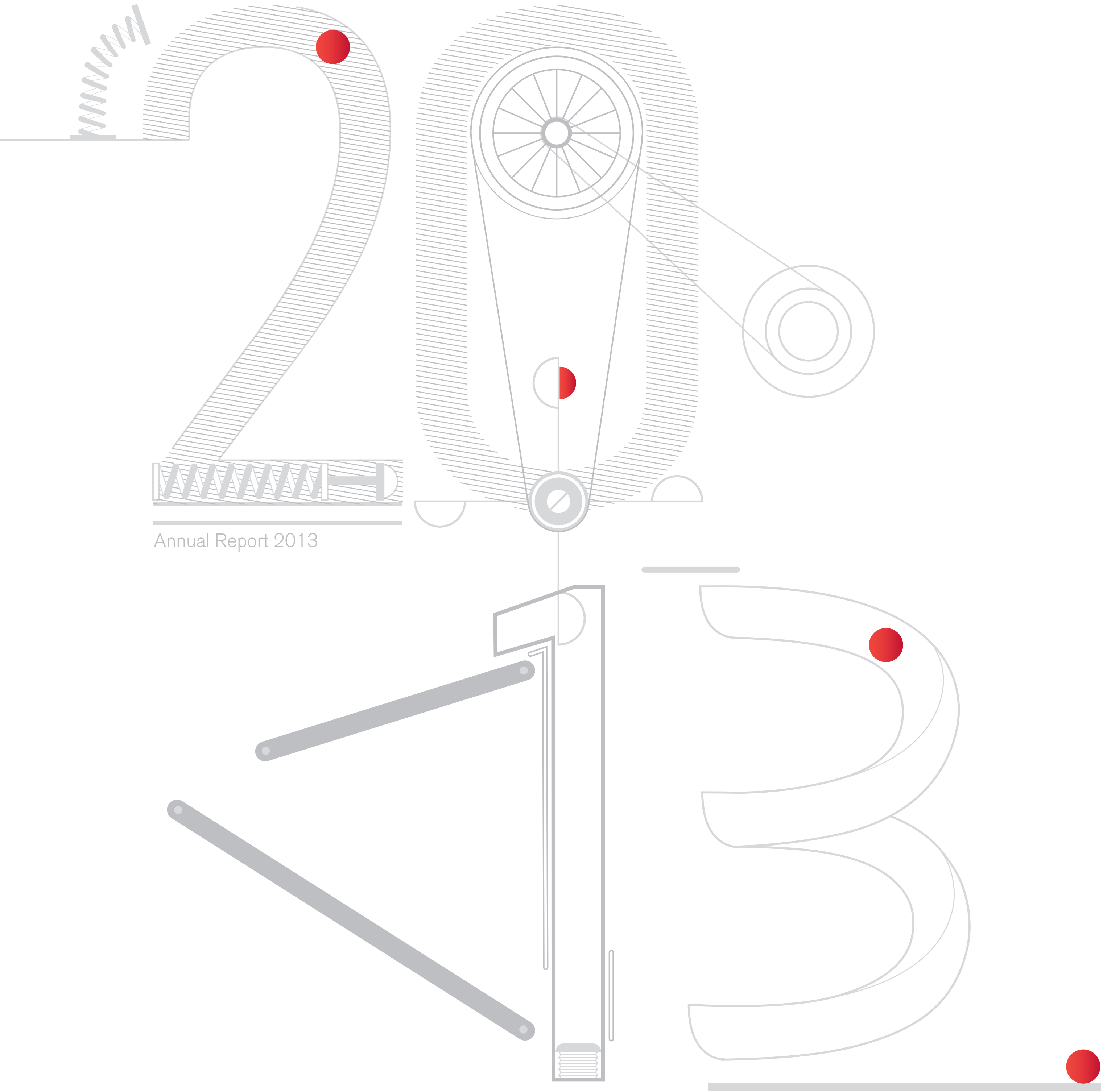
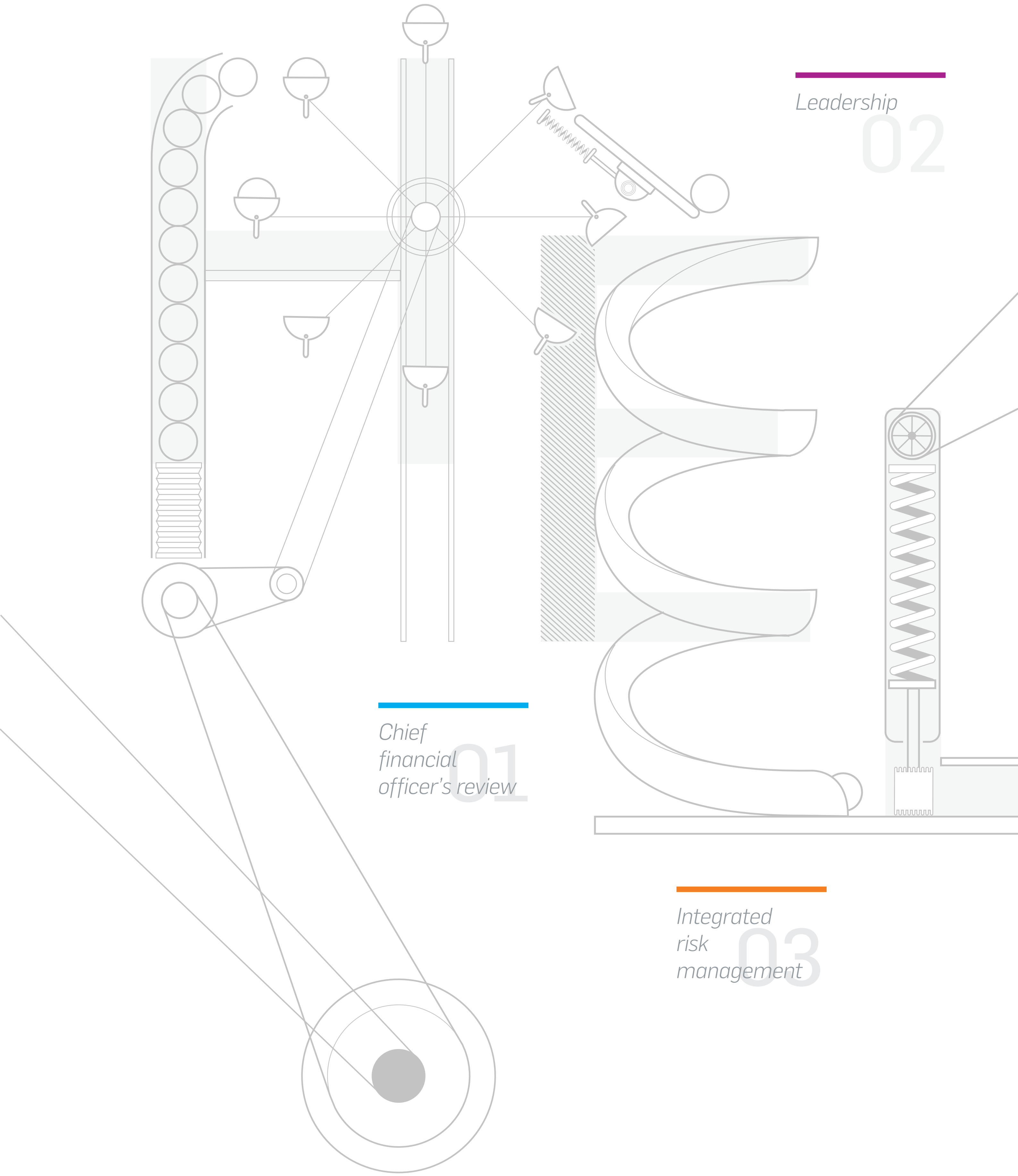
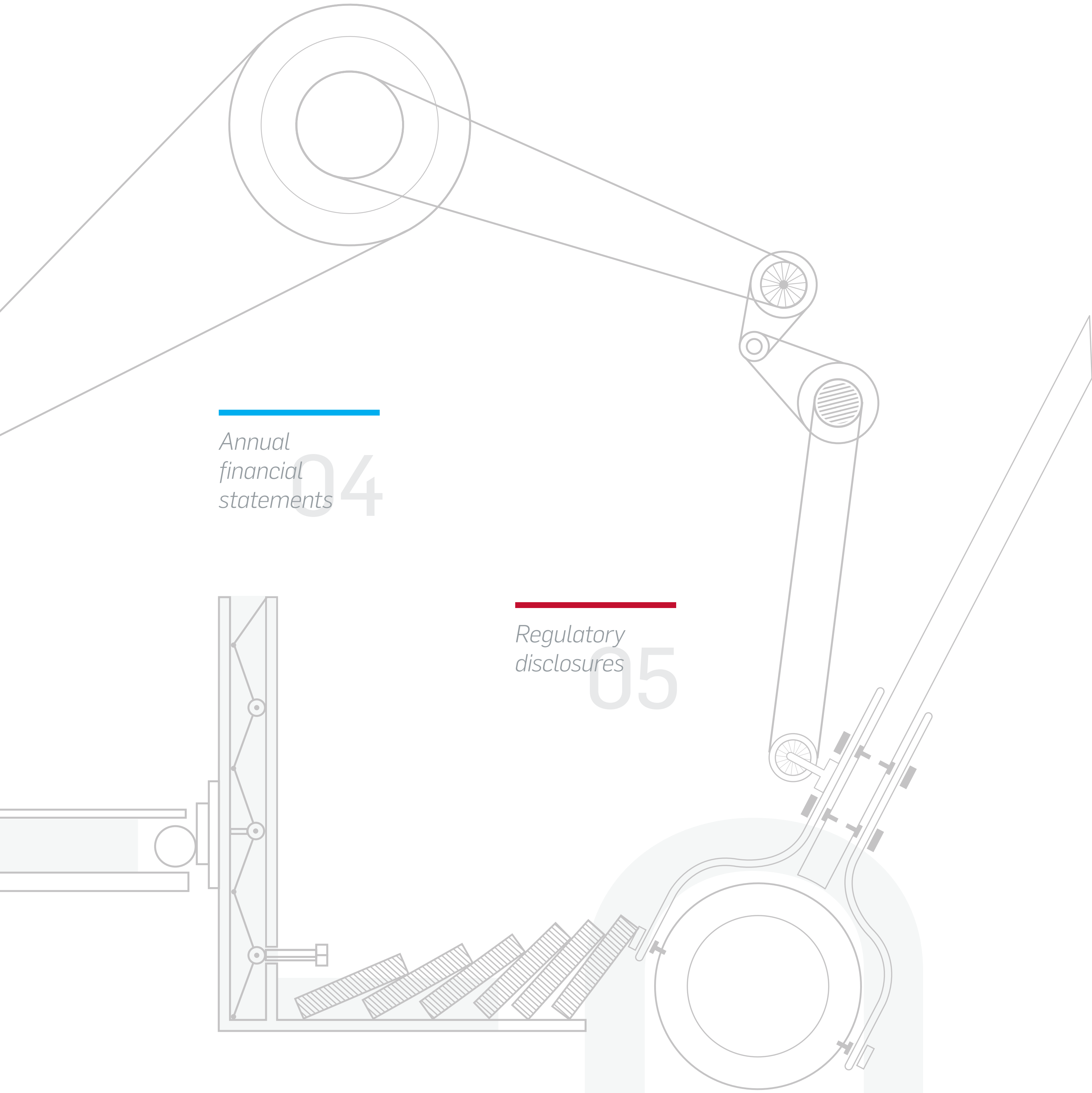


Annual Report 2013

CAPITEC
BANK

Annual Financial Statements
for the year ended 28 February 2013

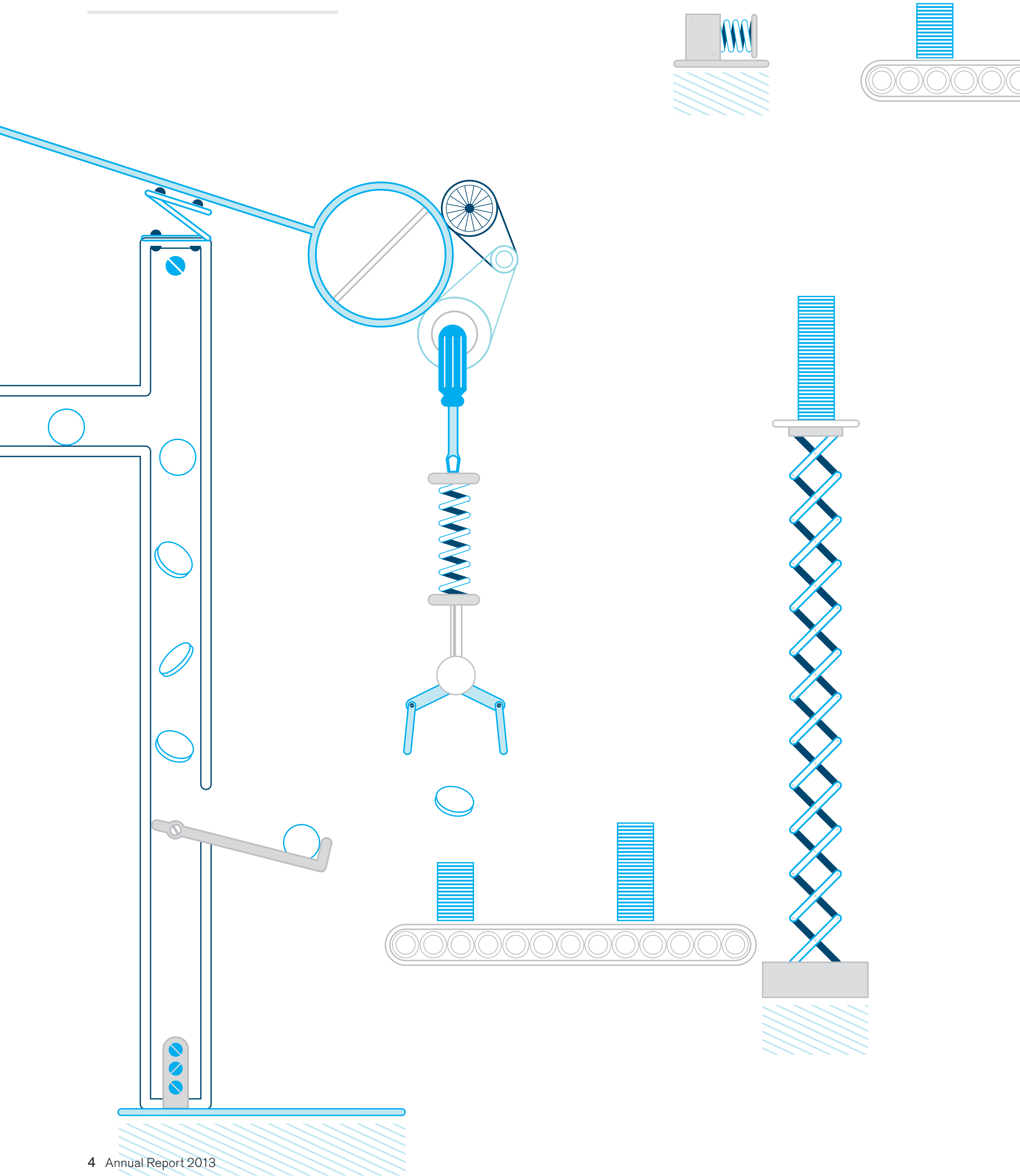




Forward-looking statements

Certain statements in this document constitute "forward-looking statements". All statements other than statements of historical facts included in this document, including, without limitation, those regarding the financial position, revenue and profitability (including, without limitation, any financial or operating projections or predictions), business strategy, prospects, plans and objectives of management for future operations of Capitec Bank are forward-looking statements. Some of these statements can be identified by forward-looking terms, such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "intend", "may", "plan", "will" and "would" or similar words. However, these words are not exclusive means of identifying forward-looking statements. Forward-looking statements and any other predictions contained in this document involve known as well as unknown risks, uncertainties and other factors which may cause the actual results or performance of Capitec Bank to differ materially from those expressed or implied by such forward-looking statements. Capitec Bank makes no representation or warranty, express or implied, that the operating, financial or other results anticipated by such forward-looking statements will be achieved. Accordingly, users of this document should not place undue reliance on these forward-looking statements. Capitec Bank expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Capitec Bank's expectations with regard thereto.

Chief financial officer's review 01



Sustained profit growth

Capitec Bank's profit after tax grew by 57% to R1.5 billion for the 2013 financial year. Return on equity was maintained at 27% and R2.2 billion in ordinary share capital was raised in November 2012.

The debt to equity ratio was 3.6:1 and deposit funding increased by R11.3 billion. Retail call savings grew by 63% and totalled R10.3 billion while retail fixed savings grew by 70% to R6.8 billion. The weighted average maturity of retail fixed funding grew from 15 months at the end of February 2012 to 18 months at the end of February 2013. Wholesale deposits amounted to R11.7 billion with a weighted average maturity of 42 months, up from 28 months on 29 February 2012.

Loan revenue grew by 41% to R8.0 billion exceeding the growth in loan sales which grew by 31% to R25.4 billion. This reflects the fact that the loan book is not mature as well as the impact of the new fixed term credit product that was introduced in May 2012.

The gross loans and advances book grew by 67% to R30.7 billion. Loans with terms longer than 12 months grew by 73%. The impairment provision increased to R2.7 billion and represents 8.9% of gross loans and advances compared to 8.4% at the end of February 2012. During the current financial year impairment provisioning became more conservative with impairment calculations no longer being loan-based but client-based.

The net loan impairment expense of R2.7 billion represented 10.8% of average gross loans and advances (2012: 10.9%) indicating that the majority of the R1.1 billion increase in the charge from R1.6 billion was due to loan book growth.

Net transaction fee income grew by 61% to R1.3 billion compared to R836 million for the 2012 financial year. This growth was mainly driven by the increase in clients, the expansion of Capitec Bank's distribution network, behaviour of clients and the mix of clients towards higher earners. A total of 4.7 million active clients access Capitec Bank's solutions through a branch network that grew to 560 branches (2012: 507) countrywide, a total of 2 554 ATMs (2012: 2 076), mobile branches, internet banking, mobile banking that can be used to purchase airtime and electricity, POS purchases and cash withdrawals and money transfers at retail partners.

Net transaction fee income amounted to 26% of net banking income after impairment charges, up from 21% for the 2012 financial year. The 40% target for net transaction fee income as a percentage of operating expenses was reached and exceeded at 43% compared to 31% for the 2012 financial year. Management's new target is set at 55% by 2016.

The cost-to-income ratio of banking activities improved from 47% for the 2012 financial year to 39% for the 2013 financial year. The banking income increased by 40%, while operating expenses increased by only 17% mainly as a result of the growth in branches and employees. Employment costs totaled 53% of operating expenses compared to 56% in the 2012 financial year.

Loans advanced ('sales')

The value of loans advanced grew by 31% to R25.4 billion[1] as reflected in the chart below.

LOAN SALES BY PRODUCT (R'm)

	(Months)					Total
	1-12	13-36	37-48	49-60	61-84	
2012	6 348	4 117	2 731	6 197	–	19 393
%	33	21	14	32	–	100
2013	**5 171**	**3 078**	**2 859**	**2 977**	**11 317**	**25 401**
%	**20**	**12**	**11**	**12**	**45**	**100**

During May 2012 Capitec Bank took credit beyond traditional personal loans by changing its offer to a single loan with a term of anywhere between one and 84 months (2012: 60 months) and a maximum amount of R230 000 (2012: R150 000). Clients can now choose their own credit plan based on their credit profile and affordability, instead of being bound by predetermined loan terms.

The impact of the new loan product is reflected in the 19% decrease in the number of loans advanced to 3.8 million and the 62% increase in the average loan amount to R6 756 compared to R4 172 for the 2012 financial year.

Sales of loans with terms longer than 12 months increased to 80% (2012: 67%) of total sales, while sales of loans with terms 12-months and shorter showed a decline of 19% compared to the previous year. The new loan product attracted in excess of 347 000 new clients to Capitec Bank and loans to new clients grew by 58% to R7.8 billion.

The actual payment performance of loans compared to expectations, as well as changing market conditions are continuously monitored and this led to pro-active tightening of the credit granting criteria in November and December 2012. The credit rules were amended to shorten the loan term for which clients qualify and more stringent affordability rules were implemented. This led to a contraction in loan sales during the last quarter of the financial year.

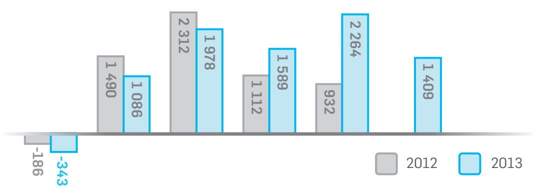
The contraction of loan sales is in line with trends in the unsecured credit market as reported by the National Credit Regulator ('NCR'). Unsecured credit granted for the first three quarters of 2012 increased by 30% compared to the first three quarters of 2011. This is lower than the increase of 60% for the full 2011 year compared to 2010[1].

[1] *Loans advanced are reflected net of internal loan consolidations. The National Credit Regulator reflects credit granted gross of internal and external loan consolidations in its statistics. Credit granted by the market is therefore inflated.*

Loan revenue

Loan revenue, which consists of interest, origination fees and monthly administration fees net of insurance expense, grew by 41% to R8.0 billion as reflected in the chart below.

LOAN REVENUE BY PRODUCT (R'm)



	Insurance	(Months)					Total
		1-12	13-36	37-48	49-60	61-84	
2012	-186	1 490	2 312	1 112	932	-	5 660
2013	**-343**	**1 086**	**1 978**	**1 589**	**2 264**	**1 409**	**7 983**

Concurrently with the launch of the new product, loans were re-priced by a more refined pricing for risk model as a further step in Capitec Bank's strategy to reduce the cost of credit to clients.

Before the introduction of the new loan product, as is customary in the market, a client would be granted a new loan each time they identified a need for credit. The client would pay an origination fee and a monthly administration fee for each of these loans. The new loan product reduces the cost to the client because additional credit requirements are met by increasing the value of the client's existing loan. The client does not pay an additional origination fee and will only pay one monthly administration fee. The impact of the new loan product reflects in the 12% decrease in loan fee income to R1.5 billion (2012: R1.7 billion).

At the same time the differentiation of interest rates based on client risk profiles was refined and the risk categories expanded. The change to the way that origination and monthly fees are charged was also taken into account. Together with the growth in loan sales this led to an increase of 63% in interest received on loans to clients to R6.8 billion. Loans are still priced in compliance with the National Credit Act ('NCA') and are advanced at fixed interest rates so that clients are not exposed to interest rate fluctuations.

The cost of credit life and retrenchment insurance offered on loan products with terms of six months and longer is priced into our rates while competitors add these charges to their loan pricing which is often higher than the prescribed NCA rates. The insurance expense amounted to R343 million (2011: R186 million).

Loan book, arrears and provision for doubtful debts

The gross loan book grew by R12.3 billion to R30.7 billion.

Following the introduction of the new loan product, gross loans and advances with terms longer than 12 months grew by 73% and at year end totalled 97% of the loan book (2012: 93%). The 61- to 84-month loan book accounts for 35% of the gross loan book.

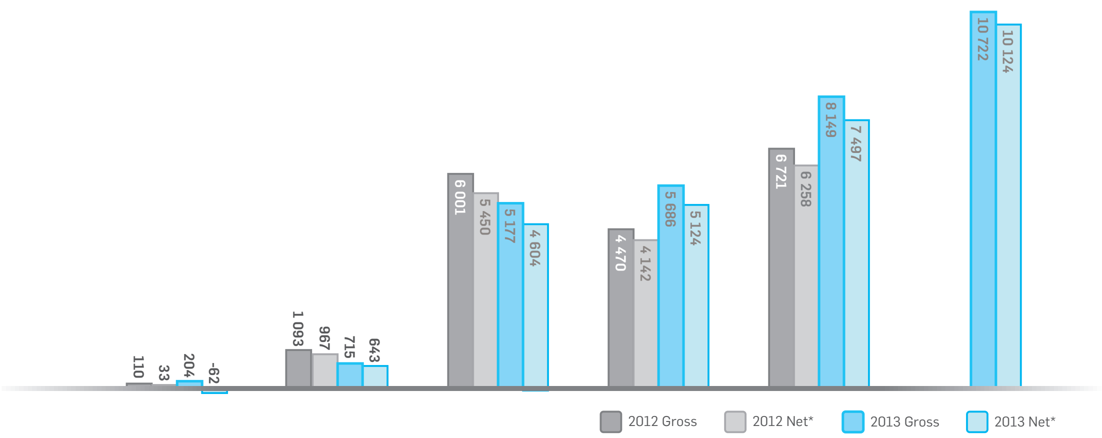
Arrears as a percentage of gross loans and advances increased to 5.8% from 5.1% at the end of February 2012.

Loans past due (arrears) comprise the full outstanding balance at risk on loans and advances that are in arrears from one day to three months i.e. if a payment of R1 000 is missed on a loan with an outstanding balance of R30 000, the full outstanding balance of R30 000 is considered to be in arrears. The basis on which arrears is calculated became more conservative during the 2013 financial year. The arrears balance of R1.8 billion at year end was determined on a by-client basis instead of a by-loan basis. Where a client had multiple loans and one of them was past due all of the client's loans were included in arrears. The R932 million arrears balance for 2012 was determined on a by-loan basis. Only loans that were past due were considered. If a client had more than one loan, only the loan that was actually in arrears was included.

A comparison of arrears on the two bases indicates that comparative arrears for 2012 on a by-client basis would have amounted to R1.1 billion or 5.8% of the gross loan book.

This indicates that the quality of the loan book has not deteriorated significantly. Although the arrears balance has grown by R845 million at the end of the 2013 financial year the growth in the loan book accounts for the majority of the increase.

LOAN BOOK BY PRODUCT (R'm)



	(Months)						
	Other	1-12	13-36	37-48	49-60	61-84	Total
2012 Gross	110	1 093	6 001	4 470	6 721	–	18 395
2012 Provision	(77)	(126)	(551)	(328)	(463)	–	(1 545)
2012 Net*	33	967	5 450	4 142	6 258	–	16 850
2013 Gross	**204**	**715**	**5 177**	**5 686**	**8 149**	**10 722**	**30 653**
2013 Provision	**(266)**	**(72)**	**(573)**	**(562)**	**(652)**	**(598)**	**(2 723)**
2013 Net*	**(62)**	**643**	**4 604**	**5 124**	**7 497**	**10 124**	**27 930**

** Net – loans and advances net of impairment provisions*

It should be noted that the above chart is not a maturity analysis. Clients repay part of the capital on each of the product types in the following month, the month thereafter and so forth. In a mature book the capital repayment for the following month will approximate the balance divided by half the term.

		Aug 2011	Feb 2012	Aug 2012	Feb 2013
Gross loans and advances	R'm	14 477	18 395	24 684	**30 653**
Loans past due (arrears)	R'm	649	932	1 075	**1 777**
Arrears to gross loans and advances	%	4.5	5.1	4.4	**5.8**
Provision for doubtful debts	R'm	1 102	1 545	1 873	**2 723**
Provision for doubtful debts to gross loans and advances	%	7.6	8.4	7.6	**8.9**
Provision/arrears coverage ratio*	%	170	166	174	**153**

** The provision/arrears coverage ratio expresses the provision for doubtful debts as a percentage of the loans in arrears. The ratio is therefore affected by the arrears performance of the month in which it is measured while the impairment model is used to determine the provision for doubtful debts over the loan period. The ratio should therefore not be considered in isolation.*

The provision for doubtful debts as a percentage of gross loans and advances increased to 8.9% from 8.4% at the end of February 2012.

During 2013 amendments to the impairment provision model were implemented and the amended model is driven primarily by movements in arrears balances. The model impairs on a by-client basis compared to the by-loan basis previously applied. This resulted in a more conservative provision which is considered appropriate based on current economic and market conditions.

The launch of the fixed term loan product in May 2012 introduced a refined pricing for risk model that incorporated higher expected bad rates than previously utilised. The actual performance of loans granted is monitored against the expected rates. The products have thus far performed within risk appetite but indicators of possible worsening in arrears led to the introduction of a new behavioural scorecard for credit granting in November 2012 and the addition of a cash quality indicator to enhance the pricing for risk regression model. During December 2012 the living expense percentage was increased and the minimum living expense amount was increased. The bad rate performance of loan tranches granted subsequent to the tightening of credit granting criteria are expected to be better than those on previous tranches of the fixed term credit product.

Historically issues relating to the renewal of contracts and the administration of salary payments to employees of various provincial government departments affected arrears in January and February and this effect was experienced again in 2013 as these clients comprise some of our larger exposure groups.

Strikes in the mining industry which comprises 7% of our loan book affected arrears negatively during the second half of the financial year as did transport strikes. The recovery of the mining book was positive in February 2013. We continue to be concerned about the outlook for particularly the platinium mining industry as a stable industry due to tensions with unions and lower demand due to the slow recovery from the European crisis. Strikes at ESKOM's Medupi power station project throughout January and February also affected more than 12 000 employees of more than 20 companies.

The tightening of credit granting by the industry as a whole has made it more difficult for clients to roll debt or extend loan terms in order to meet repayments. This expected to have a short-term impact on arrears and consequently impairments.

While the loan book is maturing and growth will be slower due to tightened credit granting rules, arrears and impairments should reach equilibrium. However evidence continues to show that some of our clients' instalments at other credit providers are growing faster than salaries and Capitec instalments. There is a trend developing that clients take up these loans after obtaining the maximum credit at Capitec. There is also increased evidence of unemployment which affects impairment provisions. According to the Stats SA Labour Force survey in December 2012, 22.8% of South Africans of workable age are unemployed and the Adcorp employment index reported that during January 2013 the economy lost in excess of 50 000 jobs.

The breakdown of the loan book between current loans, loans in arrears, as well as the movement in the loan provision account is set out in the table below:

Analysis of loans and advances by status:

R'm	2013	%	2012	%
Gross	**28 876**		17 464	
Impairment	**(1 860)**	6	(1 015)	6
Not past due	**27 016**		16 449	
Gross	**1 777**		931	
Impairment	**(863)**	49	(530)	57
Past due	**914**		401	
Total	**27 930**		16 850	

At the end of February 2013 the weighted average outstanding term of the loan book was 48 months (2012: 45 months).

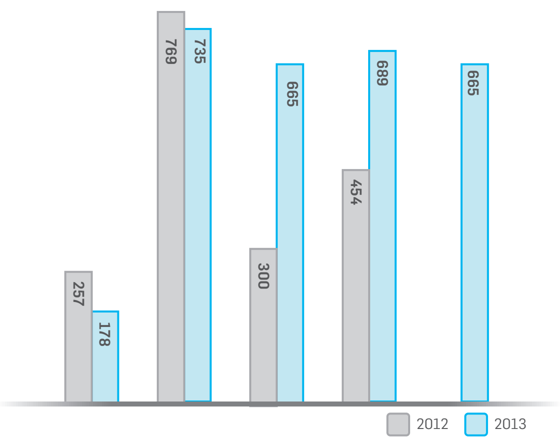
Loan impairment expense

The net loan impairment expense of R2.7 billion for the year increased by R1.1 billion compared to last year and represents 10.8% of average gross loans and advances compared to 10.9% in 2012.

Loan impairments are calculated on a client level based on historical data and the recent patterns and events as described above are given appropriate consideration.

Bad debts written off (excluding provision movements) amounted to R1.7 billion compared to R1.0 billion for the 2012 financial year and bad debt recoveries grew from R176 million to R273 million. The R1.2 billion movement in impairment provisions was R477 million more than the 2012 financial year.

GROSS LOAN IMPAIRMENT EXPENSE
(BEFORE RECOVERIES) (R'm)



	(Months)					Total
	1-12	13-36	37-48	49-60	61-84	
2012	257	769	300	454	-	1 780
2013	**178**	**735**	**665**	**689**	**665**	**2 932**

The performance of the panel of debt collectors remains a focus area and central internal collections are performing to satisfaction.

The gross loan impairment expense (before recoveries) increased by R1.2 billion. This includes an increase of R1.3 billion due to loan book growth. The gross loan impairment expense before book growth decreased by R45 million due to an improvement in default rates and by R63 million due to an increase in the expected future cash flow from handed over loans.

The gross loan impairment expense in the second half of the financial year increased by R650 million compared to the first half of the year. The net increase consisted of an increase of R465 million due to loan book growth and an increase of R185 million due to the deterioration in default rates as discussed above.

The table below compares the increase in the expense for each period to the immediately preceding period:

	6 months to Aug* 2012	6 months to Feb** 2013	12 months to Feb*** 2013
Loan book growth	300	**465**	**1 260**
Change in book quality	(150)	**185**	**(45)**
Increased valuation of handed over book	(34)	**–**	**(63)**
	116	**650**	**1 152**

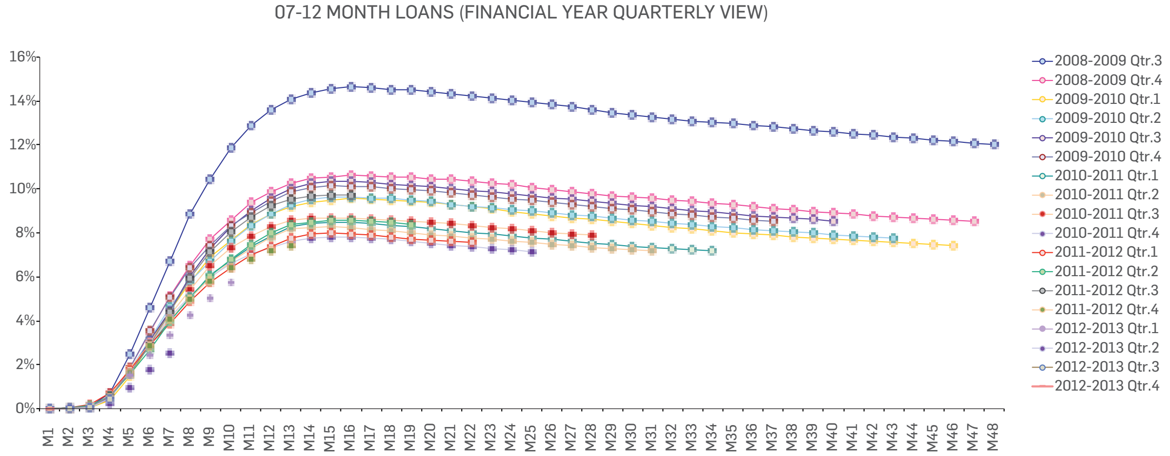
* *Six months ended August 2012 compared to the six months ended February 2012*

** *Six months ended February 2013 compared to the six months ended August 2012*

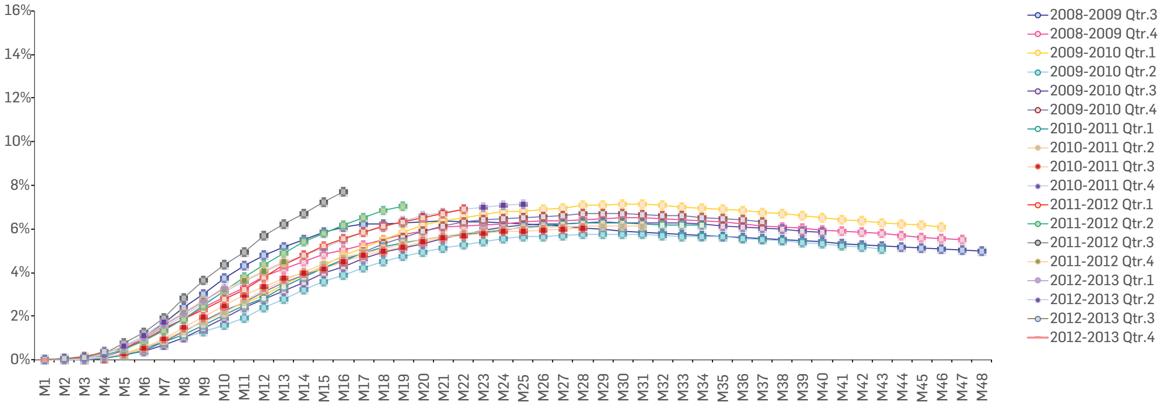
*** *12 months ended February 2013 compared to the 12 months ended February 2012*

The net impairment expense includes higher provisioning on the newer and growing loan books from 61- to 84-months. Although these products are only extended to lower risk clients and the performance on these books is better than the more mature loan products, prudent provisioning assumptions are applied. This is because the impact of a missed instalment on a longer-term, higher-value loan is more severe at the beginning of the repayment period, as the full loan amount may be at risk. The rate of provisioning on these products exceeds the rate at which income is recognised at the beginning of the term of the loans, which we consider prudent and conservative.

