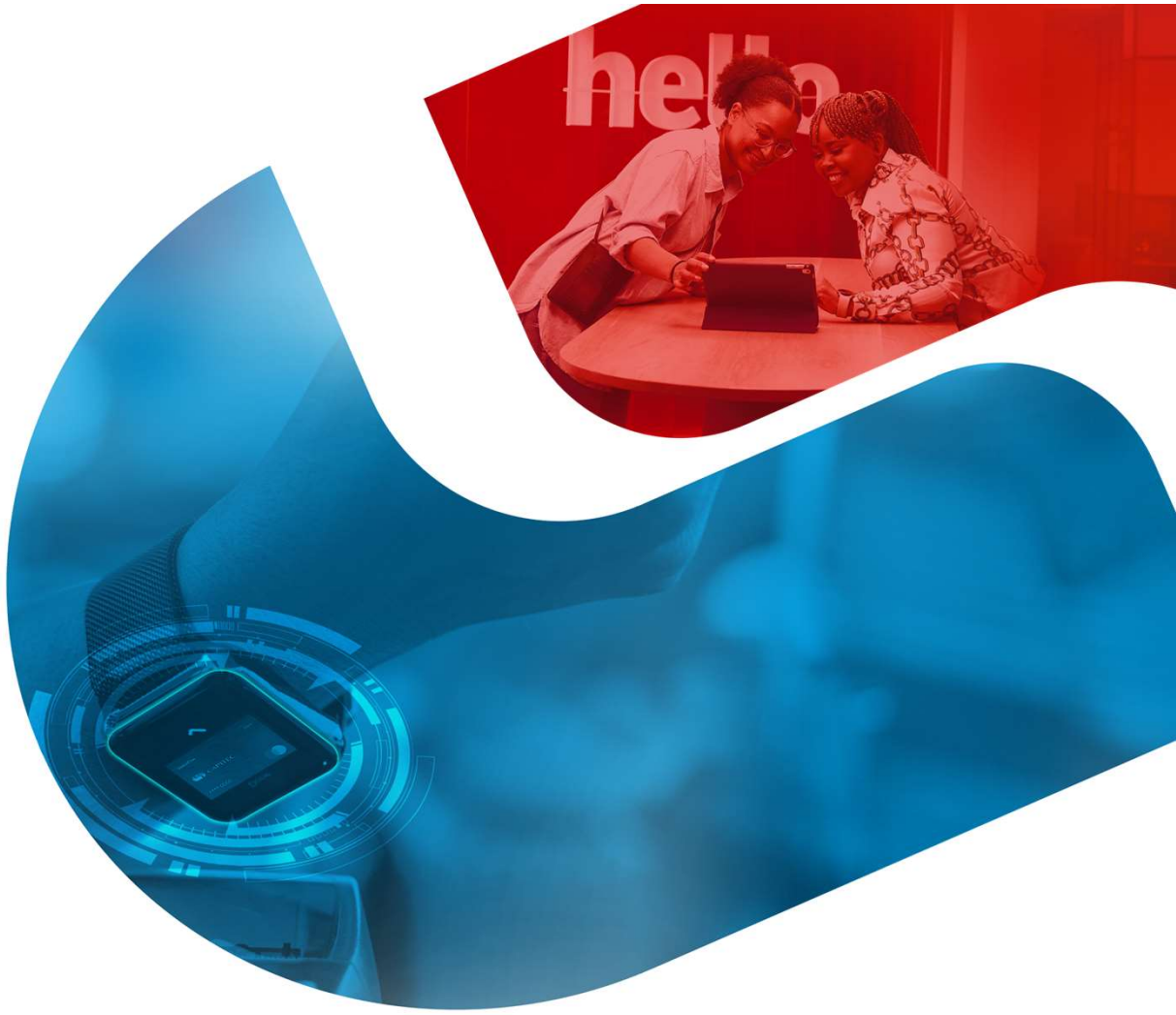
Building the future

Financial results

February 2023



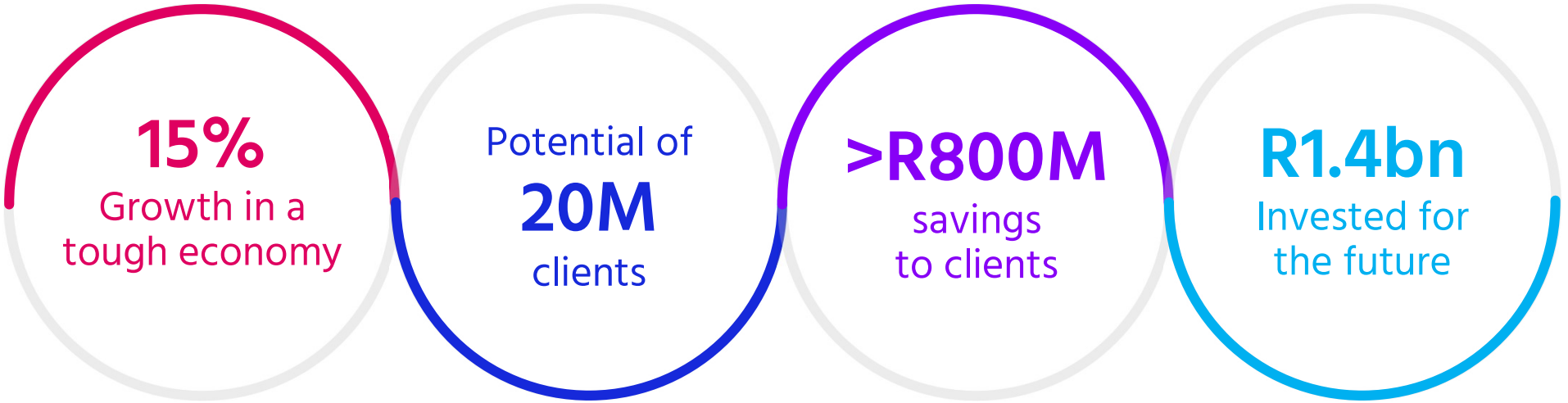
CAPITEC

Hello

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

Growth and investment

In tough economic times



Relief for clients and employees

Savings in fees, interest and rewards

Relief for clients and employees

We remained client- and employee-centric despite the challenging times

More than R800 million in savings for our clients

- R510 million reduction in SMS fees and free in-app messages
- R256 million Bank Better behavioural benefits
- R106 million in Spend Better partner cash backs
- Digital fees remained flat for 5 consecutive years

Retail transactional deposits

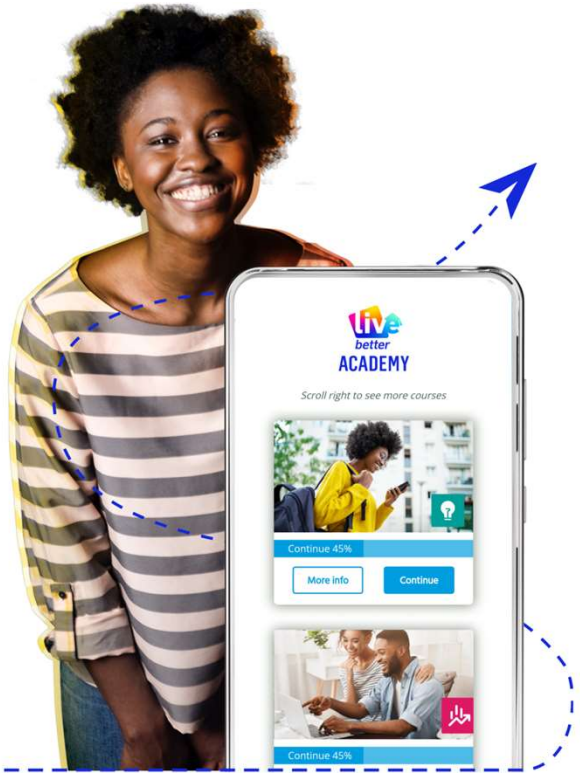
- R1.8 billion in interest paid to our clients on transactional accounts (up 80%)
- We paid on average 4% on transactional accounts – no lazy deposits

Employees

- R21 million in dividends distributed as part of the Izindaba Ezinhle employee scheme
- Staff rebates of R27 million

Social responsibility

- R177 million for consumer education, social-economic development and enterprise development

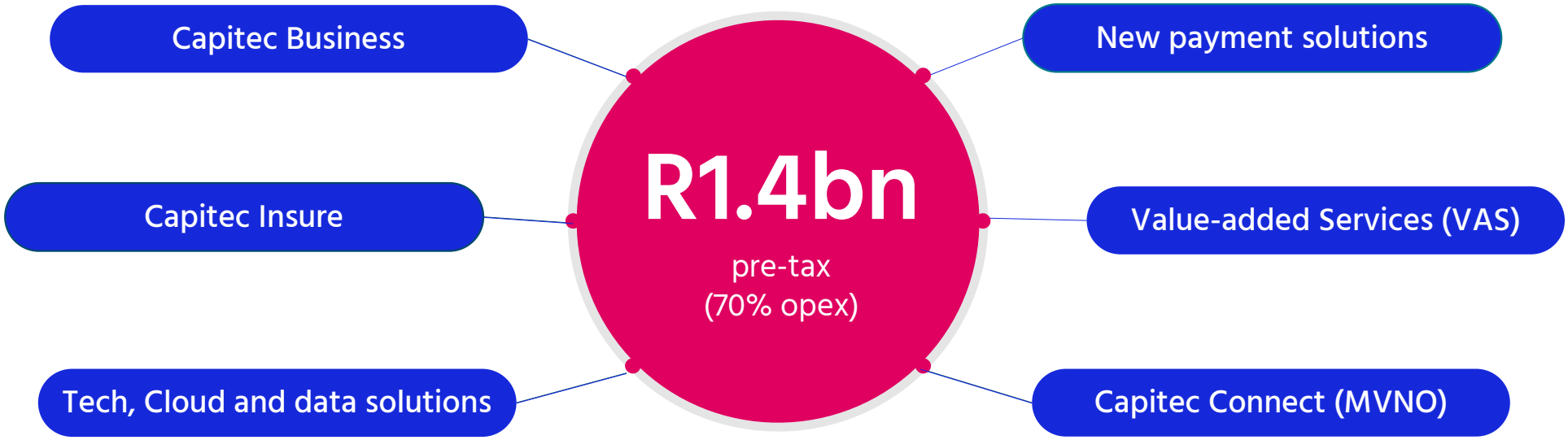


Investment in future growth

Opex impact in current period with long-term future earnings potential

Investment in future growth

R1.4 billion investment in people and technology that will drive future business growth



