



The bank for  
**every  
one**

# Financial results

February 2022



# Hello

Please send any questions to: [InvestorRelations@capitecbank.co.za](mailto: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



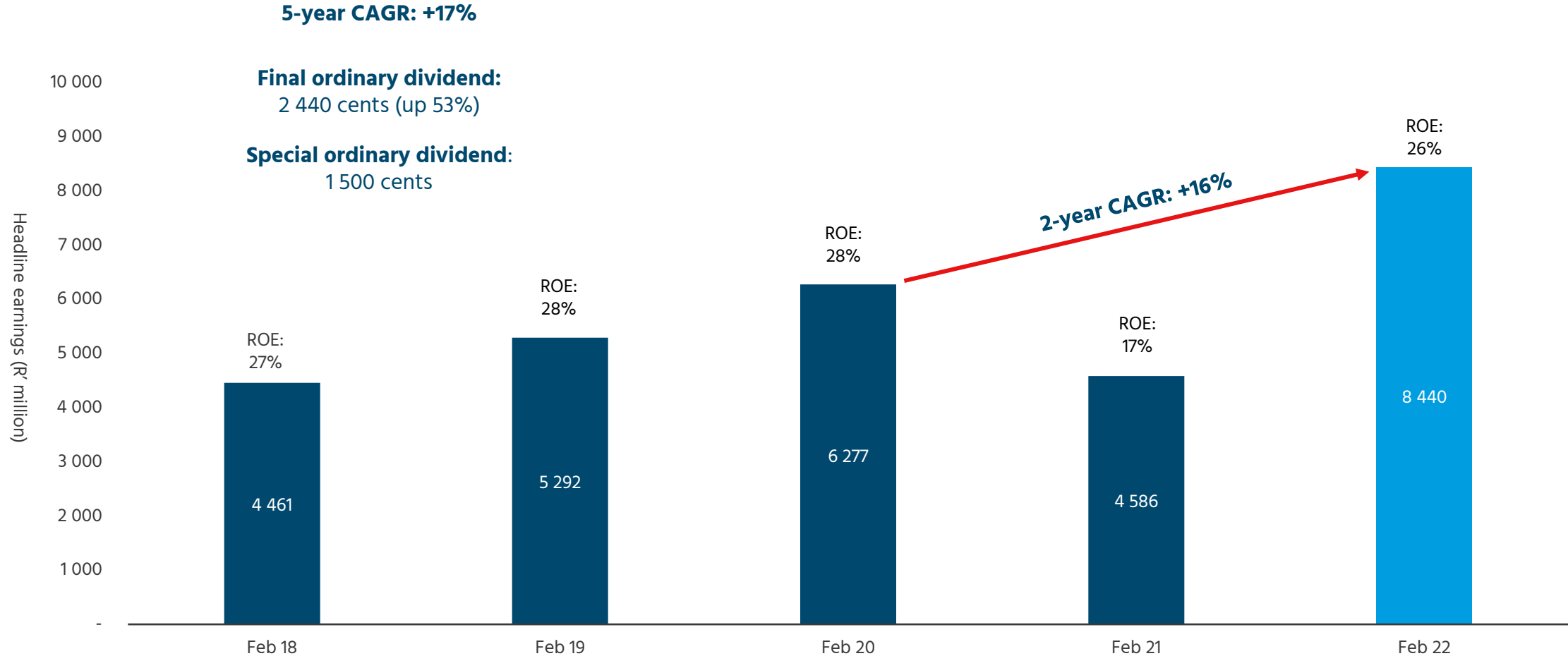


# Financial overview

Capitec Group

# Substantial growth driven by client-centricity

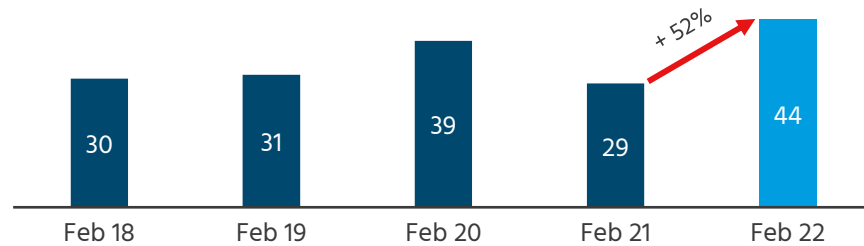
Headline earnings increased by 84% to R8 440 million



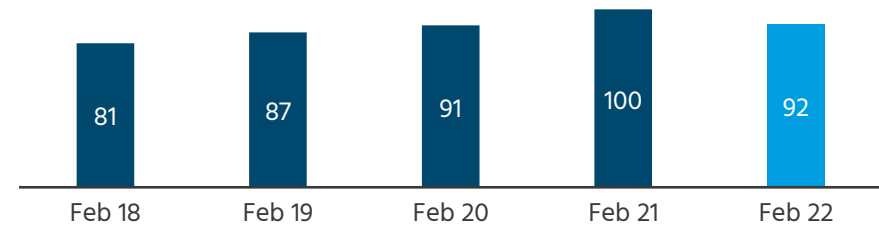
# Key financial performance indicators

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

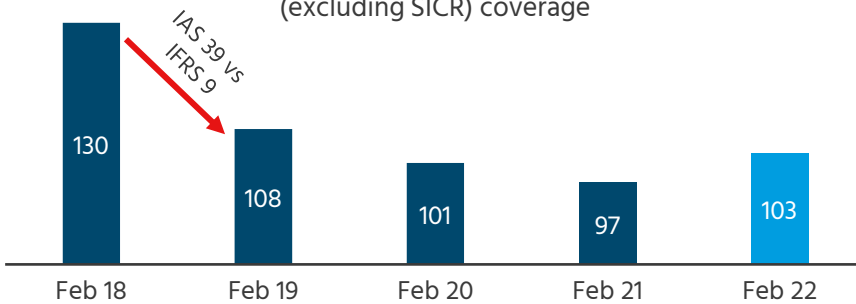
Retail loan sales and disbursements (R' billion)



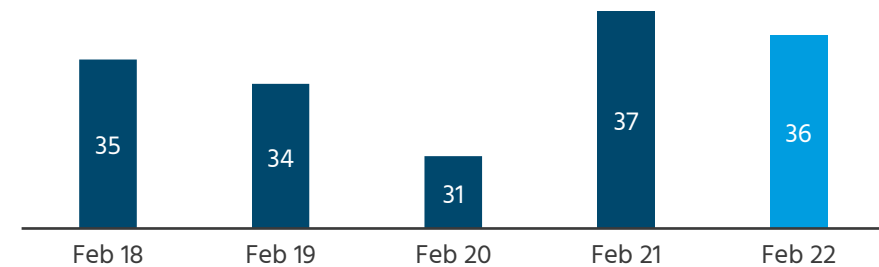
Net transaction, net foreign exchange and funeral plan income to operating expenses



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 <sup>(1)</sup>	434	225	93	209
<b>Income from operations</b>	<b>26 962</b>	<b>23 005</b>	<b>17</b>	<b>3 957</b>
Credit impairment charge	(3 508)	(7 825)	(55)	4 317
<b>Net income</b>	<b>23 454</b>	<b>15 180</b>	<b>55</b>	<b>8 274</b>
Operating expenses	(12 555)	(9 463)	33	(3 092)
Taxation	(2 408)	(1 130)	>100	(1 278)
Other items and headline earnings adjustments <sup>(2)(3)</sup>	(51)	(1)	>100	(50)
<b>Headline earnings</b>	<b>8 440</b>	<b>4 586</b>	<b>84</b>	<b>3 854</b>

