

Financial Results

February 2021

CAPITEC BANK HOLDINGS LIMITED

Welcome

Please send any questions to: InvestorRelations@capitecbank.co.za

Questions will be answered at the end of the presentation.



2021 Highlights

Agility and digitalisation

A year of 2 halves

March — August: Adapt

- Prioritised the safety of our employees and clients
- Implemented a remote working environment
- Understood the potential impact of COVID-19
- Adjusted strategies (rebudgeted)

Maintained service delivery throughout the year

September — February: Deliver

- Focused on growth
- Transitioned to a flexible working environment
- Delivered new credit, payment and investing solutions

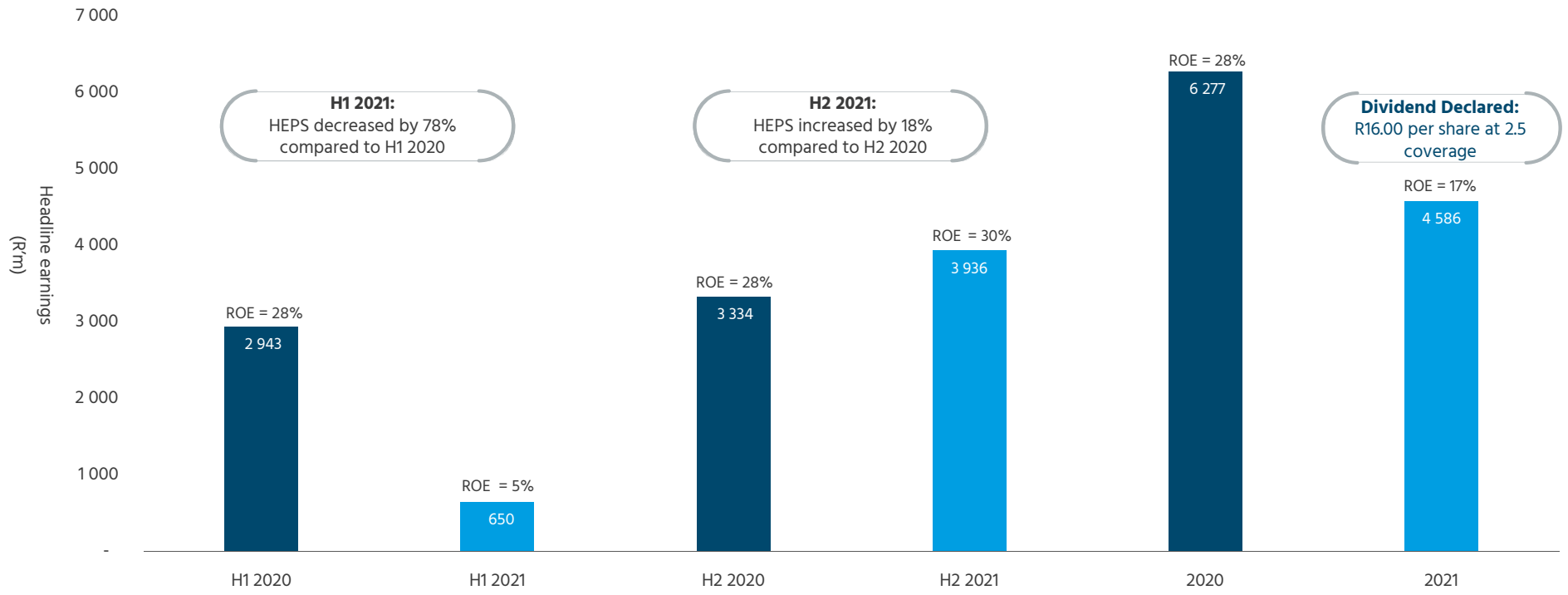


Key Indicators

Capitec Group

Key performance indicators

Group headline earnings down by 27%



Key performance indicators

Group headline earnings increased by 18% in H2 2021

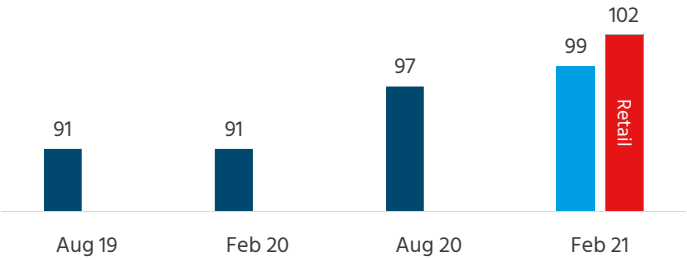
	Feb 2021 (R'm)	Feb 2020 [1] (R'm)	Change (%)	H2 2021 vs H2 2020 (R'm)
Net lending, investment and insurance income	13 422	13 232	1	(222)
Net transaction fee income	8 708	7 416	17	951
Funeral income	650	413	57	(6)
Other income	225	70	>100	112
Income from operations	**23 005**	**21 131**	9	835
Credit impairment charge **(excl. COVID-19)**	(4 880)	(4 224)	16	(885)
Credit impairment charge **(COVID-19 only)**	(2 945)	(250)	>100	1 505
Net income	**15 180**	**16 657**	(9)	1 455
Operating expense (HEPS adjustments and income from associates and joint ventures)	(9 464)	(8 575)	10	(535)
Taxation	(1 130)	(1 805)	(37)	(318)
Headline earnings	**4 586**	**6 277**	**(27)**	**602**

[1] Feb 2020 – Only includes Business bank results for the 4-month period ended 29 February 2020.

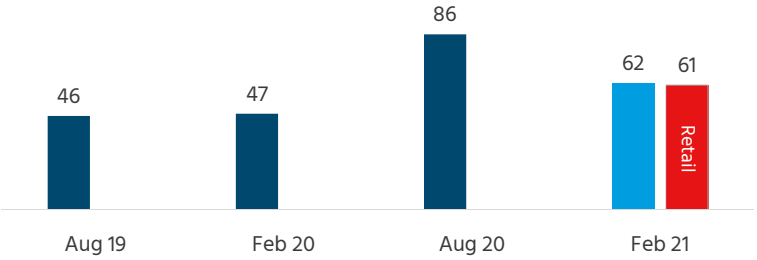
Key performance indicators

Costs well maintained and strong capital position for future growth

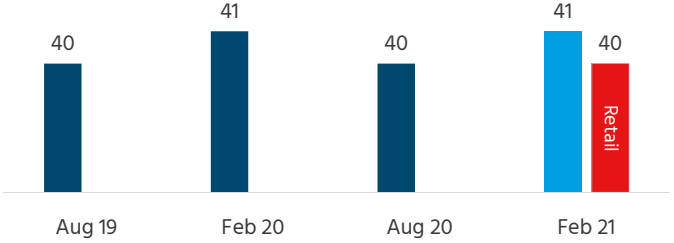
Net transaction fee and funeral plan
Income to operating expenses



