

Digitalisation

Enhancing the banking experience for all

Interim Financial Results
August 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.





Socio-economic landscape

Impact on our clients

Socio-economic landscape

Swift recovery from pandemic, but long-term impact still uncertain

Positive

- Global commodity boom
- Current account surplus widened, low inflation and interest rates
- Improved collaboration between government and private sector
- Resilience of South African companies and individuals
- Community involvement during July 2021 civil unrest

Uncertainty

- Vaccination rate and possible next COVID-19 wave
- Exit and shortage of critical skills - Education system
- Inequality exacerbated by COVID-19
- Social grants versus culture of entrepreneurship and ownership
- Government's role – confidence, clarity and execution
- Long-term impact of COVID-19 and July 2021 civil unrest



Socio-economic landscape

Impact of July 2021 civil unrest

Impact on Capitec

- 79 branches and 272 cash devices destroyed
- Recovery management of cash and cash devices
- Damage to infrastructure amounted to approximately R300 million
- Claims submitted to SASRIA

Our responsibility to our employees and clients

- Immediate response to ensure safety
- Food relief for employees and support to relevant NGOs in communities
- Reallocated 976 service consultants

RMB/BER* business confidence index dropped in Q3 of 2021

- Confidence in KwaZulu-Natal fell from 77% to 27%



*Rand Merchant Bank (RMB) and Bureau of Economic Research (BER)

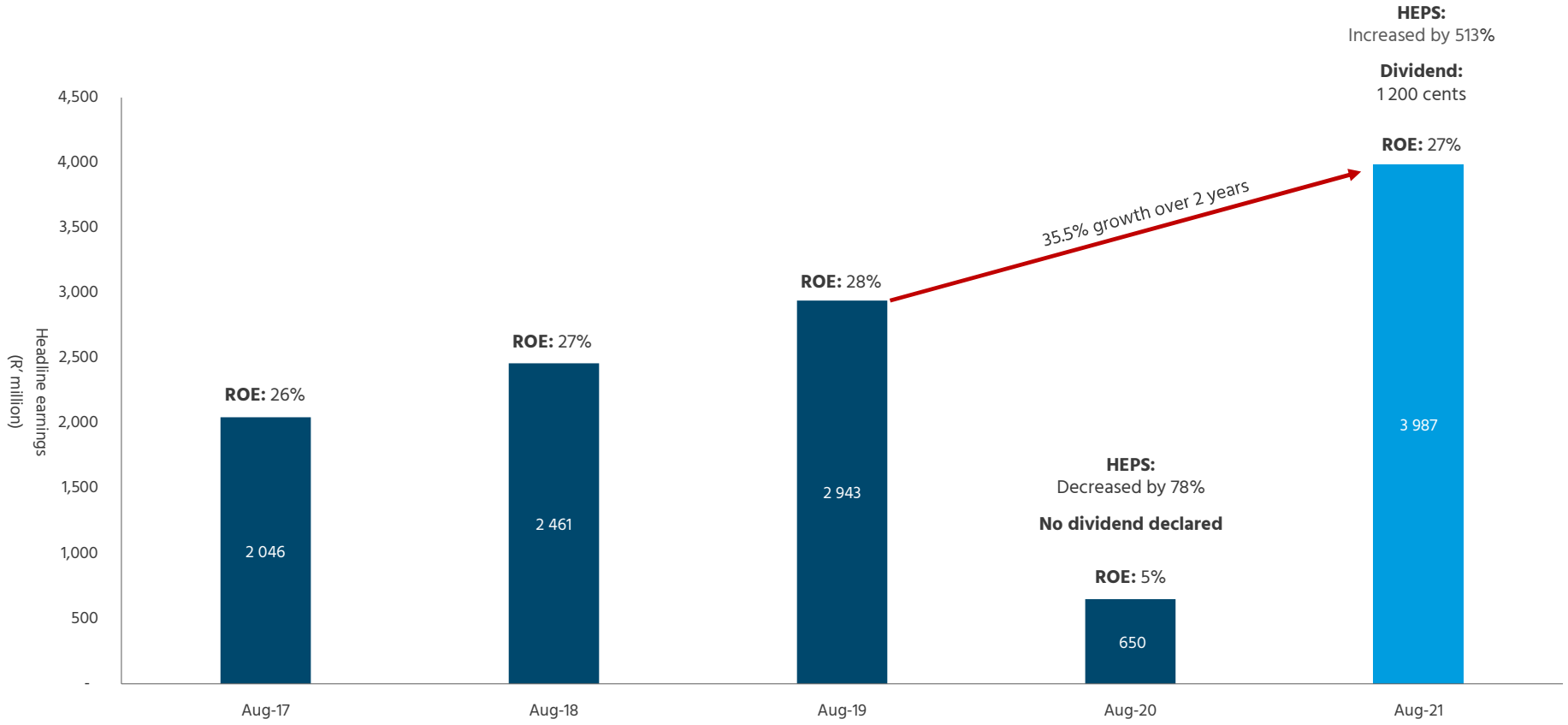


Financial highlights

Capitec Group

Group headline earnings

Strong earnings recovery exceeded pre-pandemic levels



Key performance indicators

Income from operations predominantly driven by robust transactional performance

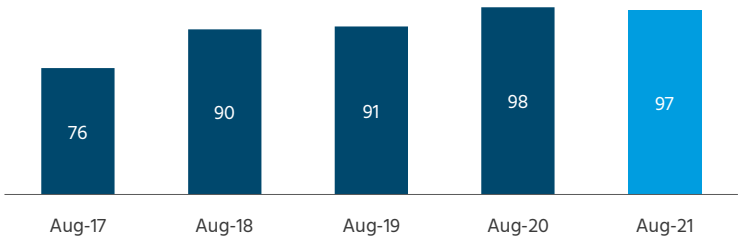
	Aug 21 (R'm)	Aug 20 (R'm)	Change (%)
Net lending, investment income and insurance income	7 202	6 718	7
Net transaction income	5 150	3 870	33
Funeral plan income	366	350	5
Other income/expenses*	106	2	
Income from operations	**12 824**	**10 940**	17
Credit impairments	(2 068)	(6 086)	(66)
Net income	**10 756**	**4 854**	119
Operating expenses	(5 716)	(4 319)	32
Income tax	(1 124)	86	
Basic earnings	**3 916**	**621**	**531**
Headline earnings adjustments**	71	**29**	**145**
Headline earnings	**3 987**	**650**	**513**

* Includes the share of net profit/(loss) of associates & JV's, net foreign currency income, impairment of investments, preference dividend and discount on repurchase of preference shares
** The R71 million (post-tax) adjustment relates to the impairment of property, plant and equipment due to the July 2021 civil unrest

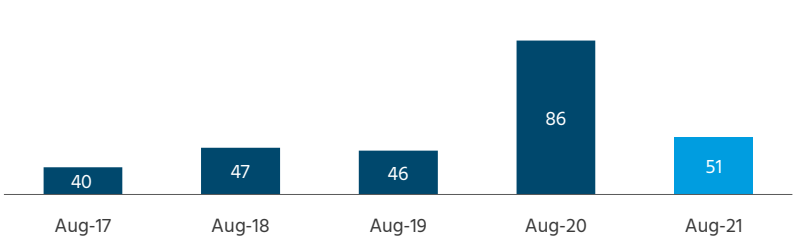
Key performance indicators

Higher cost-to-income distorted by COVID-19 and civil unrest

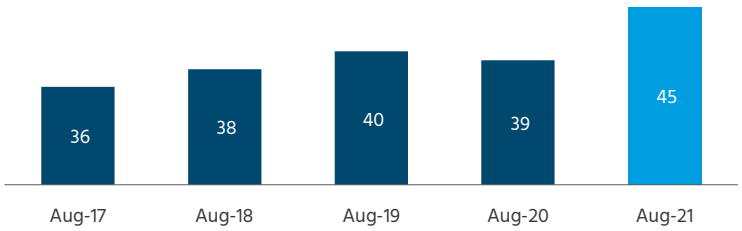
Net transaction and funeral plan income to operating expense* (%)



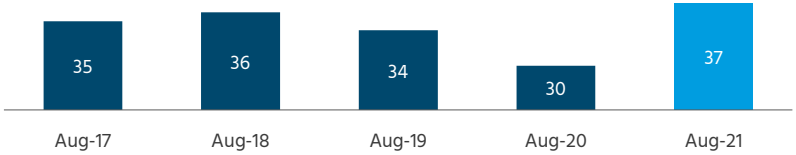
Net transaction and funeral plan income to net income (%)