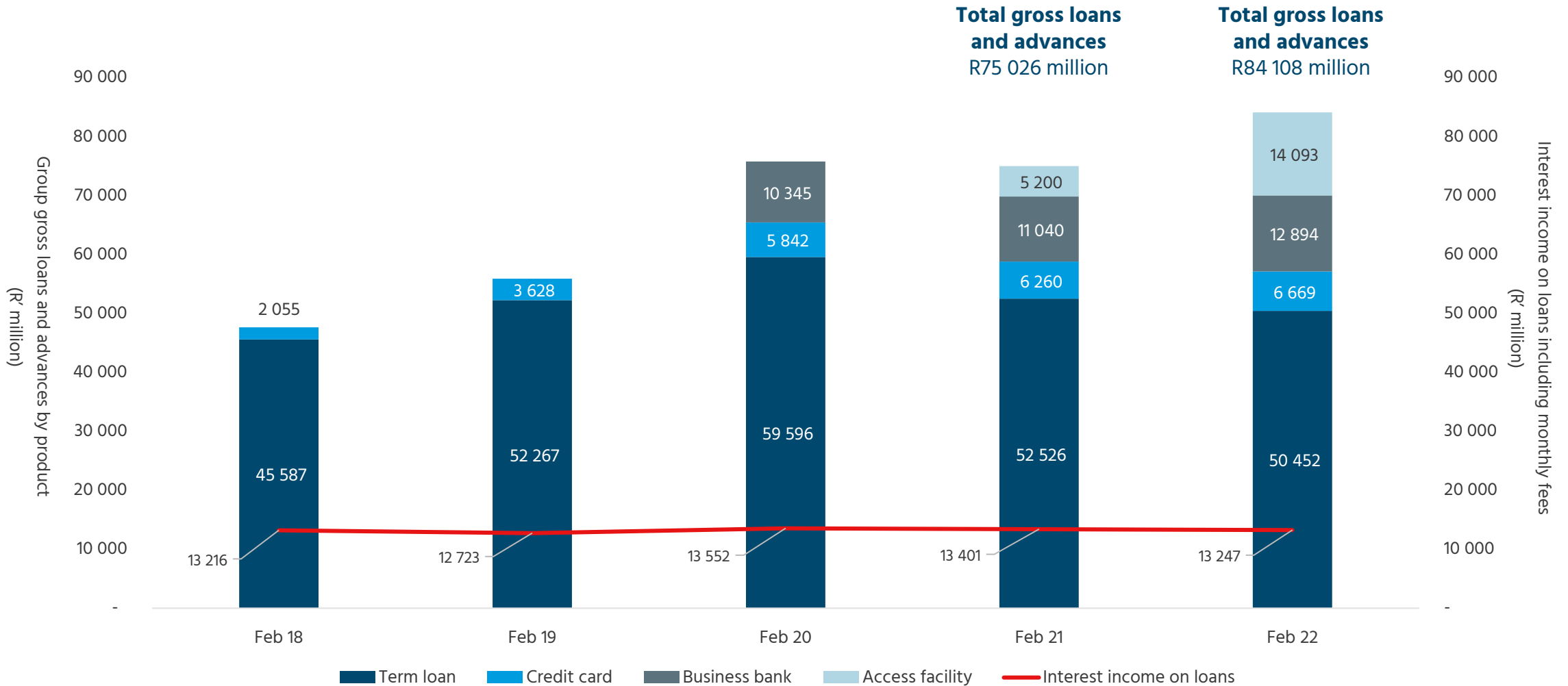
<sup>1</sup> Other income and expenses includes net foreign exchange income.

<sup>2</sup> Other items include share of net profit/(loss) of associates and JVs, preference dividends and the discount repurchase of preference shares.

<sup>3</sup> Headline earnings adjustments mainly relate to the post-tax impact of the July 2021 civil unrest.

# Change in composition of loan book

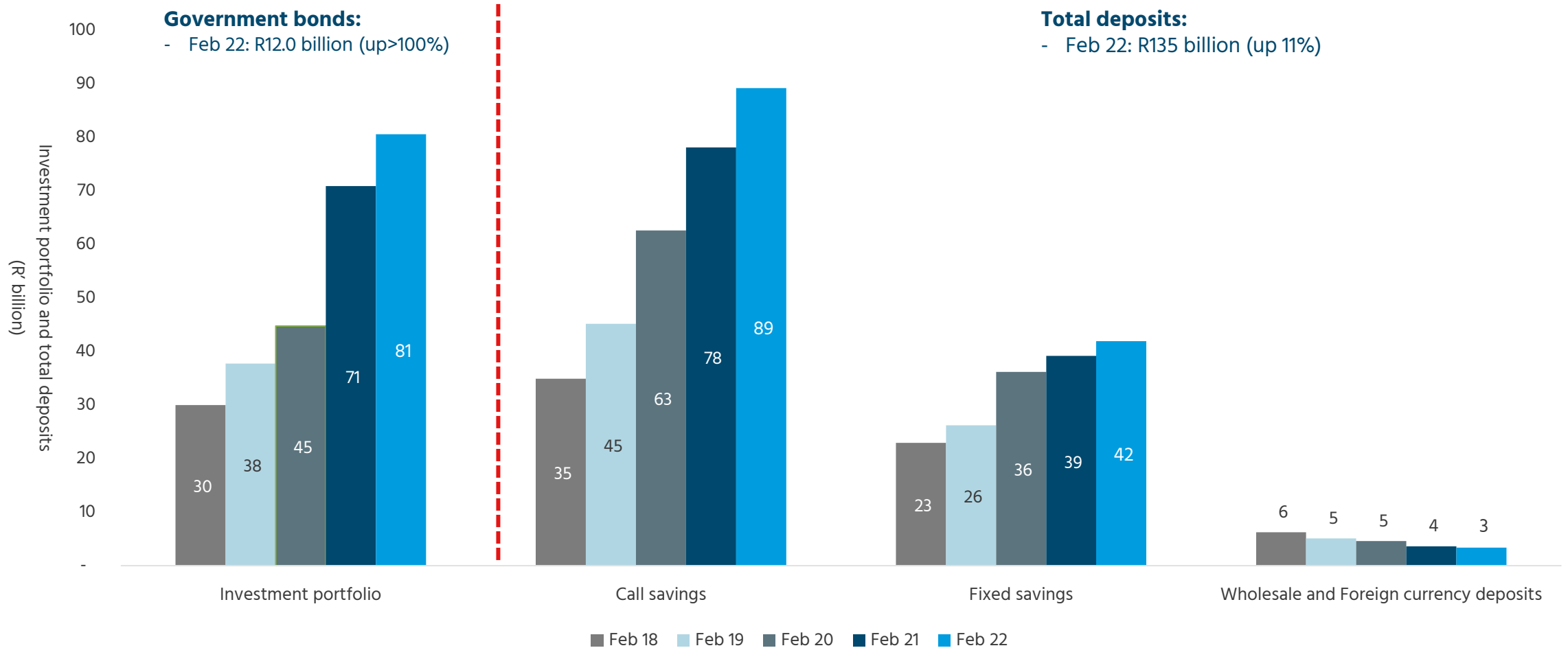
Interest income on loans declined by 1% to R13 247 million – lower interest rates





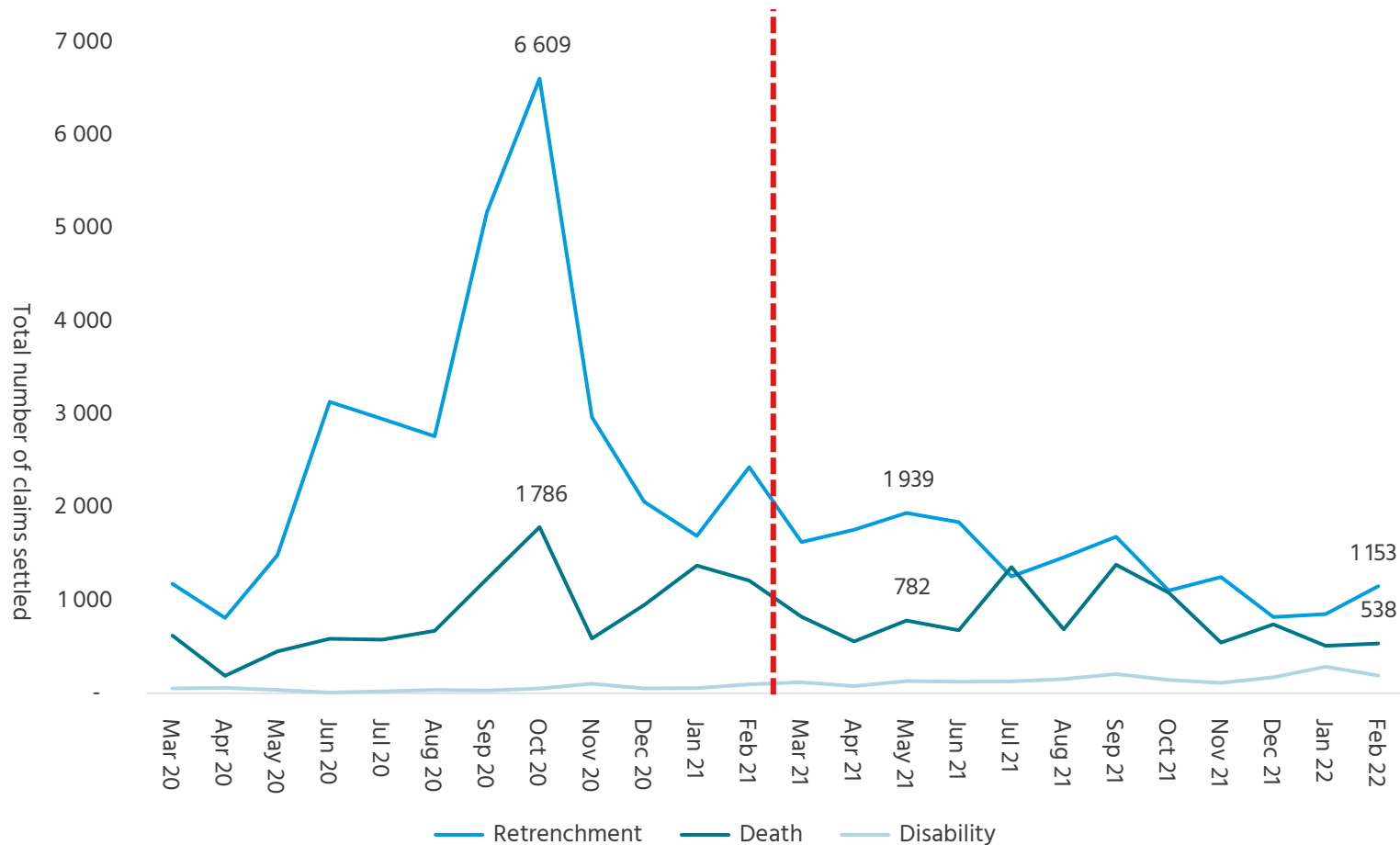
# Higher investment portfolio driven by continued growth in deposits

