

Capitec Bank

Financial results

February 2024



hello 

Please send any questions to InvestorRelations@capitecbank.co.za
Questions will be answered at the end of the presentation.

Evolved into a diversified financial services group

Driven by continued investment for future growth

R6.3 billion invested over the past 3 years

Re-platformed our IT systems for stability, agility and scale
Migrated data platform and systems to AWS cloud
Developed innovative payment solutions
Built 3 new businesses

Retail Banking
R7.0 billion (+17%)

*Profit after tax
including net income from
strategic initiatives*

Strategic focus

- Be the leading digital bank in SA
- Optimise client value to its full potential
- Agile credit risk management
- Maintain a strong service culture
- Leverage 846 branch network

Strategic Initiatives
R2.9 billion (+93%)

Net income contribution

Strategic focus

- Value-Added Services (VAS)
- Live Better benefits
- Capitec Connect
- Capitec Pay
- Digital wallets

Insurance
R3.1 billion (+12%)

Profit after tax

Strategic focus

- Optimise potential with own license
- Build own systems
- Exit Sanlam partnership
- Develop new products

Business Banking
R0.5 billion (+23%)

Profit after tax

Strategic focus

- Build a new digital banking platform
- Launch app and online
- Move to cloud solutions
- Rebrand: Capitec Business

Capitec Group - Consolidated income statement

Double-digit growth in headline earnings attributable to the diversification of our income streams

R' million	Feb 24	Feb 23	YoY Change	H2 2024	H1 2024	H2 vs H1 Change
Net interest income	16 464	14 206	16%	8 446	8 018	5%
Credit impairment charge	(8 725)	(6 329)	38%	(3 964)	(4 761)	(17)%
Net interest income after credit impairments	7 739	7 877	(2)%	4 482	3 257	38%
Net transaction and commission income (incl. VAS)	14 787	11 461	29%	7 874	6 913	14%
Total net insurance income	3 178	2 685	18%	1 630	1 548	5%
Other income (incl. monthly fees, forex and sundry income)	1 614	1 399	15%	861	753	14%
Net non-interest income	19 579	15 545	26%	10 365	9 214	12%
Income from operations after credit impairments	27 318	23 422	17%	14 847	12 471	19%
Operating expenses	(13 941)	(11 877)	17%	(7 334)	(6 607)	11%
Taxation	(2 881)	(2 492)	16%	(1 684)	(1 197)	41%
Other items and headline earnings adjustments ¹	82	100	(18)%	52	30	73%
Headline earnings	10 578	9 153	16%	5 881	4 697	25%

¹ Includes our share of net profit of associates and JVs, preference dividends, the discount on repurchase of preference shares and other headline earnings adjustments

Capitec Group - Key performance indicators

Diversified income, robust balance sheet growth and strong capital position maintained

	Feb 24	Feb 23	Feb 22
Profitability:			
Net non-interest income to income from operations after credit impairments (%)	72	66	61
Cost-to-income (%)	39	40	47
Return on equity (%)	26	25	26
Balance sheet:			
Gross loans and advances (R' billion)	103.0	97.8	84.1
Deposits and wholesale funding (R' billion)	156.0	146.5	134.5
Net asset value per share (Rand)	37.6	32.8	30.9
Credit book quality:			
Credit loss ratio (%) – Retail bank	10.1	8.0	4.9
Credit loss ratio (%) – Business bank	1.9	1.5	1.5
Capital position:			
Capital adequacy ratio (CAR) (%)	36	34	36

Retail bank

SA's leading digital and personal bank

Client profile change over the past 3 years

More affluent clients that do more digital transactions

Key shifts in client profile

- **6 million** clients acquired
- Clients with **inflows >R15 000** increased 61% to 2.9 million
- **Spend on app** has grown 95% and is now 45% of a clients' total spend
- **Cash reduced** from 24% to 17% of total value spent
- Clients are making 3.5 times more **online purchases** than in 2021



Top online retailers

- **Top online shopping:**
Shein and Takealot
- **Top delivery:**
Checkers Sixty60 and MrD
- **Top entertainment:**
Netflix and Showmax
- **Top transport:**
Bolt and Uber

Active clients increased by 10% to 22 million in FY2024

Clients with inflows over R15 000 grew by 17% to 2.9 million

Active app clients

11.2 million (up 19%)

Fully banked

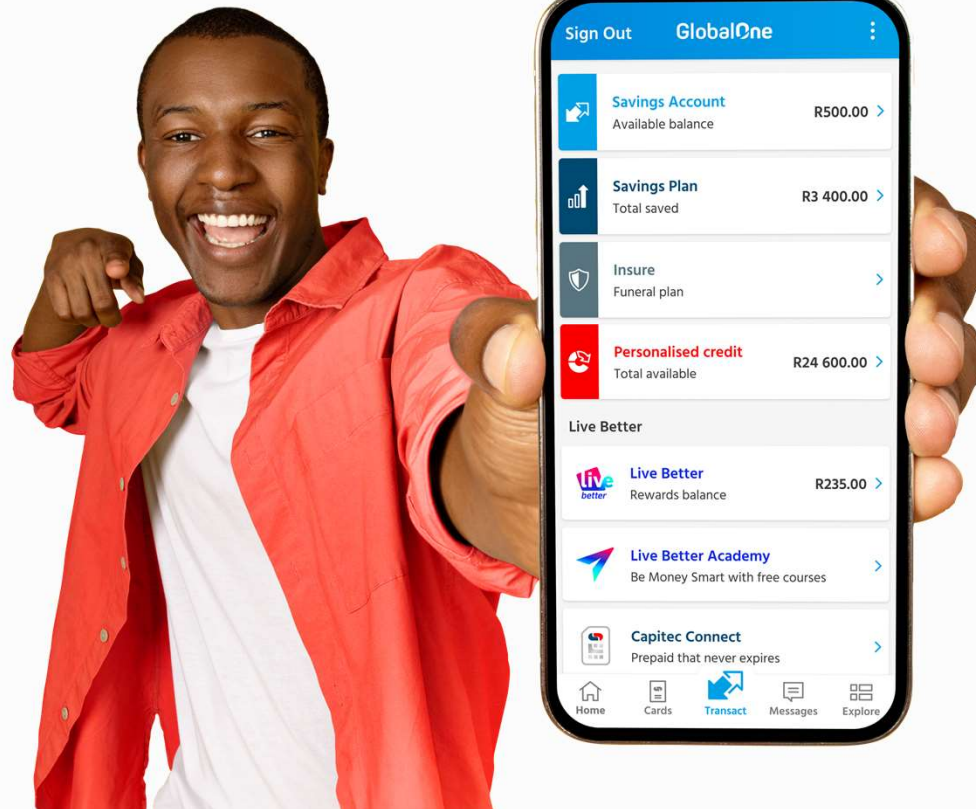
7.8 million (up 13%)

Savings clients

8.5 million (up 12%)

Credit clients

1.4 million (up 8%)



Funeral plan clients

2.7 million (up 23%)

VAS clients

9.8 million (up 17%)

Capitec Pay clients

4.6 million in less than a year

PayShap clients

1.7 million registrations

Leader in personal service and digital banking

83% of all financial transactions are now cashless

Personal Service

Branch service

- Total branches: 846 (+2%)
- One-on-one consultations: 38.7 million (-12%)
- Self-service transactions: 43.0 million (+39%)

Cash availability

- Cash devices (ATMs and DNRs): 8 382 (+6%)
- Volumes: 580 million (+3%)

Chat based service support

- 65% of agent support provided via WhatsApp or social chat channels in Feb 24 (Feb 23: 9%)

