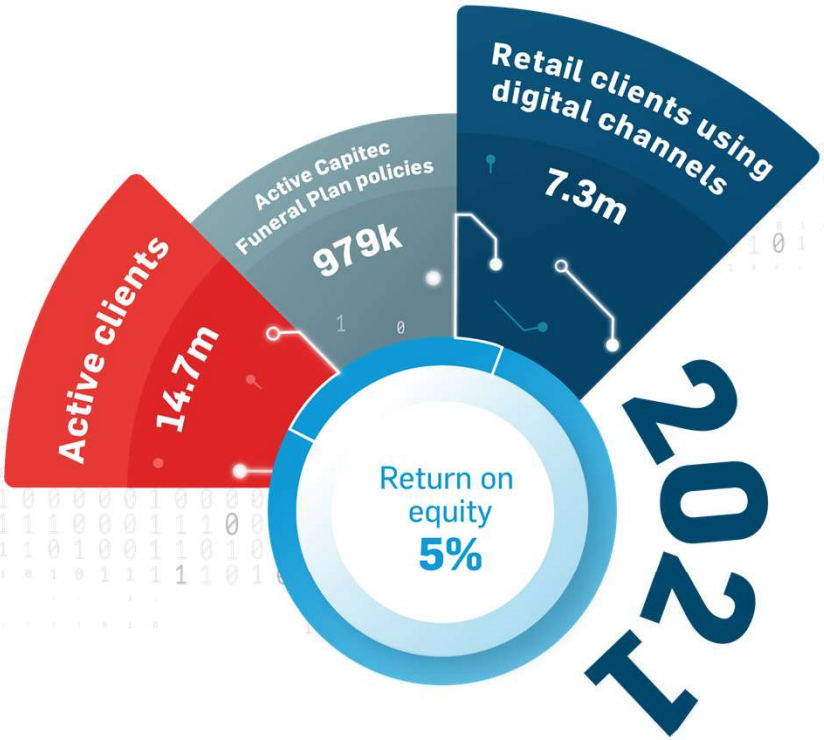


Interim Results Presentation

August 2020

CAPITEC BANK HOLDINGS LIMITED

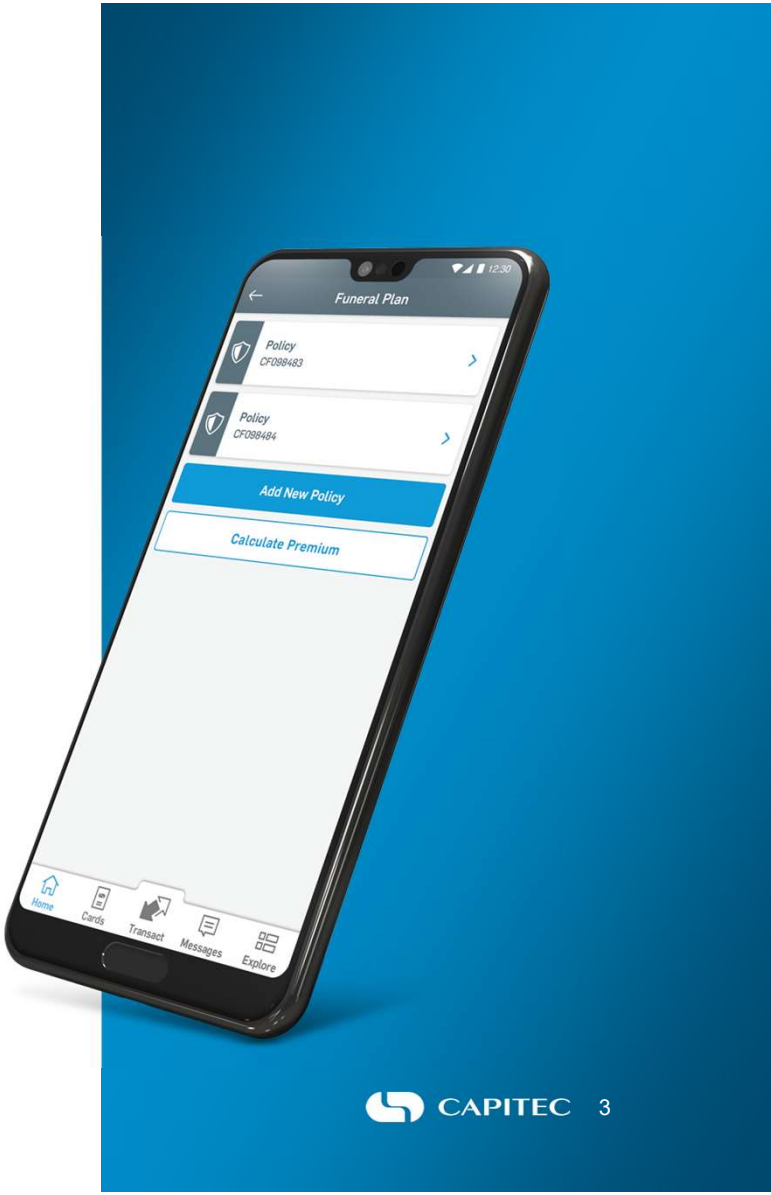


What our employees say

Capitec overview

Reflecting on the past 6 months

- Income from operations up 10% from August 2019 [1]
- Continued growth in client numbers indicate search for better value
- Client income impacted by lockdown
- Recovery of key industries as lockdown is relaxed
- Accelerated digital adoption but still strong dependency on cash
- Funeral plan remains priority for clients
- Increased savings culture in segment that has excess income to save
- Subdued appetite for credit