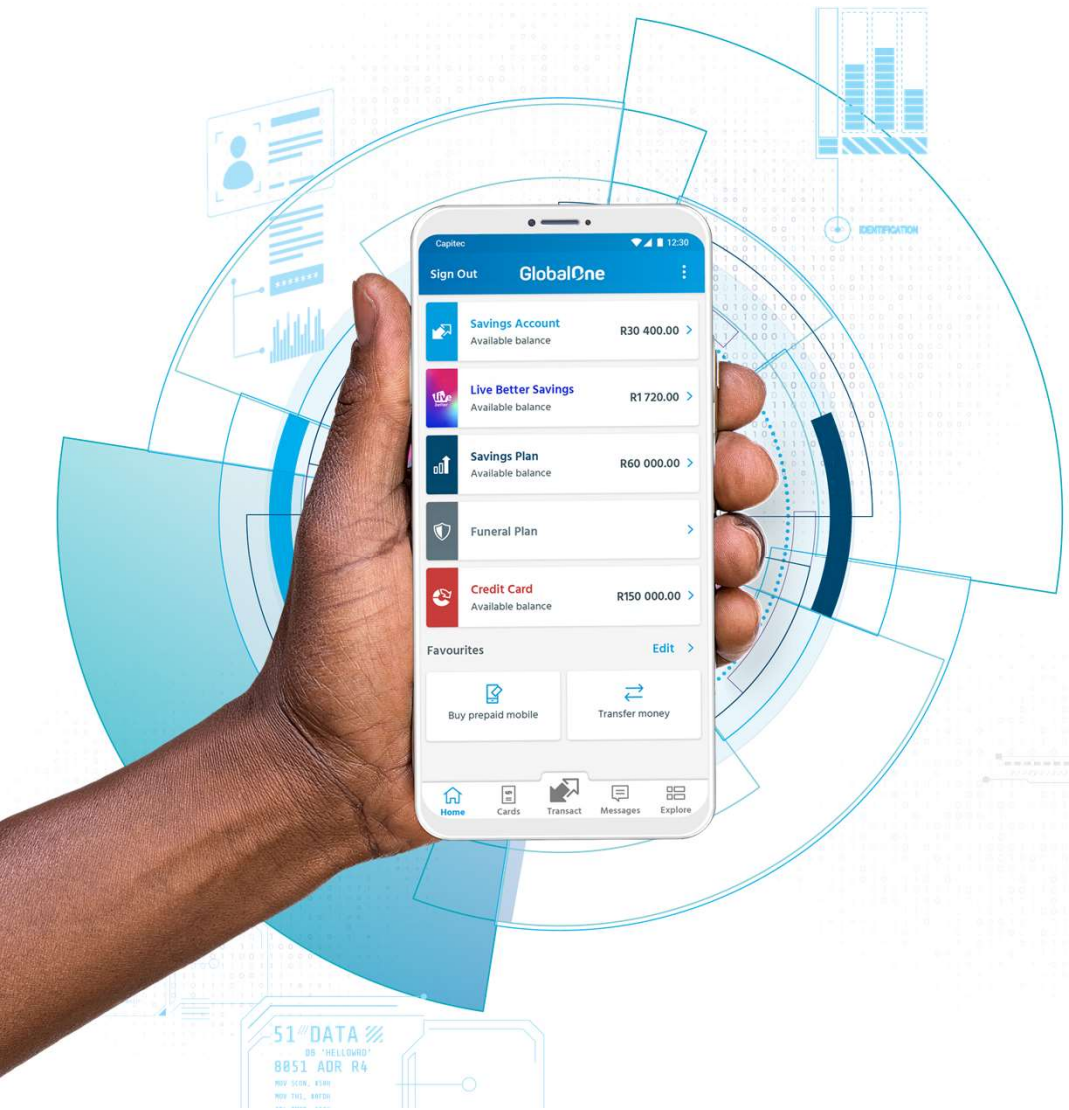
Cost-to-income ratio*



Capital adequacy ratio



* Operating expenses for 6-month period ended 31 August 2020 were restated by removing the impairment of investments from operating expenses and disclosing it as a separate line item. This has resulted in a change in the respective ratios.

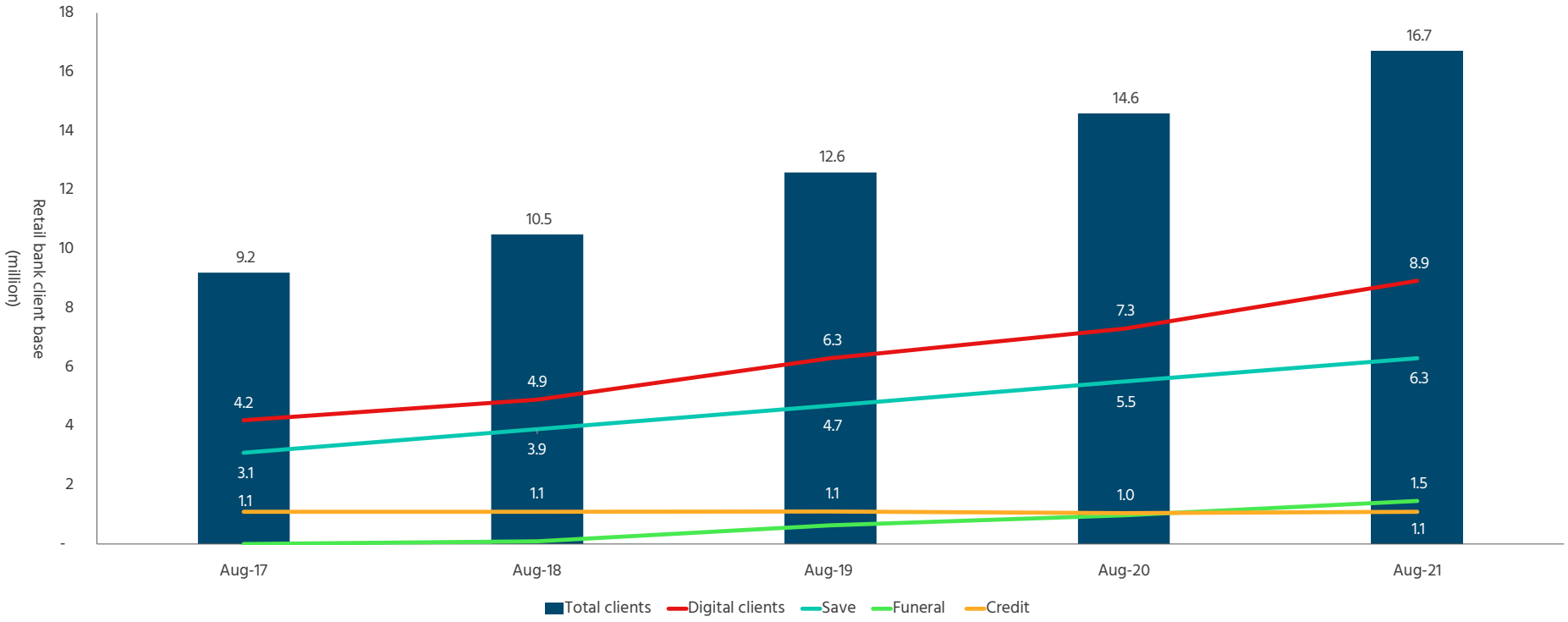


Group overview

Drivers of earnings

Active Retail client base

Clients using digital channels increased by 22% to 8.9 million



Note: Business bank clients increased by 16% to 104 777 (not included in graph above)

Success of Retail bank's digital journey

Voted as South Africa's best digital bank in 2021 (SITEisfaction®)

Digital clients as at 31 August 2021:

- 8.9 million active digital clients up 22% (app, USSD and internet)
- Strong behavioural shift from USSD to app (up 46% to 6 million clients)
- 1 million clients shopping online (up >100%)

Key digital statistics during the last 6 months:

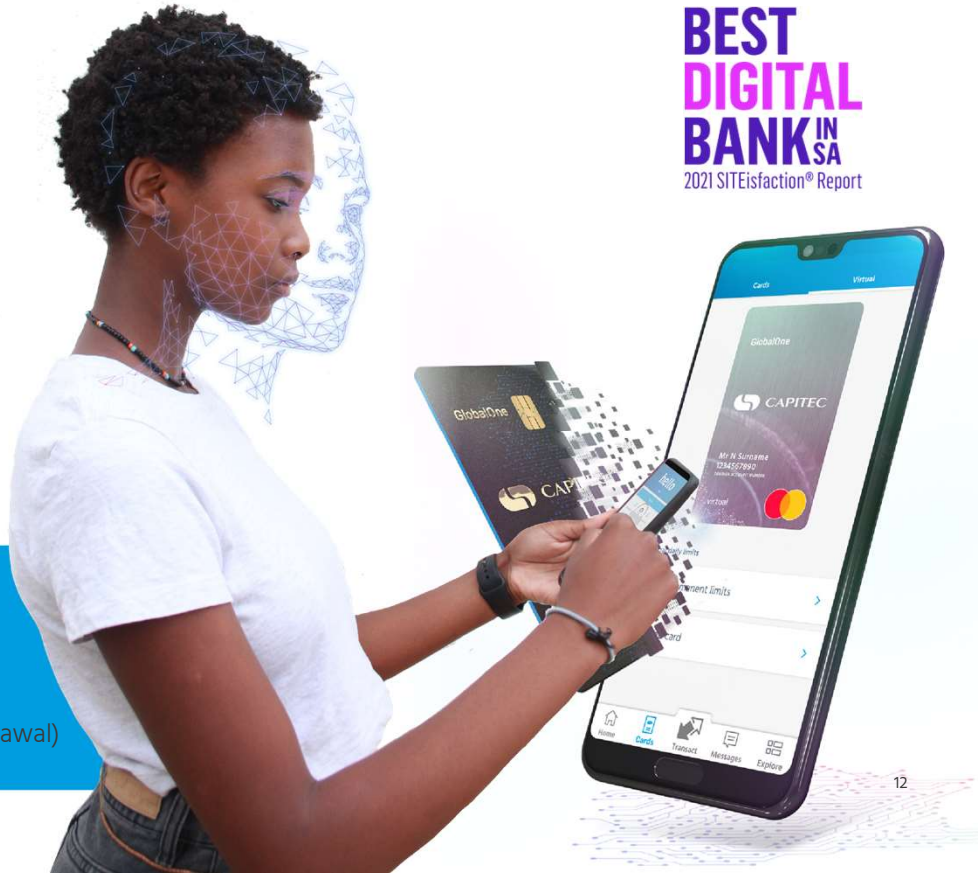
• App logins	843 million (up >100%)
• Digital transaction volumes on app, internet and USSD	623 million (up 21%)
• Contactless card payments (tap to pay)	34 million (up >100%)
• Immediate payments (RTC) (37% market share of issuing)	41 million (up >79%)

Simplicity, affordability and transparency remain fundamental.

Free: card payments, digital statements and inter-account transfers

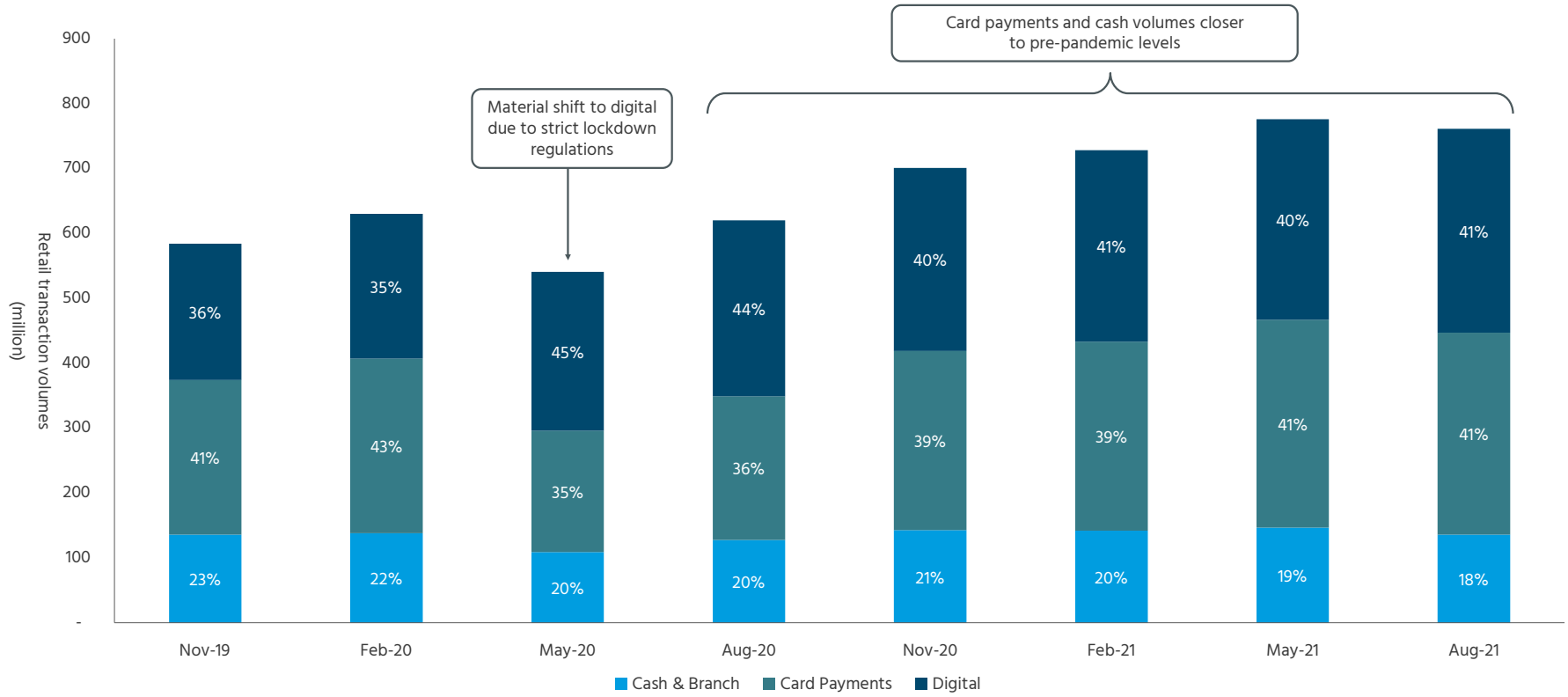
R1: electronic payments (EFT)

R7.50: immediate payments (RTC)/cash withdrawals at own ATMs (per R1 000 withdrawal)