Solar and backup electricity solutions: R100 million investment

Major challenges

Social, political and economic challenges worldwide

Major challenges worldwide

Radical change and collaboration needed for post-COVID solutions



Tough reality in South Africa

- Impact of global economy
- Eskom / Transnet / Water boards
- Failing infrastructure
- Municipalities and local governance

Biggest long-term challenge: Education and critical skills gap

Addressing South Africa

We still believe in the immense potential and growth opportunities in SA

As individuals and companies, we need to:

Take **ownership**

Seek **opportunities**

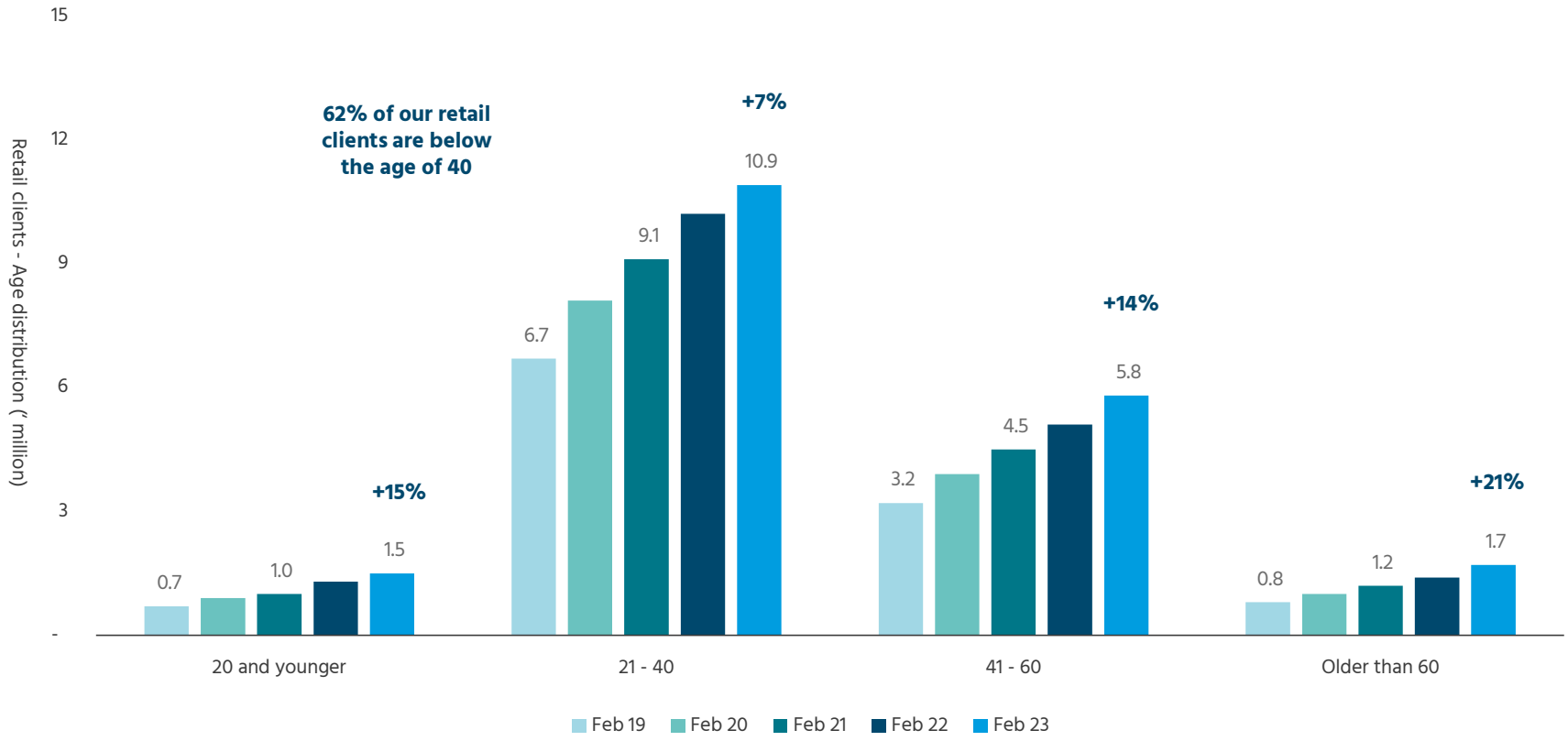
Be **positive**

Economy of the Capitec client

20 million retail clients across all segments provide rich data and insight into South Africa