[1] August 2019 did not include Mercantile Bank

Key Indicators

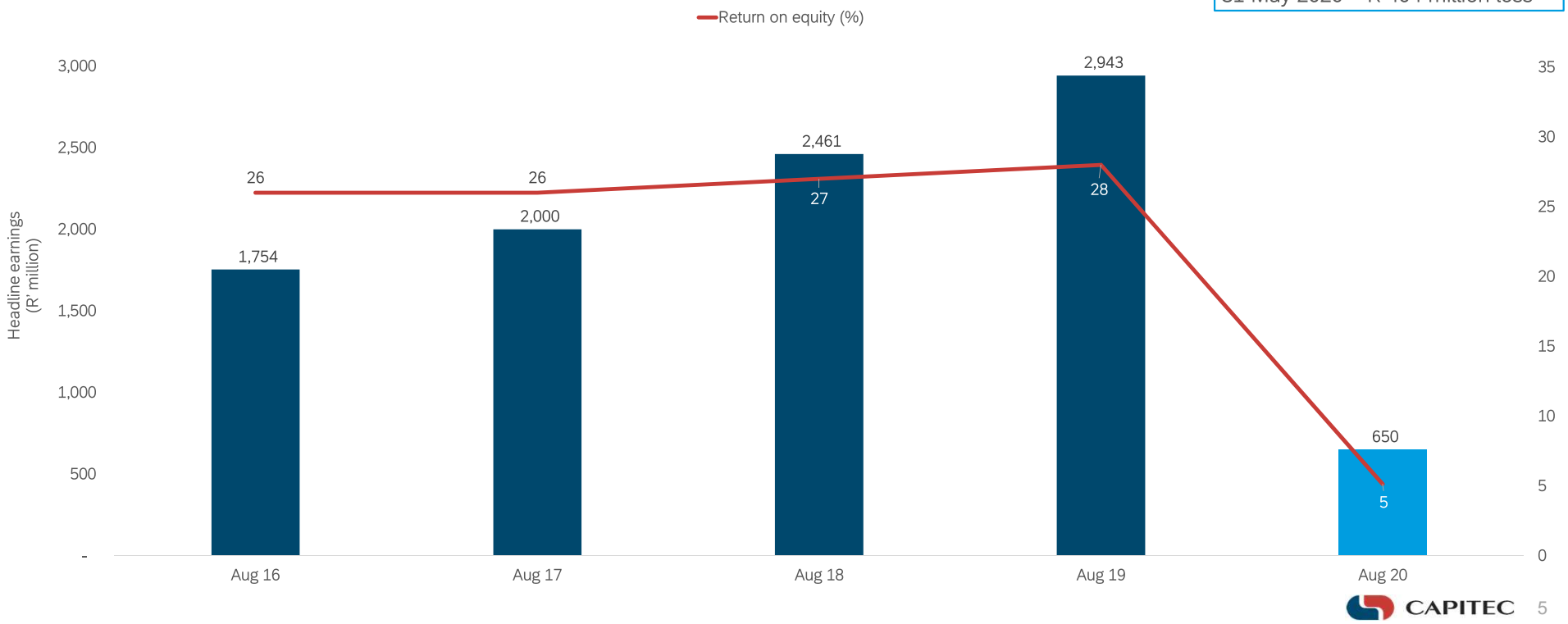
Capitec Bank Group



Group headline earnings down 78%

COVID-19 impact on earnings is acute

Regulation 43 quarterly disclosure:
31 May 2020 = R 404 million loss

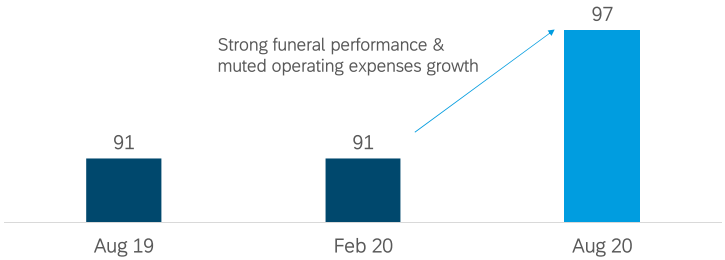


Note: In the comparative periods the group comprised only retail banking.

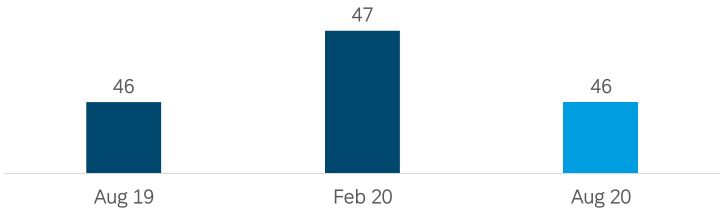
Key ratios for Capitec Group

Non-lending income covering 97% of operating expenses

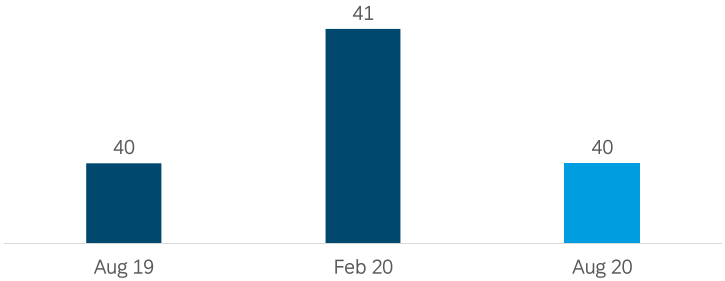
Net transaction fee and funeral income to operating expenses



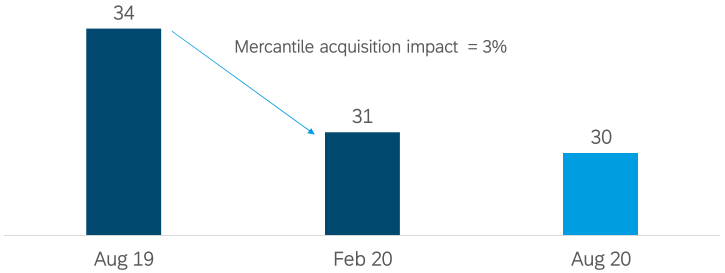
Net transaction fee and funeral income to net income (excl. COVID-19 impairment charge)



Cost-to-income



Capital adequacy ratio



Note: In August 2019 the group comprised only retail banking.

Capitec group income statement

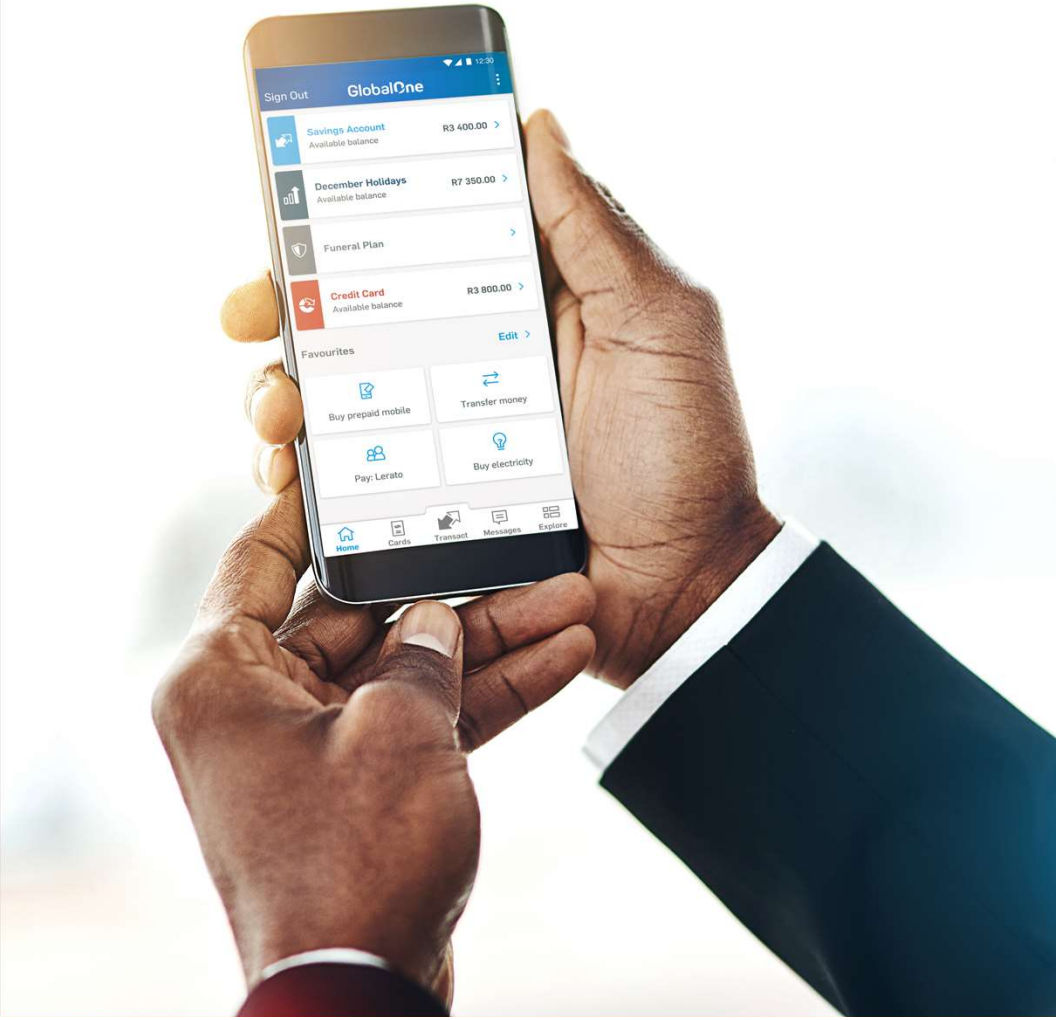
Solid growth before COVID-19 impairment

(R' million)	Group [1] Aug 2019	Retail Aug 2020	Group Aug 2020	Retail Change (%)	Group Change (%)
Net lending, investment and insurance income	6 306	6 401	6 718	2	7
Net transaction fee income	3 529	3 639	3 870	3	10
Net foreign exchange	-	-	47	-	-
Funeral income	107	350	350	>100	>100
Other income	11	(16)	7	-	(82)
Income from operations	9 953	10 374	10 992	4	10
Credit impairment charge (excl. COVID-19)	(2 115)	(1 621)	(1 695)	-	-
Credit impairment charge (COVID-19 only)	-	(4 200)	(4 391)	-	-
Net income	7 838	4 553	4 906	(42)	(37)
Operating expense	(4 003)	(3 932)	(4 348)	(2)	9
Other (HEPS adjustments and income from associates/joint ventures)	(13)	6	6	-	-
Taxation	(879)	74	86	-	-
Headline earnings	2 943	701	650	(76)	(78)

[1] In August 2019 the group comprised only retail banking.