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



# 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%

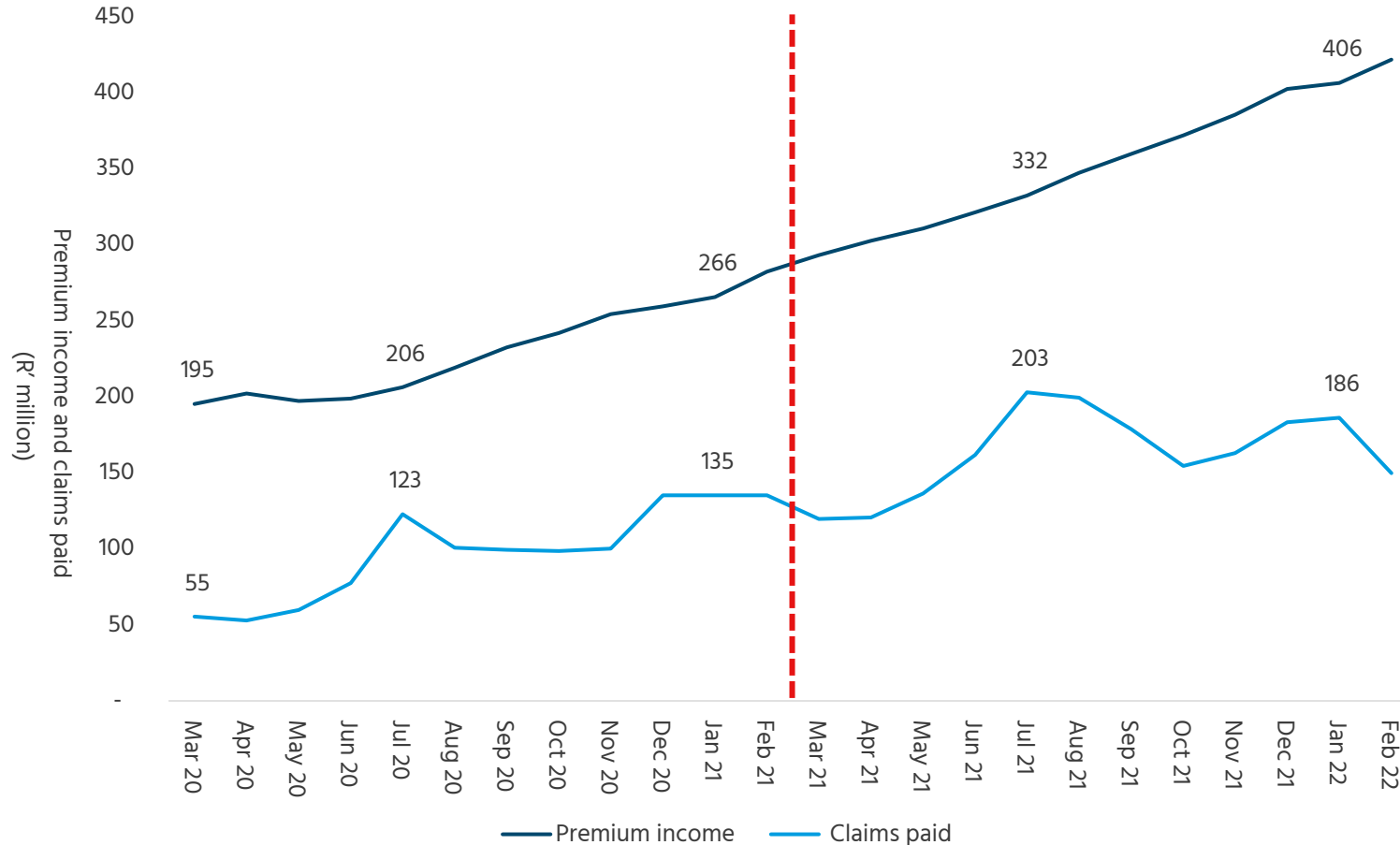
## Operating environment stabilised

- 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%)

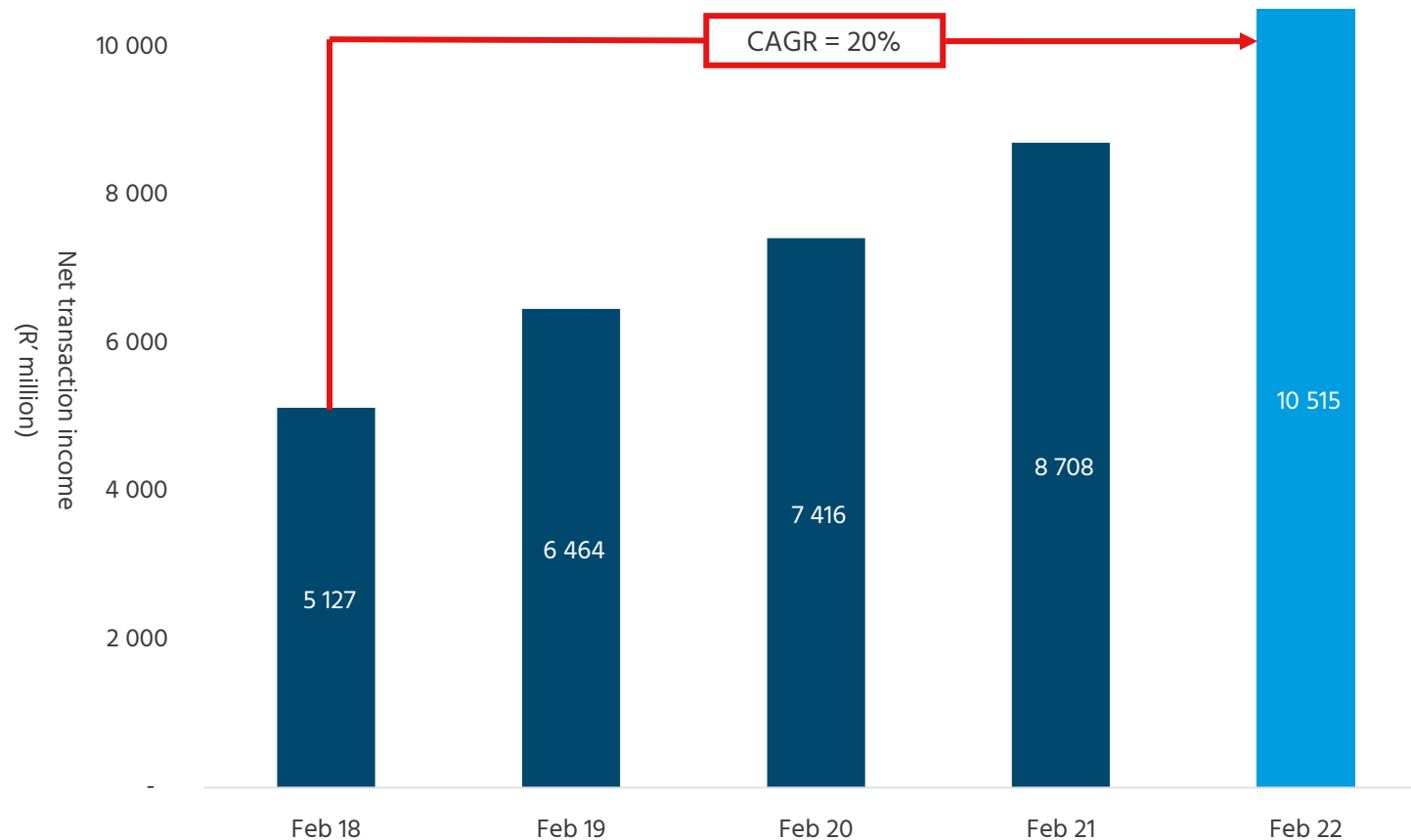
## Policies issued

- 1.2 million new funeral plan policies issued
- Persistency ratio<sup>(1)</sup> 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