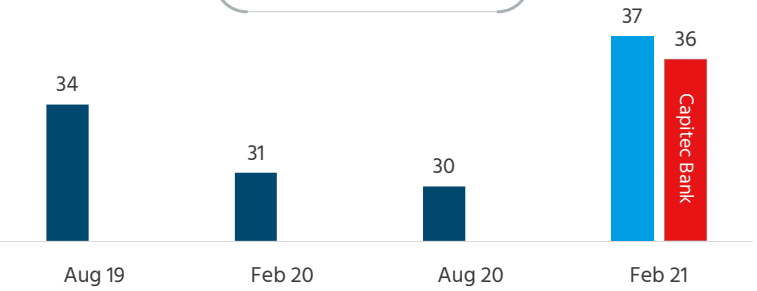
Net transaction fee and funeral plan
income to net income

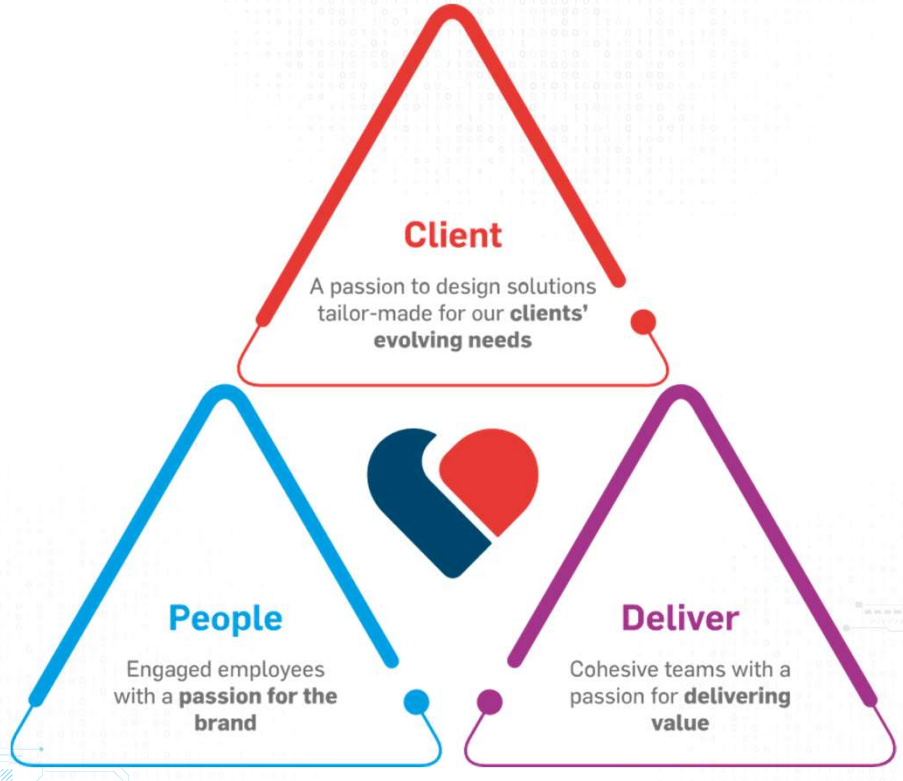


Cost-to-income



Capital adequacy





Retail Bank

Our culture drives performance

People

Develop talent, nurture future leaders and focus on engagement



Talent acquisition

- 820 appointed and 78 new positions created
- Virtual onboarding and training

Talent development

- Digital learning environment and 55 356 training engagements
- 182 employees enrolled for the Harvard Manage Mentor programme

Focus on engagement

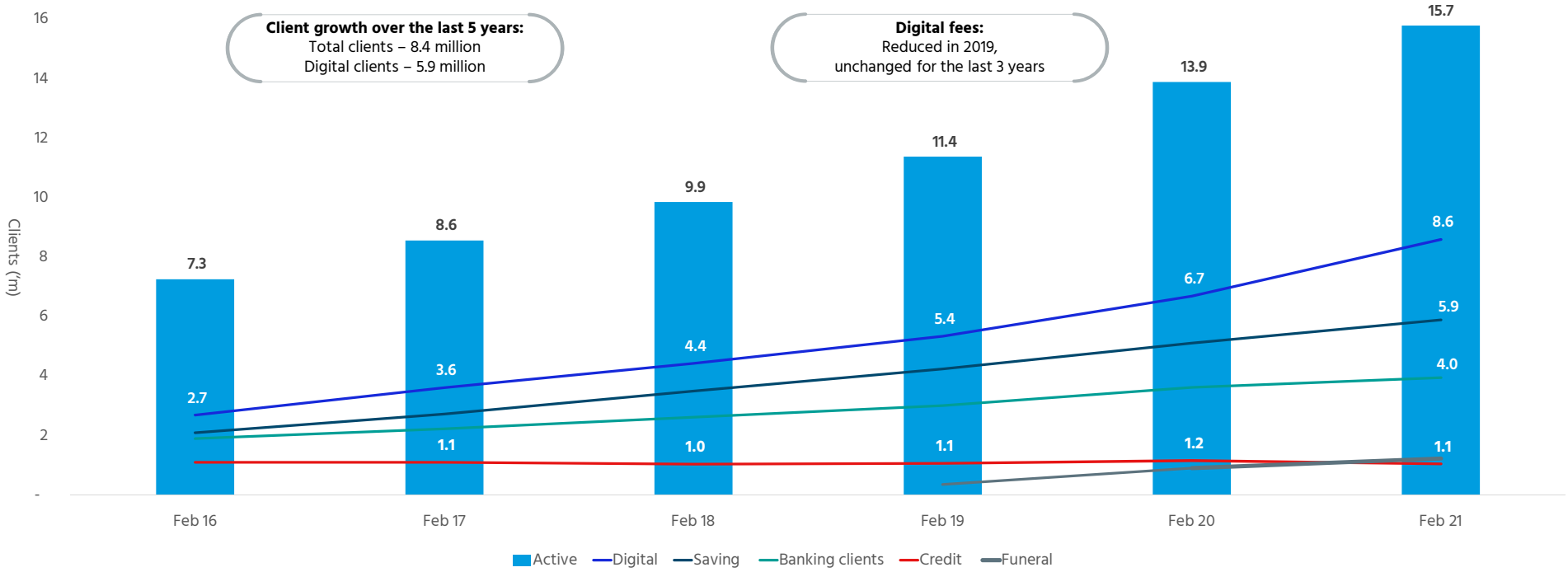
- 18 virtual Live Better Talks and multiple monthly town hall events
- Employee well-being

Community involvement

- Employee volunteerism and donations
- Financial education

Client growth continues

Leading the market with 8.6 million digital banking clients (up 28%)



