



Capitec Bank Limited
Registration number: 1980/003695/06

Unaudited financial results for the six months ended 31 August 2015

KEY PERFORMANCE INDICATORS		Six months ended August		Change	Year ended
		2015	2014	% 2015/2014	February 2015
PROFITABILITY					
Interest income	R'm	6,042	5,202	16	10,783
Net loan fee income	R'm	399	304	31	619
Net transaction fee income	R'm	1,414	1,202	18	2,608
Interest paid	R'm	(1,372)	(1,179)	16	(2,426)
Other income	R'm	(3)	17	(118)	22
Income from operations	R'm	6,480	5,546	17	11,606
Net loan impairment expense	R'm	(2,113)	(1,996)	6	(4,014)
Net income	R'm	4,367	3,550	23	7,592
Operating expenses	R'm	(2,363)	(1,949)	21	(4,180)
Tax	R'm	(561)	(445)	26	(954)
Preference dividend	R'm	(9)	(9)		(18)
Earnings attributable to ordinary shareholders					
• Basic	R'm	1,434	1,147	25	2,440
• Headline	R'm	1,435	1,146	25	2,439
Net transaction fee income to net income	%	32	34		34
Net transaction fee income to operating expenses	%	60	62		62
Cost-to-income ratio	%	36	35		36
Return on ordinary shareholders' equity	%	26	25		25
ASSETS					
Net loans and advances	R'm	33,647	31,321	7	32,482
Cash and equivalents, liquid assets and fixed deposits	R'm	22,837	16,611	37	19,755
Other	R'm	2,062	1,642	26	1,676
Total assets	R'm	58,546	49,574	18	53,913
LIABILITIES					
Deposits	R'm	45,042	38,334	17	41,181
Other	R'm	1,261	879	43	1,252
Total liabilities	R'm	46,303	39,213	18	42,433
EQUITY					
Shareholders' funds	R'm	12,243	10,361	18	11,480
Capital adequacy ratio	%	36	38		36
Number of shares in issue	'000	1,300	1,200	8	1,300
Share options					
• Number outstanding	'000	1,036	967	7	710
• Average strike price	cents	25,188	14,197	77	19,403
• Average time to maturity	months	27	22	23	28

KEY PERFORMANCE INDICATORS (CONTINUED)		Six months ended August		Change	Year ended
		2015	2014	%	February 2015
OPERATIONS					
Branches		691	647	7	668
Employees		11,034	9,491	16	10,261
Active clients	'000	6,708	5,806	16	6,244
ATMs					
• Own		1,071	841	27	941
• Partnership		2,575	2,367	9	2,477
• Total		3,646	3,208	14	3,418
Capital expenditure	R'm	284	145	96	414
SALES					
Loans					
Value of loans advanced	R'm	11,070	9,346	18	19,417
Number of loans advanced	'000	1,798	1,324	36	2,820
Average loan amount	R	6,157	7,059	(13)	6,887
Repayments	R'm	13,646	11,329	20	23,787
Gross loans and advances	R'm	37,896	35,084	8	36,339
Loans past due (arrears)	R'm	1,781	1,935	(8)	1,964
Arrears to gross loans and advances	%	4.7	5.5		5.4
Arrears and arrears rescheduled < 6 months	R'm	2,948	2,680	10	2,847
Arrears and arrears rescheduled < 6 months to gross loans and advances	%	7.8	7.6		7.8
Provision for doubtful debts	R'm	4,249	3,763	13	3,857
Provision for doubtful debts to gross loans and advances	%	11.2	10.7		10.6
Arrears coverage ratio	%	239	194		196
Arrears and arrears rescheduled < 6 months coverage ratio	%	144	140		135
Loan revenue	R'm	5,906	5,169	14	10,660
Loan revenue to average gross loans and advances	%	15.9	15.0		30.4
Gross loan impairment expense	R'm	2,510	2,255	11	4,616
Recoveries	R'm	397	259	53	602
Net loan impairment expense	R'm	2,113	1,996	6	4,014
Net impairment expense to loan revenue	%	35.8	38.6		37.7
Net impairment to average gross loans and advances	%	5.7	5.8		11.5
DEPOSITS					
Wholesale deposits	R'm	10,429	11,089	(6)	10,913
Retail call savings	R'm	21,851	16,183	35	19,298
Retail fixed savings	R'm	12,762	10,388	23	10,731

