

Unaudited financial results
for the 6 months ended 31 August 2023



Capitec Bank Limited
(Capitec Bank or the company)

Condensed statement of financial position

As at 31 August 2023

R'000	August 2023	August 2022	August 2023/2022 %	Year ended February 2023
Assets				
Cash and cash equivalents	25 623 312	26 591 619	(4)	31 003 228
Financial assets at fair value through profit or loss (FVTPL)	279 890	—		301 657
Financial investments at amortised cost	74 605 526	64 112 114	16	61 034 237
Term deposit investments	1 308 398	3 317 147	(61)	3 628 162
Net loans and advances	77 374 694	71 531 417	8	76 663 576
Other receivables	7 055 625	4 636 632	52	4 783 947
Derivative assets	27 601	26 280	5	33 555
Financial assets – equity instruments at fair value through other comprehensive income (FVOCI)	74 413	73 317	1	73 880
Current income tax asset	—	46 689	(100)	39 530
Group loans receivable	1 495 075	1 257 563	19	1 438 296
Interest in equity accounted investments	226 202	194 302	16	194 302
Interest in subsidiaries	103 030	103 029	—	103 030
Property and equipment	3 333 730	3 157 647	6	3 247 982
Right-of-use assets	1 825 600	1 862 395	(2)	1 830 779
Intangible assets including goodwill	1 433 000	1 335 553	7	1 393 189
Deferred income tax asset	2 479 027	2 660 510	(7)	2 458 894
Total assets	197 245 123	180 906 214	9	188 228 244
Liabilities				
Derivative liabilities	20 253	24 947	(19)	23 683
Current income tax liability	103 690	—		—
Deposits	151 841 638	140 351 441	8	144 559 015
Wholesale funding	2 369 215	1 816 742	30	2 438 794
Other liabilities	4 611 996	3 887 794	19	4 166 940
Lease liabilities	2 344 674	2 399 783	(2)	2 322 506
Employee benefit liabilities	12 367	133 517	(91)	14 706
Total liabilities	161 303 833	148 614 224	9	153 525 644
Equity				
Capital and reserves				
Ordinary share capital and premium	6 105 981	6 105 981	—	6 105 981
Cash flow hedge reserve	1 908	(207)	>100	1 544
Other reserves	(25 391)	(28 575)	(11)	(25 779)
Share option reserve	23 831	23 831	—	23 831
Retained earnings	29 789 425	26 140 384	14	28 548 099
Share capital and reserves attributable to ordinary shareholders	35 895 754	32 241 414	11	34 653 676
Preference share capital and premium	45 536	50 576	(10)	48 924
Total equity	35 941 290	32 291 990	11	34 702 600
Total equity and liabilities	197 245 123	180 906 214	9	188 228 244

Condensed income statement

6 months ended 31 August 2023

R'000	August 2023	August 2022	August 2023/2022 %	Year ended February 2023
Interest and similar income				
Interest income	12 470 536	9 888 340	26	21 097 665
Interest income calculated using the effective interest rate	12 149 171	9 888 340	23	20 688 798
Interest income on financial assets at FVTPL	321 365	—		408 867
Interest expense	(4 519 474)	(3 071 235)	47	(6 993 646)
Net interest income	7 951 062	6 817 105	17	14 104 019
Non-interest income				
Loan fee income	599 662	532 487	13	1 087 787
Loan fee expense	(5 874)	(11 325)	(48)	(9 094)
Net loan fee income	593 788	521 162	14	1 078 693
Transaction fee and commission income	9 706 892	7 989 004	22	16 557 715
Transaction fee and commission expense	(2 796 385)	(2 432 338)	15	(5 100 638)
Net transaction and commission income	6 910 507	5 556 666	24	11 457 077
Foreign currency income	257 325	258 317	—	494 778
Foreign currency expense	(174 983)	(180 105)	(3)	(332 348)
Net foreign currency income	82 342	78 212	5	162 430
Other income	63 166	31 984	97	16 525
Net non-interest income	7 649 803	6 188 024	24	12 714 725
Income from operations	15 600 865	13 005 129	20	26 818 744
Credit impairments	(4 712 435)	(2 909 196)	62	(6 254 510)
Net income	10 888 430	10 095 933	8	20 564 234
Operating expenses	(6 451 297)	(5 778 120)	12	(11 744 631)
Operating profit before tax	4 437 133	4 317 813	3	8 819 603
Income tax expense	(1 192 588)	(1 218 350)	(2)	(2 496 765)
Total profit for the period	3 244 545	3 099 463	5	6 322 838

Condensed statement of comprehensive income

6 months ended 31 August 2023

R'000	August 2023	August 2022	August 2023/2022 %	Year ended February 2023
Profit for the period	3 244 545	3 099 463	5	6 322 838
Other comprehensive income that may subsequently be reclassified to profit or loss	364	12 198	(97)	13 949
Cash flow hedge reserve recognised	1 449	8 123	(82)	9 129
Cash flow hedge reclassified to profit or loss	(950)	8 819	>100	10 215
Income tax relating to cash flow hedge	(135)	(4 744)	(97)	(5 395)
Other comprehensive income that will not subsequently be reclassified to profit or loss	387	458	(16)	3 254
Remeasurement of defined benefit obligation	—	—		3 226
Profit on remeasurement to fair value of financial assets (FVOCI)	531	636	(17)	1 201
Income tax thereon	(144)	(178)	(19)	(1 173)
Total comprehensive income for the period	3 245 296	3 112 119	4	6 340 041