Clients embrace digital payments

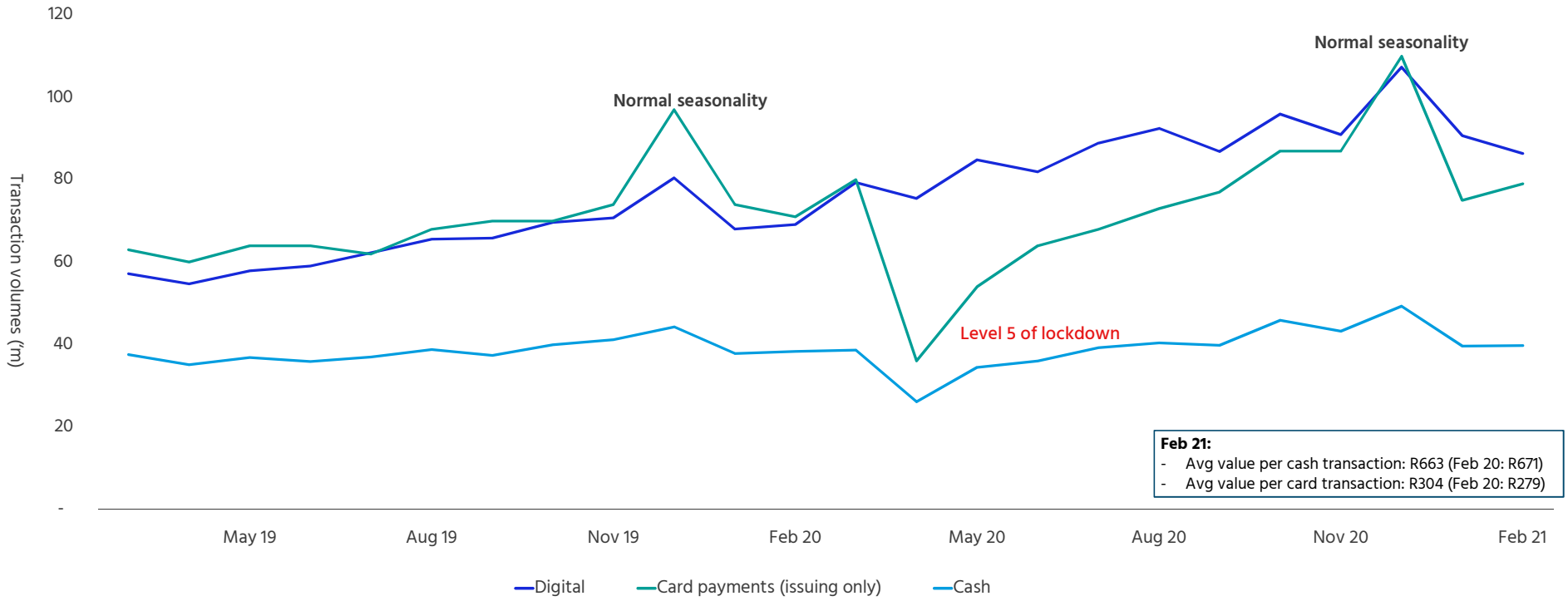
Strong engagement resulted in a change in transactional behaviour

Transaction volumes for the month ('m)	Feb 2017	Feb 2019	Feb 2021
Digital	20.9	48.3	86.4
Card payments (issuing only)	24.9	51.7	79.2
Cash	26.4	37.1	38.8
Profile of digital clients ('m)			
Monthly inflow of client:			
Less than R7 500	2.4	3.5	5.9
Between R7 500 and R15 000	0.7	1.0	1.4
Greater than R15 000	0.5	0.9	1.3
Age of digital client:			
Younger than 40 years	2.7	3.9	6.0
Older than 40 years	0.9	1.5	2.6



Digital transactions unaffected by lockdown

Total transaction volume increased by 17% to 5.3 billion



Funeral plan continues to grow

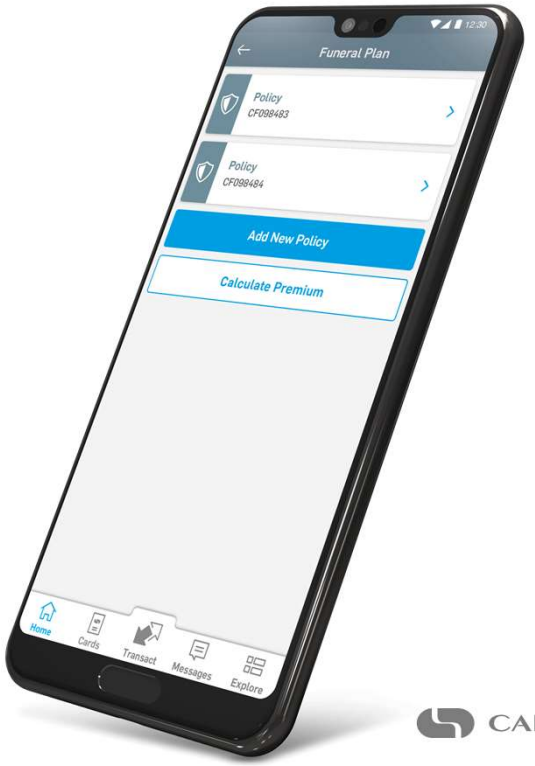
Income increased by 57% to R650 million

Market share:

- 37% of all new policies issued (based on sum assured) [1]
- 16% of total active funeral plan book
- Avg coverage per policy = R96 000 (Highest in the industry) [1]
- Avg of R530 cover for every R1 in premium paid (38% higher than the market)

Key performance indicators:

- Policies sold: 1 million (down 12%)
- Active book: 1.2 million
- Average collection rate: 85%
- Book persistency: 41%



[1] Swiss RE Individual Volumes Survey 2019 – for new business sold

Savings is positive

Retail bank deposit book grew 18% to R107.1 billion

Group retail deposit market share as at Jan 21 = 9.4% (Jan 20: 8.2%)

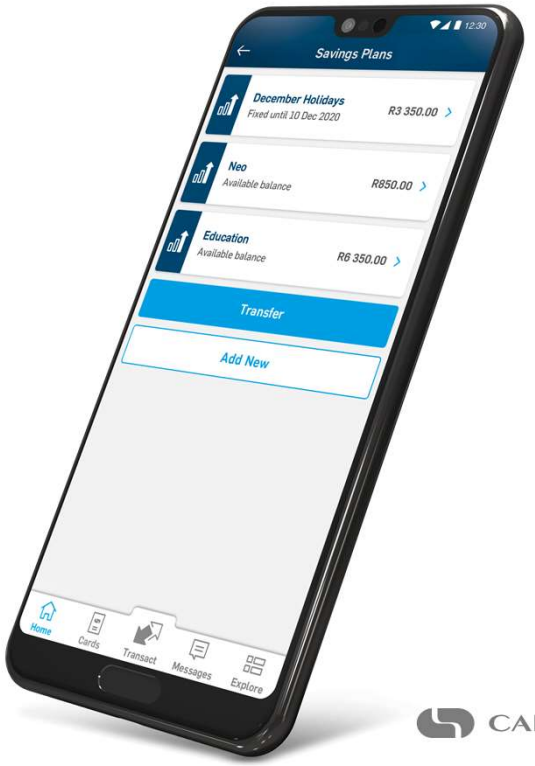
Composition of retail deposit book:

- Call savings: R69.9 billion (up 27%)
- Fixed savings: R35.4 billion (up 10%)
- Wholesale: R1.8 billion (down 47%)

Drivers of growth:

- Growth in active client base
- Lower consumer spending during lockdown
- Competitive market rates (R4.1 billion paid out during FY21)

This provides a platform for future growth in banking products.



