

Financial results

February 2022

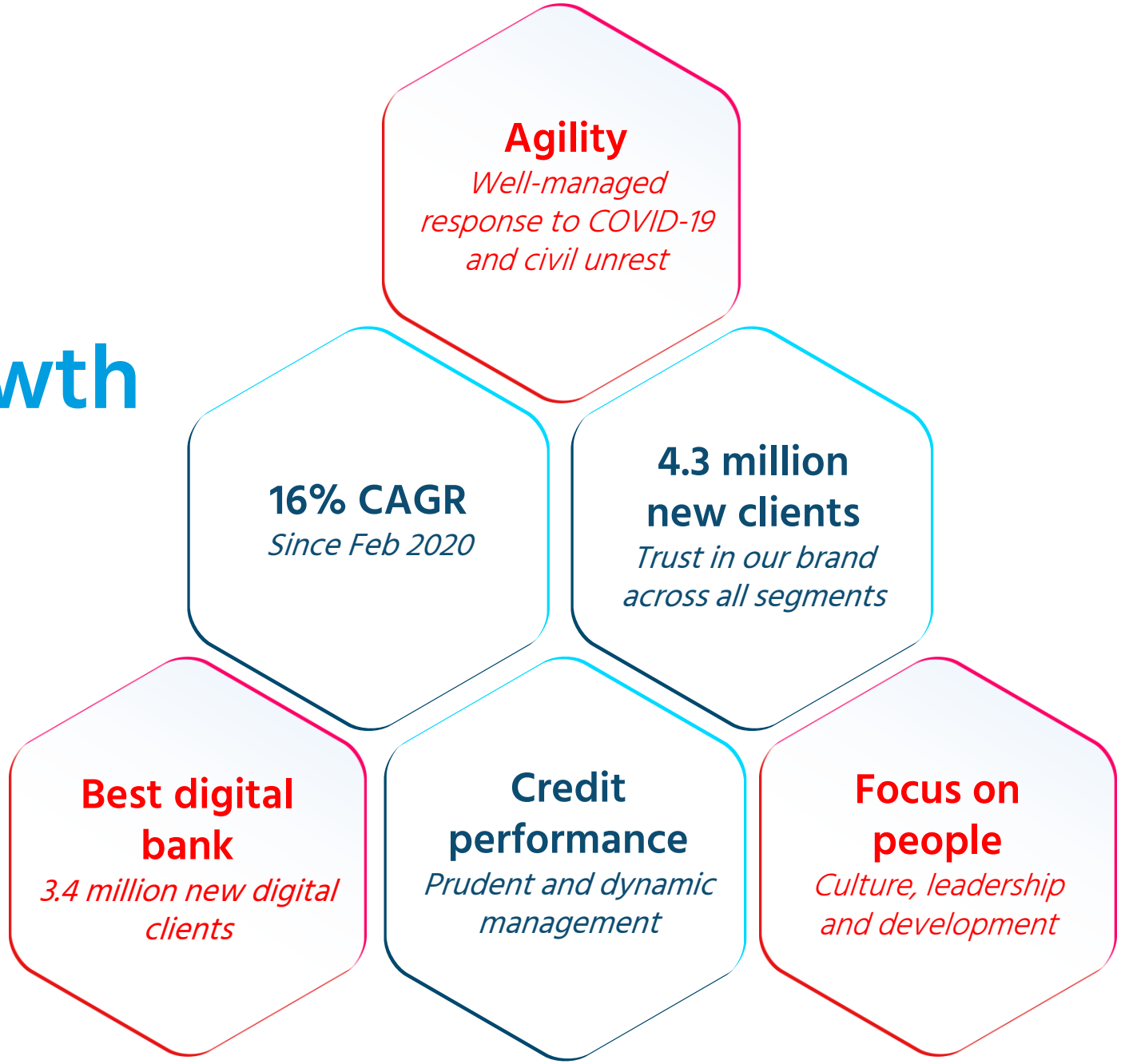
CAPITEC

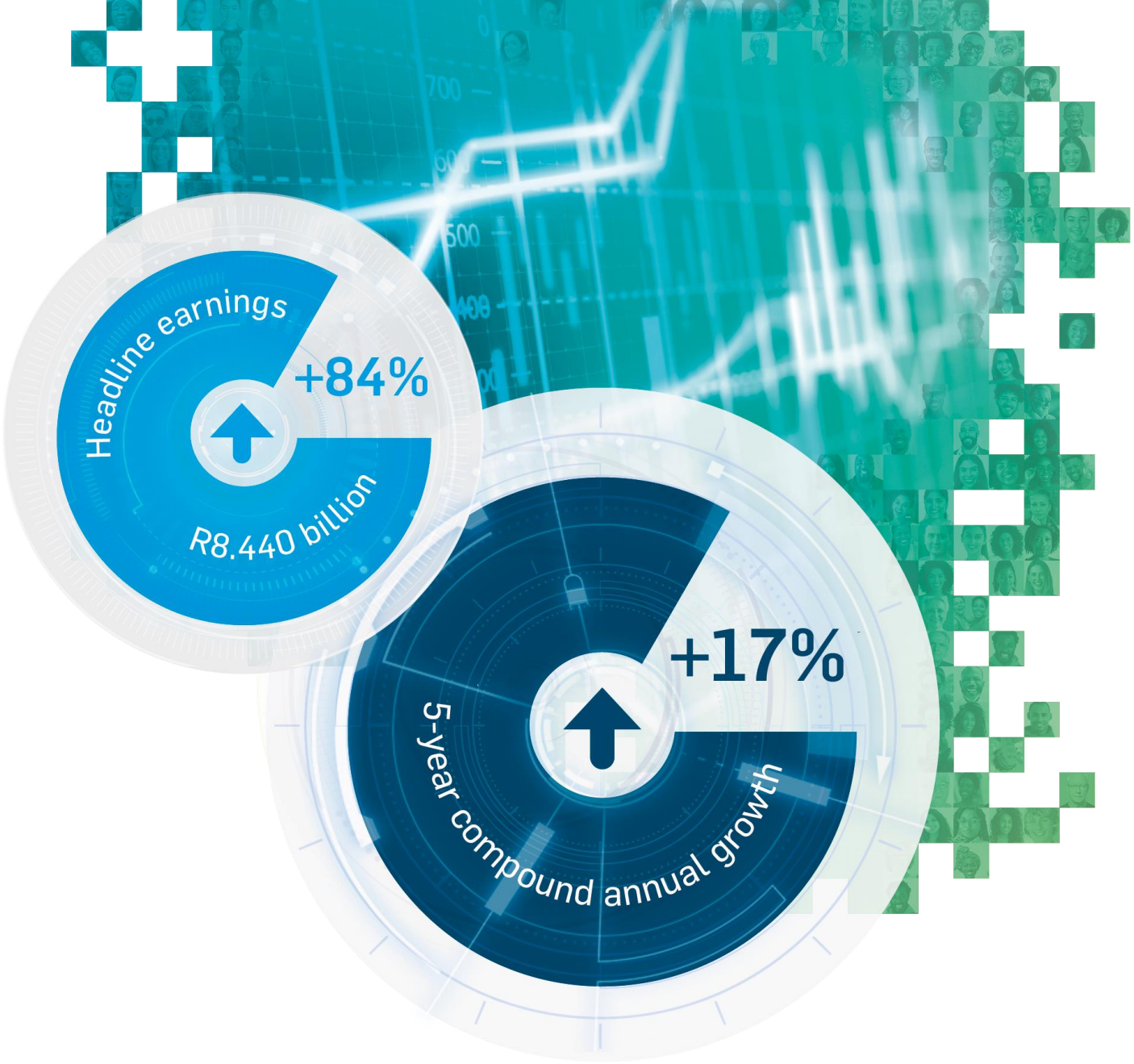
Hello

Please send any questions to: InvestorRelations@capitecbank.co.za
Questions will be answered at the end of the presentation.

Client-centricity drives strong growth

Highlights over the past 2 years





Financial overview

Capitec Group

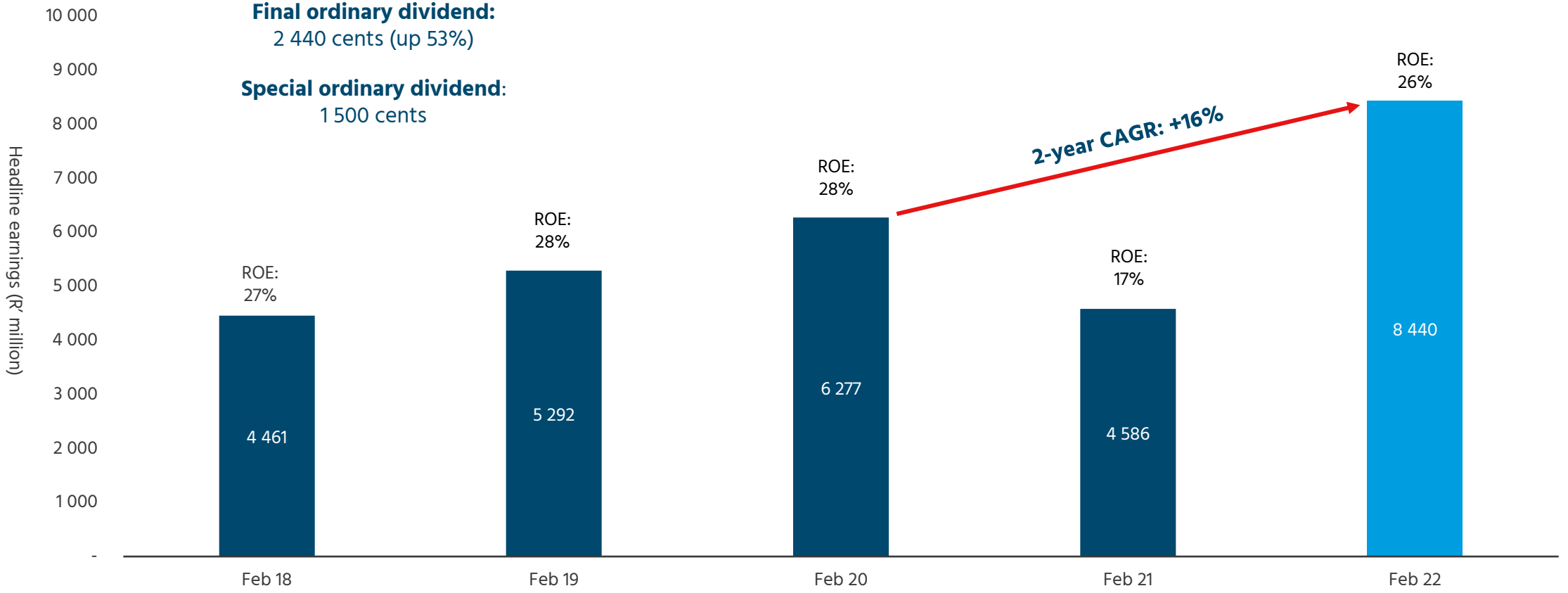
Substantial growth driven by client-centricity