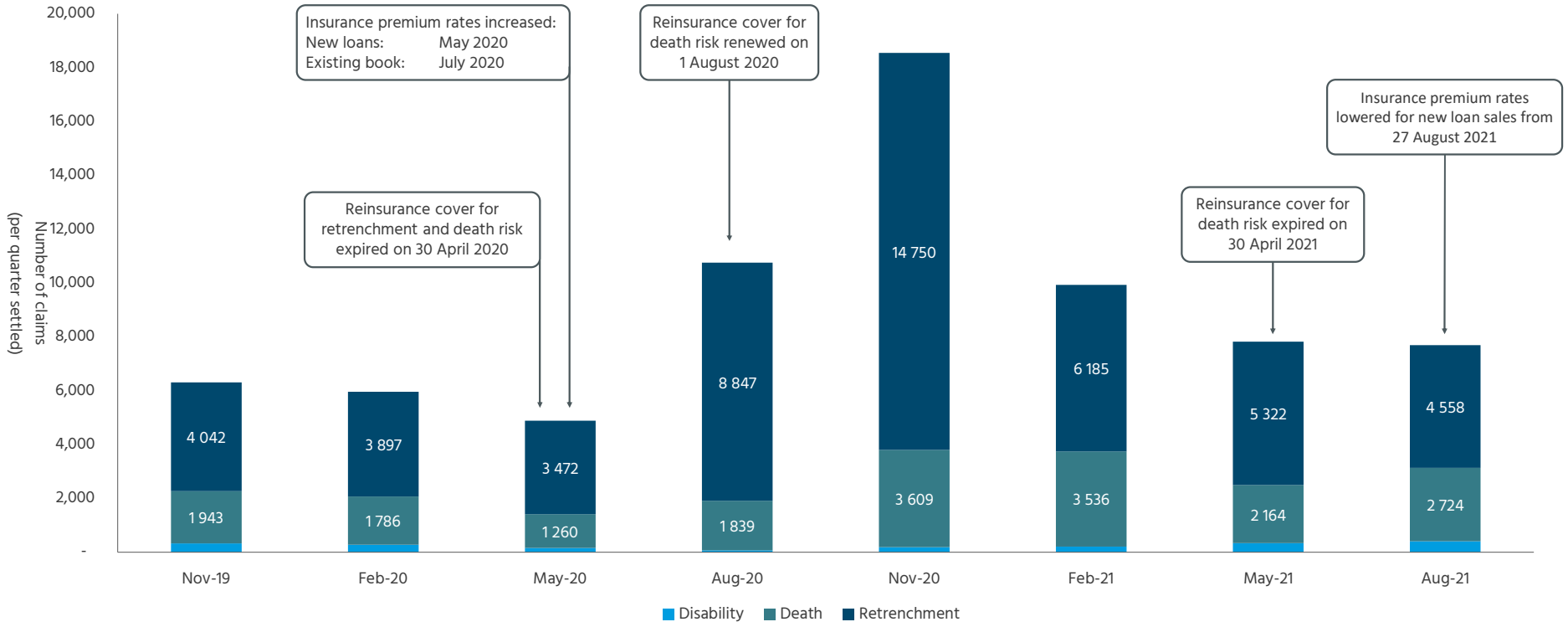
Net transaction income - Retail

Digital solutions enabled convenient transactions during lockdown



Credit life insurance roadmap

Agile management of insurance risk mitigated the impact of COVID-19



Funeral plan income

Sales recover to pre-pandemic levels

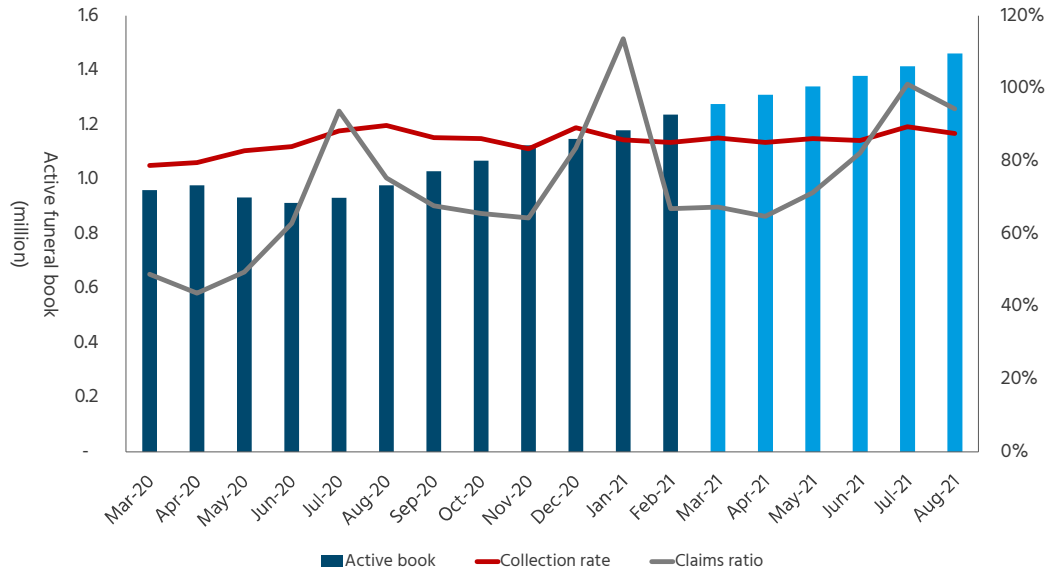
Funeral income up by 5% to R366 million

Key performance indicators:

- More than 600 000 policies sold (18% on app)
- Book persistency in line with expectations
- Average premium per policy on book = R238
- Collection rates satisfactory despite COVID-19
- 6-month average claims ratio was 81%
- R940 million paid out in claims

Market leader:

- Highest cover and lowest average premium
- 18% of all new policies issued*



* NMG SA Funeral Distribution Monitor Q1 2021

Save

Total deposit book increased by 16% to R127.9 billion

Total market deposits over the last 18 months

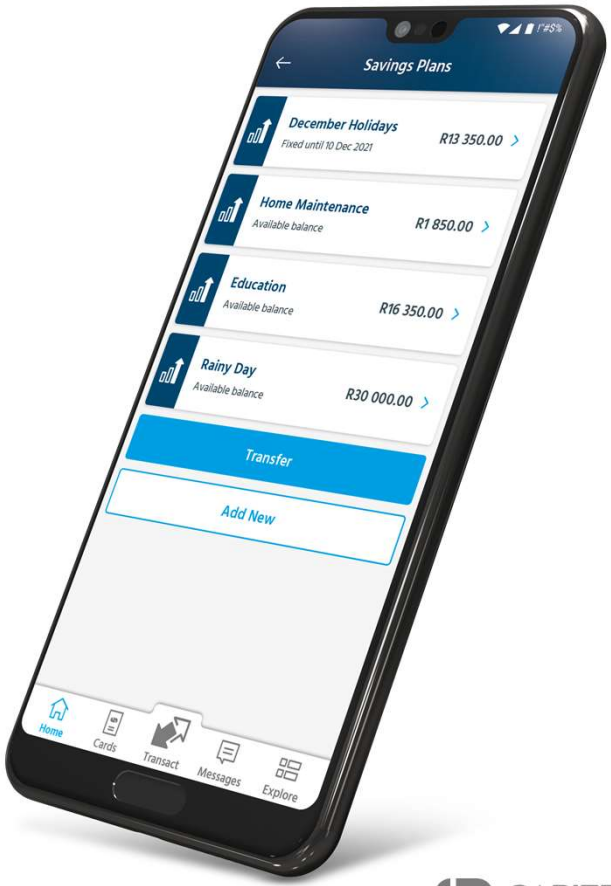
- August 2019: R2.0 trillion
- August 2020: R2.2 trillion
- July 2021: R2.4 trillion (18% growth from August 2019)

Our market share of household deposits:

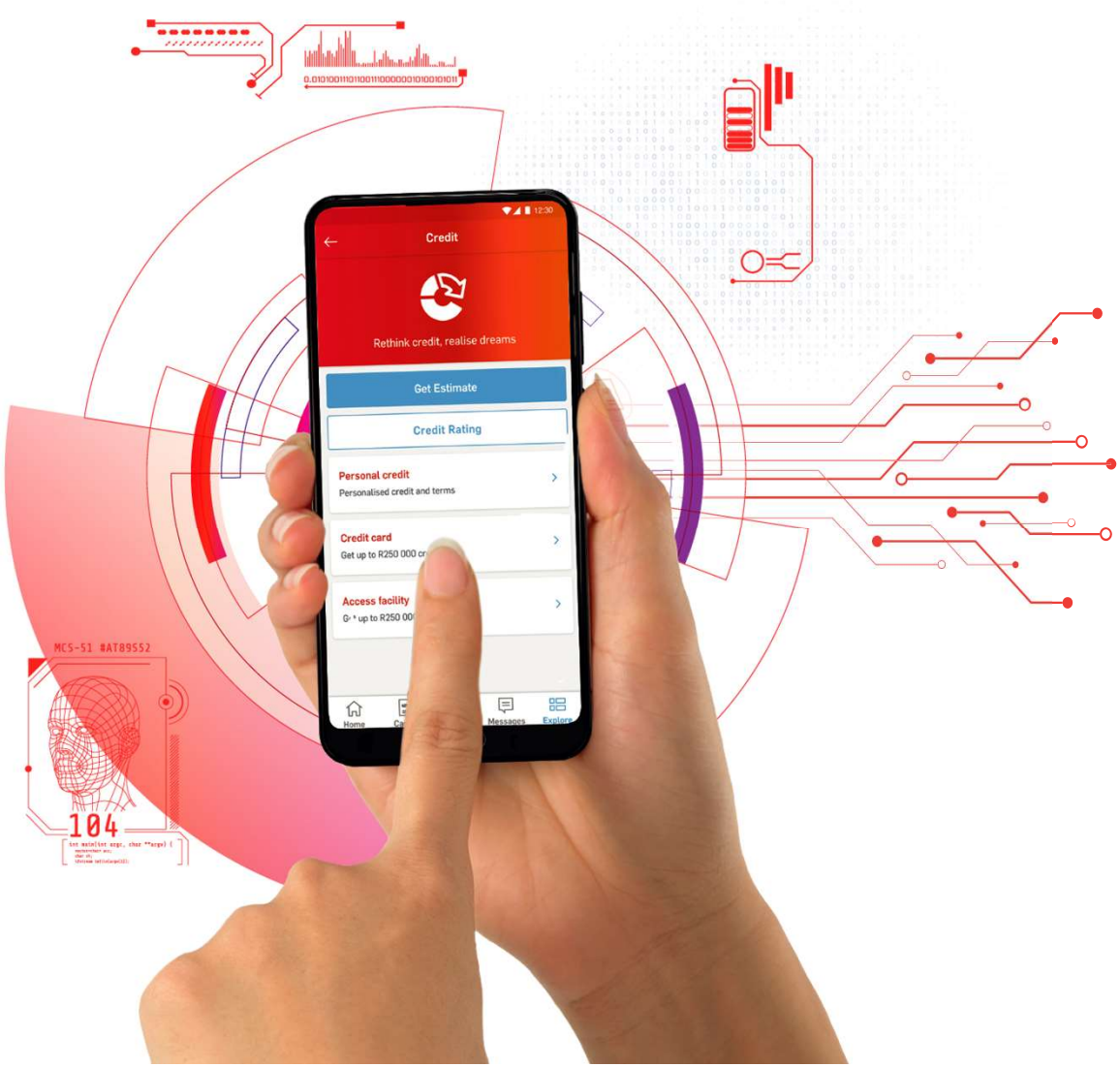
- 9.8% as at 31 July 2021
- Increased by 1.4% since the start of the pandemic

Interest paid to clients:

- R2.1 billion (August 2020: R2.3 billion)
- Interest rates between 2.25% to 8.15%