Retail Bank

Client growth
Transactions
Funeral plan
Savings



Client growth continues

14.6 million active clients (up 16%)

Quality bank clients (up 10%)

- 3.8 million banking clients with stable inflows, remote banking, card purchases and debit orders
- 46% of active clients between 16 and 35 years old = high potential

Insure clients (up 53%)

- 978k active clients with in-force or pending in-force policies

Save clients (up 17%)

- 5.5 million clients with at least one flexible or fixed-term savings plan

Credit clients (down 5%)

- 1.1 million credit clients with a term loan, facility or credit card – performing book

Client income affected by lockdown

Slow recovery since initial shock in April

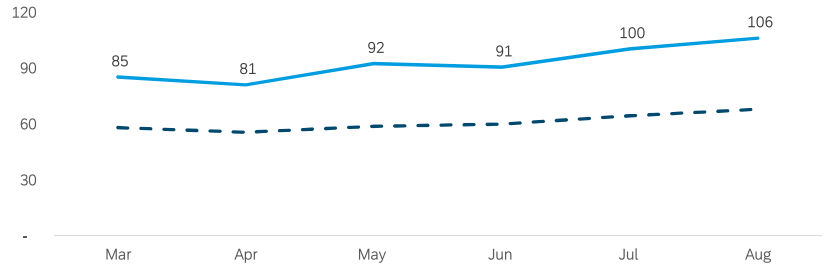
- Lower income segment more severely affected
- Reduction in overtime and bonuses
- Casual and contract work severely impacted
- SMEs hit the hardest

Accelerated digital adoption

Transaction volumes increased by 15% to 2.4 billion

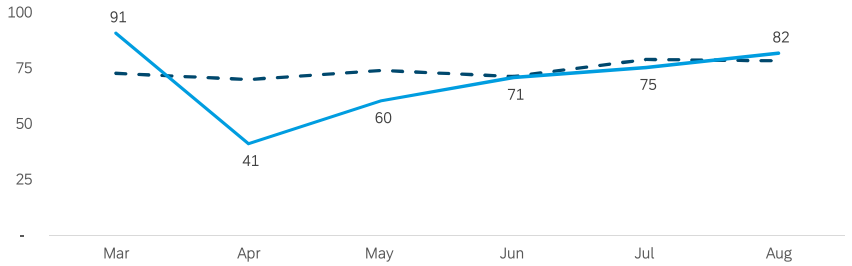
Digital [1]

YTD volume = 556.2 million (up 52%)



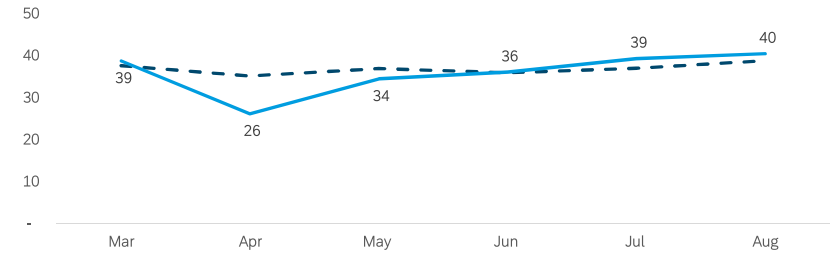
Card purchases

YTD volume = 419.3 million (down 6%)



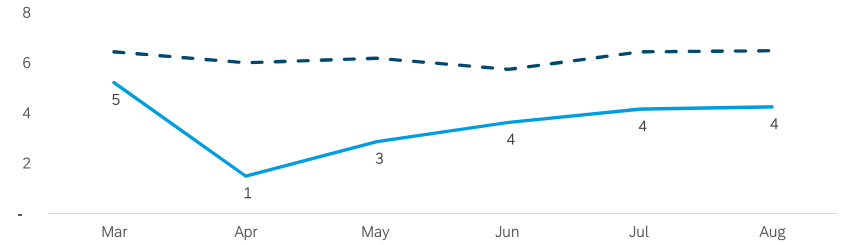
Cash [2]

YTD volume = 214.8 million (down 3%)



Branch [3]

YTD volume = 21.6 million (down 42%)



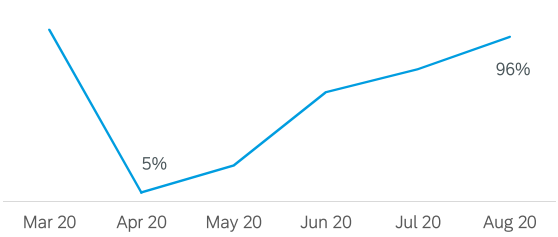
1H 2020 — 1H 2021

[1] Digital = Banking app, USSD and internet | [2] Cash = ATM and DNR transactions | [3] Branch includes self-service terminal transactions

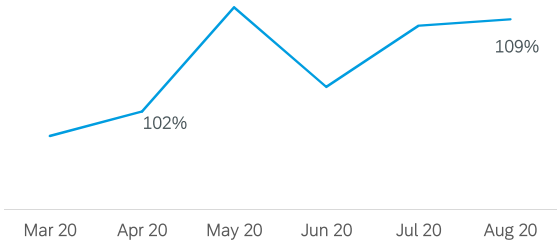
Recovery in key industries

Client transaction values compared to March

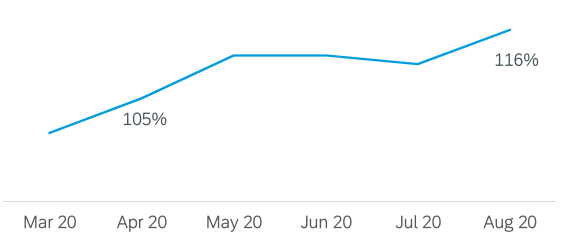
Restaurants and takeaways



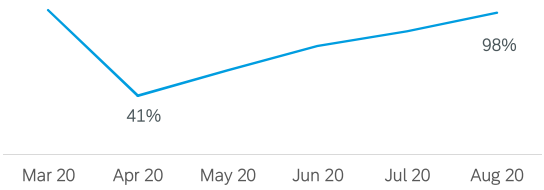
Telecommunication



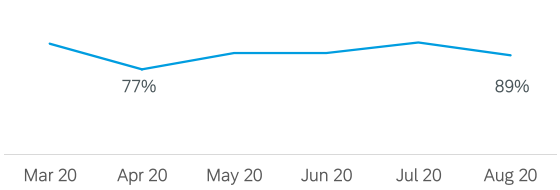
Groceries



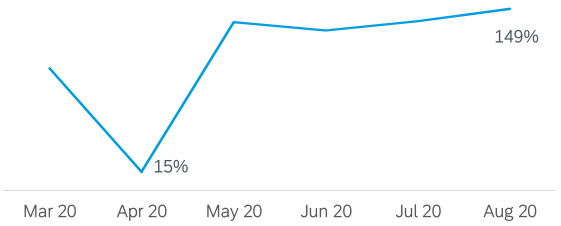
Transport
(Fuel & Public transport)



Healthcare
(Doctors, Medical aid and Pharmacy)



Home Maintenance



SA's largest digital bank

Digital banking in August 2020

Digital clients

- Banking app – 4.0 million active clients (up 38%)
- USSD users – 5.2 million active clients (up 11%)
- Total digital banking clients – 7.3 million (up 24%)

Send cash (launched in May 2019)

- 2.2 million clients (up >100%)
- Transactions performed this financial year – 3.7 million
- Total transaction value for the year – R1.8 billion