Headline earnings increased by 84% to R8 440 million

5-year CAGR: +17%

Final ordinary dividend:
2 440 cents (up 53%)

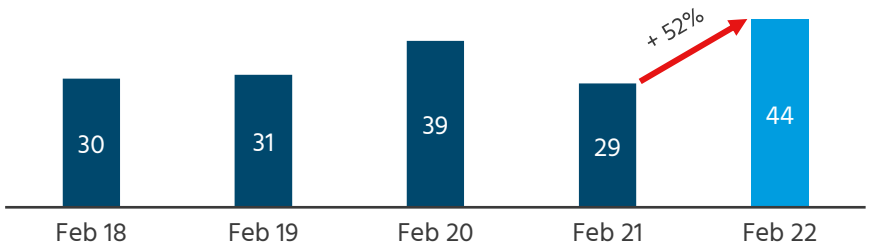
Special ordinary dividend:
1 500 cents



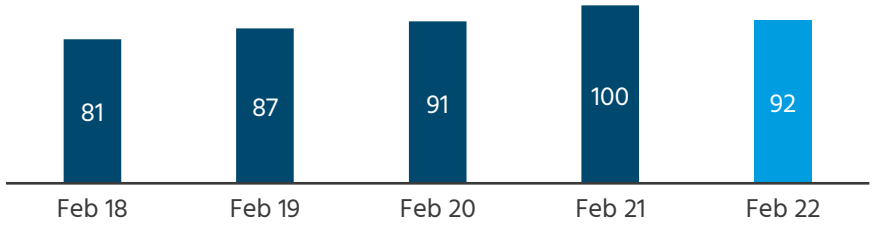
Key financial performance indicators

Increased demand for credit, prudent provisioning and capitalised for future growth opportunities

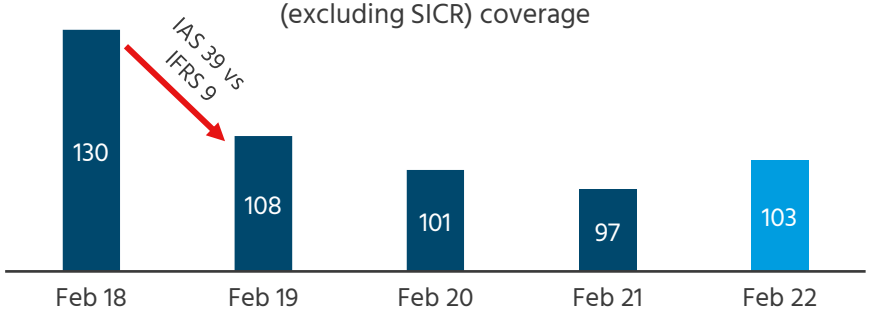
Retail loan sales and disbursements (R' billion)



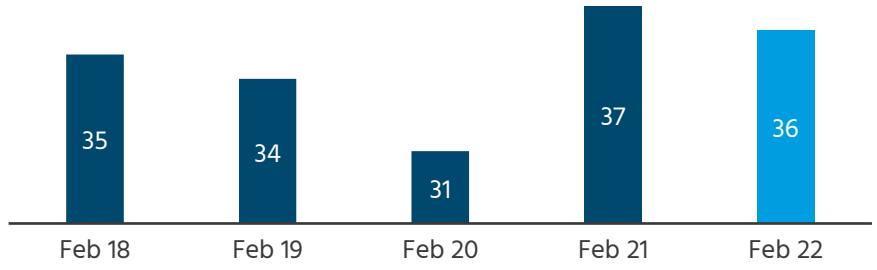
Net transaction, net foreign exchange and funeral plan income to operating expenses



Total provision for credit impairment to stage 3 and stage 2 (excluding SICR) coverage



Capital adequacy



Income statement

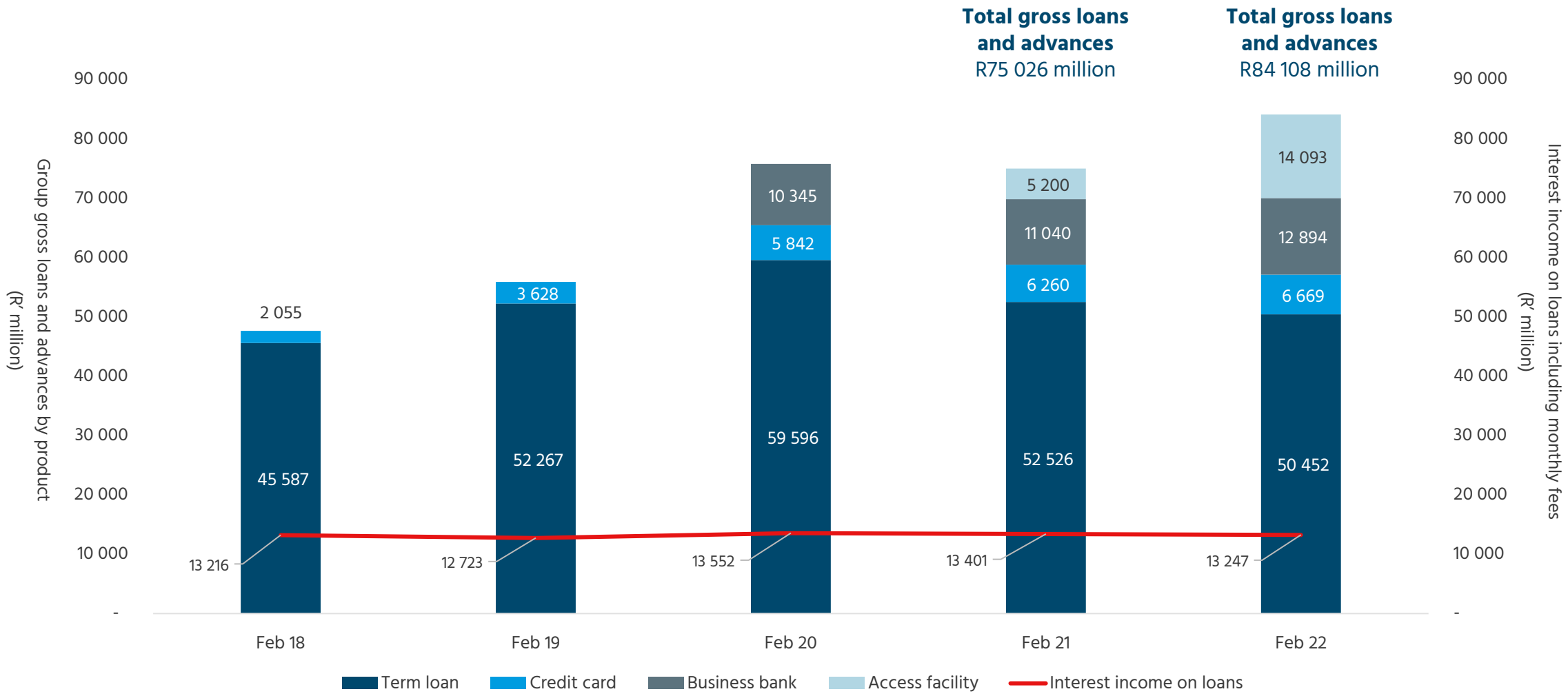
Strong investment income, recovery in credit life insurance and growth in net transaction income

	Feb 22 (Rm)	Feb 21 (Rm)	Change (%)	Change (Rm)
Net lending, investment and insurance income	15 107	13 422	13	1 685
Net transaction income	10 515	8 708	21	1 807
Funeral income	906	650	39	256
Other income/expense [1]	434	225	93	209
Income from operations	**26 962**	**23 005**	**17**	**3 957**
Credit impairment charge	(3 508)	(7 825)	(55)	4 317
Net income	**23 454**	**15 180**	**55**	**8 274**
Operating expenses	(12 555)	(9 463)	33	(3 092)
Taxation	(2 408)	(1 130)	>100	(1 278)
Other items and headline earnings adjustments [2][3]	(51)	(1)	>100	(50)
Headline earnings	**8 440**	**4 586**	**84**	**3 854**

[1] Other income and expenses includes net foreign exchange income.
[2] Other items include share of net profit/(loss) of associates and JVs, preference dividends and the discount repurchase of preference shares.
[3] Headline earnings adjustments mainly relate to the post-tax impact of the July 2021 civil unrest.