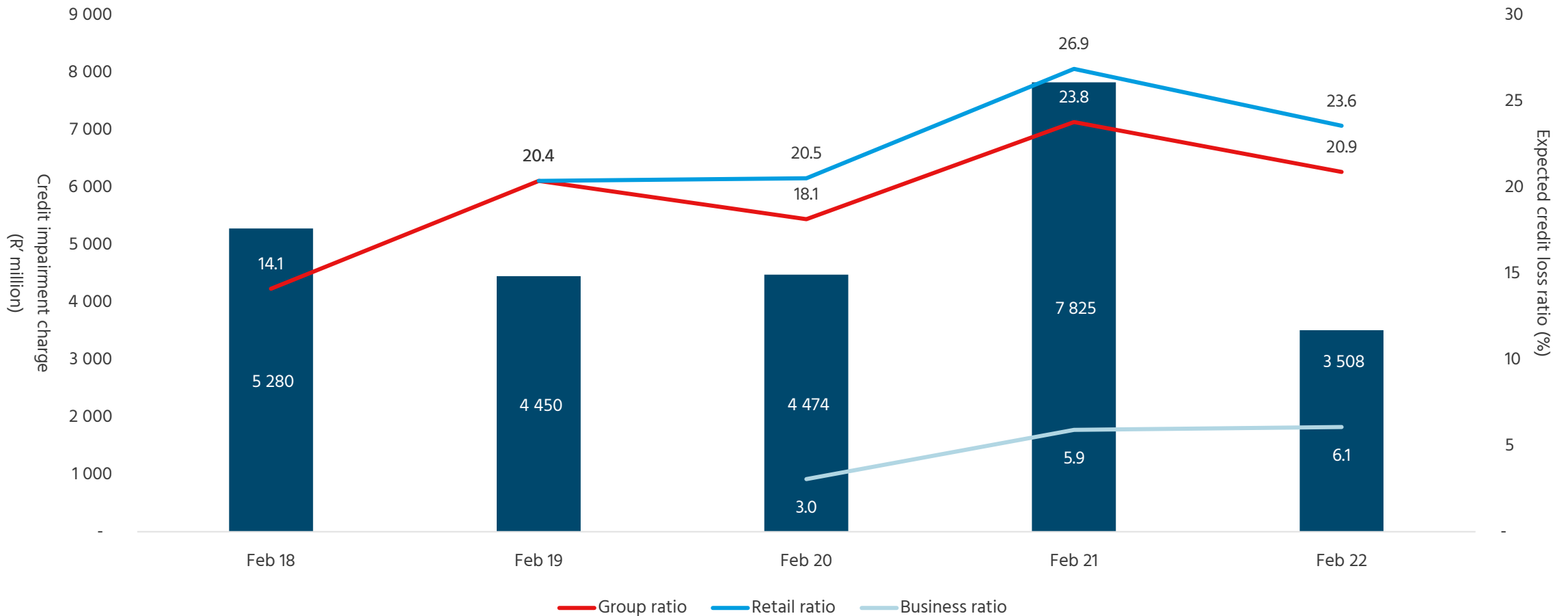
	Feb 22 (Rm)	Feb 21 (Rm)	Change (%)	Change (Rm)
Bad debts written off	6 186	6 379	(3)	(193)
Movement in provision for expected credit impairment charge	(1 860)	2 378		(4 238)
<b>Gross credit impairment charge</b>	<b>4 326</b>	<b>8 757</b>	<b>(51)</b>	<b>(4 431)</b>
Bad debts recovered	(818)	(932)	12	114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

## 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

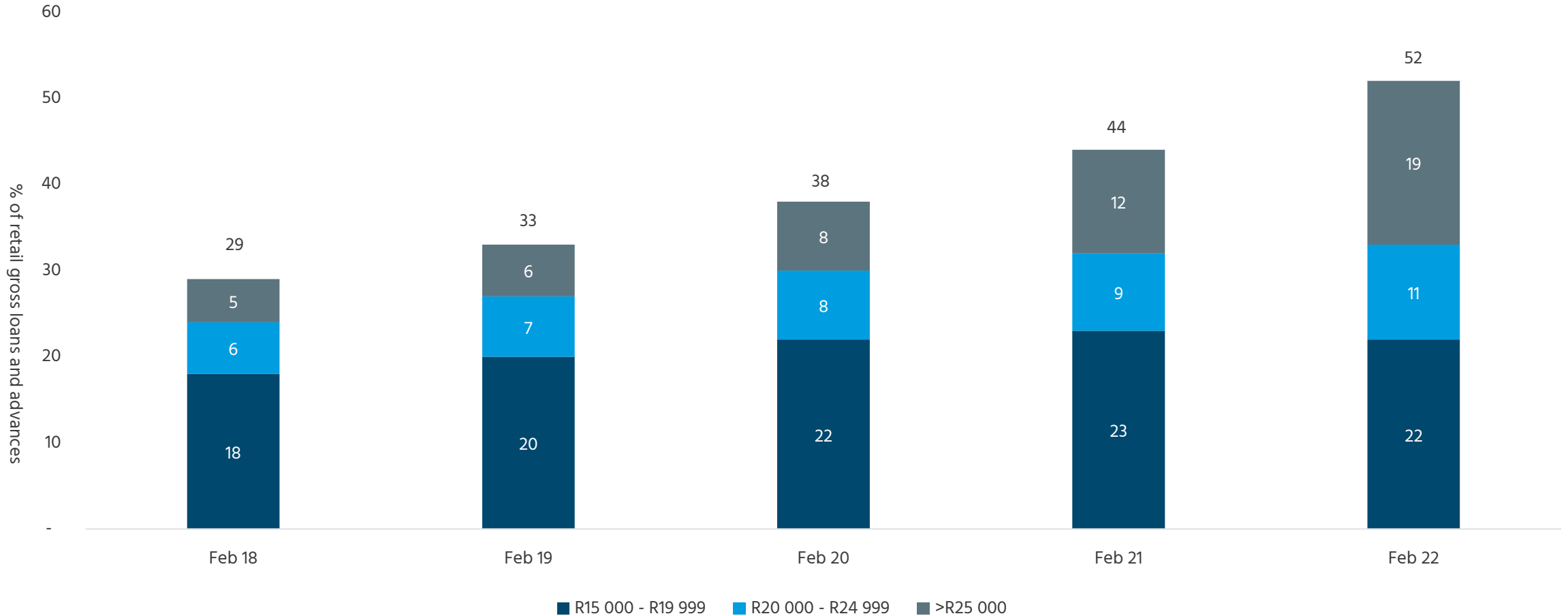
The ECL<sup>(1)</sup> ratio exceed pre-pandemic levels despite lower credit impairment charge



<sup>(1)</sup> Expected credit loss ratio = Total provision for credit impairment/Total gross loans and advances.

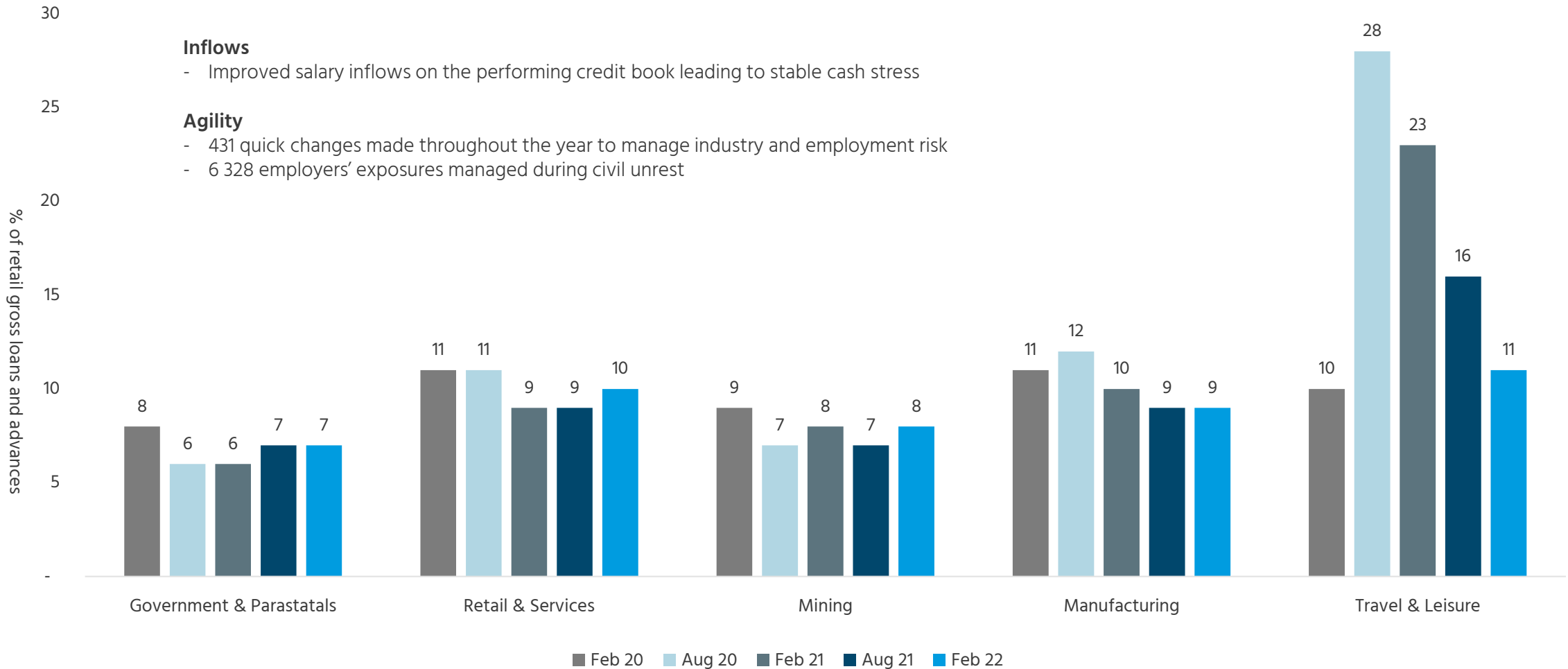
# Gross loans and advances grow in higher income segments