Card-not-present (CNP) transactions

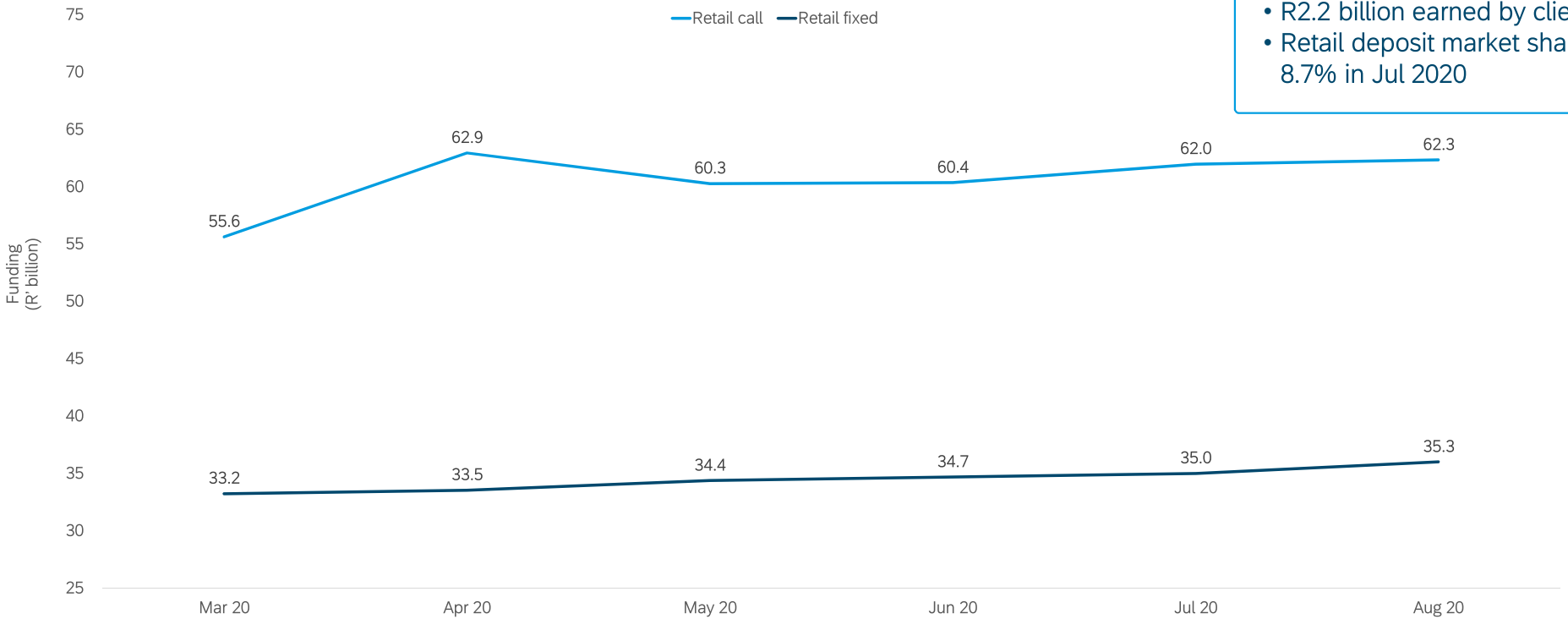
- 965 000 clients (up 101%)
- 4 million transactions (up 99%)



Growing saving deposits

Saving deposits of R97.6 billion (up 20%)

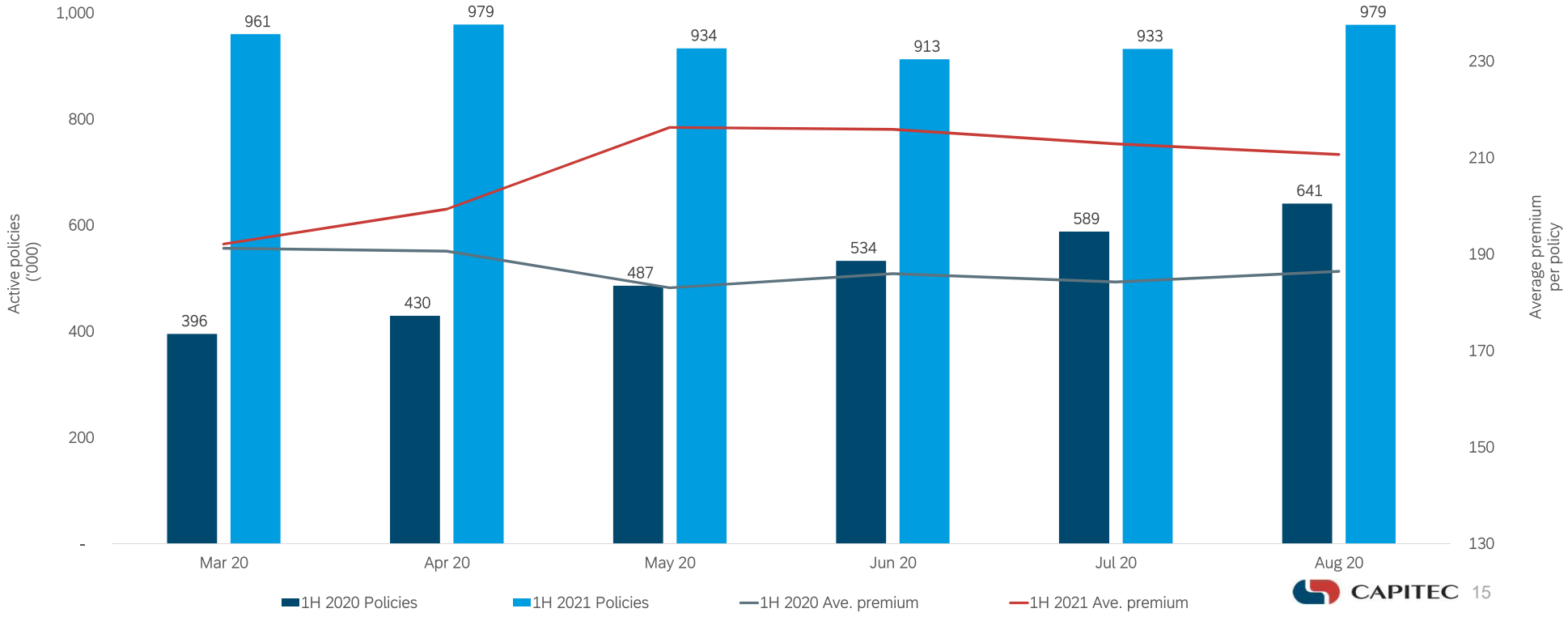
- From 2.25% to 7.5% interest
- R2.2 billion earned by clients
- Retail deposit market share is 8.7% in Jul 2020



Note: Wholesale funding decreased from R3.4 billion at the end of Feb 2020 to R2.4 billion as at 31 August 2020.