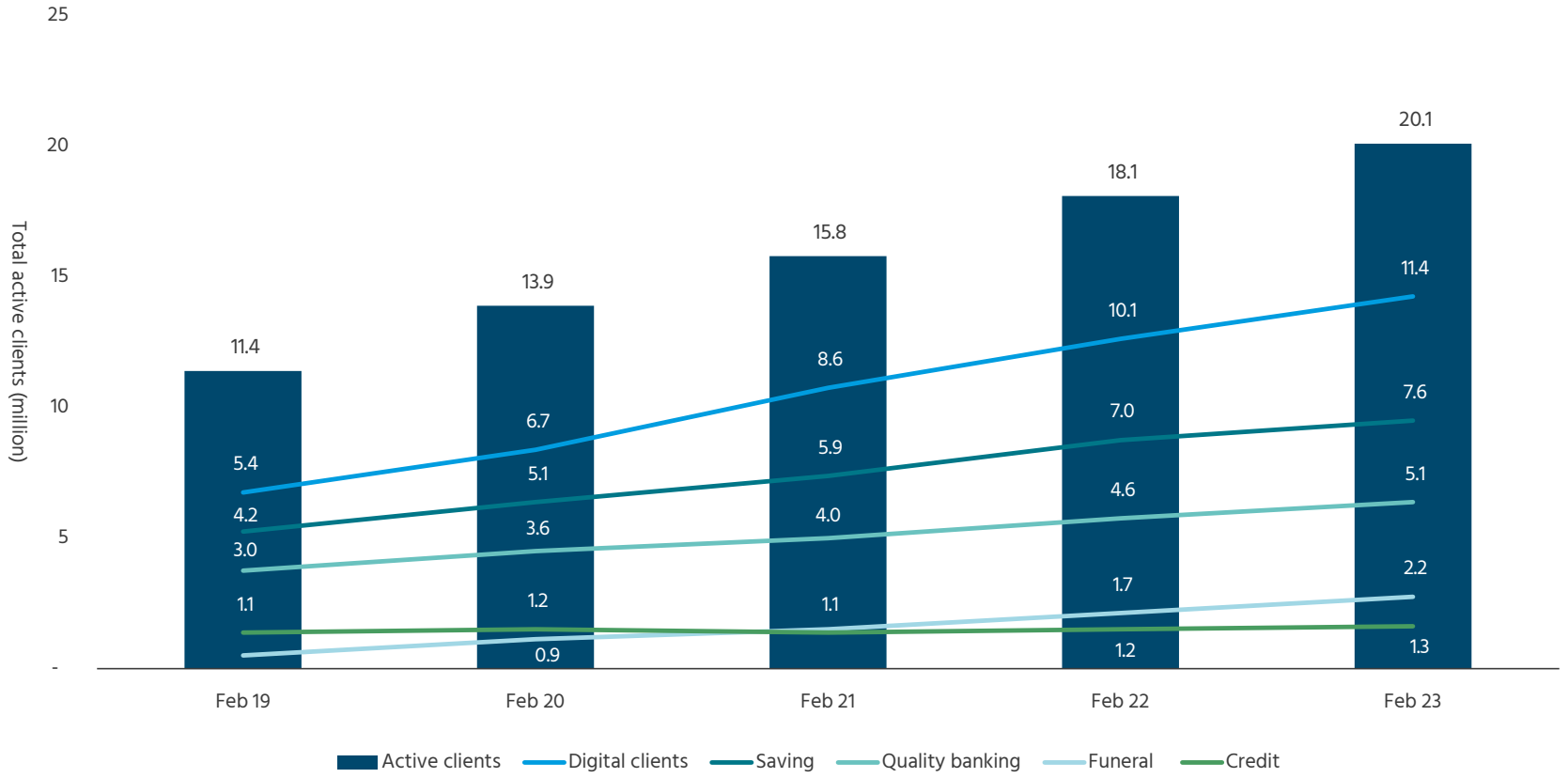
The economy of 20 million clients

Age distribution of our retail bank clients indicate strong future potential



The economy of 20 million clients

Clients move to digital banking with 26% growth in the banking app



Active clients up 11%

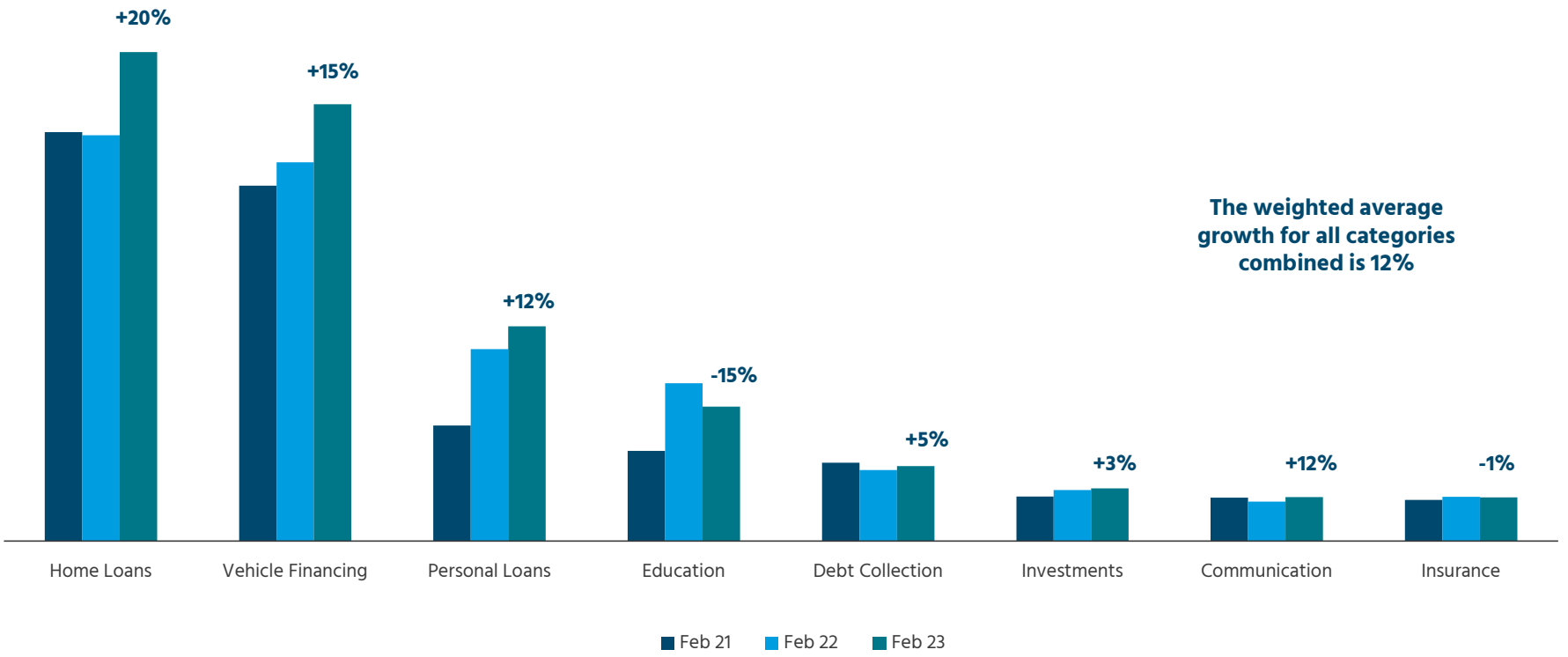
Banking app up 26%

Funeral clients up 29%

The economy of 20 million clients

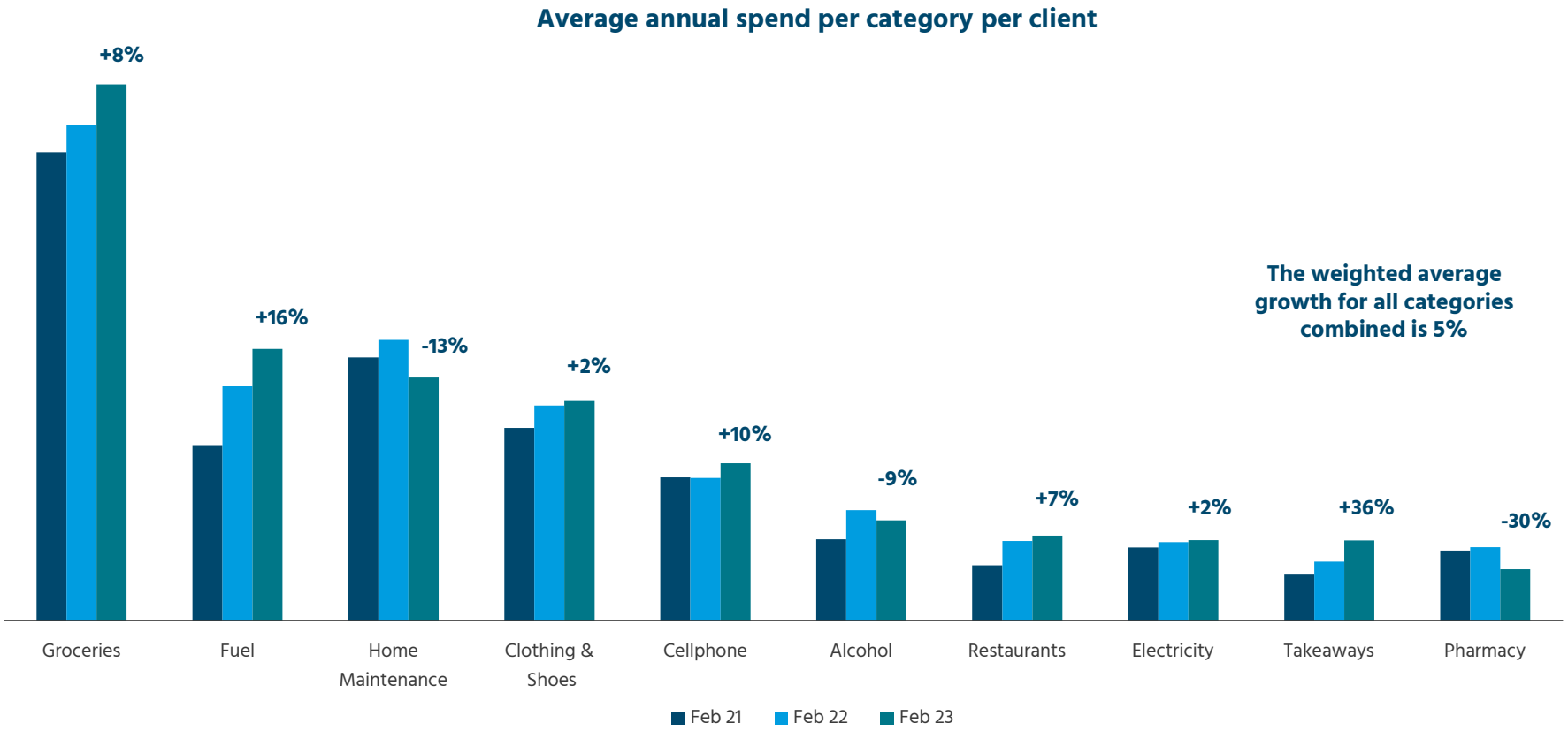
Interest rate hikes impact cost of debt and reduces disposable income

Average annual spend per debit order category



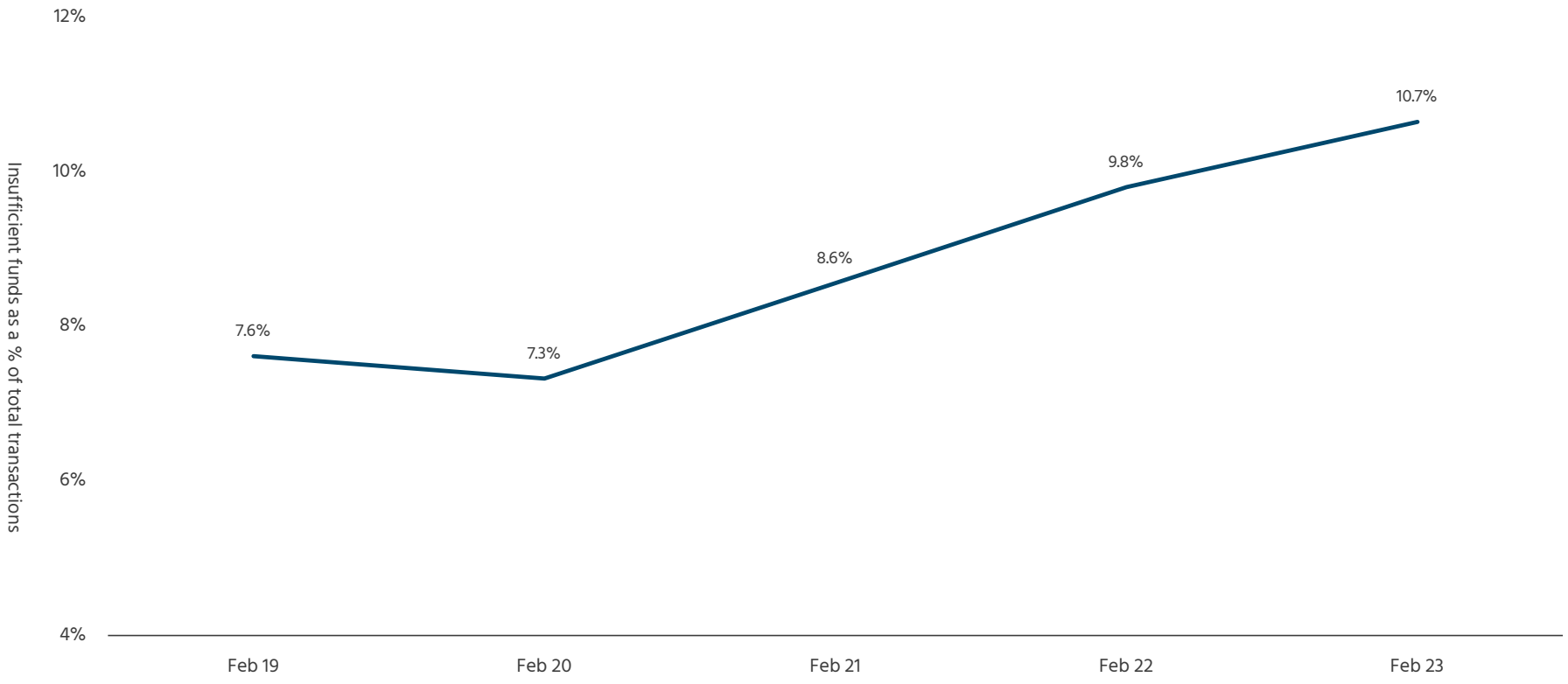
The economy of 20 million clients

Significant increase in cost of living affects middle- to lower-income clients the most