Change in composition of loan book

Interest income on loans declined by 1% to R13 247 million – lower interest rates

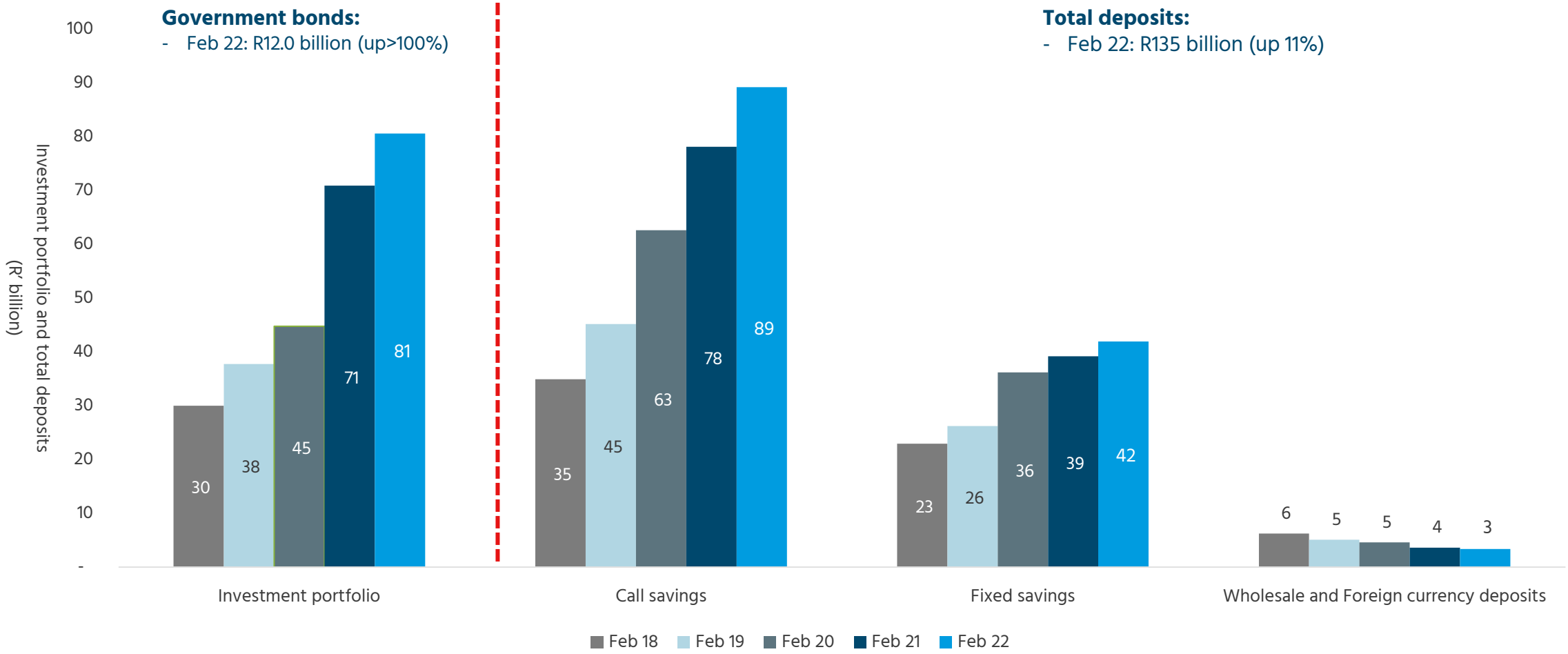


Higher investment portfolio driven by continued growth in deposits

Investment income increased 34% to R4 207 million and interest expense decreased 3% to R4 838 million

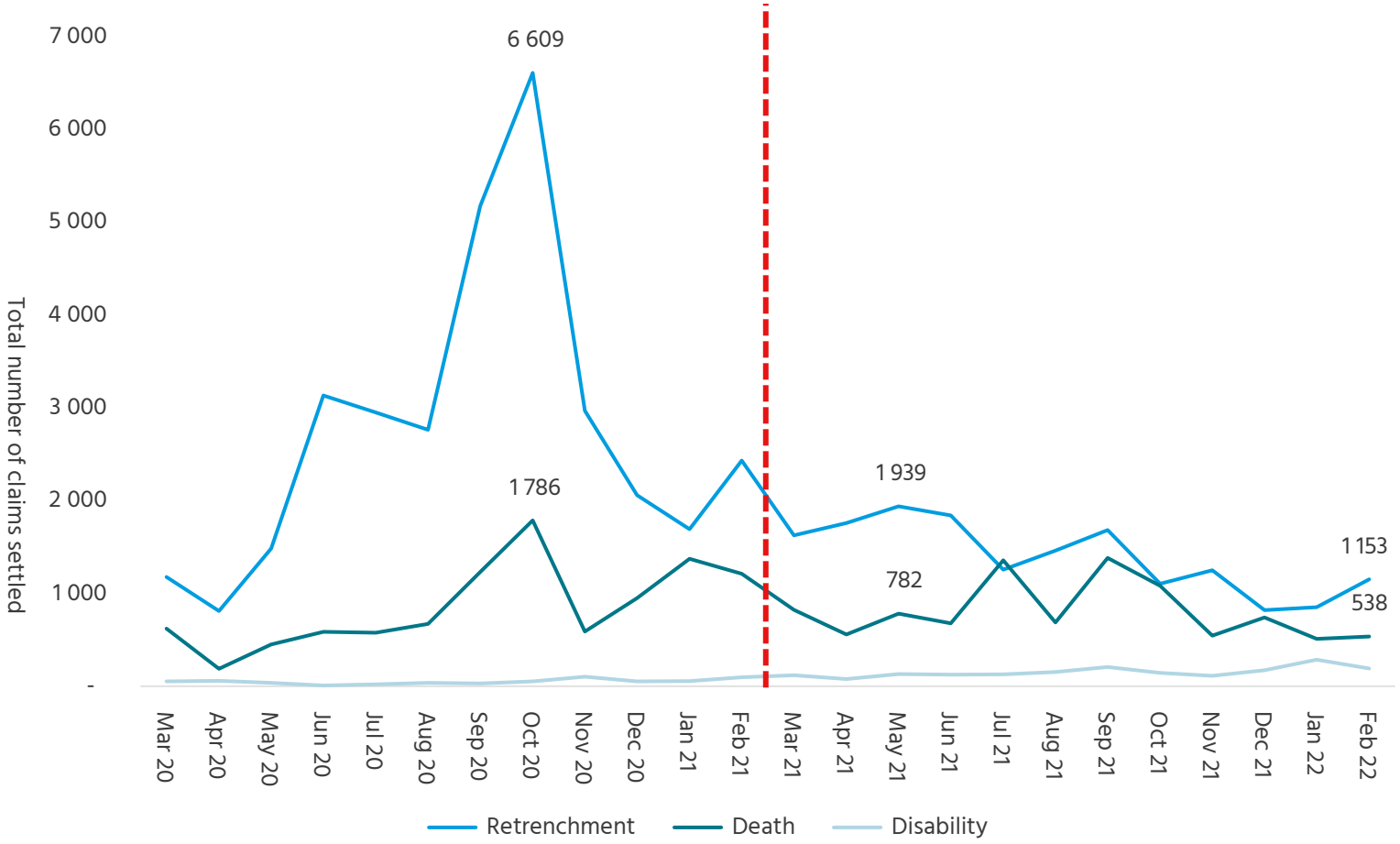
Government bonds:
- Feb 22: R12.0 billion (up>100%)

Total deposits:
- Feb 22: R135 billion (up 11%)



Credit life performs well with agile risk management

Net credit life insurance income increased 60% to R1 540 million



Pricing

- Increased from May 20
  (R4.50 per R1 000 non-government and R4.00 per R1 000 government)
- Reduced from Aug 21
  (R4.00 per R1 000 non-government and R3.00 per R1 000 government)

Total insured book up 11%

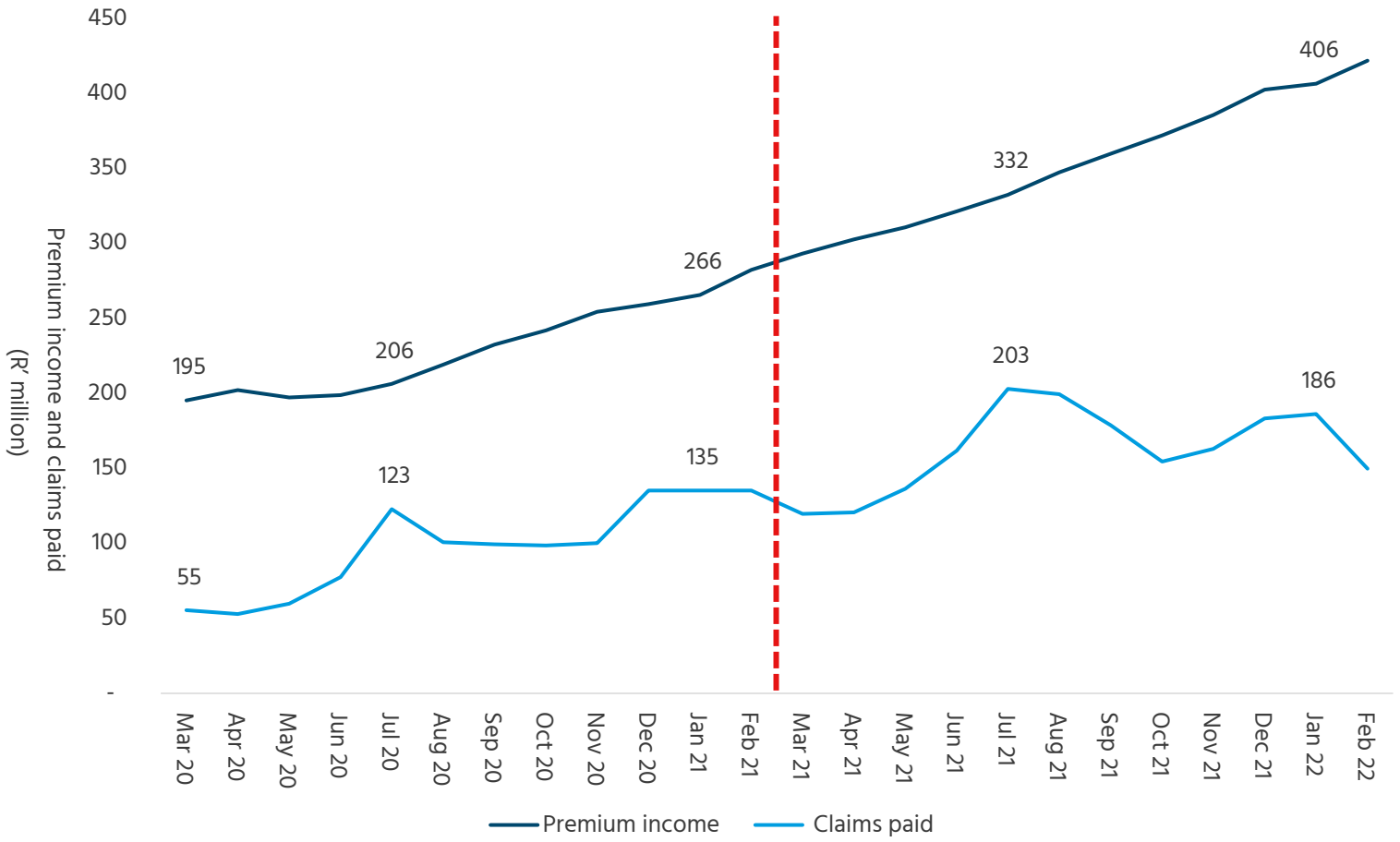
Operating environment stabilised

- Claims halved in FY22
- Predominantly due to retrenchment

100% self-insured from May 21

Funeral plan growth due to affordability and simplicity

Funeral plan income increased 39% to R906 million



Active book

- 1.7 million policies (up 42%)
- Average premium per policy – R243 (up 7%)
- Average collection rate – 87% (Feb 21: 85%)