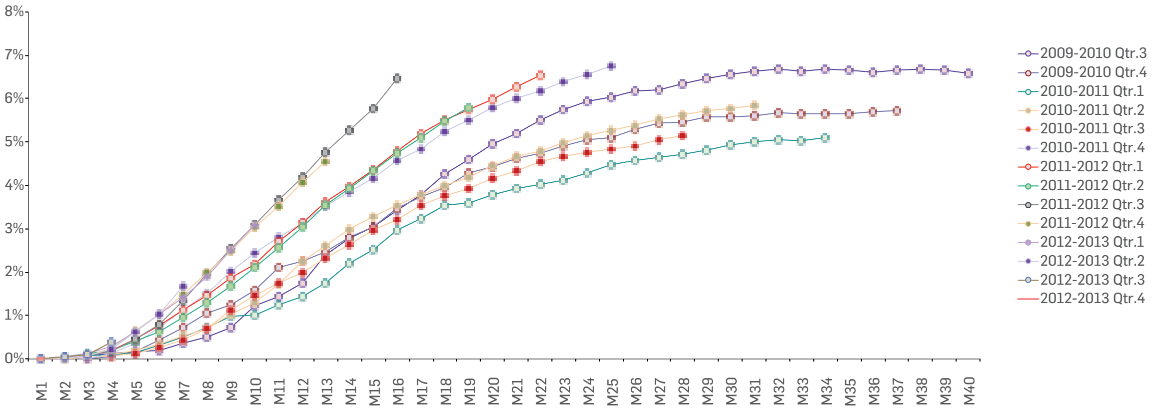
Vintage graphs

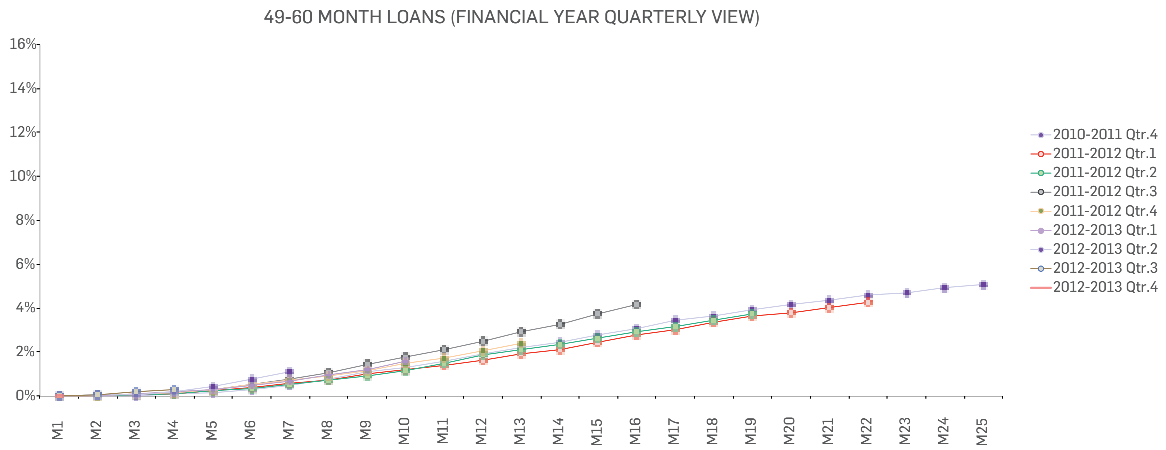


13-36 MONTH LOANS (FINANCIAL YEAR QUARTERLY VIEW)



37-48 MONTH LOANS (FINANCIAL YEAR QUARTERLY VIEW)




49-60 MONTH LOANS (FINANCIAL YEAR QUARTERLY VIEW)
16%
14%
12%
10%
8%
6%
4%
2%
0%
M1
M2
M3
M4
M5
M6
M7
M8
M9
M10
M11
M12
M13
M14
M15
M16
M17
M18
M19
M20
M21
M22
M23
M24
M25
2010-2011 Qtr.4
2011-2012 Qtr.1
2011-2012 Qtr.2
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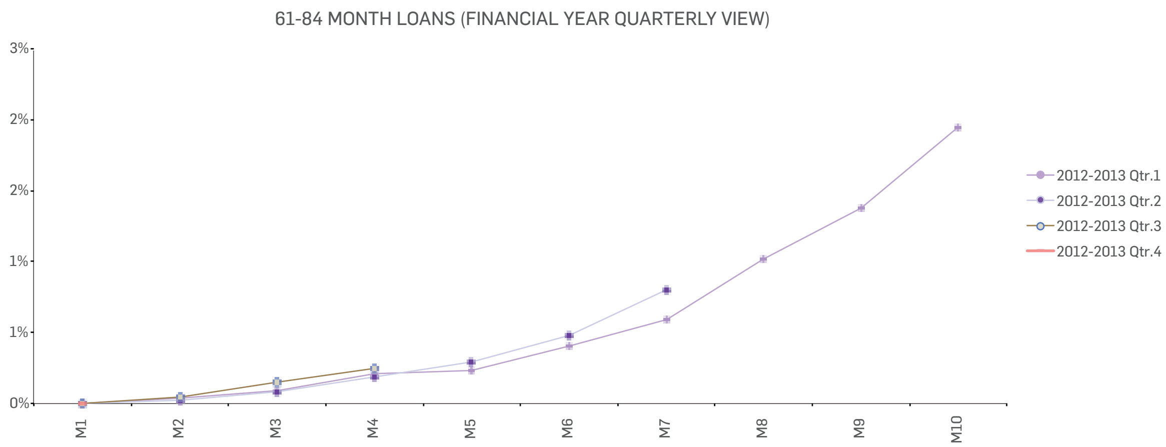
2012-2013 Qtr.1
2012-2013 Qtr.2
2012-2013 Qtr.3
2012-2013 Qtr.4


61-84 MONTH LOANS (FINANCIAL YEAR QUARTERLY VIEW)
3%
2%
2%
1%
1%
0%
M1
M2
M3
M4
M5
M6
M7
M8
M9
M10
2012-2013 Qtr.1
2012-2013 Qtr.2
2012-2013 Qtr.3
2012-2013 Qtr.4

Transacting services

Net transaction fee income grew by 61% to R1.3 billion.

Gross transaction fee income totalled R2.1 billion and increased by 54% while transaction fee expenses, which consist of interchange charges from other banks and service providers, amounted to R752 million and grew by 43%. Fee income grew in excess of expenses largely due to the increased transaction volumes. The only change to transaction fees for the current financial year was to reduce the cost of internet and mobile payments.

Growth in fee income exceeded the 26% increase in active clients because clients using Capitec Bank as their primary bank increased from 1.2 million at the end of February 2012 to 1.8 million at the end of February 2013. In excess of 30 million transactions on average per month were processed on the banking system compared to a monthly average of 19 million for the 2012 financial year.

The number of POS machines increased from 13 206 at the end of February 2012 to 19 955 at the end of February 2013, an increase of 51%. Acquiring income from rental and commission increased by 92% to R256 million as a result of this increased presence.

Net transaction fee income amounted to 26% of net banking income after impairment charges, up from 21% for the 2012 financial year. Net transaction fee income covered 43% of banking operating expenses compared to 31% in 2012, exceeding the immediate target of 40%. Management's new target is set at 55% by 2016.

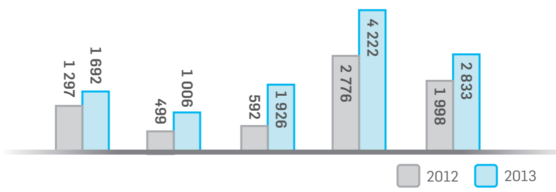
Funding

Retail call savings grew by 63% (2012: 61%) and totalled R10.3 billion. The number of savings accounts increased by 42% compared to 2012, exceeding the growth in active client numbers. The average balance per account increased by 14% compared to the end of February 2012.

Retail fixed savings amounted to R6.8 billion, growth of 70%. The weighted average maturity of retail fixed funding grew from 15 months at the end of February 2012 to 18 months at the end of February 2013. The number of accounts grew by 27% compared to February 2012 and the average balance per account grew by 25%. Retail fixed savings comprised 37% (2012: 36%) of total term funding. Management's objective is to to maintain this percentage at about 40% as fixed term retail funding remains attractive due to the lower pricing, lower concentration and lower refinancing risk.

Wholesale deposits grew by 63% to R11.7 billion with a weighted average maturity of 42 months (2012: 28 months). Wholesale funding is well diversified and has grown during the current financial year as illustrated in the chart below.

WHOLESALE FUNDING BY NATURE (R'm)



	Local & international bi-laterals	Subordinated debt-unlisted bonds	Subordinated debt-listed bonds	Listed senior bonds	Other unlisted negotiable instruments	Total
2012	1 297	499	592	2 776	1 998	7 162
2013	**1 692**	**1 006**	**1 926**	**4 222**	**2 833**	**11 679**

Liquidity

The management of liquidity continues to take preference over the optimisation of profits. Management's liquidity philosophy remains cautious and conservative. This conservatism at times results in the holding of cash in excess of immediate operational requirements.

Despite difficult economic conditions the bank has not experienced volatility in its retail funding base and Capitec complies with the two new Basel III liquidity ratios: the liquidity coverage ratio and the net stable funding ratio.

Funding that is surplus to operational requirements is managed in terms of the liquidity philosophy to ensure that obligations can be met as they become due.

Surplus funding is invested in interest-bearing instruments and instruments are selected to minimise the net carrying cost of surplus funds.

Instruments with maturities greater than three months from the date of acquisition are included in investments and comprise treasury bills issued by the South African National Treasury.

Capital

Return on equity was maintained at 27% and R2.2 billion in ordinary share capital was raised in November 2012.

The bank's capital adequacy increased to 41% from 37% in 2012. The impact of the organisation's activities and Basel III requirements on the ratio are reflected in the table below.

	%
2012 ratio	**37**
2013 appropriated profit	8
Capital issued	11
Subordinated debt issued	9
Dividends paid	(3)
Basel III adjustments	(2)
Loan book growth	(19)
2013 ratio	**41**

The implementation of Basel III resulted in a 2% decline in the capital adequacy ratio due to an increased risk weight on deferred tax assets and the 10% phase-out applied to perpetual preference shares and subordinated debt instruments that do not meet the new loss absorbency rules.

Credit rating

On 4 March 2013, Moody's affirmed Capitec Bank Limited's A2.za/P-1.za national-scale issuer ratings, and changed the outlook to stable from positive. The rating affirmation reflects Capitec Bank's strong loss absorption capacity and comprehensive provisioning policy. The change in the outlook to stable takes into account Moody's assessment of the risks associated with the continued challenging operating conditions in South Africa's unsecured lending market and their expectation that this will weigh on Capitec Bank's asset quality and profitability metrics.

Cost structure

The cost-to-income-ratio improved from 47% for 2012 to 39% for 2013.

Operating expenses grew by only 17% (2012: 28%) to R3.1 billion mainly due to growth in the branch network and corresponding growth in the number of employees. The increase in operating expenses amounted to R448 million.

Capitec Bank's branch network grew to 560 branches, an increase of 53 branches. Based on the average number of income generating outlets for each year the operating expense per outlet for the 2013 financial year amounted to R5.8 million compared to R5.5 million for the 2012 financial year. This represents an increase of only 5%.

Employment costs represent 53% of total operating expenses compared to 56% in 2012 and contributed R153 million of the increase in total operating expenses. Capitec Bank currently employs 8 308 people compared to 7 086 at the end of February 2012.

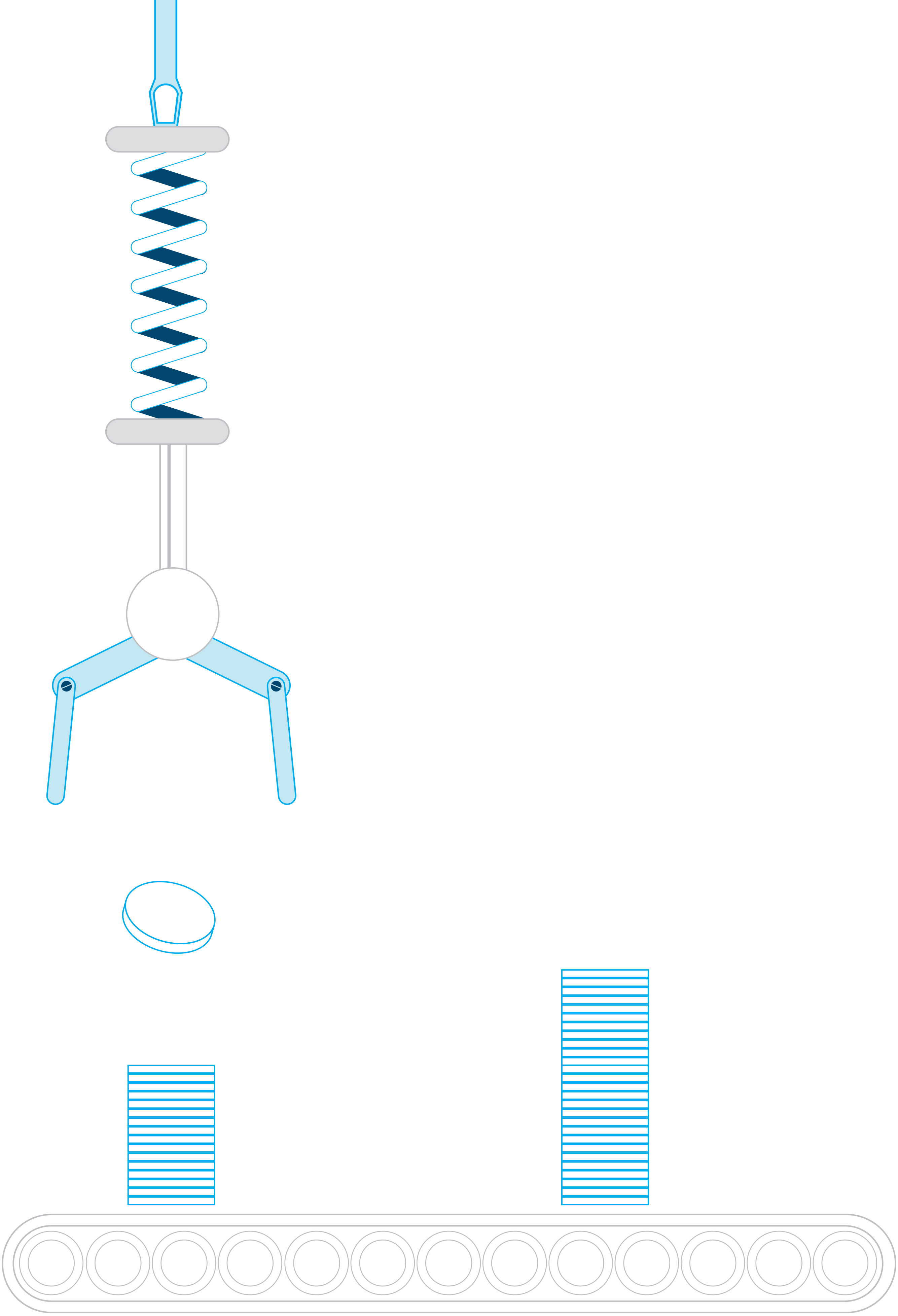
Employment costs are analysed in the table that follows.

		Strategic management	Senior management	Other employees	Total
Employees	Number	10	83	8 215	8 308
Remuneration					
Fixed cash remuneration	R'm	38	76	1 119	1 233
Cash staff performance bonus	R'm	3	2	85	90
Cash bonus bank	R'm	–	28	–	28
Share options	R'm	78	39	–	117
Share appreciation rights	R'm	67	26	–	93
Variable remuneration	R'm	148	95	85	328

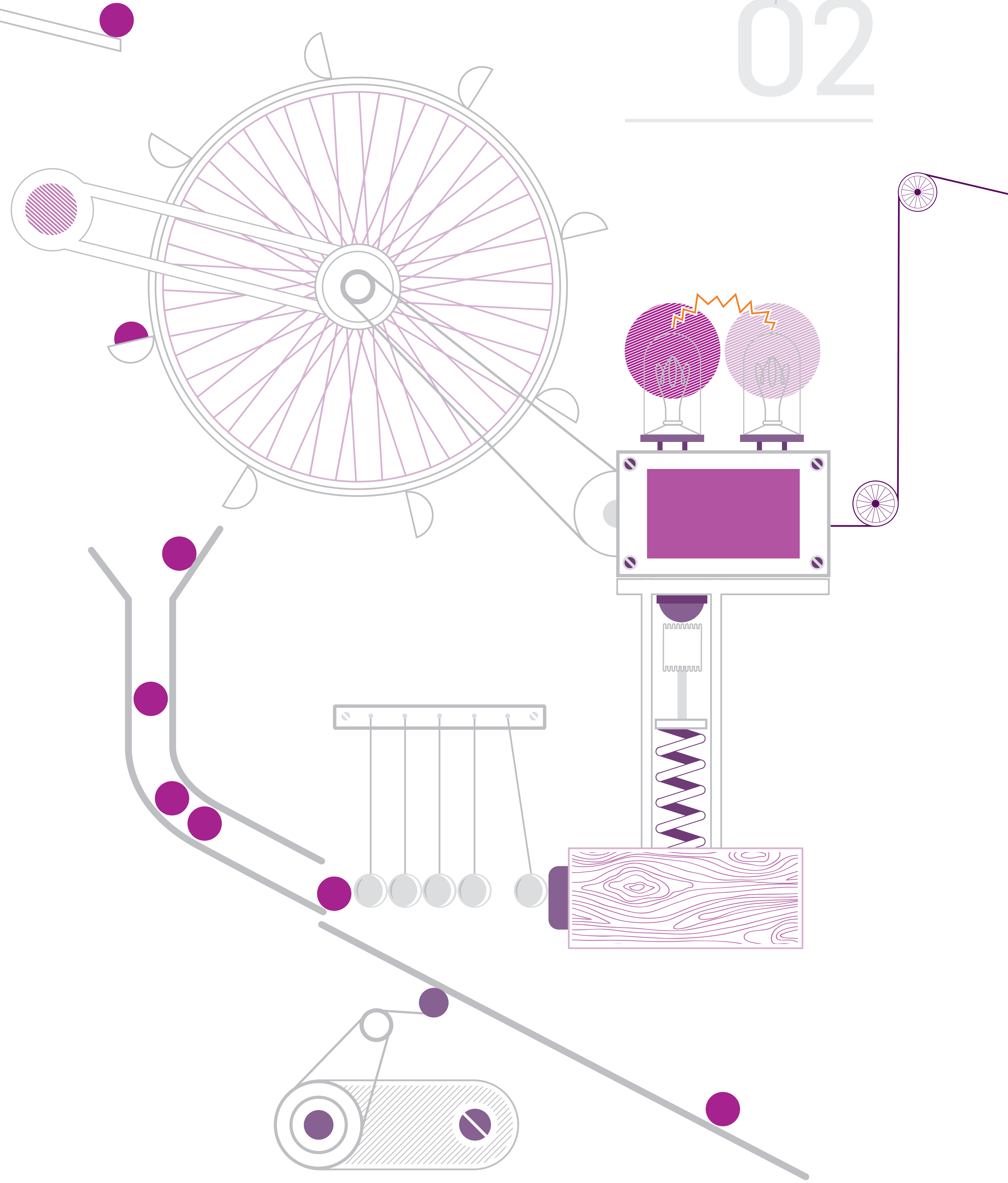
Dividends

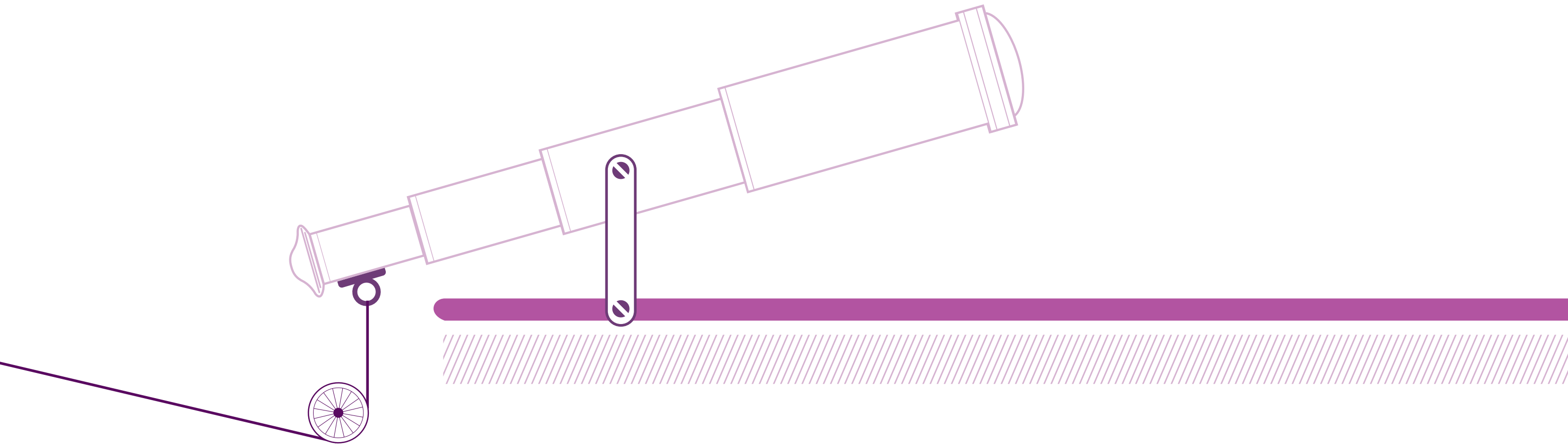
The board of directors continues to consider the capital and funding requirements of the business before declaring dividends.

André du Plessis
Chief financial officer



Leadership 02





Focused leadership

At the core of our success is focused leadership provided by an experienced and skilled board of directors and executive management committee. We pride ourselves on responsible, ethical leadership as the basis for good corporate citizenship and sustainable performance.

Board of directors

The board of directors is responsible for Capitec Bank in its entirety and instructs and oversees a management and control structure that directs and executes all functions within the organisation.

Non-executive directors

Michiel Scholtz du Pré le Roux (63)
BComm LLB
Chairman of the board and the directors' affairs committee

Michiel is Capitec Bank's chairman and was the bank's chief executive officer until 2004. He spent the first 20 years of his career in the brandy and wine industry before entering banking. He is a director of Zeder Investments.

Michiel was appointed to Capitec Bank's board on 6 April 2000.

Markus Johannes Jooste (52)
BAcc, CTA, CA (SA)

Markus was appointed to Capitec Bank's board on 28 January 2011 and resigned from the board on 2 August 2012.

Petrus Johannes Mouton (36)
BComm (Maths)
Chairman of the social and ethics committee

Piet is the chief executive officer of PSG Group. He serves as a director on the boards of various PSG group companies, including Curro Holdings, PSG Konsult and Zeder Investments. He has been active in the investment and financial services industry since 1999.

Piet was appointed to Capitec Bank's board on 5 October 2007.

Chris Adriaan Otto (63)
BComm LLB
Chairman of the human resources and remuneration committee

Chris was an executive director of PSG group since its formation and has served as a non-executive director since February 2009. He was involved in the PSG Group's investment in microfinance and subsequently in the establishment of Capitec Bank, of which he has been a non-executive director since its formation. He is also a director of Zeder Investments, Kaap Agri, Capevin Investment Holdings and Distell.

Chris was appointed to Capitec Bank's board on 6 April 2000.

Independent non-executive directors

Reitumetse Jacqueline Huntley (50)
BProc LLB

Jackie is the managing director of Mkhabela Huntley Adekeye Inc. and has extensive experience in commercial and corporate law, including telecommunications law. She has also worked extensively in the low-cost housing arena, having advised both the Department of Housing and institutions in the housing sector on housing policy and the legal aspects of housing. Jackie assisted the City of Johannesburg with the implementation of the bus rapid transport project in the capacity of interim chief executive officer until February 2011. Jackie served on the board and various board committees of Telkom SA and is a director of Rorisang Basadi Investments.

Jackie was appointed to Capitec Bank's board on 14 April 2011.

Merlyn Claude Mehl
PhD (Physics)

Merlyn was appointed to Capitec Bank's board on 1 March 2001 and served the organisation with distinction until his passing on 30 January 2013.

John David McKenzie (66)
BSc (Chemical Eng.), MA
Chairman of the risk and capital management committee

Jock serves on the boards of a number of companies. He was the chairman and chief executive officer of Caltex Petroleum Corporation until 2001. He was extensively involved in the merger of Caltex, Chevron and Texaco and was president – Asia, Middle East and Africa of Chevron-Texaco until 2004.

Between 1997 and 2003 he was a member of a number of advisory boards in Singapore, including the American Chamber of Commerce. He was the founder president of the South Africa-Singapore Business Council and the Singapore Economic Development Board. Since 2004 he has served as a consultant to the Energy Market Authority and Temasek Holdings in Singapore and acted as the chairman of the Commission of Enquiry into the Singapore Electricity and Gas Supply Systems.

In South Africa he has consulted for inter alia Sasol, the South African Petroleum Industry Association's investigation into the impact of the global economic crisis on the South African oil industry and other related topics. He currently serves on the boards of Coronation Fund Managers, Sappi and Wesgro and is the chairman of the UCT Foundation and Accelerate Cape Town.

Jock was appointed to Capitec Bank's board on 1 March 2012.

Nonhlanhla Sylvia Mjoli-Mncube (54)
BA, MA (City and regional planning)
Lead independent director

Nonhlanhla manages her own company, Mjoli Development Group and was the economic advisor to a former Deputy President of South Africa. She has worked as a town and regional planner in South Africa and as a survey research supervisor at Washington State University and was an executive director of a subsidiary of Murray & Roberts. She was the chairman of the National Urban Reconstruction and Housing Agency (NURCHA), the Rural Housing Loan Fund, Women for Housing and the Open Society Institute in South Africa. She is a fellow of the Massachusetts Institute of Technology (MIT, USA) and a Harvard University Leadership alumnus.

She has won several business women's awards and is a director of Pioneer Foods, Tongaat Hullett and WBHO Construction.

Nonhlanhla was appointed to Capitec Bank's board on 26 January 2004.

Gerrit Pretorius (64)
BSc, BEng, LLB, PMB

Boel served on the board of Reunert from 1991 and as chief executive officer from 1997 until his retirement in 2010.

He currently serves on the boards of several companies including Digicore Holdings, ARB Holdings, RECM and Calibre as well as Pioneer Foods.

Boel was appointed to Capitec Bank's board on 19 November 2012.

Jacobus Pieter van der Merwe (64)
BA, CTA, CA (SA)
Chairman of the audit committee

Pieter is an experienced retail banker. He commenced his career in banking as chief accountant at Boland Bank in 1974 following which he joined Volkskas Merchant Bank as the general manager of finance in 1983. He joined Trust Bank in 1990, and after the amalgamation of Bankorp and ABSA he was appointed as the general manager of Commercial Bank, a division of ABSA, responsible for ABSA Western Cape (1995-1999). In 2000 he was appointed as the operating executive of this division. From 2001 until his retirement in 2006 he was an executive director of ABSA, the last two and a half years of which he was responsible for group administration, information management, IT, credit and risk.

Pieter was appointed to Capitec Bank's board on 27 September 2007.

Executive directors

Riaan Stassen (59)
BComm (Hons), CA (SA)
Chief executive officer ('CEO')

Riaan joined Capitec Bank as managing director in 2000 and was appointed as chief executive officer of Capitec Bank in March 2004. He gained extensive experience in wholesale distribution and banking and held senior positions in both environments before joining Capitec Bank. Riaan was awarded the Cape Times KPMG Business Personality of the Year award in 2007. The nomination criteria for this award included business and entrepreneurial excellence and outstanding company performance.

Riaan was appointed to Capitec Bank's board on 1 March 2001.

André Pierre du Plessis (51)
BComm (Hons), CA (SA)
Chief financial officer ('CFO')

André joined Capitec Bank in 2000 as the executive: financial management and was appointed as the chief financial officer of Capitec Bank in May 2002. He has extensive experience in business advisory services, financial consulting and strategic and financial management. He was the chief executive of financial management for Boland PKS and NBS Boland Group from 1996 to 2000 and also a partner at Arthur Andersen where he was employed from 1986 to 1996.

André was appointed to Capitec Bank's board on 2 May 2002.

Executive management committee

In addition to the chief executive officer and the chief financial officer, the executive management committee comprises the following members.

Jacobus Everhardus Carstens (44)
BCompt (Hons), CA (SA)
Chief credit officer

Jaco joined Capitec Bank in 2004. He gained extensive experience in the credit environment at Old Mutual Bank from 2000 to 2004, serving at various times as head of credit, head of credit risk: policy and decision support and assistant divisional manager: credit, pricing and decision support. Previous positions include manager at Boland Bank from 1997 to 1999 and assistant manager at Ernst & Young from 1992 to 1997.

Carl Gustav Fischer (56)
BComm (Hons), MBA
Executive: marketing and corporate affairs

Carl joined Capitec Bank in 2000. He was chief executive of marketing and support services for Boland PKS from 1999 to 2000. Previous positions include group marketing and sales director (1996-1998) and group production/operations director (1993-1996) of Stellenbosch Farmers' Winery.

Gerhardus Metselaar Fourie (49)
BComm (Hons), MBA
Executive: operations

Gerrie has been head of operations at Capitec Bank since 2000. He commenced his career at Stellenbosch Farmers' Winery in 1987 in the financial planning department following which he was appointed as the area general manager of KwaZulu-Natal and later Gauteng.

Nathan Stephen Tlaweng Motjuwadi (46)
BA (Hons), UED, MBA
Executive: human resources

Nathan joined Capitec Bank in 2010 with almost 15 years' experience in the human resources/training environment. Prior to joining the bank he was employed by XPS Services, Cyborg Systems, Coca-Cola (SA) (based in South Africa and London) and Danone SA. Nathan started his career as a teacher and head of department (English and History) form 1993 to 1995. He also lectured part-time at Unisa's School of Business Leadership.

Andre Olivier (45)
BComm (Hons), CA (SA)
Executive: card services and business development

Andre joined Capitec Bank in 2000 and has been responsible for business development ever since. Card services was incorporated into his portfolio in 2009. He was the financial risk manager at Boland PKS, after which he was head of operations for Pep Bank, in the bank's micro-lending division from 1997 to 2000. He gained audit and business advisory experience with Arthur Andersen.

Christiaan Oosthuizen (58)
Executive: information technology

Chris joined Capitec Bank as head of information technology in 2000. He previously held the position of chief executive of information technology at Boland PKS, where he was employed from 1976 to 2000.

Christian George van Schalkwyk (58)
BComm LLB, CA (SA)
Executive risk management and company secretary

Christian joined Capitec Bank as head of risk management and the company secretary in 2000. He was chief executive of credit risk and legal services at Boland PKS from 1997 to 2000. Previous positions include being a partner at Jan S de Villiers attorneys (1987-1996) and a tax consultant at Arthur Andersen (1985).

Leonardus Venter (51)
BA (Hons), MA (Industrial psychology)
Executive: business support centre

Leon joined Capitec Bank as head of human resources in 2000. He was appointed as executive: business support centre in 2009. Previous positions include human resources manager at Iridium Africa (1998-1999), manager of human resources and support at Telkom SA (1993-1997) and area personnel manager at Iscor (1986-1992).

Development members

There are two development seats on the executive management committee to provide senior employees with the opportunity to gain experience at executive level. The incumbents rotate annually and the seats were filled by Ludwe Solwandle (Manager: operational efficiency) and Chris Vermeulen (Manager: IT risk) during the 2013 financial year.

The development members for the 2014 financial year are still to be appointed.

Corporate values

Through our values we build trust and long-term relationships both externally with clients and internally with colleagues. The values that govern the behaviour of our employees in their interactions with clients and each other are:

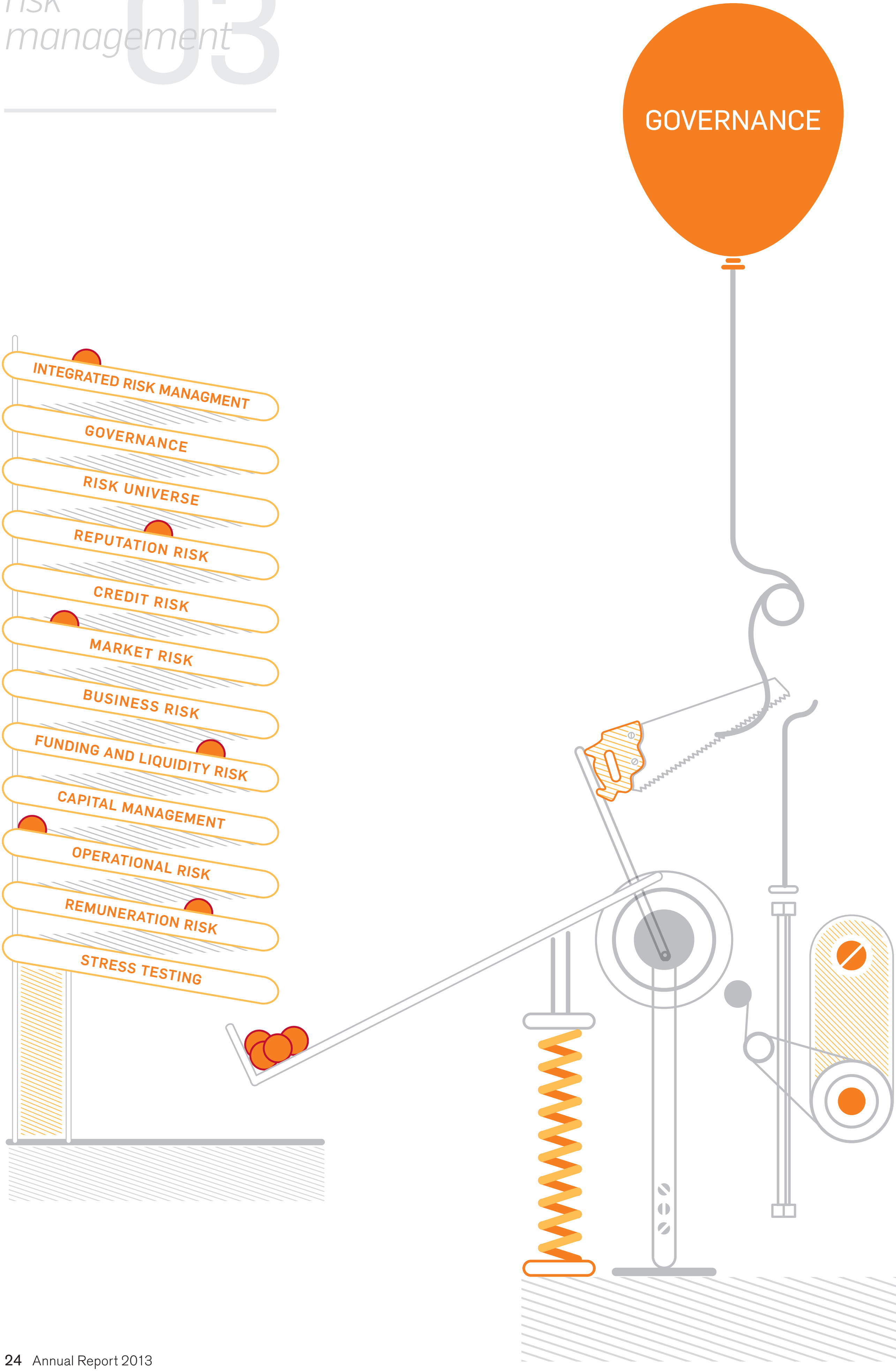
- Respect diversity
- Have integrity
- Be straight forward and transparent
- Take ownership
- Be supportive

Our approach to human rights is embodied in a statement approved by the social and ethics committee. We recognise that business contributes to economic welfare and therefore has a role to play in human progress. Sound human rights practice delivers commercial rewards for all stakeholders over the long term and companies that apply human rights policies are better prepared to prevent human rights abuses and to deal effectively with human rights transgressions.

Extract from Capitec Bank's statement of intent

- Capitec Bank commits itself to uphold the equality and dignity of all people it engages with and to recognise their basic human rights
- The people that the bank engages with include all stakeholders which range from employees, to suppliers and to groups with vested interests such as societies
- Capitec Bank will apply the above principle without deviation and correct any contrary behaviour where it is within its power and ability to do so
- Where human rights abuse exists and it is not within the ability of Capitec Bank to correct the behaviour, the bank will disassociate itself from practitioners who commit these abuses and apply the necessary influence within the bank's ability to change behaviour

Integrated risk management 03



Integrated risk framework

Capitec Bank views risk management as a means of ensuring that sustainable value is created for stakeholders in a responsible manner.

We utilise integrated risk management ('IRM') in the setting of strategy across the organisation. It is a structured and disciplined approach to risk management, aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the opportunities, threats and uncertainties that Capitec Bank faces. It aims to effectively balance risk and control.

Strategic, economic, operational, social and environmental objectives form the basis for IRM. IRM is supported by ethics, performance metrics and incentives and the behaviour and effectiveness of the board.

The IRM framework consists of policies, methodologies, and allocation of responsibilities, governance and reporting structures and is based on ISO 31000, BIS Governance principles, the King III code and the Banks Act.

The primary objectives of the framework are to:

- Protect against possible losses
- Integrate risk management in all levels of decision-making
- Anticipate and mitigate risk events before they become a reality
- Ensure earnings stability
- Optimise the use of capital

Governance

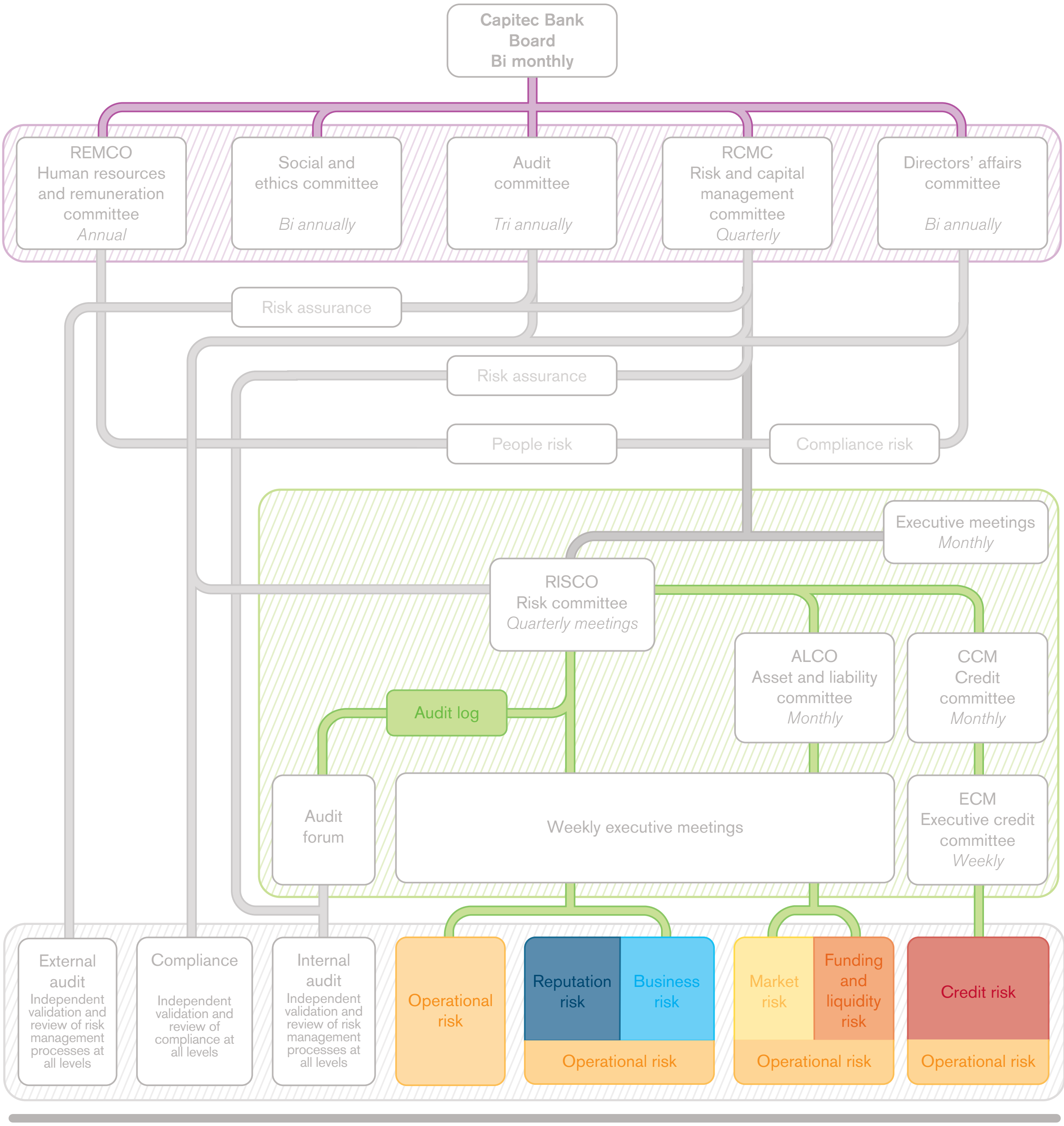
The board remains ultimately responsible for ensuring that risks are adequately identified, measured, managed and monitored and that good governance is maintained. The board discharges its duty through policies and frameworks as well as several board committees and subcommittees. Executive management, together with these committees, manage the business through a system of internal controls functioning throughout the entity. This promotes an awareness of risk and good governance in every area of the business. Risk management is seen as the responsibility of each and every employee.