The economy of 20 million clients

Insufficient funds transactions* increase driven by declining inflows, lower bonuses and less overtime



*Insufficient fund transactions measured on all card transactions, cash withdrawals and debit orders as a % of total transactions

Financial results

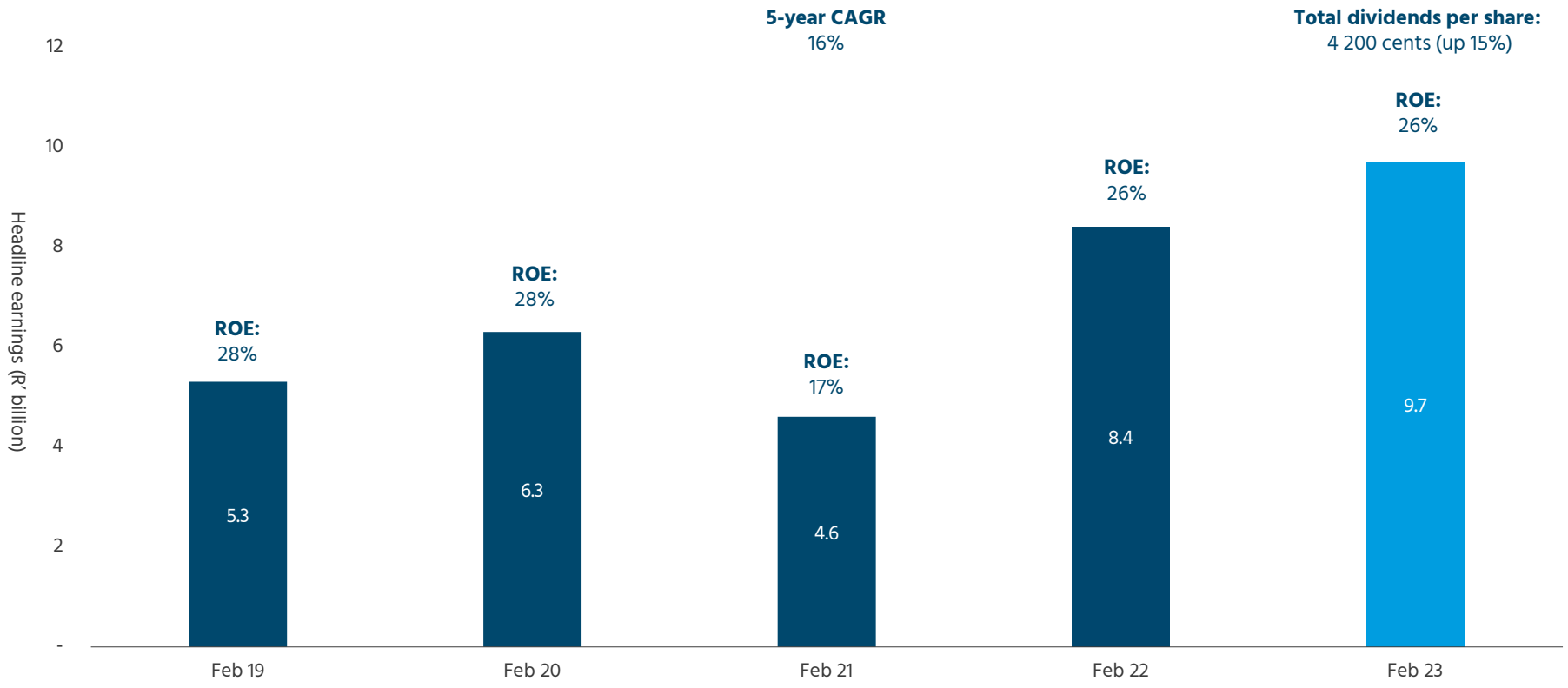
Growth in tough economic times



FY23 Highlights

Headline earnings increased by 15% to R9.7 billion

Our performance reflected resilience during tough economic times



Key performance indicators

Diversification of income driven by digitalisation, expansion of operations and introduction of new products

	Feb 23	Feb 22
Net transaction and commission, net foreign currency and funeral plan income to:		
- Net income	54	49
- Operating expenses	110	92
Cost-to-income ratio	39	47
Digitalisation journey		
Total digital volumes (million)	1 637	1 353
Total cash volumes (million)	562	535
Clients using digital channels (%)	57	56
Cash to electronic ratio (%)	22	26

Group income statement

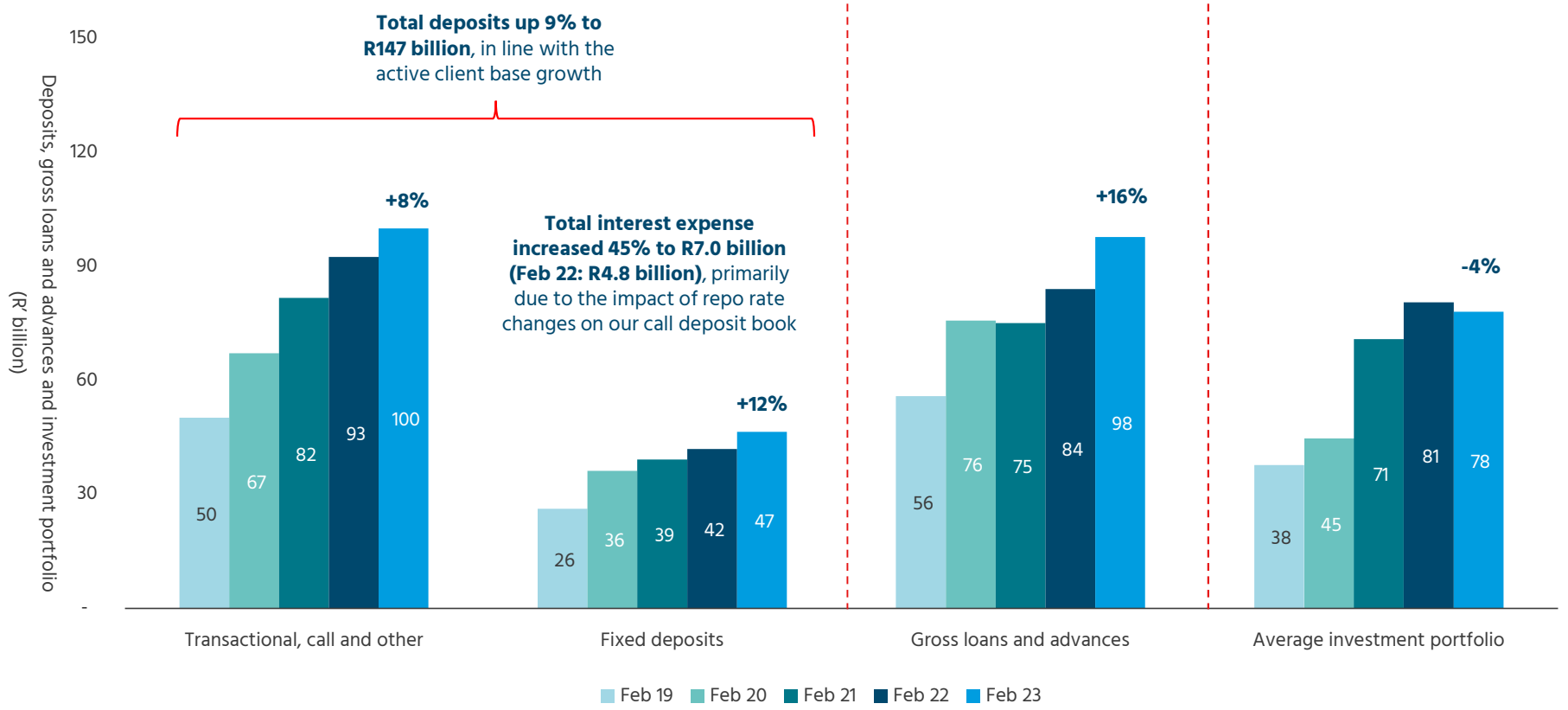
Income from operations up 12% driven by strong balance sheet growth and impact of repo rate changes

	Feb 23 (Rm)	Feb 22 (Rm)	Change (%)	Change (Rm)
Net lending, investment and credit life insurance income	17 174	15 107	14	2 067
Net transaction and commission income	11 461	10 515	9	946
Funeral income	1 431	906	58	525
Other income/expenses [1]	241	434	(44)	(193)
Income from operations	**30 307**	26 962	**12**	**3 345**
Credit impairment charge	(6 329)	(3 508)	(80)	(2 821)
Net income	**23 978**	23 454	**2**	**524**
Operating expenses	(11 877)	(12 555)	(5)	678
Taxation	(2 492)	(2 408)	3	(84)
Other items and headline earnings adjustments [2][3]	100	(51)	>100	151
Headline earnings	**9 709**	8 440	15	**1 269**

[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 profit on disposal of fixed assets