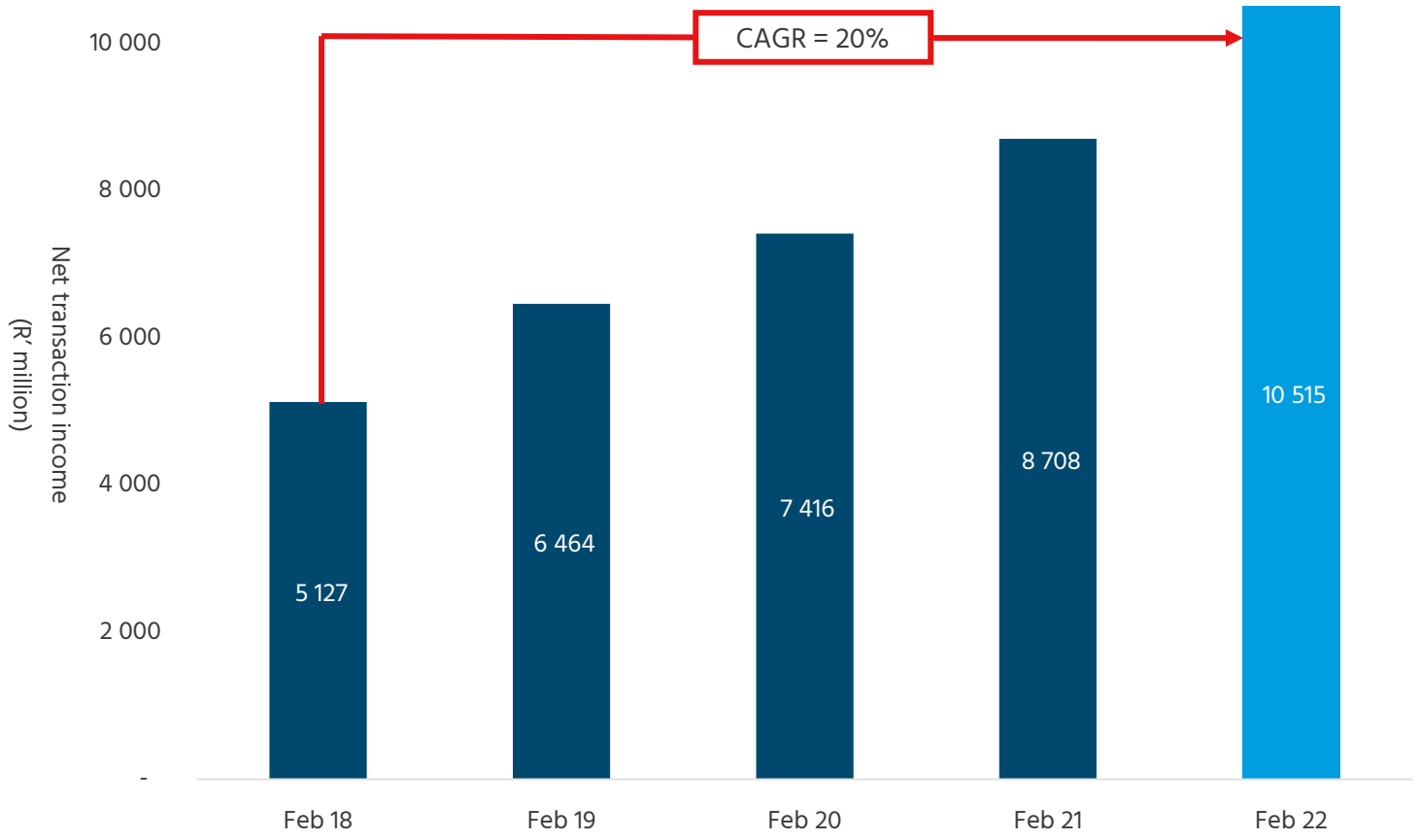
Policies issued

- 1.2 million new funeral plan policies issued
- Persistency ratio[(1)] of 58% (Feb 21: 49%)

(1) Our persistency ratio has been updated to report on persistency in the 12 months after a policy was issued. Previously, when the funeral book was not yet mature, our ratio reported persistency over the whole book since inception of the funeral product.

Transaction income fueled by client acquisition and new products

Net transaction income increased 21% to R10 515 million



Key performance indicators:

- Robust client growth
- Digital adoption and change in behaviour
- Lean pricing
- Net transaction income per client per month:
  - Feb 22: R48
  - Feb 20: R45
  - Feb 18: R43

Lower charge due to improvement in book quality post COVID-19

Net credit impairment charge decreased 55% to R3 508 million

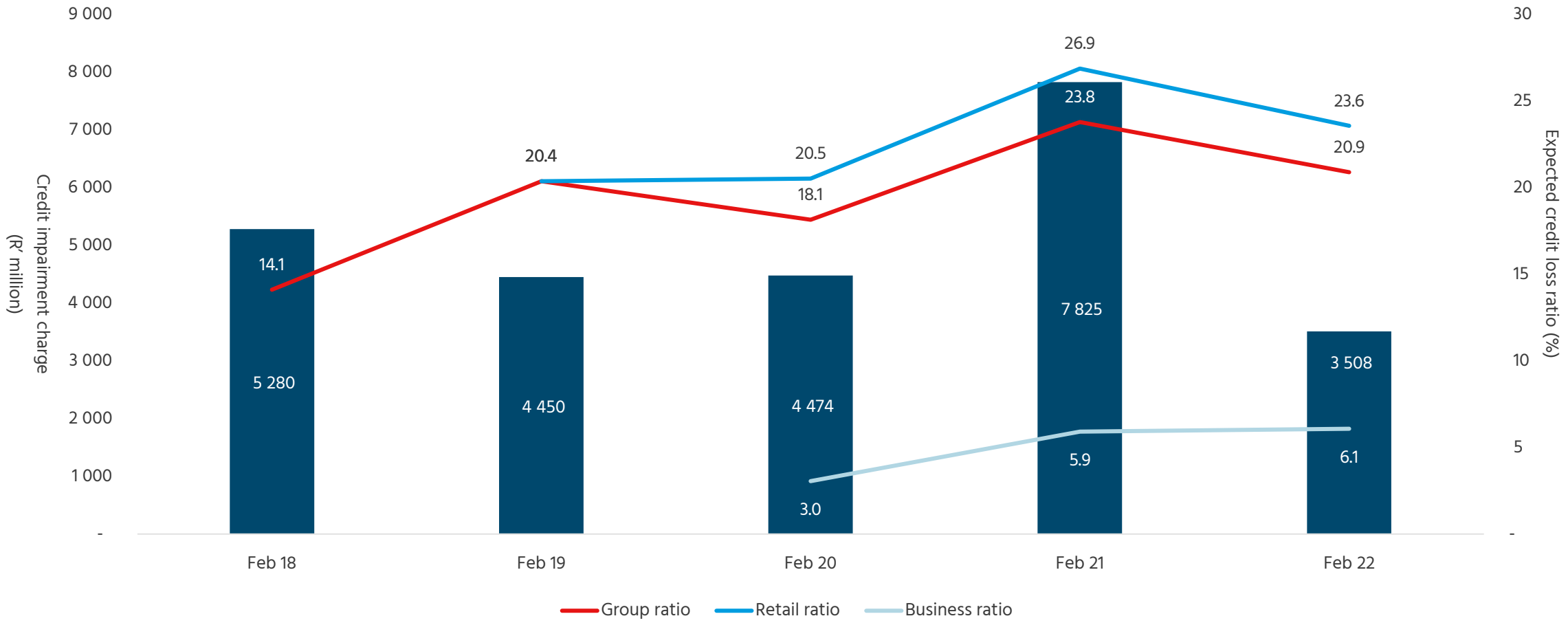
	Feb 22 (Rm)	Feb 21 (Rm)	Change (%)	Change (Rm)
Bad debts written off	6 186	6 379	(3)	(193)
Movement in provision for expected credit impairment charge	(1 860)	2 378		(4 238)
Gross credit impairment charge	**4 326**	**8 757**	**(51)**	**(4 431)**
Bad debts recovered	(818)	(932)	12	114
Net credit impairment charge	**3 508**	**7 825**	**(55)**	**(4 317)**

Forward-looking macroeconomic provision:

- Provision for expected credit losses as at 28 Feb 2022 was determined as R3.0 billion (2021: R3.2 billion)
- Includes socio-economic and geopolitical uncertainty due to COVID-19 and conflict in Ukraine