Source: Market information obtained from BA 900 returns



Retail credit

Granting

Diversification

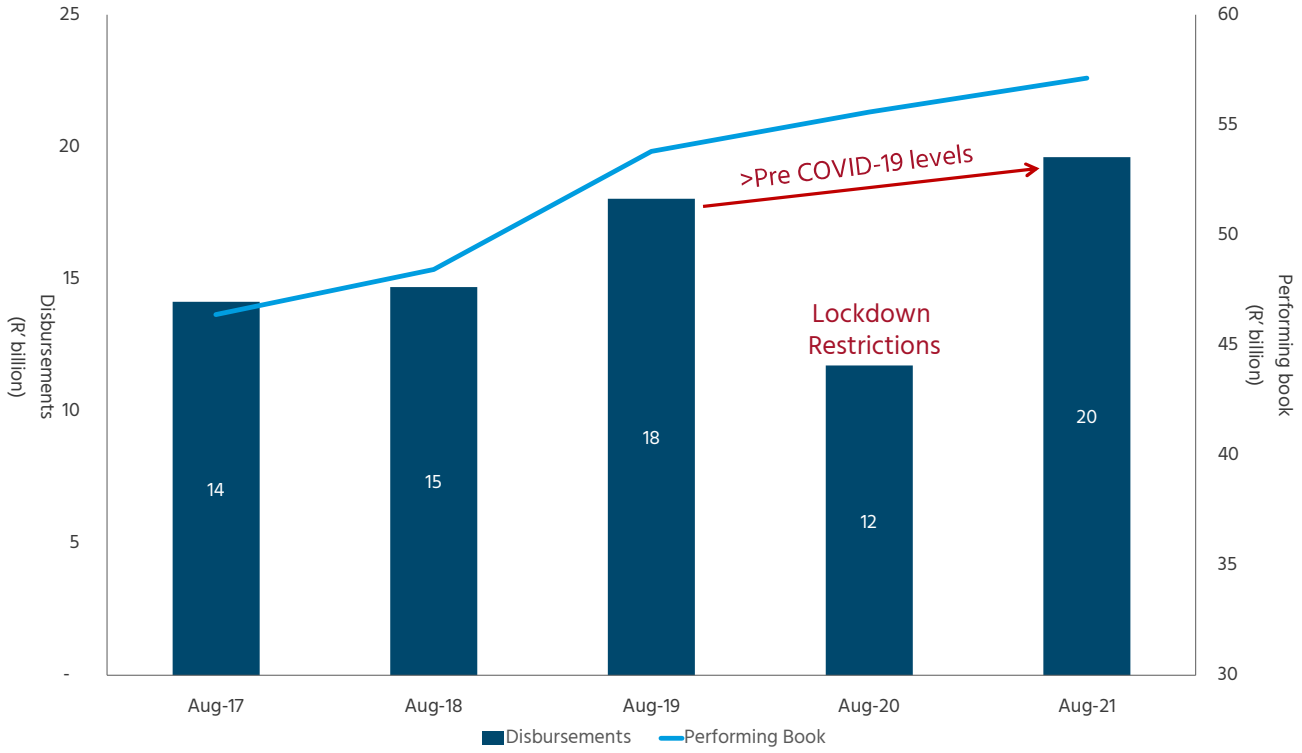
Performance

Economic uncertainty

Provisions

Credit granting

Recovery driven by proactive management of credit granting during pandemic



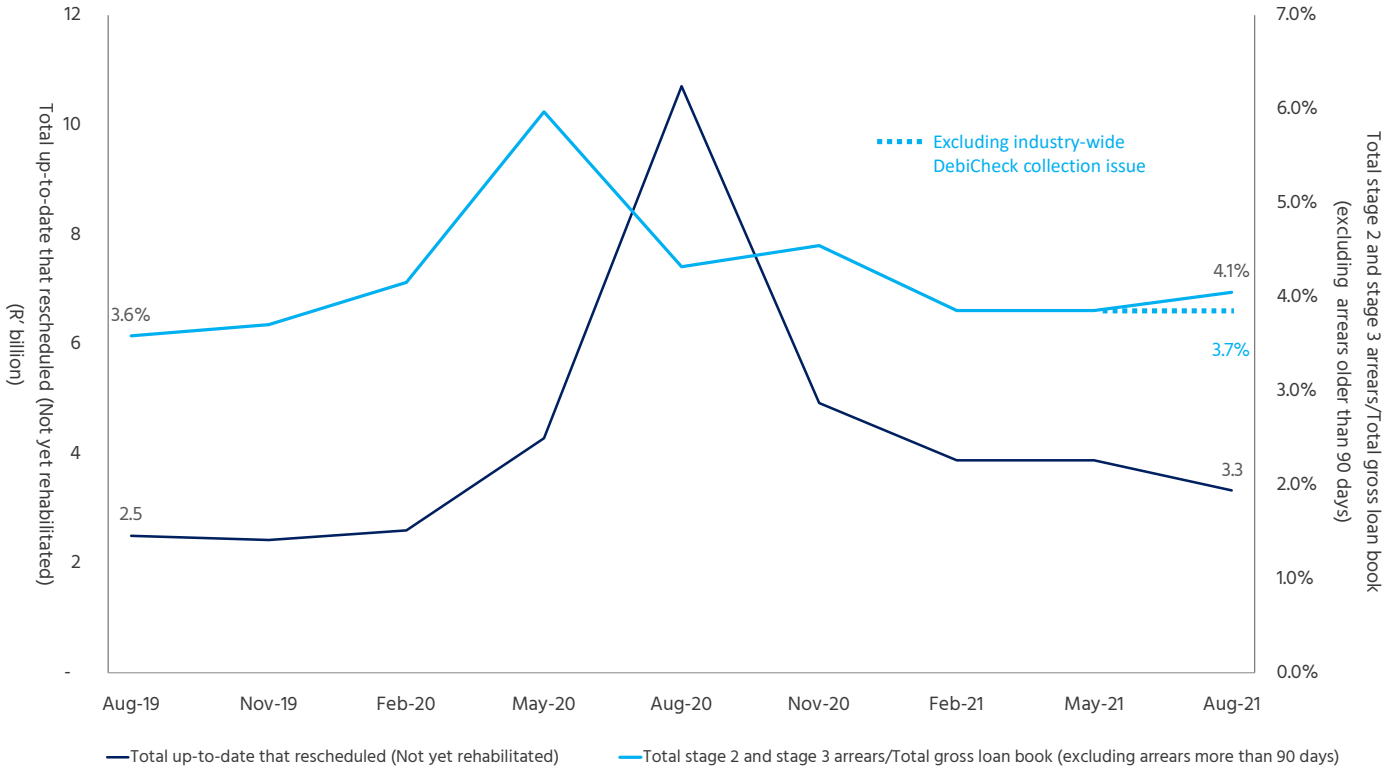
Main drivers

- Agile risk approach to granting as restrictions eased
- Competitive pricing: Global One clients on average received 16% lower term loan interest rates and fees than the market *
- Interest rates from 7%

Note: Statement is based on bureau information for Capitec clients

Credit book performance

Improvement in arrears and unrehabilitated reschedules to pre-COVID-19 levels



- Improvement in arrears and unrehabilitated reschedules
- Positively impacted by our COVID-19 client payment relief plan. This behavioural incentive led to good repayment performance (H1 2022: R197 million payout)
- COVID-19 third wave and civil unrest rescheduling impact were R40 million

Diversified portfolio

New Access Facility grew to 32% of total credit disbursed

Flexible features

- No use, no monthly fees
- Once-off application and initiation fee R100 to R300 (max)

Attractive facility pricing

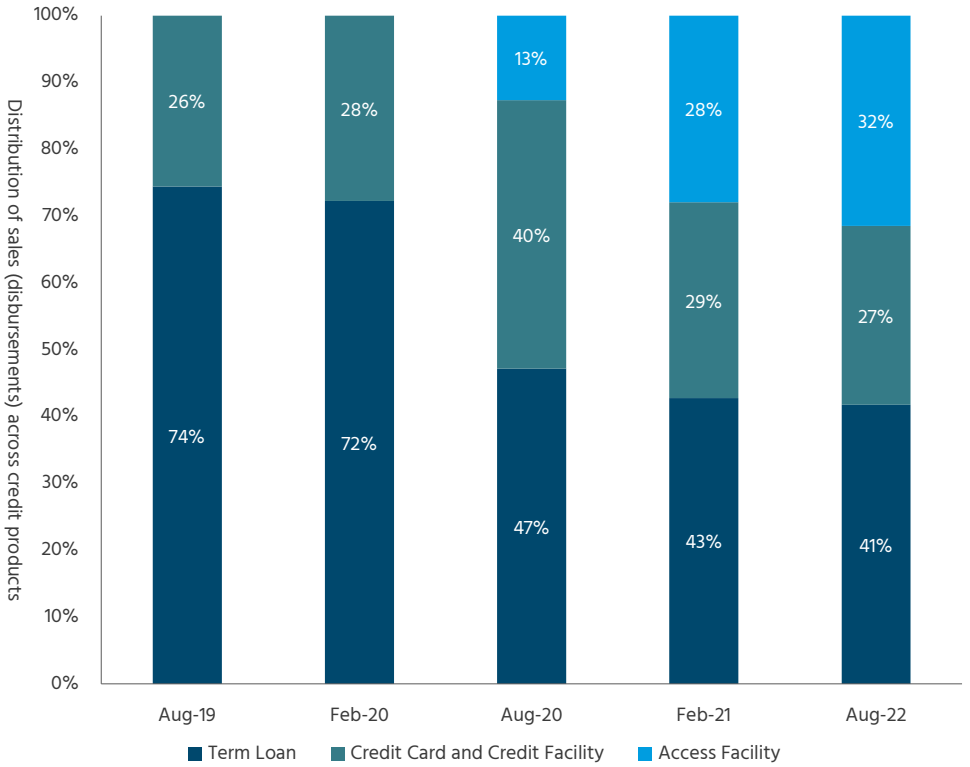
- Credit Card priced from 7%
- Access Facility priced from 12.15%
- Lower ROE than term loans to drive quality sales