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<sup>(1)</sup>

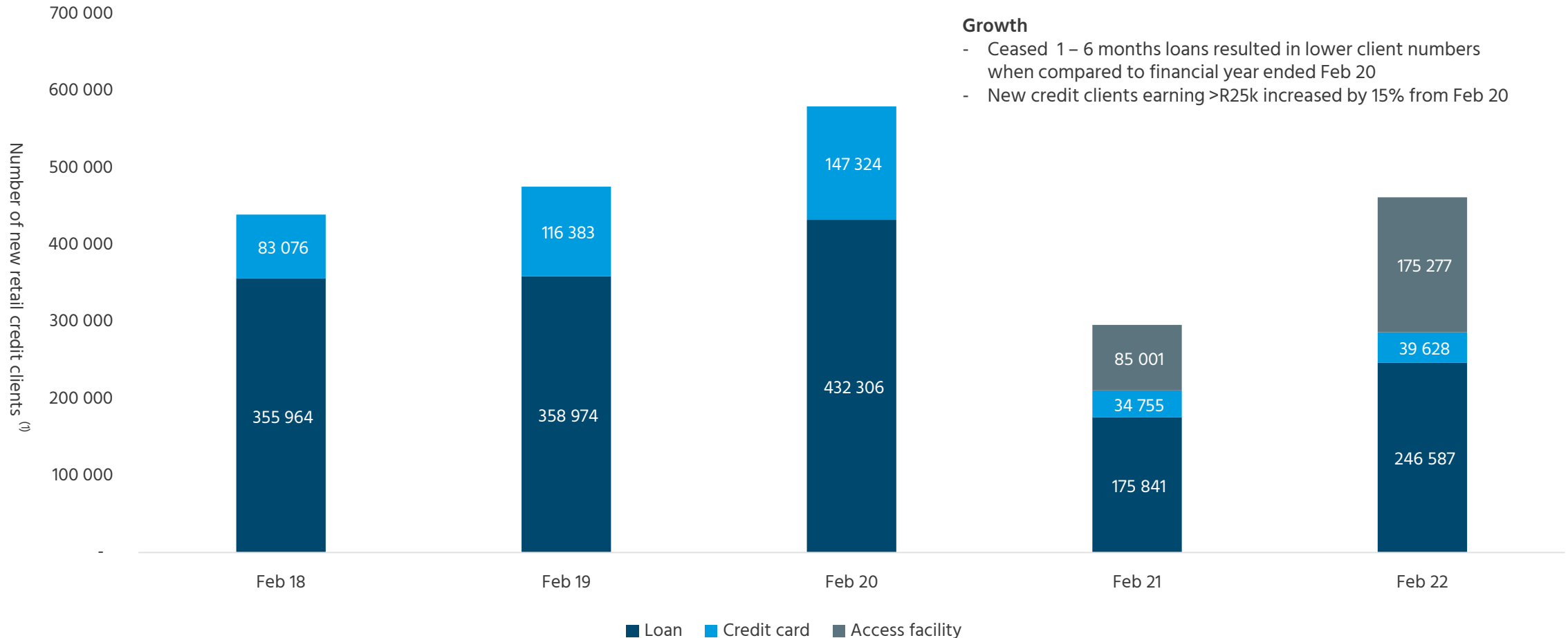


<sup>(1)</sup> Cash stress level: Less than 20% of income available after electronic outflows. Comparatives were restated based on improved definitions for cash availability and the analyses addresses all credit products.



# Retail loan sales and disbursements to new clients

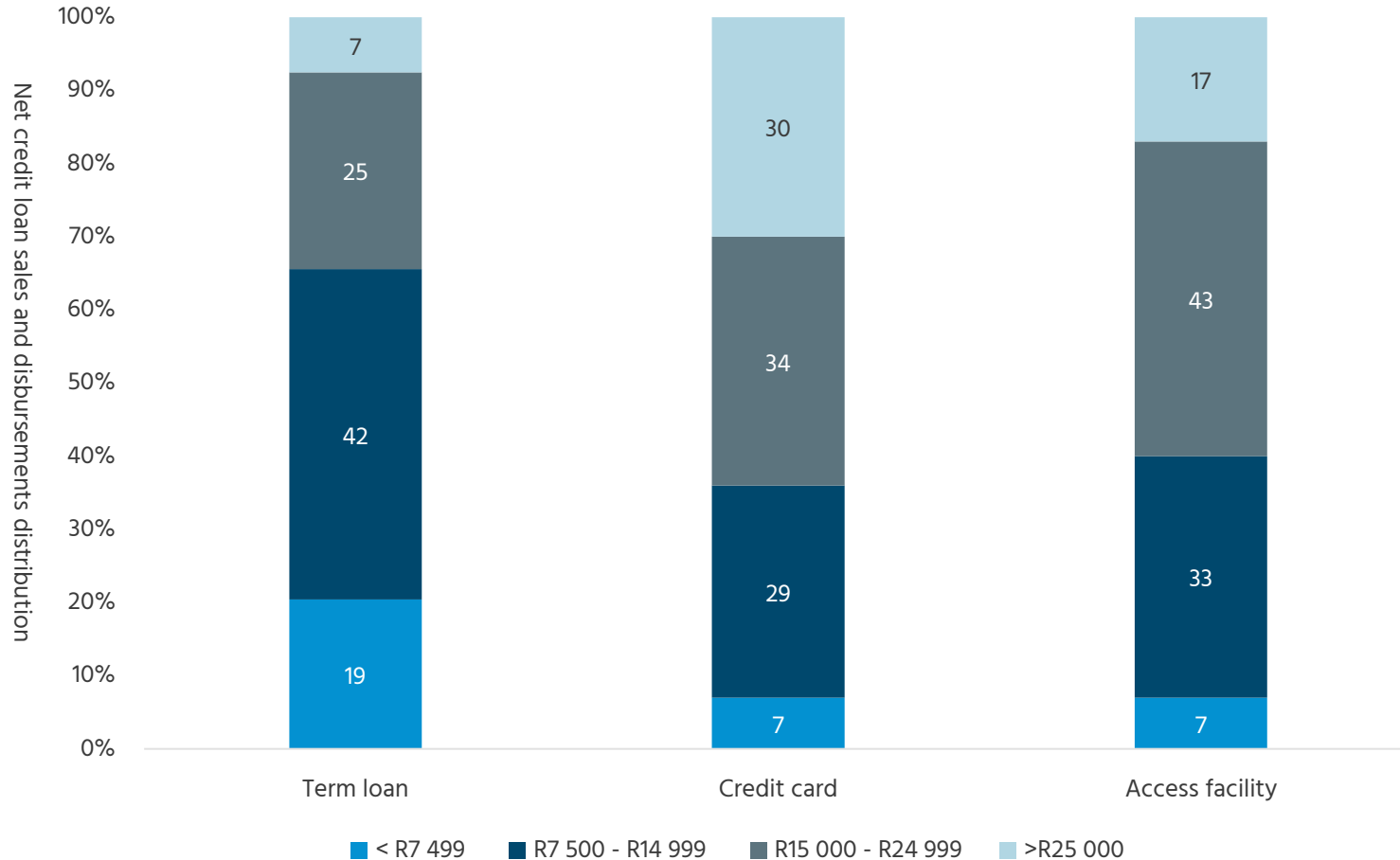
Access facility driving new credit client growth