Funeral plan remains client priority

Growth in average premium per policy





Retail credit

COVID-19 response

Client relief

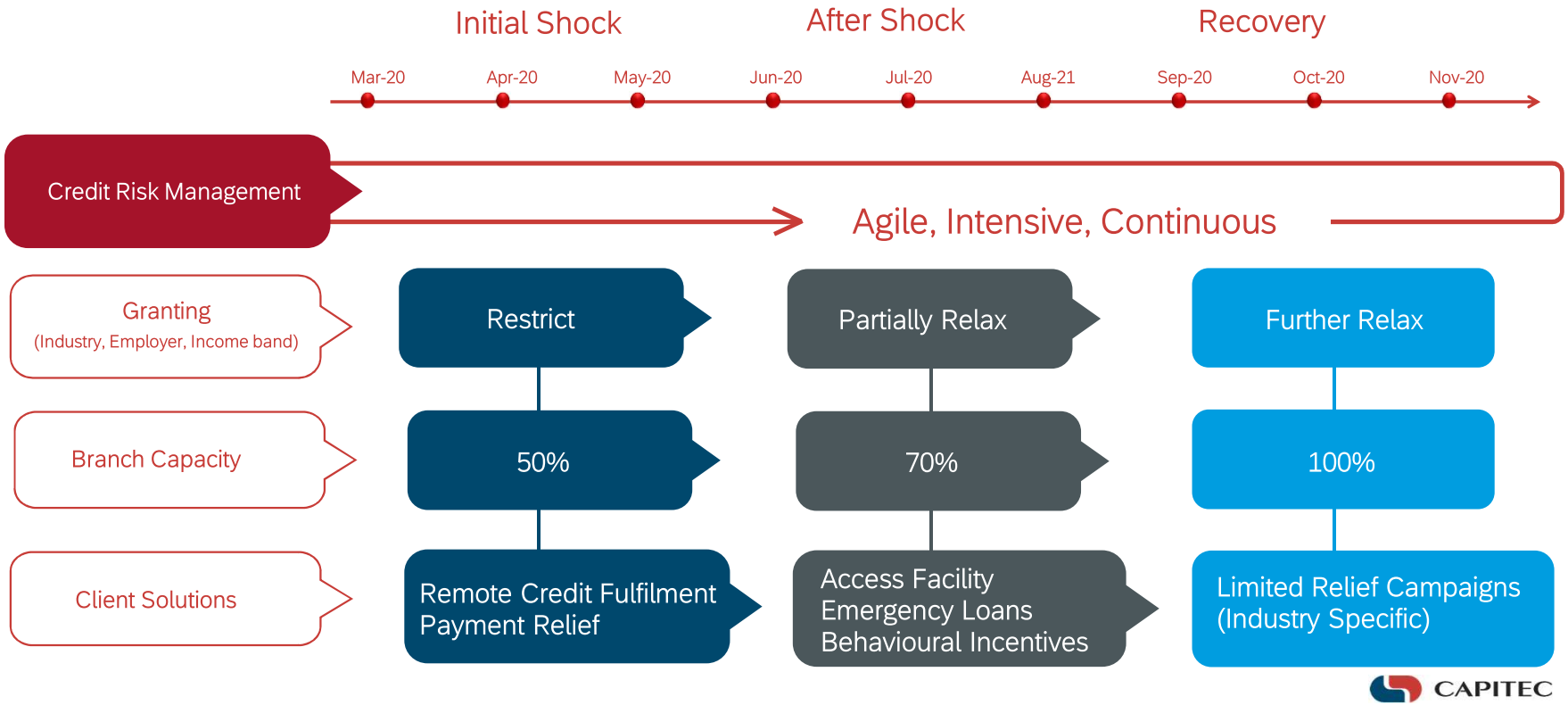
Credit life insurance

Prudent provisioning

New access facility

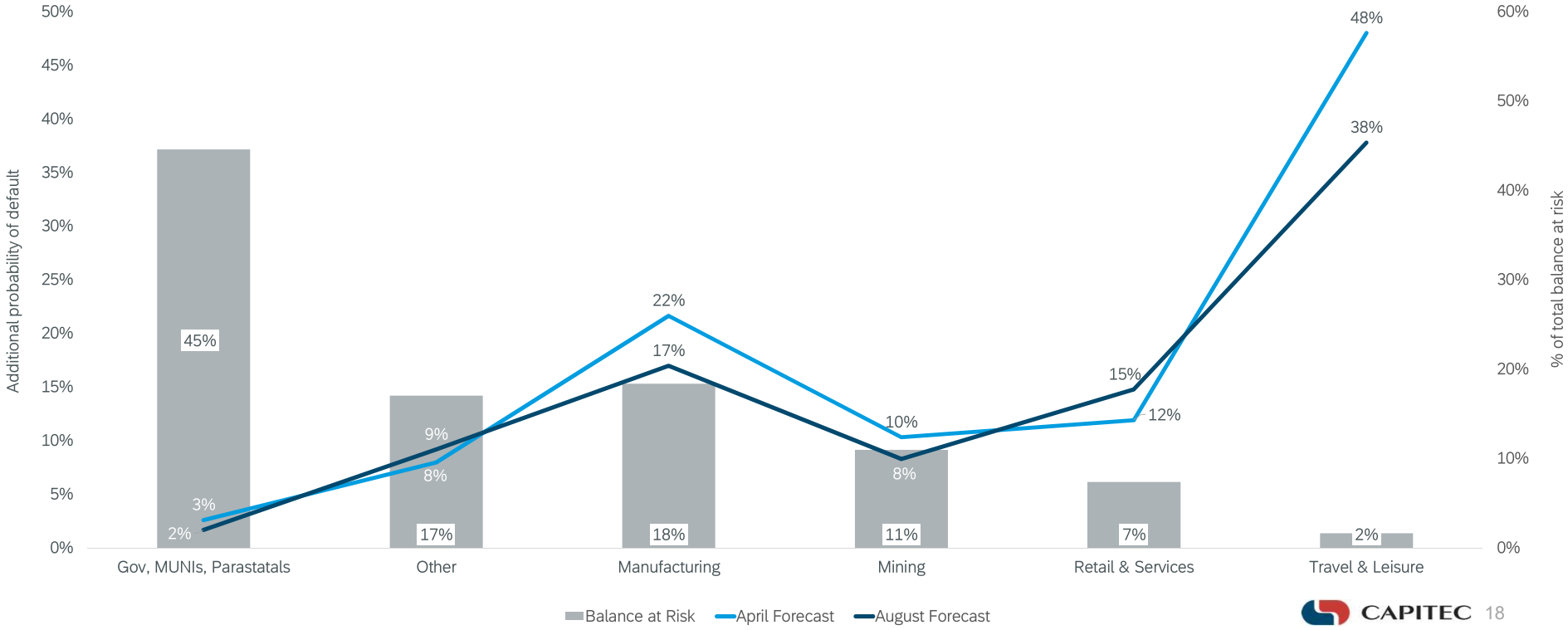
COVID-19 Response

Prudent credit risk management



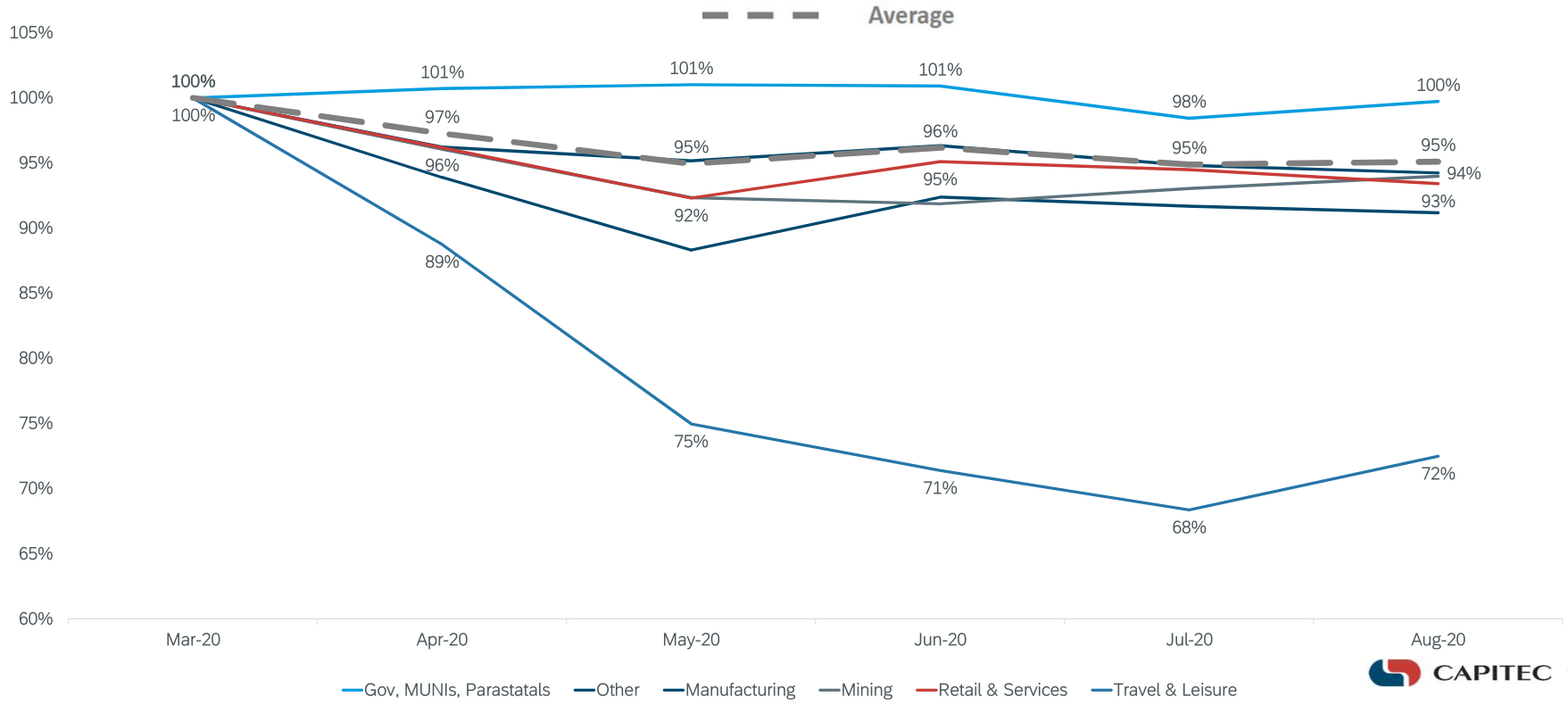
COVID-19 Response

Key industry performance and additional risk



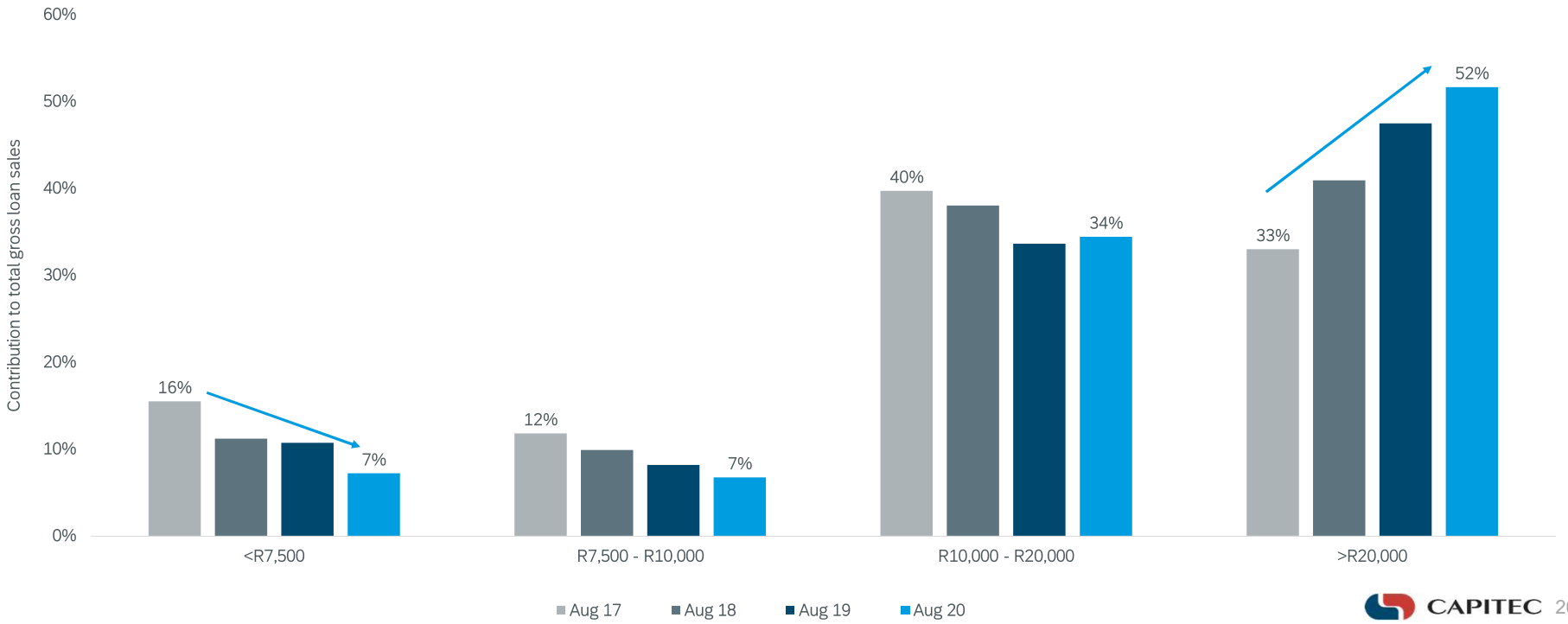
COVID-19 Response

Impact on client inflows per industry



COVID-19 Response

Granting growth in higher income bands



Client relief

Total COVID-19 relief of R7.5 billion

- R5.5 billion – 3-month COVID-19 payment break (directly affected)
- R1.5 billion – Variable COVID-19 rescheduling (indirectly affected [1])
- R0.5 billion – COVID-19 other rescheduling

Instalment schedule:

Month	Payment break	Variable schedule
1	0%	20%
2		40%
3		60%
4	60%	80%
5	80%	100%
6	100%	100%

[1] Compromised household income

Client relief