Digital Banking

Client engagement

- Over 40 million messages per month on App, WhatsApp, SMS and E-mail

Capitec App

- 1.7 billion financial transactions (+49%)
- 45% of total spend on the app

Electronic payments

- 2.4 billion card payments (+32%)
- Launched Capitec Pay – pioneering payments API
- Over R1.6 billion spend on payment wallets in Feb 24
- Launched Payshap and achieved over 60% market share

Provides access to over 2 trillion data points

SA's biggest banking app

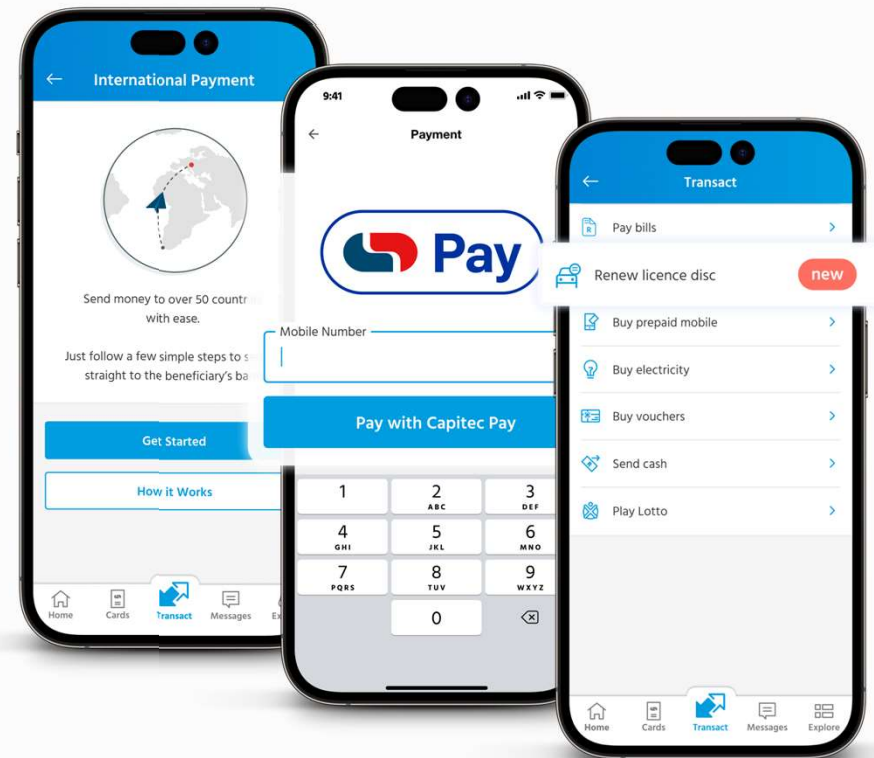
28% of South Africans over the age of 18 bank on our app every month

Why clients love it

- Most popular banking app in SA
- Single app for personal and business banking
- Open an account for free in minutes with just a selfie
- Over 70 features that clients need the most
- In-app messaging and next-best actions
- Innovative fraud prevention and education build trust

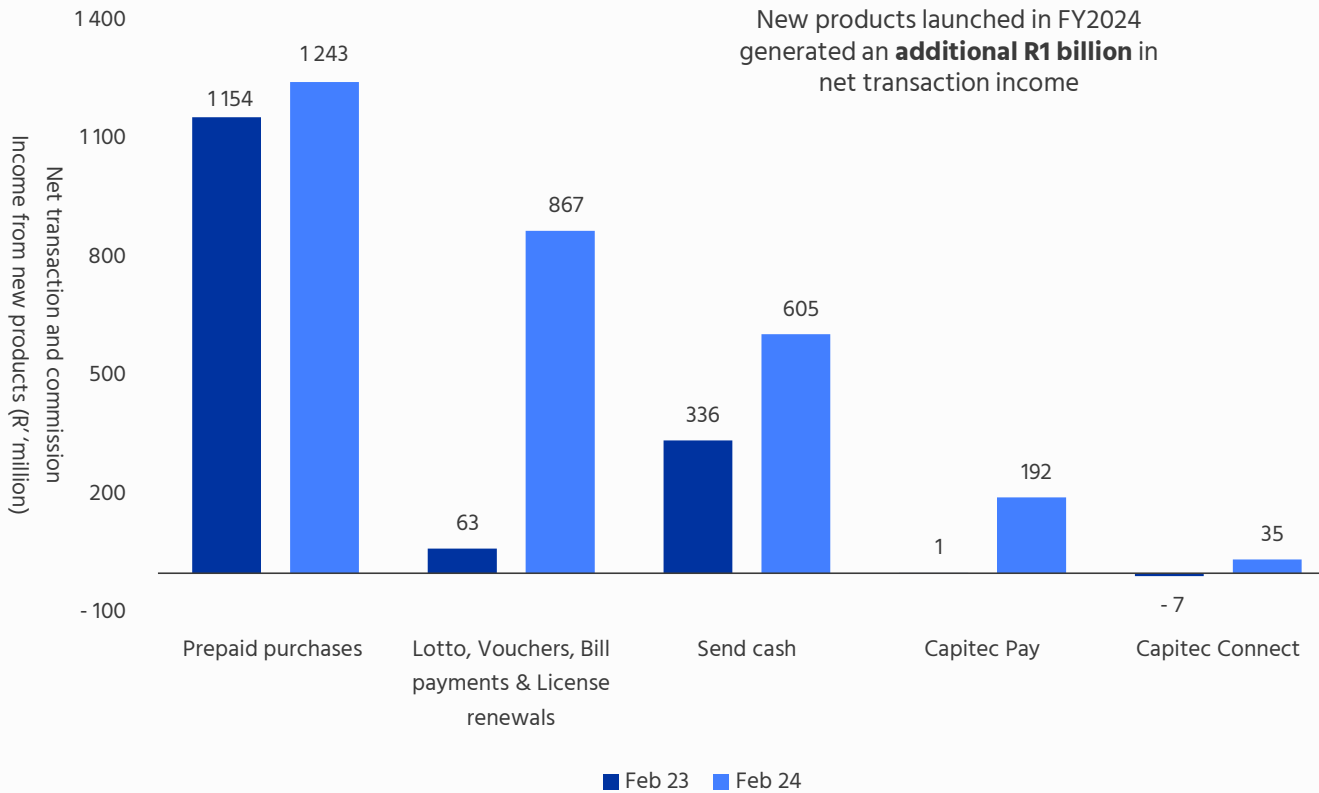
How clients use it

- 181 000 new app clients per month
- Over 11 million logins per day (nearly 500 000 per hour)
- More than 3.4 billion transactions per year (+55%)
- 5 500 transactions per second on peak days
- More than R1.2 trillion processed in FY2024 (+28%)



New digital products drove income growth

Net income from digital products grew 90% to R2.9 billion, whilst volumes increased by 30%



New products

- Vouchers
- Bill payments
- Capitec Pay
- License disk renewals (Feb 24)

Market share per product

- Prepaid electricity: 26%
- Prepaid airtime and data: 39%
- Bill payments: 34%
- Lotto: 15%