Condensed statement of changes in equity

6 months ended 31 August 2023

R'000	August 2023	August 2022	August 2023/2022 %	Year ended February 2023
Ordinary share capital and premium				
Balance at the beginning and end of the period	6 105 981	6 105 981	—	6 105 981
Cash flow hedge reserve				
Balance at the beginning of the period	1 544	(12 405)	>100	(12 405)
Total comprehensive income	364	12 198	(97)	13 949
Balance at the end of the period	1 908	(207)	>100	1 544
Other reserves				
Balance at the beginning of the period	(25 779)	(29 033)	(11)	(29 033)
Total comprehensive income	388	458	(15)	3 254
Balance at the end of the period	(25 391)	(28 575)	(11)	(25 779)
Share option reserve				
Balance at the beginning and end of the period	23 831	23 831	—	23 831
Retained earnings				
Balance at the beginning of the period	28 548 099	26 146 944	9	26 146 944
Total comprehensive income	3 244 545	3 099 463	5	6 322 838
Ordinary dividend	(2 000 796)	(3 104 101)	(36)	(3 917 498)
Preference dividend	(2 423)	(1 922)	26	(4 185)
Balance at the end of the period	29 789 425	26 140 384	14	28 548 099
Share capital and reserves attributable to ordinary shareholders				
	35 895 754	32 241 414	11	34 653 676
Preference share capital and premium				
Balance at the beginning of the period	48 924	51 167	(4)	51 167
Preference shares repurchased	(3 388)	(591)	>100	(2 243)
Balance at the end of the period	45 536	50 576	(10)	48 924
Total equity	35 941 290	32 291 990	11	34 702 600

Condensed statement of cash flows

6 months ended 31 August 2023

R'000	August 2023	August 2022	August 2023/2022 %	Year ended February 2023
Cash flow from operating activities				
Cash flow from operations	1 876 857	(5 180 650)	>100	(8 966 699)
Income tax paid	(1 069 780)	(1 465 212)	(27)	(2 536 498)
Interest received ⁽¹⁾	11 963 084	9 400 519	27	20 245 711
Interest paid ⁽¹⁾	(4 468 352)	(3 031 538)	47	(6 959 033)
	8 301 809	(276 881)	>100	1 783 481
Cash flow from investing activities				
Acquisition of property and equipment	(444 339)	(492 502)	(10)	(933 292)
Disposal of property and equipment	8 838	13 826	(36)	16 755
Acquisition of intangible assets	(111 035)	(83 339)	33	(209 372)
Loans to group companies – granted	(177 996)	—		(35 975)
Loans to group companies – repaid	155 370	—		21 945
Investment in term deposit investments	(1 494 000)	(3 250 000)	(54)	(3 650 000)
Redemption of term deposit investments	3 650 000	700 000	>100	900 000
Acquisition of financial investments at amortised cost	(40 272 698)	(26 218 507)	54	(47 216 977)
Redemption of financial investments at amortised cost	27 217 560	25 349 613	7	49 652 992
Interest acquired in equity accounted investments	(31 900)	(61 800)	(48)	(61 800)
	(11 500 200)	(4 042 709)	>100	(1 515 724)
Cash flow from financing activities				
Dividends paid	(2 003 027)	(3 105 784)	(36)	(3 921 114)
Loans from group companies – granted	—	95 242	(100)	—
Loans from group companies – repaid	—	(153 416)	(100)	—
Preference shares repurchased	(3 388)	(591)	>100	(2 243)
Issue of institutional bonds and other funding	—	—		750 000
Payment of lease liabilities	(199 311)	(177 858)	12	(367 996)
	(2 205 726)	(3 342 407)	(34)	(3 541 353)
Effect of exchange rate changes on cash and cash equivalents	23 619	29 080	(19)	52 198
Net decrease in cash and cash equivalents	(5 380 498)	(7 632 917)	(30)	(3 221 398)
Cash and cash equivalents at the beginning of the year	31 003 976	34 225 374	(9)	34 225 374
Cash and cash equivalents at the end of the year	25 623 478	26 592 457	(4)	31 003 976

⁽¹⁾ Interest received and interest paid were previously disclosed in the cash flow from operations line and then disaggregated in the related note. Comparatives have been updated for this more granular presentation.

Notes to the condensed interim financial statements

6 months ended 31 August 2023

1. Basis of preparation

The condensed interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, Act 71 of 2008, as amended. The accounting policies applied in the preparation of these interim financial statements are in terms of IFRS and are consistent with those applied in the previous annual financial statements with the exception of:

Title	Key requirements and effective date
Disclosure of accounting policies – Amendments to IAS 1 and IFRS Practice statement 2	Effective for annual periods commencing on or after 1 January 2023, entities are required to disclose their material accounting policies rather than their significant accounting policies. No material impact on the financial statements was identified resulting from the adoption of this amendment to IFRS.
Definition of accounting estimates – Amendment to IAS 8	The amendment, which is effective for annual periods commencing on or after 1 January 2023, clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. No material impact on the financial statements was identified resulting from the adoption of this amendment to IFRS.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments, which were effective for annual periods commencing on or after 1 January 2023, require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. No material impact on the financial statements was identified resulting from the adoption of this amendment to IFRS.

The JSE Limited Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS, and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

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 company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the condensed financial statements, did not change compared to the prior financial year.

In calculating the expected credit loss (ECL) for the 6 months ended 31 August 2023, key areas of significant management estimation and judgement included determining significant increase in credit risk (SICR) thresholds, write-off being when there is no reasonable expectation of further recovery (5% of balance before write-off), assumptions used in the forward-looking economic model, event overlays and how historical data is used to project ECL. This was considered by applying macroeconomic information available up to 31 August 2023.

The condensed interim financial statements were not reviewed or audited by the company's auditors.

The preparation of the unaudited condensed interim financial statements was supervised by the chief financial officer (CFO), Grant Hardy CA(SA).