Correct behaviours

- Conservative utilisation (H1 2022: 49% | FY 2021: 59%)
- <11% of clients consolidated their Term Loan with an Access Facility

Continuous risk management

- Conservative granting (<27% of applications approved)
- Daily risk management - 13% of Access Facility limits decreased in line with cash stress and risk monitoring



Credit book performance

Improved inflows but still cash strain in certain pockets of employed survivors

Inflows

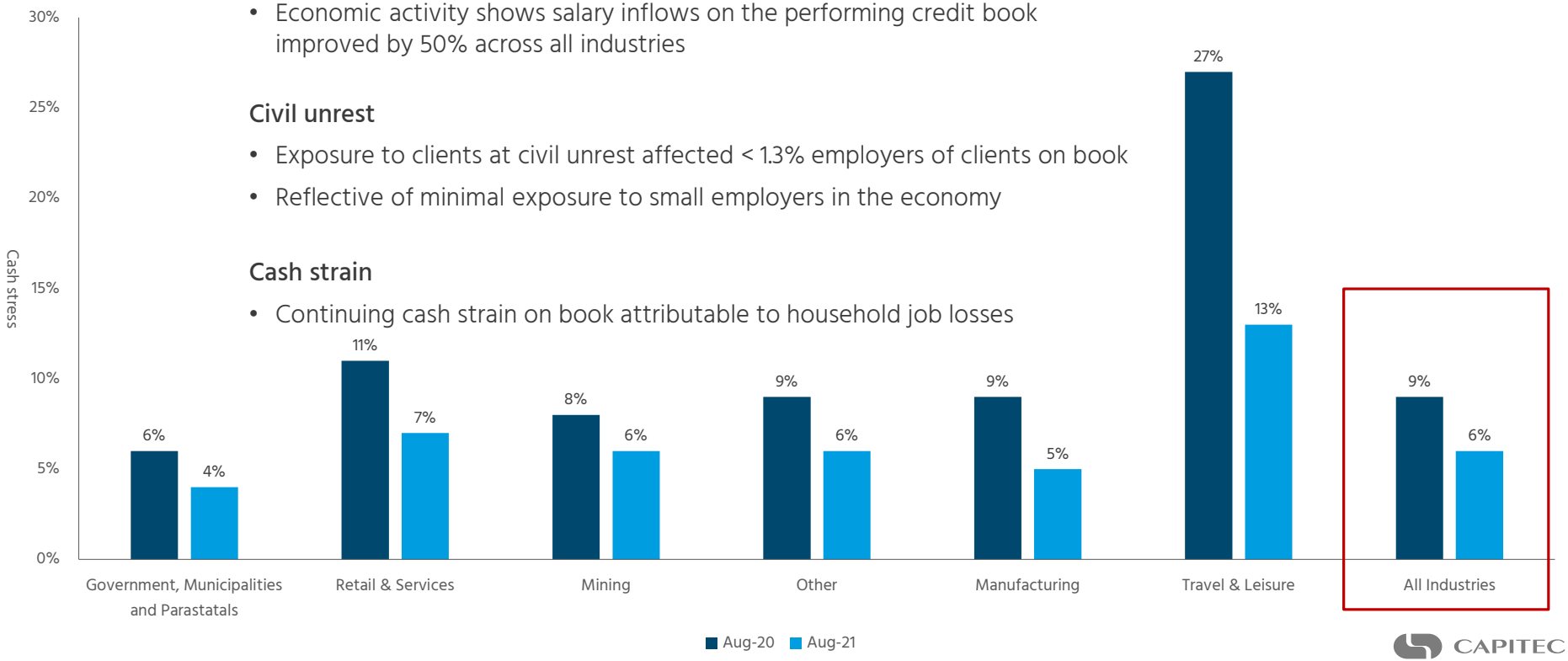
- Economic activity shows salary inflows on the performing credit book improved by 50% across all industries

Civil unrest

- Exposure to clients at civil unrest affected < 1.3% employers of clients on book
- Reflective of minimal exposure to small employers in the economy

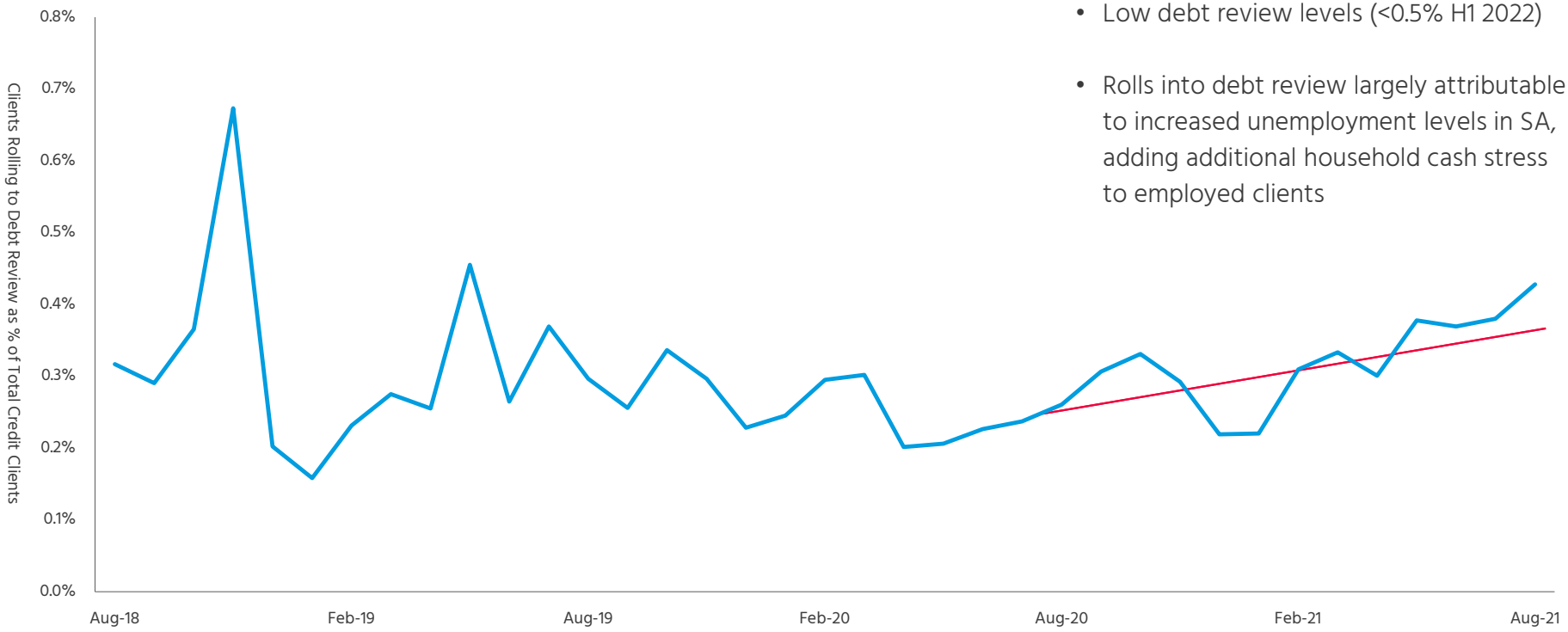
Cash strain

- Continuing cash strain on book attributable to household job losses



Credit book performance

Low book debt review roll levels experienced

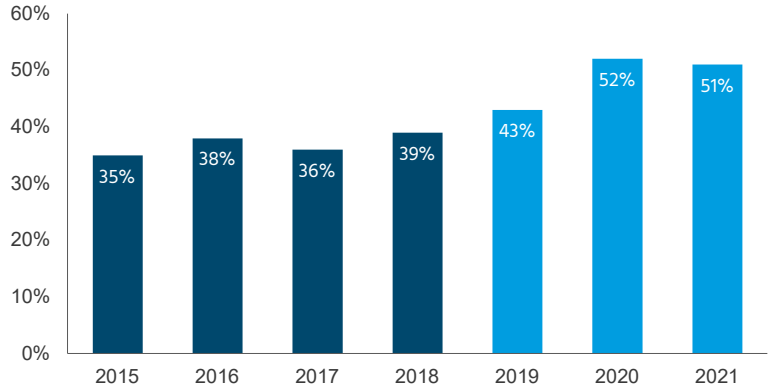


- Low debt review levels (<0.5% H1 2022)
- Rolls into debt review largely attributable to increased unemployment levels in SA, adding additional household cash stress to employed clients