Expected credit loss (ECL) ratio reflects prudent provisioning

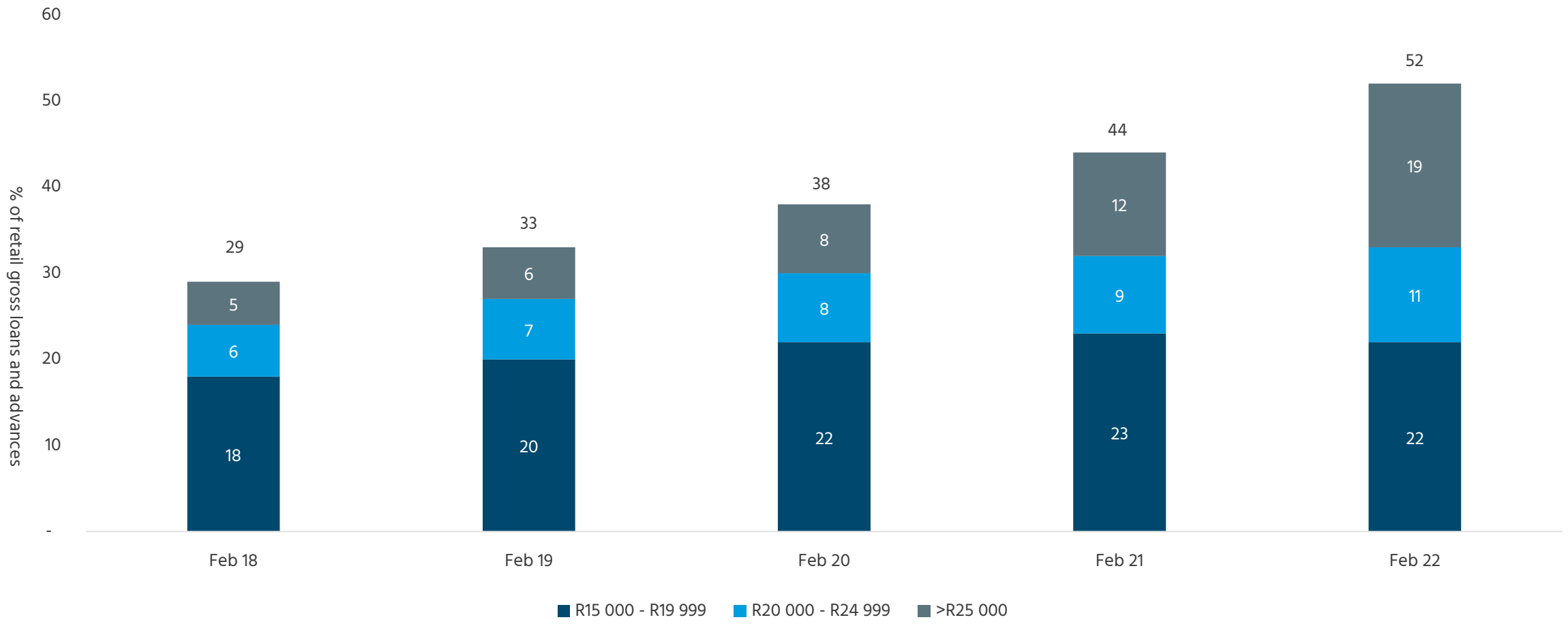
The ECL[1] ratio exceed pre-pandemic levels despite lower credit impairment charge



[1] Expected credit loss ratio = Total provision for credit impairment/Total gross loans and advances.

Gross loans and advances grow in higher income segments

R15 000 plus income segments growth driven by credit strategy and attractive product offering

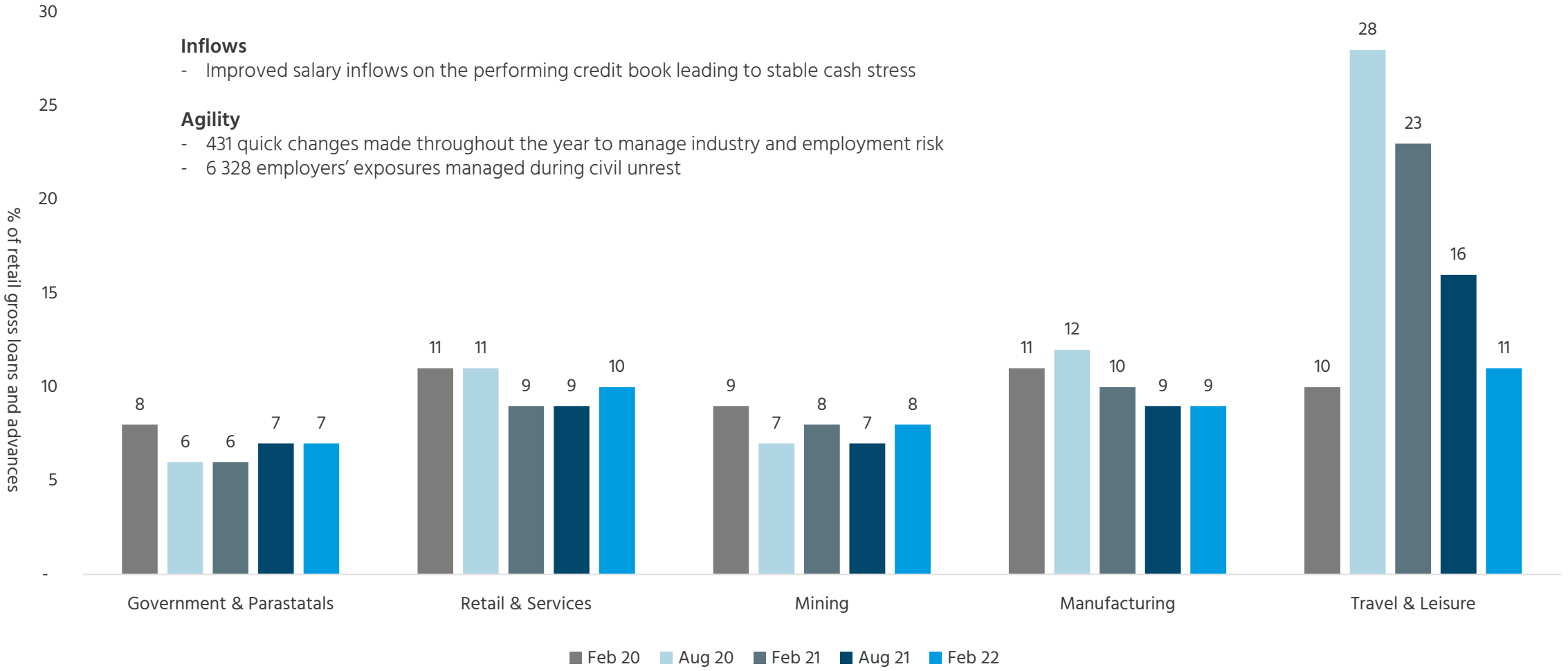


Quality of gross loans and advances

Improved quality due to better client cash stress levels [1]

Inflows
- Improved salary inflows on the performing credit book leading to stable cash stress

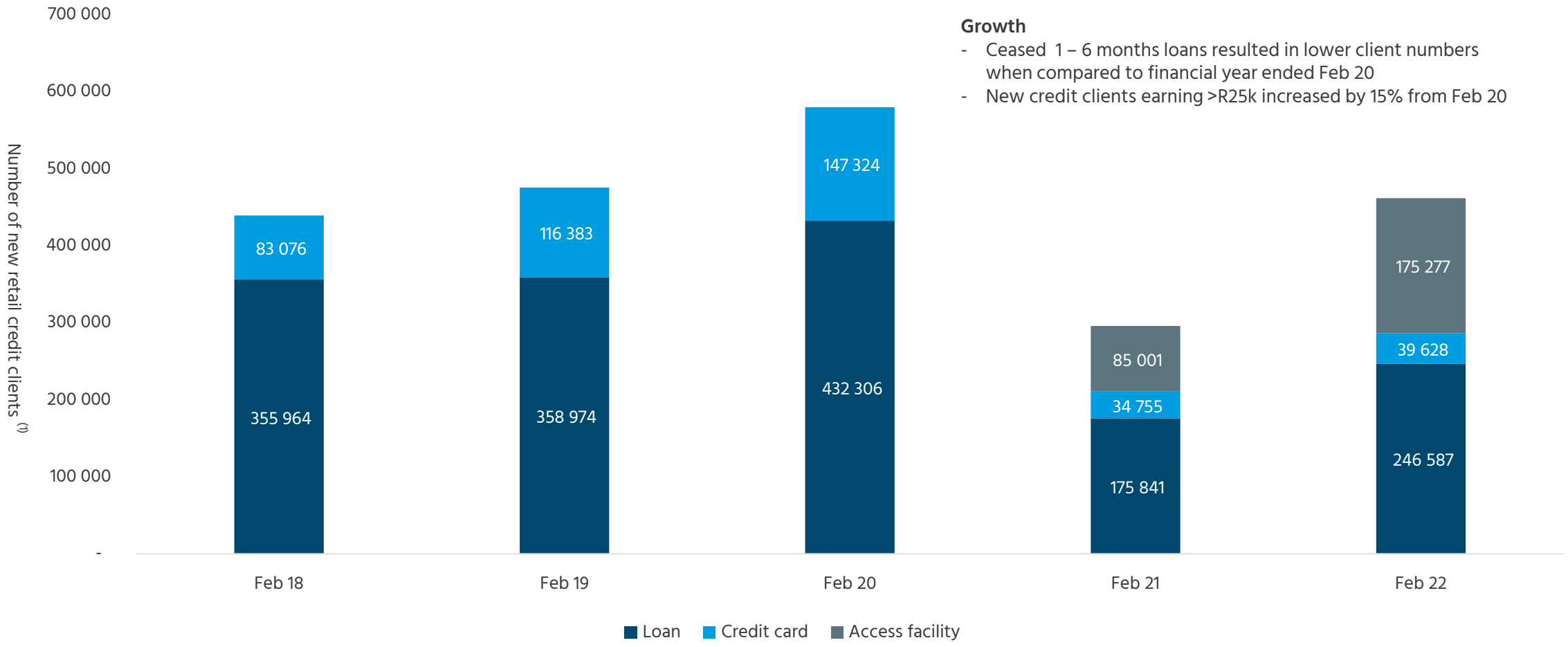
Agility
- 431 quick changes made throughout the year to manage industry and employment risk
- 6 328 employers' exposures managed during civil unrest



[1] Cash stress level: Less than 20% of income available after electronic outflows.
Comparatives were restated based on improved definitions for cash availability and the analyses addresses all credit products.