2. Net loans and advances

Retail bank

R'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL			Stage 3 Lifetime ECL				Total
	Up-to-date	Up-to-date loans with SICR and applied for debt review >6 months	Forward- looking SICR ⁽¹⁾	Up to 1 month in arrears	2 and 3 months in arrears	Resche- duled from up-to-date (not yet rehabi- litated)	Resche- duled from arrears (not yet rehabi- litated)	More than 3 months in arrears, legal statuses and applied for debt review <6 months	
Balance as at 31 August 2023									
Gross loans and advances	48 485 531	11 021 031	1 575 056	1 359 231	2 503 217	2 421 514	2 002 484	14 407 406	83 775 470
Term loan	25 720 569	6 626 527	1 069 632	769 539	1 651 487	1 720 108	1 604 543	9 830 305	48 992 710
Access facility	16 306 507	3 754 272	444 374	421 923	701 696	701 406	397 941	3 475 804	26 203 923
Credit card	6 458 455	640 232	61 050	167 769	150 034	—	—	1 101 297	8 578 837
Provision for credit impairments (ECL) ⁽²⁾	(3 643 685)	(2 617 904)	(354 622)	(678 014)	(1 739 687)	(765 578)	(553 913)	(10 528 591)	(20 881 994)
Term loan	(1 810 824)	(1 123 119)	(184 884)	(378 879)	(1 179 476)	(523 258)	(416 742)	(7 124 567)	(12 741 749)
Access facility	(1 411 796)	(1 308 183)	(153 414)	(223 815)	(477 551)	(242 320)	(137 171)	(2 501 948)	(6 456 198)
Credit card	(421 065)	(186 602)	(16 324)	(75 320)	(82 660)	—	—	(902 076)	(1 684 047)
Net loans and advances	44 841 846	8 403 127	1 220 434	681 217	763 530	1 655 936	1 448 571	3 878 815	62 893 476
Term loan	23 909 745	5 503 408	884 748	390 660	472 011	1 196 850	1 187 801	2 705 738	36 250 961
Access facility	14 894 711	2 446 089	290 960	198 108	224 145	459 086	260 770	973 856	19 747 725
Credit card	6 037 390	453 630	44 726	92 449	67 374	—	—	199 221	6 894 790
ECL coverage (%)	7.5	23.8	22.5	49.9	69.5	31.6	27.7	73.1	24.9
Term loan	7.0	16.9	17.3	49.2	71.4	30.4	26.0	72.5	26.0
Access facility	8.7	34.8	34.5	53.0	68.1	34.5	34.5	72.0	24.6
Credit card	6.5	29.1	26.7	44.9	55.1	—	—	81.9	19.6
% of gross loan book	58	13	2	2	3	3	2	17	100
Term loan	31	8	1	1	2	2	2	12	59
Access facility	19	4	1	1	1	1	—	4	31
Credit card	8	1	—	—	—	—	—	1	10
Balance as at 28 February 2023									
Gross loans and advances	50 319 503	9 803 384	1 951 210	1 763 891	2 201 601	1 917 476	1 914 684	12 424 995	82 296 744
Term loan	27 835 934	6 245 220	1 024 141	1 032 445	1 588 496	1 515 550	1 652 844	9 213 200	50 107 830
Access facility	16 598 589	3 018 016	848 324	553 867	484 618	401 926	261 840	2 291 196	24 458 376
Credit card	5 884 980	540 148	78 745	177 579	128 487	—	—	920 599	7 730 538
Provision for credit impairments (ECL) ⁽²⁾	(3 633 618)	(2 218 982)	(467 985)	(850 784)	(1 492 896)	(583 684)	(527 206)	(9 030 543)	(18 805 698)
Term loan	(1 854 723)	(1 062 608)	(168 714)	(498 255)	(1 102 794)	(451 474)	(441 433)	(6 650 351)	(12 230 352)
Access facility	(1 385 293)	(996 872)	(278 906)	(275 581)	(317 292)	(132 210)	(85 773)	(1 674 601)	(5 146 528)
Credit card	(393 602)	(159 502)	(20 365)	(76 948)	(72 810)	—	—	(705 591)	(1 428 818)
Net loans and advances	46 685 885	7 584 402	1 483 225	913 107	708 705	1 333 792	1 387 478	3 394 452	63 491 046
Term loan	25 981 211	5 182 612	855 427	534 190	485 702	1 064 076	1 211 411	2 562 849	37 877 478
Access facility	15 213 296	2 021 144	569 418	278 286	167 326	269 716	176 067	616 595	19 311 848
Credit card	5 491 378	380 646	58 380	100 631	55 677	—	—	215 008	6 301 720
ECL coverage (%)	7.2	22.6	24.0	48.2	67.8	30.4	27.5	72.7	22.9
Term loan	6.7	17.0	16.5	48.3	69.4	29.8	26.7	72.2	24.4
Access facility	8.3	33.0	32.9	49.8	65.5	32.9	32.8	73.1	21.0
Credit card	6.7	29.5	25.9	43.3	56.7	—	—	76.6	18.5
% of gross loan book	62	12	2	2	3	2	2	15	100
Term loan	34	8	1	1	2	2	2	11	61
Access facility	21	3	1	1	1	—	—	3	30
Credit card	7	1	—	—	—	—	—	1	9

⁽¹⁾ Comprises loans where the forward-looking information indicates a SICR trigger.

⁽²⁾ For agreements that contain both a drawn and undrawn component where the group cannot separately identify the ECL on the undrawn component, the ECL on the undrawn component is recognised with the ECL on the loan component. To the extent that the ECLs exceed the gross carrying amount of the loans at a client level, the excess is recognised as a provision in other liabilities in the statement of financial position. The loss allowance on the undrawn loan commitments of clients that have no outstanding balances is also recognised as a provision in other liabilities.