Delivery of new products

Payment solutions



Send cash

- Added new cash-out options at our own Capitec ATMs, Pick n Pay and Massmart stores
- 12.3 million transactions (Feb 20: 3.8 million)
- R6.1 billion in value created (Feb 20: R1.8 billion)

Scan to pay on our app

- Launched in September 2020
- Value of transactions: R19.7 million

Virtual card

- Launched in November 2020
- Value of transactions: R49.2 million

Delivery of new products

Home loan solutions and remote onboarding

Capitec Home Loan

- Launched in November 2020 in partnership with SA Home Loans
- Applications done online in 4 easy steps under 5 minutes with no documentation required
- 24 423 applications through our website or branches since launch
- Clients can track live updates on the website

Remote onboarding

- Launched in March 2021
- Open account and activate virtual card in minutes on app





Retail Credit

Strategies

COVID-19 impact

Payment relief

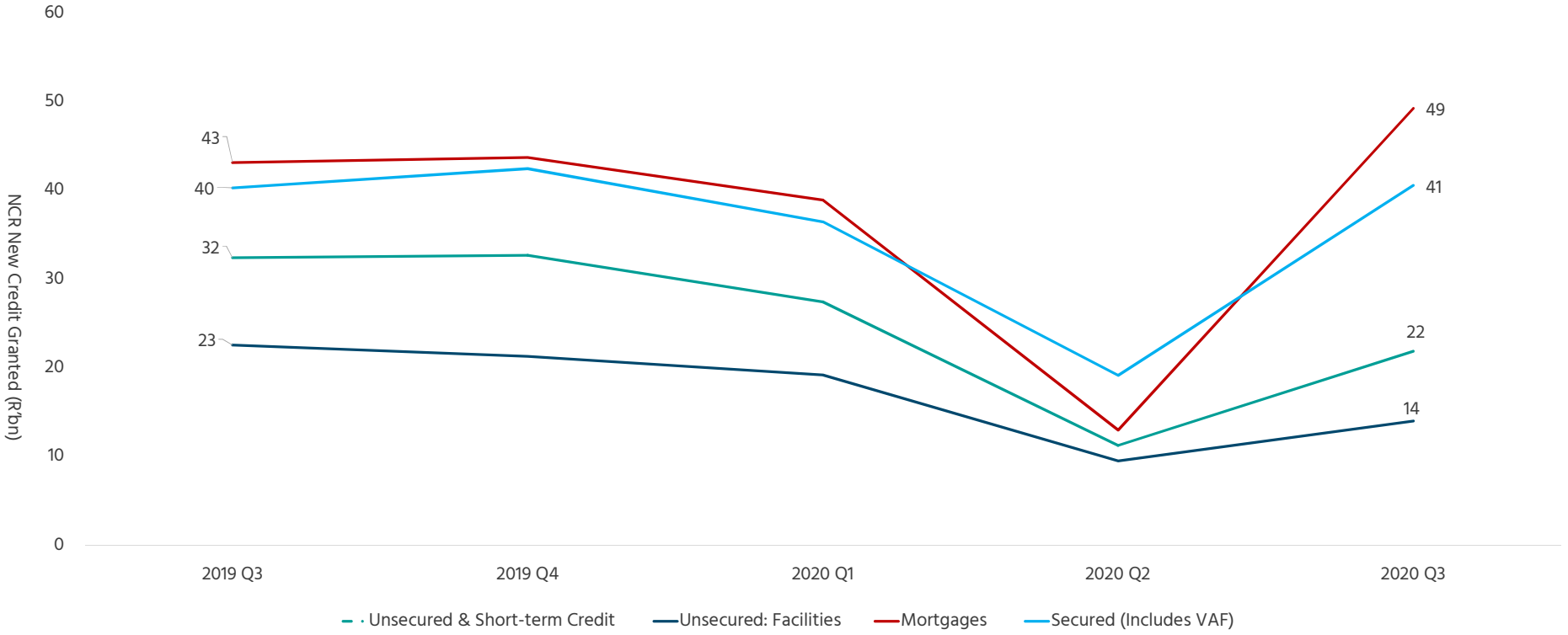
Prudent provisioning

Credit life insurance

Diversification

Credit strategies

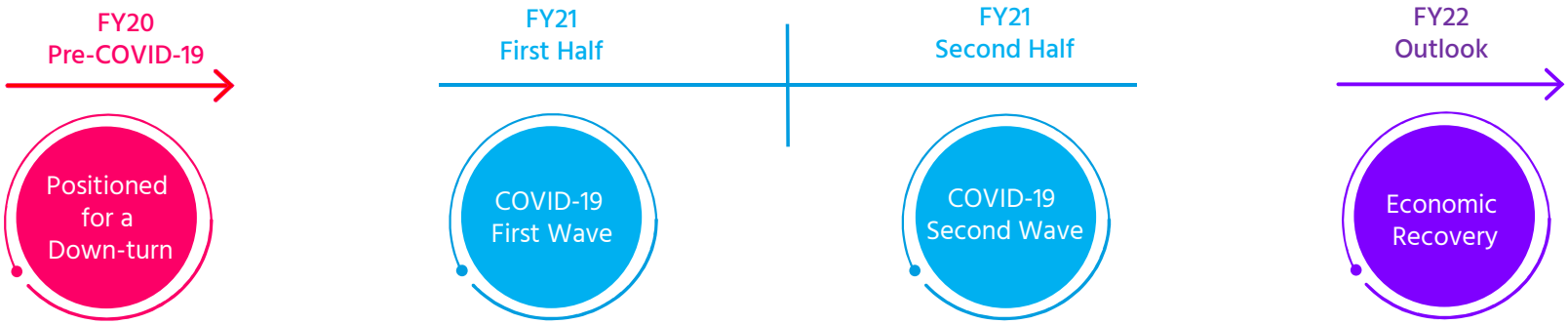
Credit landscape shows recovery in unsecured lending and facilities lagging



Source : NCR

Credit strategies

Critical assessment, robust challenge, agile implementation



Reduce Risk

Increased minimum income threshold

Tightened granting rules for lower income, higher risk

Strong book in essential services

Agile response

New business
Limit granting segmented on industry, employer, client and household income

Existing Business
Accommodate and support clients with payment relief solutions and behavioural incentives

Launch new Access Facility

Increased provisions

Increased credit insurance premiums, no reinsurance market

Gradual release

New business
Stabilisation of inflows = easing of granting criteria, sales recovery, and strong Access Facility uptake

Existing business
Payment relief and behavioural incentives performing well

Lower provisions

Retrenchment and death pay-outs, death reinsurance

Outlook

Third wave?