Virtually all the principles set by the King Code III have been applied during the reporting period, with minor exceptions. Where we do not comply, we state our reasons.

Governance structure

The IRM governance structure consists of a number of committees with varying areas of responsibility as detailed in the diagram below.

Governance Structure



The board of directors

The board of directors is responsible for the organisation in its entirety. It functions within the ambit of an annually reviewed charter and instructs and oversees a management and control structure that directs and executes all functions within the organisation. It also drives strategy.

Composition

A board approved policy specifies the governance principles that ensure a balance of power and authority at board level. The board comprises a majority of eight non-executive directors, five of whom are independent non-executive directors and the board is satisfied with this level of independent representation.

The composition of the board ensures that there is a balance of power and authority so that no one individual has unfettered decision-making powers. The roles of chairman and CEO are separated and the chairman is a non-executive director who is considered by the board to best be able to fulfill the role of chairman. Merlyn Mehl fulfilled the role of lead independent director until his passing and Nonhlanhla Mjoli-Mncube was appointed as lead independent director on 18 February 2013.

Assessment of independence

The continued independence of independent non-executive directors that have served for a period of nine years and factors that may impair their independence are evaluated. The board considered the independence of Nonhlanhla Mjoli-Mncube and resolved that she remains sufficiently independent. The independence of Jackie Huntley was also considered. Jackie was previously considered not to be independent due to the fact that she represents Coral Lagoon Investments 194 (Pty) Limited ('Coral'), a BEE partner of Capitec Bank Holdings Limited ('Capitec'), but Coral's interest in Capitec reduced to less than 5% during the year. With the King III rule of thumb no longer applicable, the board could find no reason not to assess her as independent.

The remainder of the independent directors have served for periods shorter than nine years.

Appointment process

All appointments to the board are formal and are conducted in terms of a board approved policy. The process is transparent and a matter for the board as a whole. The directors' affairs committee under leadership of the chairman presides over board appointments. When a vacancy exists or specific skills are required, candidates are identified and recommended to the full board for endorsement. With the board's sanction, the individual is approached and, subject to prior approval by the South African Reserve Bank ('SARB'), formally appointed. Shareholders have the opportunity at the first annual general meeting following the appointment of a new non-executive director, to endorse the appointment.

Development

Newly appointed board members are formally inducted through a programme comprising reading, interviews and exposure to bank operations. All board members attend training presented by the Gordon Institute of Business Science for and on behalf of the SARB and ad hoc training is presented in-house from time to time.

Performance assessment

The board is assessed annually via an internally conducted process that deals with individual directors as well as the board and its various committees as entities. A diverse range of skills relevant to a retail bank are assessed.

The skills and expertise of the board are described in chapter 2 of this report.

Meetings and quorum

The board meets six times a year and a quorum is comprised of a majority of directors.

Committees

The following committees, comprising directors, executives and senior management, are in place to deal with specific risks facing the organisation in a structured manner and in accordance with board approved charters.

Committee	Purpose	Composition	Quorum	Frequency and reporting
Executive management committee ('EXCO')	Operational decision-making Implementation of board approved strategic decisions On-going approvals of administrative nature	R Stassen (CEO) AP du Plessis (CFO) JE Carstens CG Fischer GM Fourie NST Motjuwadi A Olivier C Oosthuizen CG van Schalkwyk L Venter Two annually elected development members	Majority of members, including at least three of the following: CEO, CFO, exec: risk management and exec: operations	Meets three times a week with an extended meeting once a month
Directors' affairs committee	Evaluation of board effectiveness Senior management and board succession planning Corporate governance	All non-executive directors	Majority of members	Meets twice a year
Human resources and remuneration committee ('REMCO')	Determining directors' and senior executives' remuneration Levels of remuneration of all employees and adjustment thereof Additional remuneration such as bonuses, incentives, share option incentives	**Non-executive directors** CA Otto (chairman) MS du P le Roux **Independent non-executive director** G Pretorius **Management attendees** R Stassen NST Motjuwadi	Majority of members	Meets once a year
Social and ethics committee	Promote the collective wellbeing of society Facilitates the sustainable growth of Capitec Bank Considers matters relating to socio-economic development, equity and empowerment and good corporate citizenship	**Non-executive director** PJ Mouton (chairman) **Independent non-executive director** J Huntley **Management member** CG van Schalkwyk **Management attendees** CG Fischer NST Motjuwadi	Majority of members	Meets twice a year Reports to shareholders annually at the AGM

Committee	Purpose	Composition	Quorum	Frequency and reporting
Risk and capital management committee ('RCMC')	Identification of all risks Assists the board in reviewing the risk management systems and processes and significant risks facing the bank Capital management	**Independent non-executive directors** JD McKenzie (chairman) JP van der Merwe **Non-executive directors** PJ Mouton CA Otto **Executive director** AP du Plessis **Management attendees** J-HC de Beer (compliance officer) JE Carstens J Delport (risk officer) JJ Gourrah (internal audit) R Stassen CG van Schalkwyk	Majority of members	Meets quarterly
Large exposures committee	Approval of credit exposures in excess of 10% of bank capital.	Risk and capital management committee **Members of management** JE Carstens AP du Plessis R Stassen CG van Schalkwyk	Majority of members	Meets as required
Audit committee	Acts in terms of board approved charter Responsible for financial disclosure and controls affecting this disclosure Custodians of corporate reporting including the annual report – oversee the extent, format, frequency, content, quality and integrity Annually expresses opinion on the expertise, resources and experience of the CFO and financial management department as well as the internal audit environment Recommends the appointment of external auditors and oversees the results of the external audit process Sets principles for the use of the external auditors for non-audit services	**Independent non-executive directors** JP van der Merwe (chairman) JD McKenzie NS Mjoli-Mncube **Non-executive director** PJ Mouton **Independent attendee** DG Malan (external audit partner – PricewaterhouseCoopers Inc.) **Management attendees** J-HC de Beer AP du Plessis JJ Gourrah R Stassen CG van Schalkwyk **By invitation** All directors	50% but not less than two members	Meets three times a year

Attendance of meetings by board members

Committee	Board	Directors' affairs	Human resources and remu-neration	Social and ethics	Risk and capital manage-ment	Audit
Number of meetings	**6**	**2**	**2**	**1**	**4**	**3**
MS du P le Roux	6	2	2	–	–	3 (1)
AP du Plessis	6	–	–	–	4(1)	3 (1)
RJ Huntley	6	2	–	1	–	–
MJ Jooste(2)	1	–	1	–	–	–
JD McKenzie(3)	5	2	–	–	1	2
MC Mehl(5)	3	1	–	–	2	2
NS Mjoli-Mncube	6	2	–	–	–	3
PJ Mouton	6	2	–	1	3	3
CA Otto	6	2	2	–	4	3 (1)
G Pretorius(4)	2	1	1	–	–	–
R Stassen	6	–	1(1)	–	4(1)	3 (1)
JP van der Merwe	5	1	–	–	–	3

(1) *Attendance by invitation*

(2) *Mr. MJ Jooste resigned from the board of Capitec Bank on 2 August 2012*

(3) *Mr. JD McKenzie was appointed to the board of Capitec Bank on 1 March 2012 and the RCMC and audit committee on 25 September 2012*

(4) *Mr. G Pretorius was appointed to the board of Capitec Bank on 19 November 2012 and REMCO on 31 January 2013*

(5) *Prof MC Mehl passed away on 30 January 2013.*

Company secretary

The company secretary acts as a conduit between the board and the organisation. The company secretary is responsible for board administration and liaison with the Companies and Intellectual Property Commission. Board members also have access to legal and other expertise when required at the cost of the company through the company secretary.

The qualifications and expertise of the company secretary are detailed in chapter 2 of this report. The directors' affairs committee has reviewed the qualifications, experience and competence of the company secretary through discussion and assessment and has noted that the company secretary performed all formalities and substantive duties timeously and in an appropriate manner. The committee confirmed its satisfaction in all instances.

As the company secretary is not a director of Capitec Bank and has to date maintained a professional relationship with board members giving direction on good governance as and when required, the committee stated that it is satisfied that an arms-length relationship is being maintained with the board.

Conflict of interest and dealing in securities

Executive management and directors declare all interests that may relate to Capitec and Capitec Bank at monthly executive and board meetings respectively. There have been no matters of conflict in the reporting period.

Policy dictates that directors and executive management (and all employees with access to management reports) obtain clearance to trade in Capitec shares. The chairman of the board, the CEO, the CFO and the company secretary are mandated to authorise clearance to deal in Capitec shares.

No trading is allowed during closed periods or when information that may affect the Capitec share price that has not been disclosed to the public exists. Director trading as well as that of the company secretary and any of their associates is published on the JSE SENS in accordance with regulatory requirements.

Independent assurance

Both the external auditors and the internal audit department observe the highest levels of business and professional ethics and independence.

Management encourages regular co-ordination and consultation between the external and internal auditors to ensure an efficient audit process.

External audit

PricewaterhouseCoopers Inc., an international firm, are the external auditors of Capitec Bank. We have no reason to believe that they have not acted with unimpaired independence at all times.

External audit fees are set annually in advance by the audit committee in a manner which should not impact the scope of the audit. The extent of the audit determines the audit fee. Non-audit services rendered by the external auditors are limited to ad hoc tax advice and other assurance-related services within the parameters of a policy approved by the audit committee limiting such expense to 40% of the annual audit fee. Details of amounts paid to the external auditor are included in note 23 to the annual financial statements.

The engagement partner responsible for the audit rotates every five years and the external auditor attends the annual general meeting of shareholders.

Internal audit

Capitec Bank has an independent internal audit department with direct access to the chairman of the board and audit committee, reporting functionally to the committee and administratively to the CEO. Internal audit functions in accordance with a charter approved by the audit committee. The charter formally defines the purpose, authority and responsibility of internal audit activity and is consistent with the Institute of Internal Auditors' definition.

Internal audit forms an integral part of the combined assurance model and focuses on adding value to the operations of the organisation. To this end it emphasises:

- evaluation of the appropriateness of and adherence to company policies and procedures
- prevention of fraud, unethical behaviour and irregularities
- production of quality management information
- sound business processes and associated controls

The department annually submits a coverage plan to the audit committee for approval. The scope of this plan encompasses the entire business of the organisation and is prepared with the organisation's strategic objectives in mind.

Internal audit is risk-based and the internal auditors submit an annual assessment to the audit committee on the system of internal controls. Great emphasis is placed on the implementation and efficiency of systems. In addition, the operations environment is closely monitored and assurance derived that controls are adequate and operating effectively. Increased emphasis is placed on development of centralised monitoring and continuous auditing. In this process, any deficiency detected in governance is referred to management for action. The implementation of recommendations emanating from audits is measured.

The head of internal audit is required to attend all audit and RCMC meetings and submits a report at each audit committee meeting.

Risk universe

The risk and capital management committee ('RCMC') oversees risk management in the organisation. The committee has a board approved charter in accordance with which it assists the board in reviewing risk identification and evaluation processes and it also ensures that risk assessment is an on-going process.

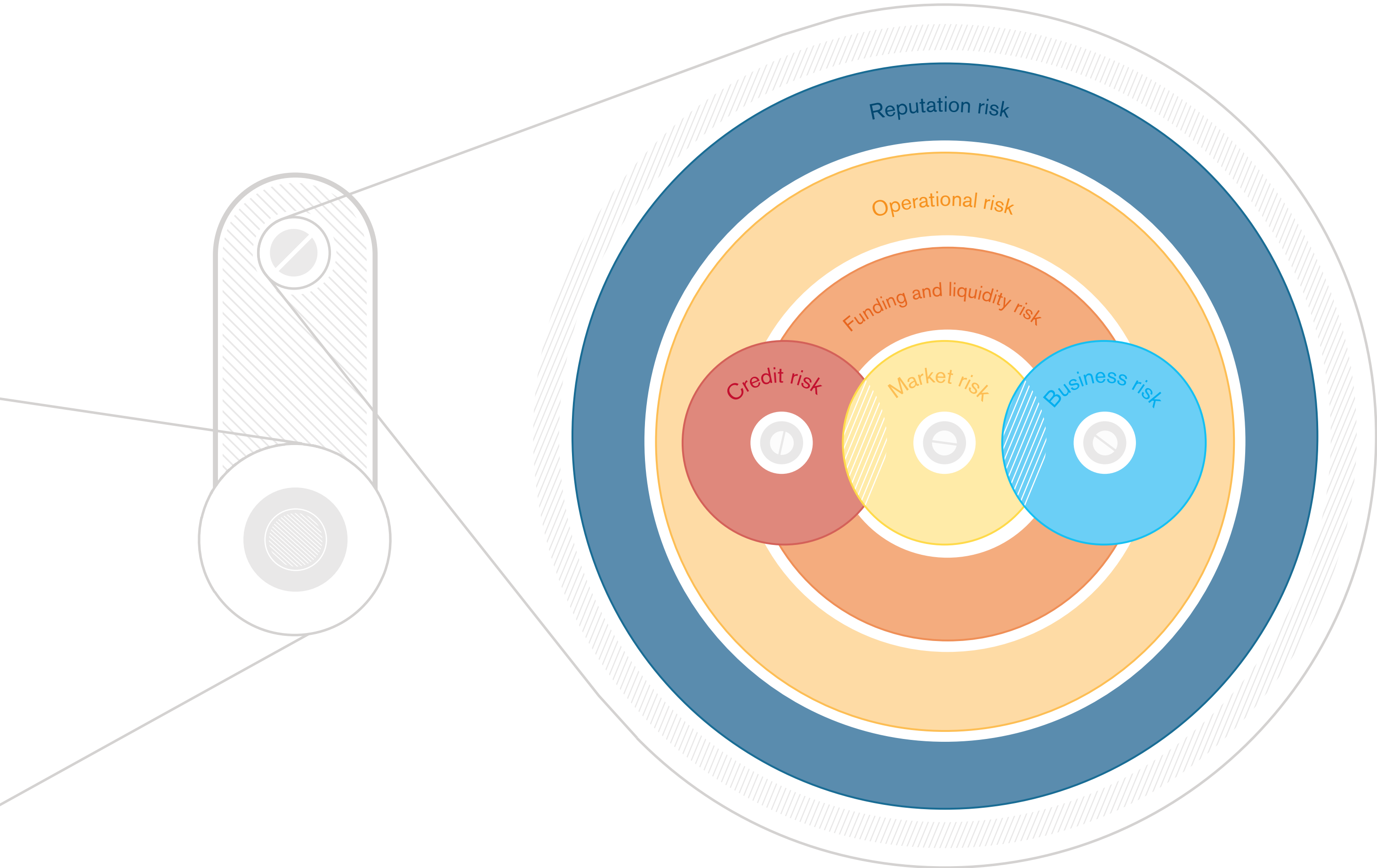
The risk universe is composed of inter-connected groups of risks as illustrated in the diagram below.

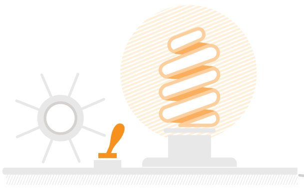
The RCMC oversees the management of these risks through sub-committees as detailed in the IRM risk governance structure and is also assisted by other structures within the organisation as described below.

Risk ownership – heads of business carry the primary responsibility for the risks in the organisation, in particular with respect to identifying and managing risk appropriately.

Risk control - the risk management department supports the business heads by providing independent oversight and monitoring across the organisation on behalf of the board and relevant committees. Risk management is headed by a chief risk officer ('CRO') who is a member of EXCO who owns and maintains risk frameworks, maintains risk governance structures and manages regulatory relationships with regard to risk matters.

Independent assurance - internal audit ('IA') and external audit provide independent assurance of the adequacy and effectiveness of risk management practices. The head of IA reports to the board through the audit committee chairman.

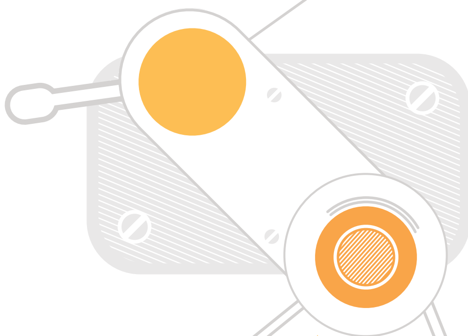




Reputation risk

The management of the risk that an activity, action or stance could impair Capitec Bank's reputation is a function of the management of all other risks.

In conjunction with an effective media and communication strategy good management of all other risk groups ensures that reputation risk is managed appropriately. In terms of the management approach, reputation risk is dealt with by the RCMC through the risk committee ('RISCO'), a sub-committee of the RCMC and is managed on an on-going basis through compliance with disclosure and communication policies.



Credit risk

Capitec Bank's credit risk arises mainly from unsecured retail loans and is defined as the risk of loss arising from the failure of a client or counterparty to fulfill its obligations.

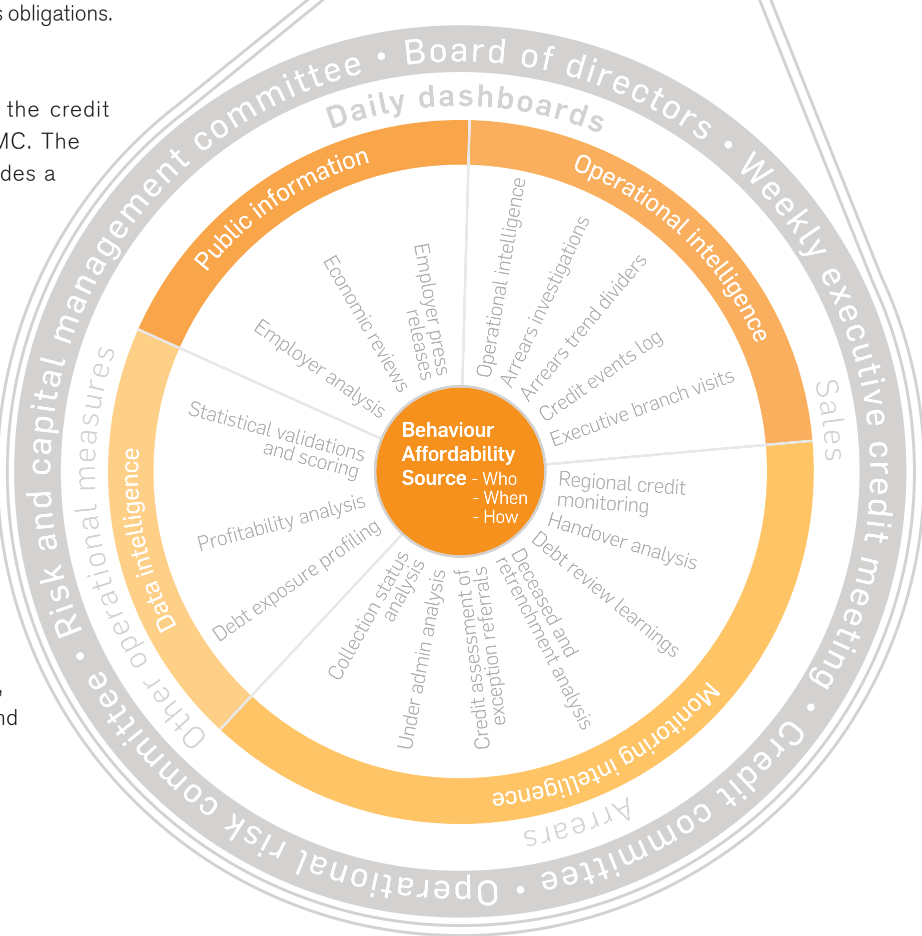
Governance

Credit risk management is overseen by the credit committee, a sub-committee of the RCMC. The composition of the credit committee includes a cross-section of management.

The committee determines credit policy and meets monthly. At the meeting the activities of the credit division and operations, new business results, arrears, provisioning, recoveries and regulatory compliance are evaluated. Policies are reviewed annually in their entirety; however, they are monitored continuously and the executive credit committee recommends changes at credit committee meetings as and when required.

Representation on the executive credit committee that meets weekly is broad, including the credit committee members and key senior financial management members.

CREDIT RISK MANAGEMENT GOVERNANCE

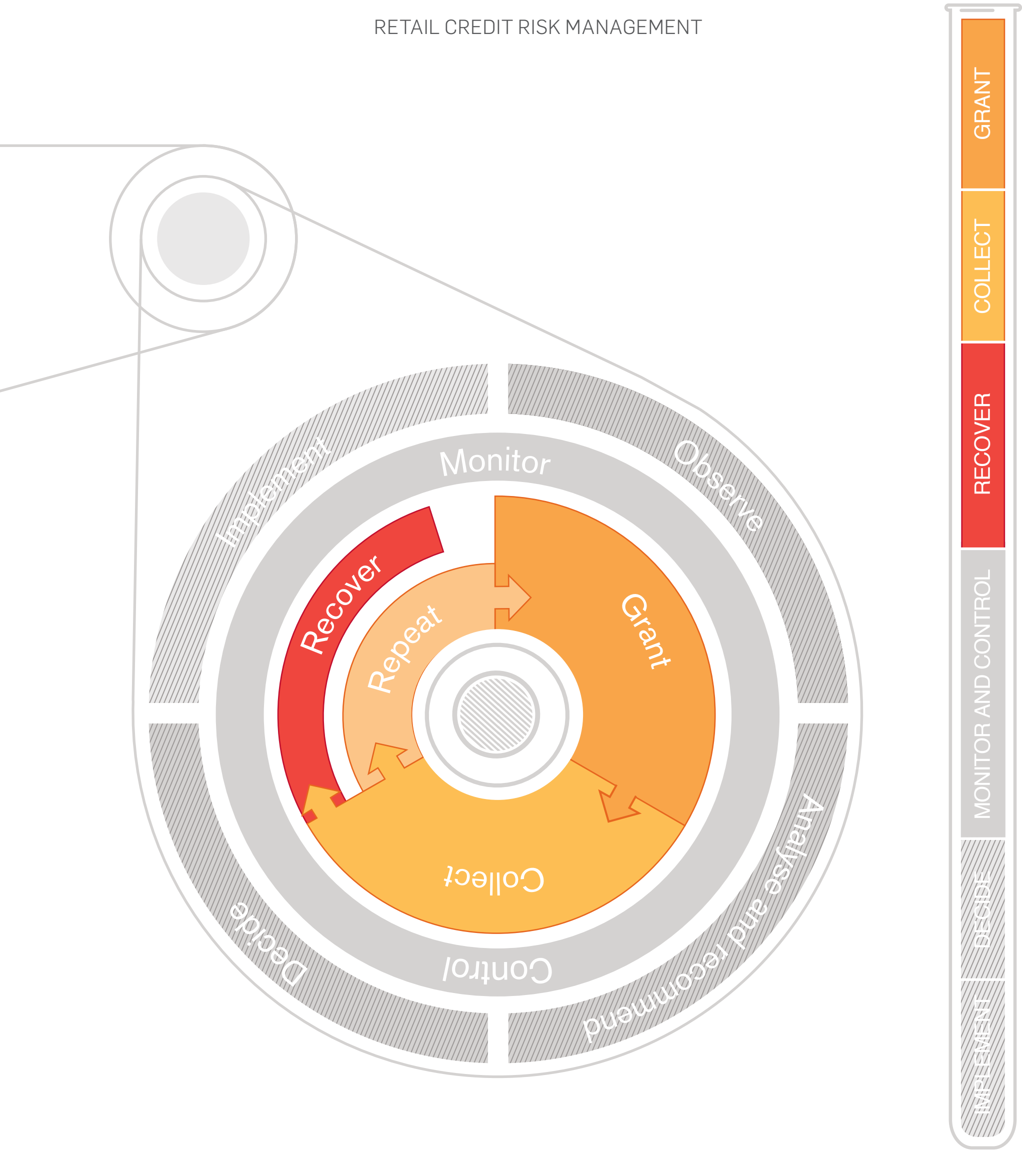


Capitec Bank's credit model

The credit model is reviewed and adjusted perpetually so that the credit offer meets the requirements and trends in the market and performs within the credit risk appetite.

Capitec Bank's approach to credit risk management is detailed in the diagram below.

RETAIL CREDIT RISK MANAGEMENT



CREDIT ASSESSMENT
Granting Policy
- Application processing with sales and services system

Referral policy:
- Central assessment team (CAT)

EMPLOYER MANAGEMENT:
Central and branch
ARREARS FOLLOW-UP:
Tallyman central collections policy
- Collection Strategy
- Collection Method

CAPITEC COLLECTION SERVICES (CSS)
- Handover to and management of collection agents (legal)
- Debt review and under administrations/ sequestrations
- Deceased and retrenchment claims
- Court orders

CREDIT MONITORING
Regional credit monitoring
- Support, investigations and policy adherence
- Economic reviews
- External publications and internal analyses

DECISION SUPPORT
- Provision model
- Scoring and rule validations
- Decision analytics
- Reporting, modelling and forecasting

DEVELOPMENT AND CHANGE MANAGEMENT
- Coordinate projects
- Systems development and implement credit policy changes
- System optimisation, accuracy and efficiency

Grant
The credit granting decision is based on the client's behaviour (willingness to pay), affordability (ability to pay) and source of payment (when, who and how).

Each component is determined as described in the adjacent table.

Behaviour	**Affordability**	**Source of payment**
External bureau data, internal repayment records	Client authentication, document verification, capture of income, living expenses and financial obligations as prescribed by the NCA	Salary slip details, bank statements
Bureau and custom application and behavioural scorecards, product and client rules, employment risk and debt stress indicators	Calculation of cash flow available to service debt at the lowest of a validated client cash flow calculation and a client-confirmed household affordability assessment	Employment confirmation
Fraud checks	Further mitigation is achieved through decreasing repayment-to-income parameters as the allowed loan term increases	Type of employment (employer stability)

Collect
Capitec Bank follows an employer-based collections strategy to optimise collection success. There is focus on knowledge management with constant monitoring and improvement of the quality of the employer information database to ensure pro-active decision-making and improved collection success.

Capitec Bank mainly utilises the regulated NAEDO system to collect instalments on the pay dates of clients who do not deposit their salaries with the bank. Collections are mandated by clients in their loan contracts and are made from their external bank account. Where instalments are collected from a Capitec Bank account this is done under the same rules as external NAEDO debits.

Recover
When collection is unsuccessful, arrears follow-up is performed centrally from our internal call centre, run on a collection system utilising scientifically-determined strategies and a predictive dialler.

Post hand-over recoveries are conducted by a panel of external collectors (debt collectors and attorneys), who are responsible for tracing clients, re-negotiating repayment terms, instituting debit orders and where unsuccessful, instituting legal action. Capitec Bank has made numerous changes over the past 12 months to ensure that legal action is used as a last resort. Collectors are contractually managed in terms of mandates and their performance is reviewed weekly.

Collectors, the handed-over-accounts database and recoveries are monitored by the CCS department. CCS has specialised legal skills to manage debt review applications, deceased estates, retrenchment and deceased cover claims, court orders and under-administration/ sequestration cases.

Capitec Bank insures loan balances against the death and retrenchment of clients and does not sell credit life insurance policies to clients.

Monitor and control

The credit operations department is tasked with knowing more about the unsecured credit market in South Africa than any of Capitec Bank's competitors and organising and sharing that knowledge systematically in order to improve the management of credit risk.

The credit risk management model is continuously monitored to ensure effectiveness and compliance in order to maintain and improve levels of arrears against the backdrop of changes in the market. Changes in credit exposures and consumer debt levels trigger process and policy responses. Scoring, affordability assessments, pay date management, collections and the end-to-end automation of processes have been enhanced in reaction to trends observed in the market.

The tools described in the adjacent table are used to monitor credit risk.

Decide

Decision support, a specialist credit risk statistical analytics team, works closely with business to develop scorecards, scorecard alignments, granting models, provision models and collection models that are aligned to business strategies.

All models and strategies implemented by this team are continuously reviewed to ensure that they are optimal and relevant in the context of a changing market. Conceptually new models, like predicting the likelihood of clients over-indebting

Quality of new business	**Arrears dashboard**	**Roll rate analysis**	**Credit events log**	**Root cause analysis**
Roll rate, first payment default and arrears reports, and non-authenticated early debit order (NAEDO) success reports are early indications of the quality of loans granted	Arrears are reported daily and evaluated on product, industry, branch, regional, provincial manager and national levels	Arrears trends are monitored using roll rates from the loans system (the same profiles are submitted to the National Loans Register)	Credit events are registered on a central log and communicated to branches and operations management	Root cause analysis and continuous learning are performed by the regional credit monitoring team
Vintage graphs are utilised as a lagging measure that the quality of credit granted was in line with what was expected in terms of profitability Vintage graph trends indicate improvement or deterioration in each month's sales (a tranche) and seasonal trends can be separated from a worsening trend	Deviations in an individual employers' arrears are investigated on a daily basis to determine if there is an employer problem (e.g. strikes, retrenchments), a pay date problem, or a NAEDO processing problem	Variations of the roll rate tables are utilised to understand the rehabilitation of accounts in arrears and to derive new credit-granting rules and collection strategies	System flags drive appropriate mitigating action	All branches are reviewed every month but branches with above average arrears are covered more extensively
Cumulative arrears for each tranche of sales are tracked at 90 days, the point of handover and divided into the total original instalments payable (late delinquency)	Branch performance targets include arrears targets, appropriately balanced with sales and profit targets	These payment profiles form the basis of the loan impairment models and the unexpected loss calculations		
Accept rates, not taken-up rates and turnaround are monitored from the branch to bank levels and evaluated from all business perspectives				

themselves after credit is granted, are developed, tested and implemented.

This team delivers solutions with real business benefits across the client credit risk life cycle. Models and scorecards are developed in SAS through data driven analytics. The team ensures, with the help of IT, that scorecards and models are correctly implemented and monitors the effect of model adjustments.

Reports are created by this department to gain insight into customer behaviour, market trends and a client's potential lifetime value.

Capitec Bank applies conservative accounting policies to impairment provisioning and bad debt write offs. Refer to note 2.4 of the annual financial statements.

Implement

Development and change management is a perpetual process through which strategic system enhancements are developed, coordinated and implemented. We believe that effective management of development and change enables Capitec Bank to progress strategically and effectively year-on-year and rapidly adapt to changes in the market.

Newly available technologies to enhance and automate business processes are investigated and key economic indicators are monitored to build a thorough understanding of the needs and financial well-being of our target market. This area is closely aligned with operational, compliance and IT risk management.

Capitec Bank maintains good relationships with the regulatory authorities and is represented on the following industry forums:

- Credit Providers Association ('CPA') management committee, which deals with consumer credit data submitted to credit bureaux
- Banking Association of South Africa ('BASA'): Heads of credit nominated work groups

Institutional credit risk

Capitec Bank has a very low risk appetite regarding the investment of surplus cash. Surplus cash is invested in short-dated instruments with high market liquidity such as National Treasury bills, SARB debentures, cash on call with highly rated banks and short-term treasury bill resale transactions. From time to time, and particularly when the bank has large volumes of surplus cash, it will also invest in the money market unit trusts of large fund managers in order to achieve a level of risk diversification, subject to sufficient yield commensurate with the additional risk of investing in an instrument with no capital guarantee.

Credit risk related to the investment of surplus cash resources with banks and money market funds is managed by ALCO. ALCO proposes a list of counterparties and related limits which are approved and monitored by the credit committee. A separate large exposures committee exists to evaluate and approve exposures to other banks and money market funds in terms of the limits specified in the Banks Act.

The selection of corporate insurers to insure the loan book against death and retrenchment is based on sufficient underwriting capacity.

Counterparty credit risk

Capitec Bank has very limited counterparty credit risk because it does not operate a trading book. The only exposures to counterparty credit risk are those arising on hedges entered into to mitigate risk in the banking book.

Focus for the coming year

- Enhanced client experience in branches with reduced manual data capturing and input
- Optimisation of collections measures
- Introduction of new and improved credit products including testing a credit card
- Improved rehabilitation of clients and limiting legal action
- Improved control over service providers (i.e. attorneys and collection agents)
- Involvement in industry development relating to client affordability determinations, credit life insurance, payment mechanisms (AEDO , NAEDO and debit orders), executing court orders (emolument attachment orders) and financial education.

Refer also to note 26.1 to the annual financial statements.

ANALYSIS OF REGULATORY CREDIT EXPOSURE

Basel III exposure categories R'000	Average gross exposure[1] 28 Feb 2013	Average gross exposure[1] 29 Feb 2012	Aggregate gross year-end exposure[2] [4] 28 Feb 2013	Aggregate gross year-end exposure[2] [4] 29 Feb 2012	Exposure post risk mitigation[2] [3] [4] 28 Feb 2013	Exposure post risk mitigation[2] [3] [4] 29 Feb 2012	Risk weights[5] %
On-balance sheet							
Corporate[6]	**509 156**	320 059	**673 580**	282 752	**673 580**	282 752	100
Sovereign[7]	**3 392 818**	1 559 247	**3 877 189**	1 646 386	**3 877 189**	1 646 386	0
Banks (claims <3mths original maturity)[8]	**2 305 840**	1 271 896	**2 052 743**	2 159 683	**2 052 743**	1 598 553	20
Banks AA- to AAA (Derivatives >3mths)	**9 955**	–	**19 075**	–	**19 075**	–	20
Banks BBB- to A (Derivatives >3mths)	**4 050**	4 229	**2 250**	2 554	**2 250**	2 554	50
Retail personal loans							
- performing	**27 194 675**	16 093 439	**28 860 404**	17 430 047	**28 860 404**	17 430 047	75
- impaired[9]	**1 407 058**	723 186	**1 777 034**	931 209	**1 777 034**	931 209	100
Sub-total	**34 823 552**	19 972 056	**37 262 275**	22 452 631	**37 262 275**	21 891 501	
Off balance sheet							
Corporate guarantees	**1 786**	2 264	**–**	2 363	**–**	2 363	100
Retail personal loans							
- retail guarantees	**500**	–	**1 000**	–	**1 000**	–	75
- committed undrawn facilities	**537**	–	**2 716**	–	**2 716**	–	75
- conditionally revocable commitments[10]	**663 422**	618 631	**725 010**	603 816	**725 010**	603 816	0
Total exposure	**35 489 797**	20 592 951	**37 991 001**	23 058 810	**37 991 001**	22 497 680	

As required by the Banks Act and regulations (which incorporate Basel III):

(1) *Average gross exposure is calculated using daily balances for the last six months.*

(2) *Items represent exposure before the deduction of qualifying impairments on advances.*

(3) *Represents exposure after taking into account qualifying collateral. Amounts are shown gross of impairments, which are deducted to calculate risk-weighted assets.*

(4) *'Corporate' and 'Bank' exposures were calculated based on an average using daily balances for month twelve of the respective year-ends. All other items are the balances at year-end.*

(5) *The risk weightings reflected are the standard risk weightings applied to exposures as required by the Banks Act. Risk weights for exposures (other than retail) are determined by mapping the exposure's Fitch International grade rating to a risk-weight percentage using the mapping table that follows. The risk weightings for retail exposures are specified directly in the banking regulations.*

(6) *93% (2012: 84%) of corporate aggregate gross year-end exposure relates to investments in money market unit trusts.*

(7) *Sovereign comprises investments in RSA National Treasury bills and SARB debentures. These exposures are zero risk weighted.*

(8) *Qualifying collateral in the form of highly liquid securities, arising from resale transactions, is deducted to arrive at post risk mitigation values. All resale agreements were in respect of RSA National Treasury bills and were transacted via STRATE.*

(9) *An ageing of impaired advances is shown in note 6 to the annual financial statements.*

(10) *These commitments are a result of undrawn loan amounts. The loans are approved with a contractual repayment period of one month or less. The bank's contractual commitment is revocable should a client not meet their contractual obligations or where the bank has determined that the client's credit risk profile has changed. 17.8% (2012: 18.3%) is expected to be drawn down within one month. As these commitments are revocable, there is no capital charge in terms of the standardised approach for credit risk.*

RATING GRADES AND RELATED RISK WEIGHTS

Long-term credit assessment	AAA to AA- %	A+ to A- %	BBB+ to BBB- %	BB+ to B- %	Below B- %	Unrated %
Sovereigns	0	20	50	100	150	100
Public sector entities	20	50	50	100	150	50
Banks	20	50	50	100	150	50
Security firms	20	50	50	100	150	50
Banks: short-term claims	20	20	20	50	150	20
Security firms: short-term claims	20	20	20	50	150	20
Long-term credit assessment	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**Below BB-**		
Corporate entities	20	50	100	150		100
Short-term credit assessment	**A-1/P-1**	**A-2/P-2**	**A-3/P-3**	**Other**		
Banks and corporate entities	20	50	100	150		

The above table of risk weights is applied in terms of the standardised approach to credit risk for portfolios other than retail. Ratings are not applied to retail exposures. A standard risk weight of 75% is applied to performing retail exposures while impaired exposures attract a standard 100% risk weight, net of allowed impairments.