Credit

Economy

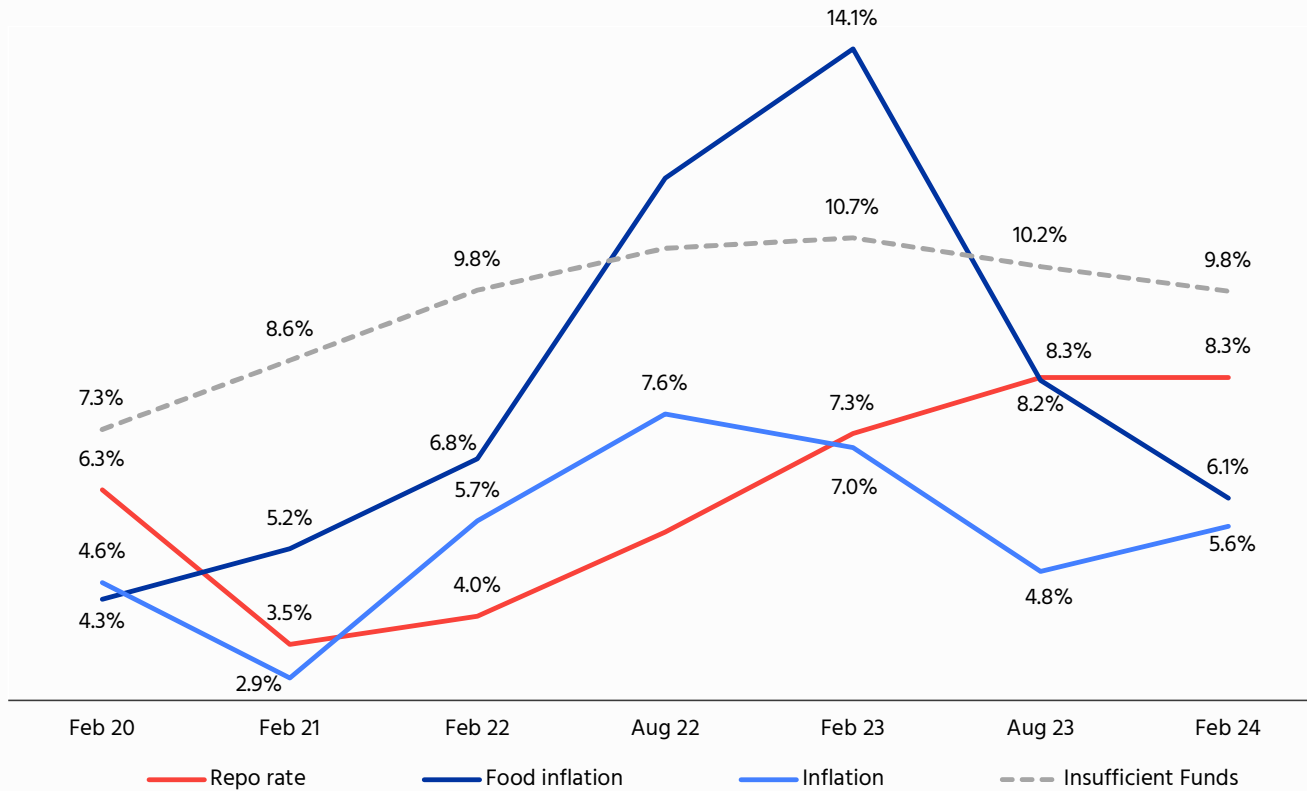
Our response

Results

Diversification

Economy - Pressure on wallets easing

Client cashflow strain statistics shows improvement over the last six months

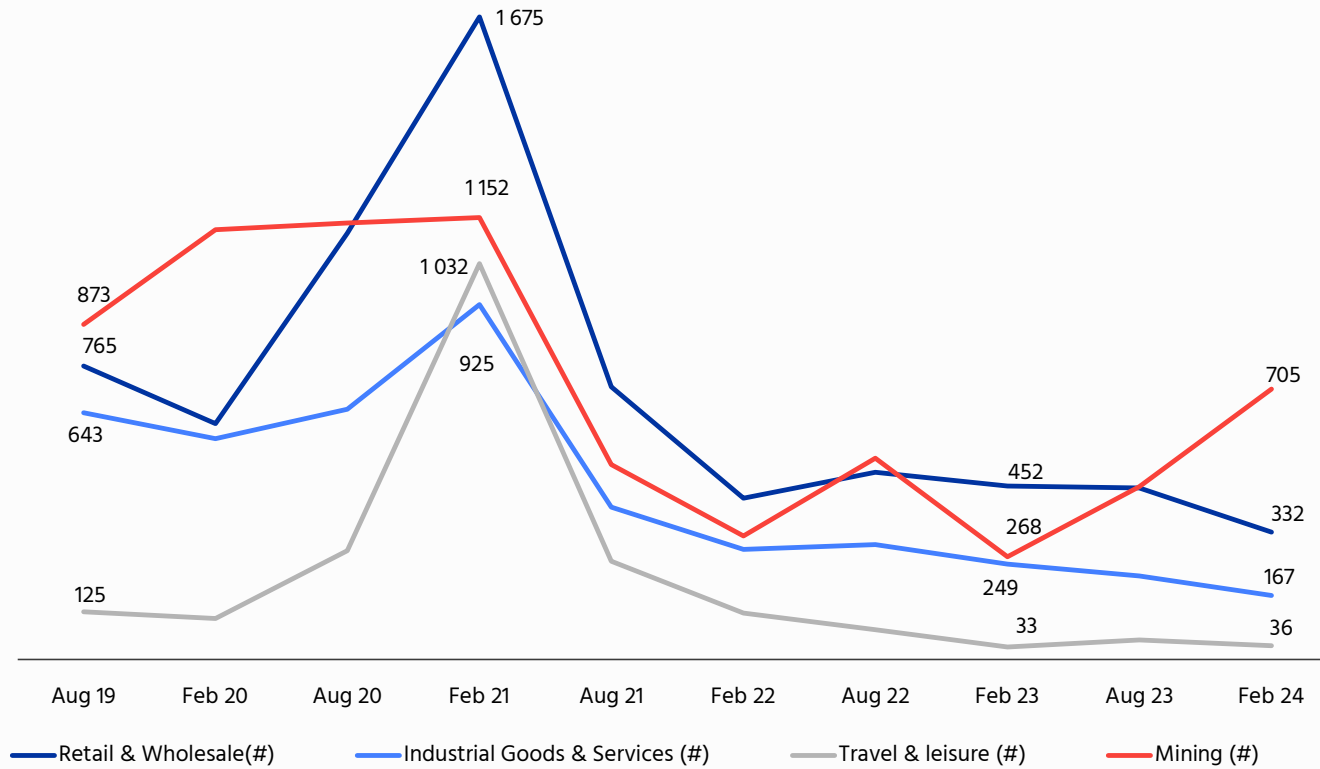


Looking ahead:

- Higher petrol price maintained
- Rand depreciating against major foreign currencies
- Middle East uncertainty

Economy - Mixed employment stability

Retrenchments remain lower than pre-Covid, with strain in mining industry increasing