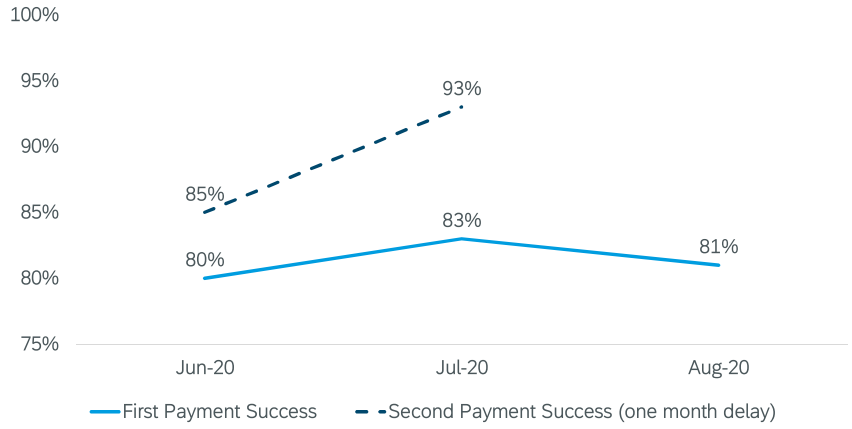
Behavioural incentive

- Offered interest relief to clients that were rescheduled based on repayment behaviour
- Interest accumulated during the first 3 months of the rescheduling period will be refunded up to 100% to qualifying, good paying clients in the form of a loan balance reduction
- 50% after 6 instalments and 100% after 12 instalments
- Comprehensive client communication journey

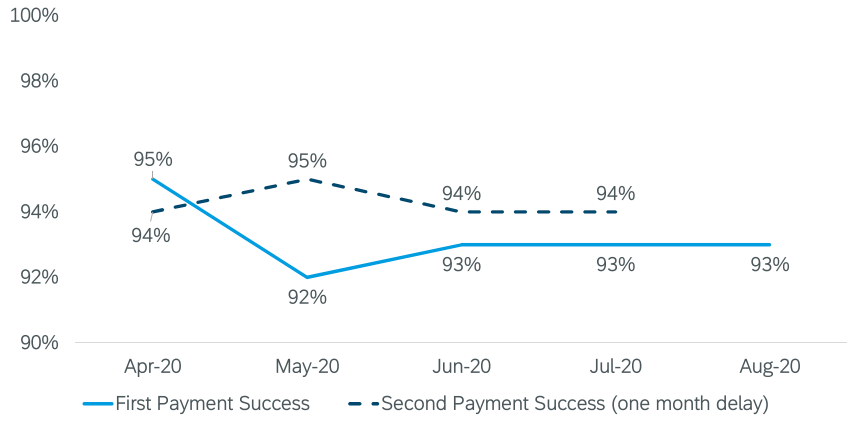
Client relief

Relief payment break success

Payment break success



Variable instalment rescheduling success



Credit life insurance

Self-insured for retrenchment risk from 1 May 2020

Retrenchment claims comparison 1H 2020 vs 1H 2021:

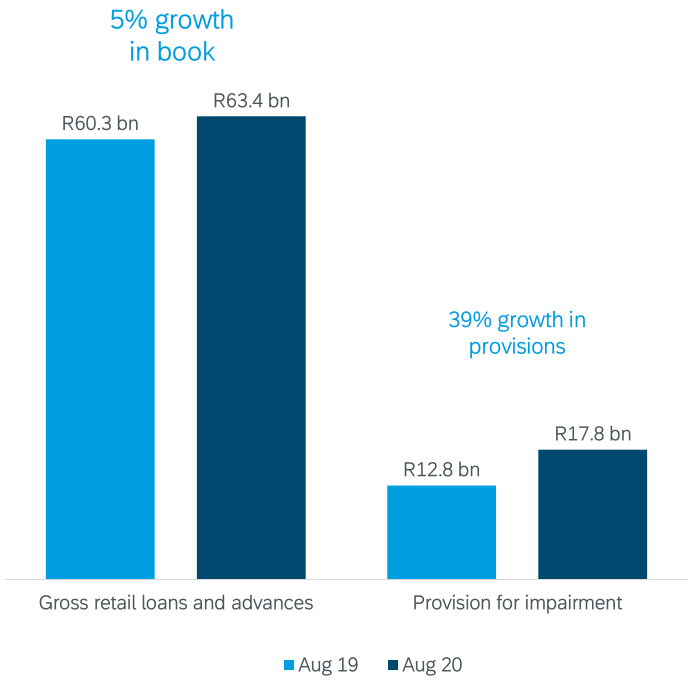
R' million	Mar	Apr	May	Jun	Jul	Aug	Total
Total claims paid 1H 2020	31	33	45	45	57	37	248
Total claims paid 1H 2021	36	26	49	113	81	76	381
- Paid by reinsurers [1]	36	26	43	45	21	16	187
- Paid by Capitec [2]	-	-	6	68	60	60	194
Difference in claims	5	-7	4	68	24	39	133