Market risk

This is the risk of a potential decrease in stakeholder's value as a result of adverse changes in the market value of assets and liabilities.

Capitec Bank is not exposed to market risk or position risk on active trading activities as understood in terms of the Banks Act because it does not operate a trading book. Exposure to market risk is largely limited to interest rate risk on the banking book.

Governance

Market risk management is overseen by ALCO, a sub-committee of the RCMC. The committee meets monthly.

Interest rate risk

This is the risk that market-driven interest rates may adversely affect profitability and the value of the balance sheet. Policy prioritises the management of the value of equity over profitability to ensure sustainability and an appropriate focus on long-term value creation.

The principle ALM policy governing the management of interest rate risk is that the taking of speculative or trading positions on the banking book should be avoided. ALCO aims to match the fixed or floating rate nature of funding with the fixed and floating rate elements of the loan book and surplus cash positions. To achieve this, long-term floating rate liabilities may be swapped to fixed rates.

Interest rate risk appetite is monitored in terms of set limits applied to the impact of changes in interest rates on the net present value of equity. Capitec Bank has a high level of equity relative to liabilities and this allows ALCO to act on a mismatch between assets and liabilities in line with its view on interest rates. The cost of swapping floating exposure is assessed against the probability and quantum of costs that could arise from moderate to large interest rate shocks. In addition, earnings at risk is assessed using a 12-month rolling budget. Yield curve developments, money market interest rates, an economic evaluation with analysis of the likely impact on interest rates as well as a re-pricing analysis are used to address yield curve, basis and re-pricing risk.

Based on its assessment of the information available ALCO approves interest rate pricing on funding and loan products and authorises any swap transactions.

Regulatory sensitivity analysis of equity – 200 basis point shift

	2013		2012	
	R'000	**%**	**R'000**	**%**
Increase	**(377 110)**	**(3.3)**	(126 619)	(2.1)
Decrease	**382 024**	**3.4**	116 378	2.0

The above analysis is calculated by modelling the impact on equity of parallel shifts of 200 basis points on the yield curve on the balance sheet. The analysis is performed on a run-off basis, using the discounted cash flow approach, in line with the requirements of the Banks Act. This provides an indication of how the value of shareholders' funds may change given a shift in interest rates.

Refer also to note 26.3 in the annual financial statements.

Equity risk

Capitec Bank does not deal in equity instruments and did not invest in any listed equities during the reporting period. At the end of the current reporting period there were no equity investments.

Currency risk

This is the risk that profitability and shareholders' equity are adversely affected by changes in exchange rates between the Rand and the foreign currencies in which assets and liabilities are denominated.

Currency risk has minimal impact on Capitec Bank's operations as they are within South Africa. Capital equipment and technological support services that are imported result in limited exposure to currency fluctuations; however, these transactions are hedged by means of forward exchange contracts as and when they are undertaken.

A foreign denominated instrument was issued during the reporting period but was hedged to convert the exposure to Rand on the deal date.

Refer also to note 26.4 in the annual financial statements.

Hedging of market risk

The authorised use of derivative instruments is restricted to their use for risk mitigation. Interest rate swaps are used to convert floating rate funding to fixed to achieve the objective of matching the rate nature of assets and funding. Currency swaps are used to convert any foreign currency exposure arising on foreign denominated funding to Rand. Any hedges used cover the complete exposure on the underlying transaction.

Refer also to note 38 to the annual financial statements.

Business risk

This is the risk that non-performance against planned strategic objectives, the consequences of inappropriate strategy or a decline in sales volumes will have a negative impact on profitability.

Business risk management is overseen by the risk committee ('RISCO'), a sub-committee of the RCMC. RISCO meets quarterly. The potential impact of business risk is assessed by management using stress testing and break-even analysis.

Daily sales volumes are monitored by executive management and the branch management operating system ensures that branches maximise sales opportunities.

Funding and liquidity risk

This is the risk that the organisation does not have access to sufficient or acceptable cash and cash equivalents to fund increases in assets and meet its obligations as they become due, without incurring unacceptable losses.

Governance

Liquidity risk is managed by ALCO, that considers the activities of the treasury desk which operates in terms of an approved ALM policy and approved limits.

Liquidity is managed conservatively. The organisation operates an uncomplicated low-risk liquidity profile with the management of liquidity risk taking preference over the optimisation of interest rate risk. Capitec Bank is not exposed to the uncertainty that accompanies the use of institutional and corporate call deposits as a funding mechanism, and its asset structure, while extending in term, is still relatively short-term in nature relative to the total banking sector.

The risk tolerance measures defined in the ALM policy are as follows:

- Wholesale deposit funding is limited, in the main, to contractual maturities of at least two months
- The utilisation of short-term retail deposit funding is limited to funding net short-term cash flows
- In terms of the Banks Act adequate liquid assets must be maintained to meet the liquid asset requirement, fund the reserve account and maintain collateral for clearing balances on the South African Multiple Option Settlement ('SAMOS') system account
- No reliance is placed on interbank facilities as a funding mechanism. Treasury management may however use available unsecured facilities from time to time. Usage of interbank facilities is monitored and reported

ALCO receives monthly reports that detail the management of retail call and fixed deposits, cash in the ATM network and the investment of surplus cash. Forecast cash flows, maturity analyses and compliance reports are also reviewed by the committee.

Daily cash management

Daily funding requirements are forecast taking into consideration day-to-day flows and those that relate to large single obligations. This forecast is supported by behaviour modelling to determine business as usual cash flow requirements, including stress points during the month, and adjusted for seasonal variations. ATM requirements are centrally managed and teller cash is maintained at a minimum. Portfolios of highly liquid assets are maintained and can be liquidated to meet unexpected variances in forecasted requirements.

Funding management

Management takes care in assessing the relative permanency and value distribution of wholesale and retail funding sources. For fixed term funding efforts are directed towards managing roll-over risk and actively pursuing medium- and long-term funding opportunities. For call deposits attention is focused on managing the 'core' or 'stable' element within the deposit base. This element is estimated using statistical techniques with due consideration of client behaviour. Internal definitions of core and fluctuating deposits are formally approved by ALCO.
Interest rates are reviewed daily to ensure that deposit rates remain competitive and the efficient use of cash resources and new liquidity initiatives are constantly evaluated.

Treasury management assesses the concentration risk within the funding portfolio and maintains a well-diversified wholesale and retail funding base. Refer to note 13 to the annual financial statements for details of the funding portfolio.

Liquidity measurements

Contractual and behavioural liquidity mismatches

Both the contractual and behavioural mismatches benefit positively from the high component of equity funding. This creates a greater surplus of asset cash flows over liability cash flows than at banks with lower capital ratios.

The main difference between the behavioural and contractual mismatches relates to the treatment of retail call deposits. Ninety percent (2012: 91%) of retail demand deposits are reflected as stable based on a one standard deviation measure of volatility, which is considered reasonable for business as usual conditions.

The liquidity coverage ratio ('LCR')

The LCR is a 30 day stress test that requires banks to hold sufficient high quality liquid assets to cover envisaged net outflows. These outflows are calibrated using prescribed Basel factors applied to assets and liabilities in a static run-off model. Basel definitions are used to identify high quality liquid assets.

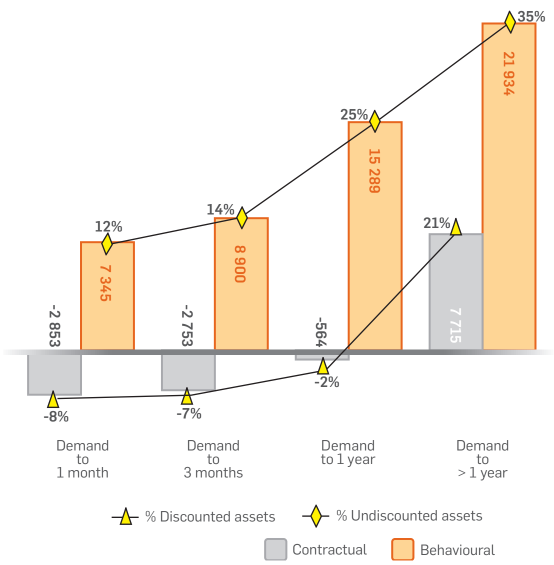
A ratio of 100% or more represents compliance in terms of Basel III requirements. The requirement to comply is being phased in and a ratio of 60% is required by 2015.

LCR% as at 28 February 2013

	Bank
LCR%	1 534
High quality liquid assets (R'm)	5 118
Net outflow [(1)] (R'm)	334

[(1)] *As Capitec Bank has a net cash inflow after applying the run-off factors, outflows for the purpose of the ratio are deemed to be 25% of gross outflows*

CONTRACTUAL AND BEHAVIOURAL LIQUIDITY MISMATCHES R'm



The contractual mismatch is reported on a discounted basis whereas the behavioural mismatch is reported on an undiscounted basis.

The net stable funding ratio ('NSFR')

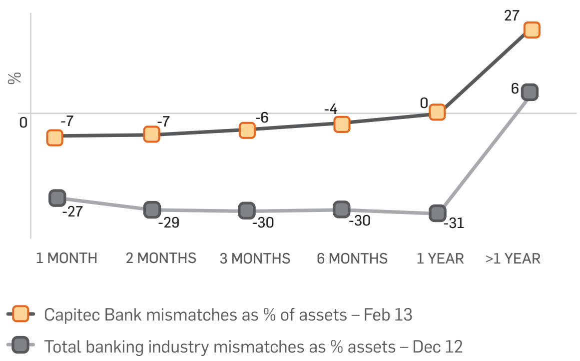
The NSFR is designed to ensure closer matching of long-term asset cash flows with long-term funding cash flows. A ratio of 100% or more represents compliance. Compliance is required by 2018.

NSFR% as at 28 February 2013

	Bank
NSFR%	116
Required stable funding (R'm)	27 838
Available stable funding (R'm)	32 191

Compliance with these two new Basel ratios underscores the organisation's conservative approach to liquidity.

CAPITEC BANK MISMATCH AS A % OF ASSETS RELATIVE TO THE INDUSTRY



Contingency planning

A contingency funding plan ('CFP') specifies qualitative and quantitative measures to identify early warning indications of liquidity stress. The plan provides management with a menu of possible actions to address potential liquidity threats. These actions cover necessary changes to the ALM strategy and communications with stakeholders. The CFP operates in conjunction with the ALM and recovery policies to ensure a coordinated approach to liquidity management.

Capital management

Risk management and capital management are directly linked. Risk capital must be held as a reserve for all residual risks that remain after cost-effective risk management techniques and risk mitigation have been applied. Residual risk exists as there is potential for unexpected losses as well as volatility in the losses expected to occur in the future that is not captured in terms of IFRS.

Capitec Bank retains capital not only for risk on the existing portfolio, but also to support risk arising from planned growth. This is particularly important for our business which is in a growth phase.

Both the supply and demand factors impact capital adequacy and must be managed. Supply- side risk relates to procuring appropriate capital resources at appropriate pricing and times, to maintain capital buffers at the stipulated requirements of regulators and meet the expectations of shareholders and rating agencies. Risk management throughout the business addresses the demand-side risk, which encompasses risks that negatively impact earnings and capital.

Management of demand-side risk also involves monitoring the growth in risk-weighted assets which drives the growth in the regulatory and own internal capital requirements.

Capitec Bank's principal policies when managing capital are:

- To ensure that return on capital targets are achieved through efficient capital management, thus meeting shareholder's expectations, while ensuring that adequate capital is available to support the growth of the business
- To ensure that there is sufficient risk capital, and a capital buffer for unexpected losses, to protect depositors and shareholders and ensure sustainability through the business cycle. This approach is consistent with our long-term strategy to build value.

The two principles above counterbalance each other by aiming to maximise returns for shareholders, but not at the expense of the requirements of other stakeholders.

This approach prevents the adoption of high risk/high reward strategies and safeguards long-term sustainability while maintaining satisfactory returns for all stakeholders. Implicit in this approach is compliance with the prudential requirements of the Banks Act and the maintenance of a strong capital base to support the development and growth of the business.

Governance

ALCO assesses capital adequacy on a monthly basis and reports to the RCMC quarterly. Capital adequacy and the use of regulatory capital are reported to the SARB monthly, in line with the requirements of the Banks Act.

Quantitative information on capital adequacy is presented below and in note 26.7 to the annual financial statements.

Internal capital adequacy assessment process ('ICAAP')

To achieve policy objectives the ICAAP is ongoing and drives capital management. The ICAAP addresses the management of capital and solvency risk as well as the risks arising from the pro-cyclicality of business operations through the economic cycle.

The ICAAP reviews the historical, current and future capital positioning from a regulatory and shareholders' or internal capital perspective. An essential element of the process is the forecasting capital supply requirements, including "stressing" the expected forecast to determine the sufficiency of capital in a downturn of the economic cycle. Typically, regulatory capital demand requirements increase, while qualifying capital supply slows down or decreases in times of economic downturn. The process involves planning appropriate management actions to address any anticipated capital needs to weather a downturn in the cycle. The board considers the results of the stress-testing exercises developed as part of the ICAAP.

Capitec Bank aims to raise capital when conditions are conducive and the sustainability, reputational and price optimisation benefits offset any carrying cost.

Risk management is the basis of the ICAAP given the interrelationship between capital and risk management. Therefore management considers the capital required to underwrite the risks of the business. This is assessed before and after applying risk management and risk mitigation techniques so as to determine the outstanding residual risk and related capital reserving requirement.

The ICAAP involves broad-based participation from all the key risk owners and is subject to periodic review by internal audit and relevant external consulting specialists that benchmark our process against best practice.

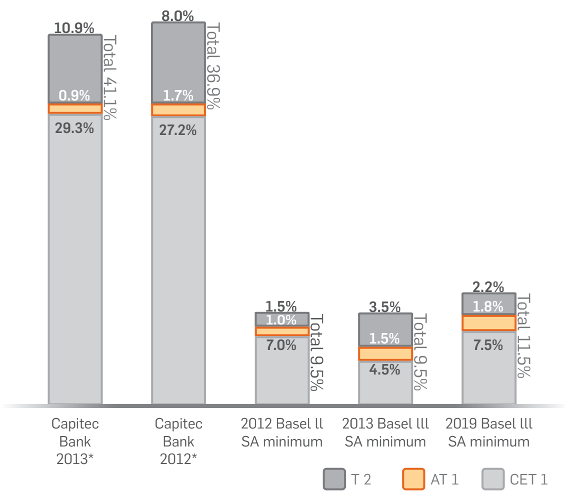
Basel calculation methods for credit and operational risk capital

The ICAAP involves assessing capital from a business and regulatory perspective. The regulatory capital requirement is calculated using a percentage applied to the risk-weighted assets of the business.

There are various methods used for the calculation of risk weights in terms of the Banks Act. As at the reporting date Capitec Bank's calculations of risk-weighted assets for credit risk in the banking book were governed by the application of the standardised approach, while its calculation of operational risk was governed by the alternative standardised approach ('ASA').

Capitec Bank operates a mono-line banking business through a portfolio of retail banking assets. All other ancillary assets exist to support this business. The ASA therefore applies a factor of 0.0525 to the average outstanding financial assets for the past three years, to arrive at a risk-weighted equivalent. The minimum capital adequacy percentage is applied to this equivalent to calculate the capital requirement. This result is subject to a minimum requirement, in terms of a specific agreement with the SARB, that operational risk capital shall constitute at least 12% of the total regulatory capital requirement, calculated for all risks.

CAPITAL ADEQUACY BY TIER



- *CET1 – common equity tier 1 capital is ordinary share capital and reserves after Basel deductions.*
- *AT1 – additional tier 1 capital – Capitec Bank's perpetual preference shares qualify as entry level AT1 capital, and are subject to phasing-out in terms of Basel III as they do not meet new loss absorbency standards.*
- *T2 – tier 2 capital – Capitec Bank's subordinated debt instruments qualify as entry level T2 capital, and are subject to phasing-out in terms of Basel III as they do not meet new loss absorbency standards.*
- *Globally, the Basel III minimum capital adequacy percentage is 8%.*
- *The 2012 Basel II and 2013 Basel III SA minima – include the SA country buffer of 1.5% (2019 Basel III SA country buffer: 1%). The level of this buffer is at the discretion of the SARB and it is subject to periodic review.*
- *The 2019 Basel III SA minimum includes the capital conservation buffer of 2.5% which phases in from 2016. All banks must maintain this buffer to avoid regulatory restrictions on the payment of dividends and bonuses.*
- *The SA minima exclude all bank-specific buffers. Bank-specific buffers include the individual capital requirement ('ICR') for specific bank risk and the domestically systemically important bank ('D-SIB') buffers. In terms of the Banks Act regulations, banks may not disclose their ICR requirement. The D-SIB requirement will be phased in over three years commencing January 2016. Current regulations state that the South African country risk buffer and the D-SIB on a combined basis cannot be more than 3.5%. The SARB is in the process of determining the D-SIB levels for individual banks.*
- *Excluded from the SA minima is the Basel III 'countercyclical buffer' that can range between 0% and 2.5% at the discretion of the monetary authorities. It is not expected that that this buffer will be applied on a permanent basis and only when general credit growth exceeds real economic growth.*

The impact of Basel III on capital adequacy measurement

The implementation of Basel III resulted in a 2% decline in the capital adequacy ratio. This was due to an increased risk weight on deferred tax assets and the 10% phase-out applied to perpetual preference shares and subordinated debt instruments that do not meet the new loss absorbency rules.

Loss absorbency

The Basel III loss absorbency rules require AT1 and T2 capital instruments to have a clause in the agreement that enables the regulator to convert them to ordinary shares or write them down in the event of the resolution of the financial institution (a bail-out by public institutions). The rule provides the regulator with alternate legal options in the event that a bank crisis must be resolved. We believe that the environment for resolution of a bank will not be significantly dissimilar from that currently in place.

All capital that does not meet the new loss absorbency requirements will be phased out over a period of 10 years with subordinated debt being phased out at the earlier of 10 years, actual maturity or the optional call date. An overall ceiling limit that reduces by 10% per year was set on 1 January 2013 based on the outstanding capital value of non-loss absorbent AT1 and T2 instruments.

Capitec Bank's base ceiling limits for AT1 and T2 at 1 January 2013 were:

Tier	Instrument	Rm
AT1	Perpetual preference shares	259
T2	Subordinated debt	2 891

Leverage ratio

The leverage ratio acts as a minimum capital floor to the Basel capital adequacy framework. Capitec Bank had a calculated regulatory leverage ratio of 5 times CET1 capital as at the end of the reporting period. The minimum requirement in South Africa is 25 times CET1 capital.

Restrictions on the transfer of regulatory capital

Given Capitec Bank's simple structure and as all the operations are in South Africa, the only restrictions on the transfer of ordinary equity reserves relate to the statutory limitations on investments in certain associates as defined in the Banks Act.

The proceeds of T2 instruments held by third parties are not available for distribution to the holding company.

Operational risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from legal actions and private settlements.

Governance

The risk committee ('RISCO') directs, governs and coordinates all risk management processes in accordance with an approved policy. All divisional heads are members of RISCO and the heads of the compliance, forensic, internal audit, IT risk and operational risk management units provide independent monitoring and assist business with specialist advice, policies and standards relating to various components of operational risk.

A dedicated operational risk manager is responsible for the application of the bank's policies, providing guidance in terms of best practice and for ensuring consistent implementation and reporting of material exposures or trends to the board and regulatory authorities. Line management accepts accountability for the identification, management, measurement and reporting of operational risk.

Operational risk measurement, processes and reporting

The management of operational risk is inherent in the day-to-day execution of duties by management and is a central element of the management process. Management is responsible for developing and maintaining control environments to mitigate the operational risks inherent in the business.

Risk assessment, loss data collection and the tracking of risk indicators are utilised to raise awareness of operational risk and to enhance the internal control environment with the ultimate aim of reducing losses within the accepted risk appetite. Additional related processes include the continuous consideration of the business environment and consistent review of internal control factors, as well as the analysis of operational risk causes.

Risk assessments are designed to be forward-looking and identify risks that could threaten the achievability of business objectives, together with the required set of controls and actions to mitigate the risks. Specific mitigating actions are reported to RISCO. Loss data collection and key risk indicator tracking are backward-looking and enable the monitoring of trends.

Operational risk mitigation programmes

Financial crime prevention

Financial crime is a major operational risk. A mitigation strategy that includes amongst others the following measures is in place:

- a zero-tolerance policy in respect of staff dishonesty
- cooperation with government and industry role players to ensure the successful apprehension and conviction of the perpetrators of financial crime
- effective and comprehensive investigation and recovery of losses
- pro-active identification and prevention of criminal acts against Capitec Bank

Information regarding any irregularities received from employees, management or the independent fraud hotline, Tip-Offs Anonymous, is investigated by our forensic services department. Fraud awareness campaigns, which include e-newsletters, posters and presentations to all employees, are continually undertaken. Various channels are available to employees and clients for disclosing dishonesty in the workplace, including:

- Toll-free number
- Client care centre
- Website

To protect clients against online fraud schemes, Capitec Bank implemented enhanced internet banking security that protects customers against advanced attacks such as Man-in-the-Middle and Man-in-the-Browser. The client is protected even if their cellphone SIM card was compromised through a SIM swap.

Insurance

A comprehensive insurance programme is maintained to cover losses from fraud, theft, professional liability claims, damage to physical assets and the cost of business interruption. The opportunity cost of lost revenue is not covered.

Business continuity

A continuity management team is responsible for all aspects of business continuity. The business continuity framework and methodology is based on British Standard 25999 and has been approved by the board. The business continuity and disaster recovery plan documents procedures to be followed should an extreme event occur. The disaster recovery and evacuation plans have been tested successfully during the year as part of a scheduled programme.

The IT disaster recovery ('DR') plans form part of the company's business continuity plan and are reviewed by the Continuity Management Team ('CMT') which consists of key executive committee members as well as risk and facilities managers.

The IT risk management department facilitates quarterly tests on the ability of the bank to recover systems within an acceptable time limit when disaster strikes. These tests are audited annually by the internal auditors and test results are reported to the CMT regularly. The range and scope of tests are improved on a continuous basis. The results of tests conducted during the year indicated that Capitec Bank managed to complete a successful switch of all critical and essential systems to the DR site within the board and industry agreed timelines.

Policies and procedures

The organisation has a dedicated policies and procedures department ('Polproc'). Polproc is responsible for the administration of policies and procedures in terms of a framework that sets minimum standards for policies. These standards govern the creation and maintenance of policies in terms of a policy life cycle and require that policies conform to the four Capitec Bank pillars, which are simplicity, affordability, accessibility and service.

Policy developers, assisted by Polproc, are required to promote awareness of policies to enable compliance. This may involve training or other interventions for users. Policy developers and line managers are responsible for assessing compliance with policies and internal audit monitors compliance with key policies in terms of their annual risk-based audit plans.

Compliance risk

Capitec Bank has a professional relationship with its regulators and where possible endeavours to influence the direction of policy and principles of regulation to the benefit of the banking industry as a whole. Regulators include the bank supervision department of the South African Reserve Bank, the National Credit Regulator, the JSE Limited, and the Financial Intelligence Centre. We regard the interconnectedness of the banking industry and the reliance that the economy and citizens of the country place on the bank, as one of the most important drivers in our relationships with stakeholders.
Capitec Bank maintains high levels of compliance with the spirit and letter of the law. In this regard, the bank is involved at industry level with the payment industry and Basel III developments. To ensure involvement in the national payments system, Capitec Bank is a member of the Payments Association of South Africa ('PASA') and is represented on multiple payments forums within the association.

The bank has a dedicated compliance function as prescribed by regulation 49 of the Banks Act. The compliance function manages the bank's compliance risk - the risk that the controls implemented by the bank to facilitate compliance with the applicable statutory and regulatory requirements are inadequate or inefficient. The compliance universe of the bank consists of all the applicable statutory and regulatory requirements of relevant legislation, regulations and industry codes as well as sound management of the bank.

The head of compliance reports directly to the chief executive officer. The compliance function performs continuous independent compliance monitoring through independent compliance monitoring officers, in accordance with an annual board approved compliance monitoring coverage plan.

The Banks Act, Companies Act, Security Services Act, National Credit Act, National Payment System Act, Consumer Protection Act and Financial Intelligence Centre Act have been identified as significant pieces of legislation and are the main focus of the independent compliance function and management system activities of the bank. This approach achieves a healthy balance of appropriate and sufficient compliance and efficient interaction with stakeholders and business relative to the bank's business activities. The material compliance challenges facing the bank include dealing with the imminent protection of personal information legislation; exchange control regulation and, lastly, continued and high levels of compliance with credit legislation to create a responsible and compliant credit environment.

The compliance officer reports to the audit committee at every committee meeting and submits compliance reports to both the audit committee and RCMC as required by the Banks Act. All material events of non-compliance are reported to the audit and directors' affairs committees as well as the board of directors. For the reporting period, the compliance officer submitted reports which indicated acceptable and good levels of compliance by the bank to statutory and regulatory requirements. The events of non-compliance listed were all non-material and were either rectified or are in the process of being addressed through systems and process changes. The bank supervision department of the South African Reserve Bank is provided with copies of these reports after every meeting of the abovementioned committees. The compliance officer has annual prudential meetings with the bank supervision department of the South African Reserve Bank and responds to general and ad hoc requests for discussion when required. There were no material regulatory sanctions against or penalties imposed on the bank as a result of non-compliance during the reporting period.

Information technology risk

Information technology forms the backbone of the service that Capitec Bank provides to its clients. Innovative application of technology has enabled the development of uncomplicated, low-priced banking products. Through innovative technology, a cost-effective business process was developed where floor space in branches is used to service clients directly and back-office functions are centralised. Branches can remain open for longer hours and branch consultants can focus on providing personal service to clients.

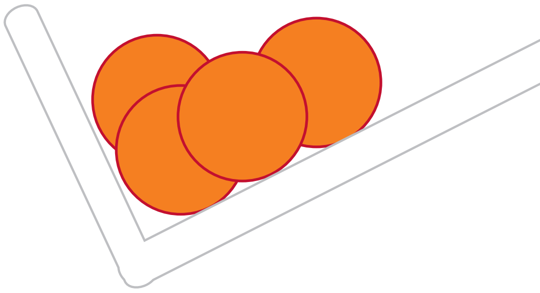
During the reporting period system changes, such as simplifying the system interface as well as making the process in the branch more transparent, resulted in the client gaining more control over the in-branch processes. Pioneering use of technology, including the implementation of cash (including coins) recyclers and the development of mobile access channels, has enabled easier access to their accounts for clients.

IT governance framework

IT governance is implemented according to the Capitec Bank IT governance policy and the supporting IT governance framework. The framework is based on principles and controls as defined in international standards such as Cobit, ITIL, ISO25999 and ISO27001. The governance framework defines how Capitec Bank ensures that the IT strategy is created, approved, reviewed and implemented in a manner that is always aligned with the business strategy.

The IT governance framework also defines the organisational structure as well as the policies and procedures that are required to facilitate good governance and compliance in the areas of technology and information security management.

Weekly executive management meetings, as well as formal IT prioritisation meetings, provide platforms where strategic IT matters are discussed and cross-functional priorities are aligned. Weekly meetings, focused on IT risks and potential performance issues, ensure that situations which could threaten the availability of



systems or the confidentiality and integrity of information are identified and discussed on a senior management level. This ensures that important issues are dealt with at the correct level of urgency and focus.

IT compliance

The IT risk manager acts as compliance champion for the IT department and facilitates frequent assessment of the status of legal and regulatory compliance matters in co-operation with the Capitec Bank compliance officer. Progress on all compliance matters are formally tracked and reported on.

Information security management system ('ISMS')

The Capitec Bank information security policies and standards provide the basis on which controls to protect sensitive client and business information are developed. The ISMS is based on ISO 27001 and is the responsibility of the information security officer.

Capitec Bank is actively involved in industry initiatives to establish well co-ordinated security response mechanisms in the event of major security threats to the industry or individual banks.

Health and safety

A comprehensive health and safety policy is in place. Riaan Stassen (CEO) is appointed in terms of Section 16(1) of the Health and Safety Act to ensure compliance with this legislation. Structures are in place to ensure that the requisite safety measures are complied with across the company.

A nine month compliance and risk assessment programme is nearing completion and has already covered the head office and the largest regional office. The results from the assessment will be used to implement further improvements. Current monitoring includes a best practice online management system that facilitates reporting and related activities.

The employee assistance programme supports employees with personal health management, counselling services and referral to appropriate testing and medical treatment facilities. This is done through an independent service provided to employees without cost. Regular communication with employees via internal communication channels is aimed at education on subjects such as risks relating to serious diseases, prevention measures and how to deal with such illnesses.

A comprehensive life threatening disease policy together with the health and safety policy and the employment equity policy promote the principles of confidentiality, non-discrimination, appropriate awareness, education, prevention and treatment of disease.

Remuneration risk

This is the risk that remuneration policies do not take into account the extent to which a transaction concluded by an employee exposes the company to risk of loss; and the time period over which these losses can emerge. For example, misalignment exists, if an employee is fully rewarded for a transaction that continues to expose the company to the risk of losses in subsequent periods. Capitec Bank's policies and procedures ensure alignment and do not incentivise risk- taking.

Governance

The human resources and remuneration committee ('REMCO') consists of two non-executive directors and an independent non-executive director and is chaired by Chris Otto. Despite not being independent as defined by the King code III the board considers Mr. Otto to be the correct person to hold the position.

REMCO's mandate is detailed in an annually reviewed board-approved charter. In support of its authority, the members of the committee have unrestricted access to all the activities, records, property and employees of the company. In addition, the committee may access external legal or other independent professional advice to execute its responsibilities as detailed in the charter. As required by Basel best practice the committee annually considers whether the remuneration structures continue to effectively align risk- taking with remuneration.

The primary purpose of REMCO is to ensure that remuneration policies attract and retain the individuals who are able to create lasting value for stakeholders. At the same time they address remuneration risks inherent in the banking environment.

REMCO is responsible for:

- Determining, reviewing and approving the remuneration policy and ensuring that it is adhered to
- Approving annual increases
- Determining the policy for and approving executive management remuneration including bonuses and incentive schemes
- Reviewing the remuneration of non-executive directors and recommending proposal to the board for approval at the AGM

REMCO's philosophy in respect remuneration is one of sustainability and the emphasis is on creating long-term value. The main component of remuneration is the guaranteed remuneration package. All variable compensation components are performance-based on the successful achievement of individual, team and company targets. No guaranteed variable remuneration is included in employment contracts.

Remuneration consists of:

- Fixed remuneration package (basic salary)
- an annual bonus to all employees based on growth in headline earnings per share
- a performance bonus for senior management (excluding strategic management) based on growth in headline earnings per share and paid out over a three year period
- an equity-settled share option scheme for strategic management
- a cash-settled share appreciation rights scheme for strategic management
- quarterly incentives to branches and sales teams based on performance targets

	Share-based plans	Deferred bonus plan	Standard bonus plan	Variable team awards	Variable sales incentive
Executives[1]	■		■		
Senior management		■			
Middle management			■		
Support staff			■		
Employer sales staff			■		■
Operations staff			■	■	

[1] *This refers to the permanent members of the executive management committee and a limited number of senior managers whose delivery on strategic targets is regarded as critical to achieving business objectives*

Processes

The remuneration department conducts continuous remuneration benchmarking using an accredited independent and up to date electronic benchmarking interface. The reports and recommendations generated are submitted to REMCO. Benchmarking exercises include:

- Salary bands for the major categories of client-facing operations employees are assessed within the context of the Capitec Bank strategy and budget. This is used for the annual salary budget
- All existing employees are assessed and those identified as outliers are flagged for the attention of the departmental executives

Remuneration levels and structures for risk and compliance employees are determined as part of the annual budget process and are subject to oversight by REMCO. This happens independently of the relevant risk departments.

The management accounting department conducts an annual benchmarking exercise to assess the remuneration levels of executive directors. Market trends in remuneration paid to executive directors are researched based on information available in the public domain, such as annual reports. A report and recommendations are submitted to REMCO for consideration.

Non-executive board remuneration is based on a fixed fee structure not related to attendance of meetings. The chairman of the board is paid a retainer and receives no further payment for membership of committees. Non-executive directors receive a retainer for membership of the board and for each of the board committees. No fee is paid in respect of the directors' affairs committee.

The remuneration of the executive directors and the fees paid to the non-executive directors for the 2013 financial year are detailed in note 28 to the annual financial statements. Fees for the 2014 financial year will be approved by the shareholders at the annual general meeting scheduled for 31 May 2013. The proposed fees are as follows:

Chairman of the board	R1 040 000
Chairman of the audit ccomittee, RCMC and REMCO	R185 000
Chairman of the social and ethics committee	R44 000
Comittee membership	R44 000
Board membership	R216 000

The permanent members of the executive management committee are the key decision-makers in the bank and as such they fall within the category of prescribed officers as defined in the South African Companies Act. The composition of the committee is detailed in chapter 2 of this report. Their remuneration is detailed in note 28 to the annual financial statements.

Components of remuneration

The structure of the remuneration plans described below has not changed materially during the reporting period.

Fixed remuneration package

All employees receive a fixed remuneration package that is continuously benchmarked against competitors and the market. Fixed remuneration packages contain and define the total guaranteed cost of employment and ensure that costs are clearly defined and can be controlled. The structure does not include open-ended risks and/or liabilities.

Employees have access to the following benefits:

- Leave
- Partially paid maternity leave
- Retirement funding
- Healthcare
- Disability cover
- Death cover
- Funeral cover
- Education cover for dependants
- Financial wellness programme
- Employee assistance programme
- Education assistance programme

Executive share-based plans

The intention of the share-based plans is to retain key employees and incentivise performance aligned with the interest of all stakeholders of the organisation. This strategy ensures that all parties strive towards a common goal, increasing the value of the business.

The share-based plans comprise share options and share appreciation rights ('SARs'). Both options and SARs are granted annually on an equal basis (50% options, 50% SARs) to members of the executive management team and a limited number of senior managers whose delivery on strategic targets is regarded as critical to achieving annual objectives. REMCO reviews and approves the list of eligible participants and quantum of options and SARs to be issued to participants.

Share options

Eligible employees are granted options to subscribe for ordinary shares in Capitec at an option price equal to the market value of the share, being the 30-day weighted average value per Capitec share on the JSE stock exchange immediately preceding the day on which the options are granted. The employees are entitled but not obliged to subscribe for the Capitec shares at the predetermined exercise price.

Share appreciation rights (SARs)

SARs are granted to eligible employees in equal proportion to the share options. SARs are cash-based, but linked to equity performance. Dilution of issued share capital is thus limited as no shares are transferred to the participants. The strike price of the SARs is determined in accordance with that of share options.

The share options and SARs mature after three years in tranches of 25% per year. Participants have a six-month period after the date on which the options and SARs mature during which they can be exercised. Unless REMCO resolves otherwise, options and SARs are forfeited if the participant leaves the employ of the company before they have matured and been exercised.

As the performance of the share options and SARs is dependent on the market price of Capitec listed shares there is an inherent claw-back mechanism in these reward instruments. Should the company not perform as expected, it is likely that market discipline would result in a decline in the share price and a lower remuneration, or possibly zero remuneration if the instruments are out of the money, for holders.

Refer to notes 35 to 36 to the annual financial statements for details regarding the executive share-based plans.

Variable performance bonuses

Senior management cash-settled performance bonus plan (deferred bonus plan)

Capitec Bank's performance is driven by a combination of innovative thinking and dedicated delivery on our objectives. To support the performance- driven culture of the organisation a senior management bonus plan that is directly linked to profit performance is in place.

Participation is limited to senior managers and a limited number of other employees who are seen to be in leadership roles critical to the current and future success of the business. The bonus plan is linked to the Capitec's year-on-year growth in headline earnings per share and standard reward percentages are applied to a participant's guaranteed remuneration in line with earnings targets communicated at the beginning of the financial year.

The payment of the bonus occurs over three years. Deferred balances are forfeited in the event that the employee leaves the company. In the event of a decrease in profit on a year-on- year basis, the cumulative deferred bonus balance will decrease with the same percentage.

Cash-settled performance bonus plan for other employees and executive management

The performance bonus plan is open to all employees in all divisions (excluding participants in the senior management bonus plans but including those on the executive share-based plans).

The bonus plan is linked to Capitec's year-on-year growth in headline earnings per share. Set reward percentages are applied to a participant's guaranteed remuneration in line with earnings targets communicated at the beginning of the financial year.

The performance bonus plan was established to fulfill a number of key business objectives such as:

- improving business performance
- supporting stakeholder ideals by allowing employees to share in the success of the business

Variable performance bonuses are awarded in two tranches. The first in December based on the interim results and the second in April is based on the final year-end results.

Variable sales incentive plan

Sales division employees excluding senior sales managers participate in a variable sales incentive plan based on the achievement of predetermined sales targets. Rewards are calculated on the sales achieved by the employees.

Qualifying conditions include:

- on-standard performance for the period under review
- clear disciplinary records/conduct during the period under review
- timeous completion of scheduled learning sessions
- regular work attendance during the period under review

The quantum of the variable awards relative to the general bonus plan and senior management plan is not material.