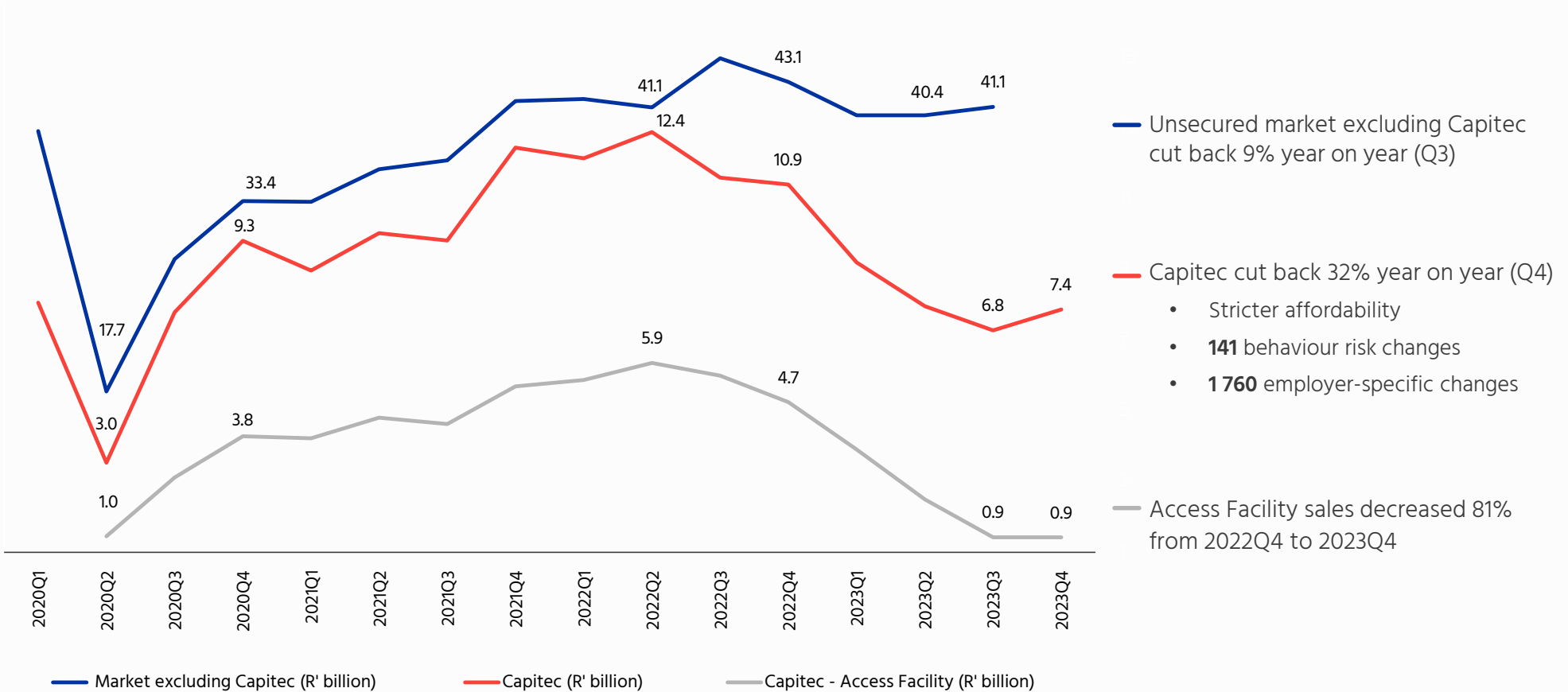
Looking ahead:

- Improving port congestion
- Improving electricity production

Source: Number of retrenchments based on retrenchment claims made against credit insurance

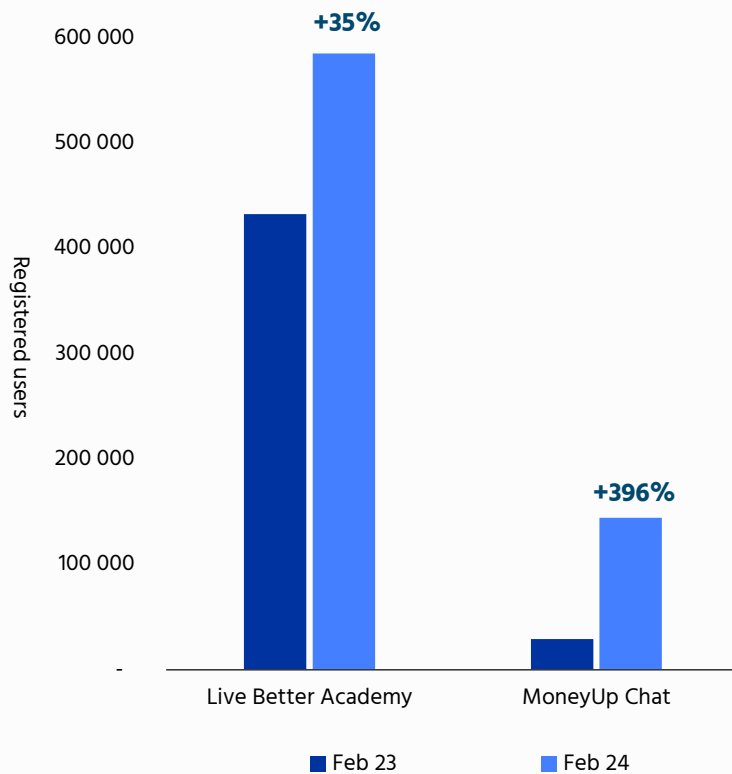
Economy - Quarterly unsecured credit sales