Retail loan sales and disbursements to new clients

Access facility driving new credit client growth



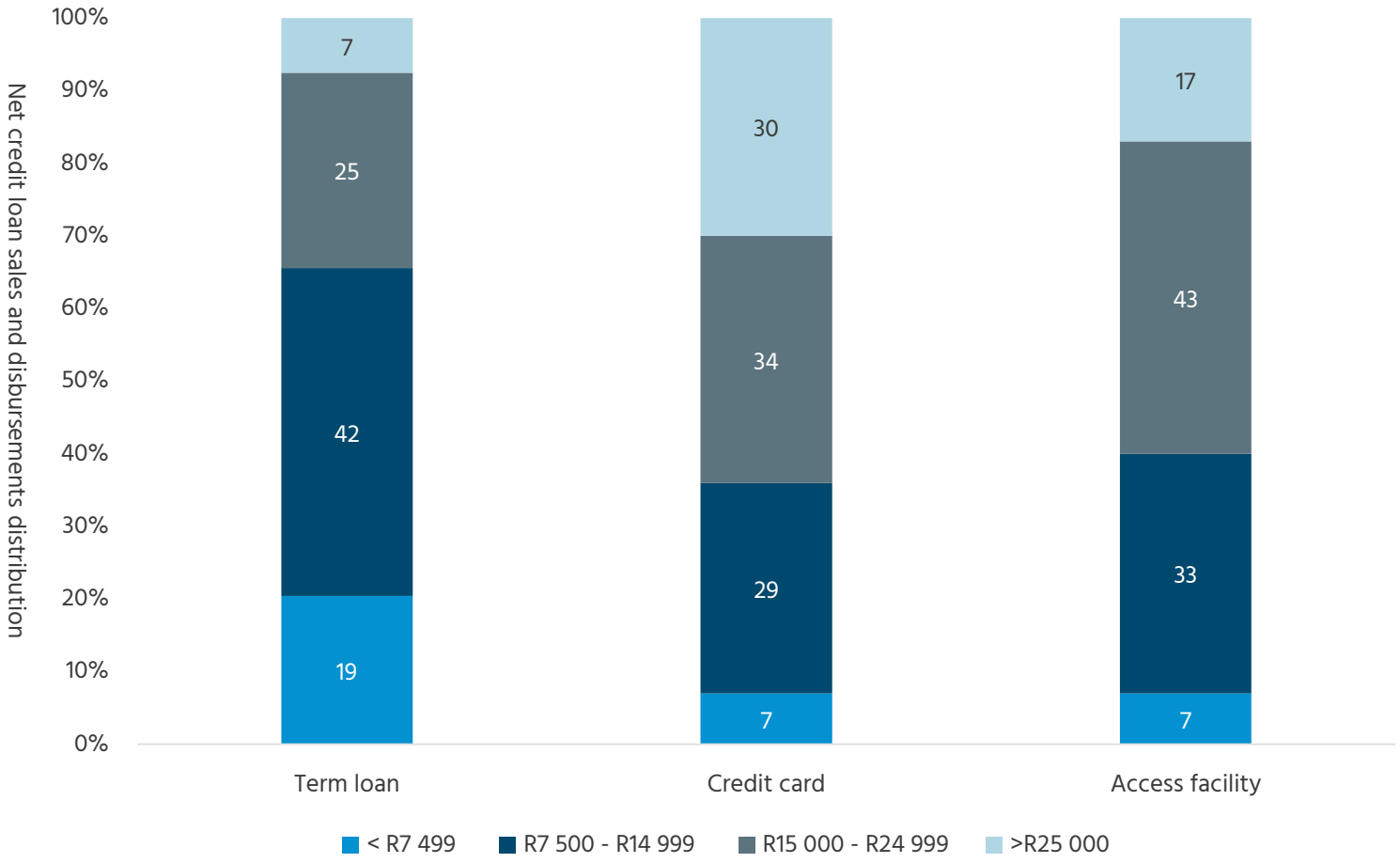
Growth

- Ceased 1 – 6 months loans resulted in lower client numbers when compared to financial year ended Feb 20
- New credit clients earning >R25k increased by 15% from Feb 20

(1) New retail credit clients = clients without existing credit balances.

Access facility

Predominant driver of quality in new disbursements



Access facility features

- No use, no monthly fees
- Choose term of repayment at every drawdown

Attractive facility offering

- Priced from 13.15%
- 20% limits granted between R250k and R500k

Correct behaviours

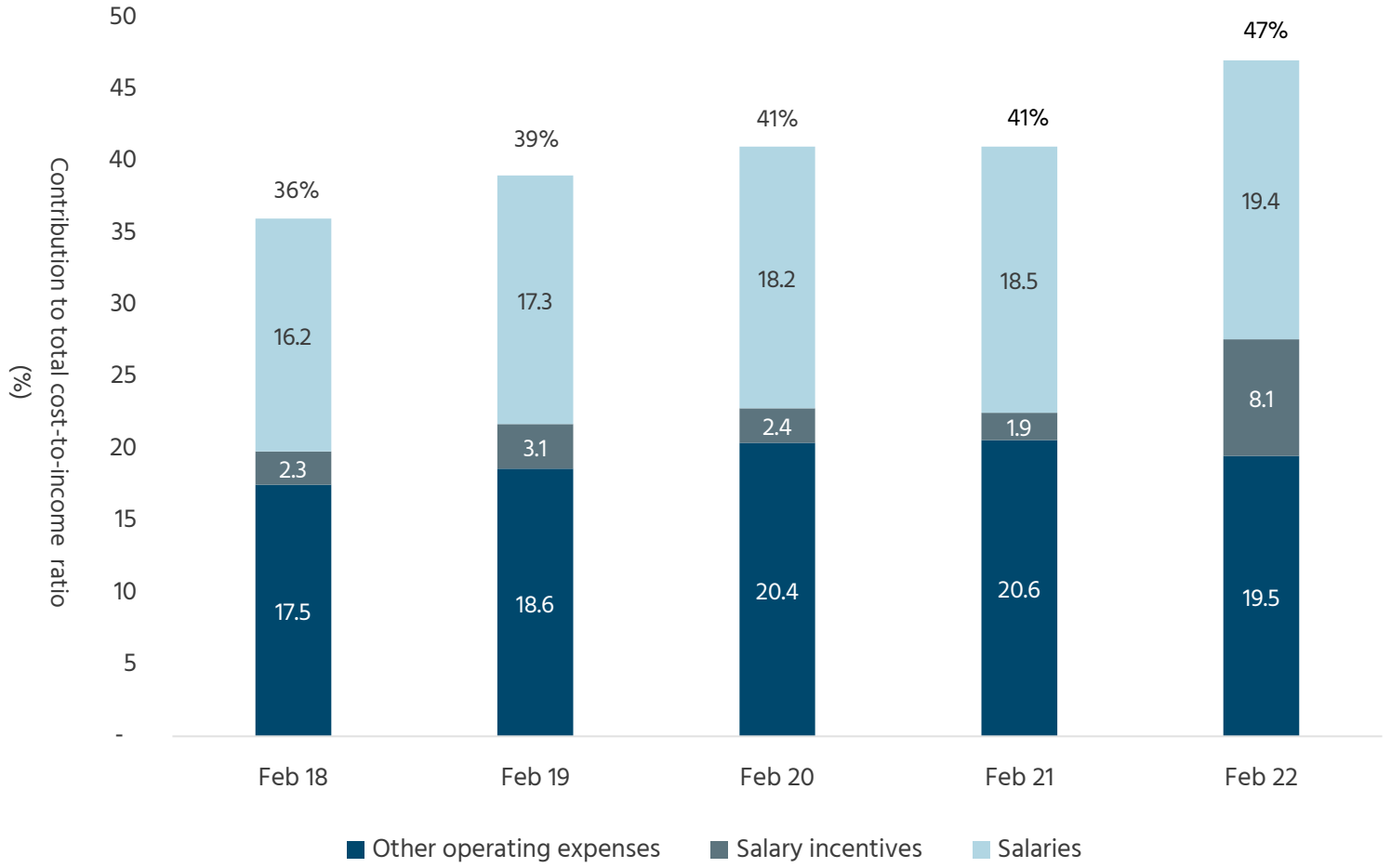
- Conservative utilisation (59%)
- Clients choosing to settle faster (40%)
- 220% increase in home improvement spend in 1st month

Continuous risk management

- Conservative granting (50% of applications declined)
- Daily risk management – 12% of clients received a limit decrease (2.5% reduction to limits)

Operating expenses well contained

Operating expenses: R12 555 million (up 33%) and cost-to-income: 47% (2021: 41%)



Increase in salaries

- Headcount and annual salary increases
- Digitalisation strategy – drive for IT skills

Higher incentives

- Higher variable pay due to increased profitability – R886 million
- Higher SARs costs due to 55% growth in share price – R248 million
- Inzindaba Ezinhle scheme – R700 million