<sup>(1)</sup> 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

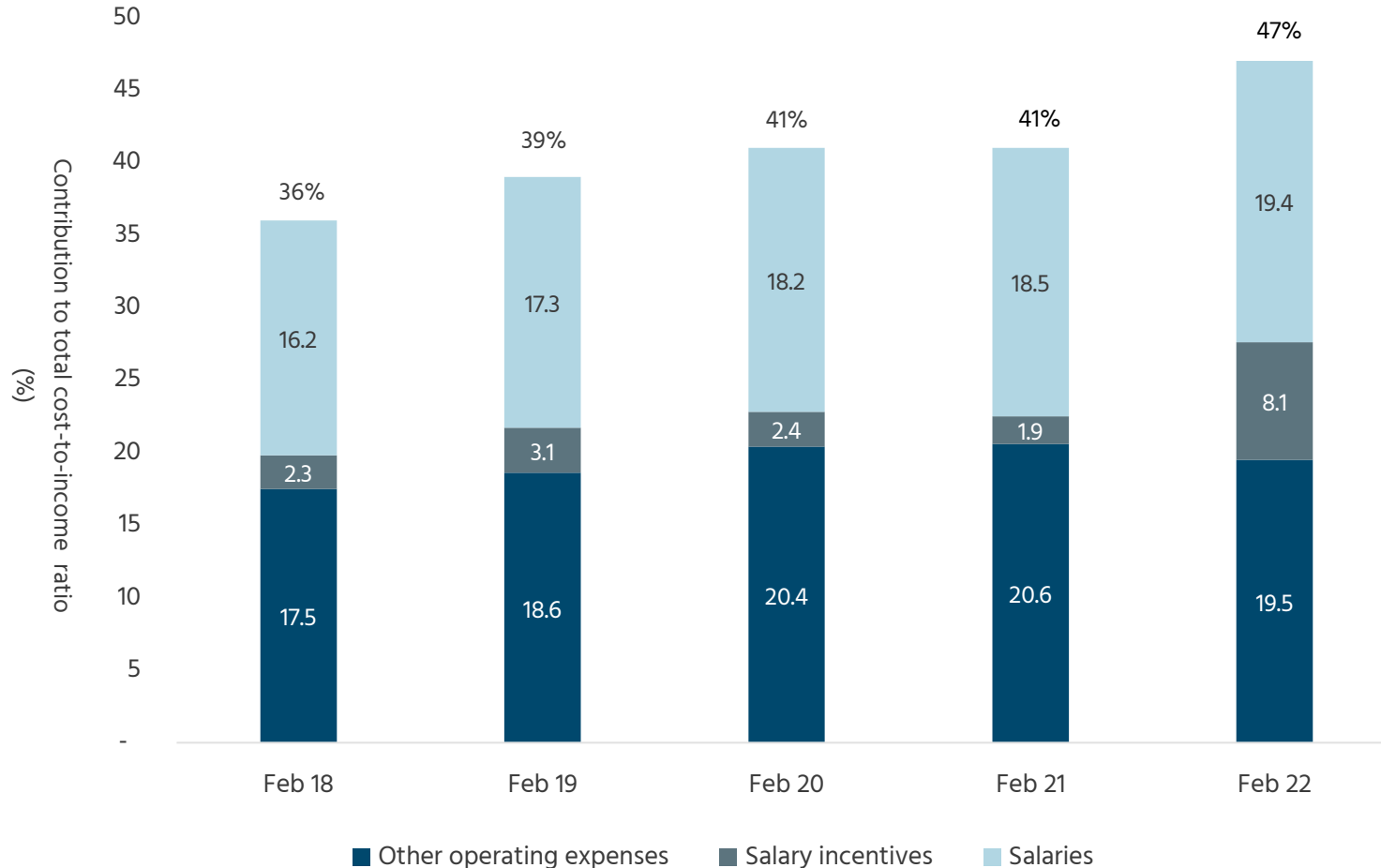
- Conservative utilisation (59%)
- Clients choosing to settle faster (40%)
- 220% increase in home improvement spend in 1st month