CONDENSED STATEMENT OF FINANCIAL POSITION

	Unaudited Six months ended August 2015	Unaudited Six months ended August 2014	Six months August 2015/2014	Audited Year ended February 2015
	R'000	R'000	%	R'000
Assets				
Cash, cash equivalents and money market funds	10,561,358	9,517,650	11	11,312,408
Investments designated at fair value	1,448,765	2,887,229	(50)	2,663,877
Investments designated at amortised cost	2,638,779	-		-
Term deposit investments	8,188,383	4,205,964	95	5,778,474
Loans and advances to clients	33,646,715	31,320,948	7	32,482,032
Other receivables	389,368	203,377	91	204,196
Derivative assets	103,644	136,377	(24)	35,847
Current income tax asset	102,365	70,270	46	37,635
Group loans receivable	53,661	31,859	68	29,993
Equipment	910,366	779,892	17	817,464
Intangibles	230,247	208,061	11	238,875
Deferred income tax asset	272,845	212,167	29	311,715
Total assets	58,546,496	49,573,794	18	53,912,516
Liabilities				
Loans and deposits at amortised cost	45,042,283	38,333,835	18	41,181,305
Other Liabilities	1,182,794	847,395	40	1,174,006
Provisions	67,149	21,615	211	64,268
Group loans payable	10,897	9,582	14	13,144
Total liabilities	46,303,123	39,212,427	18	42,432,723
Equity				
Capital and reserves				
Ordinary share capital and premium	6,105,981	5,969,482	2	6,105,981
Cash flow hedge reserve	35,746	34,622	3	7,035
Retained earnings	5,910,467	4,150,088	42	5,159,602
Share capital and reserves attributable to ordinary shareholders	12,052,194	10,154,192	19	11,272,618
Non-redeemable, non-cumulative, non-participating preference share capital and premium	191,179	207,175	(8)	207,175
Total equity	12,243,373	10,361,367	18	11,479,793
Total equity and liabilities	58,546,496	49,573,794	18	53,912,516

CONDENSED INCOME STATEMENT

	Unaudited Six months ended August 2015	Unaudited Six months ended August 2014	Six months August 2015/2014	Audited Year ended February 2015
	R'000	R'000	%	R'000
Interest income	6,040,398	5,201,622	16	10,782,159
Interest expense	(1,371,949)	(1,179,274)	16	(2,425,702)
Net interest income	4,668,449	4,022,348	16	8,356,457
Loan fee income	731,567	601,099	22	1,245,881
Loan fee expense	(332,417)	(297,577)	12	(626,708)
Transaction fee income	2,012,710	1,696,653	19	3,672,711
Transaction fee expense	(599,009)	(494,317)	21	(1,064,835)
Net fee income	1,812,851	1,505,858	20	3,227,049
Net impairment charge on loans and advances to clients	(2,113,081)	(1,996,017)	6	(4,014,085)
Net movement in financial instruments held at fair value through profit or loss	(2,720)	16,418	(117)	21,271
Other income	51	303	(83)	305
Income from operations	4,365,550	3,548,910	23	7,590,997
Operating expenses	(2,362,878)	(1,948,878)	21	(4,179,859)
Operating profit before tax	2,002,672	1,600,032	25	3,411,138
Income tax expense	(560,748)	(444,503)	26	(953,688)
Profit for the period	1,441,924	1,155,529	25	2,457,450

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended August 2015	Unaudited Six months ended August 2014	Six months August 2015/2014	Audited Year ended February 2015
	R'000	R'000	%	R'000
Profit for the period	1,441,924	1,155,529	25	2,457,450
Cash flow hedge recognised during the period	52,952	(47,956)	210	(88,211)
Cash flow hedge reclassified to profit and loss for the period	(13,086)	(16,269)	(20)	(14,329)
Cash flow hedge before tax	39,866	(64,225)	162	(102,540)
Income tax relating to cash flow hedge	(11,155)	17,982	(162)	28,710
Other comprehensive income that will be reclassified to profit or loss for the period net of tax	28,711	(46,243)	162	(73,830)
Total comprehensive income for the period	1,470,635	1,109,286	33	2,383,620