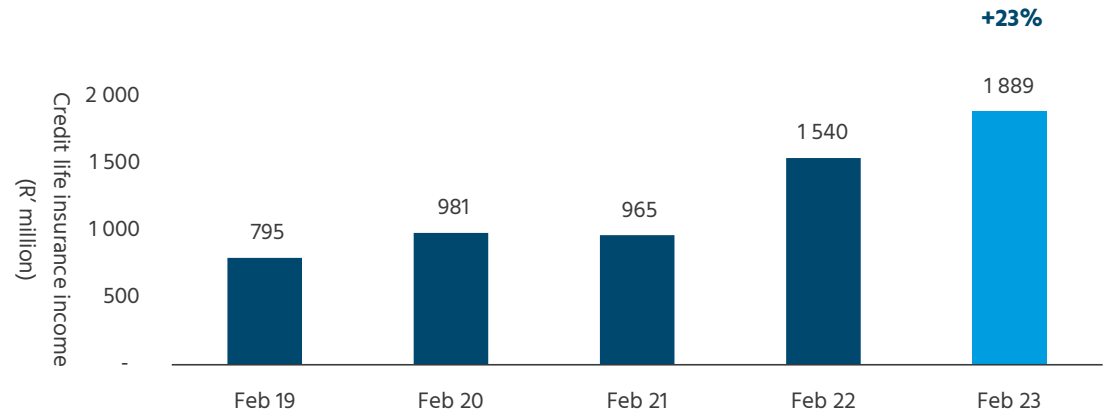
Balance sheet – solid deposit and book growth

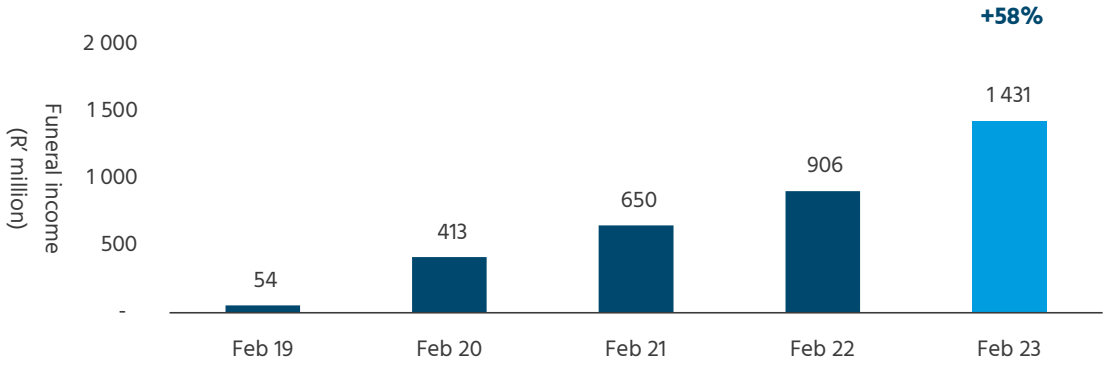
Resulted in our average investment portfolio being flat when compared to the previous year



Credit life and funeral insurance income

Better claims experience, consistent growth and improved collections





Net credit life insurance:

- Average insured book grew by 15%
- Number of claims settled was stable around 28 000
  - Death claims down 18%
  - Retrenchment increased by 3%
- Total gross claims expense decreased 10% to R853 million

Funeral income:

- Active book: 2.2 million policies (Feb 22: 1.7 million)
- Average premium per policy: R256 (up 5%)
- 12-month persistency ratio: 57% (Feb 22: 58 %)
- Average claims ratio: 69% (Feb 22: 76%)
- Market leader [1]:
  - 34.3% share of sum assured
  - 19.6% share of annual premium written

[1] Swiss Re – Individual volume survey 2021

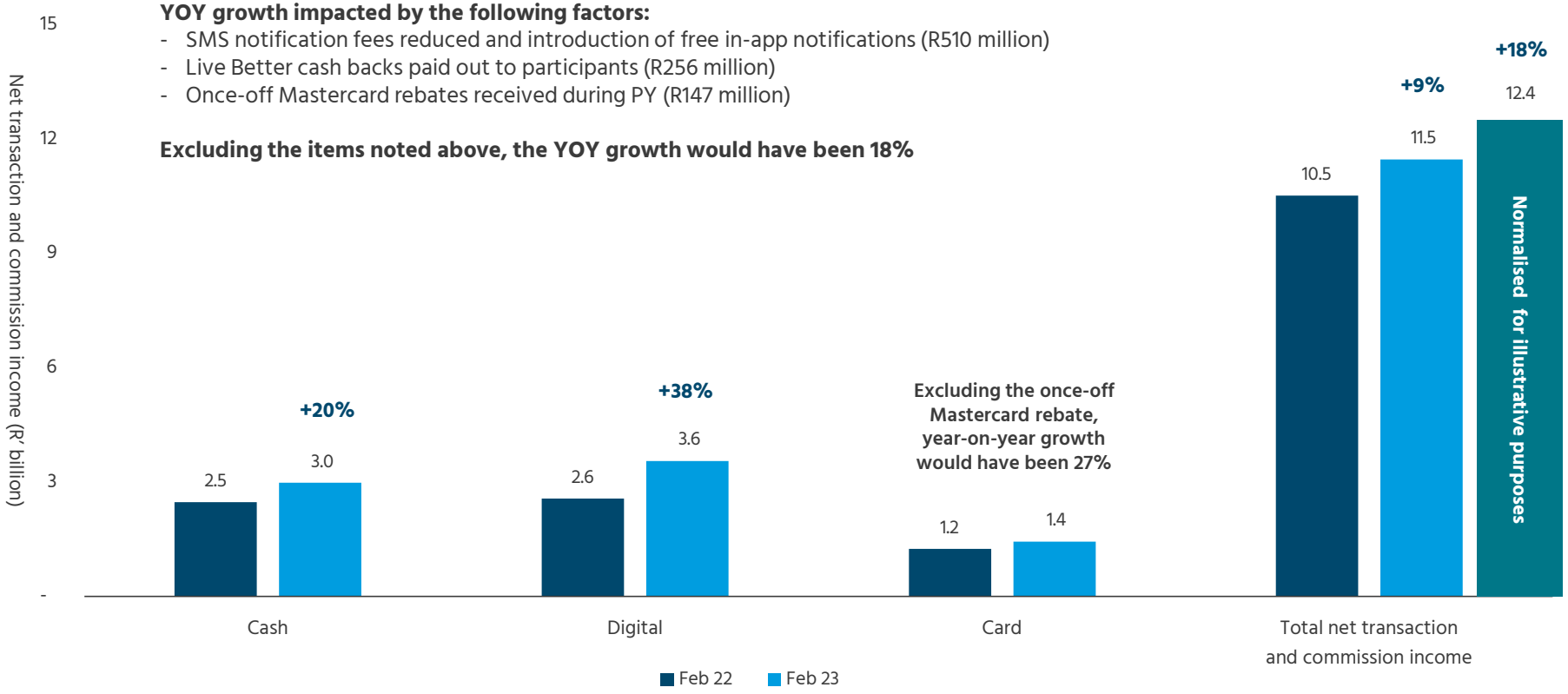
Net transaction and commission income increased 9% to R11.5 billion

Growth impacted by our digitalisation journey, Live Better rewards and SMS fee changes

YOY growth impacted by the following factors:

- SMS notification fees reduced and introduction of free in-app notifications (R510 million)
- Live Better cash backs paid out to participants (R256 million)
- Once-off Mastercard rebates received during PY (R147 million)

Excluding the items noted above, the YOY growth would have been 18%



Retail credit impairment charge increased by R2.8bn (86%)

Driven by new loans and advances, and the book migration

Net credit impairment charge by component (R' million)	Feb 23	Feb 22	Feb 21	Feb 20
New loan sales net of settlements	4 060	2 745	1 637	2 852
Book quality	4 522	2 957	8 431	4 297
Migration in book	6 726	3 195	5 951	4 009
Forward-looking information macroeconomic provision	(2 204)	(238)	2 480	288
Stage 3 interest derecognition	(1 758)	(1 595)	(1 779)	(1 526)
Gross credit impairment charge	**6 824**	**4 107**	**8 289**	**5 623**
Bad debt recoveries	(702)	(815)	(929)	(1 263)
Net credit impairment charge	**6 122**	**3 292**	**7 360**	**4 360**

Retail credit impairment charge increased by R2.8bn (86%)

Driven by new loans and advances, and the book migration

Net credit impairment charge by component (R' million)	Feb 23	Feb 22	Feb 21	Feb 20
New loan sales net of settlements	4 060	2 745	1 637	2 852
New loan sales net of settlements /Average gross book	5.3%	4.1%	2.5%	4.7%

- Normalising new loan sales charge to pre-COVID levels (Feb 20: 4.7%)
- Loans and advances increased by 20% despite stricter granting criteria, driven by higher applications

Retail credit impairment charge increased by R2.8bn (86%)

Driven by new loans and advances, and the book migration

Net credit impairment charge by component (R' million)	Feb 23	Feb 22	Feb 21	Feb 20
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Book quality	4 522	2 957	8 431	4 297
Migration in book	6 726	3 195	5 951	4 009
Migration in book / Average gross book	8.8%	4.7%	9.2%	6.6%

- Normalising book quality charge to pre-COVID levels (Feb 20: 6.6%)
- Additional increase from 6.6% to 8.8% due to:
  - Anticipated global shocks and deteriorating local economy
  - Balances rolling into debt review, increasing from 27% to 33%