[1] The reinsurers are still liable to settle claims with an event date prior to 1 May 2020. A client has 12 months from the event date to lodge a claim

[2] Capitec is liable to settle all retrenchment claims with an event date after 1 May 2020

Prudent provisioning

Additional COVID-19 provisions of R4.2 billion



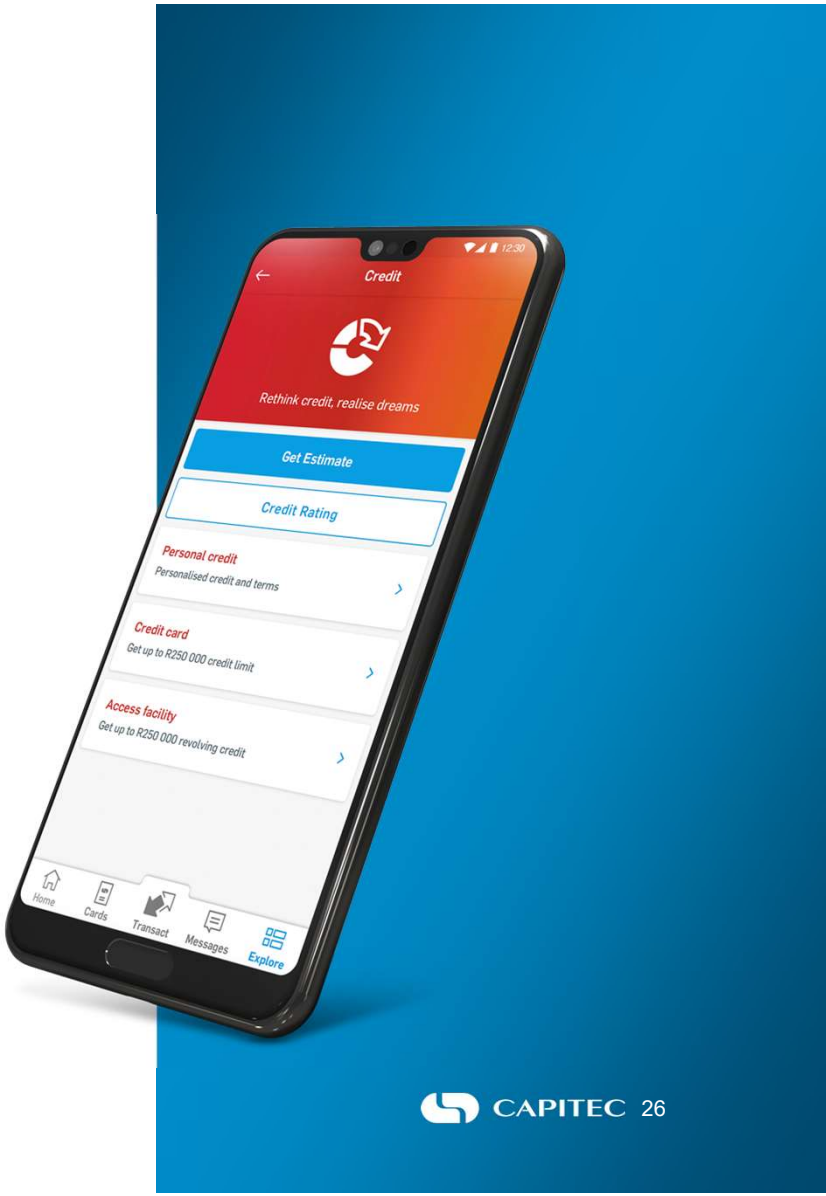
Key considerations

- Industry
- Essential/Non-essential services
- Employer strength and size
- Client net income bands
- Effects on joint household incomes

New access facility

Flexible revolving credit

- Lifetime facility launched on 4 May 2020
- Average rate 17.2%
- Product range: 3 – 60 months
- No monthly fees when 0 credit balance
- 48 212 clients with credit limits amounting to R2.5 billion taken up





Business Banking

Business bank performance overview

R47 million loss for 6-months ended 31 Aug 2020

Results driven by the following factors (compared to Aug 2019):

- Significant increase in credit impairment charge (up > 100%)
- Lower net lending and investment income (down 7%)
- Higher operating expenses (up 37%)

Total active clients increased by 14% from Feb 2020:

- Business: 18 976 (up 29%)
- Individual: 45 148 (up 15%)
- Rental finance: 13 921 (down 3%)

Total deposits at R12.8 billion on 31 Aug 2020 (up 5% from Feb 2020)

Credit management

Relief to credit clients and prudent approach

COVID-19 Loan Guarantee Scheme:

- To date: R500 million (including capitalised interest) advanced
- In total 181 clients assisted

COVID-19 Relief:

- 2 899 accounts with a balance of R4.2 billion (before taking security into consideration)
- 77% first payment success rate on initial breaks
- Further extensions provided to 287 client accounts

Credit impairments

- Income statement charge for the period = R265.0 million (COVID-19 specific equal to R 190.5 million)
- Annualised credit loss ratio = 5.0% (Feb 2020: 1.1%)

Our people and communities



Our people

Create clarity and energy

- New group structure successfully implemented
- Flexible remote working
- Virtual learning and leadership development – 1 650 employees
- Live Better Talks to inspire
- Over 320 employees redeployed through talent development program
- Employee engagement survey shows strong engagement



Social responsibility

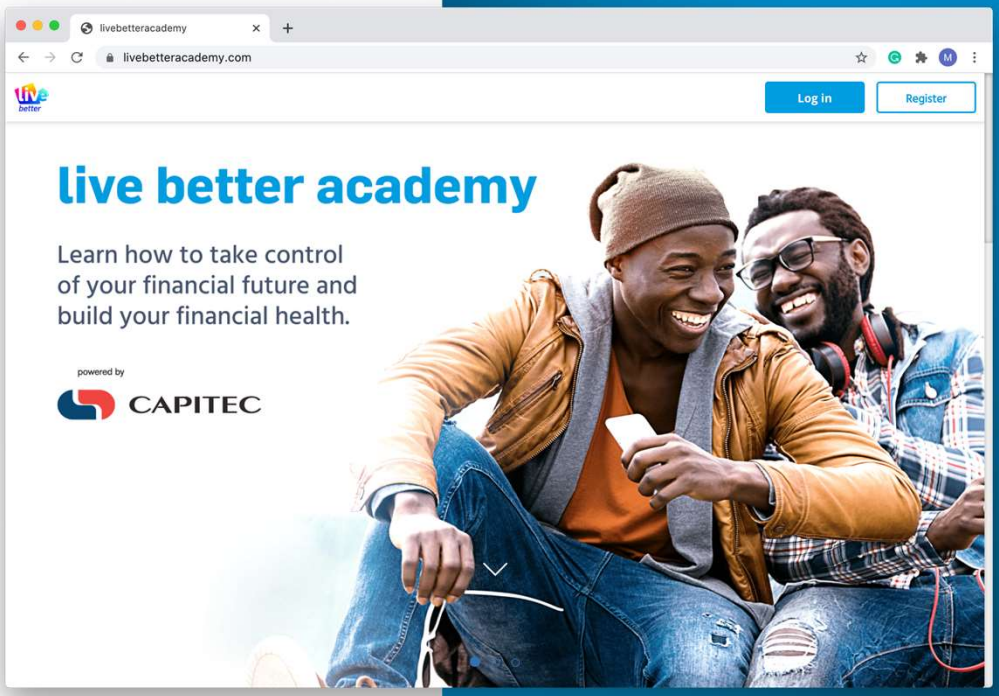
Supporting clients and community

Relief efforts

- Employee volunteer program
- Mask drive and donations to community projects and feeding schemes
- Gift of the Givers and Solidarity Fund