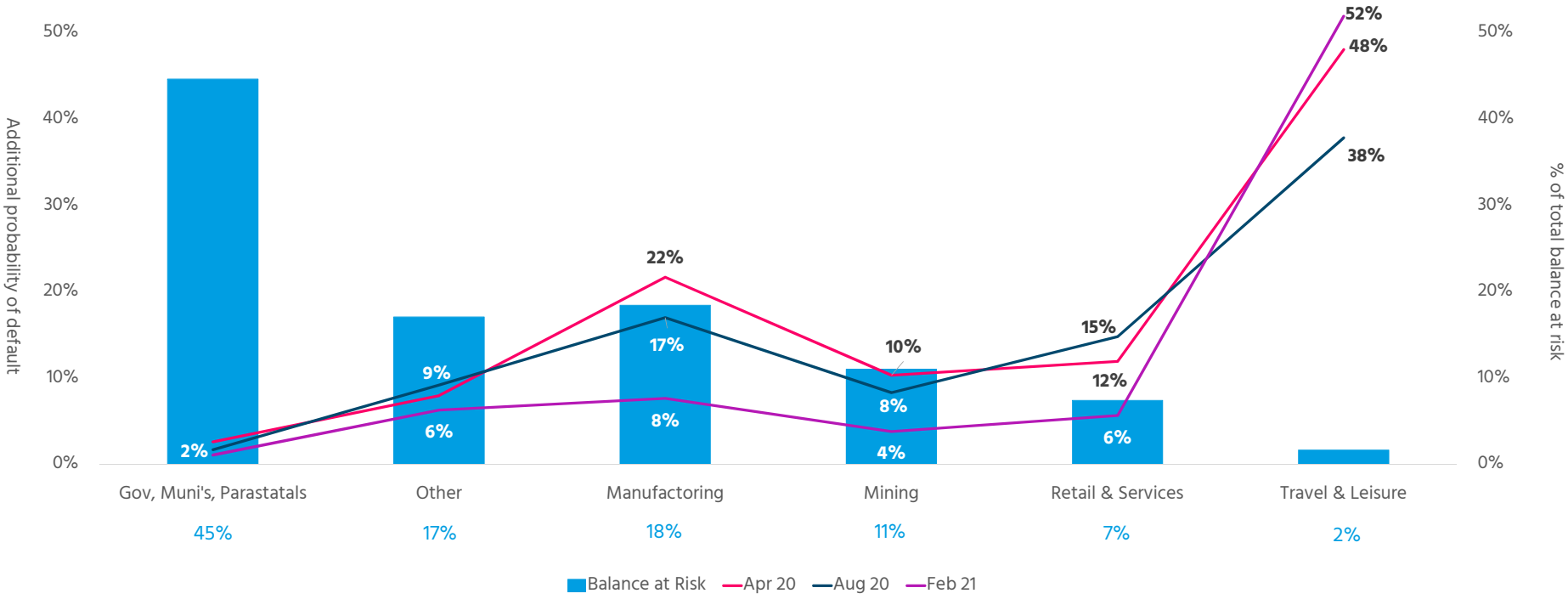
Vaccine rollout?

Electricity supply?

Unemployment?