Agile credit decisioning, staying ahead of the curve

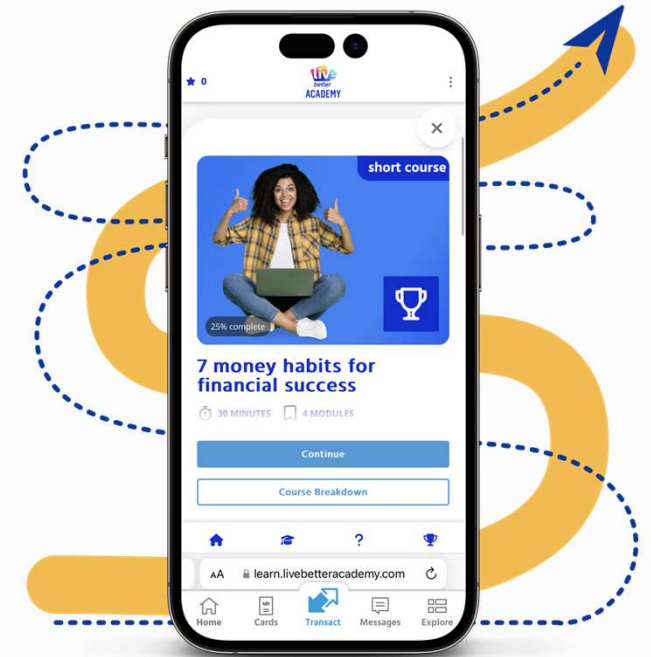


Our Response - Financial Education

Digital education platforms deliver learning experiences to 730 000 people

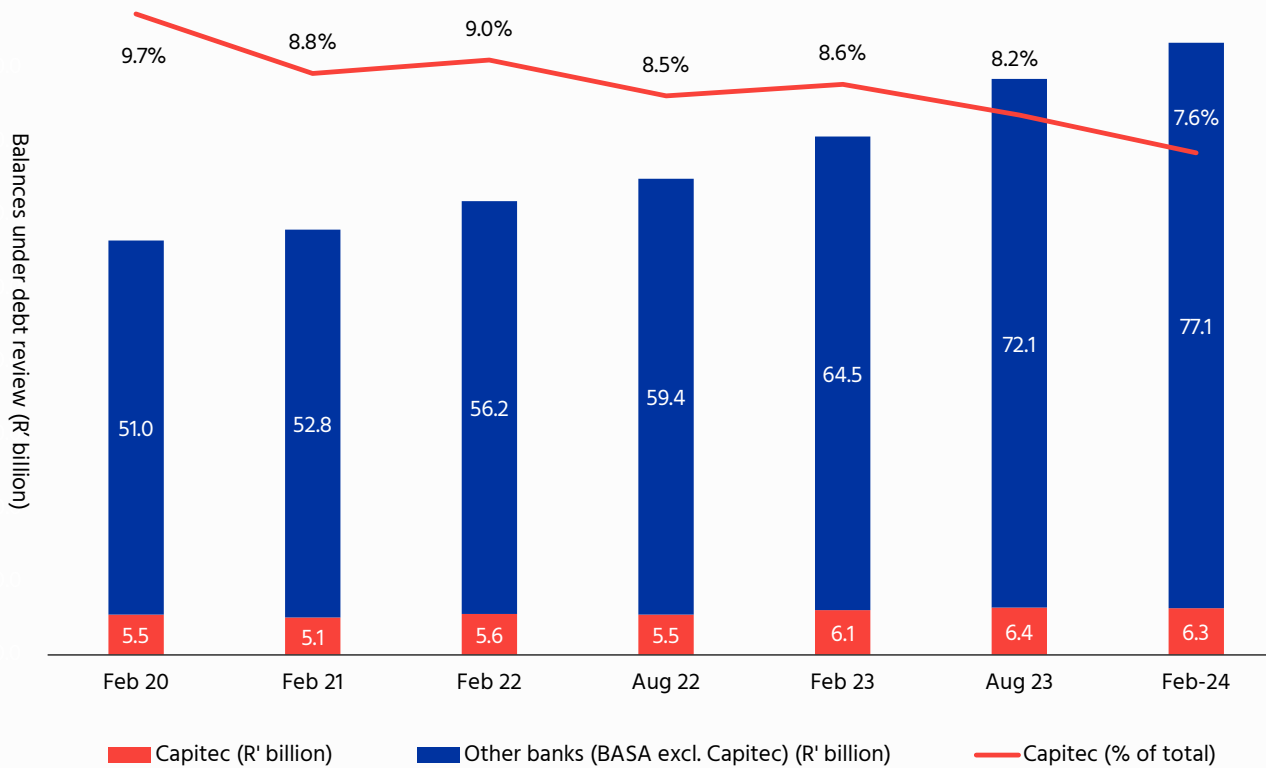


- **Live Better Academy** online platform and award winning **MoneyUp Chat** on WhatsApp
- **Better debt management**, savings planning, budgeting and saving
- **82%** of users surveyed expressed confidence in making better financial decisions after participating in the program



Our Response – Credit education and treatments

Debt review market share reduces from 8.6% to 7.6%

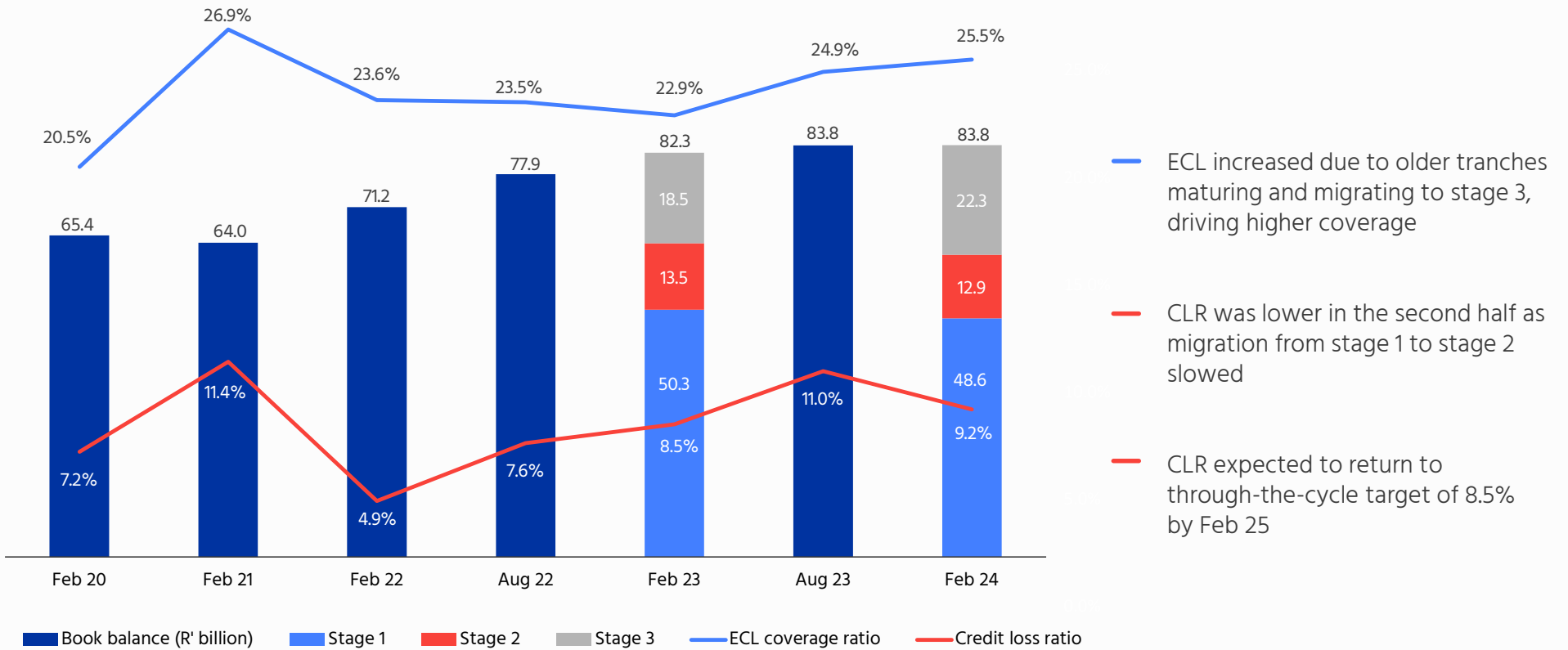


- **Debt Review Education campaign** across all media channels
- **Pre-delinquency campaigns** improved clients' performance by 16%
- **Accessibility** to treatments on the app increased treatments taken up by 21%
- **Cash rewards** for honouring arrangements improved clients' performance by 4%

Source: The Banking Association of South Africa (BASA) (Including balances in active debt review application)

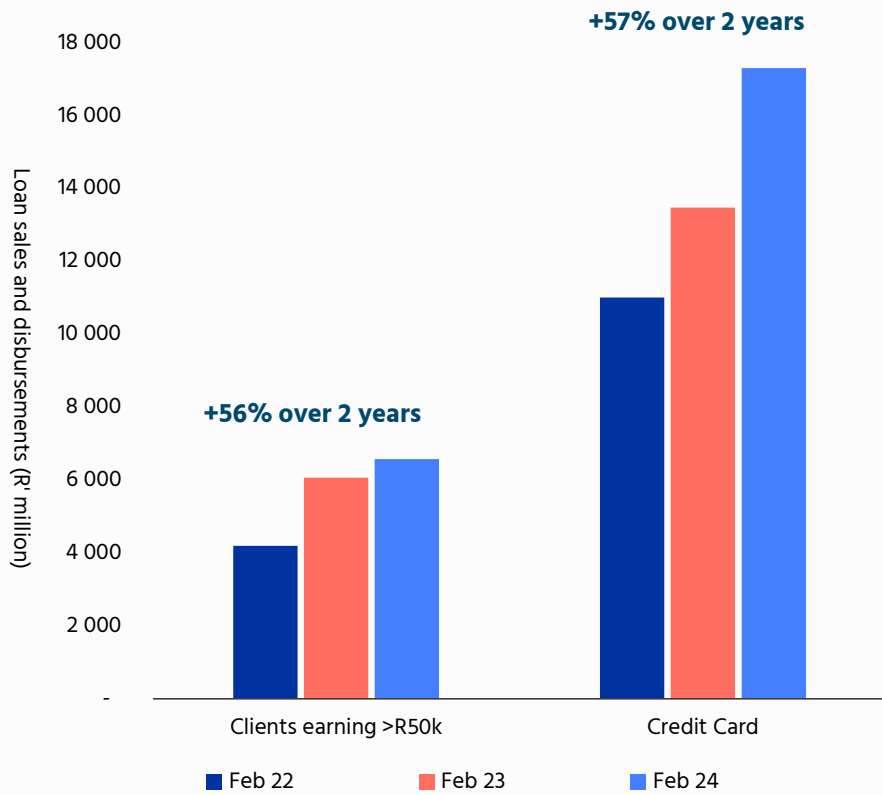
Result - Expected credit loss coverage ratio increased to 25.5%

