2 773

Condensed consolidated statement of comprehensive income

	2016 R'm	2015 R'm	2016/2015 %	2016 R'm
Profit for the period	**1 759**	1 476	19	3 228
Cash flow hedge recognised during the year	**(73)**	52	(240)	189
Cash flow hedge reclassified to profit and loss for the year	**18**	(13)	(238)	(111)
Cash flow hedge before tax	**(55)**	39	(241)	78
Income tax relating to cash flow hedge	**14**	(11)	(227)	(21)
Other comprehensive income for the period net of tax	**(41)**	28	(246)	57
Total comprehensive income for the period	**1 718**	1 504	14	3 285

Reconciliation of attributable earnings to headline earnings

	2016 R'm	2015 R'm	2016/2015 %	2016 R'm
Net profit attributable to equity holders	**1 759**	1 476	19	3 228
Preference dividend	**(8)**	(9)		(16)
Discount on repurchase of preference shares	**–**	1		1
Net profit after tax attributable to ordinary shareholders	**1 751**	1 468	19	3 213
Non-headline items:				
Profit on disposal of property and equipment	**6**	2		(11)
Income tax charge - property and equipment	**(2)**	(1)		3
Loss on scrapping of intangible assets	**(1)**	–		23
Income tax charge - intangible assets	**–**	–		(6)
Headline earnings	**1 754**	1 469	19	3 222

Condensed consolidated statement of cash flows

	Unaudited Six months ended August 2016 R'm	Unaudited Six months ended August 2015 R'm	Six months August 2016/ 2015 %	Audited Year ended February 2016 R'm
Cash flow from operations	4 798	4 712	2	8 446
Income taxes paid	(711)	(598)	19	(1 298)
Cash flow from operating activities	4 087	4 114	(1)	7 148
Purchase of property and equipment	(475)	(268)	77	(580)
Proceeds from disposal of property and equipment	9	–		23
Purchase of intangible assets	(237)	(39)		(124)
Investment in term deposit investments	(3 649)	(6 056)	(40)	(8 183)
Redemption of term deposit investments	3 797	3 646		6 773
Acquisition of investments designated at amortised cost	–	(2 639)		–
Acquisition of held-to-maturity investments	(4 686)	–		(4 182)
Redemption of held-to-maturity investments	2 971	–		547
Acquisition of available-for-sale financial assets	(100)	–		–
Acquisition of investments at fair value through profit or loss and money market unit trusts	4	(1)		(89)
Disposal of investments at fair value through profit or loss and money market unit trusts	–	1 212		2 747
Cash flow from investing activities	(2 366)	(4 145)	(43)	(3 068)
Dividends paid	(794)	(691)	15	(1 132)
Preference shares redeemed	–	(15)		(32)
Realised loss on settlement of employee share options less participants' contributions	2	(13)		(68)
Cash flow from financing activities	(792)	(719)	10	(1 232)
Net increase/(decrease) in cash and cash equivalents	929	(750)		2 848
Cash and cash equivalents at the beginning of the period	14 152	11 304	25	11 304
Cash and cash equivalents at the end of the period	15 081	10 554	43	14 152

Condensed consolidated statement of changes in equity

Equity at the beginning of the period	13 659	11 564	18	11 564
Total comprehensive income for the period	1 718	1 504	14	3 285
Ordinary dividend	(786)	(682)	15	(1 116)
Preference dividend	(8)	(9)		(16)
Employee share option scheme:				
Value of employee services	20	11	82	23
Shares issued and acquired for employee share options at cost	–	(14)		(101)
Proceeds on settlement of employee share options	2	1		33
Tax effect on share options	14	17	(18)	19
Non-redeemable, non-cumulative, non-participating preference shares repurchased	–	(15)		(32)
Equity at the end of the period	14 619	12 377	18	13 659

Commitments

	Unaudited Six months ended August 2016 R'm	Unaudited Six months ended August 2015 R'm	Six months August 2016/2015 %	Audited Year ended February 2016 R'm
Capital commitments approved by the board				
Contracted for:				
Property and equipment	**245**	70		347
Intangible assets	**54**	8		24
Not contracted for:				
Property and equipment	**461**	297	55	702
Intangible assets	**183**	117	56	467
Property and other operating lease commitments				
Future aggregate minimum lease payments				
Within one year	**394**	324	22	355
From one to five years	**1 209**	909	33	1 071
After five years	**300**	264	14	279
Total future cash flows	**1 903**	1 497	27	1 705
Straight-lining accrued	**(103)**	(76)	36	(89)
Future expenses	**1 800**	1 421	27	1 616

Segment analysis

Capitec reports a single segment – retail banking, operating only within the South African economic environment. 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 R43.3 billion (August 2015: R39.4 billion), deposits and bonds was R51.6 billion (August 2015: R45.2 billion) and derivatives were valued at R142.6 million asset and R17 million liability (August 2015: R103.6 million asset). The fair value of loans and advances was calculated on a level 3 basis and deposits and bonds and derivative assets were calculated on a level 2 basis. Investments designated at fair value are valued using the market approach 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).

On behalf of the board

Riaan Stassen
Chairman

Gerrie Fourie
Chief executive officer

Stellenbosch
27 September 2016

Company secretary and registered office
Yolande Mouton, M.Sc
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)
Ground Floor, 70 Marshall Street, Johannesburg 2001; PO Box 61051, Marshalltown 2107

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

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

* *Executive*

capitecbank.co.za

enquiries@capitecbank.co.za