The bank for everyone

Client growth

Full banking solution

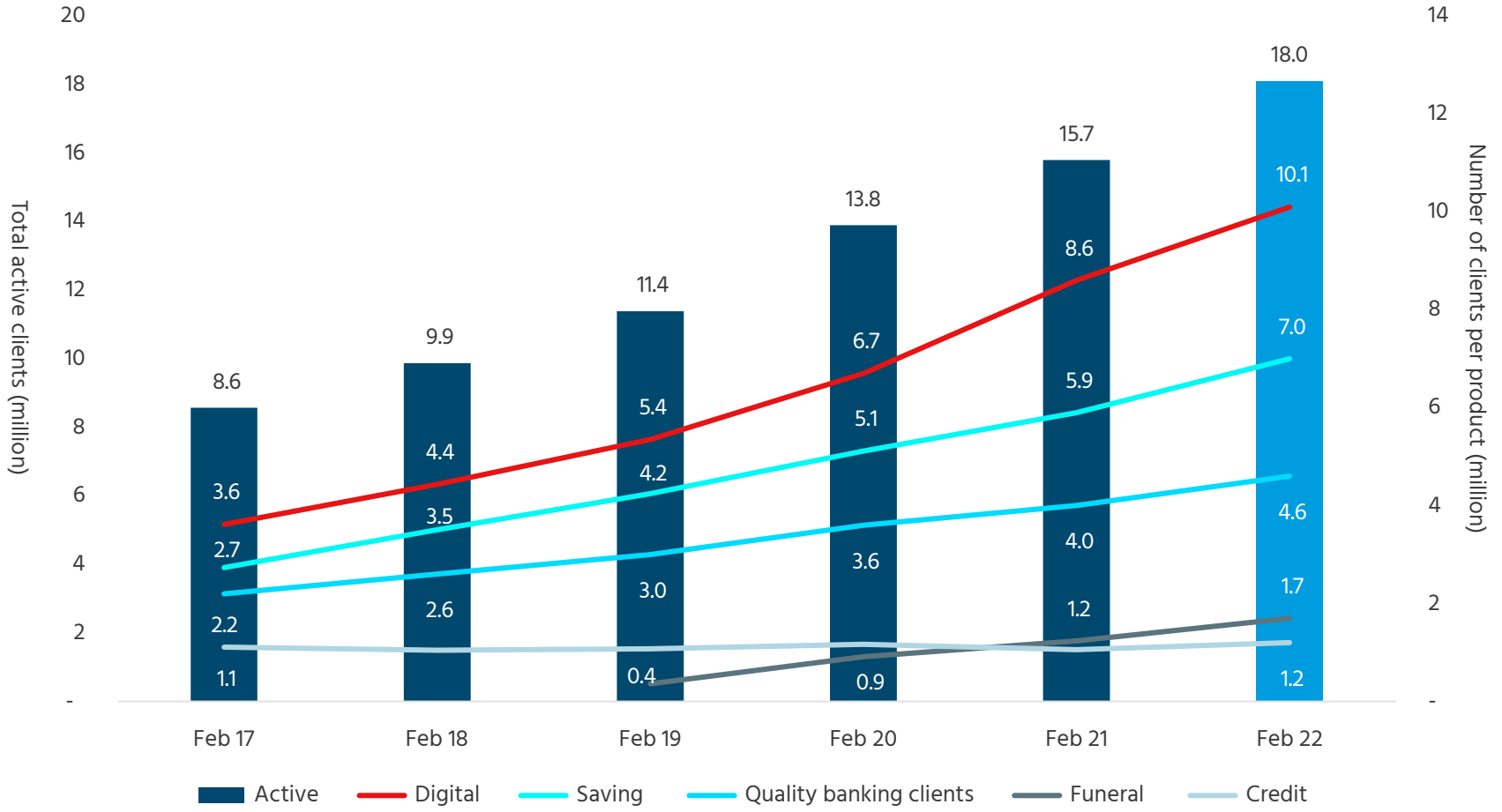
Accessibility

Behaviour shift

Live Better rewards

Strong retail client growth continues

Digital banking clients increased by 17% to 10.1 million



9.4 million new clients in 5 years

Clients with inflows over R15 000pm up 22%

Consistent growth across all age groups

7% of active clients have credit

A full banking solution

Everything you need from a bank

GlobalOne
Money Management

transact

- Transaction account
- Earn interest on daily balances
- Debit and credit card

Key functionality on App

- Open account
- Virtual card
- Free card delivery
- Send cash
- Scan to pay (QR codes)
- Pay Me personal QR code
- Immediate payments
- Track your spend

save

- 4 free savings plans (flexible/fixed)
- Tax-free savings
- Live Better savings account
- 3% to 9% interest

Key functionality on App

- Create, personalise and fix savings plans
- EasyEquities

insure

- Credit life insurance
- Funeral plan

Key functionality on App

- Create funeral plan
- Change cover and beneficiaries
- View policies

credit

- Up to R500 000
- Fixed-term credit
- Credit card from prime
- Access facility
- Capitec Home Loan
- Purpose lending

Key functionality on App

- Estimate and application
- View and manage credit

live better

Benefits Partners | Automated Savings | Financial Education

Full banking solution

Best value for money

Fees	Feb 18	Feb 22
Monthly account fee	R 5.80	**R 5.00**
Monthly credit card fee	R 35.00	**R 40.00**
External transfer (EFT)	R 1.60	**R 1.00**
Debit order	R 3.73	**R 3.50**
Immediate payment (RTC)	R 10.00	**R 7.50**
ATM withdrawal (own)	R 6.56	**R 7.50**
ATM withdrawal (other bank)	R 8.83	**R 9.75**

Interest paid to clients	**R4.4 billion**	**R4.1 billion**

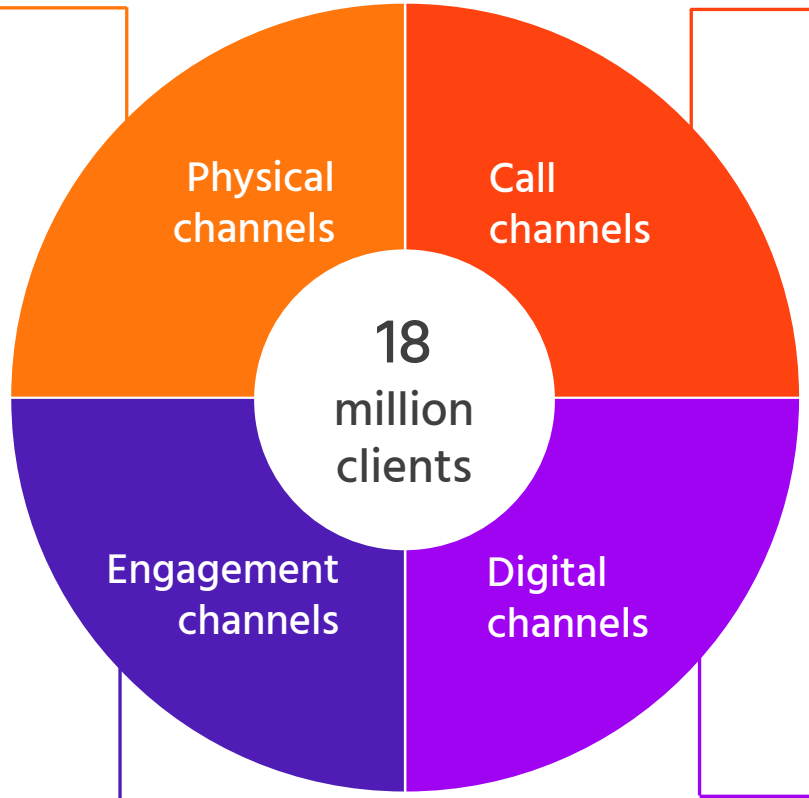
Accessibility

Meeting clients' needs through physical and digital channels

853 branches with 4.5 million visits per month

Self-service transactions increased by 21% to 21 million

7 178 own and partner ATMs



7.9 million calls per month and 34 million minutes of client service for the year

Capitec Direct offers credit, funeral plans and debit order switch

275 million personalised, data-driven engagements across SMS, email, call and social media

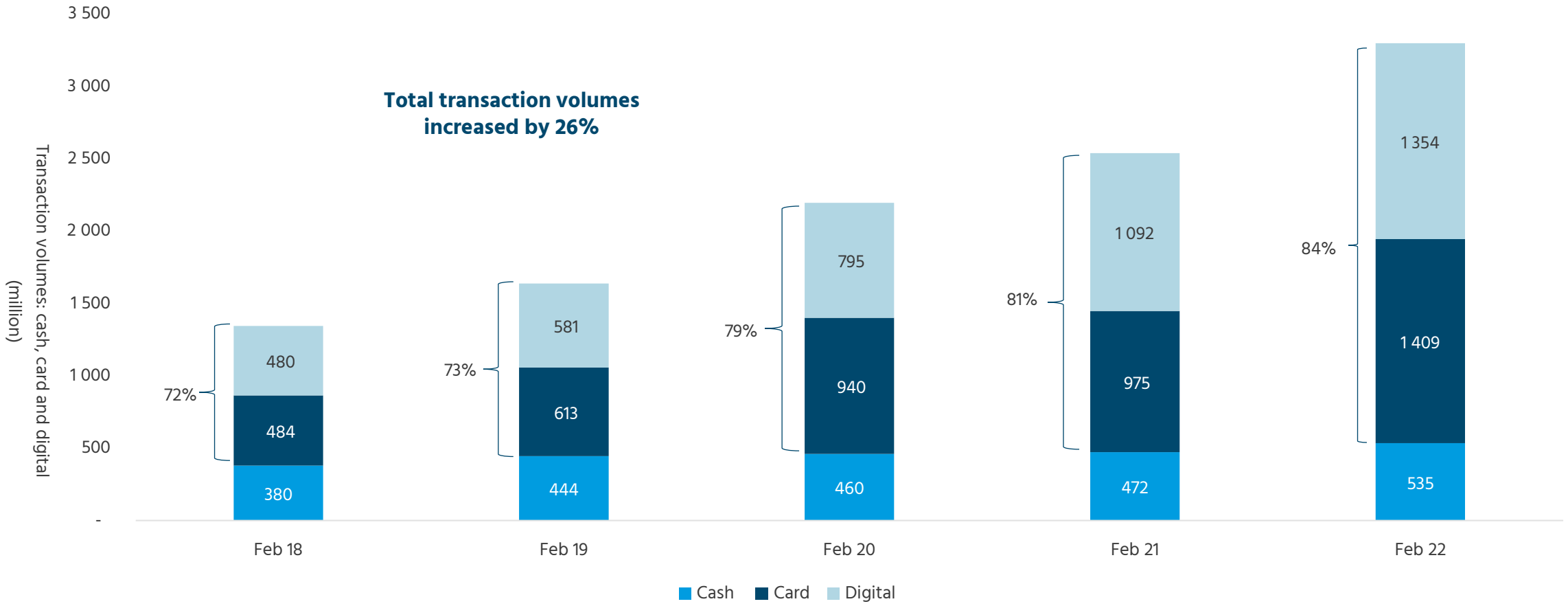
6.6 million active App users up 25%

4.5 million USSD users down 11% (switch to app)

1.4 billion digital transactions up 27%

Behaviour shift from cash to digital and card

Card payments increase by 45% to 1.4 billion



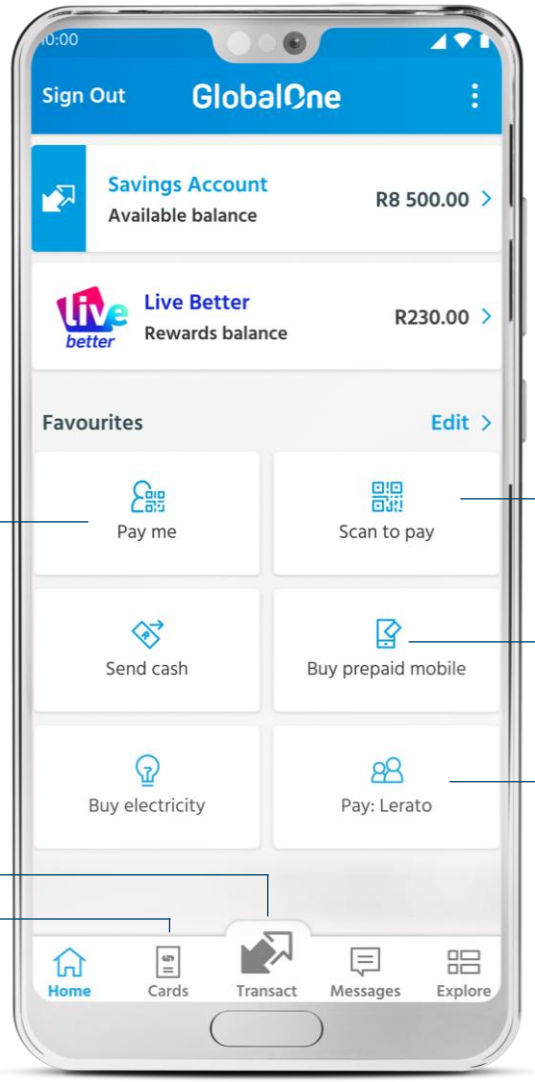
Digital payments on app more convenient

3 billion system transactions per month show scalability

New Pay Me personal QR code for all clients on our app and WhatsApp

EFT and Pay to Cell volume increased 46% to 11.3 million for the month of Feb 22

Online card payments including new Virtual Card increased 42% to 54 million for the year