Notes to the condensed interim financial statements continued
6 months ended 31 August 2023

2. Net loans and advances continued

Retail bank continued

R'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL			Stage 3 Lifetime ECL				Total
	Up-to-date	Up-to-date loans with SICR and applied for debt review >6 months	Forward- looking SICR ⁽¹⁾	Up to 1 month in arrears	2 and 3 months in arrears	Resche- duled from up-to-date (not yet rehabi- litated)	Resche- duled from arrears (not yet rehabi- litated)	More than 3 months in arrears, legal statuses and applied for debt review <6 months	
Balance as at 31 August 2022									
Gross loans and advances	49 446 640	9 165 401	1 705 358	1 509 445	2 025 939	1 280 409	1 670 148	11 099 158	77 902 498
Term loan	29 462 495	6 166 522	1 112 948	983 014	1 581 569	1 265 433	1 599 419	8 784 067	50 955 467
Access facility	14 705 591	2 438 888	349 289	398 422	332 439	14 976	70 729	1 443 043	19 753 377
Credit card	5 278 554	559 991	243 121	128 009	111 931	—	—	872 048	7 193 654
Provision for credit impairments (ECL) ⁽²⁾	(4 884 712)	(1 928 569)	(390 014)	(750 588)	(1 385 428)	(362 253)	(411 589)	(8 185 766)	(18 298 919)
Term loan	(2 636 004)	(1 044 057)	(186 079)	(474 442)	(1 108 778)	(357 267)	(390 327)	(6 447 202)	(12 644 156)
Access facility	(1 773 796)	(717 899)	(133 170)	(220 344)	(212 512)	(4 986)	(21 262)	(1 041 522)	(4 125 491)
Credit card	(474 912)	(166 613)	(70 765)	(55 802)	(64 138)	—	—	(697 042)	(1 529 272)
Net loans and advances	44 561 928	7 236 832	1 315 344	758 857	640 511	918 156	1 258 559	2 913 392	59 603 579
Term loan	26 826 491	5 122 465	926 869	508 572	472 791	908 166	1 209 092	2 336 865	38 311 311
Access facility	12 931 795	1 720 989	216 119	178 078	119 927	9 990	49 467	401 521	15 627 886
Credit card	4 803 642	393 378	172 356	72 207	47 793	—	—	175 006	5 664 382
ECL coverage (%)	9.9	21.0	22.9	49.7	68.4	28.3	24.6	73.8	23.5
Term loan	9	17	17	48	70	28	24	73	25
Access facility	12	29	38	55	64	33	30	72	21
Credit card	9	30	29	44	57	—	—	80	21
% of gross loan book	63	12	2	2	3	2	2	14	100
Term loan	37	8	2	1	2	2	2	11	65
Access facility	19	3	—	1	1	—	—	2	26
Credit card	7	1	—	—	—	—	—	1	9

⁽¹⁾ Comprises loans where the forward-looking information indicates a SICR trigger.

⁽²⁾ For agreements that contain both a drawn and undrawn component where the group cannot separately identify the ECL on the undrawn component, the ECL on the undrawn component is recognised with the ECL on the loan component. To the extent that the ECLs exceed the gross carrying amount of the loans at a client level, the excess is recognised as a provision in other liabilities in the statement of financial position. The loss allowance on the undrawn loan commitments of clients that have no outstanding balances is also recognised as a provision in other liabilities.

2. Net loans and advances continued

Business bank

R'000	Stage 1 12-month ECL		Stage 2 Lifetime ECL				Stage 3 Lifetime ECL	Total	
	Up-to-date	Up to 1 month in arrears	Up-to- date loans SICR	Forward- looking SICR	2 and 3 months in arrears	Resche- duled from up-to-date (not yet rehabi- litated)	Resche- duled from arrears (not yet rehabi- litated)		More than 3 months in arrears, legal statuses and applied for business rescue liqui- dations
Balance as at 31 August 2023									
Gross loans and advances	12 718 410	103 356	348 869	415 300	53 601	379 869	107 808	1 203 749	15 330 962
Business loans	5 402 360	37 410	222 025	135 865	27 203	322 042	21 361	491 297	6 659 563
Mortgage loans	7 316 050	65 946	126 844	279 435	26 398	57 827	86 447	712 452	8 671 399
Provision for credit impairments (ECL) ⁽¹⁾⁽²⁾	(218 368)	(2 961)	(93 932)	(27 892)	(5 767)	(22 378)	(9 357)	(469 089)	(849 744)
Business loans	(150 056)	(2 123)	(84 361)	(13 328)	(4 326)	(18 077)	(4 755)	(294 687)	(571 713)
Mortgage loans	(68 312)	(838)	(9 571)	(14 564)	(1 441)	(4 301)	(4 602)	(174 402)	(278 031)
Net loans and advances	12 500 042	100 395	254 937	387 408	47 834	357 491	98 451	734 660	14 481 218
Business loans	5 252 304	35 287	137 664	122 537	22 877	303 965	16 606	196 610	6 087 850
Mortgage loans	7 247 738	65 108	117 273	264 871	24 957	53 526	81 845	538 050	8 393 368
ECL coverage (%) ⁽³⁾	1.7	2.9	26.9	6.7	10.8	5.9	8.7	39.0	5.5
Business loans	2.8	5.7	38.0	9.8	15.9	5.6	22.3	60.0	8.6
Mortgage loans	0.9	1.3	7.5	5.2	5.5	7.4	5.3	24.5	3.2
% of gross loan book	83	1	2	3	—	2	1	8	100
Business loans	35	—	1	1	—	2	—	3	42
Mortgage loans	48	1	1	2	—	—	1	5	58
Balance as at 28 February 2023									
Gross loans and advances	11 567 319	78 040	401 238	264 536	71 546	346 469	98 749	1 054 591	13 882 488
Business loans	4 666 768	26 461	216 707	133 379	21 483	312 788	27 298	422 762	5 827 646
Mortgage loans	6 900 551	51 579	184 531	131 157	50 063	33 681	71 451	631 829	8 054 842
Provision for credit impairments (ECL) ⁽¹⁾⁽²⁾	(179 438)	(1 304)	(93 574)	(28 285)	(6 963)	(17 179)	(11 509)	(371 706)	(709 958)
Business loans	(150 306)	(1 002)	(79 501)	(20 197)	(3 229)	(14 511)	(6 454)	(227 201)	(502 401)
Mortgage loans	(29 132)	(302)	(14 073)	(8 088)	(3 734)	(2 668)	(5 055)	(144 505)	(207 557)
Net loans and advances	11 387 881	76 736	307 664	236 251	64 583	329 290	87 240	682 885	13 172 530
Business loans	4 516 462	25 459	137 206	113 182	18 254	298 277	20 844	195 561	5 325 245
Mortgage loans	6 871 419	51 277	170 458	123 069	46 329	31 013	66 396	487 324	7 847 285
ECL coverage (%) ⁽³⁾	1.6	1.7	23.3	10.7	9.7	5.0	11.7	35.2	5.1
Business loans	3.2	3.8	36.7	15.1	15.0	4.6	23.6	53.7	8.6
Mortgage loans	0.4	0.6	7.6	6.2	7.5	7.9	7.1	22.9	2.6
% of gross loan book	83	1	3	2	—	2	1	8	100
Business loans	34	—	2	1	—	2	—	3	42
Mortgage loans	49	1	1	1	—	—	1	5	58