Economic uncertainty

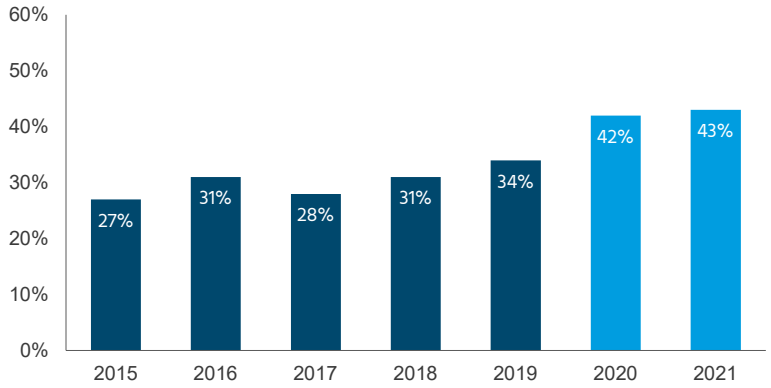
Household stress in the last 3 years

Household Adult Dependants



Other Dependants (Other Than Children): The sharp increase in adult dependants seen in 2020 has been maintained and it is notable that Gen Z (those aged 25 years and younger in 2021) have the highest incidence of adult dependants.

Sandwich Generation



The term '**Sandwich Generation**' has been coined to describe those who are supporting not only children but also parents and/or other older dependants. 2020 saw a significant increase which has been maintained in 2021.

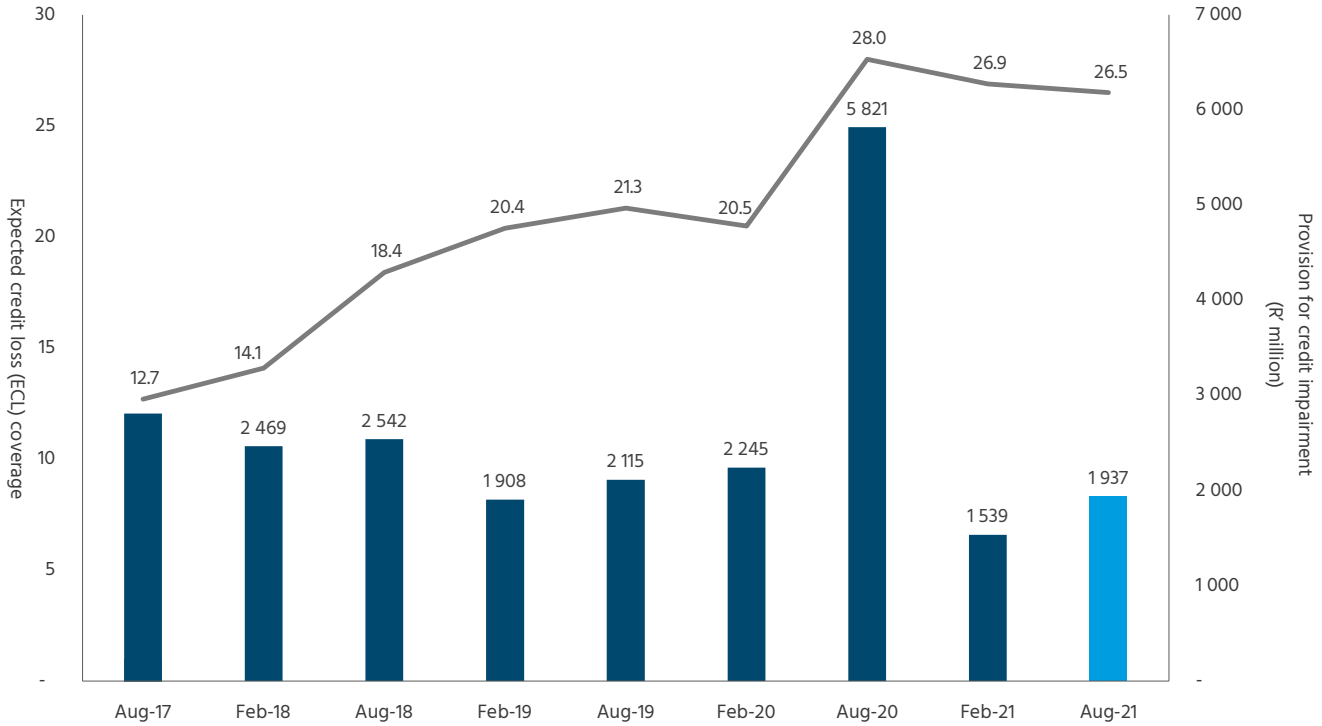
- **Now** - employed individuals supporting a wider base/family support
- **Future** - additional household strain anticipated in future (rising interest rates, electricity and petrol prices)

Source: Old Mutual Savings and Investment Monitor 2021

Retail credit provisions

Expected credit loss (ECL) coverage ratio remained prudent at 26.5%

(Total provision for credit impairments/Total gross loans and advances)



Impairment charge

- At pre-COVID-19 levels
- Employment stability

ECL coverage ratio

- Remains prudent at 26.5%
- Economic uncertainty
- Household stress

Business bank

Building the future



Business bank

Headline earnings for the 6-month period was R126 million

Total active clients increased by 16% to 104 777

- +- 1 300 new business clients per month

Key financial performance indicators

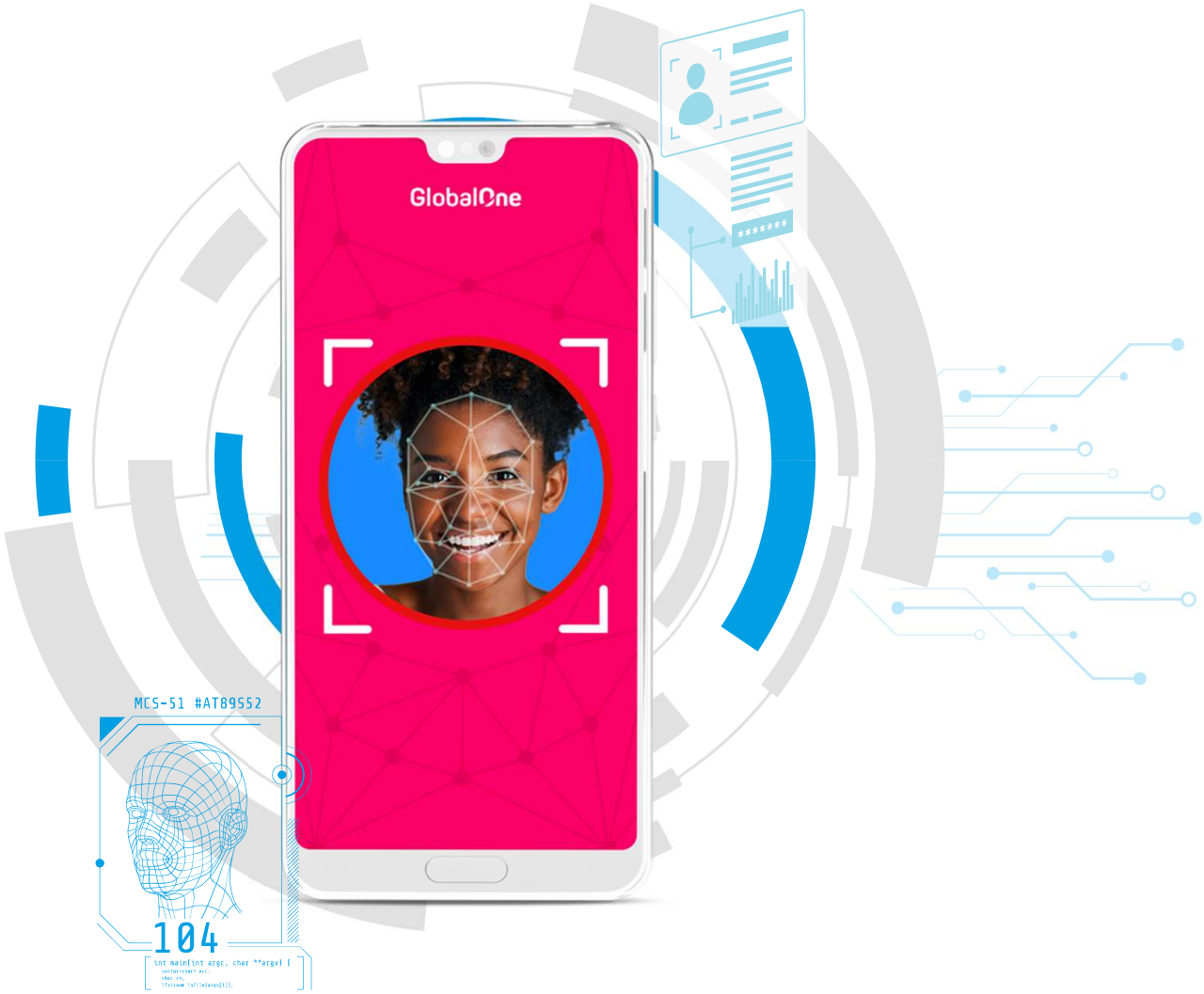
- Robust transactional recovery as a result of eased lockdown restrictions
- Excellent foreign exchange performance on the back of strengthening Rand
- Higher operating expenses due to continued business development

Loan book and prudent provisioning

- Stable book growth over the last 6 months
- ECL coverage at 6.1% (Feb 2021: 5.9% | Aug 2020: 5.5%)

Rebranding of Business bank offering still on track for Q3 of next year.