Book migration

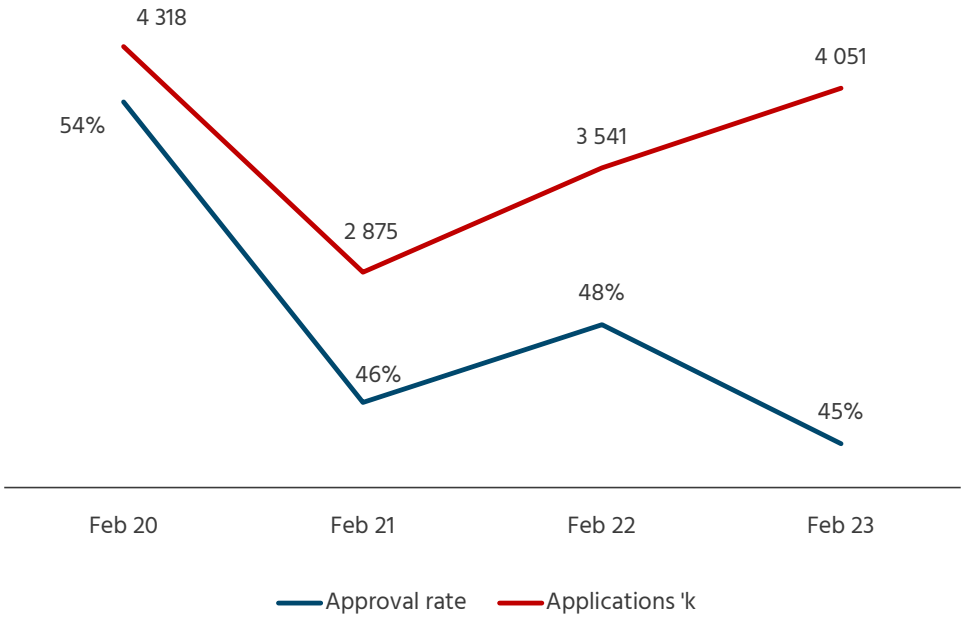
Decisive action: Risk deterioration

Next-generation granting model (FTC7) implemented using over 14 000 behaviours

972 unique granting changes made in response to employment risk

Limit decreases increased from R1.3bn to R3.4bn (170%) YOY

Discontinuing short-term access facilities and migrating to term loans



Book migration

Decisive action: Indebtedness deterioration

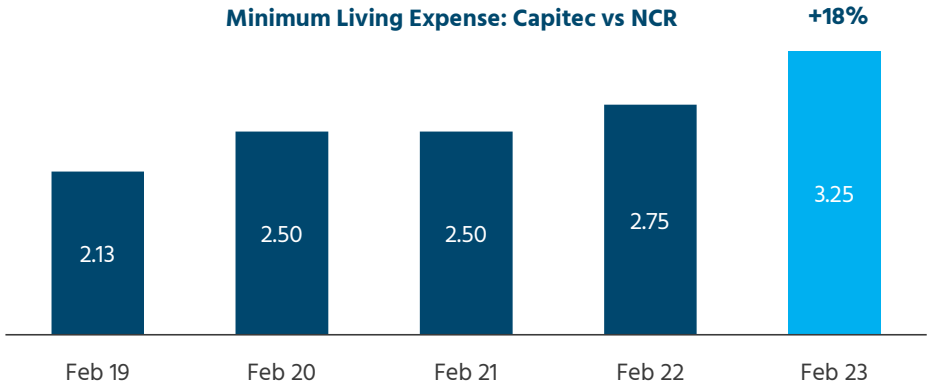
Increased minimum living expenses by 18%

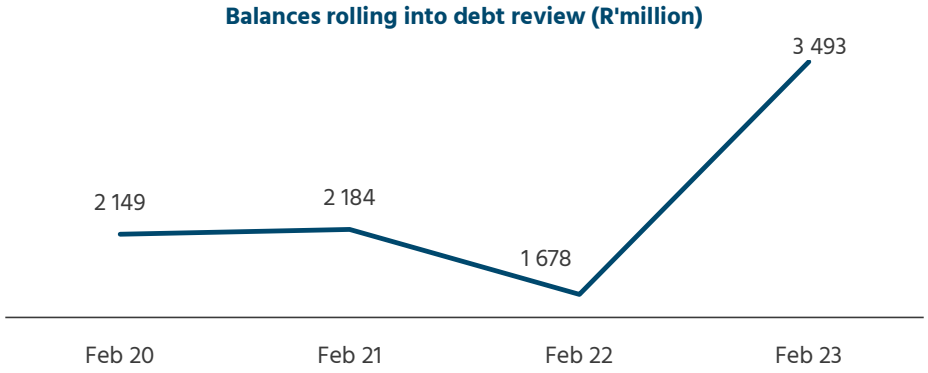
Major focus on collections

Debt educational campaigns #SpeakToYourBank

Capitec is not the last lender in 70% of debt counselling applications

20% of debt review clients exit within 12 months, paying at least R9 000 in fees with no change in indebtedness





Retail credit impairment charge increased by R2.8bn (86%)

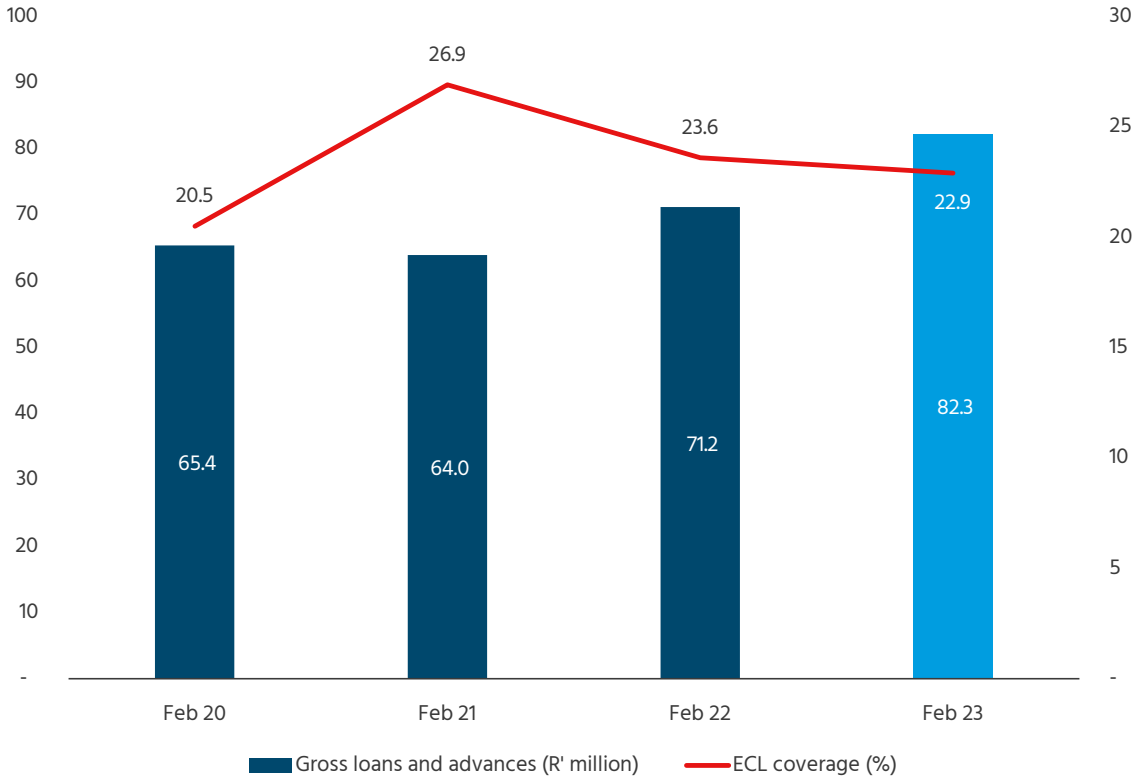
Driven by new loans and advances, and the book migration

Net credit impairment charge by component (R' million)	Feb 23	Feb 22	Feb 21	Feb 20
New loan sales net of settlements	4 060	2 745	1 637	2 852
Book quality	4 522	2 957	8 431	4 297
Migration in book	6 726	3 195	5 951	4 009
Forward-looking information macroeconomic provision	(2 204)	(238)	2 480	288
Net charge relating new loan sales and book quality	**8 582**	**5 702**	**10 068**	**7 419**
Net impact of drivers/Average gross book	11.2	8.4	15.6	12.2

- Feb 21: Increased forward-looking provisions by R2 480 million
- Feb 22: Continued high inflation expectations (monetary over stimulation); minimal transfer of R238 million
- Feb 23: Economic forecast manifested in the base provision model; transfer of R2 204 million

Retail credit impairment charge increased by R2.8bn (86%)

Expected credit loss coverage ratio remains healthy



Prudent ECL coverage

- Ratio trending towards pre-COVID ratio of 20.5%

Stable credit loss ratio

- Credit loss ratio reduces from reported 8.0% to 7.7% when excluding the ECL on undrawn access facility limits
  (Feb 20 pre-COVID: 7.2%)

Operating expenses decreased 5% to R11.9 billion

Cost-to-income ratio lowered to 39% (Feb 22: 47%), in line with pre-COVID levels

Employee costs (excl. incentives) grew 11% due to the following:

- Headcount increased 5% to 15 451 (Feb 22: 14 758)
- Inflationary salary increases

Incentives decreased by R1.8 billion as a result of the factors below:

- Once-off Izindaba Ezinhle employee scheme IFRS 2 charge (R700 million)
- Lower share appreciation rights (SARs) expense (R223 million)
- Normalisation in short-term incentives (R836 million)

Information technology-related expenses increased 47% to R1.9 billion

- Investment in the future
- Strategy to gather and utilise quality data



Business bank profit nearly doubled to R389 million

Increase in profitability reflects the opportunity for scale in the SME market

Profitability during the H2 2023 was impacted by the following:

- Realignment of operating expenses between divisions

Key financial performance indicators:

- Gross loans and advances increased to R15.5 billion (up 20%)
- Interest income on loans grew 55% to R1.4 billion
- Credit impairment charge increased 18% to R208 million

Operational indicators:

- Active clients increased to around 161 000 (up 55%)
- Employees grew by 39% to 1 274



Environmental Social and Governance

Ensuring sustainable and meaningful impact



Environmental, Social and Governance

The UN Sustainable Development Goals (SDGs) is intrenched in our core business strategy

Environment

- **R13 million invested** to install solar panels at our Head Office and to fast-track our shift to renewable energy
- All branch generators replaced with **inverters and lithium batteries**
- **Carbon footprint decreased 6%** from the prior year
- **Saved 14 500 trees** through paperless branches and recycling