⁽¹⁾ For agreements at a client level that contain both a drawn and an undrawn component, the combined ECL is recognised with the loan component. To the extent that the combined ECL exceeds the gross carrying amount, the excess is recognised as a provision.

⁽²⁾ Business bank accepts collateral for secured funds advanced and this decreases the ECL.

⁽³⁾ The ECL coverage ratio is calculated before rounding, as derived from the unaudited condensed financial statements.

2. Net loans and advances continued

Business bank continued

R'000	Stage 1 12-month ECL		Stage 2 Lifetime ECL				Stage 3 Lifetime ECL	Total	
	Up-to-date	Up to 1 month in arrears	Up-to- date loans SICR	2 and 3 months in arrears	Resche- duled from up-to-date (not yet rehabi- litated)	Resche- duled from arrears (not yet rehabi- litated)	COVID-19 resche- dules ⁽¹⁾		More than 3 months in arrears, legal statuses and applied for business rescue liqui- dations
Balance as at 31 August 2022									
Gross loans and advances	10 471 745	74 220	374 819	34 367	141 491	110 588	463 130	900 994	12 571 354
Business loans	4 115 473	17 315	203 072	13 491	139 646	16 182	272 045	337 641	5 114 865
Mortgage loans	6 356 272	56 905	171 747	20 876	1 845	94 406	191 085	563 353	7 456 489
Provision for credit impairments (ECL) ⁽²⁾⁽³⁾	(186 268)	(527)	(88 713)	(4 609)	(20 330)	(10 963)	(70 965)	(261 141)	(643 516)
Business loans	(163 272)	(409)	(72 225)	(3 584)	(20 164)	(2 326)	(55 396)	(179 429)	(496 805)
Mortgage loans	(22 996)	(118)	(16 488)	(1 025)	(166)	(8 637)	(15 569)	(81 712)	(146 711)
Net loans and advances	10 285 477	73 693	286 106	29 758	121 161	99 625	392 165	639 853	11 927 838
Business loans	3 952 201	16 906	130 847	9 907	119 482	13 856	216 649	158 212	4 618 060
Mortgage loans	6 333 276	56 787	155 259	19 851	1 679	85 769	175 516	481 641	7 309 778
ECL coverage (%) ⁽⁴⁾	1.8	0.7	23.7	13.4	14.4	9.9	15.3	29.0	5.1
Business loans	4.0	2.4	35.6	26.6	14.4	14.4	20.4	53.1	9.7
Mortgage loans	0.4	0.2	9.6	4.9	9.0	9.1	8.1	14.5	2.0
% of gross loan book	83	1	3	—	1	1	4	7	100
Business loans	33	—	2	—	1	—	2	3	41
Mortgage loans	50	1	1	—	—	1	2	4	59

⁽¹⁾ COVID-19-related reschedules prior to the Prudential Authority Directive 3 of 2020 were treated as stage 3 in terms of the existing policy. From 6 April 2020 to 19 July 2020, up-to-date loans that were rescheduled and met SICR criteria and have not yet rehabilitated or defaulted were classified as stage 2 COVID-19-related reschedules.

⁽²⁾ For agreements at a client level that contain both a drawn and an undrawn component, the combined ECL is recognised with the loan component. To the extent that the combined ECL exceeds the gross carrying amount, the excess is recognised as a provision.

⁽³⁾ Business bank accepts collateral for secured funds advanced and this decreases the ECL.

⁽⁴⁾ The ECL coverage ratio is calculated before rounding, as derived from the unaudited condensed financial statements.