Scan to Pay interoperable with all major QR codes

714 million **prepaid data, airtime and electricity** purchases

Number of **Immediate payments (RTC)** increased 58% with market share at 40%

BESTDIGITALBANK IN SA
2021 SITEisfaction® Report



Investing in people

Developing employees

Social impact

Developing employees

Building a leading employer brand to attract and develop top talent

Culture and leadership



Talent acquisition and development





Autonomy and ownership



Hybrid working

Social impact

Focus on sustainable education and development in the communities where we operate

Financial education
through digital, scalable learning solutions

Capitec Foundation
focus on maths at high-school level

Support communities
with employee volunteerism and disaster relief

Enterprise development
through Imvelo Ventures

live better ACADEMY





Business bank

Improved profitability and client growth

Business bank

Significant improvement in profitability underpinned by client and volume growth

Profitability

- Headline earnings of R174.5 million (2021: R1.5 million loss)
- Income from operations increased by 19% to R1 581 million

Total active business clients up 10% to 125 270

- Business bank clients – 110 563
- Rental finance clients – 14 707

Credit book performance and prudent provisioning

- Stable book growth to R12.9 billion (Feb 21: R11.0 billion)
- ECL coverage at 6.1% (Feb 21: 5.9%)

Focus on enhancing processes and client experience





Future

Key trends and insights

Key trends and insights

Gearing for growth

Work

- War on talent
- People expect purpose and flexibility (hybrid work)
- Side-hustles and gig economy become the norm (multiple income and emerging market)

Connections

- Everyone and everything is connected (IOT, social media and the metaverse)
- Omnichannel, rich and relevant engagement with brands is expected
- Strong brand identity and purpose is critical

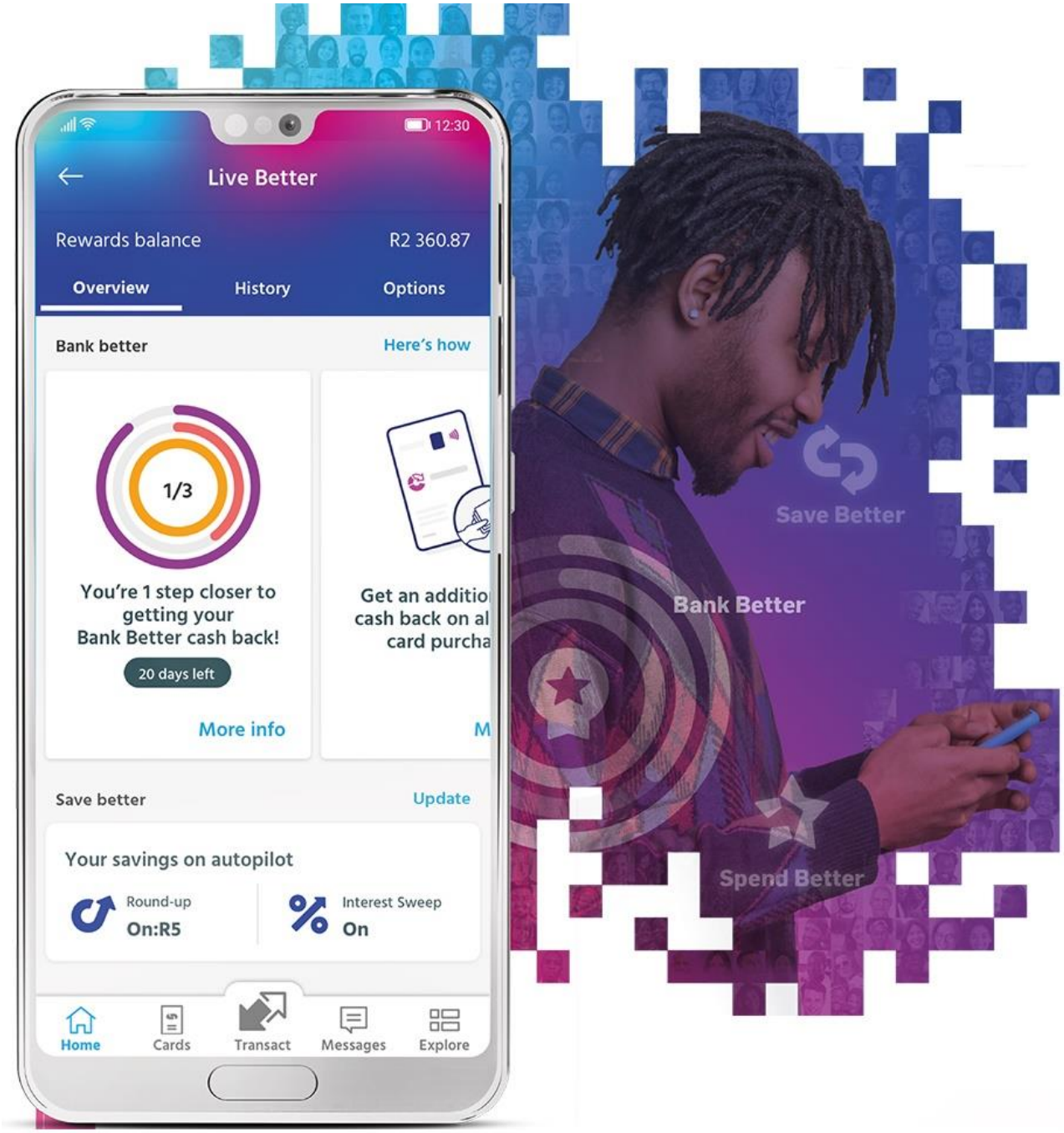
E-commerce

- Simplified and automated payments (wearables and API's)
- Digital currencies
- Platforms, ecosystems and 'super-apps'

Data

- AI powered personalisation
- Trust and security
- Ability for people to manage or bank their data





The year ahead

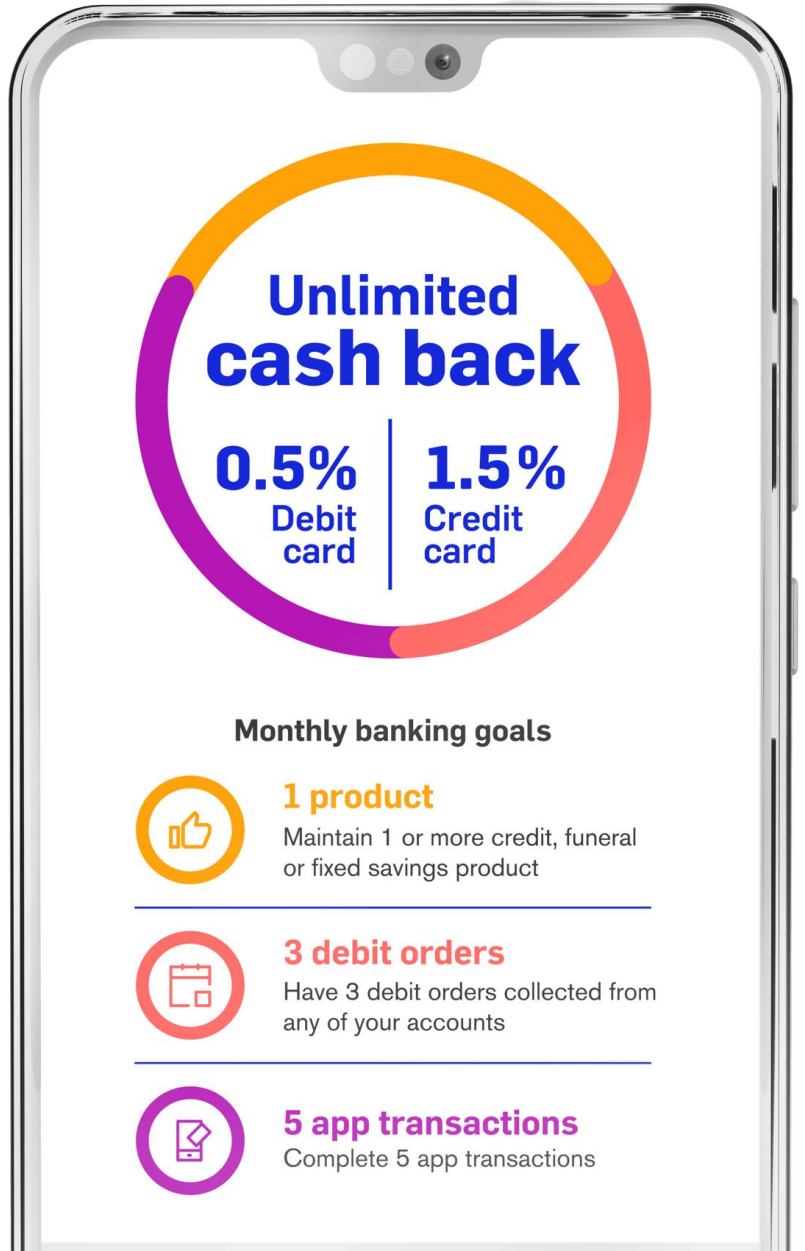
New solutions that meet clients' needs

New solutions

Live Better targets R1 billion in savings payout and 8 million clients during FY23

Get 0.5% back on all debit card and 1.5% back on credit card payments

- Paid into Live Better savings account that earns higher interest
- Require 1 product, 3 recurring payments and 5 app payments per month
- Live Better day is 10th of every month
- Rewarding clients for better banking behavior
- 5.7 million activated in Mar 22 - 1 million added in the last month



New solutions

Strong focus on innovation and challenger mindset

Data

- Cloud services
- AI and machine learning
- Client engagement

Credit

- Lending based on non-salary and multiple income streams
- Youth market
- Reward good credit behaviour

Digital commerce

- Innovative payments solutions
- Capitec Pay enabled through payments API's
- Drive cashless payments

Business bank of the future

- Digitally enabled, scalable and seamless integration with Retail bank
- Rebrand when ability to scale and client experience is ready



Thank you

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

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