Credit loss ratio (CLR) - decreased from 11.0% in Aug 23 to 9.2% at the end of the year



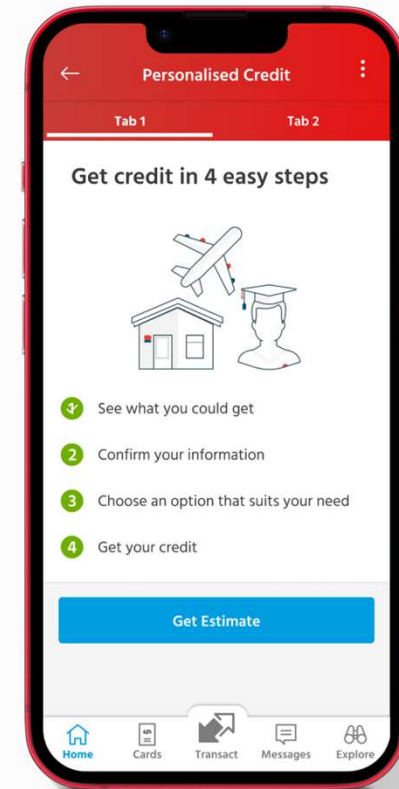
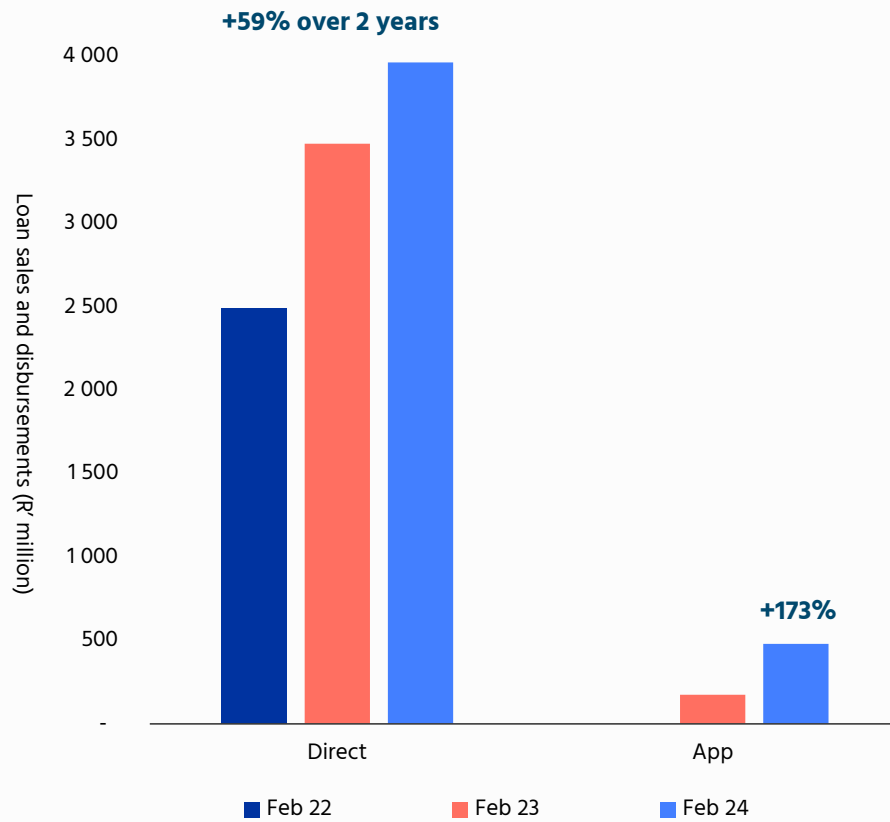
Diversification – Products

Increased sales of credit card to higher income clients grew market share by 35%



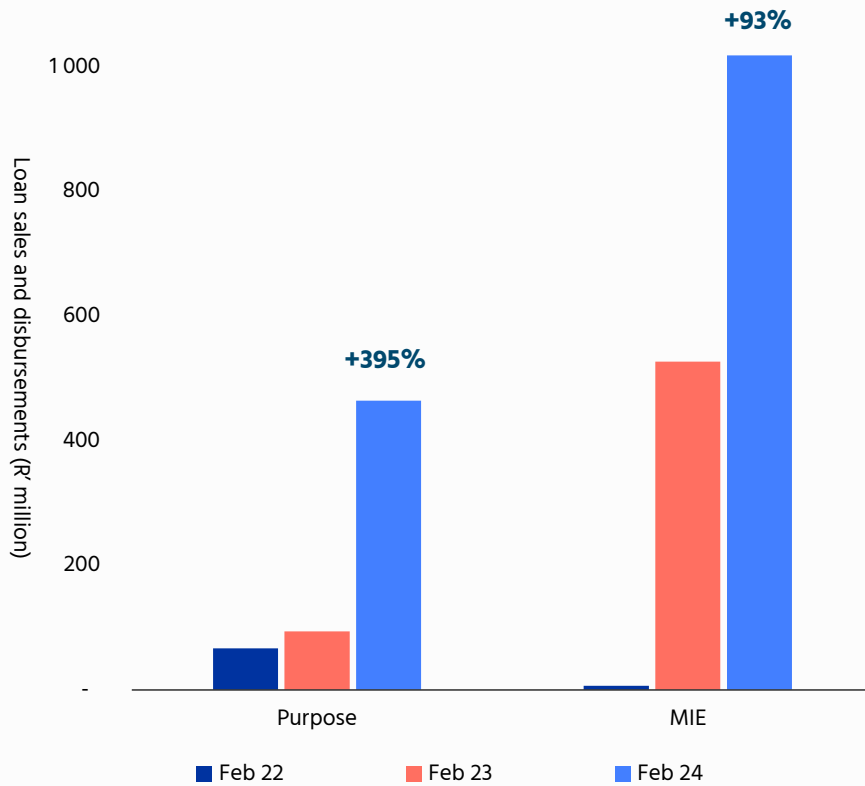
Diversification – Channels

Greater efficiency through direct lending and self-service on the app

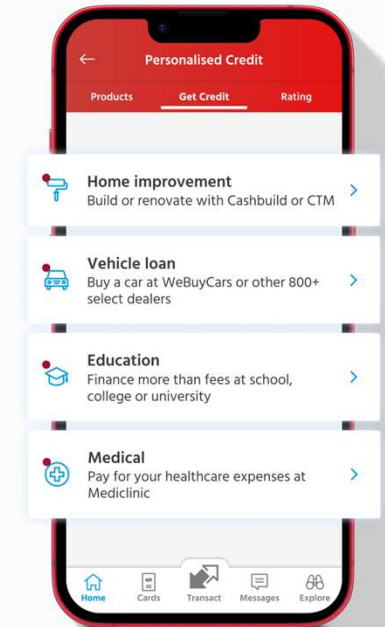


Diversification – New markets

Credit solutions designed for specific purposes and multiple income source clients



- **Vehicle Finance:** 8 additional WeBuyCars branches opened in FY24
- **Education:** 330+ Tertiary institutions
25000+ Schools
- **Home Improvement:** 450+ home improvement locations
- **Multiple Income Earners (MIE):** One-third of Gen-Z have side hustles



Insurance

More cover for less with our funeral plan
and credit life insurance

Insurance

Total profit after tax increased by 12% to R3.1 billion (Feb 23: R2.7 billion)