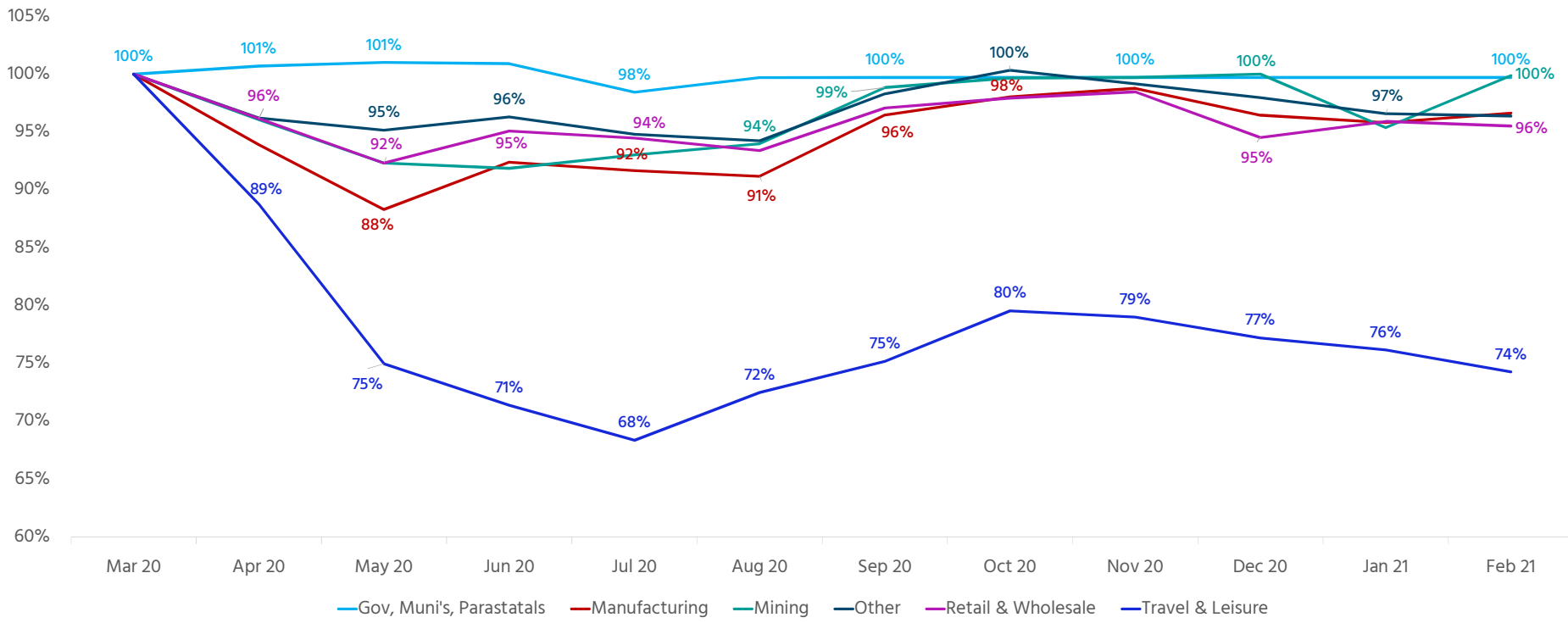
COVID-19 impact on industries

Key industry performance – change in additional PD estimate



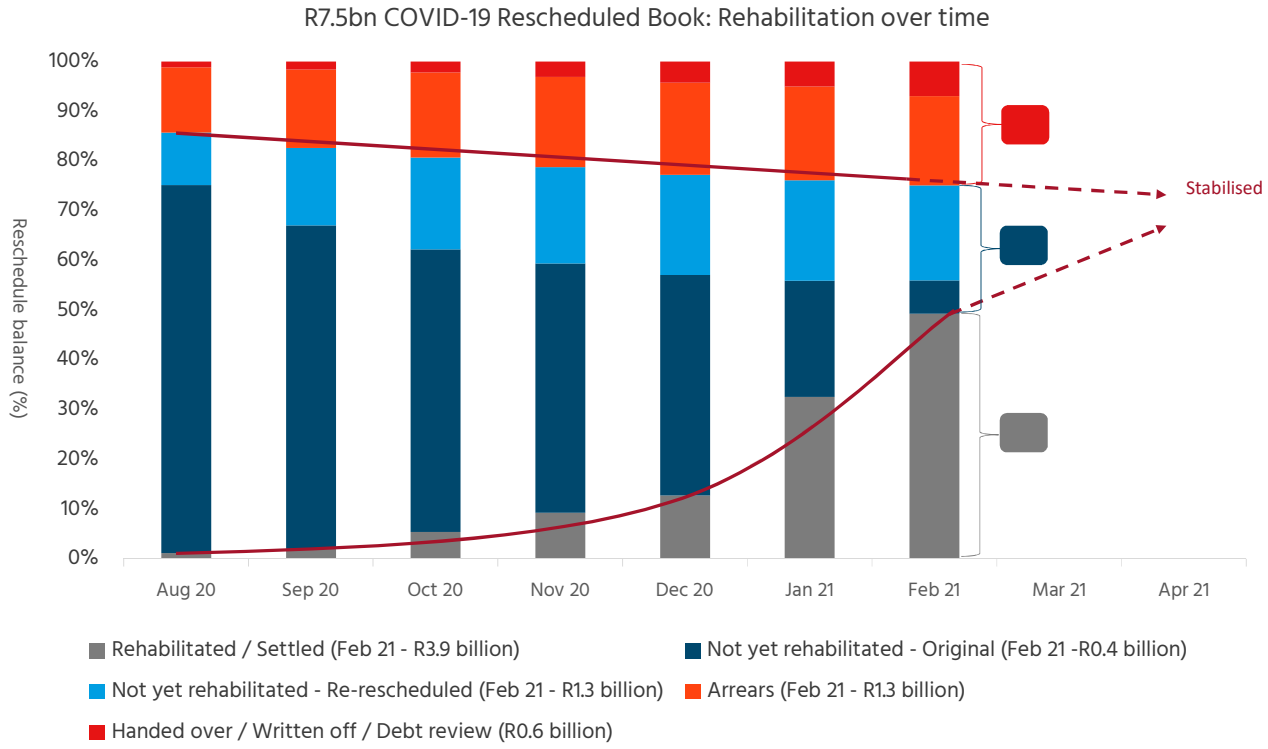
COVID-19 impact on industries

Stabilising inflows in most industries



Payment relief

Good rehabilitation in the second half



Balance as at 28 Feb 21:

R1.9 billion Arrears or worse

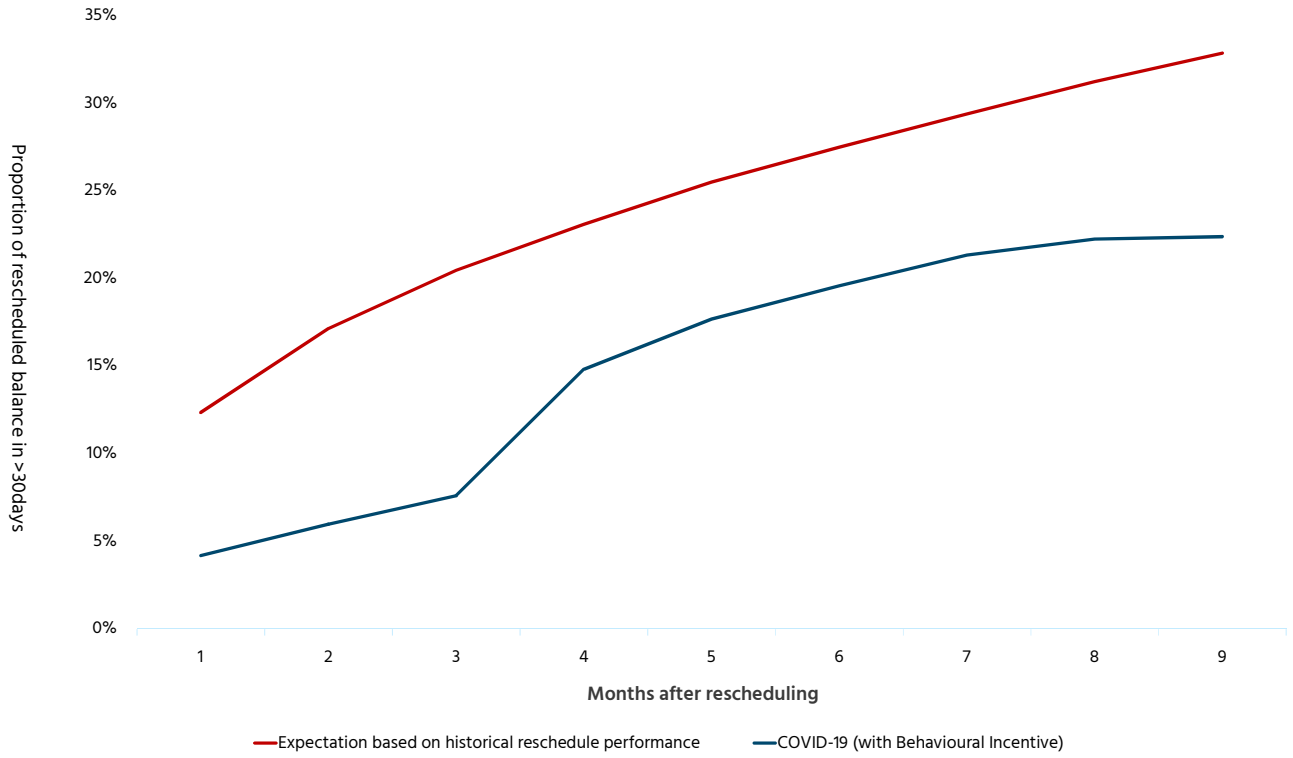
R1.7 billion Not yet rehabilitated

R3.9 billion Rehabilitated or settled

- COVID-19 Payment Relief (payment breaks and variable reschedules) of **R7.5 billion**
- Positive performance of COVID-19 reschedules

Payment relief

Cumulative performance vs normal rescheduling performance targets



Behavioural incentive: interest refund

- Driving good repayment performance and lower incidence of debt review
- 187 000 clients qualified
- R211 million paid out FY21 and R193 million payment expected in the next financial year
- Positive impact on second half provisions

Prudent provisioning

Net credit impairment charge

	Feb 2021 (R'm)	Feb 2020 (R'm)	Change (%)
Gross credit impairment charge	8 289	5 623	47
Bad debts recovered	(929)	(1 263)	(26)
Net credit impairment charge (including COVID-19 charge)	**7 360**	**4 360**	**69**
COVID-19 charge	(2 945)	(250)	> 100
Net credit impairment charge (excluding COVID-19 charge)	**4 415**	**4 110**	**7**