3. Commitments and contingent liabilities

R'000	August 2023	August 2022	August 2023/2022 %	Year ended February 2023
Capital commitments – approved by the board				
Contracted for:				
Property and equipment ⁽¹⁾	507 471	141 419	>100	672 328
Intangible assets	15 097	45 002	(66)	2 451
Not contracted for:				
Property and equipment	411 476	342 372	20	1 034 140
Intangible assets	86 557	132 186	(35)	150 669
Total capital commitments	1 020 601	660 979	54	1 859 588
Loan commitments – gross of loss allowances⁽²⁾				
Retail bank loan commitments				
– off-balance sheet				
Access facility	15 010 987	14 590 250	3	15 799 468
Credit card	12 541 915	12 656 773	(1)	13 710 124
	2 469 072	1 933 477	28	2 089 344
Business bank loan commitments				
– off-balance sheet				
Bonds	341 146	237 680	44	303 706
Credit card	254 037	154 808	64	219 907
	87 109	82 872	5	83 799
Guarantees – Business bank	728 224	773 010	(6)	771 397
Letters of credit – Business bank	7 029	11 398	(38)	32 229
Total loan commitments, guarantees and letters of credit	16 087 386	15 612 338	3	16 906 800

⁽¹⁾ Included in the February 2023 amount is property amounting to R400 million.

⁽²⁾ For agreements that contain both a drawn and undrawn component where the group cannot separately identify the ECL on the undrawn component, the ECL on the undrawn component is recognised with the ECL on the loan component. To the extent that the ECLs exceed the gross carrying amount of the loans at a client level, the excess is recognised as a provision in other liabilities in the statement of financial position. The loss allowance on the undrawn loan commitments of clients that have no outstanding balances is also recognised as a provision in other liabilities.

4. Fair value hierarchy and classification of financial assets and liabilities

Determination of fair values and valuation process

Fair values are market-based, calculated first with reference to observable inputs available in the market, then less observable inputs and finally, unobservable inputs only where observable inputs or less observable inputs are unavailable.

Fair values are calculated consistently with the unit of account used for the measurement of the asset or liability in the statement of financial position and income statement and assume an orderly market on a going concern basis.

The group's finance department performs the valuations of financial assets and liabilities required for financial reporting purposes. Selecting the most appropriate valuation methods and techniques is an outcome of internal discussion and deliberation between members of the finance team who have modelling and valuation experience. The valuations are reported to the CFO and audit committee. Changes in fair values are analysed at each reporting date.

Hierarchy of fair value of financial instruments

The hierarchy is based on the extent to which the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the group's assessment of what inputs would likely be from the perspective of the market. The group first considers relevant and observable market inputs where these are available. Unobservable inputs are used in the absence of observable inputs. The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1, 2 and 3 during the year.

The fair value hierarchy is applied to both those assets and liabilities measured at FVTPL and those measured using amortised cost.

The table below summarises the classification of financial assets and financial liabilities and their fair values.

R'000	August 2023	August 2022	Year ended February 2023	Hierarchy of valuation technique
Financial assets				
Cash and cash equivalents	25 623 312	26 591 619	31 003 228	Level 2
Financial assets at FVTPL	279 890	—	301 657	Level 2
Term deposit investments	1 308 398	3 317 147	3 628 162	Level 2
Financial investments at amortised cost	73 758 338	63 191 442	60 389 592	Level 2
Financial assets – equity instruments at FVOCI	74 413	73 317	73 880	Level 3
Net loans and advances – Term loans	35 540 681	38 349 289	36 985 485	Level 3
Net loans and advances – Access facility	21 243 270	17 535 370	20 756 330	Level 3
Net loans and advances – Credit card	7 295 926	6 158 445	6 684 358	Level 3
Net loans and advances – Business	7 879 018	4 782 245	5 472 590	Level 3
Net loans and advances – Mortgage	8 462 518	7 332 891	7 876 719	Level 3
Other receivables	6 513 622	4 376 137	4 547 191	Level 2
Derivative assets	27 601	26 280	33 555	Level 2
Group loan receivable	1 495 075	1 257 563	1 438 296	
Financial liabilities				
Deposits and bonds	154 612 378	141 553 775	146 695 026	Level 2
Derivative liabilities	20 253	25 988	23 683	Level 2
Trade and other payables	3 286 660	2 160 617	2 438 924	Level 2

5. Segment information

Operating segments are identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision-maker (CODM) in order to allocate resources to the segments and to assess their performance. The group executive management committee, headed by the chief executive officer (CEO), has been identified as the CODM, which is responsible for assessing the performance of and allocating resources to the segments.

The CODM identified 2 operating segments within the South African economic environment for 2024 – Retail bank and Business bank. The business is widely distributed with no reliance on any major clients. In addition, no client accounts for more than 10% of revenue.

The CODM regularly reviews the operating results of the Retail bank and Business bank for which discrete financial information is made available on a monthly basis and against which performance is measured and resources are allocated across the segments.

Within the segments are a number of products and services from which the group derives its revenue. These include:

Retail bank

- Transactional banking services
- Loan products that are granted to Retail bank clients. There are 3 different loan products granted, namely term loans, credit cards and access facilities
- Flexible, fixed and tax-free savings accounts
- Value-added services including enabling clients to purchase prepaid mobile network services, electricity, national lottery tickets and vouchers and the ability to pay bills on the banking application
- Capitec Connect, a mobile virtual network operator using the mobile network infrastructure of Cell C, offering its own products and services.

Business bank

- Loan products that are granted to Business bank clients. There are 2 categories of loans, namely mortgage loans and business loans. Business loans include term loans, overdrafts, instalment sales, leases and credit cards
- Call and notice deposits
- Treasury products that comprise foreign exchange spot trades and foreign exchange forward contracts.