RECONCILIATION OF ATTRIBUTABLE EARNINGS TO HEADLINE EARNINGS

	Unaudited Six months ended August 2015	Unaudited Six months ended August 2014	Six months August 2015/2014	Audited Year ended February 2015
	R'000	R'000	%	R'000
HEADLINE EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS				
Net profit after tax	1,441,924	1,155,529	25	2,457,450
Preference dividend	(8,850)	(8,736)	1	(17,510)
Net profit attributable to ordinary shareholders	1,433,074	1,146,793	25	2,439,940
Non-headline items				
(Profit) / Loss on disposal of property and equipment	1,763	(665)	(365)	(2,994)
Income tax charge - property and equipment	(494)	186	(366)	838
Loss on scrapping of intangible assets	291	-		2,016
Income tax charge - intangible assets	(81)	-		(564)
Headline earnings	1,434,553	1,146,314	25	2,439,236

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended August 2015	Unaudited Six months ended August 2014	Six months August 2015/2014	Audited Year ended February 2015
	R'000	R'000	%	R'000
Equity at the beginning of the period	11,479,793	9,842,983	17	9,842,983
Total comprehensive income for the period	1,470,635	1,109,286	33	2,383,620
Ordinary dividend	(682,209)	(530,371)	29	(814,005)
Preference dividend	(8,850)	(8,736)	1	(17,510)
Shares issued / (Shares redeemed)	(15,996)	(51,794)	(69)	84,705
Equity at the end of the period	12,243,373	10,361,368	18	11,479,793

CONDENSED STATEMENT OF CASH FLOWS

	Unaudited Six months ended August 2015	Unaudited Six months ended August 2014	Six months August 2015/2014	Audited Year ended February 2015
	R'000	R'000	%	R'000
Cash flow from operating activities	4 102 297	2 912 019	41	6 455 619
Cash flow from investing activities	(4 145 265)	(2 465 507)	68	(4 068 049)
Cash flow from financing activities	(709 223)	(594,368)	19	(746 677)
Net increase in cash and cash equivalents	(752 191)	(147 856)	409	1 640 893
Cash and cash equivalents at the beginning of the period	11 304 168	9 663 275	17	9 663 275
Cash and cash equivalents at the end of the period	10 551 977	9 515 419	11	11 304 168

COMMITMENTS

	Unaudited Six months ended August 2015	Unaudited Six months ended August 2014	Six months August 2015/2014	Audited Year ended February 2015
	R'000	R'000	%	R'000
Capital commitments – approved by the board				
Contracted for				
Property and equipment	70,448	78,810	(11)	54,400
Intangible assets	7,617	9,433	(19)	9,442
Not contracted for				
Property and equipment	296,541	225,264	32	496,697
Intangible assets	117,227	77,423	51	132,395
	491,833	390,930	26	692,934
Property and other operating lease commitments				
Future aggregate minimum lease payments				
Within one year	324,243	288,953	12	308,583
From one to five years	908,919	792,152	15	835,868
After five years	264,036	204,825	29	214,233
Total future cash flows	1,497,198	1,285,930	16	1,358,684
Straight-lining accrued	(76,409)	(64,245)	19	(70,473)
Future expenses	1,420,789	1,221,685	16	1,288,211

CONTINGENT LIABILITIES

Since 2013, we have reported that the National Credit Regulator ("NCR") alleged that Capitec Bank Limited had contravened the National Credit Act. The National Credit Tribunal dismissed the NCR's application and the NCR lodged an appeal. The appeal has been set down to be heard in the Gauteng High Court in February 2016. It remains impracticable to estimate the financial effect of any possible outcome. Capitec remains of the view that the matter will be satisfactorily resolved through due process.

On 10 August 2014 African Bank Limited was placed into curatorship. Capitec Bank is a participant in a consortium that will underwrite the recapitalisation of African Bank for R10 billion. The other members of the consortium comprise the Public Investment Corporation and five other South African retail banks. The banks have a maximum exposure of 25% of the recapitalisation if the market does not participate. The participation level of each of the banks is based on a formula agreed on between the banks. The recapitalisation will occur early during the 2016 calendar year.