Key performance indicators			
Credit loss ratio	11.3%	7.2%	
Credit loss ratio (Excluding COVID-19 charge)	6.2%	6.8%	
Total provision for credit impairments to stage 3 and stage 2 (excluding SICR) coverage	97%	101%	

Credit life insurance

Net insurance income only down 2% despite increase in claims

	Feb 2021 (R'm)	Feb 2020 (R'm)	Change (%)
Premium income received	2 840	2 414	18
Reinsurance premium paid	(416)	(918)	(55)
Net premium written	**2 424**	**1 496**	**62**
Claims paid	(1 443)	(779)	85
Claims recovered from reinsurers	546	715	(23)
Incurred but not yet reported charge	(221)	(46)	>100
Interest received	35	-	
Underwriting profit before tax	**1 341**	**1 386**	**(3)**
Taxation	(376)	(405)	(7)
Net credit life insurance income	**965**	**981**	**(2)**

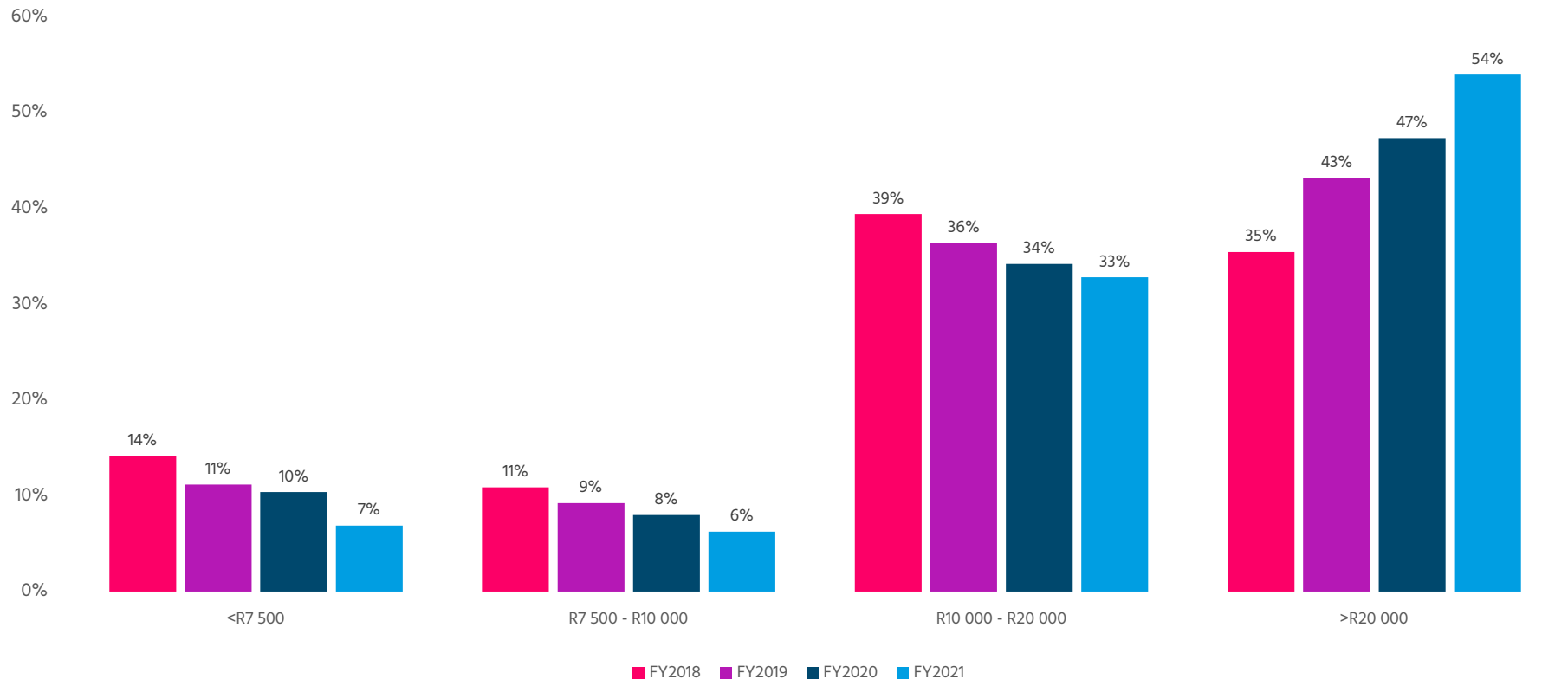
Credit life insurance

Significant increase in retrenchment claims experienced

	Feb 2021 (R'm)	Feb 2020 (R'm)	Change (%)
Total value of claims paid	**1 443**	**779**	**85**
Retrenchment	1 007	498	>100
Death	414	253	64
Permanent and temporary disability	22	28	(21)
Total number of claims paid	**44 119**	**25 553**	**73**
Retrenchment	33 254	16 580	>100
Death	10 244	8 051	27
Permanent and temporary disability	621	922	(33)

Granting

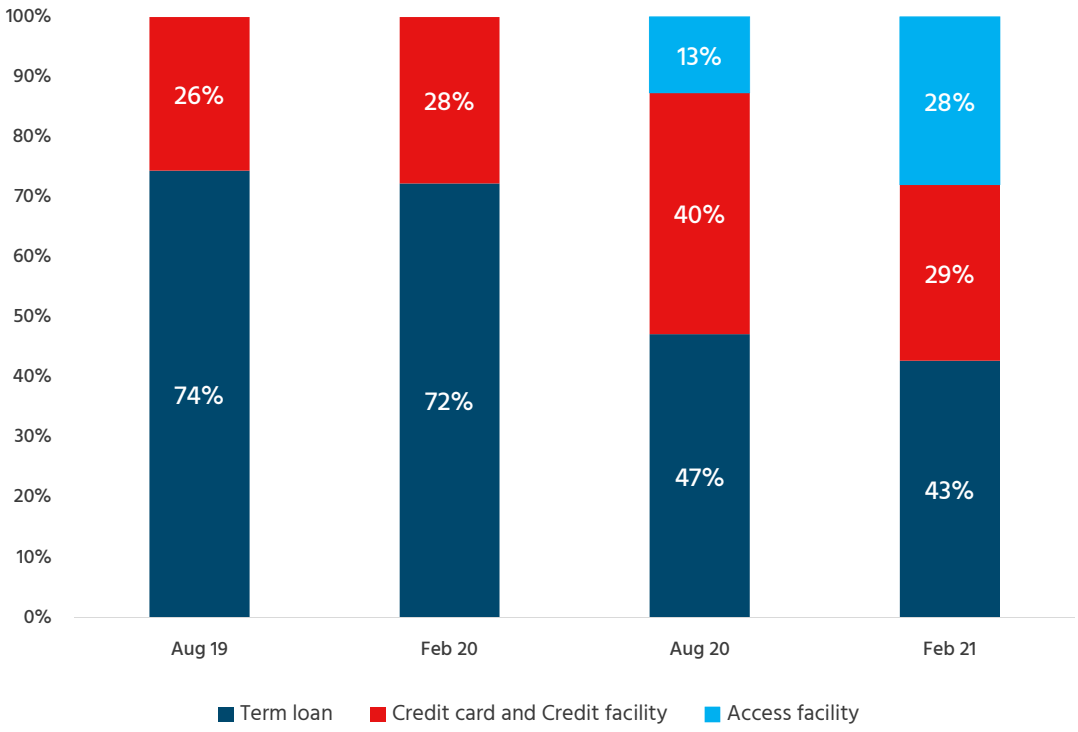
Continued move of granting into higher gross income segments