Notes to the condensed interim financial statements continued
6 months ended 31 August 2023

5. Segment information continued

R'000	August 2023			August 2022		
	Retail bank	Business bank	Total	Retail bank	Business bank	Total
Interest and similar income						
Interest income	11 550 962	1 161 608	12 470 536	9 346 380	702 915	9 888 340
Interest income on lending calculated using the effective interest rate ⁽³⁾	7 993 361	865 669	8 859 030	6 819 522	531 799	7 351 321
Interest income on investments calculated using the effective interest rate ⁽¹⁾⁽²⁾⁽³⁾	3 236 236	295 939	3 290 141	2 526 858	171 116	2 537 019
Interest income on financial assets at FVTPL	321 365	—	321 365	—	—	—
Interest expense ⁽¹⁾⁽²⁾	(4 233 324)	(528 184)	(4 519 474)	(2 922 310)	(309 880)	(3 071 235)
Net interest income	7 317 638	633 424	7 951 062	6 424 070	393 035	6 817 105
Non-interest income						
Loan fee income	599 301	361	599 662	528 605	3 882	532 487
Loan fee expense	(5 864)	(10)	(5 874)	(11 308)	(17)	(11 325)
Net loan fee income	593 437	351	593 788	517 297	3 865	521 162
Transaction fee and commission income⁽³⁾	8 995 400	746 195	9 706 892	7 350 571	713 791	7 989 004
Branch, cash and self-service transactions	3 802 882	7 440	3 810 322	2 984 030	5 366	2 989 396
Digital transactions	897 815	42 213	940 028	931 284	29 207	960 491
Monthly fees, debit orders and other transactions ⁽¹⁾	3 538 400	267 130	3 798 827	2 073 906	300 733	2 299 281
POS transactions ⁽¹⁾⁽⁴⁾	126 358	73 874	172 232	910 986	23 460	934 446
Commission income	629 945	355 538	985 483	450 365	355 025	805 390
Transaction fee and commission expense⁽³⁾	(2 496 098)	(328 287)	(2 796 385)	(2 141 696)	(317 333)	(2 432 338)
Branch, cash and self-service transactions	(1 618 135)	(254)	(1 618 389)	(1 372 176)	(234)	(1 372 410)
Digital transactions	(267 017)	(11 965)	(278 982)	(129 855)	(167 085)	(296 940)
Monthly fees, debit orders and other transactions ⁽¹⁾	(468 270)	(137 495)	(605 765)	(419 314)	(136 678)	(555 992)
POS transactions ⁽¹⁾⁽⁴⁾	(108 109)	(178 573)	(258 682)	(188 438)	(13 336)	(175 083)
Commission expense	(34 567)	—	(34 567)	(31 913)	—	(31 913)
Net transaction and commission income	6 499 302	417 908	6 910 507	5 208 875	396 458	5 556 666
Foreign currency income	—	257 325	257 325	—	258 317	258 317
Foreign currency expense	—	(174 983)	(174 983)	—	(180 105)	(180 105)
Net foreign currency income	—	82 342	82 342	—	78 212	78 212
Other income/(expense)	62 406	760	63 166	36 754	(4 770)	31 984
Net non-interest income	7 155 145	501 361	7 649 803	5 762 926	473 765	6 188 024
Income from operations	14 472 783	1 134 785	15 600 865	12 186 996	866 800	13 005 129
Credit impairments	(4 598 170)	(114 265)	(4 712 435)	(2 846 728)	(62 468)	(2 909 196)
Net income	9 874 613	1 020 520	10 888 430	9 340 268	804 332	10 095 933
Operating expenses ⁽¹⁾⁽²⁾	(1 499 912)	(114 046)	(1 607 255)	(1 384 081)	(97 663)	(1 433 077)
IT expenses ⁽³⁾⁽⁵⁾	(799 409)	(62 906)	(862 315)	(602 298)	(45 303)	(647 601)
Employee costs ⁽³⁾	(2 883 568)	(459 525)	(3 343 093)	(2 747 261)	(362 659)	(3 109 920)
Depreciation	(533 398)	(34 012)	(567 410)	(478 908)	(35 954)	(514 862)
Amortisation	(55 047)	(9 105)	(64 152)	(58 287)	(7 282)	(65 569)
Amortisation of intangible assets – core deposits and client relationships ⁽¹⁾	—	—	(7 072)	—	—	(7 091)
Operating profit before tax⁽¹⁾	4 103 279	340 926	4 437 133	4 069 433	255 471	4 317 813
Income tax expense	(1 102 447)	(92 050)	(1 194 497)	(1 148 610)	(71 726)	(1 220 336)
Tax on the amortisation of intangibles ⁽¹⁾	—	—	1 909	—	—	1 986
Profit for the period⁽¹⁾	3 000 832	248 876	3 244 545	2 920 823	183 745	3 099 463
Assets						
Net loans and advances	62 893 476	14 481 217	77 374 694	59 603 579	11 927 838	71 531 417
Other ⁽²⁾	115 716 566	10 048 082	118 976 409	105 658 023	6 970 736	108 466 729
Acquisition of Mercantile	—	—	894 020	—	—	908 068
Goodwill ⁽¹⁾	—	—	849 487	—	—	849 487
Intangible asset – core deposit intangible ⁽¹⁾	—	—	36 521	—	—	48 042
Intangible asset – client relationships ⁽¹⁾	—	—	8 012	—	—	10 539
Total assets⁽¹⁾⁽²⁾	178 610 042	24 529 299	197 245 123	165 261 602	18 898 574	180 906 214

⁽¹⁾ Consolidation entries not included in either segment.

⁽²⁾ The Retail and Business bank assets include an amount of R7.2 billion (August 2022: R4.5 billion) in investments that eliminates against liabilities at a group level. Interest on the investments amounted to R240 million (August 2022: R157 million) and is disclosed in Retail bank interest expense and Business bank interest on investments.

⁽³⁾ Interest income, transaction fee and commission income and expenses, as well as operating expenses have been further disaggregated in line with the JSE's report on the proactive monitoring of financial statements recommendations.

⁽⁴⁾ Point-of-sale transactions.

⁽⁵⁾ Information technology expense.