Remuneration analysis

Capitec Bank		Strategic management	Senior management	Other employees	Total	Financial statement reference
Employees	Number	10	82	8 216	8 308	Key performance indicators
Remuneration awards						
Fixed	R'000	38 076	80 972	1 113 550	1 232 598	
Cash remuneration	R'000	38 076	80 972	1 113 550	1 232 598	Note 23
Variable	R'000	148 327	94 543	84 485	327 355	
Cash staff performance bonus	R'000	3 175	1 547	84 485	89 207	
Cash bonus bank	R'000	–	27 894	–	27 894	
Share options	R'000	77 977	39 211	–	117 188	Note 23
Share appreciation rights	R'000	67 175	25 891	–	93 066	Note 23
Variable remuneration						
Employees receiving awards	Number	10	82	8 216	8 308	
Non-deferred	R'000	3 175	10 845	84 485	98 505	
Deferred	R'000	145 152	83 698	–	228 850	
Outstanding deferred remuneration	R'000	288 248	144 627	–	432 875	
Cash bonus bank	R'000	–	28 449	–	28 449	Note 15
Share options	R'000	150 904	65 094	–	215 998	Note 34, Note 35
Share appreciation rights	R'000	137 344	51 084	–	188 428	Note 36
Deferred remuneration paid out	R'000	213 914	129 164	–	343 078	
Cash bonus bank	R'000	–	15 146	–	15 146	
Share options	R'000	128 072	77 859	–	205 931	
Share appreciation rights	R'000	85 842	36 159	–	122 001	
Employees' exposure to adjustments	R'000	288 248	144 627	–	432 875	
Implicit adjustments	R'000	288 248	116 178	–	404 426	
Post explicit adjustments	R'000	–	28 449	–	28 449	
Total remuneration exposed to adjustments	R'000	288 248	144 627	–	432 875	
Implicit adjustments	R'000	288 248	116 178	–	404 426	
Post explicit adjustments	R'000	–	28 449	–	28 449	
Reductions due to post explicit adjustments	R'000	–	–	–	–	

Alignment of risk and reward

In assessing the appropriateness of the risk/reward relationship in remuneration structures the REMCO is guided by the following:

- The inherent risks in the business model
- The risk-taking and delegation structure in place
- The status of the risk barometer as an indicator of the existence and management of risk

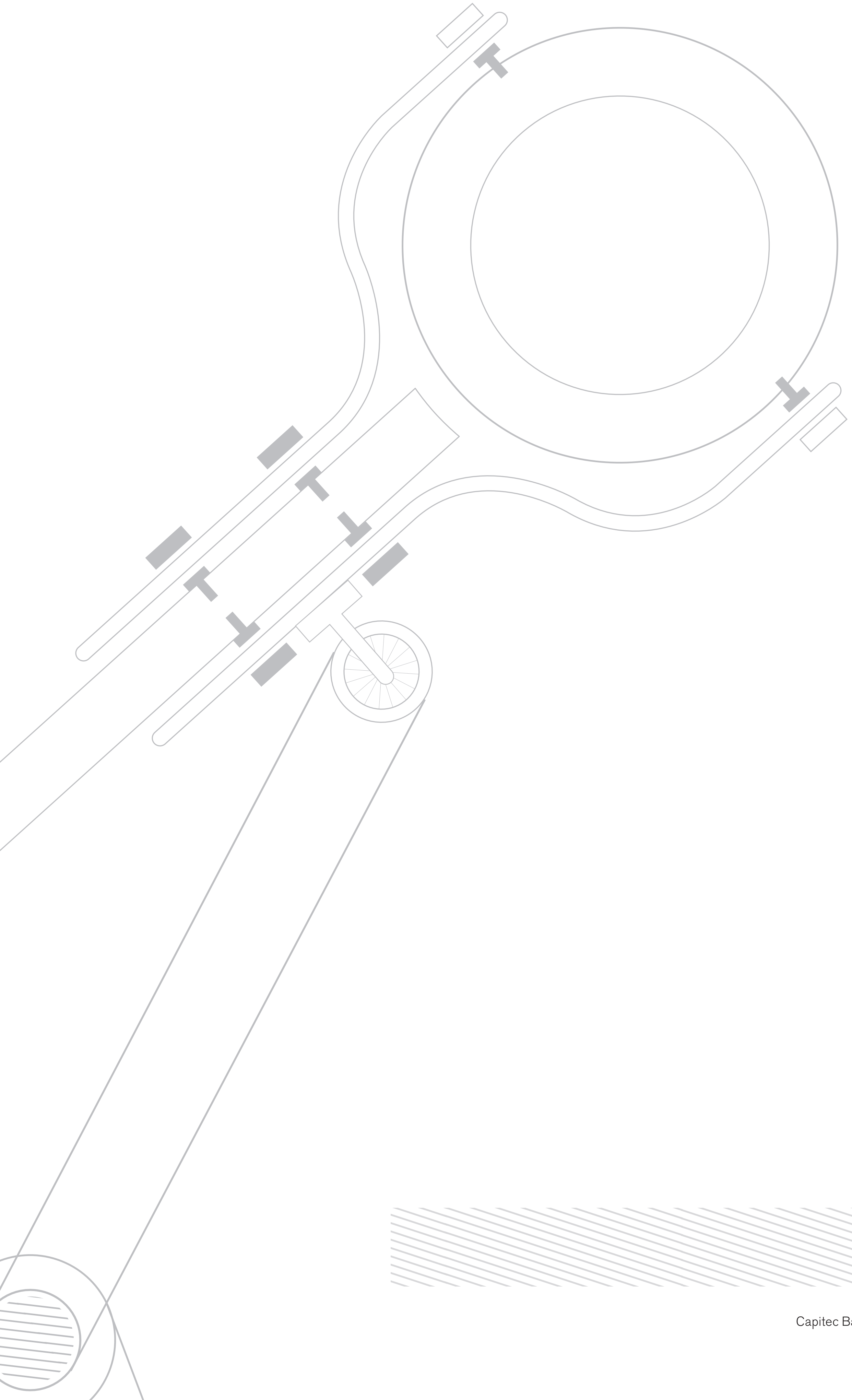
The chairman of REMCO is also a member of the RCMC and is therefore fully apprised of risk matters. REMCO considers variable incentive plans based on a measurable end result such as growth in headline earnings per share ('HEPS') to be appropriate because the organisation runs a mono-lined business with strong centralised control and does not have a variety of business units with different risk profiles. HEPS reasonably captures and reflects the broad range of risks the business is exposed to and which must be managed. Deferring variable compensation over a number of years (as with the senior management bonus plan) will reasonably capture the results of risk taken over a number of financial years. Furthermore, the current method is transparent, easy to understand and communicate and is subject to annual audit.

The executive schemes are based on share price which is regarded as a reasonable metric to capture the range of risks in the business. It is especially sensitive to reputational risk and unlike HEPS it offers a greater potential upside and downside for executives.

Stress testing

Capitec Bank has a stress testing programme that assists the board and management in understanding the resilience of the business model. Stress testing is conducted for credit, liquidity, interest rate and business risk, as well as for capital adequacy. Stress testing also plays a key role in changes to credit granting rules and loan pricing.

The risk management function is tasked to ensure that stress testing is embedded within operational processes so that it is intuitive, relevant and part of the mainstream business activities.



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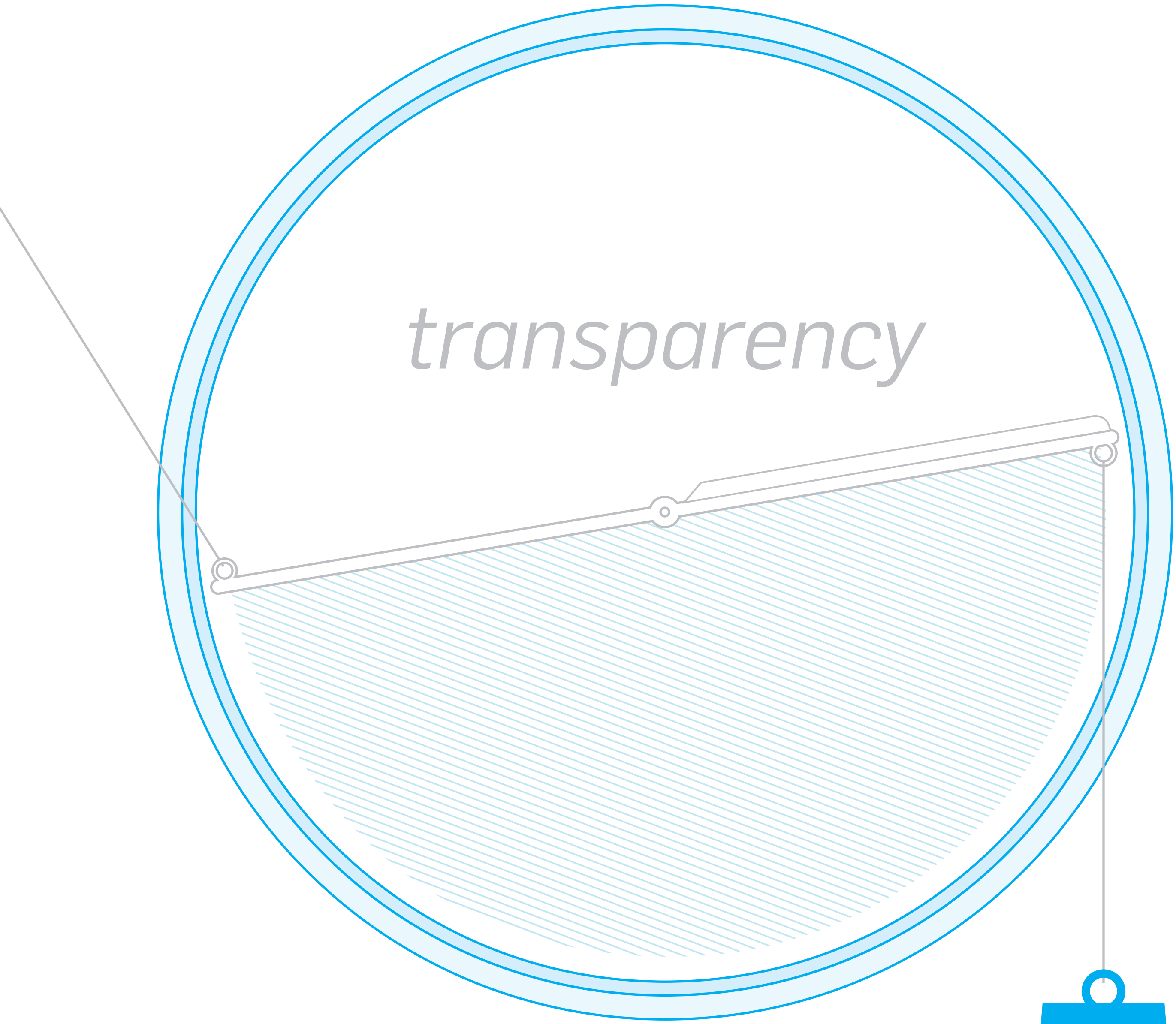

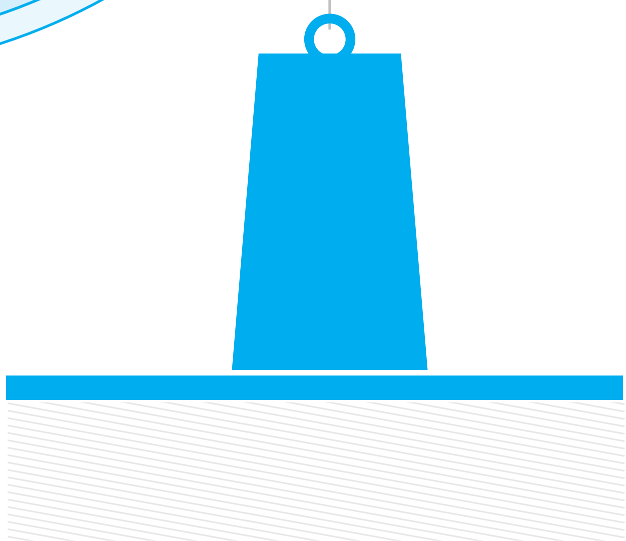

The preparation of the audited annual financial statements was supervised by the chief financial officer, André du Plessis, CA(SA)

Statement of responsibility by the board of directors

*Capitec Bank Limited
('the bank' or 'Capitec Bank' or 'the company')*

The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of Capitec Bank Limited. The annual financial statements, comprising the balance sheet at 28 February 2013, and the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, have been prepared in accordance with International Financial Reporting Standards ('IFRS') and the Companies Act of South Africa, and include amounts based on judgements and estimates made by management.

The directors consider that the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of the annual financial statements and that all statements of IFRS that are considered applicable have been applied. The directors are satisfied that the information contained in the annual financial statements fairly presents the results of operations for the year and the financial position of the company at year-end. The directors also prepared the directors' report and the other information included in the annual report and are responsible for both its accuracy and consistency with the annual financial statements.

The directors' responsibility includes maintaining adequate accounting records. The accounting records should disclose, with reasonable accuracy, the financial position of the company to enable the directors to ensure that the financial statements comply with relevant legislation.

Capitec Bank Limited operated in a well-established control environment, which is documented and regularly reviewed. The control environment incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are controlled.

The annual financial statements were prepared on a going concern basis. Based on their assessment the directors have no reason to believe that the company will not continue as a going concern in the foreseeable future. The viability of the company is supported by the annual financial statements.

The company's adhered to the Code of Corporate Practices and Conduct.

The group's external auditors, Pricewater-houseCoopers Incorporated, audited the financial statements and their report is presented on page 63 .

The annual financial statements set out on pages 60 to 118 were approved by the board of directors and signed on its behalf on 26 March 2013 by:

Michiel le Roux
Chairman

Riaan Stassen
Chief executive officer

Certificate by the company secretary

I hereby confirm, in my capacity as company secretary of Capitec Bank Limited ('the company'), that for the year ended 28 February 2013, the company has filed all required returns and notices in terms of the Companies Act, 2008 and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.

Christian van Schalkwyk
Stellenbosch
26 March 2013

Audit committee report

Capitec Bank Limited

The Capitec Bank Holdings group audit committee ('the committee') is an independent statutory committee appointed by the board of directors in terms of section 64 of the Banks Act (Act 94 of 1990) and the Companies Act (Act 71 of 2008) ('the Act').

The committee comprises three independent non-executive directors. The committee met three times during the year with 100% attendance by members at the meetings.

The committee's responsibilities include statutory duties in terms of the Act, as well as responsibilities assigned to it by the group's board of directors. The committee's terms of reference are determined by a board-approved charter and are detailed in the corporate governance review .

The committee conducted its affairs in compliance with, and discharged its responsibilities in terms of, its charter for the year ended 28 February 2013.

The committee performed the following statutory duties during the period under review:

- Satisfied itself that the external auditor is independent of the company, as set out in section 94(8) of the Act
- Ensured that the appointment of the auditor complied with the Act, and any other legislation relating to the appointment of auditors
- In consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted fees for the 2013 financial year
- Approved the terms of the master agreement for the provision of non-audit services by the external auditor, and approved the nature and extent of non-audit services that the external auditor may provide
- Nominated for election at the annual general meeting, PricewaterhouseCoopers Inc. as the external audit firm and Mr DG Malan as the designated auditor responsible for performing the functions of the audit
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the independent external auditor and internal auditors, that the system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements
- Reviewed the accounting policies and the group financial statements for the year ended 28 February 2013 and, based on the information provided to the committee, considers that the group complies, in all material respects, with the requirements of the Act, the JSE Listings requirements, the King III Code and IFRS
- Undertaken the prescribed functions (in terms of section 94(7) of the Act on behalf of the subsidiary companies of the group.

The committee performed the following duties assigned by the board during the period under review:

- Considered the sustainability information as disclosed in the integrated report, which is the result of a combined assurance model, and satisfied itself that the information is reliable and consistent with the financial results. The committee, at its meeting held on 25 March 2013, recommended the integrated report for approval by the board of directors
- Ensured that the company's internal audit function is independent and had the necessary resources and authority to enable it to discharge its duties. The committee recommended the internal audit charter for approval by the board and approved the annual audit plan
- The committee met with the external auditors and with the head of the internal audit function without management being present
- The committee satisfied itself that the group financial director has appropriate expertise and experience as required by the JSE Listings Requirement 3.84(h).

Pieter van der Merwe
Chairman
26 March 2013

Directors' report

Year ended 28 February 2013

The directors present their annual report to shareholders for the year ended 28 February 2013.

Nature of the business

Capitec Bank Limited ('Capitec Bank') is a leading South African retail bank which focuses on essential banking services and provides innovative savings, transacting and unsecured lending products to individuals.

Review of operations

The operating results and the state of affairs of the company are fully disclosed in the annual financial statements and commentary is provided in the Chief financial officer's report.

Share capital

Ordinary share capital and share premium amounting to R2.4 billion was raised during the year ended 28 February 2013.

No shares were repurchased during the year and no preference shares were issued.

Dividends to shareholders

The company declared the following dividends for the year under review and the previous year:

	2013	2012
Ordinary dividend (R'000)		
Interim	**169 613**	124 103
Final	**463 489**	297 847
Preference dividend (R'000)		
Interim	**10 706**	9 763
Final	**10 077**	9 656

The final ordinary dividend for 2013 was approved by the directors on 25 March 2013. In terms of the requirements of IFRS no accrual was made for this dividend.

Directors and company secretary

Information relating to the directors and company secretary are included in chapter 2 of the annual report.

The board of directors changed as follows during the year ended 28 February 2013:

- Mr JD McKenzie was appointed to the board of Capitec Bank on 1 March 2012.
- Mr MJ Jooste resigned from the board of Capitec Bank on 2 August 2012.
- Mr G Pretorius was appointed to the board of Capitec Bank on 19 November 2012.
- Prof MC Mehl passed away on 30 January 2013. Prof Mehl was a respected businessman and academic and had been on the board of Capitec bank since 2001. He made a meaningful contribution as a director and will be dearly missed.

Directors' remuneration is disclosed in the notes to the annual financial statements.

Material events after balance sheet date

The directors are not aware of any event which is material to the financial position of the company or the group that has occurred between the balance sheet date and the date of approval of the financial statements.

Independent auditor's report

To the shareholder of Capitec Bank Limited

We have audited the financial statements of Capitec Bank Limited set out on pages 64 to 118, which comprise the balance sheet as at 28 February 2013, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Capitec Bank Limited as at 28 February 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 28 February 2013, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.
Director: DG Malan
Registered Auditor
Cape Town
26 March 2013

Balance sheet

As at 28 February 2013

R'000	Notes	2013	2012
Assets			
Cash, cash equivalents and money market funds	4	**7 143 078**	4 548 014
Investments designated at fair value	5	**2 022 906**	1 198 833
Loans and advances to clients	6	**27 930 266**	16 850 404
Inventory	7	**–**	16 328
Other receivables	8	**137 101**	57 743
Current income tax assets		**–**	62 331
Group loans receivable	9	**30 129**	45 963
Equipment	10	**666 218**	508 889
Intangible assets	11	**136 380**	69 259
Deferred income tax asset	12	**272 133**	225 289
Total assets		**38 338 211**	23 583 053
Liabilities			
Loans and deposits at amortised cost	13	**29 000 191**	17 691 621
Other Liabilities	14	**973 857**	1 000 786
Current income tax liabilities		**46 007**	885
Provisions	15	**28 449**	24 998
Group loans payable	16	**1 584**	16 351
Total liabilities		**30 050 088**	18 734 641
Equity			
Capital and reserves			
Ordinary share capital and premium	17	**5 801 143**	3 380 895
Cash flow hedge reserve	18	**(15 925)**	(1 920)
Retained earnings		**2 243 936**	1 210 468
Share capital and reserves attributable to ordinary shareholders		**8 029 154**	4 589 443
Non-redeemable, non-cumulative, non-participating preference share capital and premium	17	**258 969**	258 969
Total equity		**8 288 123**	4 848 412
Total equity and liabilities		**38 338 211**	23 583 053

Income statement

Year ended 28 February 2013

R'000	Notes	2013	2012
Interest income	19	**7 084 624**	4 347 311
Interest expense	19	**(1 662 467)**	(1 022 329)
Net interest income		**5 422 157**	3 324 982
Loan fee income		**1 496 009**	1 657 018
Loan fee expense		**(343 209)**	(186 360)
Transaction fee income		**2 100 594**	1 360 308
Transaction fee expense		**(751 768)**	(524 202)
Net fee income		**2 501 626**	2 306 764
Dividend income	20	**9**	1 532
Net impairment charge on loans and advances to clients	21	**(2 658 445)**	(1 604 052)
Net movement in financial instruments held at fair value through profit or loss	22	**(298)**	12 070
Other income		**204**	679
Income from operations		**5 265 253**	4 041 975
Operating expenses		**(3 102 091)**	(2 654 530)
Operating profit before tax	23	**2 163 162**	1 387 445
Income tax expense	24	**(641 451)**	(416 832)
Profit for the year		**1 521 711**	970 613

Statement of comprehensive income

Year ended 28 February 2013

R'000	Notes	2013	2012
Profit for the year		**1 521 711**	970 613
Cash flow hedge recognised during the year	18	**(33 430)**	(4 916)
Cash flow hedge reclassified to profit and loss for the year	18	**14 080**	7 067
Cash flow hedge before tax		**(19 350)**	2 151
Income tax relating to cash flow hedge	18	**5 345**	(602)
Other comprehensive income that will be reclassified to profit or loss for the year net of tax	18	**(14 005)**	1 549
Total comprehensive income for the year		**1 507 706**	972 162

Statement of changes in equity

Year ended 28 February 2013

R'000	Ordinary share capital and premium	Preference share capital and premium	Cash flow hedge reserve	Retained earnings	Total
Balance at 28 February 2011	2 384 427	258 969	(3 469)	577 213	3 217 140
Total comprehensive income for the year	–	–	1 549	970 613	972 162
Ordinary dividend	–	–	–	(317 939)	(317 939)
Preference dividend	–	–	–	(19 419)	(19 419)
Shares issued	996 468	–	–	–	996 468
Balance at 29 February 2012	3 380 895	258 969	(1 920)	1 210 468	4 848 412
Total comprehensive income for the year	**–**	**–**	**(14 005)**	**1 521 711**	**1 507 706**
Ordinary dividend	**–**	**–**	**–**	**(467 460)**	**(467 460)**
Preference dividend	**–**	**–**	**–**	**(20 783)**	**(20 783)**
Shares issued	**2 420 248**	**–**	**–**	**–**	**2 420 248**
Balance at 28 February 2013	**5 801 143**	**258 969**	**(15 925)**	**2 243 936**	**8 288 123**
Notes	17	17	18		

Statement of cash flows

Year ended 28 February 2013

R'000	Notes	2013	2012
Cash flow from operating activities			
Cash flow from operations	29	**2 532 255**	2 215 034
Income taxes paid	30	**(575 497)**	(603 495)
		1 956 758	1 611 539
Cash flow from investing activities			
Purchase of equipment	10	**(353 744)**	(314 638)
Proceeds from disposal of equipment		**1 136**	909
Purchase of intangible assets	11	**(118 207)**	(65 868)
Loans to group companies		**15 834**	3 180
Acquisition of investments at fair value through profit or loss and money market unit trusts		**(2 726 262)**	(1 542 428)
Disposal of investments at fair value through profit or loss and money market unit trusts		**1 199 399**	1 344 330
		(1 981 844)	(574 515)
Cash flow from financing activities			
Loans from group companies		**(14 767)**	11 272
Ordinary shares issued	17	**2 420 248**	996 468
Dividends paid	31	**(487 823)**	(337 564)
		1 917 658	670 176
Net increase in cash and cash equivalents		**1 892 572**	1 707 200
Cash and cash equivalents at the beginning of the year		**4 548 014**	2 840 814
Cash and cash equivalents at the end of the year	4	**6 440 586**	4 548 014

Notes to the annual financial statements

Year ended 28 February 2013

1 General information

1.1 Nature of business

The company's main business is retail banking.

1.2 Review of operations

The operating results and the state of affairs of the company are fully set out in the attached balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes thereto.

The company's earnings attributable to shareholders amounted to R1 521.7 million (2012: R970.6 million).

1.3 Directors and secretary

Information relating to the directors and secretary of the company is presented on pages 19 to 23 of the annual report.

1.4 Company details

The company's place of domicile and country of incorporation is the Republic of South Africa.
Registered office : 1 Quantum Street, Techno Park, Stellenbosch, 7600

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The bank's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash, balances with central banks, treasury bills and other eligible bills, amounts due from banks, resale agreements with banks and short-term government securities. Cash and cash equivalents are stated at cost which approximates fair value due to the short-term nature of these instruments.

2.3 Financial instruments

The bank recognises financial assets on the balance sheet once it becomes a party to the contractual terms of the particular financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the bank has transferred substantially all risks and rewards of ownership.

Management determines the categorisation of its financial instruments at recognition.

2.3.1 The bank categorises its financial assets in the following categories:

(a) Financial assets at fair value through profit or loss

This category has two subclasses: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is categorised as held for trading if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as held for trading unless they are designated as hedges.

Purchases and sales of financial assets at fair value through profit or loss are recognised on trade date, being the date on which the bank commits to purchase or sell the asset.

Gains and losses on financial assets at fair value through profit or loss are measured as the difference between the fair values and the carrying amounts adjusted for dividend income (2.16.3), and are included in the income statement.

(b) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the entity intends to sell immediately or in the short term, which are categorised as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (ii) those that the entity upon initial recognition designates as available-for-sale; or (iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. They arise when the bank provides money, goods or services directly to a debtor with no intention of trading the advance. Included within this category are bank loans receivable and other receivables.

Loans and advances are recognised when funds are advanced to the borrowers.

Financial assets, other than those held at fair value through profit or loss, are initially recognised at fair value plus transaction costs.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and advances are carried at amortised cost using the effective interest rate method. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.

Refer to note 2.3.4 with reference to hedging instruments.

The fair values of quoted financial assets in active markets are based on current bid prices.

2.3.2 The bank categorises its financial liabilities in the following categories:

The bank recognises a financial liability once it becomes a party to the contractual terms of the financial instrument. Financial liabilities, other than those held at fair value through profit or loss, are recognised initially at fair value, generally being their issue proceeds net of transaction costs incurred.

A financial liability, or part of a financial liability, is derecognised once the obligation specified in the contract relating to the financial liability is discharged, cancelled or has expired.

(a) *Deposits held at amortised cost*

Deposits held at amortised cost are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest method. Any differences (other than transaction charges) between net proceeds and the redemption value are recognised in the income statement over the period of the borrowing using the effective yield method.

(b) *Other financial liabilities*

Included within this class of financial liabilities are trade and other payables, provisions and bank loans payable that will be settled in cash and cash equivalents. Trade and other payables and bank loans payable are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest rate method. Refer to note 2.12 for the accounting policy applied in measuring provisions.

2.3.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Deferred loan income reduces the outstanding loans and advances balance on the basis that the revenue will be recognised over the terms of the loans.

2.3.4 Derivative financial instruments and hedging activities

Derivative financial instruments exclude equity instruments that are accounted for in terms of IFRS 2 Share-based payment.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Transaction costs are expensed. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair values are obtained from quoted market prices, where available, alternatively using valuation techniques or based on observable market prices where possible, failing which estimates are used.

Interest rate swaps and cross currency interest rate swaps are valued on a discounted cash flow basis using yield curves appropriate for the relevant swap rates. Quoted market prices are used where available and estimates are derived from quoted prices where required.

All contracts are carried as assets when fair value is positive and as liabilities when fair value is negative. Derivatives are held to cover economic exposure.

The bank designates certain derivatives as:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment ('fair value hedge'); or
(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction ('cash flow hedge'), or
(c) economic hedges if not qualifying in terms of the accounting criteria classified as 'fair value through profit or loss'.

The use of derivatives is restricted to the hedging of forecast cash flows for specific transactions. Currently derivatives are limited to interest rate swaps and forward foreign exchange contracts.

- Treatment of hedges qualifying as cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the interest payments that are hedged are recognised as an expense). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'interest expense'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'movement in financial instruments' held at fair value through profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'movement in financial instruments held at fair value through profit or loss'.

The bank documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes cash flows of hedged items.

- Treatment of economic hedges classified as fair value through profit or loss

Changes in the fair value of these derivatives classified as 'fair value through profit and loss' are taken to profit or loss on immediately on re-measurement.

The fair values of various derivative instruments used for hedging purposes are disclosed in notes 37 and 38. Movements on the hedging reserve in shareholders' equity are shown in note 18.

2.3.5 Financial guarantee contracts

A financial guarantee contract is a contract that requires the bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at fair value and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium.

2.3.6 Resale agreements

Financial instruments purchased under agreements to resell, at a fixed price or the purchase price plus a lender's rate of return, are recorded as loans granted under resale agreements and included under cash and cash equivalents or loans and advances as appropriate. The difference between the purchase and sales price is treated as interest and amortised over the life of the reverse repurchase agreement using the effective interest method.

2.4 Impairment of advances

The estimation of allowances for impairments is inherently uncertain and depends on many factors, including general economic conditions, structural changes within industries, changes in individual customer circumstances and other external factors such as legal requirements, regulatory specifications and governmental policy changes.

Loans and advances are stated at amortised cost net of identified impairments and incurred but unidentified impairments.

Loans and advances are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be measured reliably.

Objective evidence that loans and advances may be impaired includes the following observable data:
(a) A breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments past due date are considered in breach of contract.
(b) Historical loss experience of groups of financial assets with similar repayment terms.
(c) Data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group including:
   - adverse changes in the payment status of borrowers in the group; or
   - national or local economic conditions that correlate with defaults on the assets in the group.

In determining whether a loss event has occurred loans and advances are subjected to regular evaluations of the overall client risk profile and payments record.

The historical loss experience is adjusted on the basis of observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

On a collective basis, the bank assesses whether objective evidence of impairment exists for groups of financial assets with similar repayment terms. If there is objective evidence that an impairment loss on loans and advances has been incurred, the amount of the loss is measured as the difference between the assets' carrying amounts and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the respective financial assets' original effective interest rates (the recoverable amount).

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce differences between loss estimates and actual loss experience.

All impaired loans and advances are reviewed on a monthly basis and any changes to the amount and timing of the expected future cash flows compared to previous estimates will result in a change to the charges for impairment of loans and advances in the income statement.

2.4.1 Identified impairment

Loans and advances within the bank comprise a large number of small homogenous assets. Statistical techniques are used to calculate impairment allowances collectively, based on historical default and recovery rates. These statistical analyses use as primary inputs the extent to which clients in the portfolio are in arrears and historical loss experience on the eventual losses encountered from similar delinquent portfolios.

These statistics feed discounted cash flow models, which have been developed for each of the loan products, offered by the bank. The models are updated periodically in order to reflect appropriate changes in inputs.

Models contain both judgemental and non-judgemental inputs. The extent of judgement utilised in models developed for new loan products is greater than that for older products given the limited historical experience available for the new products.

In outline, the statistical analyses are performed on a portfolio basis as follows:
- Loans and advances are monitored on a product basis, with each month's advances being treated as a discrete portfolio, on which an analysis of the run-off of recoveries, in period buckets and stratified between default statistics, is performed in order to develop a historical base for statistics on probability of default (PD).
- These derived statistics, based on actual experience, are used in plotting default values on a model curve that reflects the risk profile of the portfolio.

- Clients in arrears by more than 90 days are handed over for collection and written off. Recoveries from short-term loans are regarded as negligible as collateral is not required for the granting of advances in the current product range. The estimated recoveries on longer-term loans discounted at the contractual rates are recognised in gross loans and advances.
- Upon write-off the accrual of interest income on the original term of the advance is discontinued.

2.4.2 Incurred but unidentified impairment

In addition to the impairment estimated for assets with recognised objective evidence of impairment, an estimate is made for impairments associated with those assets in the balance sheet that are impaired, but for which objective evidence is not yet available.

- The impairment calculation utilises the results of the statistical analyses referred to above to estimate the proportion of assets in each portfolio that are likely to display objective evidence of impairment over the emergence period. The emergence period is defined as the experience of the length of time that it takes for objective evidence to become apparent after the asset has become impaired.
- In considering the occurrence of a loss event over the life of a loan, it is assumed that there is a constant risk of the loss event occurring at any point in the life of the loan.
- For a portfolio of loans in a particular month most of the provision is recognised in the early stages of the contractual period, as the outstanding loan balances are larger.

Loans and advances impaired on this basis are reflected as loans not past due.

2.4.3 Loan write-offs

Clients (and the related impairment allowance accounts) are normally written off in full when they are in arrears for more than 90 days.

2.5 Inventory

Inventory is stated at the lower of the cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses. Inventory is carried net of rebates. All inventories comprise finished goods.

2.6 Interest-free loans granted

Interest-free group loans with no fixed maturities are carried at cost net of impairment.

2.7 Current tax

Income tax payable on profits, based on the applicable tax law, is recognised as an expense in the period in which profits arise. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

For periods prior to 1 April 2012, Secondary tax on companies (STC) was calculated in terms of the applicable tax law and disclosed as part of the tax expense on the income statement.

From 1 April 2012 South African resident companies are no longer subject to STC, which was replaced by a withholding tax on the declaration of dividends or deemed dividends (as defined under tax law). The withholding tax is not a tax on companies.

2.8 Deferred tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax laws and rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment, provisions for doubtful debts, revaluation of certain financial assets and liabilities and tax losses carried forward. Deferred tax assets are raised only to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised.

2.9 Property and equipment

All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they were incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Banking application hardware 3 - 5 years
- Automated teller machines 8 years
- Computer equipment 3 - 5 years
- Office equipment 5 - 8 years
- Motor vehicles 5 years
- Buildings 25 years

The assets' residual values and useful lives are annually reviewed and adjusted, if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

2.10 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the bank's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The bank has no subsidiaries.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is carried at cost less accumulated amortisation and impairment losses.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Amortisation on computer software is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Banking application software 6 years
- Server software 3 - 5 years
- Desktop application software 2 - 4 years

The assets' useful lives are annually reviewed and adjusted where appropriate.

2.11 Impairment of non-financial assets

Equipment and other non-financial assets (for example property and computer software) are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Provisions

Provisions for expenses are obligations of the bank for which there is uncertainty as to the timing or amount of the outflow of economic resources. Provisions are recognised when:

- the bank has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.13 Share capital

(a) Categories of share capital

Authorised share capital consists of

- ordinary shares and
- non-redeemable, non-cumulative, non-participating preference shares.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividends declared

Dividends on ordinary shares and preference shares are recognised in equity in the period in which they have been approved by the bank's directors.

2.14 Employee benefits

(a) Pension obligations

The bank contributes to a provident fund classified as a defined-contribution fund.

For defined-contribution plans, the bank pays fixed contributions to privately administered provident fund plans on a contractual basis. The bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The bank operates cash-settled, share-based compensation plans. The fair value of the liability incurred for employee services received is recognised as an expense over the vesting period. Until the liability is settled, the bank re-measures the fair value of the liability at each reporting date and at the date of settlement, with any changes in value recognised in profit or loss for the period.

(c) Performance incentive scheme

The bank operates a performance incentive scheme for senior and other employees, who are seen to be in leadership roles critical to the current and future success of the bank's business,

The amount recognised as a liability is the present value of the obligation at the end of the reporting period. The rate used to discount the obligation is determined by reference to market yields at the end of the reporting period on government bonds. The currency and term of the bonds is consistent with the currency and term of the obligation.

The employee service cost is recognised in the income statement as the obligation arises.

2.15 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the bank's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in South African rands ('rand'), which is the bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items are reported as part of the fair value gain or loss.

2.16 Revenue recognition

2.16.1 Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost and at fair value through profit or loss using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

Once a financial asset or a bank of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.16.2 Fee income

Transaction fees are recognised on an accrual basis in the period in which the services are rendered. The portion of loan origination fees that relate to the creation of a financial asset together with the related incremental transaction costs are amortised over the term of the loan on an effective yield basis. Transaction and service-related loan fee income is recognised when the services are provided.

2.16.3 Dividend income

Dividend income is recognised in the income statement when the entity's right to receive payment is established. Dividends on listed preference shares accrue on a day-to-day basis based on the terms of underlying instruments.

2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the executive management committee that makes strategic decisions.

Capitec Bank operates as a mono-line business which has no distinguishable operating segments.

2.18 Leases

(a) Where the bank is the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any penalty payment to the lessor is recognised as an expense in the period in which termination takes place.

(b) Where the bank is the lessor

Rental from the subletting of leased premises is recognised on a straight-line basis over the lease term. Subletting is incidental to the bank's occupation of certain properties.

2.19 Standards, interpretations and amendments to published standards applied for the first time during the current financial year

- Amendments to IAS 12 Deferred tax: recovery of underlying assets (effective 1 March 2012)
- Amendment to IFRS 7 Financial Instruments Disclosures – Transfer of financial assets (effective 1 March 2012)
- Amendments to IAS 1 - Presentation of items of other comprehensive income (early adopted 1 March 2012)

The implications of these statements have no impact on measurements of assets and liabilities at the previous year end. Comparatives are provided for new disclosures where required in terms of the standards.

2.20 Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the bank's accounting periods beginning on or after 1 March 2013 or later periods but which the bank has not early adopted, as follows:

- Amendments to IFRS7 Disclosures – Offsetting financial assets and financial liabilities (effective 1 March 2013)
- IFRS 9 Financial instruments (effective 1 March 2015)
- IFRS 10 Consolidated financial statements (effective 1 March 2013)
- IFRS 11 Joint arrangements (effective 1 March 2013)
- IFRS 12 Disclosure of interests in other entities (effective 1 March 2013)
- IFRS 13 Fair value measurement (effective 1 March 2013)
- Amendments to IAS 19 Employee benefits (effective 1 March 2013)
- Revised IAS 27 Separate financial statements (effective 1 March 2013)
- Revised IAS 28 Investments in Associates and joint ventures (effective 1 March 2013)
- Amendment to IAS32 – Offsetting financial assets and financial liabilities (effective 1 March 2014)
- Improvements to IFRSs 2011 (effective 1 March 2013)
- IFRIC20 Stripping costs in the production phase of a surface mine (effective 1 March 2013)

Management is in the process of assessing the impact of these amendments and standards on the reported results of the bank.

3 Critical accounting estimates and judgements in applying accounting policies

In conformity with IFRS, the preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may ultimately differ from estimates.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on loans and advances

The company reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Refer to note 2.4 for the accounting policy regarding the impairment of advances.

An increase or decrease of 5% in the estimated default rates will have the following impact on the impairment allowance.