Granting

New Access Facility drives diversification

Distribution of sales (disbursements) across credit products



Access Facility

- Launched in May 2020
- 159 000 clients
- R8.6 billion in limits taken up
- Lifestyle product for higher income
- No fees or interest on zero balance
- Competitive rates linked to prime

Business Bank

Building the future



Business bank

Response to COVID-19

Primary focus was to assist our business clients

Payment breaks and moratoriums

- 1 017 business clients assisted on balances totaling R4.2 billion
- 46 clients with a balance of R3 million in arrears at year end
- Outstanding balance at year end was R3.6 billion

SARB COVID-19 Loan Guarantee Scheme

- R659 million disbursed to clients
- Outstanding balance as at 28 Feb 2021 was R636 million

Key performance indicators

- Net credit impairment charge for the year was R408 million
- Provision coverage ratio was 6.0%



Business bank

Integration and investment in the future

Focus on people

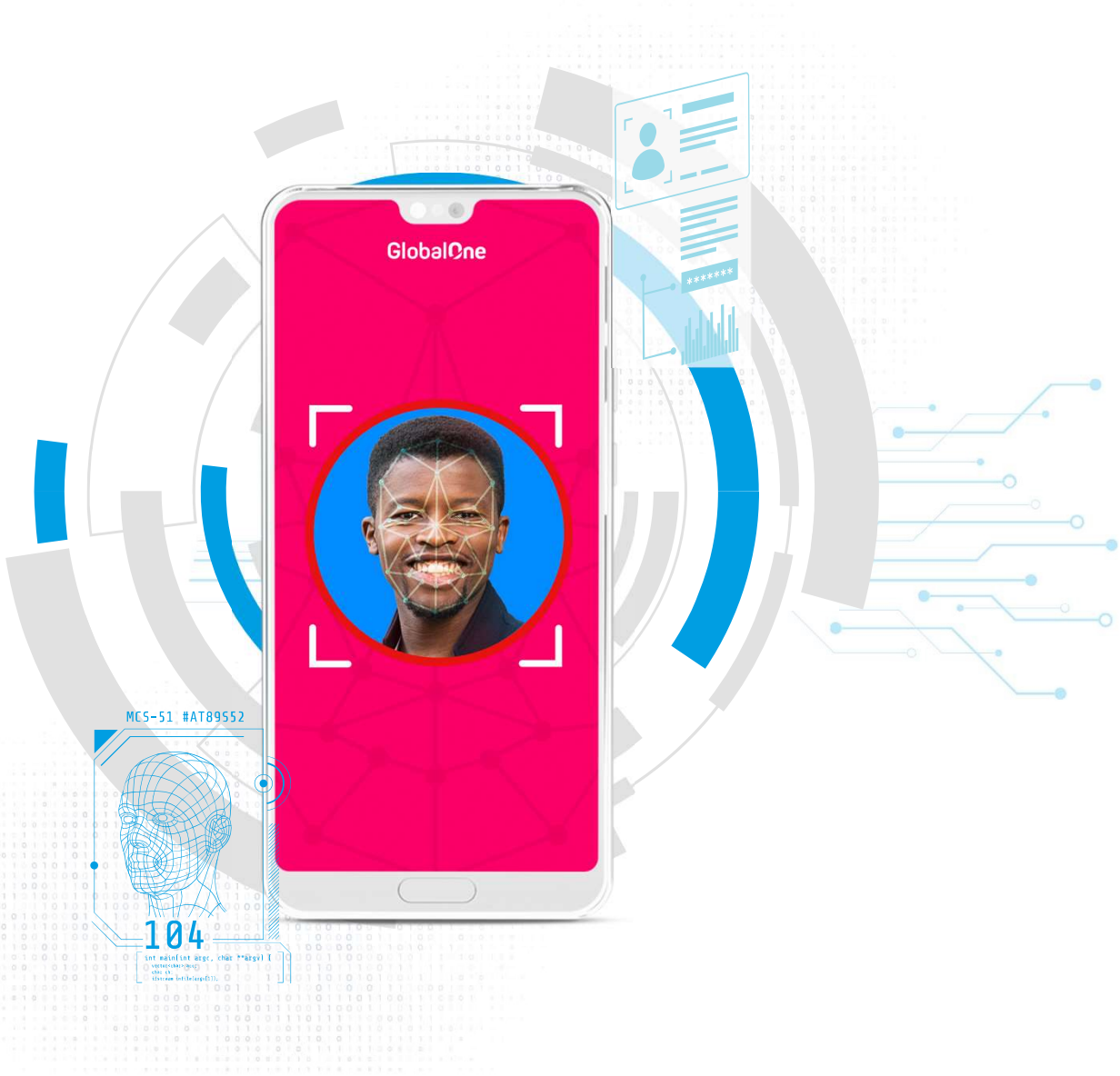
- A division of Capitec Bank since 1 December 2020
- Engagement and integration of systems, processes and culture
- Appointed 134 new employees in the current year

Build the bank

- Development on track for digitalisation and scalability
- Implement Group strategy and aligning systems (SAP go-live in FY2022)
- 81 retail employees seconded to the Business bank to assist with development

Clients

- More than 90 000 business clients across 5 business units (up by 33%)
- Launch of new Franchising solution



Future

Focus on people, scale, digital and data

Future

Scale and efficiencies to create more value



People

- Future fit skills development focused on agility and growth
- The human touch remains critically important
- Budgeted to appoint 436 employees in FY2022

Scale

- Leverage our client base and create efficiencies
- Partnerships that create mutual value

Digital and Data

- Innovative payments and e-commerce to meet evolving needs
- Cloud services and automation to enable future growth
- Insightful use of client data to create value
- Protect our client data and trust

Business Bank

- On track with 24-month development plan
- Digitally enabled, scalable and seamless integration with Retail bank

Thank you

Please send any questions to: InvestorRelations@capitecbank.co.za

#SimplifyBanking #LiveBetter

capitecbank.co.za

Capitec Bank Limited is an authorised financial services provider (FSP 46669) and registered credit provider (NCRCP13) Capitec Bank Limited Reg. No.: 1980/003695/06

CAPITEC