### 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%)

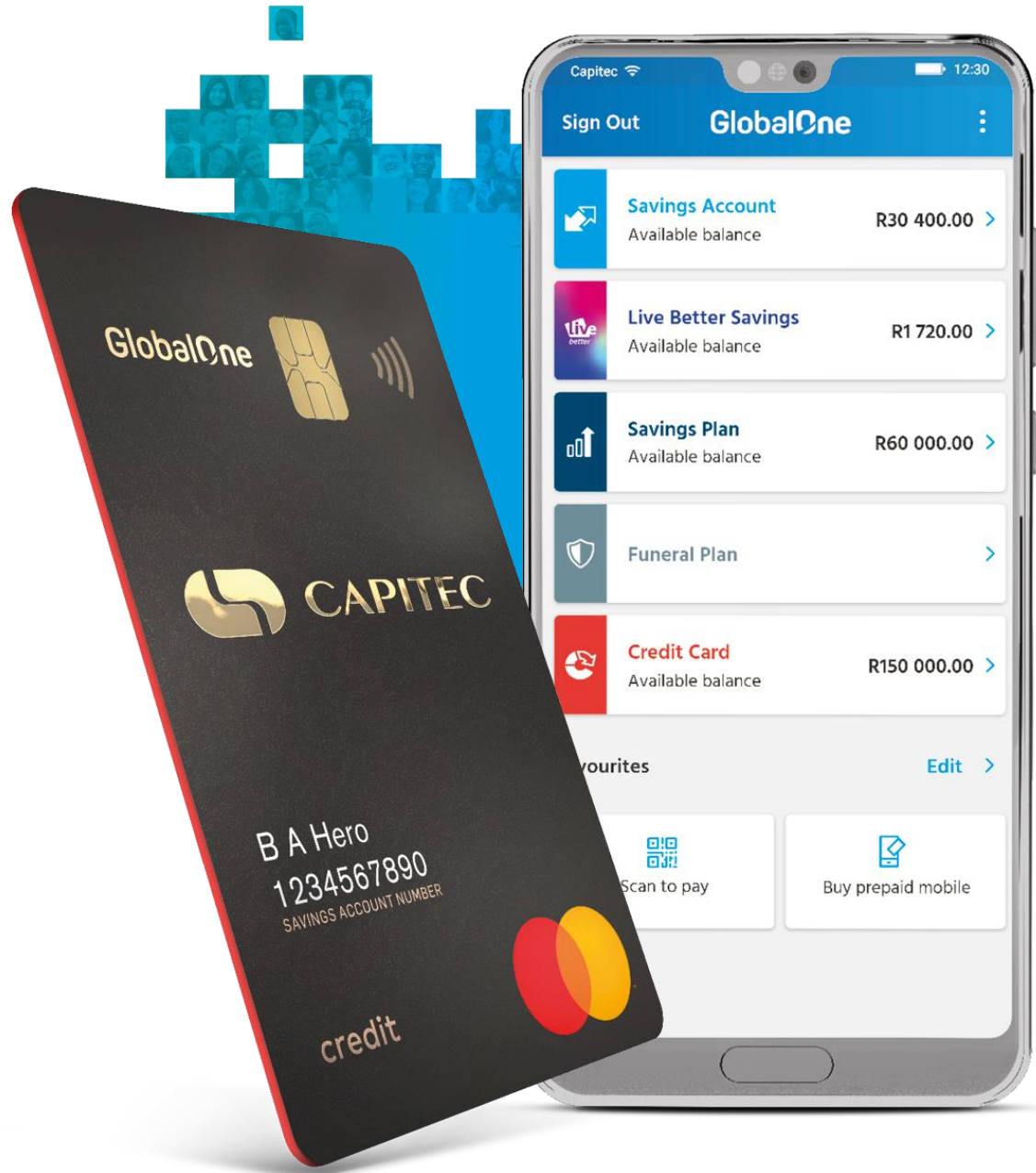


## Increase in salaries

- 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

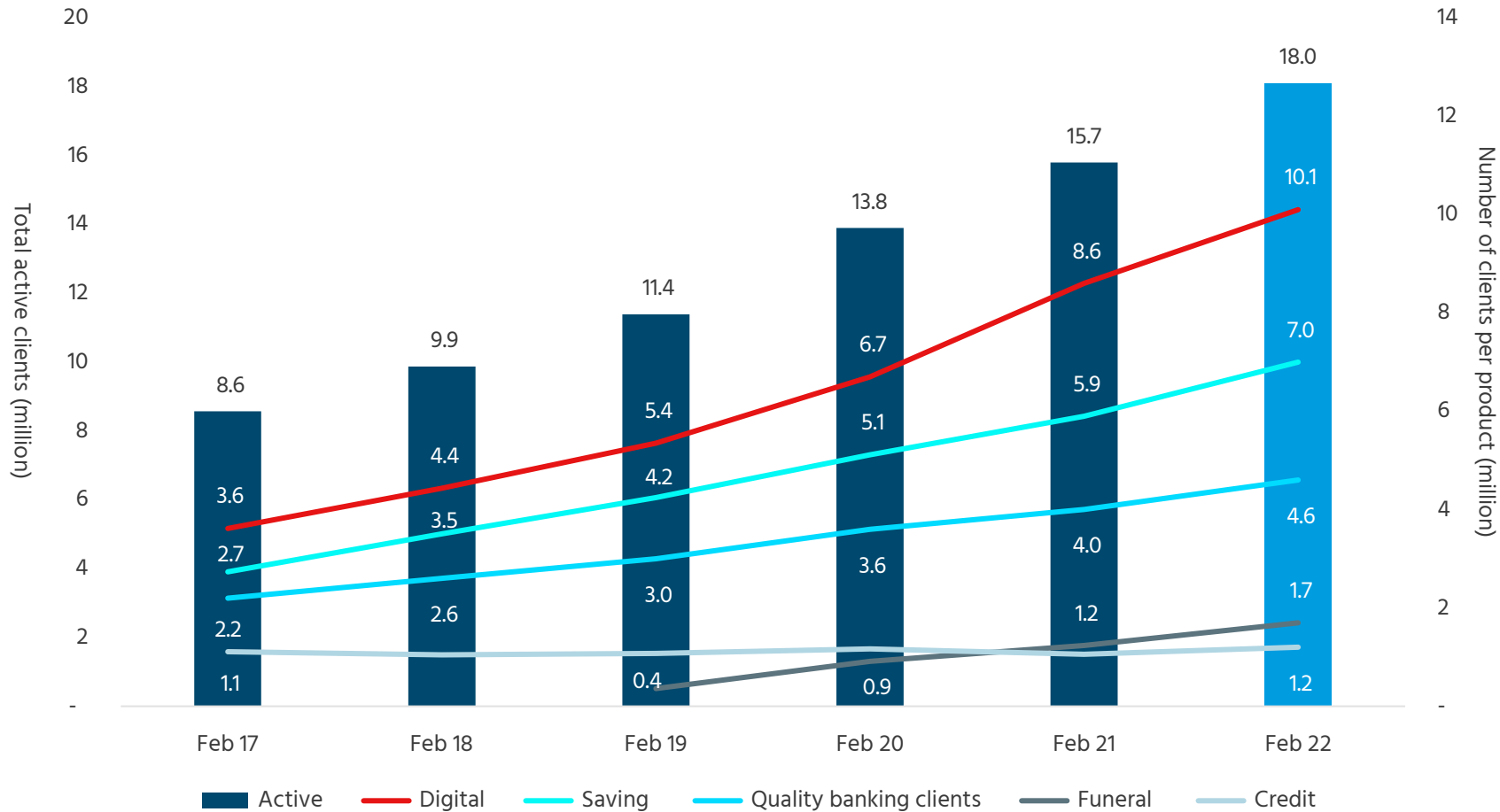


# The bank for everyone

- 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




  
**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



Benefits Partners | Automated Savings | Financial Education

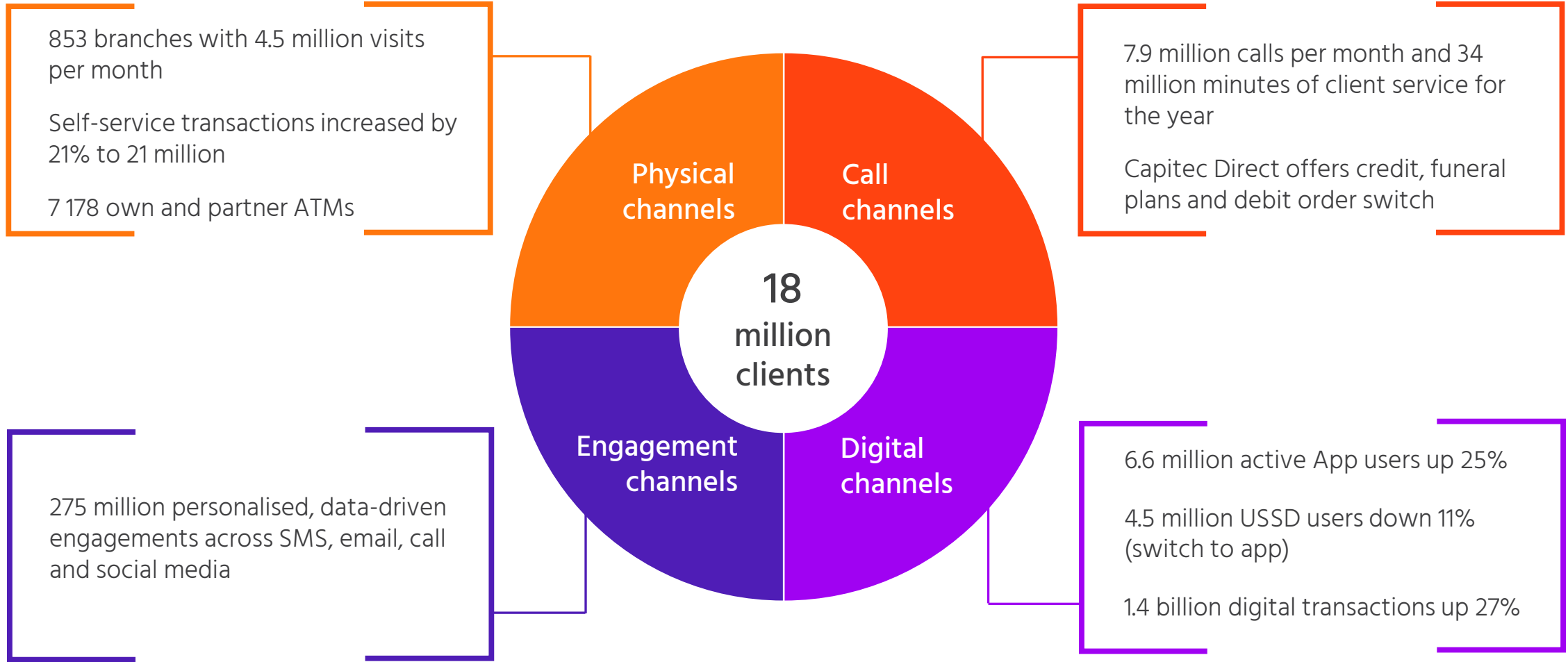
# Full banking solution

Best value for money

Fees	Feb 18	Feb 22
Monthly account fee	R 5.80	<b>R 5.00</b>
Monthly credit card fee	R 35.00	<b>R 40.00</b>
External transfer (EFT)	R 1.60	<b>R 1.00</b>
Debit order	R 3.73	<b>R 3.50</b>
Immediate payment (RTC)	R 10.00	<b>R 7.50</b>
ATM withdrawal (own)	R 6.56	<b>R 7.50</b>
ATM withdrawal (other bank)	R 8.83	<b>R 9.75</b>
<b>Interest paid to clients</b>	<b>R4.4 billion</b>	<b>R4.1 billion</b>

# Accessibility

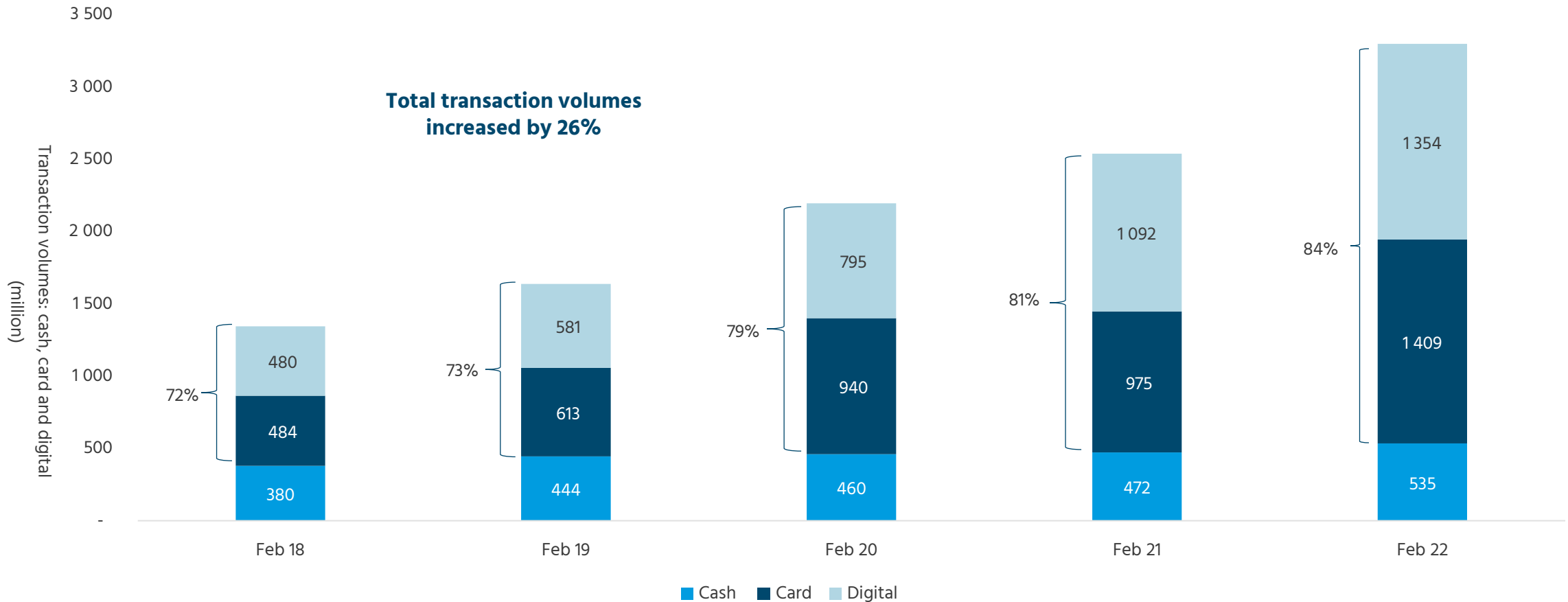
Meeting clients' needs through physical and digital channels