Expected default rates (R'000)	2013	2012
Expected default rates increase by 5%	**37 213**	23 966
Expected default rates decrease by 5%	**(37 259)**	(23 934)

Property and equipment

Property and equipment are depreciated over their useful lives, taking into account their residual values at the end of their useful lives. The residual values and useful lives are based on industry knowledge and past experience with similar assets. Refer to note 2.9 for the accounting policy regarding property and equipment.

R'000	2013	2012

4. Cash, cash equivalents and money market funds

	2013	2012
Cash on hand[1]	**1 383 300**	906 439
Bank balances	**3 203 003**	2 697 126
Resale agreements with banks[2]	**–**	558 317
Treasury bills[3]	**299 751**	–
Money market instruments	**–**	909
Central bank balances		
Debentures[4]	**900 246**	–
Mandatory reserve deposits with central bank[5]	**654 286**	385 223
Cash and cash equivalents	**6 440 586**	4 548 014
Money market unit trusts[6]	**702 492**	–
	7 143 078	4 548 014
Maximum exposure to credit risk	**7 143 078**	4 548 014
Current	**7 143 078**	4 548 014

[1] *Cash on hand is non-interest bearing.*
[2] *The difference between the purchase and resale price of resale agreements with banks is treated as interest. Resale agreements relate to treasury bills issued by the South African National Treasury.*
[3] *Treasury bills are short-term fixed interest securities issued by the South African National Treasury.*
[4] *Debentures are short-term fixed interest securities issued by the South African Reserve Bank ('SARB').*
[5] *Mandatory reserve deposits with the SARB must be maintained at the average required by the SARB over a 30-day period and are non-interest bearing. These deposits may be used to manage significant intra- and inter-day cash outflows but are not taken into consideration for cash planning purposes.*
[6] *Money market unit trusts are liquid floating rate assets and are taken into consideration for cash planning purposes.*

R'000	2013	2012

5. Investments designated at fair value

Unlisted equity investments at fair value		
Balance at the beginning of the year	–	16 335
Disposals	–	(28 961)
Exchange rate risk	–	3 682
Other market risk	–	8 944
Balance at the end of the year	–	–
Interest-bearing debt instruments[1]		
Balance at the beginning of the year	**1 198 833**	972 329
Additions	**2 023 770**	1 542 428
Disposals	**(1 199 399)**	(1 315 369)
Fair value adjustment - Interest rate risk[2]	**(298)**	(555)
Balance at the end of the year [3]	**2 022 906**	1 198 833
Total investments at fair value	**2 022 906**	1 198 833
Maximum exposure to credit risk[4]	**2 022 906**	1 198 833
Current	**2 022 906**	1 198 833

[1] *Interest–bearing instruments comprise unlisted instruments with a maturity greater than three months from date of acquisition. This figure comprises government instruments (2012: government instruments).*

[2] *The method and assumptions applied to calculate the fair value changes due to interest rate risk are set out in note 26.3.*

[3] *The Liquid Asset Requirement of R1 310.5 million (2012: R770.7 million) is included in this balance and is held for regulatory purposes. It consists of National Treasury Bills and SARB debentures. Half of this amount is not available for use as working capital for settlement purposes.*

[4] *Exposure to credit risk arises from the interest–bearing debt instruments only. Fair value adjustments are not attributable to changes in credit risk during the year, and cumulatively. This group of financial assets and their performance is managed and evaluated on a fair value basis in accordance with a documented risk management strategy. Information about this group is provided internally on that basis to the management committee and board of directors.*

R'000	2013	2012

6. Loans and advances to clients

Maturity analysis		
Demand to one month	1 173 564	1 105 264
One to three months	1 229 495	1 177 530
Three months to one year	5 249 554	4 460 374
More than one year	23 459 101	12 144 094
Total	31 111 714	18 887 262
Deferred loan fee income	(458 634)	(492 071)
Gross loans and advances	30 653 080	18 395 191
Allowance for impaired loans and advances	(2 722 814)	(1 544 787)
Net loans and advances to clients(1) (2) (3)	27 930 266	16 850 404

Analysis of net loans and advances by status		
Gross	28 876 046	17 463 982
Impairment	(1 859 324)	(1 015 076)
Not past due(4)	27 016 722	16 448 906
Gross	1 777 034	931 209
Impairment	(863 490)	(529 711)
Past due(5)	913 544	401 498
	27 930 266	16 850 404

Credit quality of performing loans and advances(6)		
Low risk	6 875 348	7 678 686
Medium risk	18 815 248	9 580 309
High risk	3 185 450	204 987
Performing loans	28 876 046	17 463 982

Ageing of impaired advances		
< 60 days	1 568 709	827 511
60 – 90 days	208 325	103 698
	1 777 034	931 209

R'000	2013	2012

6. Loans and advances to clients *(continued)*

Movement on allowance for impaired advances		
Unidentified losses	**1 015 076**	512 082
Identified losses	**529 711**	332 079
Opening balance	**1 544 787**	844 161
Unidentified losses	**844 248**	502 994
Identified losses	**333 779**	197 632
Movement	**1 178 027**	700 626
Unidentified losses	**1 859 324**	1 015 076
Identified losses	**863 490**	529 711
Closing balance	**2 722 814**	1 544 787

Exposure to credit risk		
Loans and advances to clients	**31 111 714**	18 887 262
Conditionally revocable retail loan commitments(7)	**725 010**	603 816
Maximum exposure to credit risk	**31 836 724**	19 491 078

(1) *Loans and advances comprise unsecured loans to individuals except for amounts detailed in (3) below.*

(2) *Accrued interest receivable of R145.8 million is included in loans and advances (2012: R 101.4 million).*

(3) *An investment of R23.8 million in cumulative preference shares bearing interest at 80% of the prime interest rate was included in the loans and advances in 2012 .*

(4) *Loans and advances not past due on which an impairment allowance has been raised are treated as fully performing loans and advances.*

(5) *Past due loans and advances are in arrears from one day to three months and not handed over. All past due loans and advances are impaired.*

(6) *The lower-risk clients qualify for longer-term, lower-rate loan combinations, while the higher risk clients are limited to shorter-term, higher interest rate products. The interest rate on a loan can be decreased by selecting a term shorter than the term for which the client qualifies.*

(7) *Conditionally revocable retail loan commitments totalling R725.0 million (2012: R603.8 million) are not included in the maturity analysis. The commitments are a result of undrawn loan amounts. The loans are advanced with a contractual repayment period of one month or less. The contractual commitment is revocable should a client not meet their contractual obligations or where the bank has determined that the client's credit risk profile has changed. A total of 17.8% (2012: 18.3%) of these commitments is expected to be drawn down within one month. As these are one month loans, repayment of any future draw downs must also occur within the month.*

(8) *Loans and advances with outstanding balances of R1 343 million (2012: R421 million) that would have reflected as past due are included in loans and advances not past due, due to re-negotiated payment terms. Impairment provisions on these loans amount to 10% while other loans and advances not past due are provided at 2%.*

R'000	2013	2012

7. Inventory

Internet tokens and client cards	–	16 328
	–	16 328
Current	–	16 328

8. Other receivables

Rental deposits	**2 483**	2 356
Accrued income	**65 179**	28 268
Derivatives (note 38)	**3 394**	263
Prepayments	**55 918**	26 856
Other	**10 127**	–
	137 101	57 743
Current	**135 004**	55 587
Non–current	**2 097**	2 156

9. Group loans receivable

Loan to share incentive trust [1]	**137**	4 282
Loan to fellow subsidiary[2]	–	11 687
Loan to fellow subsidiary	**29 981**	29 994
Loan to holding company	**11**	–
	30 129	45 963
Current	**30 129**	45 963

(1) *This loan is subordinated until the assets of the entity exceeds its liabilities.*
(2) *Interest is levied at prime (2012: prime) on the loan to the fellow subsidiary. The rate at year end was 8.5% (2012: 9%). Interest received on this loan during the year amounted to R0.2 million (2012: R0.9 million).*
(3) *Other group loans receivable are interest free.*
(4) *All loans to group companies have no fixed repayment terms.*

10. Property and equipment

R'000	Computer Equipment	Office equipment and vehicles	Total
2013			
Opening net book value	**256 753**	**252 136**	**508 889**
Additions	**175 909**	**177 713**	**353 622**
Disposals	**(626)**	**(155)**	**(781)**
Other	**(162)**	**284**	**122**
Depreciation charge	**(109 351)**	**(86 283)**	**(195 634)**
Net book value at the end of the year	**322 523**	**343 695**	**666 218**
Cost	**622 074**	**721 272**	**1 343 346**
Accumulated depreciation	**(299 551)**	**(377 577)**	**(677 128)**
Net book value at the end of the year	**322 523**	**343 695**	**666 218**
Non-current	**322 523**	**343 695**	**666 218**
2012			
Cost	332 144	414 543	746 687
Accumulated depreciation	(175 146)	(230 555)	(405 701)
Opening net book value	156 998	183 988	340 986
Additions	180 241	134 397	314 638
Disposals	(1 302)	(292)	(1 594)
Depreciation charge	(79 184)	(65 957)	(145 141)
Net book value at the end of the year	256 753	252 136	508 889
Cost	473 126	545 737	1 018 863
Accumulated depreciation	(216 373)	(293 601)	(509 974)
Net book value at the end of the year	256 753	252 136	508 889
Non-current	256 753	252 136	508 889

R'000	2013	2012

11. Intangible assets

Computer software[1]		
Cost	**148 248**	97 973
Accumulated amortisation	**(78 989)**	(63 616)
Opening net book value	**69 259**	34 357
Additions	**118 200**	65 868
Scrappings	**(16)**	(3 046)
Other	**7**	–
Amortisation charge	**(51 070)**	(27 920)
Net book value at the end of the year	**136 380**	69 259
Cost	**265 142**	148 248
Accumulated amortisation	**(128 762)**	(78 989)
Net book value at the end of the year	**136 380**	69 259
Non–current	**136 380**	69 259

[1] *Computer software is primarily comprised of the banking application system.*

12. Deferred income tax assets

R'000	Provisions and accruals	Cash flow hedge	Capital allowances	Pre-payments	Total
2013					
Balance at the beginning of the year	**252 687**	**747**	**(21 787)**	**(6 358)**	**225 289**
Income statement charge	**56 589**	**–**	**(12 609)**	**(2 481)**	**41 499**
Credited to equity through other comprehensive income	**–**	**5 345**	**–**	**–**	**5 345**
Balance at the end of the year	**309 276**	**6 092**	**(34 396)**	**(8 839)**	**272 133**
2012					
Balance at the beginning of the year	157 170	1 349	(15 929)	(6 883)	135 707
Income statement charge	95 517	–	(5 858)	525	90 184
Credited to equity through other comprehensive income	–	(602)	–	–	(602)
Balance at the end of the year	**252 687**	**747**	**(21 787)**	**(6 358)**	**225 289**

	2013	2012
Current	**172 307**	85 133
Non–current	**99 826**	140 156

[1] *Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 28% (2012: 28%). The deferred tax assets are stated at the rate at which the assets are expected to be realised.*

R'000	2013	2012

13. Loans and deposits at amortised cost

	2013	2012
By maturity		
Within one month	**11 053 402**	6 911 373
One to three months	**939 119**	932 933
Three months to one year	**4 166 668**	3 931 881
More than one year	**12 841 002**	5 915 434
Loans and deposits at amortised cost[1]	**29 000 191**	17 691 621
By nature		
Retail savings	**10 335 171**	6 348 206
Retail fixed deposits	**6 843 560**	4 014 621
Wholesale[1]	**1 691 812**	1 296 834
Subordinated debt – unlisted bonds	**1 006 127**	499 254
Subordinated debt – listed bonds	**1 925 745**	591 533
Listed senior bonds[2]	**4 222 222**	2 775 944
Other unlisted negotiable instruments	**2 832 811**	1 998 468
Reserve Bank settlement balance	**142 743**	166 761
	29 000 191	17 691 621
Amounts payable on maturity of the funding[3]	**33 944 592**	20 546 907

Subordinated debt analysis

Description	Nominal amount	Term	Rate
Subordinated debt- unlisted bonds – floating rate			
– First seven years	R250 million	12 year	3-month JIBAR plus 6.75%
– Last five years if not called by the bank			3-month JIBAR plus 8.00%
Subordinated debt- unlisted bonds – floating rate	R200 million	12 year	
– First seven years			3-month JIBAR plus 5.75%
– Last five years if not called by the bank			3-month JIBAR plus 7.00%
Subordinated debt- unlisted bonds – floating rate	R44 million	7 year	3-month JIBAR plus 4.50%
Subordinated debt- unlisted bonds – floating rate	R500 million	7 year	3-month JIBAR plus 4.75%
Subordinated debt – listed bonds – fixed rate	R250 million	7 year	R204 government bond plus 3.91%
Subordinated debt – listed bonds – floating rate	R150 million	7 year	3-month JIBAR plus 4.50%
Subordinated debt – listed bonds – fixed rate	R175 million	7 year	R204 government bond plus 4.16%
Subordinated debt – listed bonds – floating rate	R400 million	7 year	3-month JIBAR plus 4.49%
Subordinated debt – listed bonds – fixed rate	R350 million	7 year	R204 government bond plus 4.60%
Subordinated debt – listed bonds – floating rate	R572 million	7 year	3-month JIBAR plus 4.49%

(1) *All deposits are unsecured.*

(2) *Listed senior bonds consist of Domestic medium-term notes. Domestic medium-term notes (nominal value R2 140 million) issued at variable rates are hedged through interest rate swap agreements as set out in notes 18 and 38.*

(3) *The difference between the amounts payable on maturity and the loans and deposits at amortised cost relates to future finance cost.*

R'000	2013	2012

14. Other liabilities

Trade payables	**215 784**	200 538
Dividends payable	**10 077**	9 657
Accruals	**317 933**	264 508
Share option and share appreciation rights accrual (notes 35 and 36)	**404 426**	522 762
Derivatives (notes 37 and 38)	**25 637**	3 321
	973 857	1 000 786
Current	**648 676**	627 184
Non-current	**325 181**	373 602

15. Provisions

Performance incentive scheme[1]		
Balance at the beginning of the year	**24 998**	14 403
Addition	**18 596**	19 705
Used during the year	**(15 145)**	(9 110)
Balance at the end of the year	**28 449**	24 998
Non-current	**28 449**	24 998

[1] *Senior management qualify for a cash-settled performance bonus scheme. The scheme rewards managers based on the growth in headline earnings per share and, in order to foster a long-term approach by management, the bonus is paid out over a three-year period. The bonuses to be paid out in the 2015, 2016 and 2017 financial years are included in provisions. The bonus to be paid in the 2014 financial year is included in accruals.*

16. Group loans payable

Loan owing to holding company[1]	**1 584**	16 351
	1 584	16 351
Current	**1 584**	16 351

[1] *The loan from the holding company is interest free and has no fixed repayment terms.*

R'000	2013	2012

17. Share capital and premium

Authorised		
Ordinary shares		
5 000 000 000 shares of R0.01 each	**50 000**	50 000
Non-redeemable, non-cumulative, non-participating preference shares[1]		
100 000 000 shares of R0.01 each	**1 000**	1 000
	51 000	51 000
Issued[1]		
1 100 000 (2012: 900 000) shares of R0.01 each at par	**11**	9
Share premium	**5 801 132**	3 380 886
Ordinary share capital and premium	**5 801 143**	3 380 895
2 869 014 (2012: 2 869 014) shares of R0.01 each at par	**29**	29
Share premium	**258 940**	258 940
Non-redeemable, non-cumulative, non-participating preference share capital and premium[2]	**258 969**	258 969
Total issued share capital and premium	**6 060 112**	3 639 864

[1] *All issued ordinary and preference shares are held by Capitec Bank Holdings Limited and are fully paid up. No ordinary or preference shares were cancelled in the current or prior year.*

[2] *The preference shares carry a coupon rate of 83.33% of the prime overdraft rate on a face value of R100 per share.*

18. Cash flow hedge reserve

Cash flow hedge loss[1]		
Balance at the beginning of the year	**(1 920)**	(3 469)
Amount recognised in comprehensive income during the year	**(33 430)**	(4 916)
Amount reclassified from comprehensive income to profit and loss for the year	**14 080**	7 067
	(21 270)	(1 318)
Deferred tax recognised in comprehensive income during the year	**5 345**	(602)
Balance at the end of the year	**(15 925)**	(1 920)

[1] *The hedging reserve is released to the income statement on realisation interest expense. Refer to note 38 for additional disclosure.*

R'000	2013	2012

19. Net interest income

Loans and advances to clients	**6 830 303**	4 188 478
Non–bank money market placements	**2**	16
Money market funds	**130 023**	62 894
Treasury bills	**6 821**	10 485
Resale agreements with banks	**4 614**	30 705
Bank balances	**2 689**	761
Debentures	**36 993**	3 989
Interest-bearing instruments	**73 000**	49 071
Group loans receivable	**179**	912
Interest income[1]	**7 084 624**	4 347 311
Retail saving	**(365 037)**	(243 532)
Retail fixed deposits	**(377 513)**	(222 946)
Wholesale	**(143 707)**	(125 247)
Subordinated debt	**(204 280)**	(71 629)
Domestic medium term note	**(367 995)**	(271 103)
Negotiable deposits	**(190 584)**	(87 855)
Other	**(13 162)**	–
Forward exchange contacts	**(189)**	(17)
Interest expense	**(1 662 467)**	(1 022 329)
Net interest income	**5 422 157**	3 324 982

[1] *Included in interest income is R72.8 million (2012: R 35.3 million) with respect to interest income accrued on impaired financial assets.*

20. Dividend income

Investments at fair value through profit or loss	**9**	1 532
	9	1 532

21. Net impairment charge on loans and advances to clients

Bad debts	**1 753 593**	1 078 993
Movement in impairment allowance	**1 178 027**	700 626
Bad debts recovered	**(273 175)**	(175 567)
Net impairment charge	**2 658 445**	1 604 052

R'000	2013	2012

22. Net movement in financial instruments held at fair value through profit or loss

Change in fair value due to risk factors[1]	**(298)**	12 070

[1] *The changes in fair value for 2013 relate to interest rate risk (2012: interest rate, exchange rate and other market risk).*

23. Operating profit before tax

The following items have been included in arriving at operating profit before tax:

(Profit)/Loss on disposal of equipment	**(355)**	685
Loss on scrapping of intangibles	**16**	3 046
Depreciation on fixed assets	**195 634**	145 141
Amortisation of computer software	**51 070**	27 920
Foreign exchange gains[1]	**–**	(3)
Operating lease rentals		
Land and buildings	**202 904**	162 221
Office equipment	**2 583**	2 419
	205 487	164 640
Income from subletting	**(2 872)**	(2 529)
Auditors' remuneration		
Audit fees – current year	**3 071**	2 530
Audit fees – prior year (over)/underprovision	**–**	166
Other services	**451**	228
	3 522	2 924
Employee costs (including directors' remuneration)[2]		
Salaries and wages	**1 349 699**	1 118 207
Equity-settled share-based payment	**117 188**	178 563
Cash-settled share appreciation rights	**93 066**	123 613
Social security cost	**30 677**	23 237
Training cost [3]	**44 376**	40 383
Training refund	**(3 183)**	(5 287)
	1 631 823	1 478 716

[1] *Excludes change in fair value of financial assets through profit or loss as per note 5.*
[2] *Refer to note 28 for details of directors' remuneration.*
[3] *Excludes internal training department infrastructure and employee cost.*

R'000	2013	2012

24. Income tax expense

Normal company tax	**654 044**	473 432
Secondary tax on companies	**28 906**	33 584
Current tax	**682 950**	507 016
Deferred tax	**(41 499)**	(90 184)
Income tax expense	**641 451**	416 832
Effective tax rate	**30**	30

The tax on the profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit before tax	**2 163 162**	1 387 445
Tax calculated at a tax rate of 28%	**605 685**	388 485
Secondary tax on companies	**28 906**	33 584
Adjustments for prior periods	**(143)**	(8)
Income not subject to tax	**(31)**	(5 365)
Expenses not deductible for tax purposes	**7 690**	128
Allowances not in income statement	**(657)**	–
Withholding tax	**1**	8
Income tax expense	**641 451**	416 832

25. Dividends

The company declared the following dividends for the current and previous financial years:

	R'000	Declared	LDT	Date Paid
2013				
Ordinary dividend				
Interim	**169 614**	**25 Sep 2012**	**12 Oct 2012**	**22 Oct 2012**
Final[(1)]	**463 489**	**25 Mar 2013**	**12 Apr 2013**	**22 Apr 2013**
Preference dividend				
Interim	**10 706**	**31 Aug 2012**	**14 Sep 2012**	**25 Sep 2012**
Final	**10 077**	**28 Feb 2013**	**14 Mar 2013**	**25 Mar 2013**
2012				
Ordinary dividend				
Interim	124 103	27 Sep 2011	25 Nov 2011	5 Dec 2011
Final	297 847	1 Mar 2012	15 Mar 2012	26 Mar 2012
Preference dividend				
Interim	9 763	31 Aug 2011	16 Sep 2011	26 Sep 2011
Final	9 657	29 Feb 2012	15 Mar 2012	26 Mar 2012

[(1)]The directors declared a final dividend amounting to R463.5 million. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 28 February 2014, which is in line with recommended accounting practice.

26. Financial risk management

The board of directors is responsible for risk management and views it as an integral part of providing a responsible return on shareholders' equity.

To assist the board, the company is managed through a system of internal controls functioning throughout the entity. Risk awareness pervades every aspect of the business and is the responsibility of each employee of the company. The board established a risk and capital management committee comprising two independent non-executive directors, two non-executive directors and one executive director which operates in compliance with a formal charter. The committee assists the board in reviewing the processes followed to identify risk and in assessing the potential impact of identified risks in the company environment.

Specific risks are dealt with in a structured manner by the following sub-committees comprising executives and senior management:

- Credit committee – credit and counterparty risk
- Assets and liability committee ('ALCO') – interest rate, market, liquidity, counterparty, currency and capital adequacy risk
- Operational risk committee – legal, compliance, technology, operational and reputational risk

The bank operates in a structured manner with defined processes and procedures enabling risk assessment within a controlled environment. Accordingly, an assessment of key risks is performed with weightings on impact and probability assigned. Existing controls are assessed, and if necessary, adjusted. Thereafter reports are generated at regular intervals to enable monitoring of risk levels.

The financial instruments carried on the balance sheet are set out in note 26.9.

26.1 Credit risk

Retail

The bank specialises in granting personal unsecured loans. Exposure to counterparty concentration credit risk is low due to the nature and distribution of the loan book. Exposure to systemic credit risk is regarded as being higher than normal banking activities due to the demographic credit characteristics of the client base. Measures taken by the bank to limit credit risk to acceptable levels include, inter alia, the application of standard credit acceptance procedures to assess potential clients, daily monitoring of collectible balances at both branch and head office level and monitoring by the credit and risk committees. No security is obtained for loans and advances, and accordingly the entire balance as per the balance sheet is exposed to credit risk. The credit quality of loans and advances is disclosed in note 6.

The maximum capital advanced in terms of any one personal loan is R230 000 (2012: R150 000). At balance sheet date the number of outstanding loans was 1 153 420 (2012: 1 375 508).

Wholesale

The bank only invests centrally managed cash surpluses in cash and liquid assets with the SARB, South African registered banking entities and money market funds of high credit standing. Potential exposure to counterparty concentration credit risk exists principally in cash and cash equivalents and interest bearing instruments (notes 4 and 5). Exposure to counterparty credit risk is controlled using ALCO approved limits which are monitored and enforced by the Credit Committee. This ensures that the financial assets that the bank may place with any one counterparty are limited, by reference to the long-term and short-term credit ratings assigned for that counterparty by Fitch.

At balance sheet date the international long-term credit ratings, using Fitch ratings, were as follows:

R'000	Notes	AAA-A	BBB	Below BBB	Not rated	Total carrying amount
2013						
Cash on hand	4	–	1 383 300	–	–	1 383 300
Bank balances[1]	4	2 509 014	693 986	–	3	3 203 003
Resale agreements with banks	4	–	–	–	–	–
Money market funds[2]	4	–	–	–	702 492	702 492
Treasury bills (< 3 months)	4	–	299 751	–	–	299 751
Central bank balances[1]	4	–	1 554 532	–	–	1 554 532
Treasury bills (> 3 months)	5	–	2 022 906	–	–	2 022 906
		2 509 014	5 954 475	–	702 495	9 165 984
2012						
Cash on hand	4	906 439	–	–	–	906 439
Bank balances	4	1 639 902	1 057 222	–	2	2 697 126
Resale agreements with banks	4	–	558 317	–	–	558 317
Money market funds	4	–	–	–	909	909
Treasury bills (< 3 months)	4	–	–	–	–	–
Central bank balances	4	385 223	–	–	–	385 223
Treasury bills (> 3 months)	5	1 198 833	–	–	–	1 198 833
		4 130 397	1 615 539	–	911	5 746 847

(1) The bank balances were with 9 institutions (2012: 18), with the maximum exposure to one institution being R3 267 million (2012: R 1 514 million).

(2) Money market funds consist of money market unit trust investments. The placements were with five institutions (2012: two).

26.2 Geographical concentration of operations

All the bank's operating activities are situated within the Republic of South Africa.

Capitec Bank branches are distributed across South Africa and at year-end the breakdown by province was as follows:	2013	2012
Eastern Cape	**69**	61
Free State	**33**	31
Gauteng	**155**	140
KwaZulu-Natal	**85**	79
Limpopo	**47**	40
Mpumalanga	**46**	41
North West	**32**	27
Northern Cape	**20**	18
Western Cape	**73**	70
	560	507

26.3 Interest rate risk

The current interest profile is uncomplicated and is monitored by ALCO. Management aims to match the fixed or floating rate nature of funding with the fixed rate elements of the loan book and the fixed and floating rate elements surplus cash positions.

The bank operates within the ambit of the National Credit Act when considering interest rates on short-term personal loans and retail advances are only offered at fixed interest rates. The maturity breakdown of the advances book is set out in note 6 and note 26.6.

Fair value interest rate risk

Financial assets and liabilities are mainly accounted for on an amortised cost basis and therefore the income statement is not significantly impacted by fair value interest rate risk.

Cash flow interest rate risk

The return on surplus cash balances placed in call money market accounts varies with changes in interbank interest rates as does the interest payable on floating rate bond liabilities and some retail deposits, resulting in cash flow interest rate risk.

The bank has discretion over the rates offered on its demand savings deposits. Floating rate bond and wholesale deposit liabilities may be hedged using interest rate swaps that match positions and mitigate the negative impact that changing market interest rates can have on the value of the business and annual earnings. Interest rate swaps have the economic effect of converting floating rate debt to fixed rate debt, thereby reducing fluctuations in future cash flow commitments. Under the terms of the interest rate swaps, the bank agrees with other banking entities to exchange the difference between fixed contractual rates and floating rate interest amounts calculated by reference to the agreed notional amounts on a quarterly basis.

The ALCO meets monthly and considers the results of management's analysis of the impact of interest rates on the bank which includes, inter alia, the results of various models and the impact of interest rate strategy on the gross margin.

26.3 Interest rate risk *(continued)*

The sensitivity analysis below is a run-off analysis and reflects the impact of a 200 basis point increase or decrease in interest rates:

- Immediately following the reporting date
- Based on floating rate assets and liabilities held at amortised cost (cash and cash equivalents, negotiable instruments, floating bond liabilities)
- Assets and liabilities accounted for at fair value through profit and loss
- On balance sheet at the reporting date.
- The movement in rates was applied as a parallel shift in the applicable yield curves.

The continuity of items for the purpose of this analysis is the contractual maturity dates.

	Impact on Income Statement				Impact on Equity			
	2013		2012		2013		2012	
200 basis points (R'000)	**Pre-tax**	**Post-tax**	**Pre-tax**	**Post-tax**	**Pre-tax**	**Post-tax**	**Pre-tax**	**Post-tax**
Increase	**(234 467)**	**(168 816)**	(111 359)	(80 178)	**(83 756)**	**(61 755)**	(81 989)	(59 965)
Decrease	**234 467**	**168 816**	111 358	80 178	**83 756**	**61 755**	81 989	59 965

26.4 Currency risk

The exposure to foreign currency purchase risk relating to the importation of capital equipment, technology and technology support services needed for the core banking activities is managed through the purchase of forward foreign exchange contracts. Wholesale loans and deposits for 2013 (refer to note 13) include a foreign denominated loan. The currency exposure is mitigated by a hedging instrument (refer to note 38).

26.5 Other market risk

There is no exposure to other pricing risk.

26.6 Liquidity risk

The bank manages liquidity cautiously and operates an uncomplicated maturity profile which is monitored by ALCO. The matching of the term of funding to the term of the loan book reduces the liquidity risk of the bank.

The table below analyses the bank's assets and liabilities into maturity groupings based on the remaining period, at balance sheet date, to the contractual maturity date. The table was prepared on the following basis :

- asset and liability cash flows are presented on an undiscounted basis with an adjustment to reflect the total discounted result.
- the cash flows of floating rate financial instruments are calculated using published forward market rates at balance sheet date.
- the cash flows of the derivative financial instruments are included on a gross basis.
- contractual cash flows with respect to items which have not yet been recorded on the balance sheet (off-balance sheet items), are excluded. Refer to note 32.
- conditionally revocable retail loan commitments totalling R725.0 million (2012: R603.8 million) are not included in the liquidity analysis above. The commitments are a result of undrawn loan amounts. The loans are advanced with a contractual repayment period of one month or less. The bank's contractual commitment is revocable should a client not meet their contractual obligations or where the bank has determined that the client's credit risk profile has changed. A total of 17.8% of these commitments is expected to be drawn down within one month. As these are one month loans, repayment of any future draw downs must also occur within the month.
- adjustments to loans and advances to clients relate to initiation fee income.
- non-cash liabilities, representing leave pay and the straight-lining of operating leases, are disclosed as adjustments to trade and other payables.

26.6 Liquidity risk *(continued)*

Maturities of financial assets and financial liabilities (discounted cash flows) R'000	Notes	Demand to one month	One to three months	Three months to one year	More than one year	Adjustment[3]	Total
2013							
Undiscounted assets							
Cash and cash equivalents – sovereigns	4	1 854 283	–	–	–	–	1 854 283
Cash and cash equivalents – banks	4	4 587 999	–	–	–	–	4 587 999
Money markets unit trusts	4	702 492	–	–	–	–	702 492
Investments at fair value through profit or loss – sovereigns	5	270 900	211 260	1 584 400	–	–	2 066 560
Loans and advances to clients – retail personal	6	2 003 556	2 688 873	11 101 562	37 717 830	(458 634)	53 053 187
Loans and advances to clients – retail other	6	1 027	–	–	–	–	1 027
Loans and advances to clients – corporate other	6	19 509	–	–	–	–	19 509
Other receivables	8	75 640	(375)	(1 429)	7 347	–	81 183
Current income tax assets		–	–	–	–	–	–
Group loans receivable	9	30 129	–	–	–	–	30 129
Undiscounted assets		9 545 535	2 899 758	12 684 533	37 725 177	(458 634)	62 396 369
Adjustments for undiscounted assets		(852 914)	(1 461 318)	(5 893 030)	(14 258 729)	–	(22 465 991)
Discounted assets							
Loan impairment provision	6	(189 472)	(89 537)	(352 590)	(2 091 215)	–	(2 722 814)
Total discounted assets		8 503 149	1 348 903	6 438 913	21 375 233	(458 634)	37 207 564
Undiscounted liabilities							
Loans and deposits at amortised cost	13	11 062 854	1 078 056	4 927 845	16 875 837	–	33 944 592
Trade and other payables	14	301 409	309 997	36 637	226 954	98 860	973 857
Current income tax liabilities		–	–	46 007	–	–	46 007
Group loans payable	16	1 584	–	–	–	–	1 584
Provisions	15	–	–	–	28 449	–	28 449
Undiscounted liabilities		11 365 847	1 388 053	5 010 489	17 131 240	98 860	34 994 489
Adjustments for undiscounted liabilities to depositors		(9 452)	(138 937)	(761 177)	(4 034 835)	–	(4 944 401)
Total discounted liabilities		11 356 395	1 249 116	4 249 312	13 096 405	98 860	30 050 088
Net liquidity excess/(shortfall)		(2 853 246)	99 787	2 189 601	8 278 828	(557 494)	7 157 476
Cumulative liquidity excess/(shortfall)		(2 853 246)	(2 753 459)	(563 858)	7 714 970	7 157 024	7 157 476

26.6 Liquidity risk *(continued)*

Maturities of financial assets and financial liabilities (discounted cash flows) R'000	Notes	Demand to one month	One to three months	Three months to one year	More than one year	Adjustment[3]	Total
2012							
Undiscounted assets							
Cash and cash equivalents - sovereigns	4	385 223	–	–	–	–	385 223
Cash and cash equivalents - banks	4	4 149 809	15 274	–	–	–	4 165 083
Money markets unit trusts	4	909	–	–	–	–	909
Investments at fair value through profit or loss – sovereigns	5	48 290	75 000	1 127 060	–	–	1 250 350
Loans and advances to clients - retail personal	6	1 504 581	2 045 832	7 646 001	17 723 055	(492 071)	28 427 398
Loans and advances to clients - retail other	6	802	–	–	–	–	802
Loans and advances to clients - corporate other	6	14 438	–	–	23 781	–	38 219
Other receivables	7	28 731	–	–	2 156	–	30 887
Current income tax assets	8	–	–	62 331	–	–	62 331
Group loans receivable	9	45 963	–	–	–	–	45 963
Undiscounted assets		6 178 746	2 136 106	8 835 392	17 748 992	(492 071)	34 407 165
Adjustments for undiscounted assets		(417 666)	(869 346)	(3 236 192)	(5 602 742)	–	(10 125 946)
Discounted assets							
Loan impairment provision	6	(130 374)	(237 066)	(493 418)	(683 929)	–	(1 544 787)
Total discounted assets		5 630 706	1 029 694	5 105 782	11 462 321	(492 071)	22 736 432
Undiscounted liabilities							
Loans and deposits at amortised cost	13	6 916 070	1 015 662	4 350 665	8 264 510	–	20 546 907
Trade and other payables	14	255 064	268 292	103 828	295 020	78 618	1 000 822
Current income tax liabilities	16	–	885	–	–	–	885
Group loans payable	15	16 351	–	–	–	–	16 351
Provisions	14	–	–	–	24 998	–	24 998
Undiscounted liabilities		7 187 485	1 284 839	4 454 493	8 584 528	78 618	21 589 963
Adjustments for undiscounted liabilities to depositors		(4 697)	(82 740)	(418 873)	(2 349 012)	–	(2 855 322)
Total discounted liabilities		7 182 788	1 202 099	4 035 620	6 235 516	78 618	18 734 641
Net liquidity (shortfall)/excess[1]		(1 552 082)	(172 405)	1 070 162	5 226 805	(570 689)	4 001 791
Cumulative liquidity (shortfall)/excess		(1 552 082)	(1 724 487)	(654 325)	4 572 480	4 001 791	4 001 791

(1) *Much of the liquidity shortfall in the demand to three month categories results from the investment of excess cash in treasury bills and SARB debentures with maturities in excess of three months. These instruments are highly liquid and can be converted to cash should the need arise.*

(2) *The definitions of sovereign, corporate and retail are aligned with the Banks Act Regulations.*

(3) *The adjustments relate to deferred initiation fees, leave pay provision, deferred income and straightlining of lease accruals.*

26.6 Liquidity risk *(continued)*

Analysis of financial assets and liabilities (discounted cash flows) with maturities of more than one year **R'000**	Note	**More than one year**	**One to two years**	**Two to three years**	**Three to four years**	**Four to five years**	**Five to ten years**	**More than ten years**
2013								
Undiscounted assets								
Loans and advances to clients – retail personal	6	37 717 830	12 768 076	10 254 702	7 330 091	4 432 423	2 932 538	–
Other receivables	8	7 347	1 620	3 643	1 926	–	158	–
Undiscounted assets		37 725 177	12 769 696	10 258 345	7 332 017	4 432 423	2 932 696	–
Adjustments for undiscounted assets		(14 258 279)	(6 010 708)	(4 107 193)	(2 436 654)	(1 184 914)	(519 260)	–
Discounted assets								
Loan impairment provision	6	(2 091 215)	(694 161)	(551 073)	(398 008)	(258 847)	(189 126)	–
Total discounted assets		21 375 233	6 064 827	5 600 079	4 497 355	2 988 662	2 224 310	–
Undiscounted liabilities								
Loans and deposits at amortised cost	13	16 875 837	3 009 637	4 224 363	3 604 250	2 371 649	3 601 330	64 608
Trade and other payables	14	226 954	155 519	36 074	3 413	1 490	30 458	–
Provisions	15	28 449	19 151	9 298	–	–	–	–
Undiscounted Liabilities		17 131 240	3 184 307	4 269 735	3 607 663	2 373 139	3 631 788	64 608
Adjustments for undiscounted liabilities to depositors		(4 034 835)	(941 861)	(866 683)	(875 716)	(647 507)	(693 102)	(9 966)
Total discounted liabilities		13 096 405	2 242 446	3 403 052	2 731 947	1 725 632	2 938 686	54 642
Net liquidity excess / (shortfall)		8 278 828	3 822 381	2 197 027	1 765 408	1 263 030	(714 376)	(54 642)
Cumulative liquidity excess/(shortfall)		7 714 970	11 537 351	13 734 378	15 499 786	16 762 816	16 048 440	15 993 798

26.7 Capital management

The bank's principal objectives when managing capital are to:

- address the expectations of its shareholders, and optimise business activities to ensure return on capital targets are achieved through efficient capital management;
- ensure that the bank holds sufficient risk capital. Risk capital caters for unexpected losses that may arise, protects shareholders and depositors and thereby assures the sustainability of the bank through the business cycle; and
- comply with the capital supervisory requirements of the SARB as codified in the Banks Act 1990 (as amended) and related regulations.

The bank conducts a Capitec internal capital adequacy assessment process (CICAAP) on an ongoing basis, which drives the group's position on capital management matters. The CICAAP reviews the historic, current and future capital positioning of the group, both from an internal and regulatory capital perspective.