5. Segment information continued

R'000	Year ended February 2023		
	Retail bank	Business bank	Total
Interest and similar income			
Interest income	19 821 209	1 663 834	21 097 665
Interest income on lending calculated using the effective interest rate ⁽³⁾	13 973 208	1 231 229	15 204 437
Interest income on investments calculated using the effective interest rate ⁽¹⁾⁽²⁾⁽³⁾	5 439 134	432 605	5 484 361
Interest income on financial assets at FVTPL	408 867	—	408 867
Interest expense ⁽¹⁾⁽²⁾	(6 622 095)	(758 929)	(6 993 646)
Net interest income	13 199 114	904 905	14 104 019
Non-interest income			
Loan fee income	1 083 119	4 668	1 087 787
Loan fee expense	(9 484)	390	(9 094)
Net loan fee income	1 073 635	5 058	1 078 693
Transaction fee and commission income⁽³⁾			
Branch, cash and self-service transactions	6 722 812	11 386	6 734 198
Digital transactions	2 183 933	66 645	2 250 578
Monthly fees, debit orders and other transactions ⁽¹⁾	3 388 093	476 883	3 804 873
POS transactions ⁽¹⁾⁽⁴⁾	2 005 275	149 738	2 099 598
Commission income	935 003	733 465	1 668 468
Transaction fee and commission expense⁽³⁾	(4 508 724)	(647 329)	(5 100 638)
Branch, cash and self-service transactions	(2 859 030)	(488)	(2 859 518)
Digital transactions	(286 284)	(28 789)	(315 073)
Monthly fees, debit orders and other transactions ⁽¹⁾	(936 109)	(265 360)	(1 201 469)
POS transactions ⁽¹⁾⁽⁴⁾	(376 547)	(352 692)	(673 824)
Commission expense	(50 754)	—	(50 754)
Net transaction and commission income	10 726 392	790 788	11 457 077
Foreign currency income	—	494 778	494 778
Foreign currency expense	—	(332 348)	(332 348)
Net foreign currency income	—	162 430	162 430
Other income/(expense)	22 978	(6 453)	16 525
Net non-interest income	11 823 005	951 823	12 714 725
Income from operations	25 022 119	1 856 728	26 818 744
Credit impairments	(6 120 321)	(134 189)	(6 254 510)
Net income	18 901 798	1 722 539	20 564 234
Operating expenses ⁽¹⁾⁽³⁾	(3 487 752)	(186 516)	(3 614 165)
IT expenses ⁽³⁾⁽⁵⁾	(799 326)	(55 099)	(854 425)
Employee costs ⁽³⁾	(5 237 611)	(887 390)	(6 125 001)
Depreciation	(939 573)	(70 638)	(1 010 211)
Amortisation	(113 716)	(13 046)	(126 762)
Amortisation of intangible assets – core deposits and client relationships ⁽¹⁾	—	—	(14 067)
Operating profit before tax⁽¹⁾	8 323 820	509 850	8 819 603
Income tax expense	(2 357 805)	(142 758)	(2 500 563)
Tax on the amortisation of intangibles ⁽¹⁾	—	—	3 798
Profit for the period⁽¹⁾	5 966 015	367 092	6 322 838

⁽¹⁾ Consolidation entries not included in either segment.

⁽²⁾ The Retail and Business bank assets include an amount of R5.6 billion in investments that eliminates against liabilities at a group level. Interest on the investment amounted to R382 million and is disclosed in Retail bank interest expense and Business bank interest on investments.

⁽³⁾ Interest income, transaction fee and commission income and expenses, as well as operating expenses have been further disaggregated in line with the JSE's report on the proactive monitoring of financial statements recommendations.

⁽⁴⁾ Point-of-sale transactions.

⁽⁵⁾ Information technology expense.

5. Segment information continued

R'000	Year ended February 2023		
	Retail bank	Business bank	Total
Assets			
Net loans and advances	63 491 046	13 172 530	76 663 576
Other ⁽²⁾	107 726 753	8 049 840	110 663 576
Acquisition of Mercantile	—	—	901 092
Goodwill ⁽¹⁾	—	—	849 487
Intangible asset – core deposit intangible ⁽¹⁾	—	—	42 321
Intangible asset – client relationships ⁽¹⁾	—	—	9 284
Total assets⁽¹⁾⁽²⁾	171 217 800	21 222 369	188 228 244

⁽¹⁾ Consolidation entries not included in either segment.

⁽²⁾ The Retail and Business bank assets include an amount of R5.6 billion in investments that eliminates against liabilities at a group level. Interest on the investment amounted to R382 million and is disclosed in Retail bank interest expense and Business bank interest on investments.

Statutory and contact information

Capitec Bank Limited

Registration number: 1980/003695/06
Incorporated in the Republic of South Africa
Company code: BICAP
Stock code: CBL29
ISIN code: ZAG000158874
Stock code: CBL30
ISIN code: ZAG000180977
Stock code: CBL31
ISIN code: ZAG000191933

Directors

SL Botha (*chairman*)
GM Fourie (*CEO*)⁽¹⁾
NF Bhattay (appointed on 7 September 2023)
Z Bulbulia (appointed on 28 March 2023 and resigned effective 24 April 2023)
SA du Plessis
N Ford-Hoon (appointed on 7 September 2023)
GR Hardy (*CFO*)⁽¹⁾
MS du Pré le Roux
V Mahlangu
TE Mashilwane (resigning effective 30 September 2023)
NS Mashiya (*executive: risk management*)⁽¹⁾
(resigned effective 31 March 2023)
DP Meintjes (resigned effective 26 May 2023)
PJ Mouton
CA Otto
JP Verster

⁽¹⁾ Executive

Company secretary and registered office

YM Mouton
5 Neutron Road, Techno Park, Stellenbosch, 7600

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