# Behaviour shift from cash to digital and card

Card payments increase by 45% to 1.4 billion



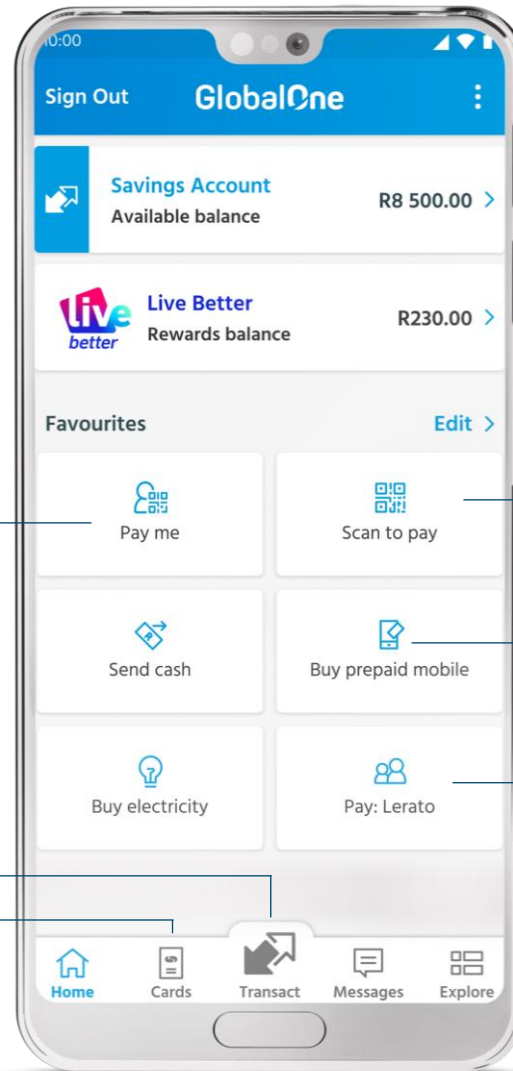
# Digital payments on app more convenient

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





# 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





# 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

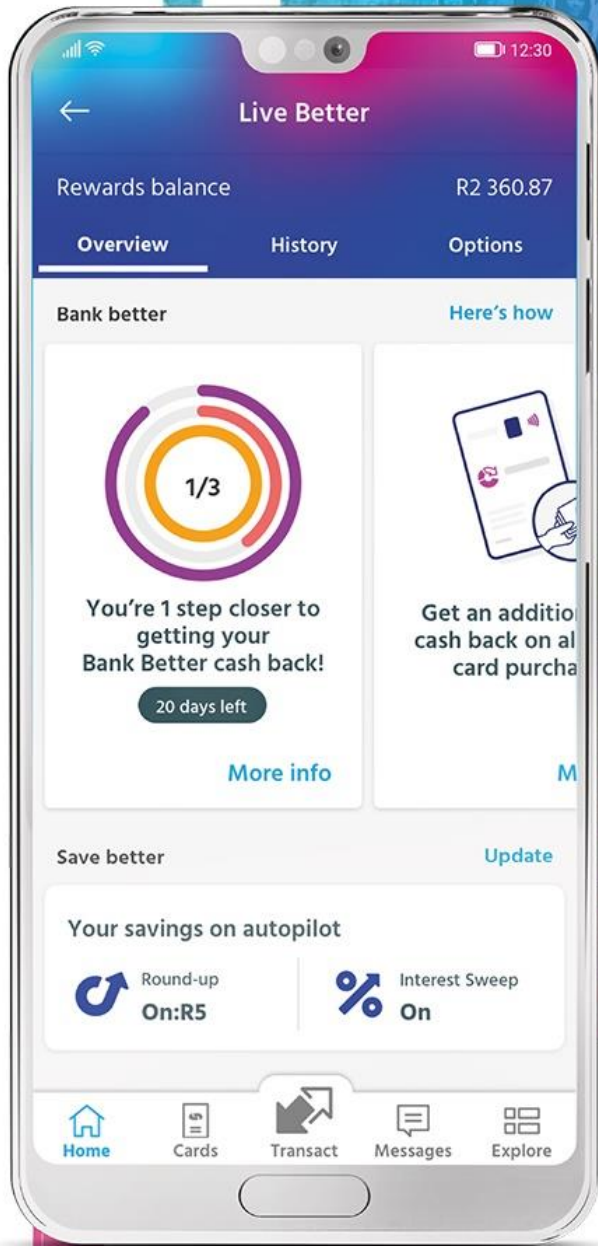
### E-commerce

- 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

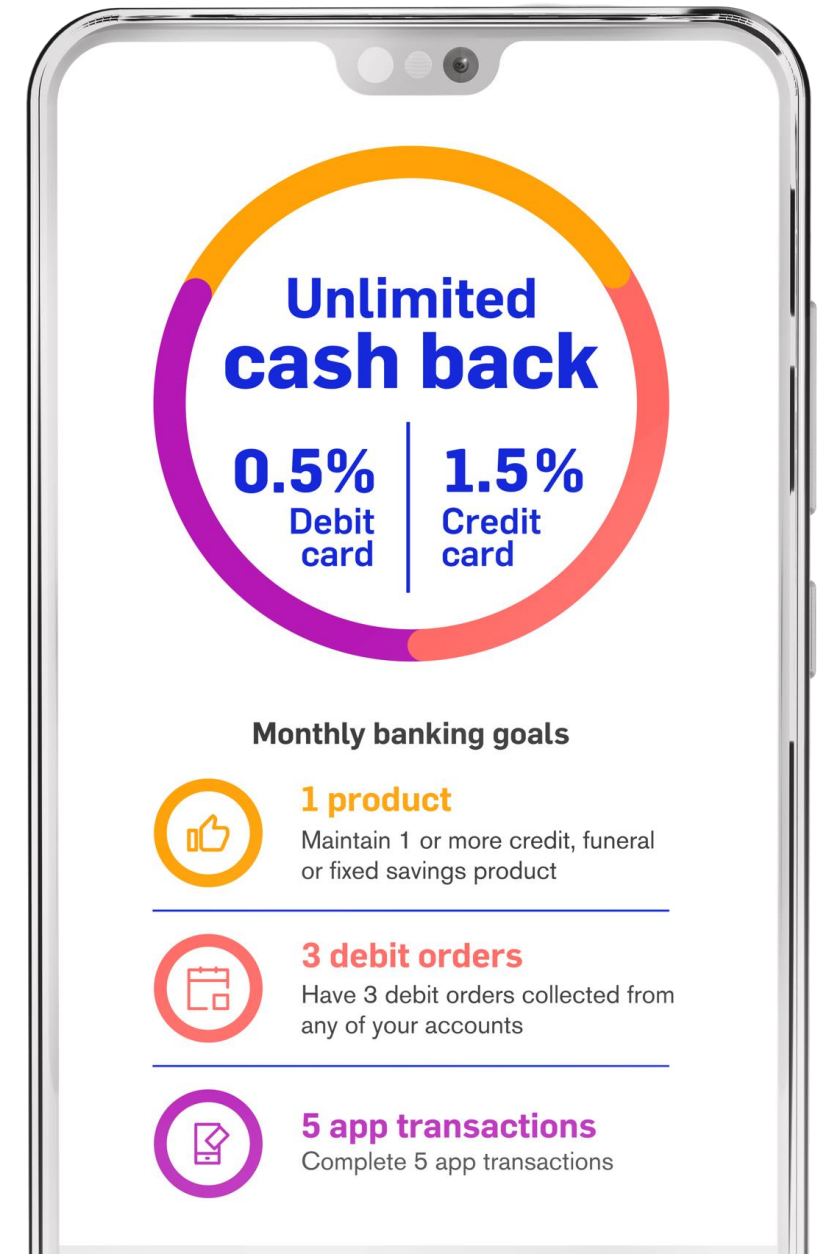
New solutions that meet clients' needs

# 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](mailto:InvestorRelations@capitecbank.co.za)