The table below summarises the composition of regulatory capital for the bank:

R'000	2013	2012
Common Equity Tier 1 (CET1)		
Ordinary share capital	**5 801 143**	3 380 895
Accumulated profit	**2 243 936**	1 210 468
	8 045 079	4 591 363
Regulatory adjustments		
Intangible assets in terms of IFRS	**(136 380)**	(69 258)
Specified advances	**(137)**	(28 063)
Unappropriated profit	**(128 561)**	(275 094)
Total regulatory adjustments	**(265 078)**	(372 415)
Total CET1	**7 780 001**	4 218 948
Additional Tier 1 capital (AT1)		
Issued preference share capital	**258 969**	258 969
Phase out – non loss absorbent[1]	**(25 897)**	–
Total AT1	**233 072**	258 969
Tier 1 capital (T1)	**8 013 073**	4 477 917
Unidentified impairments	**295 582**	175 987
Issued Subordinated debt	**2 891 000**	1 069 000
Phase out - non loss absorbent[1]	**(289 100)**	–
Total subordinated debt	**2 601 900**	1 069 000
Tier 2 capital (T2)	**2 897 482**	1 244 987
Total qualifying regulatory capital	**10 910 555**	5 722 904
CET1%	**29.3**	27.2
AT1%	**0.9**	1.7
T1%	**30.2**	28.9
T2%	**10.9**	8.0
Total capital adequacy %[2]	**41.1**	36.9

R'000	2013	2012

26.7 Capital management *(continued)*

	2013	2012
Composition of required regulatory capital		
On balance sheet	**2 246 243**	1 337 388
Off balance sheet	**177**	112
Credit risk	**2 246 420**	1 337 500
Operational risk	**131 342**	80 779
Equity risk in banking book	**–**	–
Other assets	**139 662**	55 357
Total regulatory capital requirement[3]	**2 517 424**	1 473 636
Composition of risk-weighted assets[4]		
On balance sheet	**23 644 663**	14 077 773
Off balance sheet	**1 858**	1 182
Credit risk	**23 646 521**	14 078 955
Operational risk	**1 382 544**	850 303
Equity risk in the banking book	**–**	–
Other assets	**1 470 126**	582 700
Total risk-weighted assets	**26 499 191**	15 511 958
Total assets based on IFRS	**38 338 211**	23 583 053
Total risk-weighted assets – adjustments[5]	**(11 839 020)**	(8 071 095)
Total risk-weighted assets – regulatory	**26 499 191**	15 511 958

Disclosure for 2013 is based on Basel III requirements which became effective on 1 January 2013. The disclosure for 2012 was in compliance with Basel II requirements.

(1) *For 2013, the non-loss absorbent AT1 and T2 capital is subject to a 10% phase-out in terms of Basel III.*
(2) *This ratio is determined by dividing the total qualifying regulatory capital by the total risk-weighted assets.*
(3) *This value is 9.5% of risk-weighted assets, being the Basel global minimum requirement of 8% and a South African country-specific buffer of 1.5%.*
(4) *Risk-weighted assets are calculated by using regulatory percentages applied to the balance sheet, in order to establish the base for calculating the required regulatory capital.*
(5) *The adjustments reflect mainly the impact of the regulatory percentages and the addition of a risk-weighted equivalent for operational risk.*

26.8 Gains and losses per category of financial assets and financial liabilities

R'000	Notes	Held for trading	Designated at fair value	Loans and receivables	Financial liabilities at amortised cost	Total
2013						
Interest income	19	–	**73 000**	**7 011 624**	–	**7 084 624**
Interest expense	19	**(189)**	–	–	**(1 662 278)**	**(1 662 467)**
Loan fee income		–	–	**1 496 009**	–	**1 496 009**
Loan fee expense		–	**12 716**	**(355 925)**	–	**(343 209)**
Transaction fee income		–	–	–	**2 100 594**	**2 100 594**
Transaction fee expense		–	–	–	**(751 768)**	**(751 768)**
Dividend income	20	–	**9**	–	–	**9**
Net impairment on loans and advances to clients	21	–	–	**(2 658 445)**	–	**(2 658 445)**
Net movement in financial instruments held at fair value through profit or loss	22	–	**(298)**	–	–	**(298)**
2012						
Interest income	19	–	49 071	4 298 240	–	4 347 311
Interest expense	19	(17)	–	–	(1 022 312)	(1 022 329)
Loan fee income		–	–	1 657 018	–	1 657 018
Loan fee expense		–	33 820	(220 180)	–	(186 360)
Transaction fee income		–	–	–	1 360 308	1 360 308
Transaction fee expense		–	–	–	(524 202)	(524 202)
Dividend income	20	–	1 532	–	–	1 532
Net impairment on loans and advances to clients	21	–	–	(1 604 052)	–	(1 604 052)
Net movement in financial instruments held at fair value through profit or loss	22	–	12 070	–	–	12 070

26.9 Classification of financial assets and financial liabilities

R'000	Notes	Held for trading	Held at fair value	Loans and receiv-ables	Financial liabilities at amortised cost	Total	Fair value
2013							
Financial assets							
Cash and cash equivalents	4	–	–	7 143 078	–	7 143 078	7 143 078
Investments at fair value through profit or loss[(1)]	5	–	2 022 906	–	–	2 022 906	2 022 906
Loans and advances to clients	6	–	–	27 930 266	–	27 930 266	28 483 928
Other receivables	8	–	3 394	77 789	–	81 183	80 769
Group loans receivable	9	–	–	30 129	–	30 129	30 129
Financial liabilities							
Loans and deposits at amortised cost	13	–	–	–	29 000 191	29 000 191	29 244 981
Trade and other payables[(2)]	14	–	25 637	–	948 220	973 857	973 330
Provisions	15	–	–	–	28 449	28 449	28 449
Group loans payable	16	–	–	–	1 584	1 584	1 584
2012							
Financial assets							
Cash and cash equivalents	4	–	–	4 548 014	–	4 548 014	4 548 014
Investments at fair value through profit or loss [(1)]	5	–	1 198 833	–	–	1 198 833	1 198 833
Loans and advances to clients	6	–	–	16 850 404	–	16 850 404	17 004 480
Other receivables	8	263	–	30 624	–	30 887	30 416
Group loans receivable		–	–	45 963	–	45 963	45 963
Financial liabilities							
Loans and deposits at amortised cost	13	–		–	17 691 621	17 691 621	17 818 118
Trade and other payables[(2)]	14	–	3 321	–	997 465	1 000 786	1 000 344
Provisions	15	–	–	–	24 998	24 998	24 998
Group loans payable		–	–	–	16 351	16 351	16 351

[(1)] *Designated at fair value through profit or loss*
[(2)] *Cash flow hedge*

26.10 Fair value hierarchy

Valuation of financial liabilities

The fair value of financial liabilities is calculated by discounting the contractual cash flows based on an appropriate market-related rate. The market-related rate is determined with reference to the movement in the risk-free rate for the remaining duration of the liabilities and adjusted for any movement in the risk premium as determined through the judgement of management taking into account their knowledge of the market including recent transactions and developments.

The difference in the present value for assets and liabilities, based on the risk premium determined at the later of the start of the financial year or the inception of the instrument compared to the risk premium at the earlier of year-end or derecognition of the financial liability is determined to be the change in fair value attributable to credit risk for the current year.

Valuation of financial assets

Financial assets are valued based on the nature of the item. Listed financial assets are valued with reference to the closing bid price. Unlisted debt instruments are valued by discounting expected cash flows based on an appropriate market-related rate. The discount rate is determined as for financial liabilities, but the cash flows are adjusted for expected future service costs. Other unlisted equity instruments are valued taking into account factors such as net asset value, expected cash flows, expected profitability and appropriate price/earnings ratios.

Valuation techniques for derivatives are set out in accounting policy note 2.3.4.

IFRS 7 specifies a hierarchy of valuation techniques for assets and liabilities measured at fair value based on whether the inputs to those techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the group's market assumptions.

These two types of inputs have created the following fair value hierarchy:
Level 1 – Quoted prices in active markets for identical assets and liabilities.
Level 2 – Inputs other than prices or indirectly by derivation from prices.
Level 3 – Inputs for the asset or liability that are not based on observable market data.

The company considers relevant and observable market prices where possible.

Assets and liabilities measured at fair value

R'000	Level 1	Level 2	Level 3	Total
2013				
Investments at fair value through profit or loss	–	**2 022 906**	–	**2 022 906**
Derivatives	–	**3 394**	–	**3 394**
Total assets	–	**2 026 300**	–	**2 026 300**
Derivatives	–	**25 637**	–	**25 637**
Total liabilities	–	**25 637**	–	**25 637**
2012				
Investments at fair value through profit or loss	–	1 198 833	–	1 198 833
Total assets	–	1 198 833	–	1 198 833
Derivatives	–	3 321	–	3 321
Total liabilities	–	3 321	–	3 321

R'000	2013	2012

27. Retirement benefits

The bank contributed on behalf of all employees who elected to be members of the provident fund. The provident fund, a defined-contribution fund, is administered independently of the group and is subject to the Pension Funds Act, 1956 (Act 24 of 1956). The amount contributed is included in salaries and wages as per note 23.	**74 786**	57 272

Since 1 July 2001 it is compulsory for all new appointments to be members of the provident fund. The company will continue to contribute to the fund on behalf of all members. The company has no exposure in respect of any post-retirement benefits payable.

28. Related-party transactions

Holding company		
Dividends		
Ordinary dividend paid	**467 460**	317 939
Preference dividend paid	**20 783**	19 419
Capitec Bank Holdings Limited (holding company)	**488 243**	337 358
Management fees paid	**730**	932
Loans due to:		
Capitec Bank Holdings Limited (holding company)	**1 572**	16 351
Parties with significant influence		
Brokers' fees - PSG Group and subsidiaries[1]	**45**	46
Fellow subsidiaries		
Interest received	**171**	912
Guarantee fees received	**81**	71
Key Distributors (Pty) Limited (fellow subsidiary)	**252**	983
Loans due from:		
Capitec Bank Holdings Share Trust	**(137)**	(4 282)
Capitec Properties (Pty) Limited (fellow subsidiary)	**(31 731)**	(31 737)
Key Distributors (Pty) Limited (fellow subsidiary)	**–**	(11 687)
Guarantees to Key Distributors (Pty) Limited		
Amount of creditors guarantees	**1 000**	4 400
Guaranteed creditors balances outstanding	**1 000**	2 363

R'000	2013	2012

28. Related-party transactions *(continued)*

Key management employees' remuneration		
Salaries and other short-term benefits	**38 092**	36 735
Post-employment benefits	**2 368**	2 183
Share-based payments	**145 152**	202 448
Key management compensation[(2)]	**185 612**	241 366

Loans and advances to directors and other key management employees included in loans and advances to clients		
Loans outstanding at the beginning of the year	**65**	-
Loans advanced during the year	**160**	81
Interest charged on loans during the year	**9**	13
Loan repayments during the year	**(77)**	(29)
Loans outstanding at the end of the year	**157**	65

Retail deposits from directors and other key management employees[(3)]		
Deposits at the beginning of the year	**4 960**	3 174
Interest earned during the year	**334**	231
Deposits made during the year	**6 282**	1 555
Deposits at the end of the year	**11 576**	4 960

Directors' interest in contracts

All directors of Capitec Bank Limited have given notice that they did not have a material interest in any significant contract with the company or any group company, which could have given rise to a conflict of interest during the year.

Directors' interest in share capital

At year-end, the directors did not hold directly or indirectly, beneficially or non-beneficially, any interest in Capitec Bank Limited ordinary or non-redeemable, non-cumulative, non-participating preference shares.

(1) *PSG Capital is the corporate advisor and sponsor of Capitec Bank Limited. Transactions requiring the purchase of financial instruments on the open market are conducted through a number of intermediaries.*

(2) *Key management are considered to be the members of the executive management committee (excluding development members) and executive directors.*

(3) *Savings and deposits are unsecured, carry variable interest rates and are repayable on demand.*

28. Related-party transactions *(continued)*

Directors' interest in share incentive scheme - options

2013

Directors	Maturity date	Issue date	Strike price R	Opening balance Number of share options	(Options exercised)/ Options granted Number of share options	Market price R	Exercise date	Closing balance Number of share options
AP du Plessis	12 Apr 12	12 Apr 06	30.73	13 125	(13 125)	216.21	26 Apr 12	–
(direct beneficial)	15 Apr 12	15 Apr 09	31.23	18 750	(18 750)	216.21	26 Apr 12	–
	21 Apr 12	21 Apr 08	35.54	31 250	(31 250)	220.00	22 May 12	–
	26 Apr 12	26 Apr 07	35.82	19 000	(19 000)	216.21	26 Apr 12	–
	14 Apr 13	14 Apr 10	97.30	3 125	–	–		3 125
	15 Apr 13	15 Apr 09	31.23	18 750	–	–		18 750
	21 Apr 13	21 Apr 08	35.54	31 250	–	–		31 250
	26 Apr 13	26 Apr 07	35.82	19 000	–	–		19 000
	12 Apr 14	12 Apr 11	160.09	3 750	–	–		3 750
	14 Apr 14	14 Apr 10	97.30	3 125	–	–		3 125
	15 Apr 14	15 Apr 09	31.23	18 750	–	–		18 750
	21 Apr 14	21 Apr 08	35.54	31 250	–	–		31 250
	12 Apr 15	12 Apr 11	160.09	3 750	–	–		3 750
	14 Apr 15	14 Apr 10	97.30	3 125	–	–		3 125
	15 Apr 15	15 Apr 09	31.23	18 750	–	–		18 750
	12 Apr 16	12 Apr 11	160.09	3 750	–	–		3 750
	14 Apr 16	14 Apr 10	97.30	3 125	–	–		3 125
	12 Apr 17	12 Apr 11	160.09	3 750	–	–		3 750
	11 Apr 15	11 Apr 12	198.52	–	5 000	–		5 000
	11 Apr 16	11 Apr 12	198.52	–	5 000	–		5 000
	11 Apr 17	11 Apr 12	198.52	–	5 000	–		5 000
	11 Apr 18	11 Apr 12	198.52	–	5 000	–		5 000
				247 375	**(62 125)**			**185 250**
R Stassen	12 Apr 12	12 Apr 06	30.73	50 000	(50 000)	216.21	26 Apr 12	–
(direct beneficial)	15 Apr 12	15 Apr 09	31.23	62 500	(62 500)	216.21	26 Apr 12	–
	21 Apr 12	21 Apr 08	35.54	125 000	(125 000)	218.55	24 Apr 12	–
	14 Apr 13	14 Apr 10	97.30	6 250	–	–		6 250
	15 Apr 13	15 Apr 09	31.23	62 500	–	–		62 500
	21 Apr 13	21 Apr 08	35.54	125 000	–	–		125 000
	12 Apr 14	12 Apr 11	160.09	7 500	–	–		7 500
	14 Apr 14	14 Apr 10	97.30	6 250	–	–		6 250
	15 Apr 14	15 Apr 09	31.23	62 500	–	–		62 500
	21 Apr 14	21 Apr 08	35.54	125 000	–	–		125 000
	12 Apr 15	12 Apr 11	160.09	7 500	–	–		7 500
	14 Apr 15	14 Apr 10	97.30	6 250	–	–		6 250
	15 Apr 15	15 Apr 09	31.23	62 500	–	–		62 500
	12 Apr 16	12 Apr 11	160.09	7 500	–	–		7 500
	14 Apr 16	14 Apr 10	97.30	6 250	–	–		6 250
	12 Apr 17	12 Apr 11	160.09	7 500	–	–		7 500
	11 Apr 15	11 Apr 12	198.52	–	12 500	–		12 500
	11 Apr 16	11 Apr 12	198.52	–	12 500	–		12 500
	11 Apr 17	11 Apr 12	198.52	–	12 500	–		12 500
	11 Apr 18	11 Apr 12	198.52	–	12 500	–		12 500
				730 000	**(187 500)**			**542 500**
Total				**977 375**	**(249 625)**			**727 750**

28. Related-party transactions *(continued)*

Directors' interest in share incentive scheme - share appreciation rights

2013

Directors	Maturity date	Issue date	SAR exercise price R	Opening balance Number of SAR	(SAR exercised) / SAR granted Number of SAR	Market price R	Exercise date	Closing balance Number of SAR
AP du Plessis	15 Apr 12	15 Apr 09	31.23	18 750	(18 750)	232.00	23 Apr 12	–
(direct beneficial)	21 Apr 12	21 Apr 08	35.54	31 250	(31 250)	232.00	23 Apr 12	–
	14 Apr 13	14 Apr 10	97.30	3 125	–	–		3 125
	15 Apr 13	15 Apr 09	31.23	18 750	–	–		18 750
	21 Apr 13	21 Apr 08	35.54	31 250	–	–		31 250
	12 Apr 14	12 Apr 11	160.09	3 750	–	–		3 750
	14 Apr 14	14 Apr 10	97.30	3 125	–	–		3 125
	15 Apr 14	15 Apr 09	31.23	18 750	–	–		18 750
	21 Apr 14	21 Apr 08	35.54	31 250	–	–		31 250
	12 Apr 15	12 Apr 11	160.09	3 750	–	–		3 750
	14 Apr 15	14 Apr 10	97.30	3 125	–	–		3 125
	15 Apr 15	15 Apr 09	31.23	18 750	–	–		18 750
	12 Apr 16	12 Apr 11	160.09	3 750	–	–		3 750
	14 Apr 16	14 Apr 10	97.30	3 125	–	–		3 125
	12 Apr 17	12 Apr 11	160.09	3 750	–	–		3 750
	11 Apr 15	11 Apr 12	198.52	–	5 000	–		5 000
	11 Apr 16	11 Apr 12	198.52	–	5 000	–		5 000
	11 Apr 17	11 Apr 12	198.52	–	5 000	–		5 000
	11 Apr 18	11 Apr 12	198.52	–	5 000	–		5 000
				196 250	**(30 000)**	**–**		**166 250**
R Stassen	15 Apr 12	15 Apr 09	31.23	62 500	(62 500)	218.85	19 Apr 12	–
(direct beneficial)	21 Apr 12	21 Apr 08	35.54	125 000	(125 000)	232.00	23 Apr 12	–
	14 Apr 13	14 Apr 10	97.30	6 250	–	–		6 250
	15 Apr 13	15 Apr 09	31.23	62 500	–	–		62 500
	21 Apr 13	21 Apr 08	35.54	125 000	–	–		125 000
	12 Apr 14	12 Apr 11	160.09	7 500	–	–		7 500
	14 Apr 14	14 Apr 10	97.30	6 250	–	–		6 250
	15 Apr 14	15 Apr 09	31.23	62 500	–	–		62 500
	21 Apr 14	21 Apr 08	35.54	125 000	–	–		125 000
	12 Apr 15	12 Apr 11	160.09	7 500	–	–		7 500
	14 Apr 15	14 Apr 10	97.30	6 250	–	–		6 250
	15 Apr 15	15 Apr 09	31.23	62 500	–	–		62 500
	12 Apr 16	12 Apr 11	160.09	7 500	–	–		7 500
	14 Apr 16	14 Apr 10	97.30	6 250	–	–		6 250
	12 Apr 17	12 Apr 11	160.09	7 500	–	–		7 500
	11 Apr 15	11 Apr 12	198.52	–	12 500	–		12 500
	11 Apr 16	11 Apr 12	198.52	–	12 500	–		12 500
	11 Apr 17	11 Apr 12	198.52	–	12 500	–		12 500
	11 Apr 18	11 Apr 12	198.52	–	12 500	–		12 500
				680 000	**(137 500)**	**–**		**542 500**
Total				**876 250**	**(167 500)**	**–**		**708 750**

28. Related-party transactions *(continued)*

Directors' remuneration

The total share option expense relating to directors amounted to R37 510 701 (2012: R54 864 912) and share appreciation rights expense amounted to R35 092 255 (2012: R46 288 285). This expense includes the movement on all tranches.

R'000	Salaries	Fringe benefits	Bonuses	Fees	Total	Fair value of options and rights granted during the year on reporting date
2013						
Executive						
AP du Plessis	4 542	54	383	–	4 979	250
R Stassen	10 141	116	856	–	11 113	624
Non-executive						
MS du P le Roux (Chairman)	–	–	–	1 040	1 040	–
RJ Huntley	–	–	–	241	241	–
MJ Jooste [(1)]	–	–	–	102	102	–
JD McKenzie	–	–	–	281	281	–
MC Mehl[(2)]	–	–	–	341	341	–
NS Mjoli-Mncube	–	–	–	281	281	–
PJ Mouton	–	–	–	446	446	–
CA Otto	–	–	–	428	428	–
G Pretorius[(3)]	–	–	–	60	60	–
JP van der Merwe	–	–	–	428	428	–
	14 683	170	1 239	3 648	19 740	874
2012						
Executive						
AP du Plessis	4 172	151	593	–	4 916	269
R Stassen	8 872	324	1 323	–	10 519	538
Non-executive						
MS du P le Roux (Chairman)	–	–	–	1 040	1 040	
RJ Huntley	–	–	–	116	116	
MJ Jooste[(1)]	–	–	–	150	150	
MC Mehl	–	–	–	348	348	
NS Mjoli-Mncube	–	–	–	202	202	
PJ Mouton	–	–	–	238	238	
JG Solms	–	–	–	63	63	
CA Otto	–	–	–	348	348	
JP van der Merwe	–	–	–	348	348	
	13 044	475	1 916	2 853	18 288	807

[(1)] *Director's fees paid to Steinhoff International Holdings Limited. Resigned 2 August 2012.*
[(2)] *Deceased 30 January 2013.*
[(3)] *Appointed 19 November 2012.*

28. Related-party transactions *(continued)*

The executive management committee (excluding development members) are the prescribed officers of the company.

R'000	Salaries	Fringe benefits	Bonuses	Total	Fair value of options and rights granted during the year on reporting date
2013					
JC Carstens	**2 154**	**28**	**181**	**2 363**	**62**
CG Fischer	**2 958**	**37**	**250**	**3 245**	**156**
GM Fourie	**4 000**	**48**	**338**	**4 386**	**250**
NST Motjuwadi	**1 858**	**25**	**158**	**2 041**	**-**
A Olivier	**3 308**	**41**	**279**	**3 628**	**187**
C Oosthuizen	**3 417**	**42**	**288**	**3 746**	**156**
CG van Schalkwyk	**2 325**	**30**	**196**	**2 551**	**78**
L Venter	**2 917**	**36**	**246**	**3 199**	**125**
	22 937	**287**	**1 936**	**25 159**	**1 014**
2012					
JC Carstens	2 023	26	286	2 335	90
CG Fischer	2 697	33	384	3 114	143
GM Fourie	3 469	109	523	4 101	179
NST Motjuwadi	1 625	27	230	1 882	90
A Olivier	3 051	37	433	3 521	143
C Oosthuizen	2 939	39	454	3 432	143
CG van Schalkwyk	2 171	28	307	2 506	139
L Venter	2 697	33	384	3 114	224
	20 672	332	3 001	24 005	1 151

The total share option expense relating to prescribed officers amounted to R40 466 016 (2012: R59 615 173) and share appreciation rights expense amounted to R32 083 063 (2012: R 41 679 868). This expense includes the movement on all tranches.

Financial assistance amounting to R1 104 472 (2012: R3 349 589) was granted to prescribed officers for the subscription of options. Loans to prescribed officers outstanding at reporting date amounted to R2 104 336 (2012: R4 078 607).

R'000	2013	2012

29. Cash flow from operations

Net profit before tax	**2 163 162**	1 387 445
Adjusted for non-cash items		
Fair value adjustments on financial assets	**298**	(12 070)
Loan impairment charge	**1 178 027**	700 626
Depreciation	**195 634**	145 141
Amortisation	**51 070**	27 920
Movements in provisions	**3 451**	10 595
Share-based employee costs - options	**(89 403)**	(7 169)
Share-based employee costs - share appreciation rights	**(28 934)**	62 627
(Profit)/loss on disposal of assets	**(339)**	3 731
Receivables at fair value through profit or loss	**–**	4 662
Movements in current assets and liabilities		
Loans and advances to clients	**(12 257 889)**	(7 492 660)
Inventory	**16 328**	(14 047)
Other receivables	**(79 358)**	(14 673)
Deposits	**11 308 570**	7 242 352
Trade and other payables	**71 638**	170 554
Cash flow from operations	**2 532 255**	2 215 034

30. Income taxes paid

Balance at the beginning of the year	**(61 446)**	35 033
Income statement charge	**641 451**	416 832
Movement in deferred tax	**41 499**	90 184
Balance at the end of the year	**(46 007)**	61 446
Income tax paid	**575 497**	603 495

31. Dividends paid

Balance at the beginning of the year	**9 657**	9 863
Dividend declared during the year:		
Ordinary dividend	**467 460**	317 939
Preference dividend	**20 783**	19 419
Balance at the end of the year	**(10 077)**	(9 657)
Dividends paid	**487 823**	337 564

R'000	2013	2012

32. Commitments and contingent liabilities

Property operating lease commitments		
The future aggregate minimum lease payments under non-cancellable leases are as follows:		
Within one year	**206 681**	167 995
From one to five years	**591 547**	470 288
After five years	**170 639**	99 694
Total future cash flows	**968 867**	737 977
Straight-lining accrued	**(46 432)**	(35 749)
Future expenses	**922 435**	702 228
Other operating lease commitments		
Within one year	**2 207**	2 253
From one to five years	**3 490**	5 083
	5 697	7 336
Capital commitments – approved by the board		
Contracted for		
Property and equipment	**42 645**	85 195
Intangible assets	**13 119**	6 744
Not contracted for		
Property and equipment	**524 971**	458 247
Intangible assets	**169 438**	122 329
	750 173	672 515

Refer to note 28 for details of guarantees and suretyships.

On 22 February 2013 a notice was received from the National Credit Regulator, alleging contraventions of the National Credit Act 34 of 2005 including in relation to initiation fees charged on one product. It is not practicable to estimate its financial effect or the amount of any possible outflow. The bank has investigated the allegations and has taken legal advice, and believes the matter will be satisfactorily resolved through due process.

33. Borrowing powers

In terms of the articles of association of Capitec Bank Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation.

These borrowing powers are subject to the limitations of the Banks Act, 1990 (Act 94 of 1990) and section 45(3)(a)(ii) of the Companies Act, 2008. A special resolution was passed at the Annual General Meeting on 1 June 2012 authorising the board to approve that the company provides any financial assistance that it deems fit to any related or interrelated company, on the terms and conditions and for the amount that the board may determine.

The increase in borrowings from the previous year is for the purposes of funding the general banking business, including future expansion of the loan book and capital expenditure.

34. Share incentive scheme

The share incentive scheme is authorised and adopted by the shareholders of Capitec Bank Holdings Limited ('CBHL'). The trustees act in terms of the powers bestowed on them by the trust deed and receive instructions from time to time from the boards of CBHL and the bank. The bank provides the finance required from time to time by the trustees to perform their duties. Service costs of options issued to employees of subsidiaries of CBHL are financed by the relevant subsidiary.

The bank allows its employees to purchase shares in Capitec Bank Holdings Limited up to a value not exceeding 20% (2012: 20%) of their monthly salary. The purchase price includes a subsidy of 20% (2012: 20%) and the transaction costs are borne by the company. The shares are held by the trustees on behalf of the participants for as long as required to save the holding expenses of a broker account for participants.

The bank offers share options in Capitec Bank Holdings Limited to members of management who are able to make significant contributions to the achievement of the bank's objectives. Options are conditional on the employee completing the vesting period applicable to each group of options issued to that employee. The share incentive scheme prescribes that European type options, with durations ranging from three to six years, should be allocated at the market value, determined as the weighted average price per share over a period of 30 trading days on the JSE Limited prior to the date of allocation.

Number	2013	2012
Options issued to employees of Capitec Bank Limited		
Balance at the beginning of the year	**3 086 893**	4 221 594
Options granted	**204 853**	138 000
Options cancelled and/or lapsed	**(6 250)**	(19 375)
Options exercised	**(1 108 671)**	(1 253 326)
Balance at the end of the year	**2 176 825**	3 086 893

	2013		2012	
Analysis of outstanding share options by year of maturity	**Weighted average strike price R**	**Number**	**Weighted average strike price R**	**Number**
Financial year				
2012/2013	**–**	**–**	34.14	1 088 671
2013/2014	**38.11**	**860 290**	44.93	869 352
2014/2015	**44.71**	**696 146**	69.35	708 020
2015/2016	**77.23**	**353 612**	98.14	306 151
2016/2017	**153.91**	**130 153**	130.59	80 193
2017/2018	**182.81**	**85 408**	160.09	34 506
2018/2019	**197.98**	**51 216**		
	62.94	**2 176 825**	43.58	3 086 893

Number	2013	2012
Shares purchased/issued during the year	**1 112 685**	1 253 326
Shares utilised for settlement of options	**(1 108 671)**	(1 253 326)
Shares available for settlement of options	**4 014**	–
Settled in shares	**(1 108 671)**	(1 253 326)
Options exercised	**(1 108 671)**	(1 253 326)

35. Share option liability

Data utilised in the valuation of options granted

The table below provides detail regarding the data used in the valuation of the share options to which IFRS 2 has been applied. A Black-Scholes option pricing model was used to value the options.[1]

Year granted	Strike price R	Year maturing	Risk-free rate %	Number of options outstanding	Estimated value R'000	Expected vesting proportion[2] %	Fair Value R'000	Portion of term expired %	Liability at year end R'000
2007/2008	35.82	2013/2014	5.1	155 500	23 544	98.9	23 279	97.4	22 674
	36.00	2013/2014	5.1	13 889	2 103	99.2	2 086	98.1	2 047
	36.07	2013/2014	5.1	7 500	1 136	99.4	1 129	98.5	517
	41.46	2013/2014	5.0	5 125	730	93.8	685	85.4	585
2008/2009	28.96	2013/2014	5.0	6 250	966	94.0	908	83.0	753
		2014/2015	5.1	6 250	935	87.4	817	69.1	565
	35.54	2013/2014	5.1	391 250	59 373	99.0	58 763	97.2	57 089
		2014/2015	5.0	387 500	56 906	92.0	52 381	81.0	42 412
	35.82	2013/2014	5.1	12 562	1 894	97.9	1 854	94.2	1 747
2009/2010	31.23	2013/2014	5.1	206 875	32 297	99.1	32 003	96.9	30 995
		2014/2015	5.0	206 875	31 240	92.2	28 791	77.5	22 310
		2015/2016	5.2	206 875	30 238	85.7	25 917	64.6	16 738
	45.49	2013/2014	5.0	12 500	1 746	95.5	1 667	84.1	1 401
		2014/2015	5.1	12 500	1 692	88.8	1 502	67.3	1 010
		2015/2016	5.3	12 500	1 642	82.6	1 356	56.0	760
	61.05	2013/2014	5.0	4 095	510	95.2	485	83.2	404
		2014/2015	5.1	4 095	495	88.6	439	66.5	292
		2015/2016	5.3	4 095	483	82.4	398	55.5	221
2010/2011	97.30	2013/2014	5.1	41 560	3 760	99.1	3 726	95.9	3 573
		2014/2015	5.0	41 560	3 695	92.2	3 406	71.9	2 450
		2015/2016	5.2	41 565	3 684	85.7	3 158	57.6	1 818
		2016/2017	5.5	41 565	3 697	79.7	2 947	47.9	1 413
	117.79	2013/2014	5.1	3 184	223	97.0	216	85.9	186
		2014/2015	5.1	3 184	227	90.2	205	64.5	132
		2015/2016	5.3	3 184	235	83.9	197	51.6	102
		2016/2017	5.5	3 184	242	78.0	189	43.0	81
2011/2012	160.09	2014/2015	5.0	34 182	1 363	92.2	1 257	62.8	789
		2015/2016	5.2	34 182	1 610	85.8	1 381	47.1	650
		2016/2017	5.5	34 193	1 798	79.7	1 434	37.7	540
		2017/2018	5.7	34 193	1 949	74.2	1 446	31.4	454
2012/2013	182.40	2015/2016	5.2	1 713	62	86.5	53	33.2	18
		2016/2017	5.5	1 713	73	80.4	59	24.9	15
		2017/2018	5.7	1 713	82	74.8	62	19.9	12
		2018/2019	6.0	1 714	90	69.6	63	16.6	10
	198.52	2015/2016	5.2	49 498	1 519	85.8	1 303	29.5	384
		2016/2017	5.5	49 498	1 862	79.8	1 485	22.1	328
		2017/2018	5.7	49 502	2 141	74.2	1 588	17.7	281
		2018/2019	6.0	49 502	2 375	69.0	1 638	14.7	242
Grand Total				2 176 825	278 617	93.4	260 273	83.0	215 998

[1] *All options were valued using the Black-Scholes model and the following variables:*

Dividend yield	*3.5%*
Volatility	*32.2%*
ex dividend share price	*181.60*

[2] *Executive staff turnover of 7% p.a. (2012:8%) was used to estimate likelihood of vesting conditions realising. This is re-estimated in terms of IFRS 2 on an annual basis.*

36. Share appreciation rights

Data utilised in the valuation of share appreciation rights granted

The table below provides detail regarding the data used in the valuation of the share options to which IFRS 2 has been applied. Share appreciation rights are expected to vest and are re-estimated on an annual basis.[1]

Year granted	Strike price	Year maturing	Risk-free rate	Number of options outstanding	Fair value	Portion of term expired	Expected vesting proportion[2]	Liability at year-end
			%		R'000	%	%	R'000
2008/2009	28.96	2013/2014	5.0	6 250	966	83.0	94.0	753
		2014/2015	5.1	6 250	935	69.1	87.4	565
	35.54	2013/2014	5.1	391 250	59 373	97.2	99.0	57 089
		2014/2015	5.0	387 500	56 906	81.0	92.0	42 412
2009/2010	31.23	2013/2014	5.1	206 875	32 297	96.9	99.1	30 995
		2014/2015	5.0	206 875	31 240	77.5	92.2	22 310
		2015/2016	5.2	206 875	30 238	64.6	85.7	16 738
	45.49	2013/2014	5.0	12 500	1 746	84.1	95.5	1 401
		2014/2015	5.1	12 500	1 692	67.3	88.8	1 010
		2015/2016	5.3	12 500	1 642	56.0	82.6	760
	61.05	2013/2014	5.0	4 095	510	83.2	95.2	404
		2014/2015	5.1	4 095	495	66.5	88.6	292
		2015/2016	5.3	4 095	483	55.5	82.4	221
2010/2011	97.30	2013/2014	5.1	41 560	3 760	95.9	99.1	3 573
		2014/2015	5.0	41 560	3 695	71.9	92.2	2 450
		2015/2016	5.2	41 565	3 684	57.6	85.7	1 818
		2016/2017	5.5	41 565	3 697	47.9	79.7	1 413
	117.79	2013/2014	5.1	3 184	223	85.9	97.0	186
		2014/2015	5.1	3 184	227	64.5	90.2	132
		2015/2016	5.3	3 184	235	51.6	83.9	102
		2016/2017	5.5	3 184	242	43.0	78.0	81
2011/2012	160.09	2014/2015	5.0	34 182	1 363	62.8	92.2	789
		2015/2016	5.2	34 182	1 610	47.1	85.8	650
		2016/2017	5.5	34 193	1 798	37.7	79.7	540
		2017/2018	5.7	34 193	1 949	31.4	74.2	454
2012/2013	182.40	2015/2016	5.2	1 713	62	33.2	86.5	18
		2016/2017	5.5	1 713	73	24.9	80.4	15
		2017/2018	5.7	1 713	82	19.9	74.8	12
		2018/2019	6.0	1 714	90	16.6	69.6	10
	198.52	2015/2016	5.2	49 498	1 519	29.5	85.8	384
		2016/2017	5.5	49 498	1 862	22.1	79.8	328
		2017/2018	5.7	49 502	2 141	17.7	74.2	281
		2018/2019	6.0	49 502	2 375	14.7	69.0	242
Grand Total				1 982 249	249 210	81.3	107.8	188 428

[1] *All rights were valued using the Black-Scholes model and the following variables:*

Dividend yield	*3.5%*
Volatility	*32.2%*
Ex dividend share price (cents)	*181.60*

[2] *Executive staff turnover of 7% p.a. (2012:8%) was used to estimate likelihood of vesting conditions realising. A re-estimate in terms of IFRS 2 is done on an annual basis.*

37. Derivative financial instruments: economic hedges

R'000	Notional amount	Fair values Assets	Liabilities
2013			
Forward foreign exchange contracts			
Notional amounts in ZAR	–	–	–
Notional amounts in USD	–	–	–
2012			
Forward foreign exchange contracts			
Notional amounts in ZAR	4 101	263	–
Notional amounts in USD	579	–	–

Forward foreign exchange contracts represent commitments to purchase foreign currency, including undelivered spot transactions and were entered into to match corresponding expected future transactions to the amount of Nil (2012: R4.1 million).

38. Derivative financial instruments: cash flow hedges

R'000	Notional amount	Fair values Assets	Liabilities
2013			
Interest rate swaps	3 189 349	(208)	25 637
Cross currency interest rate swaps	396 900	(3 186)	–
	3 586 249	(3 394)	25 637
2012			
Interest rate swaps	1 150 000	–	3 321

R'000	Demand to one month	One to three months	Three months to one year	More than one year	Grand total
2013					
Discounted swap cash flows	–	5 309	17 454	2 666	25 429
Discounted cross currency interest rate swap cash flows	–	15	278	(3 479)	(3 186)
Net	–	5 324	17 732	(813)	22 243
2012					
Discounted swap cash flows	–	1 058	2 438	(175)	3 321
Net	–	1 058	2 438	(175)	3 321

Gains and losses recognised in comprehensive income (note 18) on swap contracts will be continuously released to the income statement in line with the interest expense and foreign currency movement on the underlying hedged items.

38. Derivative financial instruments: cash flow hedges *(continued)*

The forecast cash flows presented above show how the cash flow hedging reserve will be released to the income statement over time. The swaps have quarterly reset and settlement dates. The forecast cash flows were based on contracted interest and ruling exchange rates.