Social

- **Capitec Foundation** reached over 300 principals, 1 200 teachers and 1.5 million learners
- 98 000 people participated in **Financial Education** initiatives
- **R19.5 million donated** to NGOs for disaster relief initiatives

Governance

- **B-BBEE status: Moved to level 2** from level 4 within 3 years
- Improved **transformation** across all management levels

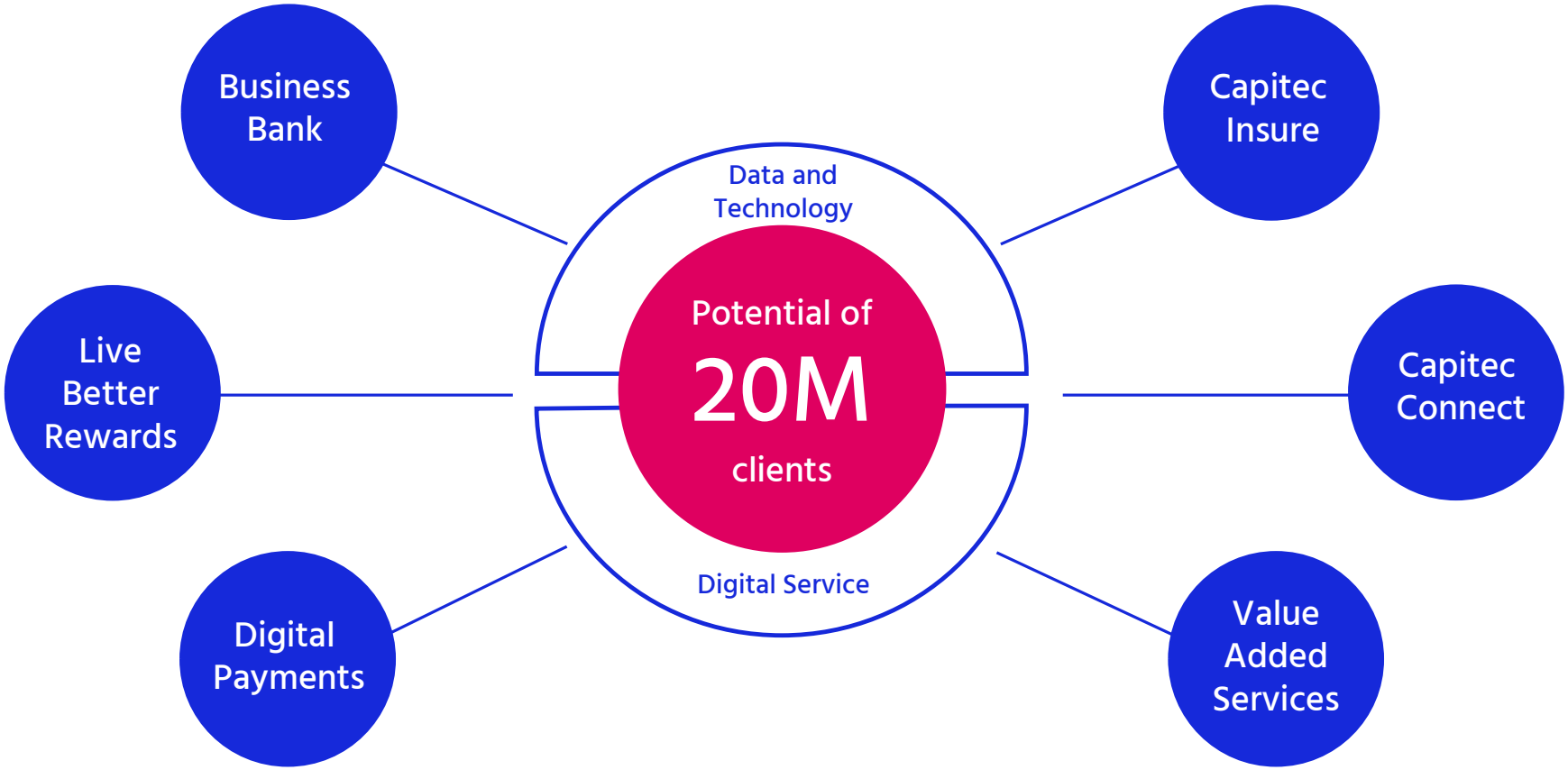
Challenge: Over 100 ESG verification agencies and yearly changes create uncertainty and inconsistency.

We need a consistent measurement standard.

Future

Unlock the potential of 20 million clients to create better value and growth

Investing and strategies for future growth





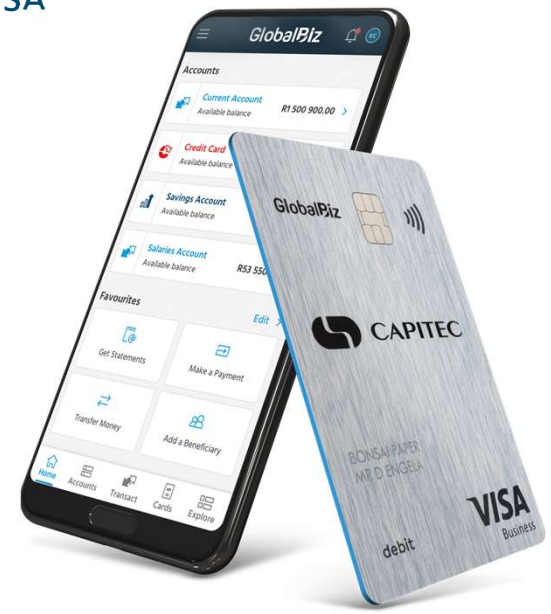
Introducing Capitec Business

Capitec Business

Personalised banking that leads financial inclusion and growth for SMEs in SA

Our vision is to provide personalised business banking in a digitally scalable way that leads financial inclusion and growth for SMEs.

Market potential: 2.6 million SMEs contribute approx. 40% to GDP



Acquire Mercantile	Manage COVID	Integrate & build	Rebrand Forex, Payment Services, Rental Finance	Rebrand Business and merchant services	Migrate existing business clients	Market Launch
Nov 2019	2020	2021 - 22	Feb 2023	Apr 2023	May - Jul 2023	Aug 2023

Payments

5.1 million digital payments every day reduce cash and gain valuable behavioral data

Card payments

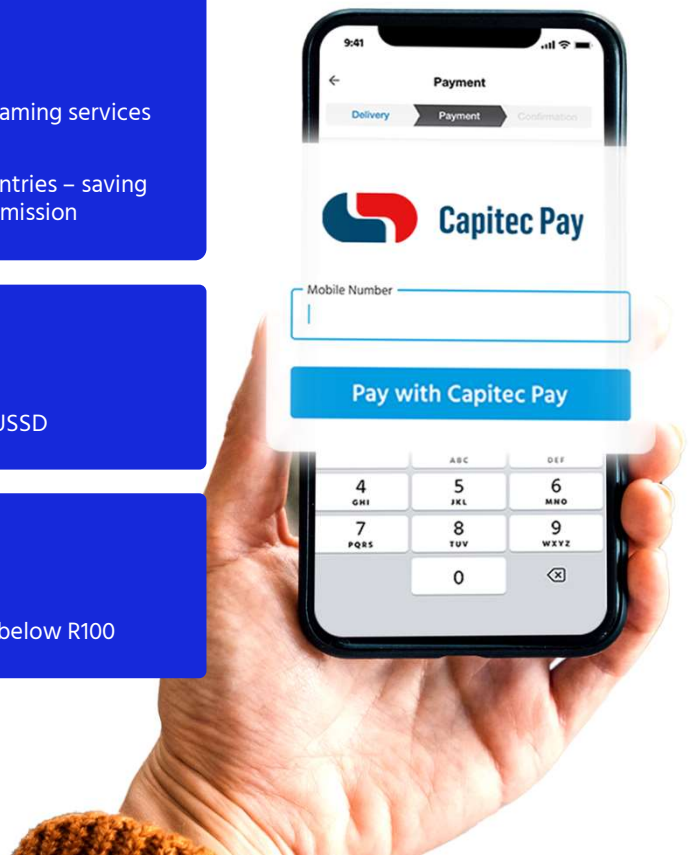
- 1.9 billion card payments up 28%
- Biggest growth sectors: food delivery, streaming services and online shopping
- 29M International payments across 191 countries – saving clients at least 2.5% on exchange rate commission

EFT and Pay to Cell

- 645 million total transfers (up 27%)
- 409 million paid to cell number on app or USSD

Scan to Pay and Pay Me QR codes

- 1.9 million transactions up 151% from FY'22
- Displace cash with low-value transactions below R100



Capitec Pay

- SA's first bank-endorsed payment API
- Simpler, secured client experience – no screen scraping
- Higher success rate, lower risk and lower costs
- Over 550 000 successful transactions
- 21 active partners including Pay@, Ozow, PayFast

Contactless payments

- Apple, Samsung, Google, Huawei
- Approximately 295 000 transactions since launch

RPP implementation (PayShap)