Credit Life

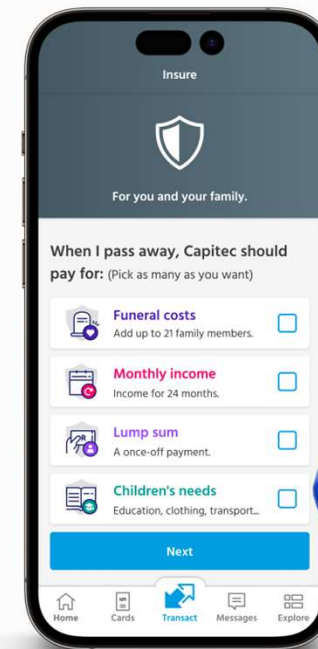
- Average sum assured increased by 3% to R75.2 billion
- More than 550 000 policies issued on our own license

Funeral Plan

- Active policies grew 23% to 2.7 million
- 12.1 million South African lives covered
- Market share: 35% of new business by sum assured

NEW Life Cover

- Employee pilot launched, available to market early FY2025



Business bank

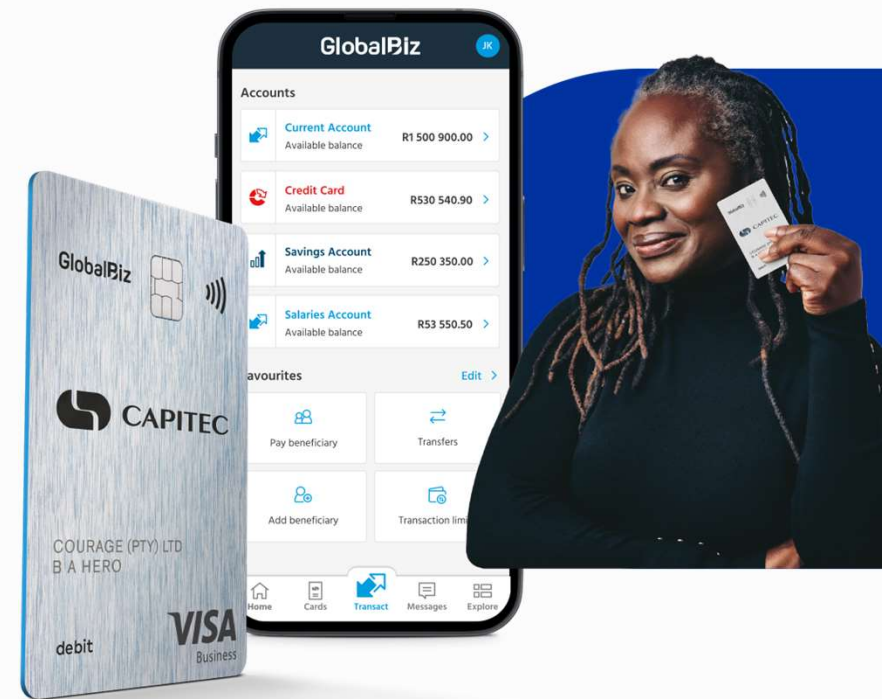
Digitally-led, relationship-based banking
accessible to all businesses in SA

Business bank value proposition

Simplified business banking for all based on our founding fundamentals

A single solution for all businesses – no discrimination

- Rebranded Mercantile Bank to Capitec Business
- Open an account online in minutes with no paperwork
- New app and online banking
- Relationship banker available anytime through call, online, or on our app
- New scored business overdraft
- Business, property and asset finance approved in days
- Additional business banking solutions:
 - Digital merchant commerce
 - Rental finance
 - Payment services
 - Forex



Financial results

Net profit after tax grew by 23% to R478 million (Feb 2023: R388 million)

Investment since acquisition whilst growing profit

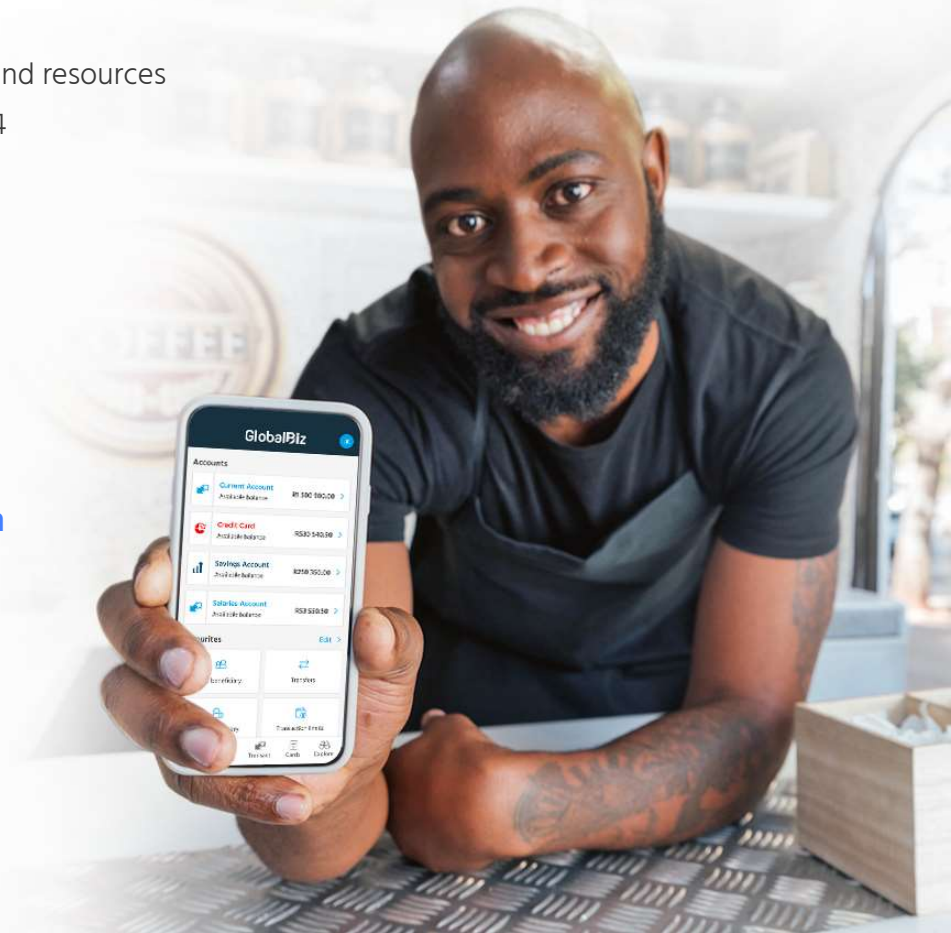
- Acquired for R3.6 billion in Nov 19 and made material investments in systems and resources
- Profit growth from R249 million pre-acquisition to R478 million profit in Feb 24

Gross loans and advances grew 23% to R19.1 billion

- Total credit impairment charges increased 55% to R322 million
 - Rental Finance's charges grew due to continued strain on the book
 - Business Banking's charges grew in line with our expectation
- Credit loss ratio for Feb 24 was 1.9% (Feb 23: 1.5%)

Net transaction and commission income grew by 8% to R855 million

- Supported by transaction volumes that increased by 16%
- Muted income growth driven by aggressive pricing and change in Merchant Commerce business model



Innovation led banking

New technology enabled better products and lower pricing in FY2025

NEW digital merchant commerce

- New card machines
- Open account and order online with free delivery
- Free daily settlements
- Lower commission rates
- Loan-based on turnover

NEW banking fees are 50% less than competitors

- Aligned to retail banking fees from 1 March 2024
- **Free** online banking and card payments
- **R1.00** for payments to another Capitec account
- **R2.00** for payments to another bank
- **R3.50** per debit order
- **R6.50** for immediate payments
- **R50** monthly fee