At 28 February 2013, the fixed interest rates were between 5.26% and 6.32% and the floating rates were based on forecast 3-month JIBAR and LIBOR rates at 28 February 2013.

The fair value adjustment removed from the cash flow hedging reserve and transferred to the income statement amounting to a debit of R14.1 million (2012: R7.1 million), has been included in interest expense and other operating expenses in the income statement. No gains and losses on ineffective portions of such derivatives were recognised in the income statement in 2013 and 2012. There were no transactions for which cash flow hedge accounting had to be discontinued in 2013 and 2012 as a result of highly probable cash flow no longer being expected to occur.

39. Persons holding more than 5% of the company's issued debt securities

Year ended 28 February 2013 **Holder**	**Instrument held**	**Amount held** **R'000**	**Holding** **%**
Standard Chartered Bank (Taiwan) Limited	Wholesale	399 277	23.6%
Nedbank Limited	Wholesale	161 264	9.5%
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (Fmo)	Wholesale	157 229	9.3%
Societe De Propmotion Et De Participation Pour La Cooperation Economique S.A (Proparco)	Wholesale	154 241	9.1%
Channel Life Ltd	Wholesale	130 509	7.7%
Clientele Life	Wholesale	120 634	7.1%
Sanlam Developing Markets Limited	Wholesale	108 711	6.4%
Shisa Investments Proprietary Limited	Wholesale	105 984	6.3%
Stanlib Income Fund	Subordinated unlisted bond	334 729	33.3%
Investec Credit Opportunities 2 (Proprietary) Limited	Subordinated unlisted bond	237 020	23.6%
Investec Credit Opportunities 5 (Proprietary) Limited	Subordinated unlisted bond	66 356	6.6%
Investec Credit Opportunities 3 (Proprietary) Limited	Subordinated unlisted bond	60 213	6.0%
Investec Corporate Bond Fund	Subordinated listed bond	498 117	25.9%
Old Mutual Specialised Finance	Subordinated listed bond	334 654	17.4%
Investec High Income Fund	Subordinated listed bond	160 582	8.3%
Old Mutual Life Assurance Co Sa Ltd	Listed senior bond	661 890	15.7%
Stanlib Income Fund	Listed senior bond	386 807	9.2%
Sanlam Life Insurance Limited	Listed senior bond	370 622	8.8%
Government Employment Pension Fund Bonds	Listed senior bond	294 342	7.0%
Peritum Trading (Pty) Ltd	Other unlisted negotiable instruments	444 910	15.7%
Sanlam Main	Other unlisted negotiable instruments	176 923	6.2%
City Of Cape Town	Other unlisted negotiable instruments	152 109	5.4%
IS Money Market Banker	Other unlisted negotiable instruments	143 743	5.1%

40. Material events after year-end

No event, which is material to the financial affairs of the company, has occurred between the reporting date and the date of approval of the financial statements.

Regulatory disclosures 05

Regulation	Description	Capitec Bank's compliance[1]
39(3)(o)	Risk arising from exposure to a related person.	Capitec Bank has limited exposure to related party risk. All major shareholders are represented on the board. Refer to note 30 of the annual financial statements ('AFS')
39(3)(p)	Risk arising from the outsourcing of material tasks or functions.	Capitec Bank retains control of all critical business processes and has an outsourcing policy.
39(3)(t)	Risks related to securitisation or securitisation structures.	Transaction, securitisation and resecuritisation, country and valuation risk have no impact on Capitec Bank.
43(1)	Subject to the provisions of sub-regulation (3), a bank shall disclose in its annual financial statements and other disclosures to the public, reliable, relevant and timely qualitative and quantitative information that enables users of that information, among other things, to make an accurate assessment of the bank's financial condition, including its capital adequacy position, and financial performance, business activities, risk profile and risk-management practices, provided that-	
43(1)(a)	the bank shall have in place a formal board approved policy relating to disclosure, which policy, as a minimum-	
43(1)(a)(i)	shall specify the approach that the bank adopted in order to determine the materiality, nature and extent of information that will be disclosed to the public;	Board approved disclosure policy that specifies how materiality is determined for the purposes of public disclosures Publically disclosed information is subject to a rigorous review process by management and board committees, including validation, and the board approval is documented Regulation 43 checklist to monitor whether the required disclosures are made Key Regulation 43 disclosure is subject to agreed upon procedures conducted by the external auditors The frequency of information disclosed is based on the needs of investors, Regulation 43 and JSE Listings Requirements
43(1)(a)(ii)	shall be sufficiently robust to ensure that the bank-	
43(1)(a)(ii)(A)	establishes and maintains appropriate internal control processes and procedures relating to the qualitative and quantitative information disclosed to the public;	
43(1)(a)(ii)(B)	assesses on a regular basis the appropriateness of information disclosed to the public;	
43(1)(a)(ii)(C)	establishes and maintains an appropriate process to validate the information disclosed to the public;	
43(1)(a)(ii)(D)	regularly assesses the frequency and materiality of information disclosed to the public;	
43(1)(a)(ii)(E)	is able to continuously determine the extent to which the required information may already be included in the bank's accounting disclosure requirements and to what extent the bank has to disclose information in addition to the bank's accounting disclosure requirements;	
43(1)(b)	when compliance with the minimum required information specified in sub-regulation (2) below is not sufficient to provide a true and fair presentation of the bank's financial condition, including its capital-adequacy position, and financial performance, business activities, risk profile and risk-management practices, the bank shall disclose relevant additional information;	Capitec Bank strives to provide the market with all relevant information in a manner that is easily understandable
43(1)(c)	the bank's annual financial statements and other disclosures to the public shall present or disclose each material item separately. Information is material if its omission or misstatement could change or influence the judgement or decision of a user relying on that information to take, amongst other things, economic or investment decisions;	Public disclosure policy parameters and International Financial Accounting Standards ('IFRS') are applied, ensuring correct disclosure of all material items

Regulation	Description	Capitec Bank's compliance[1]
43(1)(d)	the minimum required publicly disclosed information, amongst other things, shall be consistent with the manner in which the board of directors and the senior management of the bank assess and manage the bank's risk exposures;	Publically disclosed information is based on and reconcilable to management accounting information used by the board and senior management
43(1)(e)	the bank shall on a regular basis, but not less frequently than-	
43(1)(e)(i)	once a year disclose to the public qualitative information in respect of the bank's risk management objectives and policies, reporting system and general definitions;	Risk management and remuneration objectives and policies are disclosed in the Integrated risk management section of the annual report IFRS is the reporting framework used for the AFS
43(1)(e)(ii)	once a year disclose to the public the relevant required qualitative and quantitative information related to remuneration, specified in sub-regulation (2)(f) below;	
43(1)(e)(iii)	on a quarterly basis, disclose to the public quantitative information in respect of-	
43(1)(e)(iii)(A)	the bank's tier 1 capital, including the bank's tier 1 capital adequacy ratio;	The information is included in the AFS for the fourth quarter SENS releases are made for the May and November quarters For the second quarter (half-year) reporting, a separate summary booklet is produced which reflects certain notes produced in the AFS at year-end At year-end there was no countercyclical buffer requirement and all Capitec Bank's exposures were within South Africa Management monitors the business and items that are key to understanding the risk profile and results of the business are dealt with in the commentary that accompanies the year-end and half-year SENS releases
43(1)(e)(iii)(B)	the bank's total capital, including the bank's total capital adequacy ratio;	
43(1)(e)(iii)(C)	the components of capital;	
43(1)(e)(iii)(D)	the total required amount of capital and reserve funds;	
43(1)(e)(iii)(E)	the bank's relevant countercyclical buffer requirement, which buffer requirement shall be based on the latest relevant jurisdictional countercyclical buffers available at the date that the bank calculates its minimum capital requirement, provided that the bank shall also disclose to the public the relevant geographic distribution of its private sector credit exposures used in the calculation of the said buffer requirement;	
43(1)(e)(iii)(F)	any risk exposure or other item that is subject to rapid or material change,	
43(1)(e)(iv)	on a semi-annual basis, disclose to the public the qualitative and quantitative information, other than the information referred to in subparagraphs (i) to (iii) above, envisaged in sub-regulation (2) below, provided that, in all cases, the bank shall publish material information that are subject to rapid or material change as soon as possible;	
43(1)(f)	at the discretion of the management of the bank, the bank shall determine appropriate additional mediums and locations to disclose the required information to the public;	The disclosure policy specifies the frequency and medium of disclosures All disclosures in the AFS and SENS announcements are available under the Investors relations section on Capitec Bank's website
43(1)(g)	the bank's disclosure to the public in terms of the provisions of this regulation 43-	
43(1)(g)(i)	shall be consistent with the bank's audited financial statements;	Refer 43(1)(d)
43(1)(g)(ii)	shall be subject to appropriate internal control and verification;	All public information (with the exception of the monthly BA 900 information) is signed off by the audit committee and RCMC. An internal control structure is in place comprising sign-off by preparers and reviewers, use of analytical reviews and management authorisation meetings
43(1)(h)	when the information required to be disclosed in terms of the provisions of this regulation 43 differs from any prescribed listing requirements or disclosure requirements in terms of Financial Reporting Standards, the bank shall in an appropriate manner explain any material differences between the said disclosure requirements;	Reconciliations are provided where necessary

Regulation	Description	Capitec Bank's compliance[1]
43(2)	Without derogating from the provisions of sub-regulation (1), in accordance with the provisions of the framework for the preparation and presentation of financial statements, read with the relevant requirements of Financial Reporting Standards that may be issued from time to time, a bank shall, as a minimum, disclose in its financial statements appropriate qualitative and quantitative information in respect of the broad categories of information specified below:	
43(2)(a)	Scope of application. A bank shall in respect of the required-	
43(2)(a)(i)	qualitative information, disclose to the public-	
43(2)(a)(i)(C)	sufficiently detailed information in respect of any restrictions or other major impediments on the transfer of funds or qualifying capital within the banking group;	Addressed in the Capital management sub-section of the Integrated risk management section of the annual report ('AR')
43(2)(a)(ii)	quantitative information, disclose to the public-	
43(2)(b)	Financial performance	Addressed in the AR
43(2)(c)	Financial position, including-	
43(2)(c)(i)	capital adequacy; A bank shall in respect of the required-	
43(2)(c)(i)(A)	qualitative information, disclose to the public sufficiently detailed information in respect of the bank's approach to assess the adequacy of the bank's capital in order to support the bank's current and future activities;	Addressed in the Integrated risk management section of the AR
43(2)(c)(i)(B)	quantitative information, disclose to the public-	
43(2)(c)(i)(B)(i)	the bank's capital requirement in respect of credit risk, including sufficiently detailed information in respect of-	
43(2)(c)(i)(B)(i)(aa)	portfolios subject to the standardised or simplified standardised approach, which disclosure shall be made in respect of each relevant credit portfolio;	Refer note 26.7 to the AFS. Capitec Bank applies the standardised approach to calculations of risk weighted assets for credit and equity risks of all portfolios
43(2)(c)(i)(B)(iv)	the bank's capital requirement in respect of operational risk, with separate disclosure in respect of-	
43(2)(c)(i)(B)(iv)(bb)	the standardised approach;	Capitec Bank uses the Alternative Standardised Method (ASA) and quantitative disclosure is include in the AR
43(2)(c)(i)(B)(v)	sufficiently detailed information in respect of the bank's total capital adequacy ratio and its common equity tier 1 and additional tier 1 capital adequacy ratios, including the component relating to innovative capital instruments that is subject to phase-out arrangements and a comprehensive explanation of how the respective aforesaid ratios were calculated, in respect of-	
43(2)(c)(i)(B)(v)(aa)	the controlling company;	Refer note 26.7 to the AFS
43(2)(c)(i)(B)(v)(bb)	significant bank subsidiaries, either based on a stand-alone basis or sub-consolidated basis depending on the required manner of reporting in respect of the said subsidiaries.	
43(2)(c)(ii)	capital structure; A bank shall in respect of the required-	
43(2)(c)(ii)(A)	qualitative information, disclose to the public sufficiently detailed information relating to-	
43(2)(c)(ii)(A)(i)	the main features, terms and conditions of all relevant capital instruments issued by the bank, particularly in respect of innovative, complex or hybrid capital instruments;	Refer to note 17 to the AFS regarding equity Refer to note 13 to the AFS regarding subordinated debt instruments
43(2)(c)(ii)(A)(ii)	all limits and minima, identifying the positive and negative elements of capital to which such limits and minima apply;	Refer to note 26.7 to the AFS and capital management section of the AR
43(2)(c)(ii)(B)	quantitative information, disclose to the public -	
43(2)(c)(ii)(B)(i)	the amount relating to common equity tier 1 capital and reserve funds, including information in respect of:	
43(2)(c)(ii)(B)(i)(aa)	paid-up share capital, including ordinary shares;	Refer notes 17 and 26.7 to the AFS
43(2)(c)(ii)(B)(i)(bb)	reserve funds;	Refer note 26.7 to the AFS
43(2)(c)(ii)(B)(ii)	the amount relating to additional tier 1 capital and reserve funds, including information in respect of:	
43(2)(c)(ii)(B)(ii)(aa)	paid-up capital;	Refer note 26.7 to the AFS

Regulation	Description	Capitec Bank's compliance[1]
43(2)(c)(ii)(B)(ii)(ff)	amounts deducted from additional tier 1 capital;	Refer to note 26.7 to the AFS
43(2)(c)(ii)(B)(iii)	the relevant amounts relating to tier 2 capital;	
43(2)(c)(ii)(B)(iv)	the relevant amounts relating to deductions from the bank's tier 2 capital and reserve funds;	
43(2)(c)(ii)(B)(v)	the relevant amount relating to total qualifying capital and reserve funds;	
43(2)(c)(ii)(B)(vi)	a full reconciliation between all instruments and reserves qualifying as capital and reserve funds in terms of the provisions of these Regulations and the balance sheet in the audited financial statements;	
43(2)(c)(ii)(B)(vii)	all adjustments to qualifying capital and reserve funds other than the relevant items or deductions specified above, including any relevant amount related to limited recognition as envisaged in regulation 38(5)(b);	
43(2)(c)(iii)	liquidity.	Refer note 26.6 to the AFS and the Integrated risk management section of the AR
43(2)(d)	Types of risk to which the bank is exposed In respect of each type of risk envisaged in regulation 39(3), that is, for example, credit risk, market risk, operational risk, interest-rate risk in the bank's banking book or currency risk, a bank shall disclose sufficiently detailed information in respect of the bank's risk-management objectives and policies, including information in respect of-	
43(2)(d)(i)	the bank's strategies and processes;	Refer to the Integrated risk management section of the AR
43(2)(d)(ii)	the structure and organisation of the relevant risk management functions;	
43(2)(d)(iii)	the scope and nature of the bank's risk reporting and/or risk-measurement systems;	
43(2)(d)(iv)	the bank's policies relating to hedging and/or risk mitigation and the bank's strategies and processes in order to monitor the continued effectiveness of hedges or risk-mitigation instruments.	Capitec Bank does not operate a 'trading book.' Therefore hedging is a risk mitigation tool for the 'banking book.' Refer to the integrated risk management section of the AR and notes 37 and 38 to the AFS
43(2)(e)	Nature and extent of risk exposures, including-	
43(2)(e)(i)	credit risk; A bank shall in the case of-	
43(2)(e)(i)(A)	credit risk exposures, excluding credit risk arising from positions held in equity instruments, disclose to the public the qualitative and quantitative information specified below:	
43(2)(e)(i)(A)(i)	Qualitative information. A bank-	
43(2)(e)(i)(A)(i)(aa)	shall in addition to the information specified in paragraph (d) above, disclose to the public sufficiently detailed information in respect of-	
43(2)(e)(i)(A)(i)(aa)(i)	the bank's accounting definitions in respect of past due and impaired exposure;	Refer to note 2.4 to the AFS
43(2)(e)(i)(A)(i)(aa)(ii)	the approaches adopted by the bank in respect of credit impairment, including specific and portfolio impairment, and general allowance, as well as relevant information in respect of the statistical methods applied by the bank;	
43(2)(e)(i)(A)(i)(aa)(iii)	the bank's credit risk management policy;	Refer to the Integrated risk management section of the AR
43(2)(e)(i)(A)(ii)	Quantitative information. A bank-	
43(2)(e)(i)(A)(ii)(aa)	shall in respect of its major types of credit exposure disclose to the public sufficiently detailed information relating to-	

Regulation	Description	Capitec Bank's compliance[1]
43(2)(e)(i)(A)(ii)(aa)(i)	the aggregate amount of gross credit exposure after the effect of set-off in accordance with the requirements of Financial Reporting Standards have been taken into consideration but before the effects of credit risk-mitigation techniques such as collateral or netting have been taken into account;	Refer to the Integrated risk management section of the AR – Analysis of regulatory credit exposure
43(2)(e)(i)(A)(ii)(aa)(ii)	the bank's average amount of gross exposure during the reporting period, which average gross exposure amount shall be calculated on a daily average basis, unless the exposure at the end of a particular reporting period in all material respects represents the average credit exposure amount during the said reporting period in which case the bank need not disclose the said average exposure amount, provided that when the bank is unable to calculate an average exposure amount on a daily average basis the bank shall disclose to the public the basis on which it calculated such average exposure amounts;	
43(2)(e)(i)(A)(ii)(aa)(iii)	the geographical distribution of its credit exposures, which distribution shall be based on the relevant requirements specified in the form BA 210 and in regulation 24;	All credit exposures are in South Africa. Refer note 26.2 to the AFS for further analysis
43(2)(e)(i)(A)(ii)(aa)(iv)	the distribution of exposures based on industry or counterparty type;	Refer to the Integrated risk management section of the AR – Analysis of regulatory credit exposure
43(2)(e)(i)(A)(ii)(aa)(v)	the maturity breakdown of the bank's credit portfolio, which maturity breakdown shall be based on the residual contractual maturity of the said exposures;	Refer to notes 6 and 26.6 to the AFS
43(2)(e)(i)(A)(ii)(bb)	shall in respect of each major industry, counterparty type or geographical area disclose to the public sufficiently detailed information in respect of the aggregate amount relating to -	
43(2)(e)(i)(A)(ii)(bb)(i)	impaired loans and past due loans, including an analysis of the ageing of past-due loans;	Refer to the Integrated risk management section of the AR – Analysis of regulatory credit exposure and note 6 to the AFS
43(2)(e)(i)(A)(ii)(bb)(ii)	any credit impairment, including any specific or portfolio impairment;	Refer note 6 to the AFS
43(2)(e)(i)(A)(ii)(bb)(iii)	any specific or portfolio impairment raised and amounts written off during the current reporting period, provided that the bank shall separately disclose the unallocated portion of general allowances, that is, the portion of general allowances not allocated to a specific industry, counterparty or geographical area;	Refer notes 6 and 21 to the AFS
43(2)(e)(i)(A)(ii)(cc)	shall provide a reconciliation of changes in specific impairment or portfolio impairment, or general allowance, which reconciliations shall include-	
43(2)(e)(i)(A)(ii)(cc)(i)	a description of the type of impairment or allowance;	Refer notes 6 and 21 to the AFS
43(2)(e)(i)(A)(ii)(cc)(ii)	the relevant opening balance;	
43(2)(e)(i)(A)(ii)(cc)(iii)	amounts written off against the relevant specific impairment or portfolio impairment, or allowance, during the reporting period;	
43(2)(e)(i)(A)(ii)(cc)(iv)	amounts transferred to or reversed against the relevant specific impairment or portfolio impairment, or allowance, during the reporting period;	
43(2)(e)(i)(A)(ii)(cc)(v)	any other adjustments such as exchange rate differences, business combinations, acquisitions and disposals of subsidiaries, including transfers between the relevant specific impairment or portfolio impairment, or allowances;	Exchange rates differences, business combinations, acquisitions and disposals of subsidiaries are not relevant Capitec Bank does not transfer between general and portfolio impairment but determines each provision monthly and charges the requirement to the income statement
43(2)(e)(i)(A)(ii)(cc)(vi)	the relevant closing balance, provided that the bank shall separately disclose any amounts written off or recoveries that have been recorded directly in the income statement;	Refer note 6 and 21 to the AFS

Regulation	Description	Capitec Bank's compliance[1]
43(2)(e)(i)(A)(ii)(dd)	shall in respect of each relevant credit portfolio disclose to the public the relevant amounts of exposure that are subject to-	
43(2)(e)(i)(A)(ii)(dd)(i)	the standardised approach;	Capitec Bank uses the standardised approach and all portfolios are included
43(2)(e)(i)(B)	portfolios subject to the standardised approach or the standardised risk grades relating to specialised lending in terms of the IRB approach specified in regulation 23(11)(d)(iii), disclose to the public the qualitative and quantitative information specified below:	
43(2)(e)(i)(B)(i)	Qualitative information. A bank shall in the case of credit portfolios subject to the standardised approach or the standardised risk grades relating to specialised lending in terms of the IRB approach specified in regulation 23(11)(d)(iii) disclose to the public sufficiently detailed information in respect of-	
43(2)(e)(i)(B)(i)(aa)	the names of the external credit assessment institutions or export credit agency used by the bank, and in the case of any changes made by the bank in respect of external credit assessment institutions or export credit agencies, the reasons for such change;	Refer to the Integrated risk management section of the AR – Analysis of regulatory credit exposure - footnotes. Capitec only uses Fitch ratings
43(2)(e)(i)(B)(i)(bb)	the types of exposure for which the bank uses a particular agency;	
43(2)(e)(i)(B)(i)(cc)	the process followed by the bank to assign publicly issued ratings to comparable assets in the bank's banking book;	
43(2)(e)(i)(B)(i)(dd)	any mapping of exposures, that is, the alignment between the alphanumerical rating scale of each relevant rating agency used by the bank and the bank's relevant risk categories, unless the bank conducts its mapping of credit exposures in accordance with the mapping procedures specified by the Registrar from time to time;	
43(2)(e)(i)(B)(i)(ee)	the risk weights associated with a particular rating grade or risk category	
43(2)(e)(i)(B)(ii)	Quantitative information	
43(2)(e)(i)(B)(ii)(aa)	exposure subject to the standardised approach, separately disclose to the public-	
43(2)(e)(i)(B)(ii)(aa)(i)	the outstanding amounts after risk mitigation in respect of rated and unrated exposures relating to each relevant risk category;	Refer to the Integrated risk management section of the AR – Analysis of regulatory credit exposure
43(2)(e)(i)(B)(ii)(aa)(ii)	any exposure amount that is deducted from the bank's capital and reserve funds	Refer to note 26.7 to the AFS Exposures relating to funds advanced to employees to take up options are deducted from equity
43(2)(e)(i)(D)	credit risk mitigation in terms of the standardised or IRB approach, excluding any risk mitigation that falls within the ambit of the exemption notice relating to securitisation schemes, disclose to the public sufficiently detailed information in respect of the qualitative and quantitative information specified below:	
43(2)(e)(i)(D)(i)	Qualitative information. A bank shall in addition to the information specified in paragraph (d) above, disclose to the public sufficiently detailed information in respect of-	
43(2)(e)(i)(D)(i)(aa)	the bank's policies and processes relating to on- and off-balance sheet netting, including the extent to which the bank makes use of on- and off-balance sheet netting when the bank determines its exposure to credit risk;	The bank does not employ on- and off-balance sheet netting
43(2)(e)(i)(D)(i)(cc)	the main types of guarantors or credit-derivative counterparties involved in the bank's risk mitigation activities, and the creditworthiness of the said parties;	The book is insured against certain credit events with a stable insurer in good credit standing
43(2)(e)(i)(D)(i)(dd)	any risk concentration incurred in respect of the bank's risk mitigation activities.	
43(2)(e)(i)(D)(ii)	Quantitative information. A bank shall in respect of each separately identified credit portfolio in terms of the standardised or foundation IRB approach disclose to the public the bank's total exposure after the effect of any on- or off- balance sheet netting has been taken into consideration, with an indication of exposures protected by way of-	
43(2)(e)(i)(D)(ii)(aa)	eligible financial collateral, after the effect of any haircuts has been taken into consideration;	Refer to the Integrated risk management section of the AR – Analysis of regulatory credit exposure

Regulation	Description	Capitec Bank's compliance[1]
43(2)(e)(i)(E)	exposure to counterparty credit risk, disclose to the public sufficiently detailed information in respect of the qualitative and quantitative information specified below:	
43(2)(e)(i)(E)(i)	Qualitative information. In respect of derivative instruments and exposures relating to counterparty credit risk, a bank shall in addition to the information specified in paragraphs (d) and (e)(i)(A) above, disclose to the public sufficiently detailed information relating to-	
43(2)(e)(i)(E)(i)(aa)	the methodology adopted by the bank in order to assign economic capital and credit limits in respect of the bank's exposure to counterparty risk;	Capitec Bank does not run a "trading book" and derivatives are limited to use in risk mitigation. Therefore, counterparty credit risk is low. Capitec does not currently assign economic capital to counterparty credit risk due to the small exposure thereto Credit limits for derivative counterparties are the same as those for wholesale credit risk
43(2)(e)(i)(E)(ii)	Quantitative information. A bank-	
43(2)(e)(i)(E)(ii)(aa)	shall disclose to the public sufficiently detailed information relating to-	
43(2)(e)(i)(E)(ii)(aa)(i)	the gross positive fair value of all relevant contracts that expose the bank to counterparty credit risk;	Refer to the Integrated risk management section of the AR – Analysis of regulatory credit exposure and note 38 to the AFS
43(2)(e)(i)(E)(ii)(aa)(iii)	the net amount of current credit exposure;	
43(2)(e)(i)(E)(ii)(aa)(vii)	the distribution of current credit exposure, which distribution shall be based on the relevant types of credit exposure, that is, for example, interest rate contracts, FX contracts, equity contracts, credit derivative instruments or commodity contracts.	
43(2)(e)(i)(E)(ii)(bb)	shall in respect of the current exposure method, standardized method or internal model method, as the case may be, disclose to the public sufficiently detailed information relating to the relevant exposure amount or EAD, that is, the estimated exposure at default;	
43(2)(e)(ii)(C)	shall in respect of equity positions held in the bank's banking book disclose to the public sufficiently detailed information in respect of the qualitative and quantitative information specified below:	
43(2)(e)(ii)(C)(i)	Qualitative information. A bank shall in addition to the qualitative information specified in paragraph (d) above, disclose to the public sufficiently detailed information in respect of the bank's accounting policies, including-	
43(2)(e)(ii)(C)(i)(aa)	the manner in which the bank values and accounts for equity positions held in the banking book, that is, the accounting technique and valuation methodology used by the bank;	Capitec Bank has no equity investments
43(2)(e)(ii)(C)(ii)	Quantitative information. A bank-	
43(2)(e)(ii)(C)(ii)(aa)	shall disclose to the public-	
43(2)(e)(ii)(C)(ii)(aa)(ii)	the cumulative amount of gains/losses realised by the bank from the sale/liquidation of positions held in the bank's banking book during the current reporting period;	
43(2)(e)(iii)	liquidity risk;	Refer note 26.6 to the AFS
43(2)(e)(iv)	interest-rate risk; A bank shall in respect of positions held in the bank's banking book-	
43(2)(e)(iv)(A)	in addition to the qualitative information specified in paragraph (d) above, disclose to the public sufficiently detailed qualitative information relating to-	
43(2)(e)(iv)(A)(i)	the nature of the bank's exposure to interest-rate risk;	Refer note 26.6 to the AFS and the Integrated risk management section of the AR
43(2)(e)(iv)(A)(ii)	key assumptions made by the bank, including assumptions relating to loan prepayments and the behaviour of core deposits, that is, deposits that are not drawn in accordance with the contractual provisions of the deposits and which deposits are regarded as "permanent" funding;	'Core deposits' are currently calculated at +/- 91% stability

Regulation	Description	Capitec Bank's compliance[1]
43(2)(e)(iv)(A)(iii)	the frequency with which the bank measures its exposure to interest-rate risk.	ALCO receives monthly reports
43(2)(e)(iv)(B)	disclose to the public, quantitative information in respect of the increase or decrease in earnings, economic value or the relevant measure used by the management of the bank, relating to a standardised upward and downward interest rate shock specified in the form BA 330 or in writing by the Registrar, provided that the bank shall break the required information down based on	A Net Present Value static calculation, based on contractual positions, EVE (Economic Value of Equity) is disclosed in the Integrated risk management section of the AR
43(2)(e)(v)	operational risk; A bank-	
43(2)(e)(v)(A)	shall in addition to the qualitative information specified in paragraph (d) above, disclose to the public sufficiently detailed information relating to the approach(es) adopted by the bank for the measurement of the bank's exposure to operational risk,	The ASA approach is used and is disclosed in Integrated risk management section of the AR
43(2)(e)(vii)	other material risks to which the bank is exposed;	Capitec provides information to users on all material risks in the AFS and the AR
43(2)(f)	Remuneration. With regards to a bank's remuneration policies, processes and procedures, a bank shall disclose to the public sufficiently detailed qualitative and quantitative information-	
43(2)(f)(i)	in respect of-	
43(2)(f)(i)(A)	the bank's relevant governance and/or committee structures;	Refer to the Integrated risk management section of the AR – Governance
43(2)(f)(i)(B)	the design and operation of the bank's remuneration structure, and the frequency of review;	Refer to the Integrated risk management section of the AR – Remuneration
43(2)(f)(i)(C)	the independence of remuneration for risk and compliance staff;	
43(2)(f)(i)(D)	the relevant risk adjustment methodologies;	
43(2)(f)(i)(E)	the link between remuneration and performance;	
43(2)(f)(i)(F)	the relevant long-term performance measures, such as deferral, malus or clawback;	
43(2)(f)(i)(G)	the relevant types of remuneration, such as cash versus equity, and fixed versus variable;	
43(2)(f)(ii)	which qualitative information, as a minimum, shall include-	
43(2)(f)(ii)(A)	information relating to the relevant bodies that oversee the bank's remuneration, including-	
43(2)(f)(ii)(A)(i)	the relevant name, composition and mandate of the main body overseeing remuneration;	Refer to the Integrated risk management section of the AR – Governance
43(2)(f)(ii)(A)(ii)	external consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process;	Refer to the Integrated risk management section of the AR – Remuneration
43(2)(f)(ii)(A)(iii)	a description of the scope of the bank's remuneration policy, for example, by regions and business lines, including the extent to which it is applicable to foreign subsidiaries and branches;	
43(2)(f)(ii)(A)(iv)	a description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each relevant group;	
43(2)(f)(ii)(B)	information relating to the design and structure of the bank's remuneration processes, including	
43(2)(f)(ii)(B)(i)	an overview of the key features and objectives of the bank's remuneration policy;	Refer to the Integrated risk management section of the AR – Remuneration
43(2)(f)(ii)(B)(ii)	whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any material changes that were made;	

Regulation	Description	Capitec Bank's compliance[1]
43(2)(f)(ii)(B)(iii)	a discussion of how the bank ensures that risk and compliance employees are remunerated independently of the relevant businesses they oversee;	
43(2)(f)(ii)(C)	a description of the ways in which current and future risks are taken into account in the bank's remuneration processes, including-	
43(2)(f)(ii)(C)(i)	an overview of the key risks that the bank takes into account when implementing remuneration measures;	Refer to the Integrated risk management section of the AR – Remuneration
43(2)(f)(ii)(C)(ii)	an overview of the nature and type of the key measures used to take account of the said risks, including risks difficult to measure;	
43(2)(f)(ii)(C)(iii)	a discussion of the ways in which the said measures affect remuneration;	
43(2)(f)(ii)(C)(iv)	a discussion of how the nature and type of the said measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration;	
43(2)(f)(ii)(D)	a description of the manner in which the bank seeks to link performance during a performance measurement period with levels of remuneration, including-	
43(2)(f)(ii)(D)(i)	an overview of main performance metrics for bank, top-level business lines and individuals;	Refer to the Integrated risk management section of the AR – Remuneration
43(2)(f)(ii)(D)(ii)	a discussion of how amounts of individual remuneration are linked to bank-wide and individual performance;	
43(2)(f)(ii)(D)(iii)	a discussion of the measures the bank in general implement to adjust remuneration in the event that performance metrics are weak, including the bank's criteria for determining "weak" performance metrics;	
43(2)(f)(ii)(E)	a description of the manner in which the bank seeks to adjust remuneration to take account of longer-term performance, including-	
43(2)(f)(ii)(E)(i)	a discussion of the bank's policy on deferral and vesting of variable remuneration, and when the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance;	Refer to the Integrated risk management section of the AR – Remuneration
43(2)(f)(ii)(E)(ii)	a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and, when relevant, after vesting through, for example, clawback arrangements;	
43(2)(f)(ii)(F)	a description of the different forms of variable remuneration that the bank utilises, and the rationale for using such different forms of variable remuneration, including-	
43(2)(f)(ii)(F)(i)	an overview of the respective forms of variable remuneration offered, that is, for example, cash, shares and share-linked instruments, or other forms, with a sufficiently detailed description of the core elements of such other forms;	Refer to the Integrated risk management section of the AR – Remuneration
43(2)(f)(ii)(F)(ii)	a discussion of the use of the different forms of variable remuneration and, when the mix of different forms of variable remuneration differs across employees or groups of employees, a description of the factors that determine the mix and their relative importance;	
43(2)(f)(iii)	which quantitative information shall relate to and separate between the bank's senior management and other employees whose actions may have a material impact on the bank's exposure to risk, and, as a minimum, shall include-	
43(2)(f)(iii)(A)	the relevant number of-	
43(2)(f)(iii)(A)(i)	meetings held by the main body overseeing remuneration during the financial year, and the remuneration paid to its members;	Refer to the Integrated risk management section of the AR – Governance

Regulation	Description	Capitec Bank's compliance[1]
43(2)(f)(iii)(A)(ii)	employees who received a variable remuneration award during the financial year;	Refer to the Integrated risk management section of the AR – Remuneration
43(2)(f)(iii)(B)	the relevant number of and total amount related to-	Refer to the Integrated risk management section of the AR – Remuneration
43(2)(f)(iii)(B)(i)	guaranteed bonuses awarded during the financial year;	
43(2)(f)(iii)(B)(ii)	sign-on awards made during the financial year;	
43(2)(f)(iii)(B)(iii)	severance payments made during the financial year;	
43(2)(f)(iii)(C)	the relevant total amount of-	Refer to the Integrated risk management section of the AR – Remuneration
43(2)(f)(iii)(C)(i)	outstanding deferred remuneration, duly distinguishing between cash, shares and share-linked instruments, and other forms of deferred remuneration;	
43(2)(f)(iii)(C)(ii)	deferred remuneration paid out in the financial year;	
43(2)(f)(iii)(D)	a breakdown of the amount of remuneration awards for the financial year, clearly separating between-	
43(2)(f)(iii)(D)(i)	fixed and variable remuneration;	Refer to the Integrated risk management section of the AR – Remuneration
43(2)(f)(iii)(D)(ii)	deferred and non-deferred remuneration; and	
43(2)(f)(iii)(D)(iii)	the different forms of remuneration used, that is, cash, shares and share-linked instruments, and other forms of remuneration, as indicated in table 1.	
43(2)(f)(iii)(E)	sufficiently detailed information related to employees' exposure to implicit adjustments, that is, for example, fluctuations in the value of shares or performance units, and explicit adjustments, that is, for example, malus, clawbacks or similar reversals or downward revaluations of awards, of deferred remuneration and retained remuneration, clearly indicating the	
43(2)(f)(iii)(E)(i)	outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments;	Refer to the Integrated risk management section of the AR – Remuneration
43(2)(f)(iii)(E)(ii)	reductions during the financial year due to ex post explicit adjustments; and	
43(2)(f)(iii)(E)(iii)	reductions during the financial year due to ex post implicit adjustments, provided that in all relevant cases the bank shall also disclose to the public the relevant comparative quantitative information for the previous year.	
43(2)(g)	To the extent not already covered by the information required to be disclosed in terms of the provisions of paragraphs (a) to (f) above, an overview of the key aspects relating to-	
43(2)(g)(i)	the organisational structure relevant to risk management and control, including relevant risk-management strategies, policies and practices;	Refer Integrated risk management section of the AR
43(2)(g)(ii)	the methods used to measure and manage risks;	
43(2)(g)(iii)	the principal accounting policies and procedures relevant to the interpretation of the bank's risk exposures; and	Refer note 2 to the AFS
43(2)(g)(iv)	basic business, management and corporate governance information;	Refer Integrated risk management section of the AR
43(2)(g)(v)	the bank's compensation or remuneration policies, processes and procedures, including sufficiently detailed information related to-	
43(2)(g)(v)(A)	the decision-making process used to determine the bank's compensation policy;	Refer to the Integrated risk management section of the AR – Remuneration
43(2)(g)(v)(B)	the most important design characteristics of the compensation system, including-	
43(2)(g)(v)(B)(i)	criteria used for performance measurement and risk adjustment;	Refer to the Integrated risk management section of the AR – Remuneration

Regulation	Description	Capitec Bank's compliance[1]
43(2)(g)(v)(B)(ii)	relevant matters related to the bank's deferral policy and vesting criteria;	
43(2)(g)(v)(B)(iii)	the parameters used for allocating cash versus other forms of compensation;	
43(3)	Subject to such conditions as may be specified in writing by the Registrar, when a bank is controlled by-	
43(3)(a)	a controlling company;	All Regulation 43 disclosures are provided at the company level for the purposes of this AR
43(3)(b)	another bank; or	
43(3)(c)	an institution which has been approved by the Registrar and which conducts business similar to the business of a bank in a country other than the Republic, the requirements specified in sub-regulations (1) and (2) shall apply to such controlling company, bank or institution, as the case may be, instead of to such bank that is so controlled, provided that control for the purposes of this sub-regulation (3) means control as defined in section 42(2) of the Act.	

[1] *All policies are logged and maintained by our policies and procedures department ('Polproc')*
All sub-sections of regulation 43 that are not discussed above were not applicable to Capitec Bank during the current and previous reporting periods.

Administration and addresses

Capitec Bank Limited

Registration number
1980/003695/06

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R Stassen (Chief executive officer)
AP du Plessis (Chief financial officer)
RJ Huntley (Ms)
JD McKenzie
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