LOANS AND ADVANCES TO CLIENTS

	Unaudited Six months ended August 2015	Unaudited Six months ended August 2014	Six months August 2015/2014	Audited Year ended February 2015
	R'000	R'000	%	R'000
LOANS AND ADVANCES TO CLIENTS				
Maturity analysis of loans and advances				
Demand to one month	1,701,911	1,405,317	21	1,459,311
One to three months	1,918,626	1,589,021	21	1,728,656
Three months to one year	7,922,511	6,905,341	15	7,223,264
More than one year	26,781,694	25,527,564	5	26,258,524
Total	38,324,742	35,427,243	8	36,669,755
Deferred loan fee income	(428,770)	(343,447)	25	(330,353)
Gross loans and advances	37,895,972	35,083,796	8	36,339,402
Allowance for impaired loans and advances	(4,249,257)	(3,762,848)	13	(3,857,370)
Net amount^{(1) (2)}	33,646,715	31,320,948	7	32,482,032
Analysis of net loans and advances by status				
Gross	34,948,835	32,404,293	8	33,491,814
Impairment	(2,708,251)	(2,247,713)	20	(2,334,388)
Current⁽³⁾	32,240,584	30,156,580	7	31,157,426
Gross	1,166,631	744,675	57	883,409
Impairment	(469,521)	(343,794)	37	(366,671)
Current - arrears rescheduled in the past six months⁽⁴⁾	697,110	400,881	74	516,738
Gross	1,780,506	1,934,828	(8)	1,964,179
Impairment	(1,071,485)	(1,171,341)	(9)	(1,156,311)
Arrears⁽⁵⁾	709,021	763,487	(7)	807,868
Ageing of arrears				
< 60 days	1,498,753	1,578,697	(5)	1,654,490
60 - 90 days	281,753	356,131	(21)	309,689
	1,780,506	1,934,828	(8)	1,964,179
Movement on provision for impaired advances				
Unidentified losses	2,701,059	2,319,506	16	2,319,506
Identified losses	1,156,311	1,317,670	(12)	1,317,670
Opening balance	3,857,370	3,637,176	6	3,637,176
Unidentified losses	476,713	272,001	75	381,553
Identified losses	(84,826)	(146,329)	(42)	(161,359)
Movement	391,887	125,672	212	220,194
Unidentified losses	3,177,772	2,591,507	23	2,701,059
Identified losses	1,071,485	1,171,341	(9)	1,156,311
Closing balance	4,249,257	3,762,848	13	3,857,370
Exposure to credit risk:				
Loans and advances to clients	38,324,742	35,427,243	8	36,669,755
Conditionally revocable retail loan commitments ⁽⁶⁾	531,090	404,890	31	469,496
Maximum exposure to credit risk	38,855,832	35,832,133	8	37,139,251

- (1) Loans and advances comprise unsecured loans to individuals.
- (2) Accrued interest receivable of R 270.8 million is included in loans and advances (2015: R 180.0 million).
- (3) Loans and advances not past due on which a portfolio impairment allowance has been raised are treated as current.
- (4) These are loans and advances relating to clients that were in arrears and were subsequently rescheduled in line with approved credit policy rules on forbearance. If these loans are up-to-date six months post rescheduling, they are reclassified to current for impairment allowance purposes.
- (5) The definition of arrears and past due loans and advances is the same. Past due loans and advances reflect all a client's outstanding balances, where one or more instalments (or part of an instalment [more than 5% thereof]) (on any of the client's loans) remains unpaid, measured against the contractual payment date, that is from one day past the contractual payment date to 90 days. The definition excludes loans with a handed over status which are written off, as are all outstanding client balances with instalments unpaid more than 90 days.
- (6) Conditionally revocable retail loan commitments totalling R 531.1 million (2015: R469.5 million) are not included in the maturity analysis. The commitments are a result of undrawn loan amounts. The loans are advanced with a contractual repayment period of one month or less. The group's contractual commitment is revocable should a client not meet their contractual obligations or where the group has determined that the client's credit risk profile has changed. A total of 25.7% (2015: 22.7%) of these commitments is expected to be drawn down within one month. As these are one month loans, repayment of any future draw downs must also occur within the month.