Group operating expenses

Investing for the future

Total expenses increased by 17% to R13.9 billion

Average annual increase of 14% over the past 5 financial years

Key drivers of expense growth

- Building, rebranding and scaling of Capitec Business
- Building of new insurance business
- Rebuilding of IT platforms and systems
- Migration of data and systems to AWS cloud solutions
- Diversification of income streams via launch of new products

Continuous investment

- Maintain and enhance system stability and availability
- Enable business to handle increase in transaction volumes at scale
- Grow our business in line with long-term strategy



Social Impact

Making a difference for our people, communities and environment

Social Impact

More than R100 million invested in financial education and community initiatives

Environment

- Carbon footprint decreased by 3% from prior year
- Saved 15 491 trees through paperless branches in the past year

Social

- More than 10 700 individuals reached through the Capitec Foundation whole school model
- Nearly 24 000 grade 7 learners impacted through Budget Champs financial education game
- 152 community projects with 2 456 Capitec volunteers

Clients

- Clients received R541 million for participating in our Live Better programme
- R2.2 billion in interest paid daily balances (up 25%)



People and Culture

This remains a key ingredient of our success

People and culture

Creating focus, clarity and energy in our teams ensures we deliver against our purpose

Leadership

- Leadership Academy programs to create depth and bench strength

Talent Development

- 58% of new appointments from internal candidates
- Internal mobility program develops talent from branches to head office functions
- Internal academies develop specialist skills

Focused Business Ownership

- No silos
- Shared goals cascaded across divisions
- Clear accountability



The future

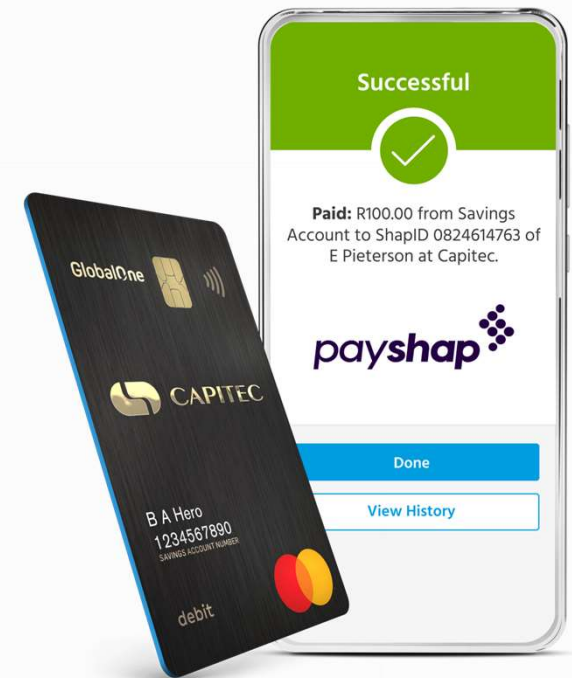
Create value beyond banking

Key strategic decisions for future growth

Short-term impact on profitability gears the group for long-term growth

Key decisions with a financial impact in FY2025

- Alignment of cash withdrawal fees for Capitec and non-Capitec devices
- Lower payment fees on PayShap and immediate payments (RTC)
- Alignment of Business bank fees to Retail bank
- Reduction in Merchant commission rates and change in business model
- Building of own insurance business, exiting of cell captives and migration of policies



AvaFin Holdings Limited

One of the leading digital lenders in Europe and Mexico

Business overview

- A leading online lender
- Operates in 5 countries with over 360 employees
- Key financial performance indicators:
 - Gross loans and advances: EUR44.5 million
 - Net profit: EUR8.3 million

Acquisition of controlling interest

- Purchase price of EUR26.3 million for additional shareholding
- Shareholding increased from 40.66% to 97.69%

Rationale behind acquisition

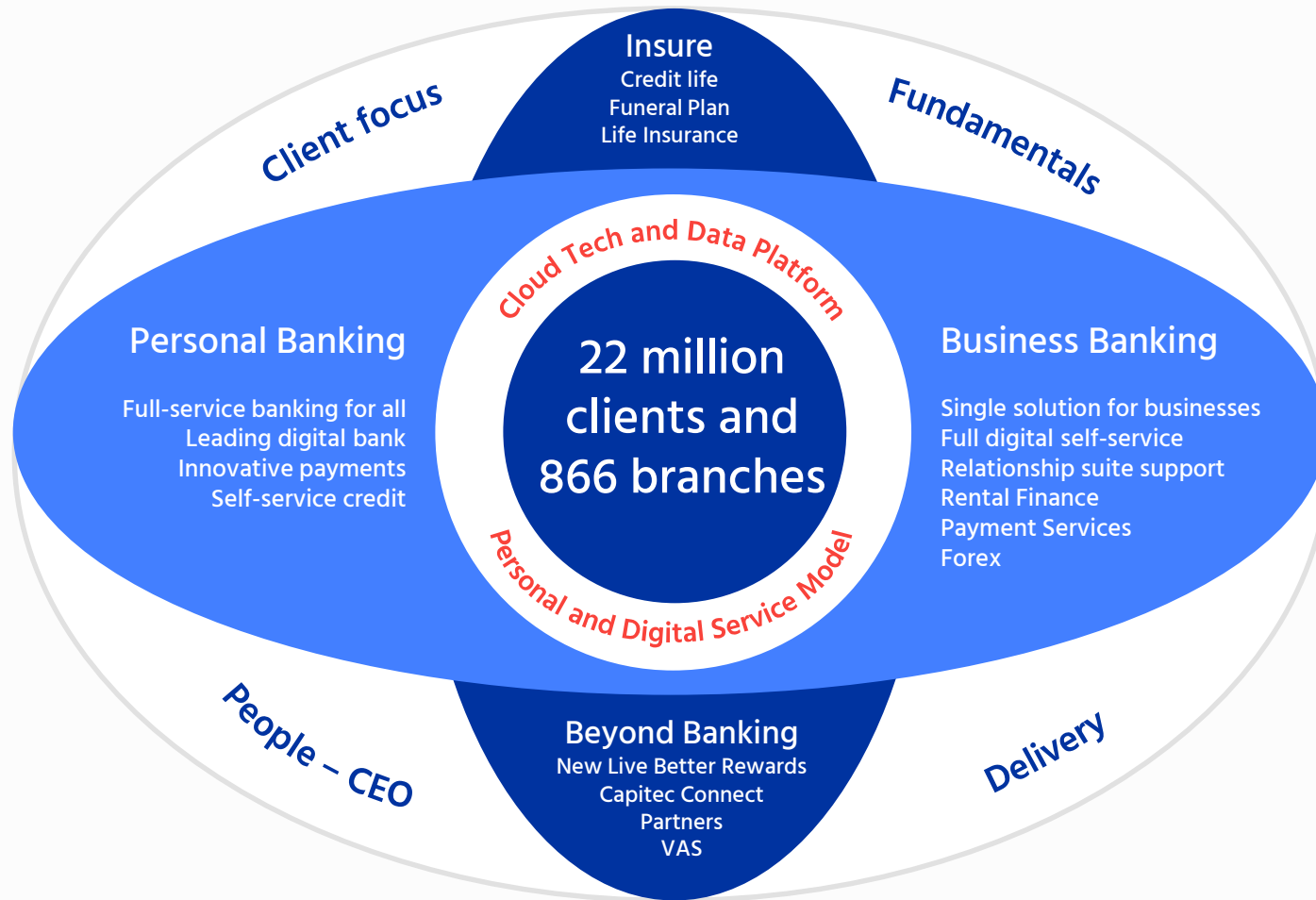
- Geographical diversification
- Experienced management team
- Strong cultural fit



 AvaFin

Our strategy starts with client needs and is built on culture

Enabled through people, technology and data and guided by our culture



Thank you

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