Client strategy

Digital first

Purpose lending

Live Better

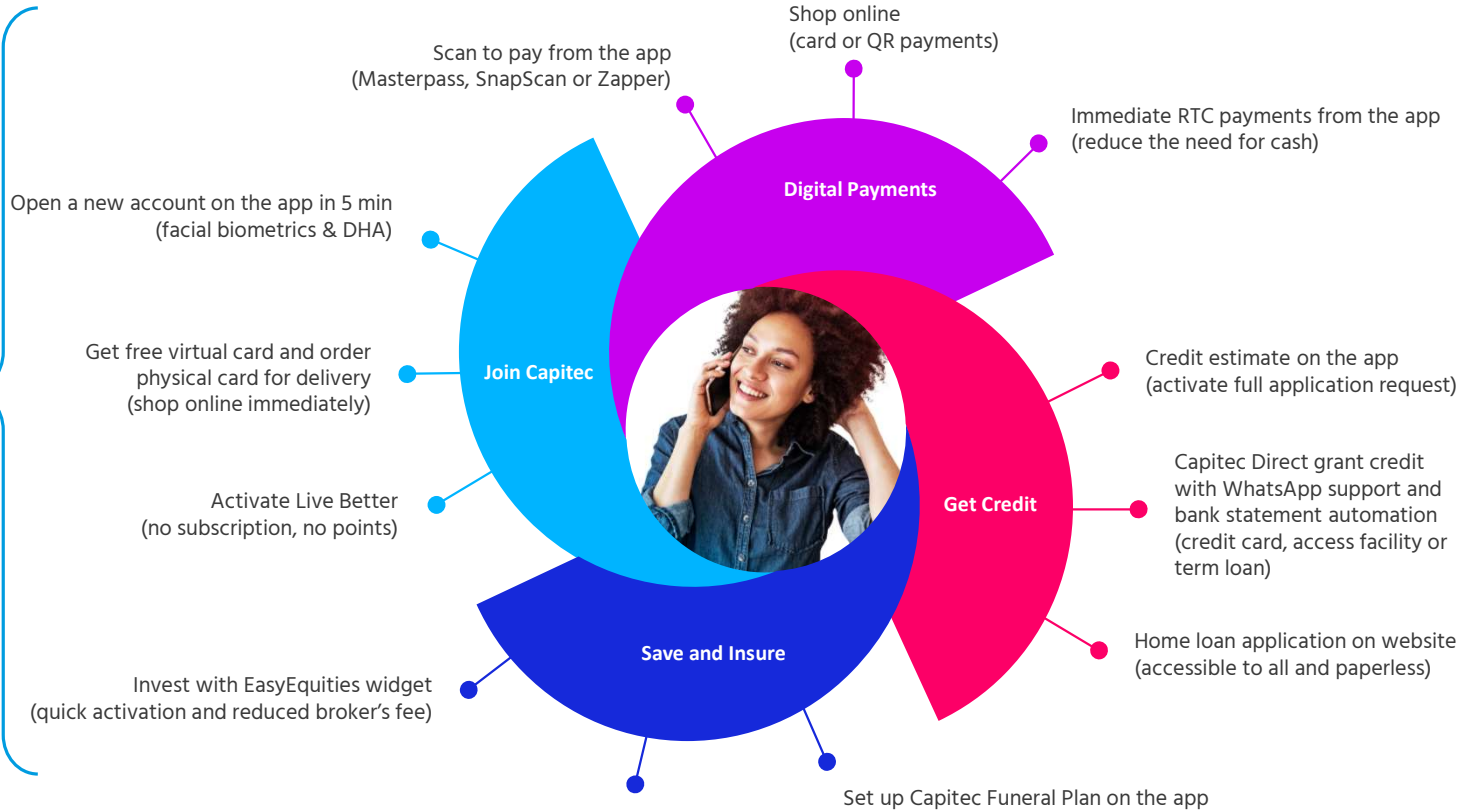
Scale

Digital GlobalOne experience

Flywheel effect with new digital solutions that grow client value

Service support:

branches and client care



Client Engagement:

Over 30 million interactions per month

Multiple channels

Prompt next best action

Purpose lending

Credit partnerships to meet key client needs

Capitec Home Loans:

- In partnership with SA Home Loans launched November 2020
- 566 new loans registered and 525 approved with registration in progress
- Increased take-up of credit card and access facility experienced

Unsecured credit available in stores and on partner websites:

- Vehicle finance: WeBuyCars and over 300 dealerships
- Home improvement: CTM
- Education: STADIO Group
- University of Stellenbosch and USB (October 2021)
- Medical loans: Mediclinic

SA Home Loans STADIO we buy cars MEDICLINIC CTM



Live Better

Behavioural banking with automated savings benefit

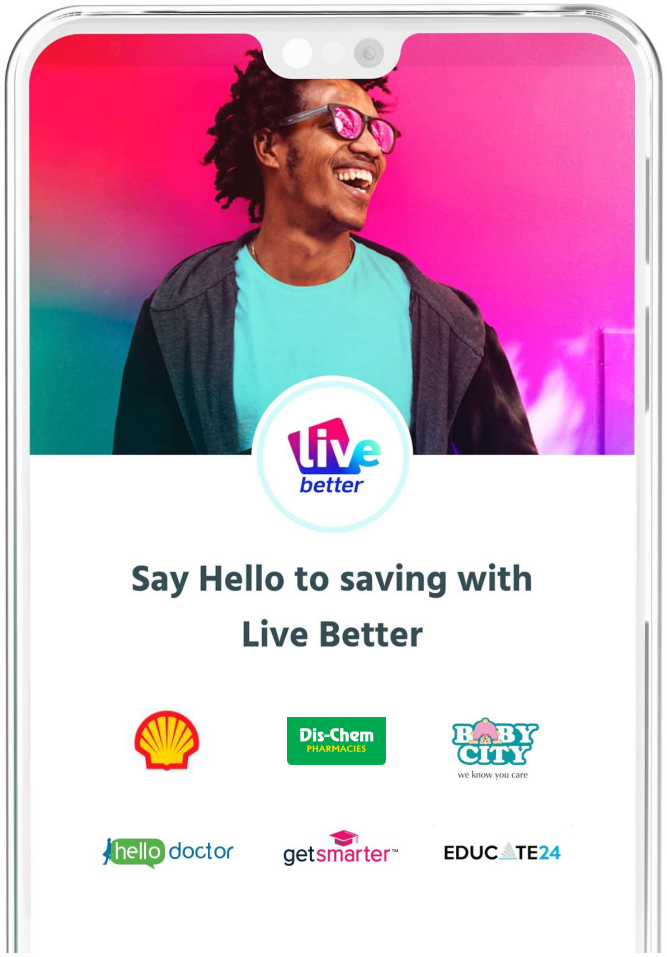
Live Better savings account offers 3.5% interest

- Introduced in July 2021
- Automated savings tool through Interest Sweep and Round-up
- Active clients: 2.2 million
- Savings to date: R55.6 million

New partners offer benefits when clients pay by card

- Shell (from 1 February 2021)
  - 20c cashback per litre
  - Cash back to date: R18.5 million

- Dis-Chem and Baby City (from 1 August 2021)
  - 2% cash back on purchases
  - Cash back paid automatically into Live Better savings account



Scale

Personal service scaled through technology

People

- Human connection remains a competitive advantage
- Cross-skilled and remote service model through technology
- Continued recruitment drive and development of scarce skills

Digital and data

- Cloud services enable machine learning models and AI
- New technology partners to ensure faster, stable services
- Innovative payments and e-commerce to meet evolving needs

Partnerships:

- Strategic partners approach to improve client experience:
  - Live Better, purpose, technology and products

Business bank

- Digital-first approach is key to scalability and value
- Potential to unlock growth in SME market and South Africa



Thank you

Please send any questions to

InvestorRelations@capitecbank.co.za

#SimplifyBanking #LiveBetter

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