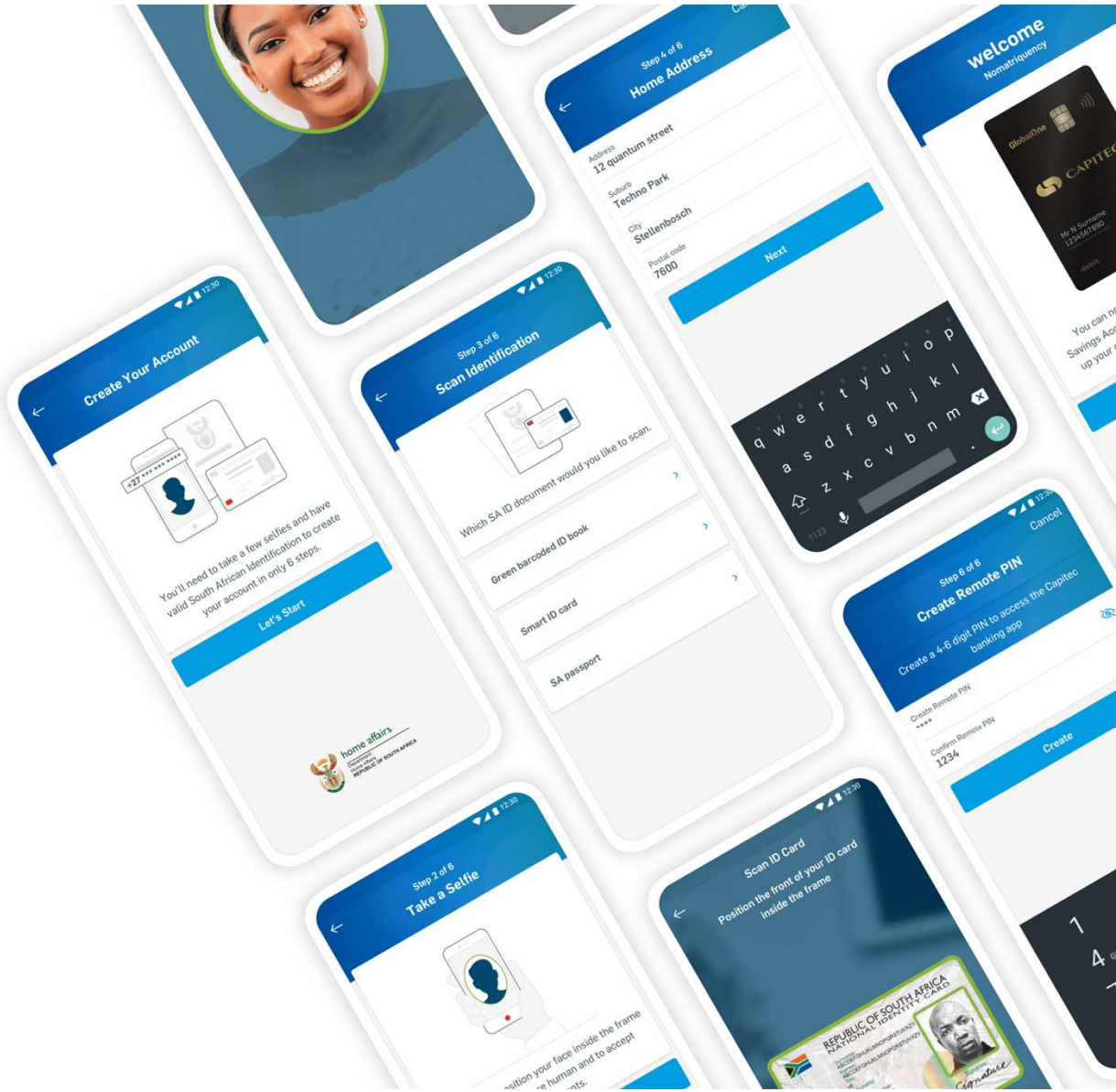
Financial education

- Live Better Academy - digital learning
- Livin' It Up game - gamified learning



Future focus

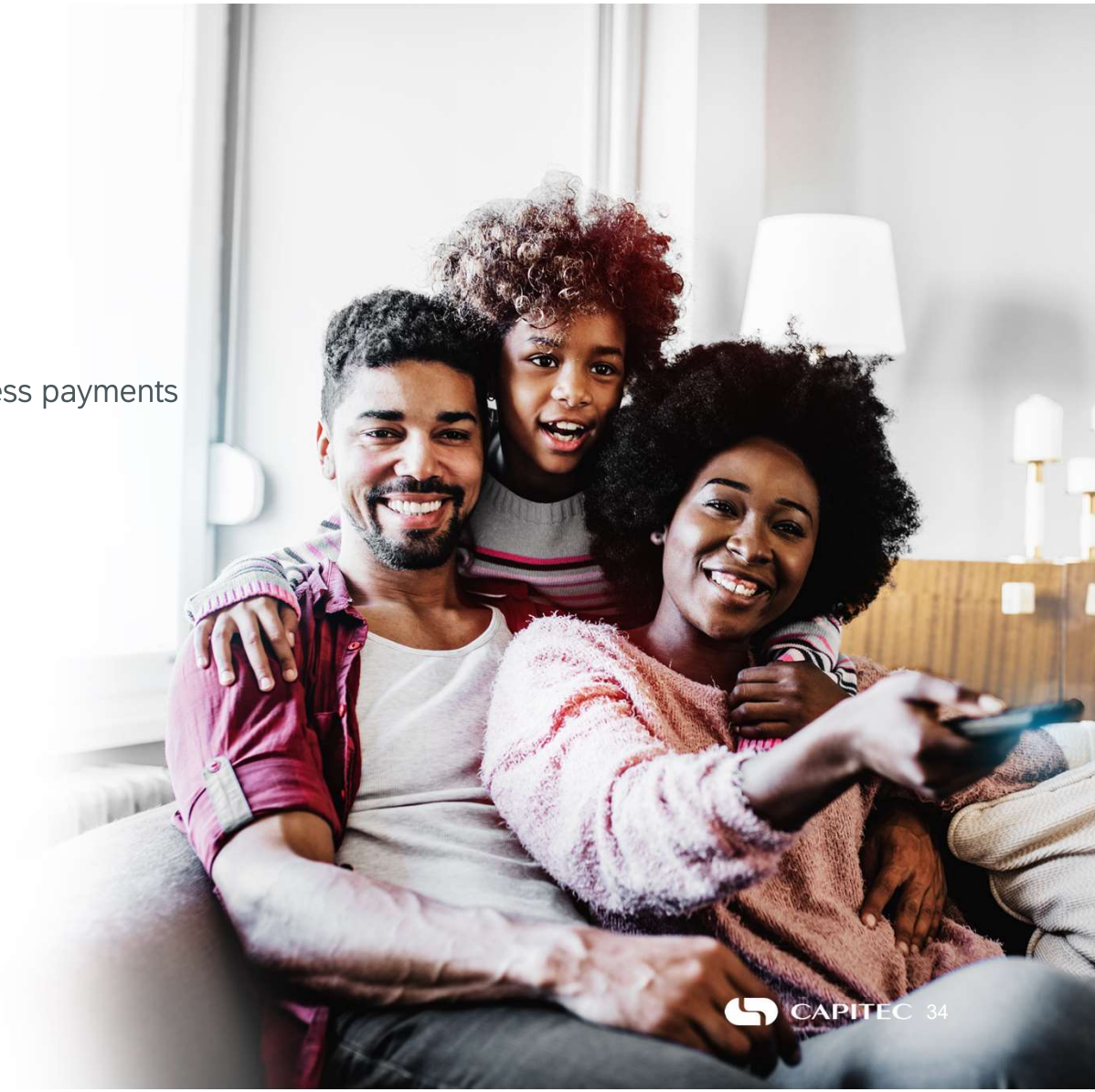
Key trends
Business bank
Culture



Future focus

Key consumer trends

- Rapid adoption of e-commerce and cashless payments
- Digital learning becomes the norm
- New focus on health and related products
- Shift in travel and tourism
- Invest in home improvement
- Work from home and gig economy
- Family and community is more important
- SMEs are core to future growth



Future focus

Business bank

- Section 54 completed by November 2020
- Building a digital and scalable business bank of the future
- Deliver on Capitec fundamentals
- Integration and launch under Capitec brand in next 24 months



Future focus

The core of our culture

Understand our client's needs

- Digital banking and e-commerce
- Self-service credit
- End to end client service experience

Empower and develop our people

- Flexibility and multi-skilling
- New way of work
- Investment in innovation and data science

Delivery

- Agile and fast



thank you

any questions?