- Planned for Q2 FY24

Capitec Insure

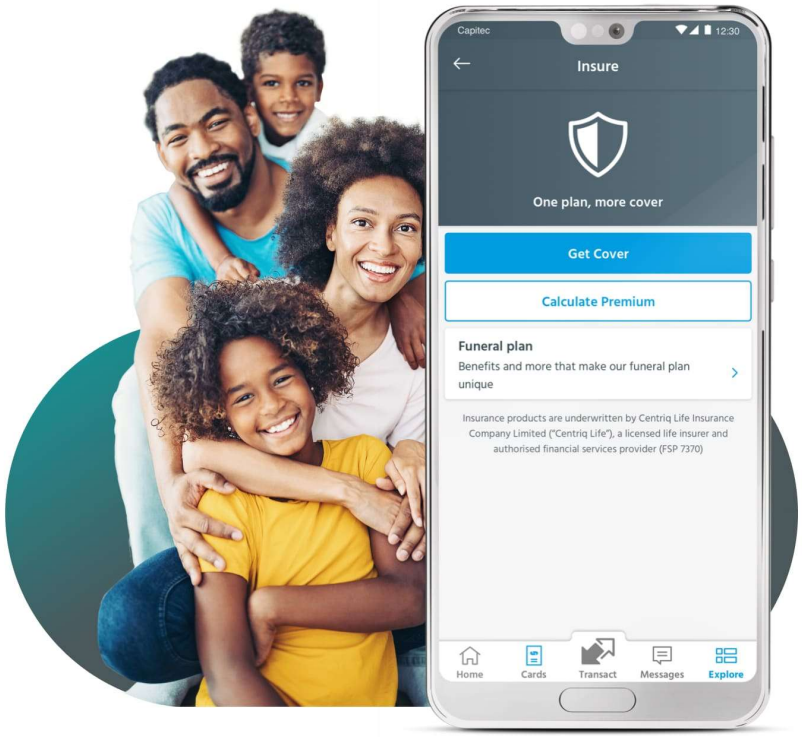
Insurance based on the Capitec fundamentals of affordability, simplicity and accessibility

Roadmap

- Building new systems and services
- Existing Credit Life policies will be transferred by section 50 transfer
- New Credit Life policies will be issued from May 2023
- Funeral plan negotiations underway with SANLAM
- Future opportunities for new products

New IFRS 17 standard

- Transition calculations under review by external auditors
- Opening balance sheet adjustment to be disclosed in our Reg 43 submission
- Interim results will include comparative results and disclosures



Live Better

Best Loyalty Programme in Financial Services 2022

13.4 million clients registered at the end of Feb 2023

Bank Better cash back drives digital banking behaviour

737 000 clients got R256 million paid back into Live Better savings accounts

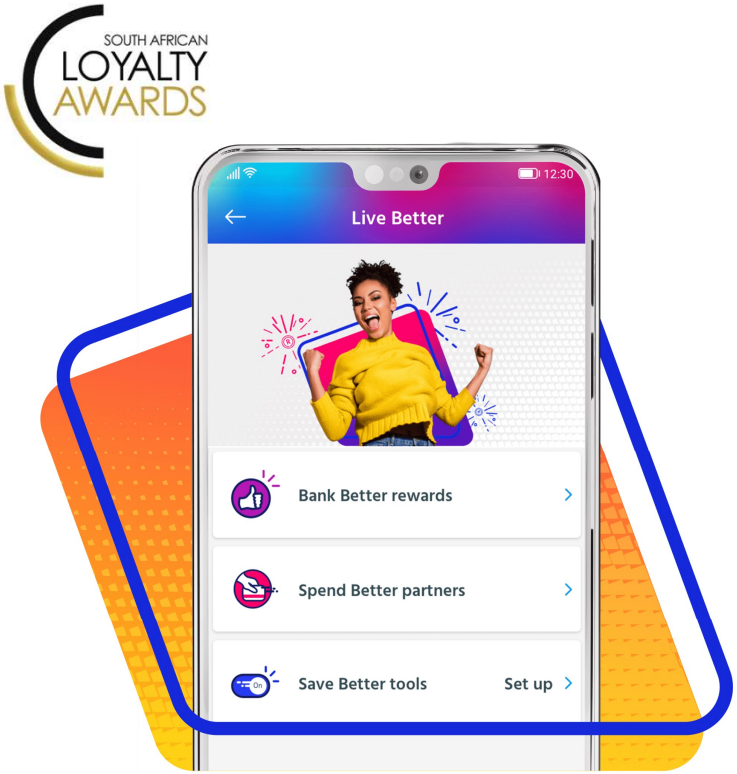
Save Better tools change savings behaviour

8.5 million clients saved R1.2 billion and earned 1% more interest

Spend Better with rewards partners

1.25 million clients got R106 million in cash backs and discounts

Future: We are continuously evaluating and adjusting to improve value to our clients and achieve behavioural objectives.



Value-added services

Better value for our clients – generated 841 million transactions to the value of R60 billion

8.4 million clients make use of value-added services

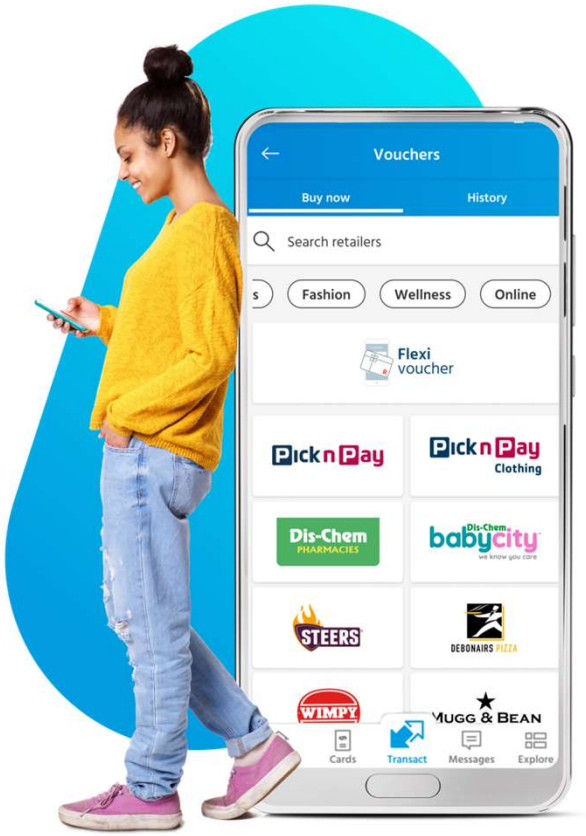
Existing products

- R29 billion prepaid airtime, data and electricity (up 11%) – over 30% m/s
- R31 billion cash sent (up 78%) – over 25% m/s
- R1.5 billion contribution to net income

New products

- Bill payments launched in Oct '22
- Vouchers launched in Nov '22 with more than 15 partners
- National Lottery launched Oct '22 now with 13% market share
- R63 million contribution to net income

Future: More partner brands, products and services that benefit our clients.



Capitec Connect

Disrupting the prepaid market with a simple, transparent and affordable solution

Launched in Sep 2022

- Aligns with our fundamentals
- Promotes inclusion in digital economy
- Provides better behavioural data

Better value for our clients

- 84% of mobile subscriptions in SA are prepaid
- R45 per GB is significantly less
- Flat rates and no expiry of data, airtime or SMSs
- Available on app, internet banking and USSD

More than 500 000 SIM cards activated

Future: Additional services and products that offer better value and enhance client stickiness.



Digital service

Better client experience and improved efficiencies

Conversational banking on WhatsApp and Facebook Messenger

- Introduced chat-based banking service and support in Oct '22
- 10 times more efficient and better client experience than call
- Already handling 20% of client care volumes – over 80 000 conversations in Feb '23

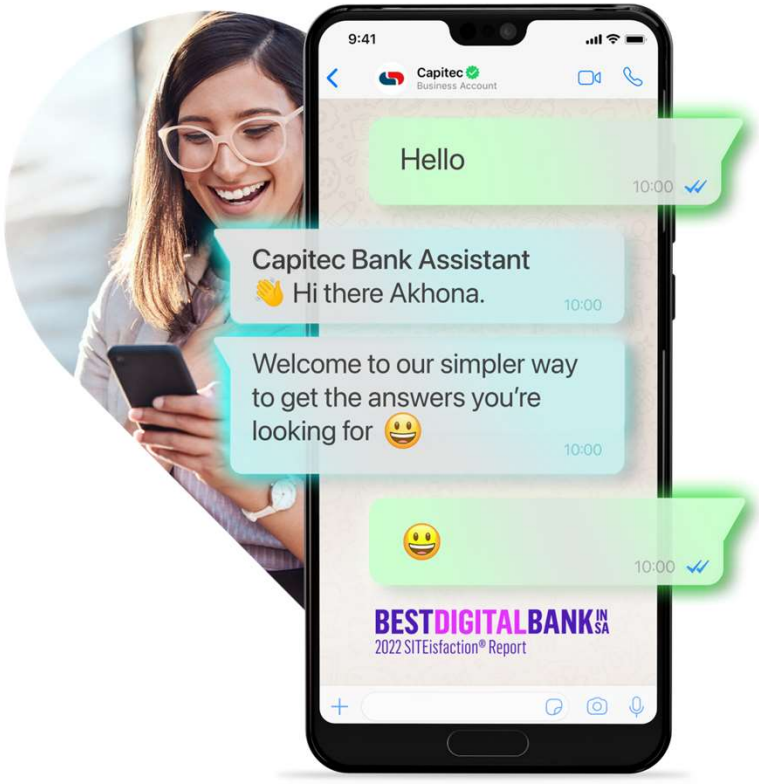
Speech analytics enable quality at call centres

Self-service drive efficiencies and service experience at branches

- 100% of cashiers replaced by DNR technology
- Self-service terminals 41% of all branch transactions

Client engagement

- 35 million personalised messages per month across app, email and SMS
- Enable behavioural insights and relevant trigger-based communication
- Live chat and video call with business bankers



salesforce glia LIVEPERSON®

Data and technology

Leading international technology and Cloud services enable agility and scalability

Cloud data infrastructure (AWS)

- Ensure agile development and scalability
- Single view of across the group
- Data modelling and machine learning
- Client insights and behavioural banking



Recruiting for 446 specialist positions in tech and data

Our purpose

We remain committed to our purpose of using data and technology to make banking simple, transparent and affordable and help people and businesses live better.

Thank you

Send questions to: **InvestorRelations@capitecbank.co.za**

CAPITEC